

Let's look through the windshield...AND to the right: Bond Bull Market 2023
Vickery Creek Capital Management, LLC & iR Research, LLC



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yahoo/finance

Traeger and Weber are facing a 'deflationary' grill replenishment rate: Analyst

Brad Smith · Anchor
August 16, 2022 · 3 min read

In this article:

WEBR -2.16% ☆
COOK +45788% ☆

As consumers shift their spending away from grills, outdoor cooking companies Traeger and Weber are slashing their sales outlooks and initiating inventory control measures.

CORONAVIRUS



Roads Deserted as China Extends Covid-19 Curbs in

9/5/2022 3:31AM

The Chinese megacity of Chengdu looked like a ghost town after authorities ordered its 21 million residents to stay home to halt the spread of Covid-19. City officials said on Sunday that mass testing would be extended. Photo: CNS via Associated Press

0:52



WSJ Opinion: The Tricky Politics of Biden's Student-Debt Cancellation

RETIRING ABROAD

Thinking Of Retiring Abroad? Here's What to Consider.

Retiring abroad could lower your cost of living, so you can make your savings go further in your golden years. But a permanent move to a new country could be more complicated than you think. Here's what you should know.

European energy trading risks collapse over \$1.5T in margin calls - Equinor

Sep. 06, 2022 3:33 PM ET | Equinor ASA (EQNR) | By: Carl Surran, SA News Editor | 77 Comments



posteriori/E+ via Getty Images

European energy trading risks grinding to a halt unless governments extend liquidity to cover margin calls of at least \$1.5T, Equinor



Powell: Fighting Inflation Will 'Bring Some Pain'

8/26/2022 10:55AM

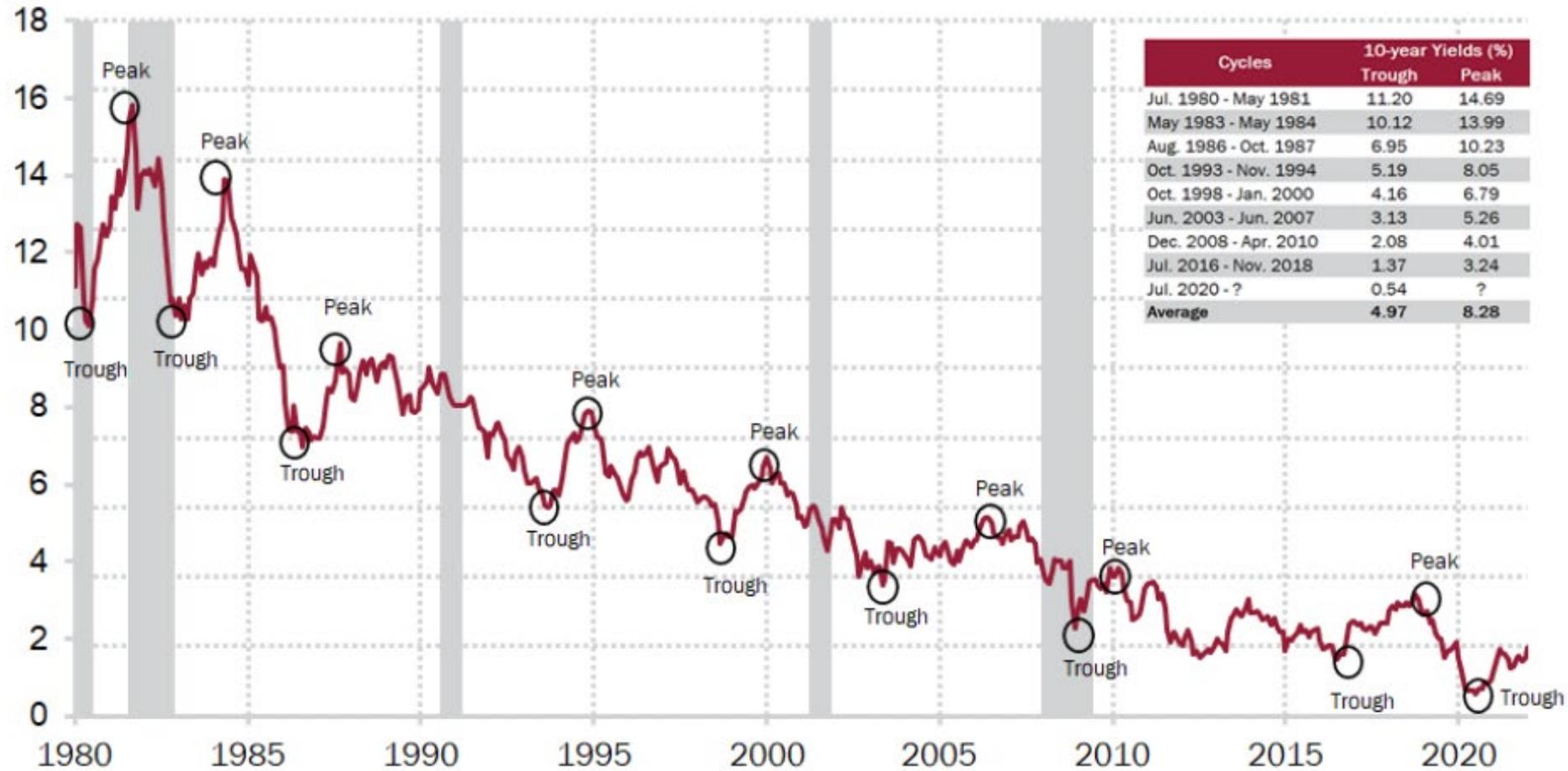
Federal Reserve Chairman Jerome Powell said the central bank must continue raising rates until it is confident inflation is under control. He spoke at the Kansas City Fed's annual symposium in Wyoming. Photo: Jim Urquhart/Reuters

