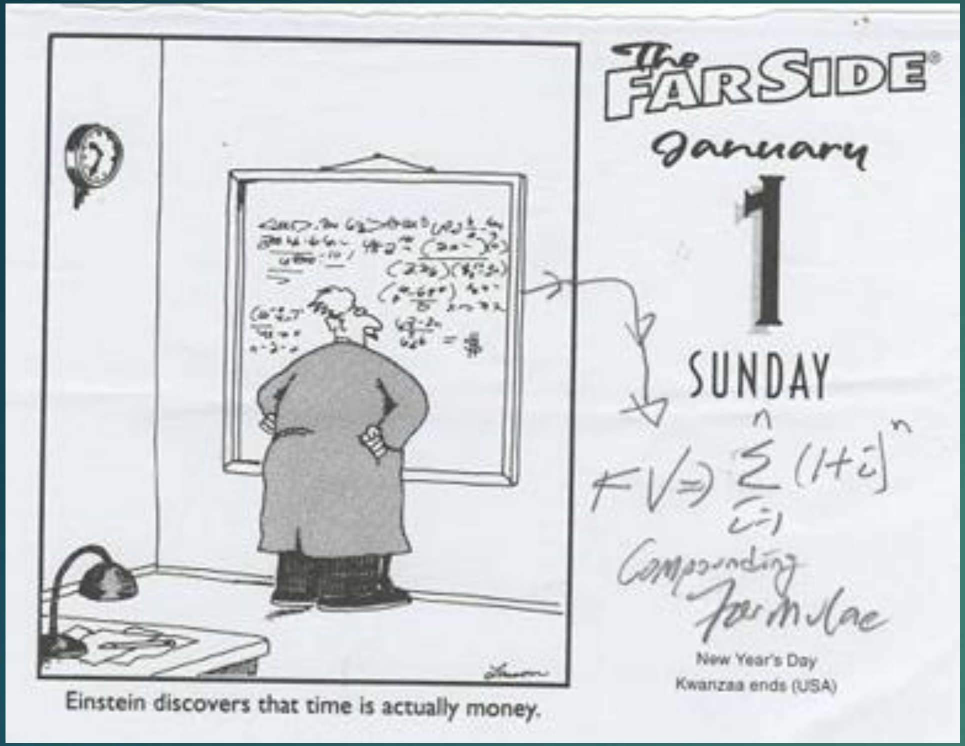
AAII Houston
AGENDA 01-21-23

09:30 INCOME SIG UPDATE
- Ferzinger@gmail.com

10:30 Delta Investment Management LLC
- Nick Atkerson

2023 Update from Research



Einstein discovers that time is actually money.

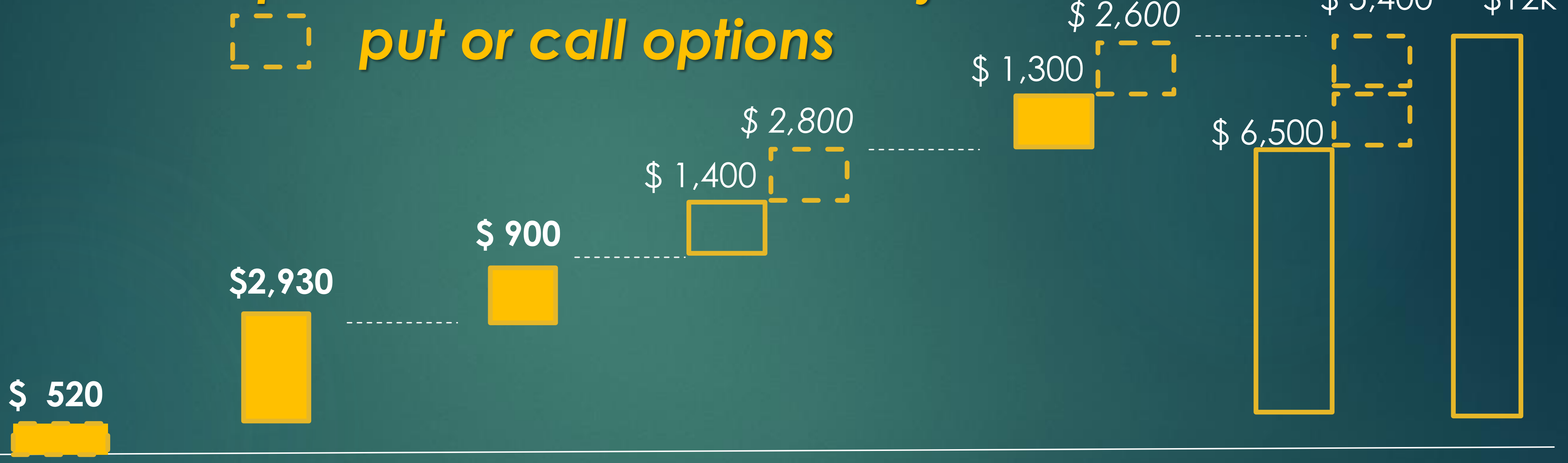
Source: Reference Gary Larsen FarSide

Income SIG – Agenda

- 1. BASELINE
- 2. MARKET OUTLOOK
- 3. ASSET ROTATION / PROSPECTS
- 4. POSITIONS / NEXT STEPS

1. BASELINE 2023

q1 Demonstrate $12k income/qtr
q2+ ReAllocate to Risk Adj Assets



	Gold (Hedge)	13 wk Tbill Ladder	Corp Bonds	Magnificent 7 Original Eq. Pos	New 6 Eq Positions	- Total -
Capital $k	$50k	$245k	$50k	~$200k	$175k	$720
Incremental Return	4.2%	4.8%	7%	2.8% + 5.6%	3% + 6%	6.7%

