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Streetlight Confidential

Inside This Issue:

The Problems of a “Wag the Dog” Market

And Where to Find Value When the Dust Settles

-by Tim Collins

It sure was a busy month…

Filled with corporate earnings reports, some serious regional bank issues — I’ll come back to those — and culminating in the Federal Open Market Committee’s (FOMC) decision to raise interest rates by another quarter point, April left investors facing some challenging decisions.

Overall, earnings from the 500 largest companies in the public markets, exceeded the average consensus estimate from Wall Street analysts.

That should be good news.

Unfortunately, the failure of yet another regional bank, First Republic Bank (FRCB), formerly FRC, rattled equities at the end of the month.

Technically, FRC was acquired by JPMorgan (JPM) but without the acquisition, FRC was headed for receivership and the end result would have been the same. A few days later, shares in PacWest Bancorp (PACW) were cut in half in a single day. Shares traded near $30 as they entered March. A day after the FOMC meeting they closed at $3.17.

Ironically, if you were to look at the SPDR S&P 500 ETF (SPY), you might think there’s a lot to like in this market. The ETF that mirrors the S&P 500 index is up roughly 6% year-to-date. The Invesco QQQ Trust (QQQ) — the ETF that tracks the Nasdaq 100 — is approaching gains of 20% year-to-date as we enter May.

But there’s a problem underlying this apparently good news.

I’m going to lay that out for you in this article. Then I’m going to show you where we can start looking for value once the dust begins to settle…

Wagging the Dog

These indexes are being driven by the outperformance of a small number of names that heavily influence the price of these ETFs.

According to Bespoke, roughly 80% of the S&P 500's year-to-date gains resulted from the performance of only 9 companies. (A little nuance to that note: It's actually 10 ticker symbols because Alphabet, better known as Google, is dual listed.) Each listing has its own impact on the S&P 500's value.

FAANG+ Stocks Contributions to S&P 500 YTD Performance

Ticker	Company Name	Sector	Market Cap (bn USD)	YTD % Chg	S&P 500 Contribution Index Points	S&P 500 Contribution % of Move
AAPL	Apple	Technology	2,664.57	30.34	70.06	21.27
MSFT	Microsoft	Technology	2,266.56	27.12	58.03	17.62
NVDA	NVIDIA	Technology	672.48	87.97	38.16	11.59
META	Meta Platforms	Comm. Svcs.	611.37	97.32	31.35	9.52
AMZN	Amazon.com	Cons. Discret.	1,125.35	25.46	22.76	6.91
TSLA	Tesla	Cons. Discret.	507.72	33.34	13.01	3.95
GOOGL	Alphabet (Class A)	Comm. Svcs.	1,371.00	20.19	12.74	3.87
GOOG	Alphabet (Class B)	Comm. Svcs.	1,371.00	20.51	11.48	3.49
AMD	Advanced Micro Devices	Technology	140.73	34.88	4.35	1.32
NFLX	Netflix	Comm. Svcs.	144.85	13.12	2.03	0.62
		FAANG+ Stocks	9,504.63	39.03	263.97	80.15
		Rest of S&P 500	27,266.14	2.22	65.39	19.85

Bespoke

Source: Bespoke Investment Group

We refer to this type of scenario as the "tail wagging the dog."

Traditionally this refers to something unimportant or small influencing or controlling a larger entity. I don't think there are any investors out there that would call Apple (AAPL), Amazon (AMZN), Microsoft (MSFT), Alphabet (GOOG), or any of the other 9 companies powering the gains in the S&P 500 and Nasdaq as unimportant or small…

But they are a very *small sample* of a large population.

When only 2% of the population of the S&P 500 deliver 80% of the returns, you start to realize the other 98% are underperforming.

That's significant.

It's a large number.

And it is not sustainable.

The markets are developing a class structure similar to the real world where we see 1% of the population controlling 99% of the wealth.

Regional banks are the exact opposite. Traders are able to leverage the SPDR Series S&P Regional Bank ETF (KRE) to gain exposure to regional banking stocks.

The KRE, an ETF which holds 143 stocks in the ETF, is centered around regional banks. That is what we consider the "dog." Each holding would be a tail. If you were to look at the top 20 holdings for KRE, you'll see that almost every chart looks the same. The performance of the ETF is being driven by *the majority* of the holdings, not a single-digit percentage.

Unfortunately, both these scenarios (big tech outperforming and smaller banks struggling) have an increased likelihood of continuing the longer the Fed keeps hiking rates. The cost of capital rises along with interest rates so only the richest companies can navigate their financial needs without the same struggles and financial impact that smaller and mid-size companies feel.