September 7, 2022

- “We should not look back unless it is to derive useful lessons from past errors, and for the purpose of profiting by dearly bought experience.” George Washington
 - The Federal Reserve meets in two weeks to decide on whether to increase the Fed Funds rate by 0, 25, 50, or 75 basis points; regardless of what they do, we’re likely in the 9’t h inning of this current Fed Funds rate hiking cycle;
 - When one considers the effects of such a quick & significant rate increase of the Fed Funds rate YTD AND the quickening pace of Quantitative Tightening (Fed balance sheet reduction), AND the overall tighter financial conditions courtesy of wider credit spreads, the amount of, let’s call it, ‘shadow tightening’, (or aka the credit markets doing the Fed’s work for them by increasing interest rates without the Fed having to do it), amounts to roughly 500 bps;
 - This could mean that the Fed stops raising rates in September. They may be forced to lower rates as early as Jun 2023 (historically, it takes approx. 6 months for the US economy to ‘feel’ the effect of a Fed Funds rate increase;
 - Please look through the windshield and don’t forget to glance at the rear-view mirror: 16 months of inflation (short-term, bond bear market), within the broader context of a forty-year bond bull market and as we approach the next recession, means the probability of a return of the bond bull market in 2023;
 - Please remember, it took shutting everything down, gobs of free Helicopter Money from the government, a significant war, energy bans, & significant supply chain disruptions to produce that 16 months worth of inflation;
- Global Leadership Test – November 2022**
- “In the run-up to the November G20 summit, the United States and other willing members of the G20 must make clear that Russia cannot be allowed to join the upcoming Leaders’ Summit. In fact, Russia should be expelled from the G20.”
Anthony Kim – Research Fellow – Heritage Foundation – Aug 29, 2022

CHART 2: 10-Year Treasury Note Yield

United States
(percent)

