

HOLD ON LOOSELY

May 28, 2025

Rock music in the 70's was a real concoction. There were the folk singers in the Bay Area, Hair Bands springing up in LA, the European invasion and then you find Southern Rock. One band tried to break out from the shadows of the Allman Brothers and Lynyrd Skynyrd was 38 Special. In the late seventies, they were struggling to get on the charts. They decided to take a break and look for inspiration in the music of bands outside their genres. They found themselves gravitating to the sound of The Cars, and their 1978 hit, Just What I Need. Several months later, 38 Special hit the chart with the single, HOLD ON LOOSELY. The influence was unmistakable.

You see it all around you
Good lovin' gone bad
And usually it's too late when you, realize what you had
And my mind goes back to a girl I left some years ago,
Who told me
Just Hold On Loosely
But don't let go
If you cling to tightly
you're gonna lose control
Your baby needs someone to believe in
And a whole lot of space to breathe in
It's so damn easy, when your feelings are such
To overprotect her, to love her too much
And my mind goes back to a girl I left some years ago
Who told me
Just Hold On Loosely

Shameless Promotion

Patriot Asset Advisors presents the
Money Minute with Mike Cornell,

Monday's at 5:10pm. Each week, we briefly chat
about celebrities and money issues on [KOOL 101.7](#).
Tune in to hear how your favorite rock stars handle
money.



Our message to clients, Hold on Loosely. Tariffs come, and to quote Lynyrd Skynyrd, They Will Pass. But we do want to pay attention to the music of the markets.

It is often said that history does repeat itself. We have concluded that the music of the markets has changed, and investors would be wise to pay attention. We may be headed back into a type of post war economy from 1966 to 1981. A time with higher inflation and when commodities holding did very well.

WHAT HAS CHANGED?

Investors have been conditioned that if the stock market ran into a rough patch, the bond market would be your friend. For over 4 decades, every time the stock market went down, bond prices went up (bond yields down). That music stopped in 2022. The Federal Reserve looked inflation in the eye and decided to try and tamp it out. Rates went from the artificially low rate of near zero to 5% over a 9-month period of time and rocked the stock market.

Now we have a President that wants to change the American economy back to an industrial powerhouse. To incentivize investment in the United States, we find government using a carrot and Big Stick approach.

This has upset the markets. While the White House and Congress may have significant influence, THE BOND MARKET IS KING. Least we forget, the US is 37 trillion in debt. The bond market owns us.

Beartraps Report Sunday, April 13, 2025

*In life, we all have lived through those experiences that one just can't unsee. When it comes to marriage or any relationship, when trust is broken, it can take a long while for the much-needed healing. We have come to the breaking point. For some extremely powerful reason, Americans elected Donald Trump, President of the United States, twice, and the White House feels it's their mandate to try and fix 40 years of problems with a sledgehammer overnight. Yes, as we stressed 3 times in December and a few times in January, they want to take the pain as far away from the midterms as possible. The problem is this is NOT as simple as ripping off the band-aid. Yes, middle-class Americans have been on the losing side of globalization for a long time, but the "fix" and the execution of that fix are having colossal consequences – **SIMULTANEOUSLY across stock, bond, and foreign exchange markets.** We have made the point for over a month now: unintended consequences and known unknowns are metastasizing at an alarming rate.*

*From the U.S. dollar to Treasury bonds. For decades, the traditional flight to quality bid that has been as dependable as the sun coming up in the morning is now fleeting. What we are experiencing in markets is the early-stage genesis of the U.S. dollar's decline. We want to stress this with NO dramatics. If the U.S. was light years away from emerging market status, this dilemma is now approaching our solar system. Still thousands of miles away but approaching fast. **Bonds, the dollar, and equities are screaming this fact.** The only thing that will actually trigger a sustained recovery is Congress reasserting its power over taxation (tariffs) so the markets can actually find certainty again.*