3. BASELINE 2020 to 2022

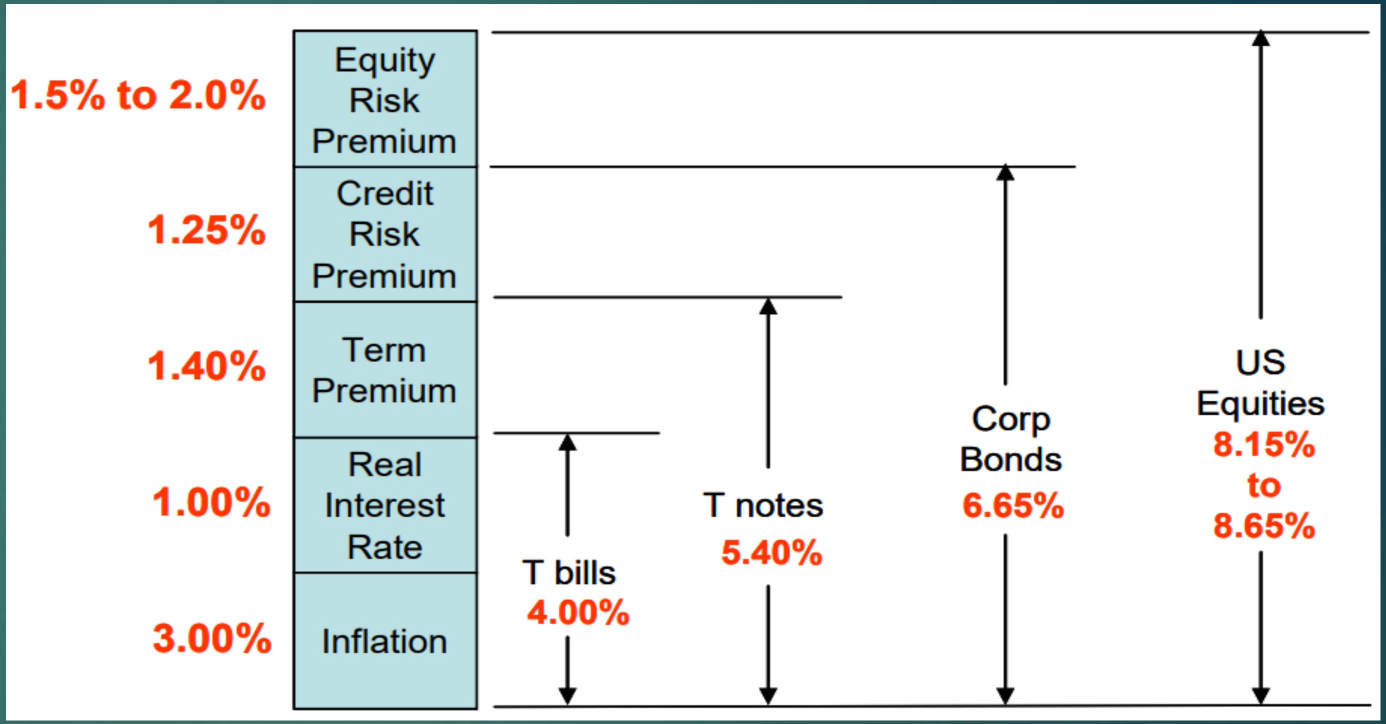
Inc Sig History

2020 Feb $500k

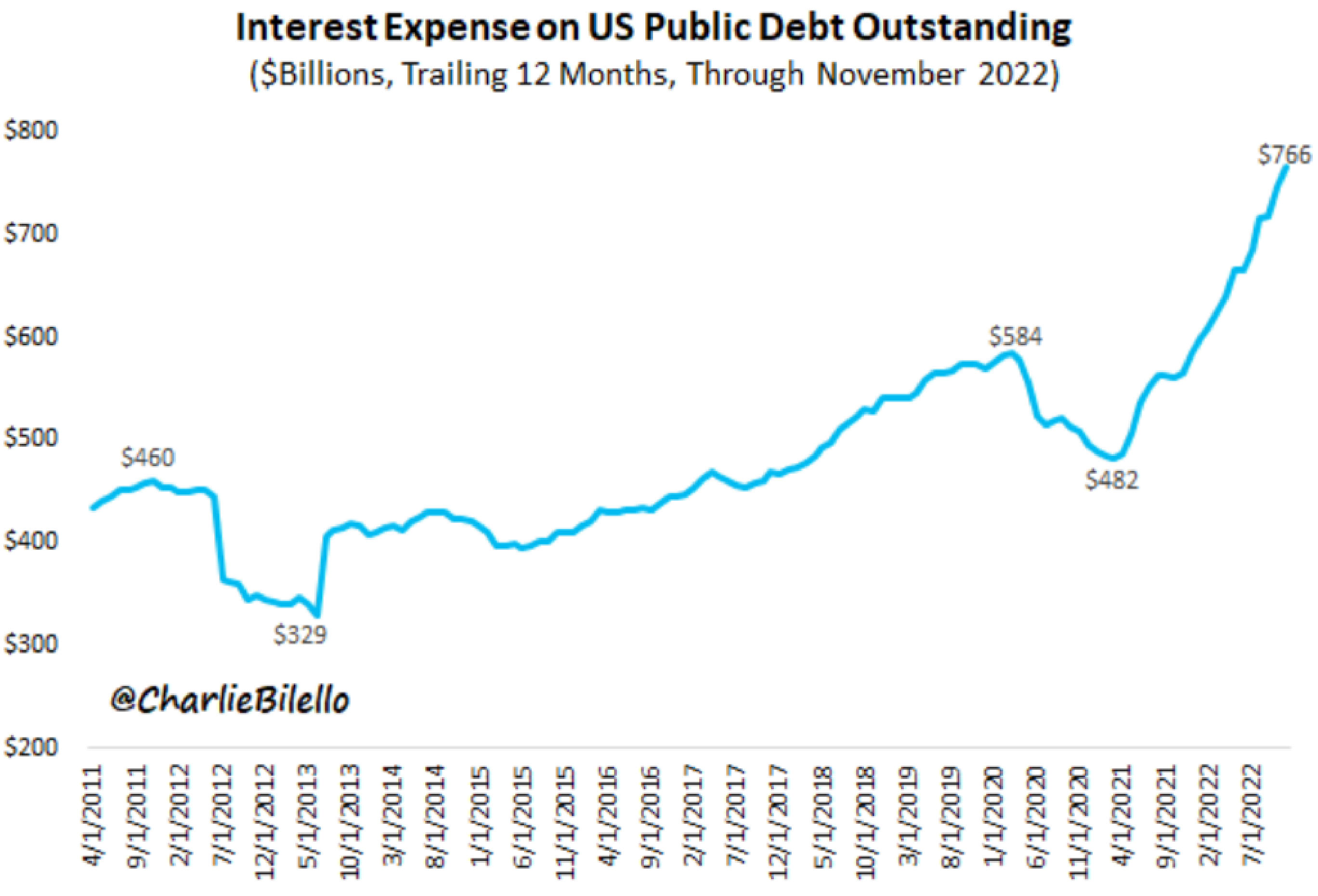
2022 Dec <u>$720k</u>
22% p.a

All US Equities
- Price Stability (Value)
- Dividends
- Options

Inc Sig 2023 – Back to the Risk Premium



2. OUTLOOK –
Fed Interest on Debt



End of Easy

2021	2022
Free Money Effect	Effect Wearing Off
Easy Fed	Fed Tightening
Smooth Ride Higher	More Volatility/Drawdowns
Earnings Boom, Record Margins	Tougher Comps, Margin Compression
Don't Worry About Inflation	Stagflation is a Risk
Record Housing Appreciation	Housing Slowdown
Mania	The Other Side: Weighing Machine

Source: US FedReserve, Compilation-CompoundAdvisors.com, Depiction-YCharts

2. OUTLOOK - Sentiment – 01/20/23

.. Bull … Bear ..Bull again …?

MARKET SENTIMENT IS

BULLISH

THIS WEEK'S NUMBER IS

79.2

Our technical indicator climbed from 75.2 to 79.2 this week

INDICATOR STATISTICS

Consecutive Bullish Weeks:	10
Cycle Inception Date:	11/17/2022
Range:	61.6 – 80.6
Mean:	72.4
Bullish Weeks YTD:	3
Bearish Weeks YTD:	0
*S&P 500	-0.4%
*DJIA	-1.4%
*NASDAQ	-1.3%

*Percentage change during current cycle

Delta Market Sentiment Indicator Over the Past Year

Delta Market Sentiment:

- **This weeks price for 1800 stocks**
- **Percent above or below 75 dma**
- **> 47% "Deadband"< 53%**
  not a definitive indicator

Source: Delta Investments, Fed, Finra Reports 01-20-23

2. OUTLOOK – AAII Sentiment – 01/18/23

.. Improving

What Direction Do AAII Members Feel The Stock Market Will Be In The Next 6 Months?

Sentiment Votes: Bullish / Neutral / Bearish

Week Ending	Bullish	Neutral	Bearish
1/18/2023	31.0%	36.0%	33.1%
1/11/2023	24.0%	36.0%	39.9%
1/4/2023	20.5%	37.5%	42.0%
12/28/2022	26.5%	25.9%	47.6%

Historical View

Historical Averages	37.5%	31.5%	31.0%

1-Year Bullish High:	33.5%	Week Ending 11/16/2022
1-Year Neutral High	40.6%	Week Ending 3/30/2022
1-Year Bearish High	60.9%	Week Ending 9/21/2022

More Historical Sentiment Data

CURRENT AAII SENTIMENT BULL-BEAR SPREAD:

The Sentiment Survey is a contrarian indicator.
Above-average market returns have often followed unusually low levels of optimism, while below-average market returns have often followed unusually high levels of optimism.
Click here to learn more.

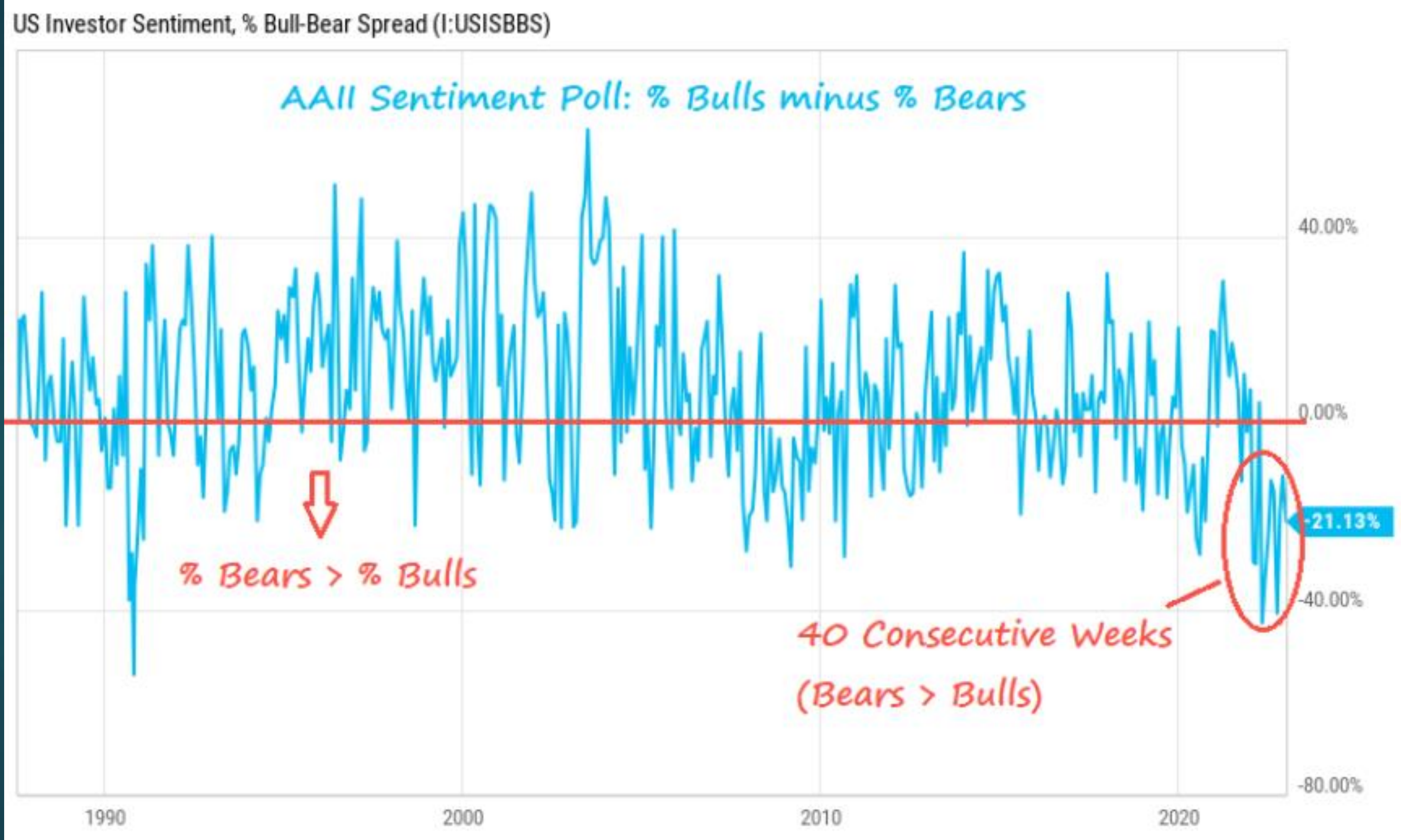
BULL-BEAR SPREAD TRENDS:

Previous Week	1 Month Ago	3 Months Ago	6 Months Ago
-16	-21	-2	-5
Neutral	Greedy	Neutral	Neutral

Source:AAII

2. OUTLOOK – AAII Long Term

.. Improving .. But Not Back



Source: US FedReserve, Compilation-CompoundAdvisors.com, Depiction-YCharts

2. OUTLOOK – Equities 2 year R&S

Done? 2022 bounce-o-rama (b1-b5)?

