

Week In Review

OLLI-GMU Investment Forum

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Ground rules: We do not discuss politics or specific amounts of money invested

Today: World and US economies review

Diesel crisis is emerging

Stock and bond market update

PEG ratio and Magnificent 7+ review

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Disclaimer: I am not a certified financial analyst.

Any trading decisions you make are your responsibility

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World diesel crisis imminent (Jet fuel, too)

- The problem: world supply of diesel not meeting demand
 - Some countries running out: S. Korea, Pakistan, Philippines et al
- Middle East countries' exports are cut off
 - 10-20% of world diesel passed through Hormuz prior to war with Iran
 - Saudi Arabia, Kuwait, Iran, UAE exports halted
 - Russia has lost 1/3 of diesel refining capacity
- NOT crude oil supply: the core problem is lack of refining capacity
 - Europe especially vulnerable
 - 30 refineries closed in recent years
- China is shifting refining capacity to diesel
 - Their crude oil inventories are dropping fast
- US diesel inventories are stressed
 - Lowest levels since 2003
 - But we continue exporting large amounts
 - US does not have diesel pipeline distribution capability
 - Agriculture and food distribution operations at risk
- Should we ban exports?
 - Big public debate in progress
- My observation: Diesel crisis would have happened eventually but war with Iran was the trigger

US Economic commentary

We have a strong economy amid considerable uncertainty

- Sum of all fears: wars, oil prices, inflation, government debt, AI kills off humanity
- US – Iran war is expanding
 - Houthi rebels aim to control Red Sea
- US economy continues strong; recession risk is low
- Q3 GDP growing: 5% forecasted by Atlanta Fed
- Inflation steady at 3.4%
 - Fed raised interest rates by 0.25%
- Unemployment steady at 4.1%
- Diesel prices at all-time high: \$6.51 / gal
 - Up 75% YoY
- Housing prices are steady, but declining in real terms
- Commercial real estate making a comeback
 - New York leading the way
 - Office REITs remain under-valued
- ISM PMIs at 54%; impressive expansion

Market Commentary

Stocks sanguine

Bonds looking more
attractive

- Higher interest rates? Meh.....
 - Fed interest rate raise may not matter much
 - October, December raises matter more
- NASDAQ closed at a record yesterday
- S&P500 stocks have significantly reduced debt past 10 years (Barrons)
 - 1.7 debt/profits 10 years ago vs. 1.3 now
 - Earnings are 26% higher, YoY
- CNN fear gauge: 36; fell to fearful
- VIX: fell to 14.2; neutral
- Put/call ratio falling to 0.72; neutral
- AAI Investor survey: 29% bullish; 53% bearish

Now what?

- US economy is strong amid significant uncertainty:
 - War with Iran, Russia-Ukraine war; oil prices, inflation; government debt, AI kills everyone
- Fed interest rate increase may not matter, for now
- Bond market yields rising; opportunity emerging?
- Stock market is range-bound but confident with strong earnings
- Protect yourself through diversification, stop loss orders and put options

Quote of the day

“I don’t make jokes. I just watch the government and report the facts.” Will Rogers, 1909

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