*In our latest book (**When Markets Speak**), **we make the point that globalization essentially shoehorned much of our planet's wealth into U.S. assets, primarily stocks and bonds. Our thesis points to a great migration and a paradigm shift in global asset allocation.** Global asset allocators now have a big problem. President Trump just placed an exclamation point (!) after the term multipolar world. **The recent rate of change in capital flows out of the USA is the fastest reversal we have seen in decades.** When you see stocks, bonds, and the dollar go down this fast together, that's supposed to be an emerging markets thing, NOT a U.S. thing.*

For generations, Americans have heard the sermon preached about a balanced approach and the 60% stock, 40% bond portfolio providing diversification and a balance approach to prudent investing. **What happens if there is a new paradigm...What happens if that is no longer a reality?**

It is our belief the investor should be cautious with “longer maturity bonds.” What do we mean? There are 3 components to bonds. Interest rate, price and years to maturity make up the three. When a bond is issued, it is usually issued at \$1000 per bond (called par value). Usually, the interest rate is determined when the bond is issued (for example, let’s say 5%). Since those two components are set and static, for bonds to function properly, the variable must be the price.

Let’s look at this in practice. In 2021 when interest rates were extremely low, Apple Corp issued a bond at par (\$1000/bond) that would mature 40 years later with a fixed interest rate of 2.8%. In the bond market today, corporate bonds with the credit quality of Apple Corp are yielding 5.05%. Since investors can invest in income greater than 5%, an investor holding the 40-year Apple Bonds would own bonds that have current market value of \$577.20.

Why is this the case? It is all about the interest income.

\$100,000 invested at 2.8% is \$2800/year for 40 years is \$112,000.

\$100,000 invested at 5% is \$5000/year for 40 years is \$200,000.



It is holdings like this that are upside down underwater bonds, which got Silicon Valley Bank and others in trouble 2 years ago. We believe there are several banks, brokerages, hedge funds, pensions and others that hold large amounts of underwater bonds. It would not be a stretch to believe that some outside event may cause markets to become unsettled for a short period of time.

Yes, the investor can hold to maturity to receive \$1000. But the “Mark to the Market” value is 43% below the original price, according to tradingview.com. So, the point of this story is that longer maturities are more volatile than shorter maturities. In today’s market, we are of the opinion that we are seeking income from bonds and Not Capital Appreciation. Yes, one can get capital appreciation in bonds and from time to time, it

may make sense to try and achieve greater capital appreciation in a bond portfolio. We don't believe this is one of those times. We will leave that area to the hedge funds and speculators.

For the stock market, ponder this fact for a moment. According to Larry McDonald, roughly 10 years ago we had:

- Nasdaq 100 (the largest NASDAQ Company) had a total valuation of ~ 4 trillion Dollars
- Total value of All Energy Companies in the World was ~ 3 trillion Dollars
- Feb 19, 2025, the value of NASDAQ 100 was ~ 27 trillion Dollars
- April 18, 2025, the value of NASDAQ 100 was ~ 21 trillion Dollars
- Energy stocks are roughly unchanged over the last decade.

We believe this is going to change dramatically as money continues to roll out of the Overpriced NASDAQ 100. Currently, the energy sector has a 3% allocation in the S&P 500. We have made the point in the past that Energy represented over 20% of the S&P in the early 80's. It may very well go back to over 10% in the next 5-10 years. A mass migration is happening around the world. Be sure to listen to the music.

Investors have been conditioned by advisors and the media to sit on their hands and do nothing in time of financial stress. We believe that investors should Hold On Loosely. Own great quality investments (But Don't Marry Them – don't be blinded by history, let's learn from it). Don't lose control and make rash decisions. Take your time and make prudent financial decisions. Talk with your Patriot Asset Advisor and review your unique circumstances. As pointed out by Mr. McDonald, we may have entered a new era and investment capital may continue to flow from the United States. Just as streams and rivers change course, investment capital will flow to where it finds the best Risk/Reward markets. With 37 trillion and counting in debt, there may be other opportunities beyond our borders.