Special Report

BUY, HOLD AND HOPE….OR?

For most of your investing life it has been the suggestion from financial advisors, and those on the radio without financial credentials, just hang in there. We have seen volatile markets before.

I am not suggesting a wholesale account liquidation. I am suggesting that there is a different, and possibly more profitable approach.

In Nov of 2021, I penned a special report "How will ESG Impact Your Investments". I discussed global energy demand, inflation, and The Federal Reserve. Over the past decade the Capital investment in the energy sector has been reduced by 2.4 trillion. Now this colossal mistake is coming home to roost in the form of much higher fuel prices.

Our January 2022 Special Report, "Tremors", highlighted the Oil Markets. Oil has been a present factor in every recession since WWII. Per barrel oil prices are at the highest price since the mortgage crisis. Oil prices are determined by the global supply/demand, and the speculation will it go to $150 per barrel and will it be the final straw? Are we on the brink of another recession? What is the advice you are receiving on how to invest in these troubled times?

We believe the investment world has entered a new investment paradigm coming out of the Covid lockdowns. Many investors, in our opinion, are positioned with the last decade in mind. In this new investment world, it may be more about energy and natural resources at the expense of the high-flying technologies stocks.

For many years money poured into the tech stocks without regard for value. Everyone wanted to own them. Is there a possibility that capital is misplaced? From our friend at The Bear Traps Report:

S&P 500 Composition 1981	Jan - S&P 500 Composition 2022
Energy: 27%	Info Tech: 29%
Industrials: 12%	Healthcare: 13%
Materials: 10%	Cons Disc: 12%*
Info Tech: 10%	Telecom: 10%
Healthcare: 9%	Financials: 11%
Utilities: 8%	Industrials: 8%
Cons Disc: 7%	Cons Staples: 6%
Telecom: 6%	Real Estate: 3%
Financials: 6%	Energy: 3%**
Cons Staples: 5%	Materials: 3%
	Utilities: 2%

*Amazon and Tesla make up 40% of cons disc.
**Down from 14% in 2012, 27% in 1982.

Ladies and Gents, there are still trillions stuck in financial assets. Fed Chair Powell essentially told us stagflation is here. The Fed raised their inflation outlook and lowered their economic growth assumptions. The Fed lowered its US economic growth forecast in the face of war and inflation - It now sees the economy expanding by 2.8% this year, down from the 4.0% it had predicted in December.

Again, NO ONE knows where equities will move tomorrow – but the handwriting is on the wall – the risk – reward at this point is extremely poor on the long side. We have seen VERY little capitulation stress in some of the crown jewels – Apple AAPL and Tesla TSLA alone are valued at $3.6T this weekend, that´s 15.6% of U.S. GDP – "NO THANKS" – we´ll pass.

The risk-reward for the high-flying tech market is very poor. We are coming OFF a $10 Trillion – fiscal and monetary stimulus…and, Jerome Powell just took away the punch bowl. The credit/debt -bond markets are very stressed. The Russia situation has exposed a number of large banks, mostly international. The "come clean" moment of the big banks in increasing every day.

Rotation

We are in the middle of what may be the most significant Sector Rotation in 40 years. Well informed investors are moving out of High-Tech in mass and moving into the unloved segments of the stock market. This event doesn't play out over night; it takes months and can be a bit of a roller-coaster ride. But, make no mistake, we are living in a very different world with the Federal Reserve stepping up to fight inflation.

It is this moment in time that can offer investors great opportunities. Every market presents opportunities if you know where to look. Here is the present landscape:

- Bond prices and bond yields have an inverse relationship – as rates rise prices fall
- Growth oriented stock holdings are grossly overvalued as highlighted above
- Inflation and raw material and commodity type investments are in focus

Many investors may believe they are diversified because they own several mutual funds. What happens when all of your mutual funds own the same stocks…Apple, Google and Tesla?

Why is Patriot Asset Advisors different? First, we don't own a basket of tech-ladden mutual funds. We take a more balanced approach of investing with wider mixture of investments for broader diversification. Secondly, for investors with over 300k of investable net worth, we offer a unique investment portfolio that may offer inflation protection and compliments our traditional investments. Ask us how this works and why you may benefit.

The bottom line, you don't have to sit on your hands during these challenging times. Investment opportunities are present in virtually every investment cycle. Following the herd is not an investment strategy. Let's discuss how Patriot Asset Advisors can help you reduce risk and possibly improve your investment returns.

All the Best,

Allen Stocker, CFP®

Managing Partner and Chief Investment Officer