**Jared Dillian: Trading Sentiment**

Jared makes a living trading human emotions in the market.

Technical analysis matters a little because it relates to emotion. Fundamental analysis doesn’t matter at all…

Jared went to a Coast Guard University and had to spend two years at sea. Shortly after that, he married an archeologist. Soon he wound up in San Francisco and got a job at a San Francisco options exchange. This was 1999, an incredible time to learn the markets.

Jared saw speculation in its purest form. That’s where Jared built his ideas on sentiment.

He was there for the end of the tech bubble, and soon applied for a Wall Street banking job. He wound up at Lehman Brothers. He did index arbitrage, which was a dying trade at the time. It was going electronic, but Jared was doing it by hand.

Jared was profitable because he had a sixth sense of when trades would reverse.

Soon he wound up day-trading S&P 500 futures. His process was extremely involved. He was making $10,000 a day, and his job survived through layoffs.

Next, he was at the ETF trading desk. Being an ETF trader in the 2000’s, Jared says, was Wall Street’s most stressful job.

Jared noticed sell orders came in at the lows and buy orders came in at the highs. This was an expression of sentiment.

Jared got a diagnosis of bipolar disorder while at Lehman’s. He has since been on a quest to be as emotionally healthy as possible. And this introspection has led to his understanding of sentiment.

Lehman’s went bankrupt in 2008 and Jared started his newsletter.

Millions of traders make the worst possible decisions at the worst possible times because of emotions. It’s a predictable cycle. And folks underperform the broad index.

Most financial education has focused on making investors “rational” but that’s an impossible ask. You can’t divorce from your feelings. You must instead profit on the irrationality of others.

Investors should do the opposite of what everyone else is… but it’s not that simple.

It takes years of practice and resisting your instincts.

The average investor has underperformed significantly since 1999 to 2019. This is because of emotion. Bull markets make people overcommit. And bear markets make people sell at lows. That’s the opposite of what you should do.

Sentiment investing addresses these problems. You can be objective but accepting of your own emotions about the market.

It puts emphasis on qualitative data, anecdotes, headlines, and magazine covers. It lets you be in the ballpark of market shifts, and you can subtly change allocations to get better returns.

You need to take in all sensory inputs – tv, radio, social media, offhand discussions with people at conventions. Keep your eyes peeled at all times.

Jared looks for enthusiasm, hubris. He looks for people who make money disproportionate to effort. He looks for a lack of critical thinking, and extreme happiness and sadness.

Sentiment trading is not taken seriously by Wall Street, because it is unquantifiable. But the answer is not in the numbers. Numbers give you a sense of false confidence.

If you stud sentiment methodically you can catch big turning points. And you won’t make as many errors, you’ll be bearish at the highs and bullish at the lows. Jared has never blown himself up in 23 years.

Other indicators: newspapers. Wall Street Journal’s front page. Think of how fast German Electricity prices left the news. It was going to cause a depression… now it’s gone.

Cure yourself of reading newspapers by reading newspapers from two weeks ago. The news tells you what has already happened, not what’s coming. It’s noise. But if the noise gets louder and louder, we know it will not last long.

If a moral panic surrounds something, the trend is likely to reverse.

Look to pop culture for cues. In 1994, the social climate was extremely negative. The top musical act was Nine Inch Nails. The top movie was serial killer horror Seven. Pop culture was dark. And that year the inflation adjusted Dow bottomed and went on a massive bull run.

In 2000, there was happiness. The music was Brittney Spears and Backstreet Boys. And that was the top.

Positioning is another component of sentiment. When people are all out of a trade, there’s no one else to sell. And vice versa.

The Federal Reserve is another sentiment engine. You can always predict the Fed will follow the past of least embarrassment. It’s a system of saving face. No one wants to be in the news for screwing something up. Screwing something up quietly is how the government operates.

Inflation got out of hand and disgraced the government… so now they’re making the other mistake. They will hike rates until the pain of recession exceeds the pain of inflation. Jared thinks we’re there.