Souce: RGB Capital 01/13/22, w Modifications

TRENDS – Channel Resistance

T1 – 2022 Dominant Downward Market

$R1_{res}$ – SPY at trend resistance level

TRENDS – Channel Support

SPY

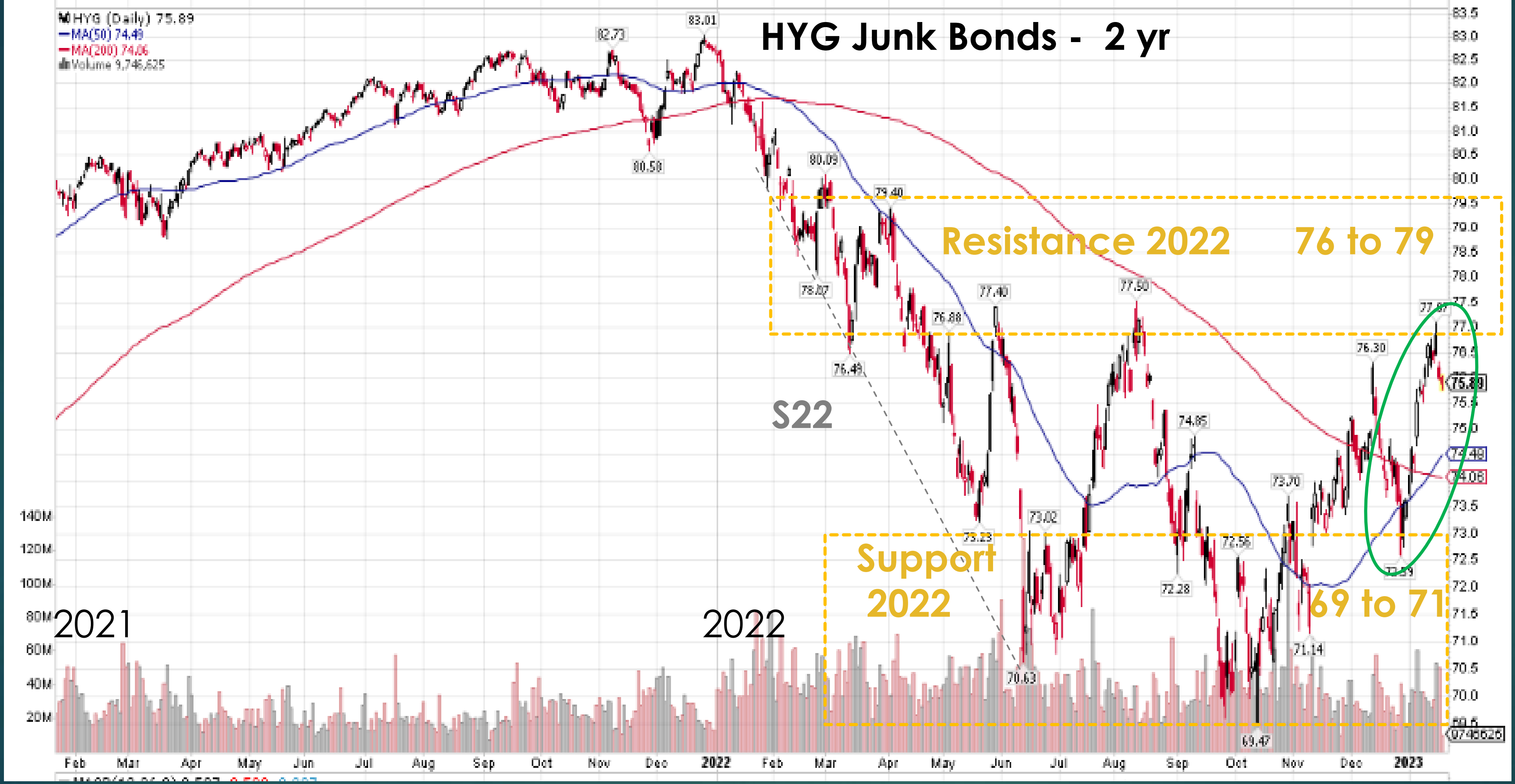
S22 - 2022 Consistent Loss of Support

Nasdaq Support

S1 - New Support level?

2. OUTLOOK – Junk Bonds 2yr R&S

HYG R&S – Improved Appetite for Risk?



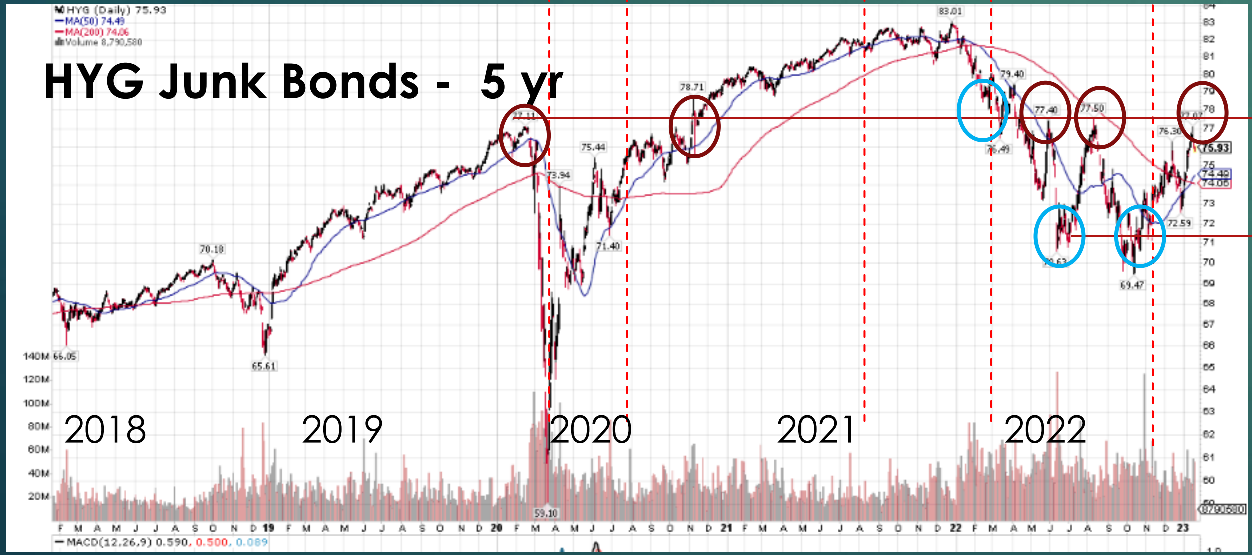
01/21/23	75
50 dma	74.5
200dma	74.1

2. OUTLOOK – 5 yr R&S

s.t. improvement .....

Date	Price	vs 2020 Peak
01/20/22	391	Up 22%
2022 Low	346	Up 7%
Feb 2020	311-323	Base – 2020 Support

SPY – Now 18% above the 2020 support level



Date	Price	vs 2020 Peak
1Feb 2020	77	Base
01/20/22	74	Down 7%
2022 Low	69	Down 10%

HYG

– Support / Resistance at 77

Source: Stockcharts.com 01-20-23

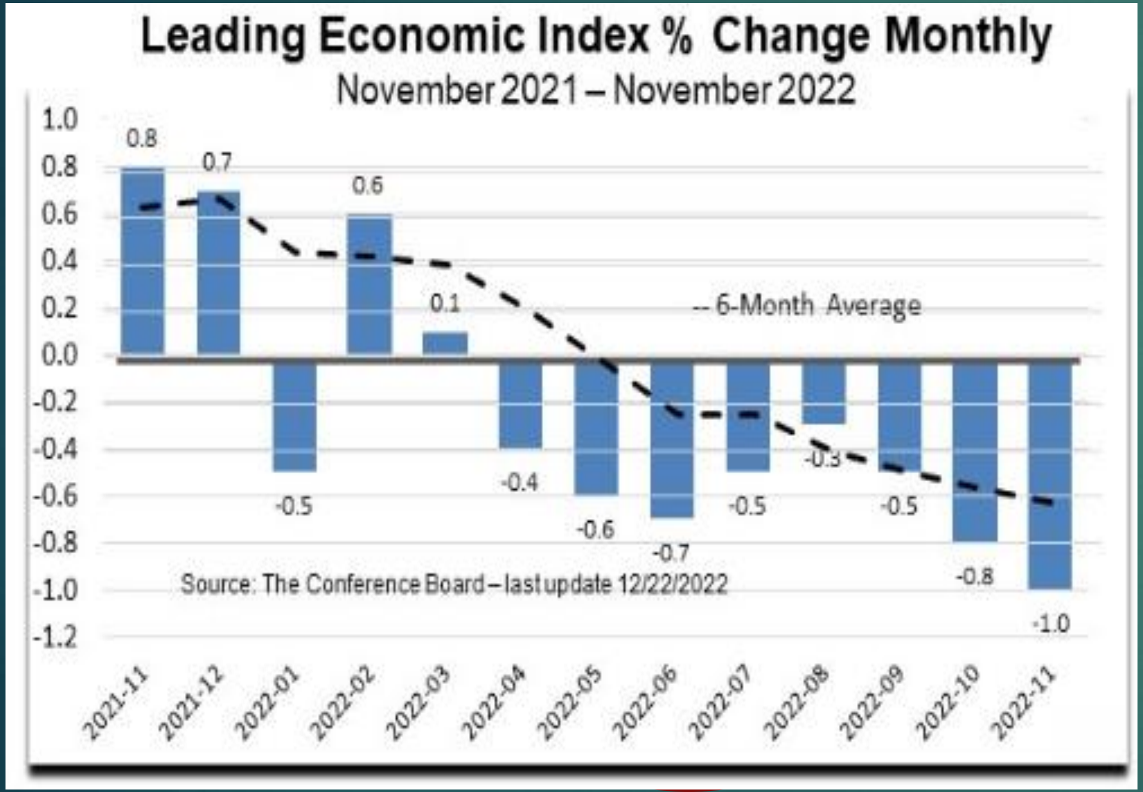
2. OUTLOOK – VIX a S&P Contra Indicator

… proceed w caution ..

Source: Stansberry Research

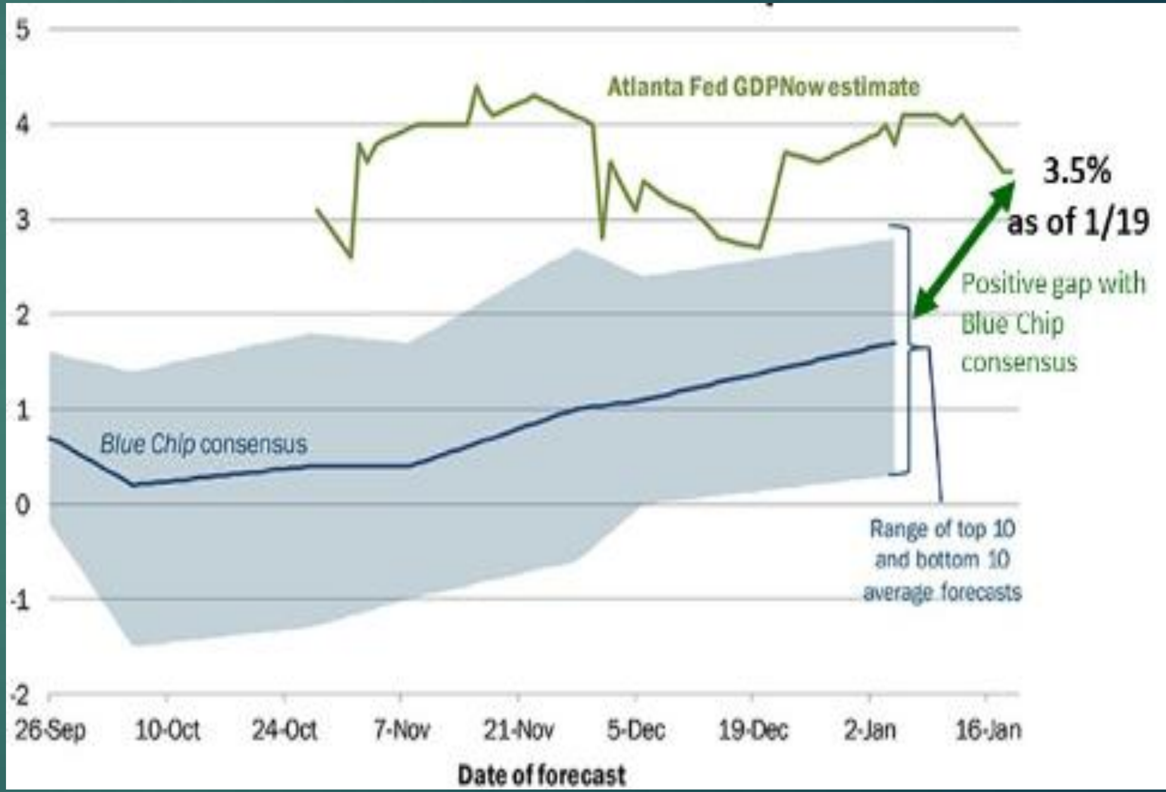
2. OUTLOOK - LEI Outlook
- Fed GDPNow

LEI – Leading Economic Indicators)



Atlanta Fed – GDPNow for 2022 q4

- 200 bps > (semi)blue chip concensus?