The good news is that with its latest announcement, the FOMC signaled, for the first time since the start of 2022, that it may be ready to pause the onslaught of hikes. In the past fifteen months, the Federal Funds Rate has gone from a target of 0% to a range of 5% to 5.25%.

Jumping into the market a few days — or even the first few weeks — after this most recent announcement doesn't appear to offer an upside reward that outweighs the downside risk as many indexes broke below support levels during the first week of May. Still, it is time to start thinking about what sectors are worth targeting if it becomes clearer that the Fed is done raising for the foreseeable future.

Based on historical performance, there's a clear winner and lots of considerations for us moving forward.

Exhibit 15: US equity performance one year after the Fed pause

Historical total returns after Fed hiking cycles for US equities

Returns one year after final Fed hike

Asset	Average	Highest	Lowest	Data since
Equity (US) = S&P500	**14%**	**40%**	**-11%**	**Jul-54**
Sector				
Materials	20%	26%	9%	Sep-89
Pharmaceuticals	19%	52%	-8%	Jul-54
Staples	15%	44%	-7%	Jul-54
Real estate	13%	40%	-8%	Dec-71
Utilities	13%	25%	-7%	Jul-54
Financials	13%	43%	-16%	Jul-54
Discretionary	12%	44%	-7%	Jul-54
Technology	12%	66%	-47%	Jul-54
Industrials	10%	44%	-25%	Jul-54
Telecommunications	10%	34%	-27%	Jul-54
Energy	8%	31%	-15%	Jul-54
Style				
Free cash flow	30%	38%	24%	Dec-91
Small cap value	22%	58%	-17%	Jul-54
Value	21%	46%	-14%	Jul-54
Large cap value	20%	38%	-11%	Jul-54
Small cap	20%	82%	-33%	Jul-54
Small cap growth	18%	81%	-33%	Jul-54
S&P 500 high dividend	18%	20%	16%	Jan-91
Growth	15%	63%	-25%	Jul-54
Large cap	14%	40%	-12%	Jul-54
Large cap growth	13%	47%	-17%	Jul-54
60/40	12%	29%	-7%	Aug-54

Source: BofA Research Investment Committee, Global Financial Data, Bloomberg. Data based on

Where to Look When the Dust Settles

This is the spot where I remind everyone that past performance is NO guarantee of future results.

OK… If we're going on a purely historical basis, then he Materials sector is the runaway winner. These are companies that are involved in the production and processing of what we call "raw materials." Frankly, with the pace of inflation, I would add precious metals to the materials sector, but for a core holding, materials has been the consistent winner.

The Discretionary and Staples sectors appear to be the next best choices on the list. And with inflation in play, the logical choice here would be staples.

Staples are everyday or repeated-use items many people find necessary in their day-to-day lives or even for survival. Discretionary items, on the other hand, especially high priced ones, may experience lackluster demand until inflation quells or wages rise faster than the pace of inflation for some time.

A second place to look for a first pick is in "style" rather than sector. Style refers to how a company is characterized rather than the specific industry it operates in. When considering style, focusing on companies with Free Cash Flow makes sense in a

S&P 500 Materials Sector SPDR (XLB)

Source: barchart.com

rising interest rate environment. Those with cash will likely be able to market aggressively and grow their business while others struggle to identify sources of low-cost capital to grow their business.

A similar conclusion can be made about S&P 500 high dividend companies. It's unlikely those companies are paying high dividends without free cash flow so I suspect there would be a lot of overlap between the two.

In terms of the highest risk/highest reward companies, the message is also clear. Small caps, technology names, and industrial names will be either feast or famine.

Technology has been carrying the market for 2023 while small caps have been a massive underperformer.

If we are going to rally, it stands to reason small caps would close their underperformance gap, but my preference has always been to buy winners.

Trying to call bottoms is much more challenging than owning stocks heading higher with clear levels of support below my entry point.

Simply put … Winners win!

