# BROKERAGESELECT NEWSLETTER

## Social Security

It is a good idea to go on-line or call the SSA to get your latest statement. It shows what your monthly benefit will be at different retirement ages which can help in financial planning.

## Cruise Scams

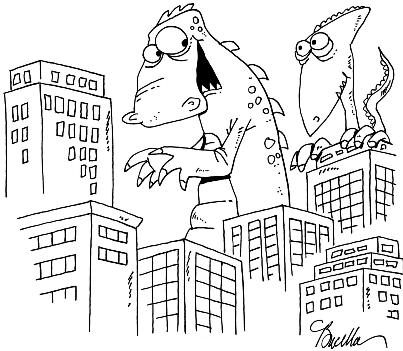
Fraudsters are sending emails that offer free or discounted cruises in exchange for participating in a survey. The crooks either try to steal your personal information or try a "bait & switch" to get you to purchase a cruise that is more expensive than one you could buy on your own.

## Reinvestment Risk

Short-term US Treasuries and CDs offer juicy returns. However, investors should be aware that if rates decline, they will not be able to re-invest at the same rate. It may make sense to stagger maturities to make sure you have longer term investments.

## Perspectives

Negativity surrounding the economy and the markets has been persistent. Inflation, fear of recession, Fed rate hikes and the constant droning of political pundits from the 24-hour cable news channels have given most investors a good case of "The Blues". I would suggest that if you polled the average person on the street about the stock market, the vast majority would be surprised to know that the S&P500 is up over 20% since the bottom in October 2022. For the past eight months the stock market has moved higher against a backdrop of all these concerns. The old adage that the market "climbs a wall of worry" seems to be holding true. This begs the question, "Are we now in a new bull market?" A 20% move off the bottom has often signaled the start of much larger up moves. According to Birinyi & Associates, it took the S&P500, 239 days to get to the 20% level. The longest period of the previous 11 bull markets. The slow nature of the recovery may be one reason investors feel worn out. Birinyi's data shows that of these past 11 bull markets, the shortest one lasted 491 days (in 1998) and the longest began on March 9, 2009 and ran for 3,985 days. If the past is prologue, we may still enjoy higher prices. While price action is vindicating the Bulls, there are plenty of factors that the Bears are all too happy to mention. First is the Fed. Inflation is not vanquished and rates may still be heading higher at worst or at best, remain where they are for longer. The CPI and PPI figures will be released on June 13 and 14, respectively. We should know a lot more about inflation and the Fed then. The next concern is the possibility of recession and in turn, lower corporate profits. In about a month's time, companies will start to report on 2Q23 earnings and guidance for the rest of the year. The Bears also observe that the market is not cheap, trading for just over 19x current year earnings. Markets discount future news, so stocks might be saying inflation is coming down and profits will stabilize and exceed expectations. Looking again at Birinyi's data, the current P/E ratio is toward the higher end of bull markets at the 20% rebound level. However, the range is



"Try the office buildings. The cubicles come with a prize inside."

## Something Else

As summer approaches it is time to collect interesting tomato recipes. Fresh-grown field or heirloom tomatoes from the garden or farmers' market is a summer delight. An example is pan con tomate. Toast stale bread. Rub garlic on it. Grate fresh tomato on the bread drizzle olive oil and a bit of sea salt. A bagel with cream cheese, lox and a thick slice of tomato is a perfect weekend breakfast.

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large with a low of 7.6x for the 1982 bull market and a high of 26x for the 1998 bull market. P/E's do matter. As stated above, the 1998 bull market was the shortest of last 11 bull runs. The longest bull market, at the 20% up mark, traded at just 12x earnings. If we are in a bull market, a portion of future upside is already priced in and this bull market perhaps could last less than many. In any case, as typical, the Bulls will be dragging the Bears kicking and screaming to higher highs.

# Out Of The Box

Commercial real estate (CRE) is a significant concern that hangs over the markets as a whole and especially over financial companies. While CRE is often mentioned as a distinct asset class, it represents many different types of real estate, all with different characteristics and different economics. CRE might be hotels, warehouses, medical facilities, factories, or office space. The last category is, right now, the most concerning given the new post-COVID "work form anywhere" trends. Even within categories there are important distinctions. For example, office buildings might be "Class A, B or C". These buildings could be located in large-city downtown areas or in the suburbs. While it seems apparent that investors should consider these differences, the markets, typically in the beginning, will treat it all as one and likely punish companies that own these properties or lend with these assets as collateral. Opportunities will develop after these firms drop in price and then savvy investors can look at the details and make significant money. Banks, insurance companies, REITs, BDCs, private equity companies, real estate mutual funds and bonds funds all own some CRE in some form or another. Investors will need to carefully look at the details in these entities' financial statements to see what type of CRE is owned and in what form. If there is a crisis in CRE (a lot will depend on the health of the economy) it will likely play out over several years. CRE is not like residential real estate in 2007. There are a variety of transactions that will happen relating to CRE that was not available to residential real estate. Work outs, capital injections, property swaps, easier foreclosures are all actions that can not be done with houses. If there is a CRE crisis, we are in the early innings and it could develop and resolve in many ways.

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