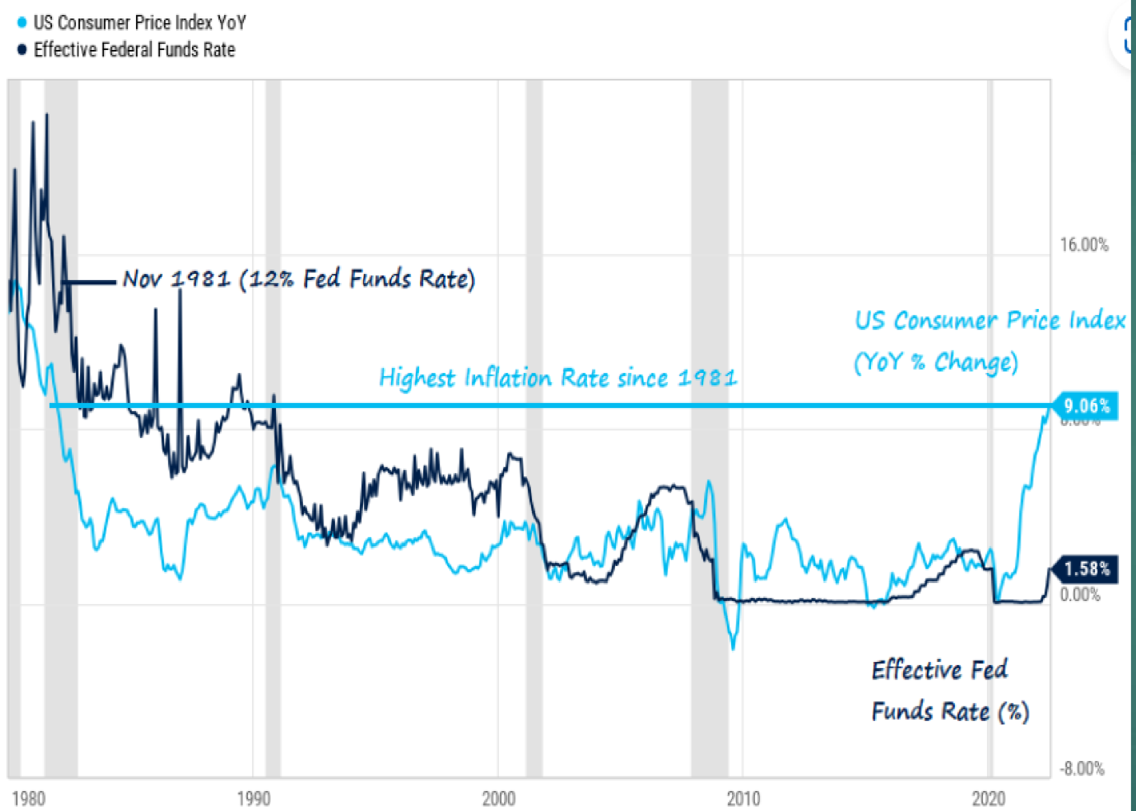


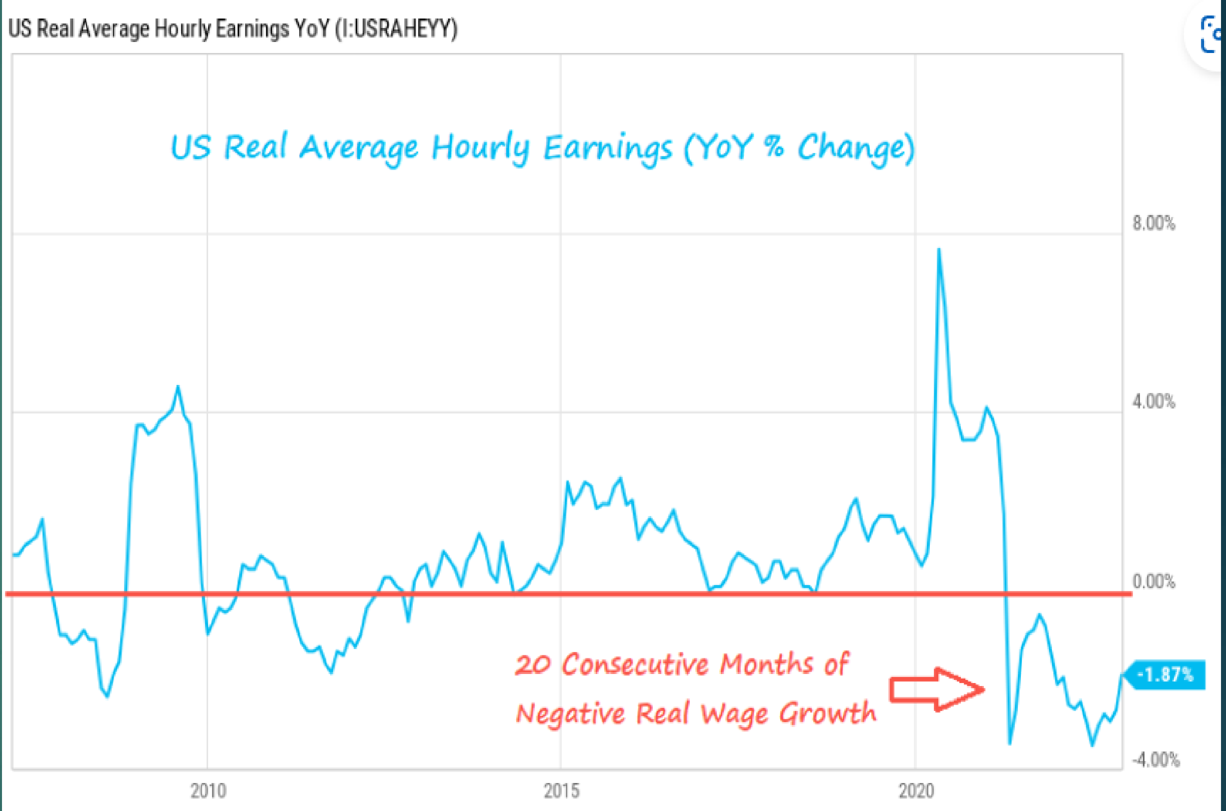
Source: BlueChip Economic Indicators and Blue Chip Financial Forecasts, via Delta Investments