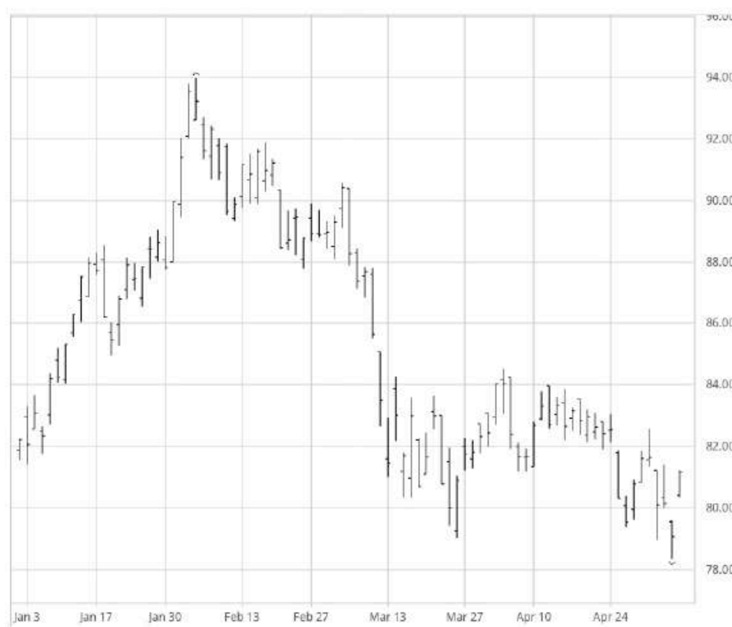
For most investors, you're likely to hear from your professional financial advisor that diversity is the key.

I agree.

While shifts toward overweighting one sector or asset class should be considered, in the end, history doesn't repeat. Diversifying risk after an explosive rise in interest rates paired with a regional banking crisis and stubbornly sticky inflation is prudent in my opinion.

These are truly unique times, so stay safe out there and take what the market gives you without forcing any investments until we have a clearer picture and greater comfort zone for mistakes.

S&P Small Cap 600 SPDR (SLY)



Source: barchart.com

Industry Update: Chile's Lithium Bombshell

This Shake Up Could Mean Potentially Big Opportunities in Lithium

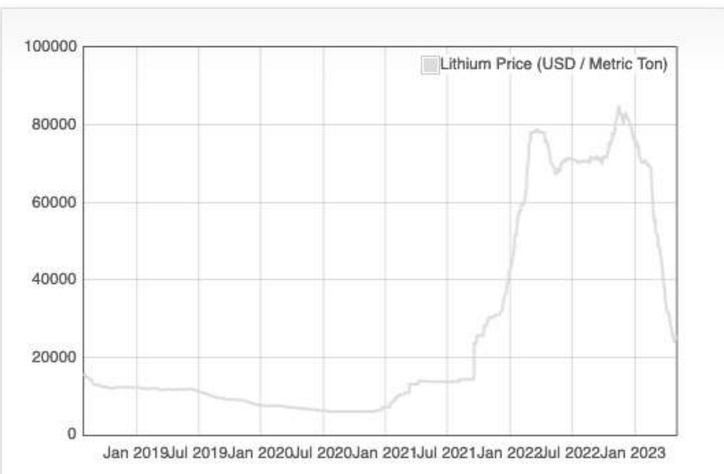
-by Bob Byrne

It's been a crazy year in the world of lithium mining. (And it's about to get crazier!)

From mid-2020 through nearly the end of 2022, the price of the metal known as "white gold" soared from roughly $7,000 per metric ton to $85,000.

But since the new year of 2023 rang in, it's been a completely different story. The price of the critical battery material has tanked over 70% pulling all the way back to near $25,000.

Lithium Spot Prices



Source:DailyMetalPrice.com

If there ever was a chart you'd call a rollercoaster, this is it!

These radical price swings were largely the result of one main driver — China.

The massive rally was largely due to the surge in battery demand during China's EV boom — companies were buying all the lithium in sight. And the market couldn't keep up.

The crash was the result of the flip-side…

> *The falling lithium prices coincided with a slowdown of growth in China's EV market as consumer spending was dented after three years of pandemic restrictions and after the expiration of a government subsidy for EV purchases.*

There's no doubt it's been a wild ride where lithium goes.

An Even More Stunning Shakeup

Lithium is big business. According to research consulting group ReportLinker:

> *The global market for Lithium estimated at US$7 Billion in the year 2022, is projected to reach a revised size of US$22.6 Billion by 2030, growing at aCAGR of 15.7% over the period 2022-2030.*

Lithium carbonates, a subsection of the market, is expected to grow by 16.4% annually and reach $13.2 billion.

It's a valuable market and supplying it has been a lucrative business. Reuters reported:

> *World output was 737,000 tonnes of Lithium Carbonate Equivalent (LCE) in 2022 and is estimated to reach 964,000 tonnes in 2023 and 1,167,000 tonnes in 2024, according to the Resources and Energy Quarterly Report by the Australian Department of Industry, Science and Resources in March.*

And Chile is the "would-be" 800 pound gorilla of the market.