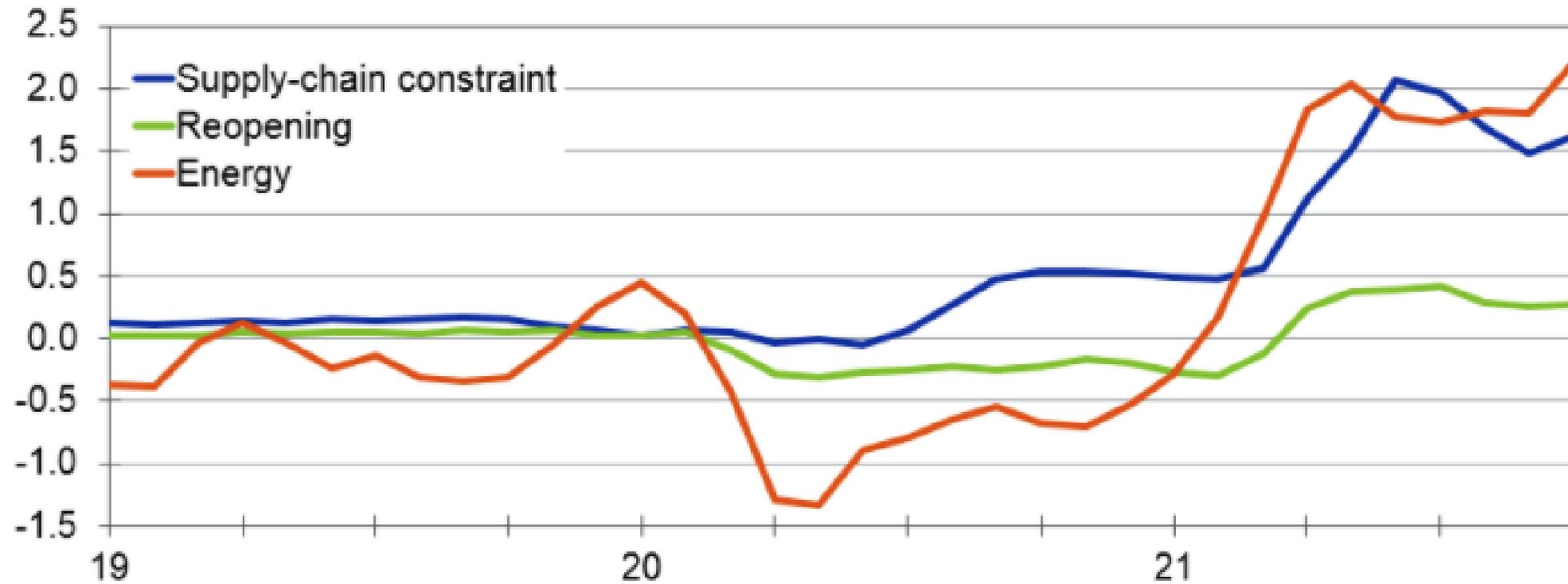


Shading indicates recession

Source: Haver Analytics, Rosenberg Research

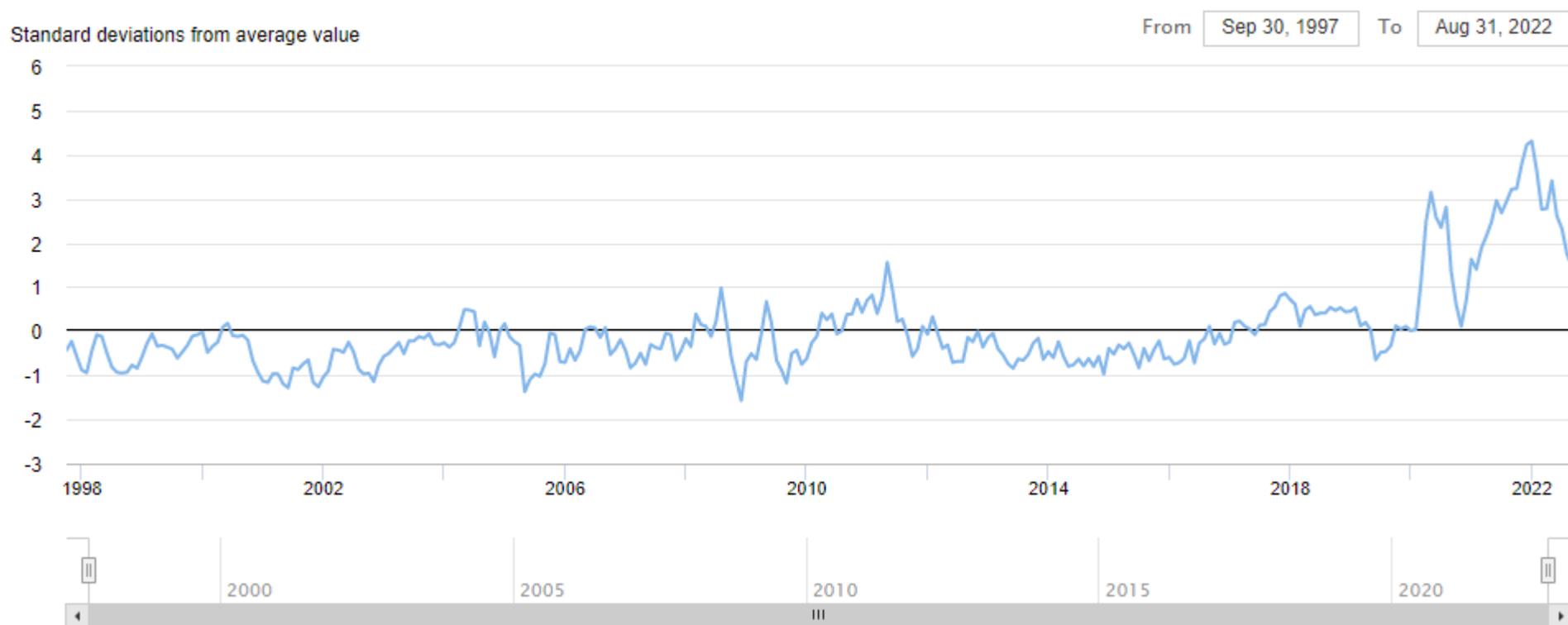
Supply Chain Issues Boosting CPI

Contribution to y/y growth in U.S. CPI, ppts



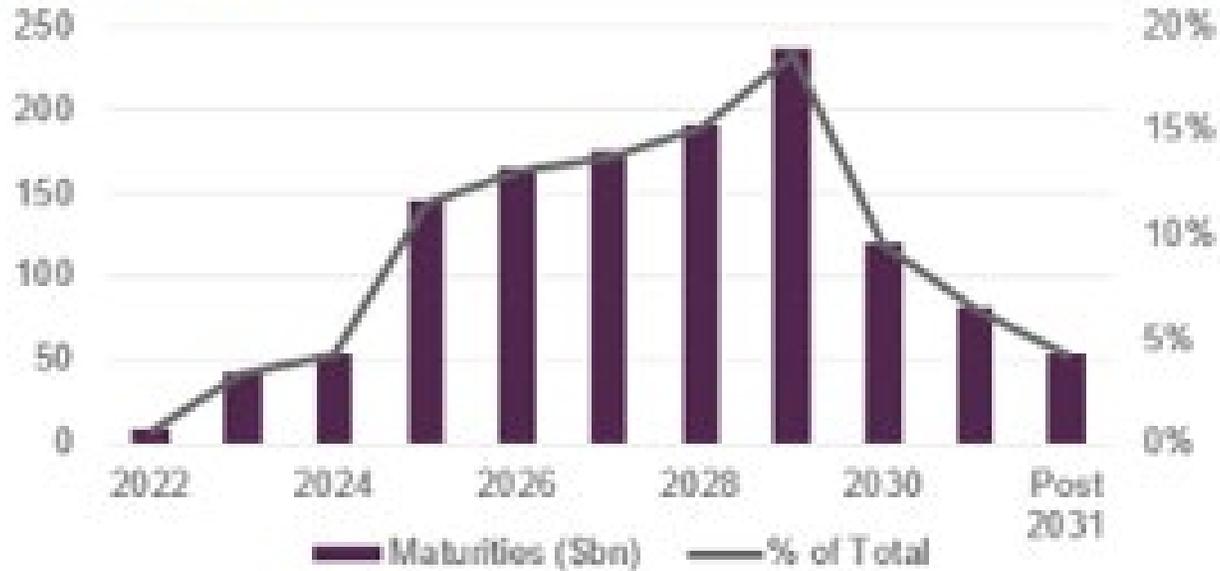
Sources: BLS, Moody's Analytics

Enter a date range to see monthly estimates or use the slider below to view a specific date range.



- Much of the inflation for the last 16 months has been due to severe and historic **supply chain disruptions**;
- The chart above, courtesy of the NY Fed, illustrates global supply chain pressures, and they've improved dramatically for three straight months;
- As I said back in March, food, energy, & defense stocks and bonds should continue to do well as countries like Germany intend to significantly increase their defense budgets and a cost-of-living crisis continues with the effect of inflation hitting consumer's real incomes;
- Recession is now a base-case scenario for most of Europe;