Reporting: 12-22-22

2. OUTLOOK – Fed Funds

Hourly Earnings

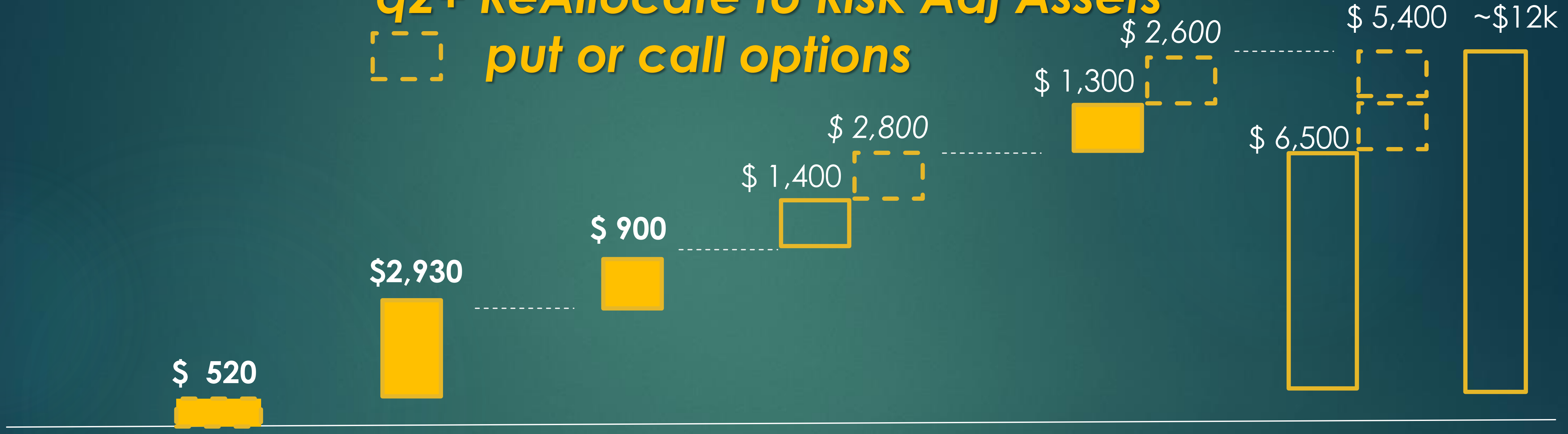




Source: US FedReserve, Compilation-CompoundAdvisors.com, Depiction-YCharts

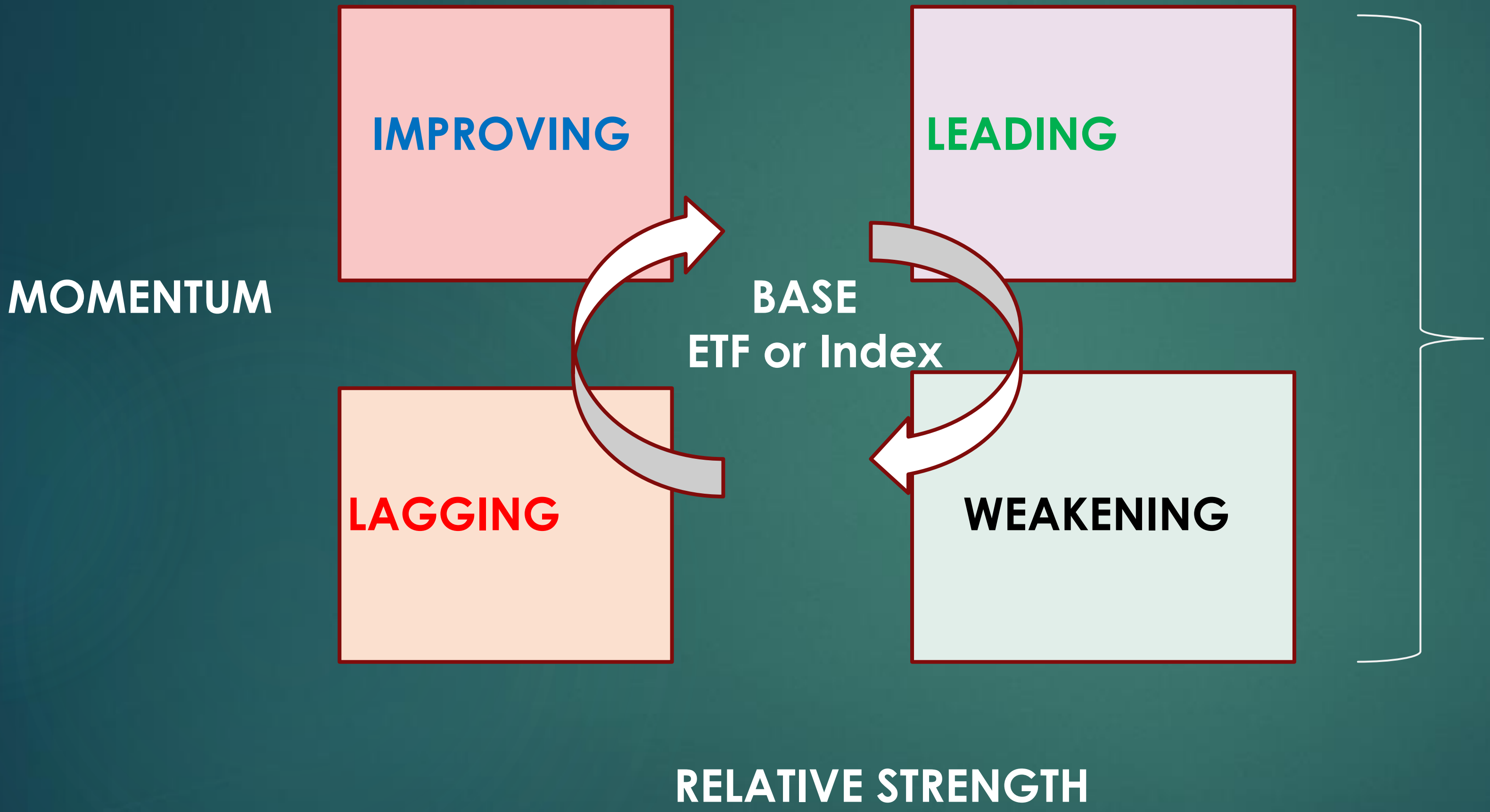
3. PROSPECTS – Harvest 2023

q1 Demonstrate $12k income/qtr
q2+ ReAllocate to Risk Adj Assets



	Gold (Hedge)	13 wk Tbill Ladder	Corp Bonds	Magnificent 7 Original Eq. Pos	New 6 Eq Positions	- Total -
Capital $k	$50k	$245k	$50k	~$200k	$175k	$720
Incremental Return	4.2%	4.8%	7%	2.8% + 5.6%	3% + 6%	6.7%

3. PROSPECTS – The IncSig Challenge



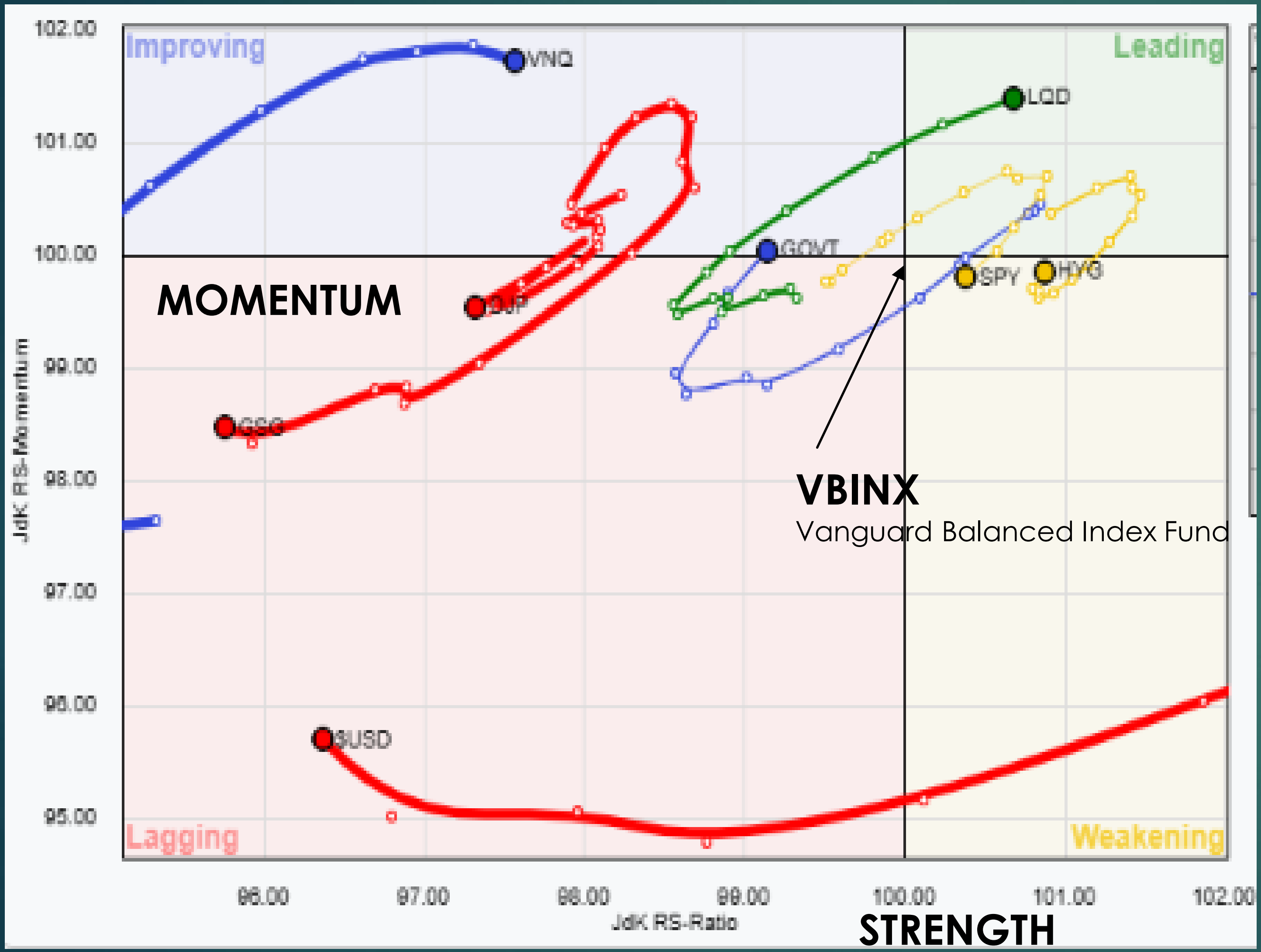
How to Harvest?

Clip Coupons
Rotate Assets
- Opt In / Opt Out

Where to Invest?