According to the US Geological Survey (USGS), Chile dominates the world in lithium ore *reserves* with 9.2 million metric tons. That's nearly double the reserves of the world's biggest lithium *producer* — Australia.

Only a few years back, Chile held the title of largest lithium producer as well. The country's output has expanded from its current projects operated by mining giants Sociedad Quimica y Minera de Chile (SQM) and Albemarle (ALB). But it's worth noting they haven't opened a new mine *in nearly 30 years*.

Over the past five years, Australia has surpassed them as the world's production leader.

But it wouldn't take much to reclaim the title.

Chile is basically sitting on the world's largest reserve of a key element of battery technology. All they'd need to do would be to cut a few more deals with ALB and SQM (or some other lucky mining company) to develop new mines, and they'd be on their way to reclaiming the production title and supplying the world with lithium.

That's what made the recent announcement by newly elected Chilean President Gabriel Boric so stunning…

Just like that, the government announced its intent to take over the country's most valuable natural resource. According to the article:

> *The shock move in the country with the world's largest lithium reserves would in time transfer control of Chile's vast lithium operations from industry giants SQM (SQMA.SN) and Albemarle (ALB.N) to a separate state-owned company.*

Boric went on to say…

> *The government would not terminate current contracts, but hoped companies would be open to state participation before they expire, he said, without naming Albemarle and SQM, the world's No.1 and No.2 lithium producers respectively.*

SQM's contract expires in 2030 while Albemarle's ends in 2043.

Beyond that any future lithium contracts would only be issued as public-private partnerships with state control.

Nationalizing an Industry Comes With Challenges

Now when you think of a government nationalizing a major industry, you probably think of corruption, mismanagement and ultimately… failure. It's a


REUTERS

4 minute read · April 21, 2023 4:15 AM EDT · Last Updated 12 days ago

Chile plans to nationalize its vast lithium industry

By Alexander Villegas and Ernest Scheyder legitimate reaction. There are many such situations that prove that to be the case.

Take Bolivia, one of the three countries that make up the "lithium triangle."

Bolivia nationalized its lithium industry back in 2008 under the rule of President Evo Morales who *"promised to turn the country into a mining power that builds batteries and electric vehicles."*

The government created its state-run lithium company Yacimiento de Litio Bolivianos (YLB) and spent nearly $1 billion to build infrastructure to mine lithium from the Uyuni salt flats. Production is still nonexistent…

> *In 2021, Bolivia produced just 540 tons of lithium carbonate, according to YLB, or what Chile produces in a day and a half.*

All that said, failure isn't guaranteed either.

Chile actually *does* have some experience when it comes to state-run businesses. In 1971, then-president Salvador Allende took over the country's copper mining industry. Shortly after, the country formed its state-run copper mining company — Codelco — which has been a significant contributor to Chile's GDP. According to recent numbers, its pre-tax profit in 2021 grew from $2.1 billion to $7.6 billion.

Obviously they've been doing something right. Boric wants to model the new lithium enterprise after Codelco going so far as to bring the copper miner in to lead the charge toward its public-private merger.

Of course that doesn't guarantee smooth sailing ahead either.

Codelco Has Its Own Problems

First, Codelco has run into some hiccups in its own business.

In 2022, the company saw a 10% drop in its copper production falling by 172,000 metric tons. According to Chairman Maximo Pacheco, *"77% of the reduction was due to problems with operations while 23% was due to project delays."*

Specifically, *"There were a number of high-profile accidents at several Codelco mines in 2022, with some resulting in fatalities, forcing the company to suspend operations."*

On top of that, investment plans for two mining projects — El Teniente and Traspaso Andina — were running 75% and 21% over budget respectively. Pacheco also said, *"the $1.4 billion Rajo Inca project is being revised and is 16 months behind schedule, with an expected production start in the first half of 2024."*

2023 isn't looking much brighter. The company has cut its copper production forecast from 1.61 million metric tons to 1.45 million.

When business conditions get challenging, you'll want to watch how a state-run enterprise handles it.

And that's not the only problem Chile faces in the transition.

Aside from the bumps Coldeco is facing in the copper industry, it has zero mining experience in the lithium business. There's going to be a learning curve no matter what which means they won't "hit the ground running" so to speak.

