THE GOOD: From Jeff Saut, of Saut Strategies: "On stocks since March of 2009, having written back then, 'I think we are entering the biggest secular bull market of my lifetime.' WOW…what a run! Secular bull markets tend to last at least 15-20 years and sometimes longer. We are 13 years into this "bull run" as most figure. It suggests that we have at least a few more years on the upside, if not more. Yet, many investors remain scared and shy of stocks. They remain concerned that a stock market crash is coming. Ladies and Gents, history shows there is only one stock market crash to a generation, and we have seen ours (I am actual in Barron's predicting a crash in September 2008)."

"The Industrials subsequently declined from 13,000 in April 2008 into the generational low of 6547 in March 2009. It was a brutal decline with many individual stocks falling 80%-90%. Unfortunately, many investors adhere to the stock market mantra, 'It is time IN the market not TIMING the market.' I guess if your time horizon is unlimited, that would be true. However, for most participants a decline of 70%+ is too much for them to handle and they tend to sell their portfolios out near the bottom. I have seen this happen time and time again over the past 60 years I have been investing in stocks."

Jeff continues, "In late 2008 the stock market had been in a severe downtrend since May, when began a bone crunching decline from the high of 13000 in the Dow Jones Industrial Average. And then in November 2008 the equity markets began a bottoming process. Come March 2009 the Dow formed a final bottom around 6550 and I was aggressively bullish as I wrote, 'we are entering what is likely to be the greatest secular bull of my lifetime.' So, it was said, and so it was. Sure, there were pull backs along the way, pull backs in an on-going secular bull market. I think we remain in a secular bull market that had years left to run. Since those March 2009 lows the S&P 500 (SPX/3965.34) has risen to above 4000 for a gain of more than 500%. Secular bull markets tend to last 15-20 years. "

"Interest rates should rise a touch more but not enough to choke-off the economy as GDP grows between 2%-3%, which allows earnings to continue to expand. I think there is no recession in our immediate future. 'Feel the fear and do it anyway', is a quote often used in these missives. And some of my best investments have come when I was afraid."

David Kotok (Cumberland Advisors) writes: "While real GDP growth in the first of the half of the year was negative, it increased by a solid 2.6 percent (annualized rate) in the third quarter (the most recent period for which data are available). The current quarter to that point shows real GDP growth for the fourth quarter up by an annualized rate of 4.3 percent."

As his colleague Robin Douglas writes: "Since 1928, US S&P 500 has had 66 Bull Markets and 28 Bear Markets (bear markets are greater than 20% declines) with an average decline of 36% to date. During my career I have survived 8 Bear Markets with an average decline of 37.8% and average length of 354 days while enjoying 7 Bull Markets with an average increase of 232% and average length of 2988 days. The probabilities certainly favored the bulls! The third quarter of 2022 had the longest quarterly losing streak since 2009. Even with a well-diversified portfolio…there has been nowhere to hide".

And as Jeff says, “with 26 stock market corrections (a market correction is more than 10% down, but less than 20%, and with 20% or greater defined as a bear market), since WWII with the average decline being 14% recoveries from those declines have taken on average only four months. (Despite these corrections) I continue to believe that we remain in a secular bull market for the following reasons:

1) Valuations are more attractive than they were prior to the drop.
2) There is plenty cash on the sidelines.
3) Investor sentiment is too bearish.
4) The Fed is likely to become less hawkish.
5) The U.S. dollar is likely in the process of peaking.
6) The economy is unlikely to spill into a recession.
7) Earnings estimates are likely to slow.”

“We’re at the same level as May on the S&P 500, despite all the bad news,” says Jim Paulsen, Chief investment strategist at the Leuthold Group. “There have been multiple rate hikes, bad inflation reports, tech earnings disappointments, and higher long bond yields.” Paulsen doesn’t buy the ‘lost decade’ talk that stocks will do poorly in the 2020s.

He’s encouraged that the treasury bond market is ignoring hawkish (further rate hike) comments from some Federal Reserve policy makers. “The 10-year Treasury is ignoring the Fed, which isn’t uncommon at the end of tightening cycles,” Paulsen says. “There’s an idea that the stock market takes off when the Fed stops raising rates, but it actually moves when the bond market stops raising rates.”