Market
Asset Class
Asset Cap
Sector
Industry
Company

3. PROSPECTS
Which ASSET CLASSES?– 13 wk rotation

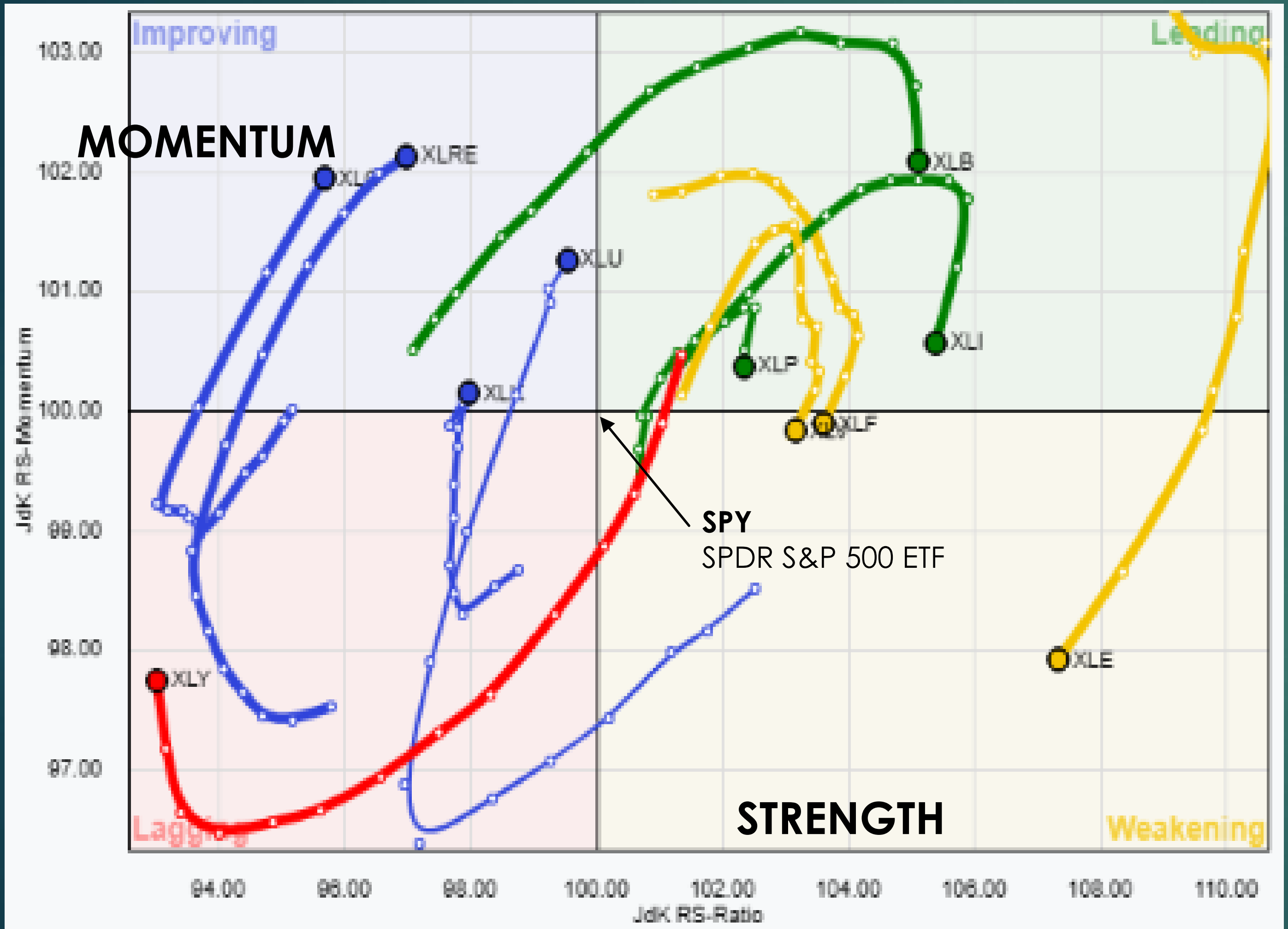


Source: Stockcharts.com, update 11/29

LQD	Corporate Bonds	12.2
VNQ	Vanguard Restate	13.8
GOVT	Core US Treasury	5.5
HYG	Corporate Bond HY	6.5
SPY	SPDR S&P	6.3
$USD	$USD	-9.1
GSG	Commod Index Trust	-0.4
DJP	Commod Index Total	1.7
VBINX	Balanced Index Fund	6.8

VBINX- 1 Year

3. PROSPECTS
WHICH SECTORS? – 13, 8, 4 week rotations



Source: Stockcharts.com, update 11/29

symbol	name	4 wk %chg	8 wk %chg	13 wk %chg
XLB	Materials	5.4	1.1	11.5
XLI	Industrial	0.6	-1.8	5.1
XLP	Consumer Staples	-3.4	-4.1	-0.0
XLC	Communication Services	11.1	6.0	8.6
XLRE	Real Estate	5.8	2.2	7.7
XLK	Technology	5.4	-1.4	1.6
XLU	Utilities	-2.4	-1.6	3.5
XLE	Energy	3.9	-0.5	2.4
XLF	Financial	4.1	-1.5	4.0
XLV	Health Care	-1.6	-2.0	1.2
XLY	Consumer Discretionary	7.4	-2.3	-3.9
SPY		3.4	-1.2	2.2

SPY – 1 Year

Channel Bounce
- Up … Down then
- Up ~ Resistance

3. PROSPECTS - SECTOR ANALYSIS

	Aggregate			Median stock		
Sector	Current dividend yield	Bloomberg consensus 2023 dividend growth	Dividend yield using 2023E dividend growth	Current dividend yield	Bloomberg consensus 2023 dividend growth	Dividend yield using 2023E dividend growth
Real Estate	3.7 %	21 %	4.5 %	3.9 %	6 %	4.1 %
Energy	3.6	(1)	3.5	3.3	4	3.4
Utilities	3.4	(5)	3.2	3.4	6	3.6
Consumer Staples	2.9	(7)	2.7	2.7	3	2.8
Financials	2.6	(1)	2.5	2.6	6	2.8
Industrials	1.9	17	2.2	1.6	7	1.7
Materials	2.5	(20)	2.0	1.8	4	1.9
Health Care	1.7	(3)	1.6	0.6	5	0.6
Communication Services	1.3	18	1.6	0.0	(0)	0.0
Information Technology	1.2	7	1.2	0.7	8	0.8
Consumer Discretionary	0.9	12	1.0	1.4	8	1.5
S&P 500	**1.9 %**	**3 %**	**1.9 %**	**1.8 %**	**6 %**	**1.9 %**

Source: Bloomberg, FactSet, Goldman Sachs Global Investment Research

3. PROSPECTS – Harvest 2023

q1 Demonstrate $12k income/qtr
q2+ ReAllocate to Risk Adj Assets
put or call options

	Gold (Hedge)	13 wk Tbill Ladder	Corp Bonds	Magnificent 7 Original Eq. Pos	New 6 Eq Positions	- Total -
Capital $k	$50k	$245k	$50k	~$200k	$175k	$720
Incremental Return	4.2%	4.8%	7%	2.8% + 5.6%	3% + 6%	6.7%

IV. POSITIONS – GOLD – Inflation & Market Hedge

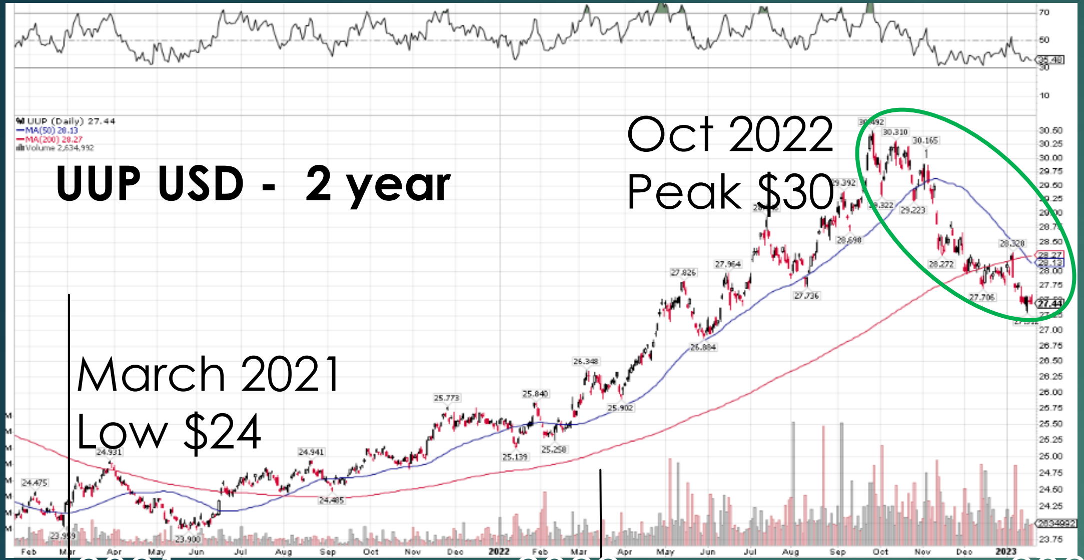
- Q1-23 Jan Outlay $50k, Annual Return (Calc) 4.8%
- BoE, BoJ have Caved, US Fed is next, likely in 2023

Mid Risk

Q1-23 – Jan GLD $25k at
Q1-23 – Jan 2 ½ positions FNV and GOLD, Options at Delta 0.3, 2x/qtr

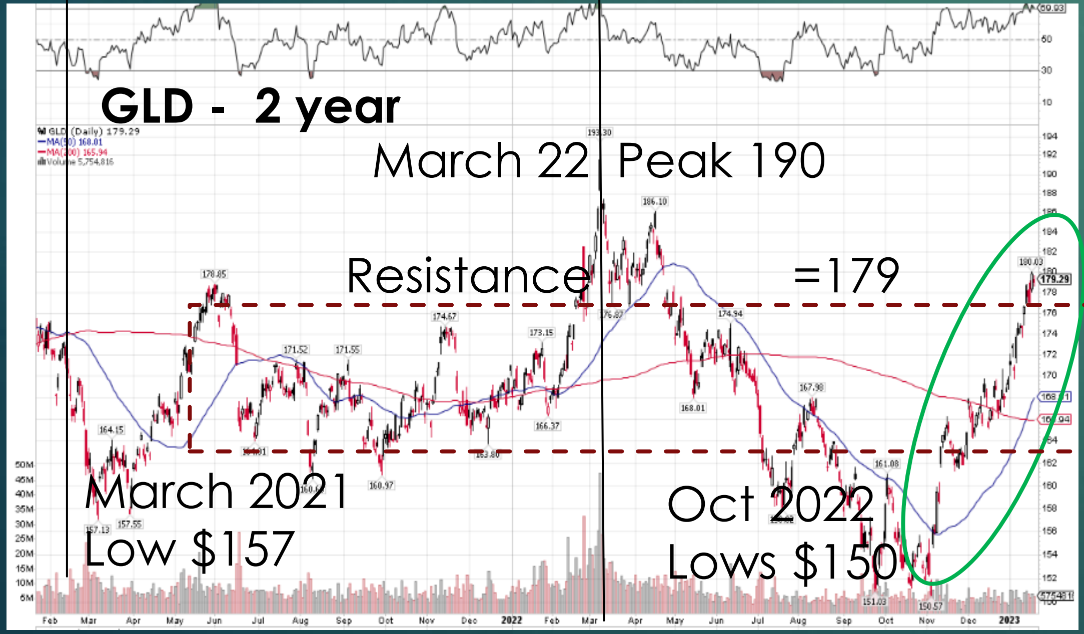
AAII - Income Sig	1/20/2023	PORTFOLIO		
	Date	Principle	Ret % tgt	$ /qtr
GLD	1/31/2023	$ 25,000		
FNV - F Nevada	1/31/2023	$ 14,700	10.1%	$ 372
GOLD - Barrick	1/31/2023	$ 10,300	5.8%	$ 149
		$ 50,000	4.2%	$ 521