Maturity Wall

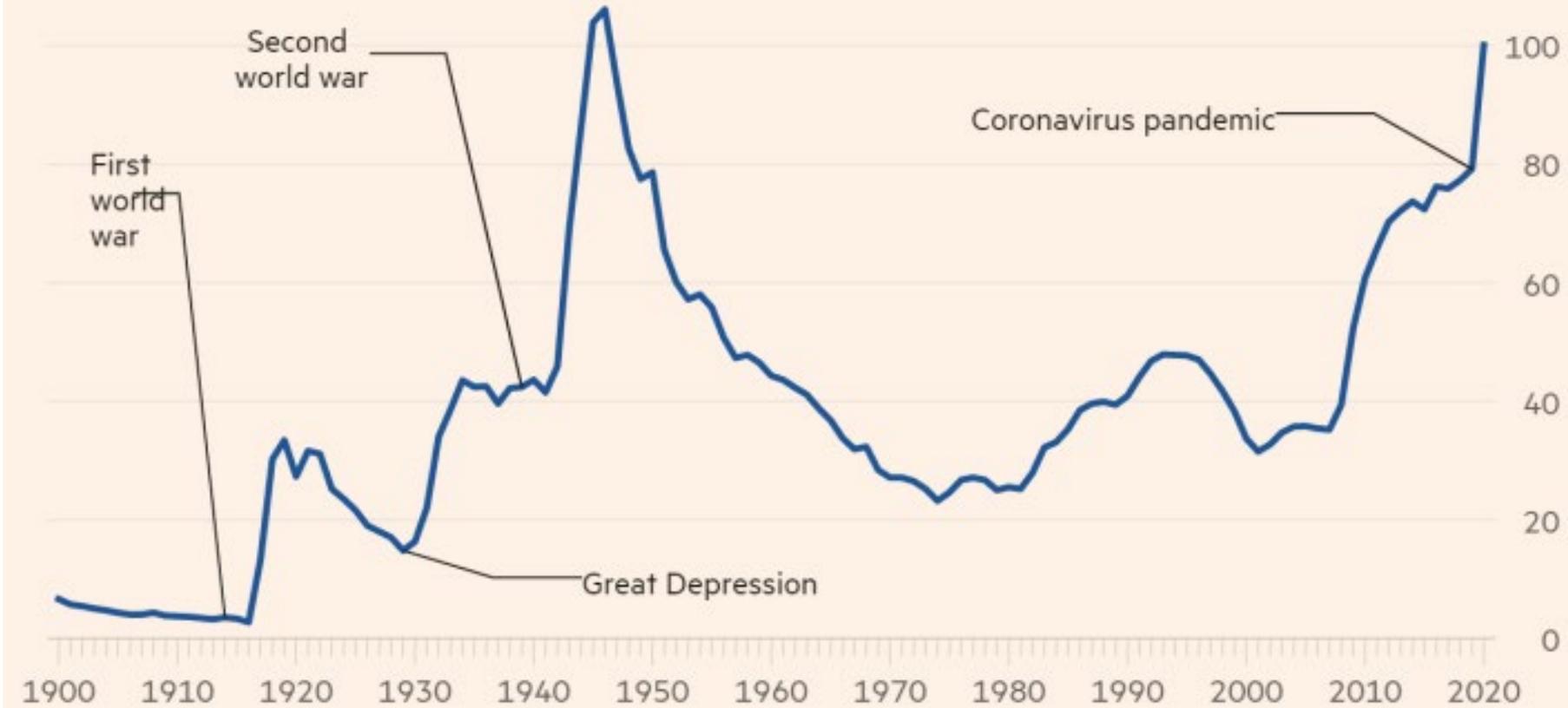


2025-2029 is a significant 'Maturity Wall' for U.S. Corporate High Yield bond issuers and I believe that this & other considerations factor into the Federal Reserve's thinking on their timing for Fed Funds rate increases and will thus have to conclude their rate raising campaign and try to get the U.S. through the recession sooner rather than later

US debt reaches highest proportion of economic output since wake of second world war

Federal debt held by the public

— % of GDP



Source: Congressional Budget Office

© FT

Sample of attractive corporate, municipal and Govt bonds based on the bond's coupon, it's ability to 'carry' well in an increasing rate environment, and the issuer's creditworthiness (9-7-22):

- Corporates
 - Dana Corp 5.375% to 11/15/27 yielding 7.6%
 - XPO Logistics 6.7% to 5/1/34 yielding 7.05%
 - Cooper Tire & Rubber (now Goodyear Tire), 7.625% to 3/15/27 yielding 6.822%
 - Scotts Miracle-Gro 4.5% to 10/15/29 yielding 8.23%
- Municipals
 - Wisconsin ST General Obligation 5% to 5/1/26 yielding 2.296% YTW & 3.347% YTM
 - Dahlonega, Georgia Downtown Development Auth 5% to 7/1/26 yielding 2.825%
 - Conroe, Texas School District ULTD 4% to 2/15/32 yielding 2.612% YTW & 3.232% YTM
- Government
 - United States Treasury Bonds 3% to 10/31/2025 yielding 3.455%
 - Chile Republic Note 2.55% to 7/27/33 yielding 4.527% (US\$ denominated; no currency risk)
- CD
 - Wells Fargo Bank Natl Assn CD 3.35% to 9/9/23 yielding 2.785%

Sample of attractive equities based on price to sales ratios, reliable dividend income & the 'new world order' (whether this is short-term or long-term; who knows!) (9-7-22):