He sees the S&P 500 topping its old high of nearly 4800 set in early January of ‘22 and reaching 5000 in the next year, a gain of almost 25% from current levels. The index now trades for a reasonable 17 times 2023 estimated earnings. Paulsen says that "stocks generally move ahead of earnings at the beginning of bull runs. And he’s encouraged by several factors including lower inflation and rising confidence among consumers and small businesses. The bond market sees inflation of just 2.5% annually over the next five years, down from recent readings of about 8%. If bonds are right, stocks could head much higher. “

THE BAD: From Bert Dohmen of Dohmen Capital Research: “The frenzy in all assets over the past 4 years has been unprecedented. Just over 12 months ago (November 25, 2021), right at the peak of the bull market, Bloomberg published an article with the headline: *“Stocks Funds Took in More Cash in 2021 Than Two Decades Combined.’”*

“According to that article, investors poured in over $900 billion into ETFs and long-only funds in 2021, which **exceeds the total past 19 years combined**. This is a remarkable statistic! **“The hangover is proportional to size of the fun you had at the party.”**

“At the top of the rally in late 2021/early 2022, there were 2000% and 3000% gains in some of the “meme” stocks. The frenzy in SPACS, NFTs, stocks without any earnings headed for extinction, the reckless speculation in cryptos, which we called the ‘figments of imagination’, all this fun was incredible”.

“The hangover started with the New Year of 2022. Since then, it was reported that **over $46 TRILLION in value of stocks and bonds globally has been wiped out this year (as of September 30, 2022).** That of course is so far above the old record that rational people must question the sanity of these investors”.

“The GREAT RESET, introduced at the World Economic Forum (WEF) in June 2020, is here. It is changing the world as we used to know it. One tool for this is the massive “free money” creation of the major central banks including the Fed. At zero to 0.25% the cost of short-term interest rates, it was far below the cost of inflation and thus money was ‘free’. In Europe, the central banks pushed rates below zero. Buyers of bonds actually paid interest for the pleasure of lending their money to the government. It sounds unfathomable to people here in the U.S., but it’s true! Never in the history of mankind had this happened”.

“The bursting bubble is always painful. **The pain of the bursting of a massive, record, historic bubble is excruciating**. Combine that with the radical political leadership in many countries, and we conclude that this is a change that will take decades to implement and then undo. Of course, the Fed can and will eventually try to absorb the shock with another historic bubble of reflation”.

“The reality is that a 60/40 portfolio was down 34.4% by mid-October of 2022- its worst performance in a century- according to Bank of America as stated in Barrons on October 24, 2022 (page8). According to Dohmen, the subsequent yearend rally in stocks and even US Treasuries, was well organized and meant to be eye-catching. The Lehman Brothers crises in 2008 was a lesson to the “4 horsemen of the Apocalypse” (the 4 horsemen are: SEC, US Treasury, Federal Reserve, and WH), **that it is cheaper to intervene and manipulate the markets rather than bailing out failing financial firms”**.

Dohmen’s thinking early November was,” that rally was well organized to prevent a financial crisis that could have been unleashed by a collapse of over 2000 crypto firms. Therefore, the rally had to be huge to get everyone’s attention and it must endure for more than a few days. History shows that manipulations are usually short term and eventually market forces win out. Remember the real reason for this year’s decline was that stocks became excessively overvalued last year”.

“Cryptos actually have no intrinsic value. Cryptos are merely computer entries for which investors spend good money that had actual value”, says Dohmen. “The crypto craze was mass hysteria, like the Tulip bulb bubble in Holland several hundred years ago, the South Seas bubble, and the Mississippi bubble. Each was based on greed, investing in something of basically no intrinsic value”.

Dohmen believes that “the powerful entities in Washington mentioned above have weaponized the PPT (Plunge Protection Team), which has the mission to ‘preserve orderly markets”. (He suggests searching “Plunge Protection Team” or “President’s Working Group on Financial Markets” in duckduckgo.com).” We think there has been ‘mission creep’, making big rallies a cheaper way to bailing out the markets and preventing credit market events. That is important as it puts a temporary soft floor under price”.

“Moreover, because today’s higher inflation is a global phenomenon, most central banks are tightening at the same time, thereby increasing the probability of a synchronized global recession. Bubbles are deflating everywhere- including in public and private equity, real estate, housing, meme stocks, crypto, SPACS, bonds, and credit instruments. Real and financial wealth is failing, and debt and debt servicing ratios are rising.”

Financial and geopolitical cycle analyst Martin Armstrong says,” Europe is in big financial trouble with Russian natural gas turned off as a retaliation from the sanctions. In Europe, I believe they are deliberately doing this, and this is Klaus Schwab’s ‘Great Reset’. They know they have a serious problem.

“They lowered rates to below 0% in 2014. They just started raising interest rates. Meanwhile, they ordered all the pension funds throughout Europe to have more than 70% in government bonds. Then they took it (interest rates) negative. All the pension funds were insolvent. Europe is fiscal mismanagement on a grand scale. There is no way it can sustain itself. The debt market over there is undermining the stability of all the banks”.