IV. POSITIONS HEDGE – Inflation / Currency



2021 2022 2023

RSI 35
200 dma 28
01/20/23 28
50dma 37

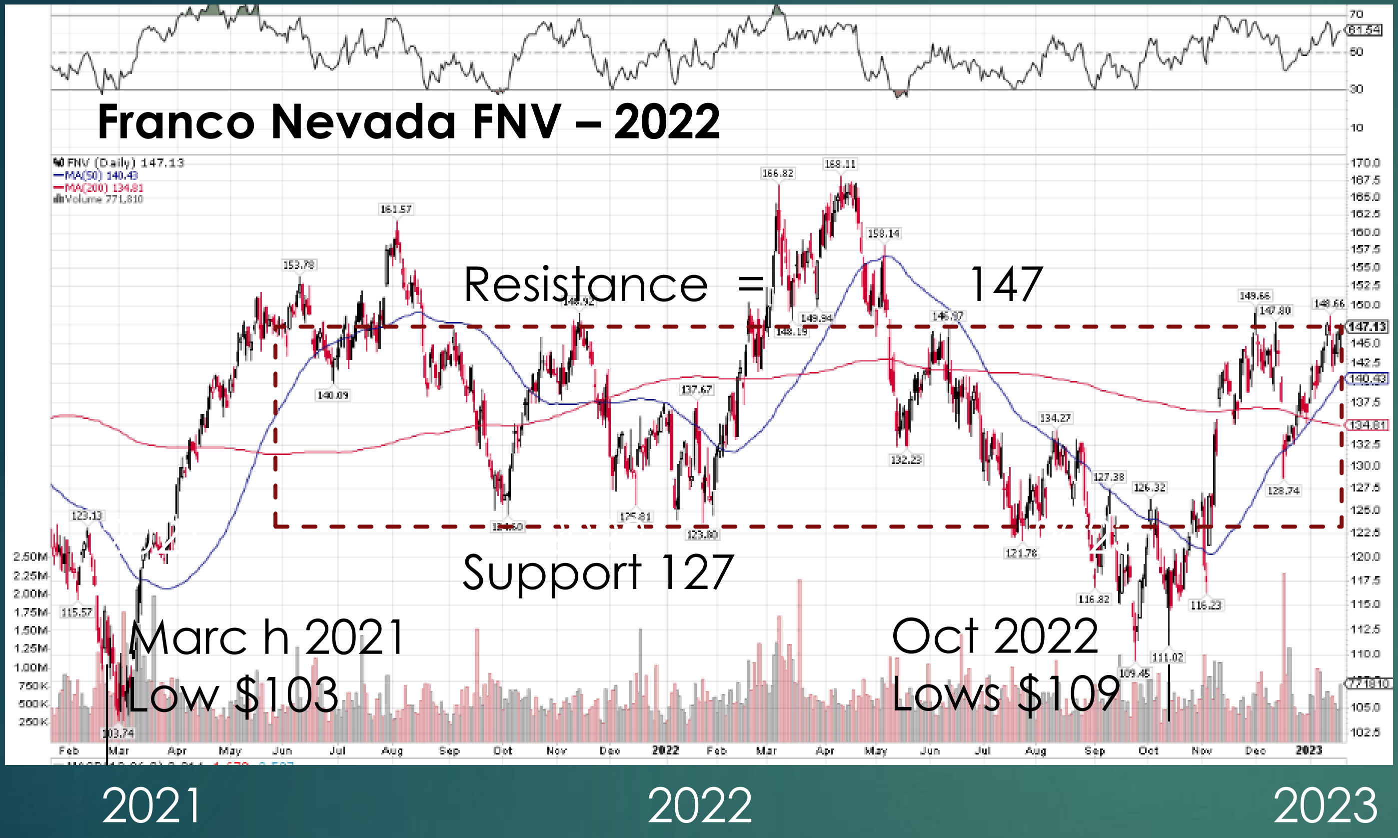


RSI 70

01/20/23
179

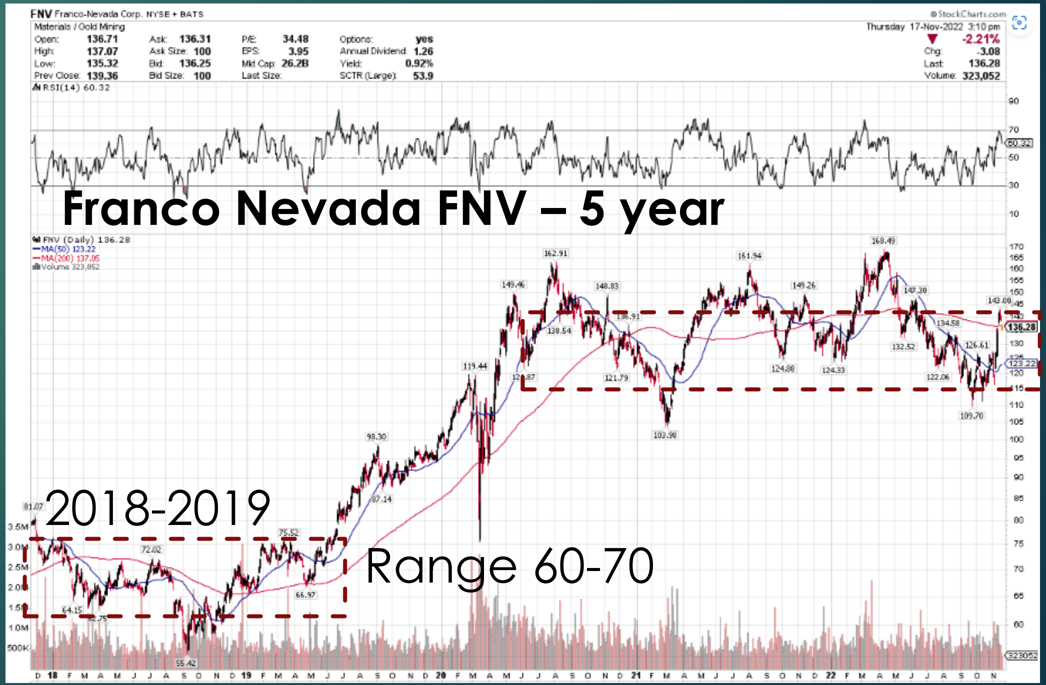
200 dma 168
50dma 165

IV. POSITIONS HEDGE – Inflation / Currency



RSI 61

01/20/23 147
50dma 140
200 dma 135



IV. POSITIONS - CASH – iBonds and 13wk TBill Ladder

- Q1-23 Jan Outlay $265k, Annual Return (Calc) 4.8%

- Next Steps – Roll 1st bill, consider Feb 13wk issue

Mid Risk

Q4-22 – Two Sequential (Oct, Nov) 13week TBills of $75k each

Q1-23 – Jan 13week Add TBill $75k, Feb tbd

Q1-23 - Jan 2nd i Bond for 2 fte ($20k max/yr)

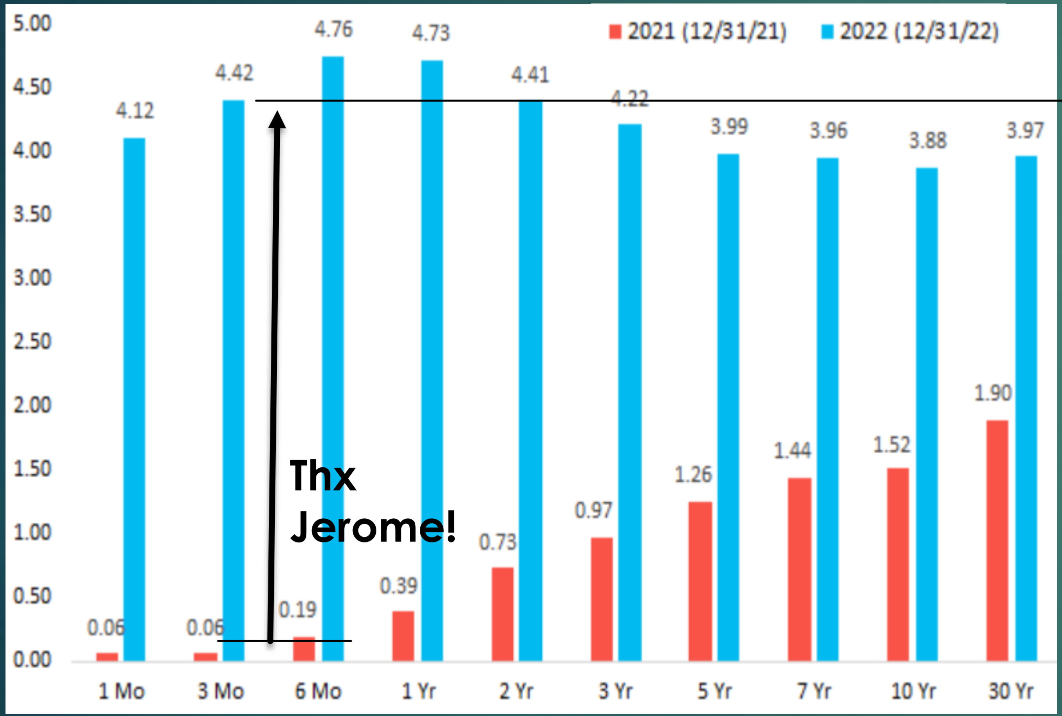
Q1-23 - Feb - Roll 1st 13 week Tbill, tbd buy additional

AAII - Income Sig	1/20/2023	PORTFOLIO		Stop Out or			
	Date	Principle	pct	30-D3 Risk*	Sharpe	ann pct	$ /qtr
CASH - iBond Tbills							
I Bonds-22	10/15/2022	$ 20,000				9.10%	$ 455
I Bonds-23	1/31/2023	$ 20,000				6.87%	$ 344
13wk Tbill q4a	10/4/2022	$ 75,000				4.17%	$ 782
13wk Tbill q4b	11/1/2022	$ 75,000				4.32%	$ 810
13wk Tbill q1a	1/31/2023	$ 75,000				4.47%	$ 838
ST CASH		**$ 265,000**	37%	0%	na	**4.87%**	**$ 3,229**

i Bond & Tbill Data Set; USTreasuryDirect.gov

IV. POSITIONS – IncSig CASH

- Bond Ladders - 13 wk Tbills, iBonds
- Risk Free Floor – All other Investments



Source: Federal Reserve Bank, CompoundAdvisors.com

FedBonds -13wk Bills | **iBonds**

	Q1-23a	q4-22b	q4-22a		
	$75k 4.42%	$75k $4.32%	$75K 4.17%	$20k 6.7%	$20k 9.1%
Buy;	Jan 31	Nov25	Oct 03	2023	2022
Mature;	Apr	Feb 23	Feb 02		

13 week T Bills

- - iBonds - -

IV. POSITIONS - BONDS – HYG

- Q1-23 Jan Outlay $25k, Annual Return (Calc) 7%
- Q1- 23 Feb Check Options and Price Move for 2nd Position