- IBM (International Business Machines (NYSE: IBM)); Dividend yield: 5.16%
Worldwide technology corporation offering cyber-security services, software and hardware with many patented technologies
- Lockheed Martin (NYSE: LMT); Dividend yield: 2.68%
American aerospace, arms, defense information security corporation with worldwide interests
- B&G Foods (NYSE: BGS); Dividend yield: 9.26%
American branded foods holding company tracing its origins back to 1889
- Kinder Morgan (NYSE: KMI); Dividend yield: 6.09%
One of the largest energy infrastructure companies in North America (approx. 85k miles of pipelines and 152 terminals)
- Digital Realty Trust Preferred K (NYSE: DLR prK); Dividend yield: 5.83%
Real estate investment trust that invests in carrier-neutral data centers and has helped pioneer concepts of energy efficient and energy conserving data center design.

Conclusion:

The purpose of this update is to provide re-assurance of our current asset allocation, bond & equity investment approach and how those are informed by both historical data and perspective as well as changing conditions.

Please remember what I said in November of last year about us being in a fundamentally, disinflationary environment pre-Covid. Much of what gets touted as 'De-Globalization' is going to turn out to simply be 'Re-Sourcing', 'Friend-Sourcing', and 'Re-Shoring', as China loses a lot of manufacturing to Korea, Japan, India, Mexico and elsewhere (even the United States). While it's true that future sales have been brought forward and people have been hoarding due to product shortages-because of supply chain disruptions, this type of inflation will eventually yield to recession, disinflation, & over-supply and you'll look like a genius owning higher-yielding bonds, having a defensive equity posture, while others are trying to time when to 'get back into' the popular stocks, all the way THROUGH the next recession.

See: <https://www.vickerycreek.net/blog/balance-sheet-recession-is-on-the-way>

Thank you so much for your trust and your business.
I have a great job and people like you make it possible.

Have a **wonderful** day.

Yours,
Jack

“I look to the future because that’s where I’m going to spend the rest of my life.” George Burns

Sources: Bloomberg, WSJ, Marketwatch, CNBC, NY Fed Research & Statistics Group, St. Louis Fed, Atlanta Fed, San Francisco Fed, Rosenberg Research, Richard Koo (Nomura Securities), Fidelity Institutional Wealth Services, "Is the COVID-19 Pandemic a Supply or a Demand Shock?"-St. Louis Fed (Brinca Duarte, Faria-e-Castro)-2020-#31-"Economic Synopses' (Series), Chicago Fed National Activity Index for August 2021, "Grande" Difficulties in Chinese Property Market-Rabobank-Oct 2021-Australia Economic Update, "The Sahm Rule and Predicting the Great Recession Across OECD Countries"-working paper NBER-Sept 2021-Prof. David Blanchflower (Dartmouth), "A Tangled Web: Impact of Supply Chain and Inflation on the US Economy" – Moody’s Analytics – Dec 7, 2021, NY Fed Secondary Market Corp Credit Facility (policy & implementation group), 'Blackrock Sees Shallowest Interest Rate Hike Path in Decades'-Blackrock Investment Institute-Bloomberg Surveillance-Sept 27, 2021, Wal Mart Corp, "The Imbalances of the Bretton Woods System 1965-1973: U.S. Inflation, the Elephant in the Room"-working paper-NBER-Dec 2018-Prof. Michael Bordo (Rutgers), "Australia Economy Could Slide Back Into Recession, Citi, AMP says"-Bloomberg-Aug 30, 2021, "Changing role of neoliberalism across the stages of economic development"-Richard Koo-Nomura Research Institute, Japan-2021, "The Aftermath of Debt Surges"-working paper NBER-Sept 2021-Kose, Ohnsorge, Reinhart, Rogoff, "Corporate Buyout Loans Near Highs of 2007"-WSJ-Matt Wirtz-Sep 26, 2021, Dr. Howard Hendricks: 1968 talk to an assembly of folks in The Navigators, [Columbus Bible Study podcast], Liberty Street Economics: 'The New York Fed DSGE Model Forecast-Sept 2021', 'Low Interest Rates'-Speech Remarks-Stanley Fischer-Vice Chairman-Federal Reserve-40'th Annual Central Banking Seminar-NY Fed-Oct 5, 2016, "The International Experience of Central Bank Asset Purchases & Inflation"-NY Fed-Liberty Street Economics-(Benigno, Pesenti)-Oct 20, 2021, Thompson-Reuters, Securities & Exchange Commission, FINRA, [iR Research](#), Vickery Creek Capital Mgmt., LLC

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