“The (U.S.) stock market not facing a 1929 event or 90% fall here. Europeans by January of 2023, as this crisis in Ukraine escalates, anybody with half a brain is going to take whatever money they have and get it over here. So, where is smart money going to go”? Armstrong says, “Stocks are like gold, it is on the same side of the table and is opposite government deb”.

From Andrew Adams of Saut Strategies: “I felt I needed to get more knowledgeable about geopolitics since they seem to have an ever-increasing impact on the markets. A name that kept coming up was Peter Zeihan, with his 2014 book, 'The Accidental Superpower'. Since I figured that would have allowed for some time to pass to see just how accurate his takes have been (and so far, they’ve been pretty accurate, including him saying back in 2014 that Russia would have to become more aggressive by the early 2020s and likely start by invading Ukraine). Its main point is that thanks primarily to the unstoppable force of demographics and a dismantling of the Bretton Woods world order established after WWII, Zeihan argues that the planet is headed for hard, chaotic times over the next 10-20 years and there’s little that can be done to stop it. However, he also believed the United States should be able to best withstand the crises thanks to the unequaled combination of geopolitical and economic factors that turned us into ‘The Accidental Superpower’ in the first place”.

“Demography seems to account for much of what we’ve experienced over the past half century. It’s no secret that the ‘baby boom’ that occurred across the developed nations after WWII has had a profound effect on the world. But how much of that effect has extended to the financial markets over the past 50 or so years? “

“Boomers entered their prime earning/spending years in the 1980s and 1990s. It does correlate quite well with the corresponding ‘boom’ in the markets and collapse in interest rates and inflation that began around that time. As this huge generation started to become the dominant members of the workforce in the 1980s and then the primary capital providers in the 1990s and 2000s, it produced an unprecedented economic and asset price expansion over these 40 years. The only real interruptions came in the early 2000s when it got too far ahead of itself and corrected back down toward the long-term trend before restarting again.“ Around the same time the boomers became the dominant generation earners and also had other paradigm shifts such as: the rise of the computer and internet; the fall of the Soviet Union and communism; the emergence of more women in the workplace; the outsourcing of manufacturing to cheaper countries; and arguably the most peaceful time in world history that allowed much of the developed world to spend less on the military and national defense while the United States played the role of global police force. When combined, these factors have produced a boom period of unparalleled wealth (at least for the top strata of society). The problem, of course, is that now most of these tailwinds are starting to either become headwinds or unwinding to the point that they no longer have impact on growth that they once did.”

“The youngest baby boomers are now entering their 60s while the oldest are in their mid-70s. They are leaving the workforce, reducing their spending as they enter retirement, and not only won’t have the steady income regularly flowing into the financial markets to serve as a capital base but they will be

pulling money out of the markets instead. That wouldn't be as big of an issue if not for the fact that Gen Xers have now become the dominant demographic in terms of earnings and spending potential and as a group, they are considerably smaller than either the baby boomers or millennials that follow them. In short, there are not enough workers/consumers/investors to replace the ones being lost by the retirement and passing away of boomers. And since economic growth is largely a function of the growth of the labor force and its productivity, it follows that economic growth expectations should be kept in check relative to what they have been (particularly considering that U.S. productivity just posted its worst back-to-back quarters since 1947 and its worst year-over-year drop ever last quarter according to Bloomberg). Inflation and interest rates could remain on the higher side, too, as fewer productive workers competing for jobs puts more negotiating power in the hands of those workers."

"Zeihan argues the U.S. is actually in a better spot than much of the developed world. Countries like Japan, Germany, and China have an even older population and less access to natural resources. Back in 2014, Zeihan wrote in the early 2020s as global economic growth slows, nations will struggle to hold together. We will see deglobalization and increased conflicts between powers fighting to secure resources like food and energy needed to sustain their populations. "

"The helicopter money of the past couple of years had helped to prop up a system, except for relatively short periods like the early 2000s and 2007-2009 when assets reverted back toward long-term trends after getting severely extended. It stands to reason that the financial markets will feel some effects in the years ahead. It bolsters my belief that the focus going forward should be on thinking more tactically and defensively. Investors have poured money into stocks recently at their fastest pace in eight months according to Bank of America, and inflows into equity mutual funds and ETFs are on pace for their second-biggest year since 2013 according to the WSJ."