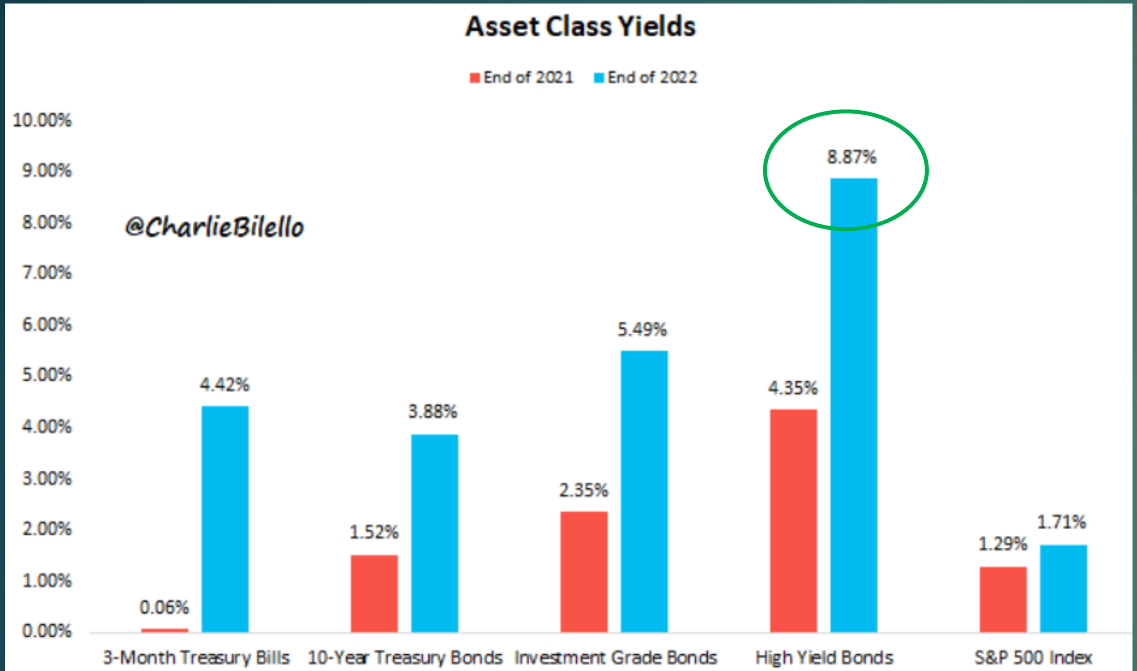
Mid Risk

Q4-22 – none

Q1-23 – Jan Opt into HYG Position

i Bond & Tbill Data Set; USTreasuryDirect.gov

IV. POSITIONS - BONDS – The Upside of Downside



Source: Federal Reserve Bank, CompoundAdvisors.com

iShares iBoxx $ High Yield Corporate Bond ETF

Risk & Volatility Measures

Trailing	Investment	Category	Index
Alpha	2.01	2.62	3.38
Beta	1.05	0.90	1.03
R^2	31.74	25.23	28.96
Sharpe Ratio	–0.15	–0.03	–0.02
Standard Deviation	10.92	10.70	11.24

USD | Investment as of Dec 31, 2022 | Category: High Yield Bond as of Dec 31, 2022 | Index: Morningstar US HY Bd TR USD as of Dec 31, 2022 | Calculation Benchmark: Bloomberg US Agg Bond TR USD

Market Volatility Measures

Capture Ratios	Investment	Category	Index
Upside	136	132	151
Downside	109	94	105

Drawdown	Investment %	Category %	Index %
Maximum	–14.86	–13.72	–14.57

Drawdown Peak Date	Drawdown Valley Date	Max Drawdown Duration
Jan 01, 2022	Sep 30, 2022	9 Months

USD | As of Dec 31, 2022 | Category: High Yield Bond | Index: Morningstar US HY Bd TR USD | Calculation Benchmark: Bloomberg US Agg Bond TR USD | Drawdown as of Dec 31, 2022

D. MLPs - Demonstrate "Opt In" Alternatives for Jan 23 Meeting

Update Financials fr Q3, Target Co Earnings Releases

Mid Risk – Two Positions ~$100k acq.
Q4-22 – One Position AMLP $50k
Q1-23 – 1/2 Position 12.5k Option Each $50k - 4 Total

MLP Data Sets: Finra, Morningstar

IV. POSITIONS
AMLP - Alerian MLP and MLPS Infrastructure etf

1. OVERVIEW

Ticker	Company	Last Close	Invest Style	Market Cap	Forward Div Yield	Trailing Div Yield	Price/ Sales	Price/ Book	Beta (5-Year)	Consensus Forward P/E	
ET	Energy Transfer	$ 11	Large Value	35.5928 Bil	**8.1%**	**6.7%**	0.41	1.07	1.81	6.61	ET
ET	Energy Transfer										
EPD	Enterprise Products	$ 25	Large Value	54.0890 Bil	**7.7%**	**7.6%**	1.05	2.07	1.15	9.42	EPD
TRP	TC Energy	$ 40	Large Value	40.5382 Bil	**6.4%**	**6.8%**	3.94	1.88	0.79	12.67	TRP
WMB	Williams PL	$ 29	Large Value	36.2513 Bil	**5.8%**	**5.7%**	3.33	3.2	1.2	16.98	WMB
ENB	Enbridge	$ 36	Large Core	72.9532 Bil	**7.2%**	**7.3%**	1.95	1.85	0.82	15.9	ENB
MMP	Magellan	$ 47	Mid Value	9.9439 Bil	**8.8%**	**8.8%**	3.46	5.55	0.92	10.09	MMP
WES	Western Midstream	$ 25	Mid Value	9.9356 Bil	**8.0%**	**6.6%**	3.27	3.06	2.96	7	WES
CQP	Chenier	$ 55	Mid Core	26.7233 Bil	**6.3%**	**6.3%**	2.04	38.06	0.84	12.72	CQP
DTM	DT Midstream	$ 53	Small Core	5.1985 Bil	**4.8%**	**4.7%**	5.89	1.31	—	13.12	DTM
	Average->				**7.3%**	**7.1%**	**2.5**	**4.4**	**1.6**	**11.3**	

5. OPTION POTENTIAL / 6. TARGET

	DtE	Delta	$prem	trade %	mult	annual %	Target % Div + Option /yr
ET	25	0.238	$ 0.15	1.2%	15	17%	**16.6%**
	25	0.135	$ 0.05	0.4%	15	6%	**2.9%**
EPD	25	0.450	$ 0.41	1.7%	15	24%	**19.8%**
TRP	53	0.570	$ 1.20	2.7%	7	19%	**15.8%**
WMB	25	0.245	$ 0.20	0.6%	15	8%	**10.0%**
ENB	18	0.226	$ 0.20	0.5%	20	10%	**12.1%**
MMP	18	0.200	$ 0.15	0.3%	20	6%	**11.7%**
WES	18	0.344	$ 0.40	1.4%	20	29%	**22.4%**
CQP	18	0.250	$ 0.45	0.7%	20	15%	**13.7%**
DTM	25	0.100	$ 0.05	0.1%	15	1%	**5.4%**
							at 1/2 of Opt Potential
	25	**0.278**	**$ 0.32**	**0.9%**		**13.4%**	**13.0%**

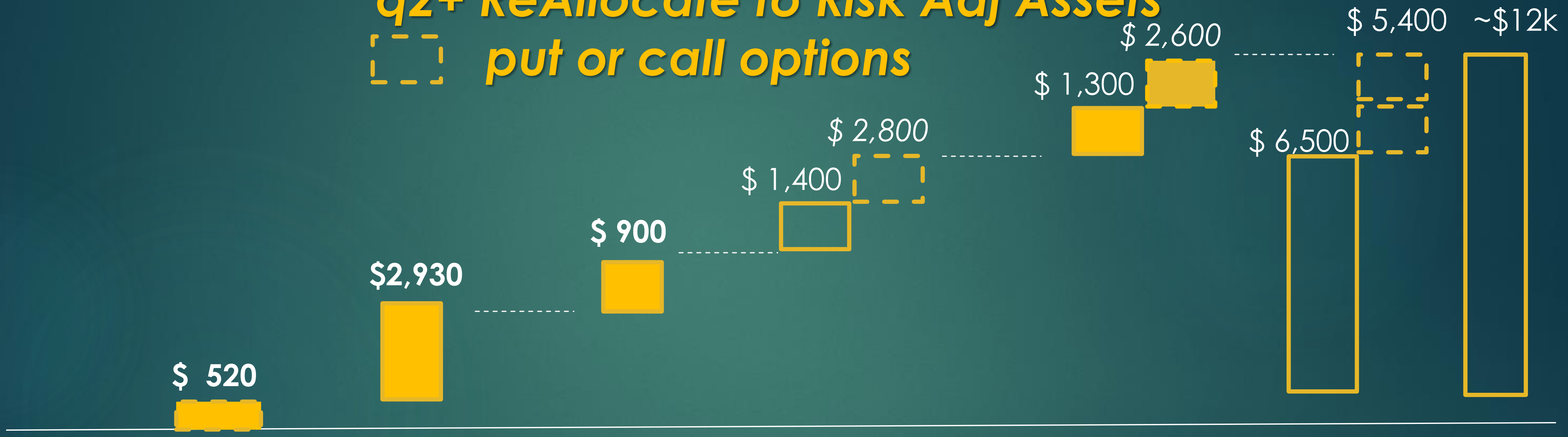
ASSET	$ Capital	% Div / yr	% Opt / yr	% Total / Yr	$ Int / qtr
AMLP - Alerian	**$ 50,000**	**6.0%**	**0.0%**		**$ 750**
MLP Div & Options					
ET	$ 12,500	6.7%	8.5%		$ 475
EPD	$ 12,500	7.6%	12.0%		$ 613
WMB	$ 12,500	5.7%	4.0%		$ 303
CQP	$ 12,500	6.3%	7.0%		$ 416
S Total MLPs	$ 100,000			10.2%	$ 2,556
(4 positions eq)					

3. PROSPECTS – Harvest 2023

q1 Demonstrate $12k income/qtr

q2+ ReAllocate to Risk Adj Assets

put or call options



	Gold (Hedge)	13 wk Tbill Ladder	Corp Bonds	Magnificent 7 Original Eq. Pos	New 6 Eq Positions	- Total -
Capital $k	$50k	$245k	$50k	~$200k	$175k	$720
Incremental Return	4.2%	4.8%	7%	2.8% + 5.6%	3% + 6%	6.7%

GEN TEMPLATE

Lead text

2018 2019 2020 2021 2022

Date	Price	vs 2020 Peak
01/20/22	391	Up 22%
2022 Low	346	Up 7%
Feb 2020	311-323	Base – 2020 Support

SPY – Now 18% above the 2020 support level

Source: Reference