Then there are the potential political roadblocks…

> *Boric's proposal to exert state control over lithium production in Chile will have to overcome several steep challenges. One of the biggest roadblocks is getting it approved by Congress, where the President's party doesn't have a majority, and would need the support of Opposition parties. Several other ambitious plans of Boric have already been buried by the legislative body.*

The Only Thing Certain About This Takeover…

But assuming that Chile's plan comes to fruition and the state *is* able to complete the take over, what might that mean for the lithium industry?

Thinking about the near-term fate of the two biggest mining companies operating in Chile — Chilean SQM and US company ALB — the future is foggy. Their contracts are still in force for a good number of years, and trying to accelerate the state-private partnership could come at a massive cost.

For now at least, ALB says this changes nothing in their immediate future. I'd say that kind of response would be expected.

But looking at the company's chart in the next column, you can see the market's reaction to the in the stock prices of the world's second biggest lithium miner…

Things could change when it comes to lithium buyers as well.

Analysts at Samsung Securities weighed in saying;

> *"When or if battery makers renew their contracts with lithium firms in Chile, contract conditions would likely become more difficult than what they saw in the past when there was no state involvement."*

And extending from that (if the government does prove to be more difficult to deal with), we could see both future investments *and demand* shift to other, more politically-friendly countries like Australia or Chile's neighbor Argentina.

The larger, $64,000 question is *how big of a disruption* would any transition cause in lithium trade? If Chile fumbles the handoff, it could end up shooting its own golden goose… And creating some massive competing opportunities in the meantime.

One thing is certain where this shake up goes — there's gonna be a lot of uncertainty.

Albemarle Corp (ALB)

Source: barchart.com

The Last Word…

To Pause or Not to Pause

-by Bob Byrne

…That is the question.

The FOMC met this past week and Jerome Powell once again took his place in front of his media interrogators.

He opened the presser cordially enough by saying "Good afternoon."

It was all downhill from there.

When Good News Isn't Even Good Anymore

The committee did what everyone in the market absolutely KNEW it was going to do — raised the fed funds target rate another 25 basis points.

When the hike was announced the market rallied in a gleeful sigh of relief — until it realized that wasn't what it was worried about.

The market (along with certain political talking heads) has essentially been demanding a pause, if not a pivot, in the Fed's policy. I'll give Powell a C-/D+ on his attempt to address that concern.

Nick "the Fed Guy" Timiraos from the Wall Street Journal noted a couple of Powell's responses:

> *"**People did talk about pausing, but not so much at this meeting,**" Fed Chair Jerome Powell said at a news conference. "**We feel like we're getting closer** or maybe even there."*

And…

> *"**I think that policy is tight,**" Mr. Powell said. But he added, "**we are prepared to do more** if greater monetary policy restraint is warranted."*

If that doesn't clear everything up, I don't know what does.

While delivering the committee's boilerplate statement (inflation bad, etc, etc…), the chairman noted one ostensibly important change. Where their March statement said…

*The Committee **anticipates that some additional policy firming may be appropriate** in order to attain a stance of monetary policy that is sufficiently restrictive to return inflation to 2 percent over time.*

…the May statement did not.

The real test came in response to a question from the Bloomberg Radio reporter who asked whether, at future meetings, the committee would be focusing on incoming data (which is backward looking) or they'd be forecasting what they think is going to happen and *"are you ruling out the rate cuts that the market has priced in?"*

(This guy wins the award for sneakiest question…)

Powell, in a fit of honesty, replied that the committee had always expected inflation to come down slowly and that it wouldn't be appropriate — from where they stand — to cut rates.

And that was pretty much all the market needed to hear. If all that was the committee's best effort to appease a market screaming for a pivot, it didn't seem to work…

S&P 500 (May 3)

Source: barchart.com

Allow me to get back on my soapbox with my broken record player…

Zero interest rates ARE NOT NORMAL. Interest rates, as a cost of capital, ~~are~~ *should be* a function of economic activity. The Fed — and all their economists, researchers and committees combined — ain't smart enough to determine what the cost of capital should be. Too many variables involved in that math.

In a real market-driven market, you can look at the price of something and know that's the thing's real cost. And you can make business decisions based on that.

When you've got a bunch of bankers pulling strings trying to figure out what the price of money should be to achieve some arbitrary goal, businesses, financial and otherwise, all get paralyzed or make iffy decisions.

I'm not advocating for a pivot or a pause. But I am saying that the market is justified in wanting to know when the Fed will pause for the longer term. Only then can market participants make informed business and investing decisions. And until we get there, volatility will be your copilot.