And from market consultant Felix Zulauf, at his home base in Switzerland in a December 22 interview with Barrons: "After a pause in inflation and interest rate hikes in early 2023, there will be a second wave increase for both. This will be horrible for passive investors. I call this the decade of the roller coaster market. It is fantastic for active investors and those who can time the cyclical swings. It will be horrible for the 60/40 (stocks/bonds) portfolio, which was so good for them for the last 15, years if you don't want to end up with very poor returns, you have to time the cycle."

"Any sell off in equities in 2023 will be a great opportunity to go long stocks. First the growth segment will lead, then value, cyclical, and commodity related stocks from energy to metals to agriculture to precious metals will do very well and fly. And growth stock will then die. I would be very careful and not invest in China and Russia as the biggest powers are in conflict with each other. Perhaps not in 2023, but thereafter. Overnight your Russian exposure was worth zero, because you couldn't touch those assets anymore (markets closed to US investors). European stocks are still cheap for good reason, and you have to be selective and buy those with headquarters there but sell and are positioned in a way around the world that can continue to grow. If they can't do that, it's over."

"The demographics are a negative and productivity is relatively low. It's a structural problem. With rising interest rates later in '24-25, you will probably see in industrialized economies, certain governments go bust, bankrupt, like what we have seen in developing countries. The dollar will top in the first half of 2023 from its 2008 rally, and the system will try to find new ways. The G20 at their most recent November 2022 meeting in Bali, approved a global digital currency. The U.S. Federal Reserve of New York also announced on Nov 15, 2022, the introduction of a pilot digital dollar"

***THE CONCLUSION*:** As investors, we might conclude from the above, that we will need to be continually diligent and nimble. The markets have increasing influence from government intervention and artificial intelligence (AI) with high frequency market trading. AI can beat the best chess players. And the government has seemingly unending funds. Markets can be turned quickly with active intervention and follow thru by active trading.

Foreign bond investors are concerned about rising rates, and defaults. Foreign equity investors are worried about the future of free enterprise, supply chains, and troop movements. Food, water, electric sources, and cyber systems are all vulnerable everywhere, and can be easy targets from first strike offensives anywhere. These potential offense combinations are cheaper and easier than a military invasion with greater anticipated asset and infrastructure destruction. So foreign money is expected to be a potential source of U.S. stocks and bonds…considered for now to be a safer haven.

The World Economic Forum has a stated agenda. Foreign and domestic influential sources seem to be finding out how easily decision and policy makers might be bribed or black mailed, or both. In March 2021, author Naomi Wolf, warned that digital ID and digital currency "will be the end of freedom". Albert Einstein opted, "The world will not be destroyed by those who do evil, but by those who watch them without doing anything". And for that promise of ending on a good note…according to noted British radio commentary Maajid Nawaz "the agenda may now have been exposed on how the world is being influenced. Those watching may still decide to do something."

Martin Truax

Managing Director, Investments
Raymond James & Associates
1100 Abernathy Road NE, Building 500, Suite 1850
Atlanta, GA. 30328
770-673-2177
Martin.Truax@RaymondJames.com
Website:IPMGatlanta.com

The information contained in this report does not purport to be a complete description of the securities, markets, or developments referred to in this material nor is it a recommendation. The information has been obtained from sources considered to be reliable, but we do not guarantee that the foregoing material is accurate or complete. Any opinions are those of Martin Truax and not necessarily those of Raymond James. Expressions of opinion are as of this date and are subject to change without notice. There is no guarantee that these statements, opinions or forecasts provided herein will prove to be correct. Investing involves risk and you may incur a profit or loss regardless of strategy selected. Past performance does not guarantee future results. Future investment performance cannot be guaranteed, investment yields will fluctuate with market conditions. While we are familiar with the tax provisions of the issues presented herein, as Financial Advisors of Raymond James & Associates we are not qualified to render advice on tax or legal matters. You should discuss any tax or legal matters with appropriate professional. The S&P 500 is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market. The Dow Jones Industrial Average (DJIA), commonly known as "The Dow" is an index representing 30 stock of companies maintained and reviewed by the editors of the Wall Street Journal. Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results will vary. Bond prices and yields are subject to change based upon market conditions and availability. If bonds are sold prior to maturity, you may receive more or less than your initial investment. There is an inverse relationship between interest rate movements and fixed income prices. Generally, when interest rates rise, fixed income prices fall and when interest rates fall, fixed income prices rise. Gold is subject to the special risks associated with investing in precious metals, including but not limited to: price may be subject to wide fluctuation; the market is relatively limited; the sources are concentrated in countries that have the potential for instability; and the market is unregulated. Bitcoin issuers are not registered with the SEC, and the bitcoin marketplace is currently unregulated. Bitcoin and other cryptocurrencies are a very speculative investment and involves a high degree of risk.