And Now for the Unintended Consequences

I've been saying since a year ago February that it's going to take a recession to get inflation back under control. (We're probably in one right now, but the NBER won't cop to it!)

"Recession" is an ugly economic word and is often swapped with the more palatable euphemism "hard landing." Well it now looks like we may have flown past the last opportunity for a hard landing and could be heading straight into the mountain.

That's because the Fed's rate hikes have created some serious (and no doubt unintended) consequences in the banking sector.

Instead of gradually slowing the economy (as if the Fed could actually do that) they have pushed many small and mid-sized banks to the precipice of liquidity by sinking the value of their assets.

By now I'm sure you've heard about the demise of Silicon Valley Bank (SVB) along with Signature Bank and Silvergate Bank (not to mention Credit Suisse across the pond).

Late last week the pile of bodies got bigger when First Republic took its dying breaths before the FDIC put it out of its misery and sold the remains to the TBTF (but apparently not too big to take on another hundred billion or so of deposits) JP Morgan.

The result of all this financial carnage has been a tightening of credit by banks. And credit, as I've explained before, is the oxygen of any Fake Economy. Shut off the credit and you may as well pull the plug.

We'll get more clarity on that situation later this week when the Senior Loan Officers Opinion Survey of credit conditions (aka the SLOOS report) comes out.

Intentionally or not, they've has put the banking industry in a vise and if credit at banks continues to tighten, the Fed may not have to do much more tightening on their own

And Speaking of the Banking System…

At the top of his remarks, the very first thing Chairman Powell moved to address was the banking situation. He said…

> *The U.S. banking system is sound and resilient.*

That's what he said. I swear.

A mere two hours later, PacWest Bancorp collapsed in after hours trading when…

> *"Bloomberg reported that another regional, California-based bank (of course), PacWest Bancorp., was **weighing a range of strategic options, including a sale.**"*

I kid you not.

Now I find it highly improbable that Jay didn't know the true condition of the bank. On the other hand, maybe he didn't.

The timing of this collapse was so… humiliating (there's no other word for it) that the only other possible explanation could be that he's now reduced to telling bald faced lies.

Nothing to see here folks. All is well…

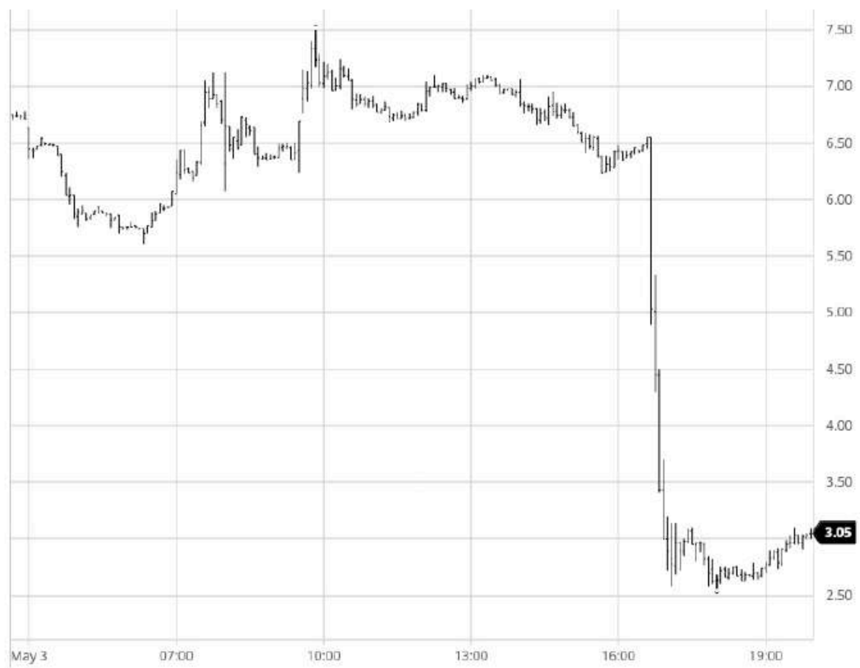
And speaking of bald faced lying, election season is fast approaching.

And this cycle, there will be important issues that need to be addressed. Case in point: For two years we've gone on and on about how the current administration's attempt to forcibly reshape the country's energy landscape may be a noble dream. But it's a terrible policy.

Energy is what drives our economy. If we can't power the nation… well. And Biden seems to realize this. For all his environmental bluster, he recently green-lit a number of fossil fuel programs (like a 30-year drilling program on Alaska's Beaufort Sea).

In any case by this fall, campaigning for the 2024 primaries will be kicking into high gear. And the crap will be flying.

PacWest Bancorp (PACW)



Source: barchart.com

We know that POTUSs 45 and 46 are in along with primary challenges from all over the map. It promises to be a 100% $#!%show. We'll dip our toes in as necessary.

In the meantime, my recommendation? Turn off the news and enjoy the summer!

You Can't Make This $#!% Up!

The Government's Great Housing "Fix"

There's absolutely no doubt that the government shouldn't be allowed to "fix" things.

For one thing, the only thing they really know how to do is throw money at a problem. Which never "fixes" anything. The current argument over the $31.4 TRILLION DOLLAR DEBT CEILING should be your first clue to that.

But aside from burying the country in debt, their results aren't generally what one would expect… or even hope for.

I've said it before, *the only results the government has ever been able to deliver regularly, reliably and without fail… are unintended consequences*.

They may act with the best intentions… But you know what the road to hell is paved with.

They're At It Again

In an attempt to create a more *"equitable and sustainable access to homeownership,"* the Federal Housing Finance Agency (FHFA) just tweaked the "Loan Level Price Adjustments" (LLPAs) schedule imposed by Fannie Mae and Freddie Mac (the two mortgage-backing agencies still under federal conservatorship since the 2008 fiasco) to assist those with lower credit scores at the expense of those with higher scores.

In other words, **if you have an excellent credit score and want to buy a house after May 1, it'll likely cost you more. On the other hand, if you have a lousy credit score and want to buy a house, it may cost you less!**

This is government logic — and it can't possibly go well.

We try to simplify complex financial topics here, but in this case we're dealing with the government — the one entity that prides itself on making things virtually incomprehensible. (Remember Nancy Pelosi's "But we have to pass the bill so that you can find out what is in it.") If you read 50 articles on this topic (we did) you'd go blind (we nearly did).

So here are a couple points that will hopefully make sense of this latest government boondoggle.

From the Wall Street Journal editorial board (a group we consider to be a fairly balanced source):

> *Under the rule, which goes into effect May 1, home buyers with a good credit score over 680 will pay about $40 more each month on a $400,000 loan, and upward depending on the size of the loan. Those who make down payments of 20% on their homes will pay the highest fees. Those payments will then be used to subsidize higher-risk borrowers through lower fees.*

USA Today got a little more granular on the plan:

> *For example, if you have a score of 659 and are borrowing 75% of the home's value, you'll pay a fee equal to 1.5% of the loan balance. Before these changes, you would have paid a 2.75% fee. On a hypothetical $300,000 loan, that's a difference of $3,750 in closing costs.*
>
> *On the other end, if you have a credit score of 740 or higher, you would have paid a 0.25%*

> *fee on a loan for 75% of your home value before May 1. After that date, you could pay as much as 0.375%.*

The Washington Times notes:

> *Homebuyers who make down payments of 15% to 20% will get socked with the largest fees.*

That sounds bad enough, but none other than Newsweek noted:

> *Although the new rule, which takes effect May 1, is designed to assist low-income and minority borrowers by encouraging homeownership, industry experts have expressed concern that the plan fails to meet that goal.*

Of course it fails to meet that goal! Everything the G does fails to meet its goals!

The apologists for this Biden administration (or some "think group" in Washington) effort have attempted to chime in as well. According to ABC News:

> *"The new fees are slightly more expensive for some borrowers with good credit, and slightly less expensive for some borrowers with less-than-perfect credit," Ostrowski told ABC News.* ***If you have a stellar credit score, you'll still pay less than if you have a weak one****, but the penalty for having a lower credit score will now be smaller than it was on May 1.*

In other words, as a bonus for working to maintain that 780 credit score, you'll pay more… but not as much as someone with lousy credit. But if you have worse credit, you'll pay a little less.

In what universe (outside of the I-495 orbit known as known as the "Beltway") does this make sense?

Here's an Idea

Rule No.1 should be, if you can't afford a home… you shouldn't buy one. (Only bad things happen when you do.) Anyone who can remember 15 years ago, when anyone with a paper hat and a pay stub could qualify for a $500,000 mortgage, will understand that.

(If you can't remember, they made at least 4 movies about it!)

Buying things you can't afford — especially houses — is NEVER a good idea (for thinking people at least).

Unfortunately, thinking is a rare commodity in Washington…

Let's Move On to Our Portfolio

It's a challenge to find different ways to talk about an underperforming portfolio month after month.

As we mentioned earlier in this letter, we're still in a bear market and the Fed is still tinkering with interest rates.

That means the Streetlight Portfolio — a portfolio that leans toward growth-focused stocks — is still bearing the marks of a deeply uncertain economy.

Since our last update, the portfolio is only down 1.1%. If we look at its performance year-to-date, it's actually up a hair (.3%) thanks to a handful of technology, energy and entertainment picks that continue to hold their own.

Overall, our bear market portfolio picks are still in the green despite the underperformance of Farmland Partners (FPI).

Like Tim wrote in the opening, it should be time to look for value once the Fed figures out when it's done. In the meantime, we'll sit tight…

Symbol	Name	Comments	Entry Date	Entry Price	Current Price	Annual Dividend	Percent Gain
FPI	Farmland Partners, Inc	Buy shares of Farmland Partners (FPI) up to $18 per share	9/2/2022	$14.22	$10.57	1.68%	-25.7%
VOO	The Vanguard S&P 500 ETF	Bear market portfolio: 20% position per the July 2022 Issue	7/5/2022	$351.06	$378.97	1.60%	8.0%
IJR	iShares Core S&P Small-Cap ETF	Bear market portfolio: 20% position per the July 2022 Issue	7/5/2022	$93.35	$93.34	1.89%	0.0%
VTV	The Vanguard Value ETF	Bear market portfolio: 20% position per the July 2022 Issue	7/5/2022	$131.74	$138.40	2.48%	5.1%
IJS	iShares S&P Small-Cap 600 Value ETF	Bear market portfolio: 20% position per the July 2022 Issue	7/5/2022	$89.52	$89.86	1.79%	0.4%
SCZ	iShares MSCI EAFE Small-Cap Index ETF	Bear market portfolio: 10% position per the July 2022 Issue	7/5/2022	$53.43	$61.17	4.72%	14.5%
VEA	The Vanguard FTSE Developed Markets ETF	Bear market portfolio: 10% position per the July 2022 Issue	7/5/2022	$40.01	$46.59	3.89%	16.4%
DOCN	DigitalOcean Holdings Inc.	Buy a half position up to $60, reserving capital to purchase the remainder of your position on a dip.	6/2/2022	$49.31	$32.81	N/A	-33.5%
ONDS	Ondas Holdings Inc.	Buy a full position up to $8.75	6/2/2022	$7.55	$1.21	N/A	-84.0%
WONDF	Wonderfi Technologies Inc.	Buy a half position up to $0.60, reserving capital to add to the position on a pullback.	6/2/2022	$0.45	$0.13	N/A	-71.1%
VMAR	Vision Marine Technologies Inc.	Buy shares of VMAR up to $5.45 as a speculative investment in the growth of electric powertrains in the boating industry. UPDATE August 2022: Buy up to price was raised to $6.50.	5/2/2022	$4.27	$3.87	N/A	-9.4%
U	Unity Software	Buy a 25% starter position between $95 and $99. Then scale into the remainder of the position adding another 25% every 15% to 20% down. †	2/3/2022	$77.27	$26.46	N/A	-65.8%
EPD	Enterprise Products Partners, L.P.	Buy shares of EPD up to $23.00 as an income-generating investment.	12/1/2021	$21.20	$25.60	$1.86	20.8%
ARKX	ARK Space Exploration & Innovation ETF	Buy shares of ARKX up to $22.00	11/1/2021	$20.48	$13.41	N/A	-34.5%
MSOS	AdvisorShares Pure US Cannabis ETF	Buy shares of MSOS at market up to $33. Be prepared to add to your position on a dip to $27 ††	10/5/2021	$28.95	$6.18	N/A	-78.7%
GENI	Genius Sports Group	Buy shares of GENI up to $22.50	10/5/2021	$16.99	$4.02	N/A	-76.3%
JD	JD.Com	Buy shares of JD.com (JD) up to $80 per share	8/30/2021	$76.69	$35.88	N/A	-53.2%
CZR	Cesars Entertainment	Buy shares of CZR up to $101.75	8/6/2021	$90.50	$44.68	N/A	-50.6%
	Current Prices as of 5/5/2023	**Price Notes:**					
		Entry prices are closing prices the day the issue is published.					
		† Per our entry instructions a 25% position was initially purchased at $96.99 on 2/3, then another on 3/7 at $82.45, another on 4/27 at $71.10, and a final on 5/6 at $59.55 giving us an average entry price of $77.27.					
		†† Adding an equal weight positon at $27 on 10/27 gives us an average engtry price of $28.95					