Jared has other predictions. He thinks a bear market in energy will continue. It’s down 20 percent from highs, but energy bulls are still doing a victory lap. But it’s crowded and no one is left to buy.

Cannabis interests him. It’s down a lot, forming a base, and advocates are keeping quiet. Sentiment is bombed to hell… so it’s a good time to form a position.

We just had a bubble in tech. Another is unlikely this soon. But Jared thinks the low is in.

It’s tough for the market to go down when everyone is short. In options last week, there were three put options for every call. That is unprecedented. AAII shows more bearishness than we had in the great financial crisis. World War III and depression are in the cultural conversation. Sentiment is far too bearish.

Jared thinks we should be long stocks and bonds. An average bear market lasts 20 months. If this market started with the blowoff top of GameStop exuberance in January 2020… that puts us at 22 months. People are as bearish today as they were bullish in 2020.

People say we need to feel more pain first. Jared says the pain is enough. Stocks are down. It’s the worst year ever in bonds. The wealth destruction this year is equal to the great financial crisis. And at that time, you could hide in gold and bonds… this time there’s nowhere to hide.

This is a plain, vanilla bear market based on rate hikes.

The bear case is always most compelling on the lows. And the most successful pundits reflect the mood on the market today. They sound smart at the time but have little predictive power.

Sentiment trading is a dark art, so Jared gets that people are skeptical. But you have to be willing to do the trade that is insane to be a successful investor. The best time to invest is when there is no evidence to support your position… you have to invest with faith.

**Frances Haugen: A Morning with Frances Haugen – Data Engineer and Facebook Whistleblower**

There’s a narrative among social media companies that this is as good as it gets. But Frances thinks that there are opportunities for a less destructive social media.

She disclosed 22,000 pages of documents to the SEC regarding Facebook’s destructive policies. She has been tarred as an advocate of censorship. But it’s not the case.

Facebook knows how to keep us safe without censorship, but they choose not to in order to profit.

Frances has celiac disease, and it put her in the hospital in 2016. She hired an assistant, and he helped her get well and became a good friend. But after Hillary Clinton won the nomination, he found some darker, conspiratorial corners of the internet. A dispute followed. And Frances realized that they were in a world of divergent facts.

In Facebook, if you “like” an article, it serves you other content you might like. But the articles have no curation. In fact, there’s a Macedonian cottage industry of fake news stories. These folks were making 10s of millions of dollars in ad revenue.

Facebook made a “third party fact checking” program. But the program was opaque. And today the lies surrounding the program have hit Facebook’s bottom line.

Frances’s point in disclosure was that AI censorship does not work.

If Facebook detects any kind of bias in your algorithm (based on your “likes”) they will serve you increasingly extreme content. So they introduced a new way of looking at content. They started removing content that approached the “red line” of acceptable content…

But the problem is with any AI you have to make a tradeoff. You have to be willing to be wrong.

When you make an AI system, you have to decide between great coverage with lots of mistakes… or few mistakes with an insensitive threshold.

Facebook targeted a 10% mistake rate. This system took out 3 to 5% of content. But Facebook did not disclose this in a transparent way. They greatly inflated the amount of data that was taken down.

What’s more, content filters don’t scale for a linguistically diverse world.

There are a billion-plus people in the world for whom “Facebook” is “the internet.” Facebook incentivized governments to use the Facebook platform as the internet instead of the open internet.

But if you write an algorithm that takes down bad content in English… you have to do it in all other languages. Facebook has not made a sufficient effort to globalize these systems. And in the countries that need moderation most, Facebook is just serving to inflame extreme politics.

Frances thinks TikTok is going to be worst. It can only be saved if it is censored. It promises nothing, except that you will like what you see. But things become viral because content becomes condensed into a small stream. This results in takedowns of gay and disabled creators to save them from “bullying.”

In contexts where ethnic violence is possible, this is disastrous. TikTok promoted ethnic tensions in Kenya during a recent election. And no one on their content moderation team spoke Swahili. There is not sufficient will to address these problems.

Facebook and others know that if the conversation is an argument about censorship, nothing changes. People think Facebook is the same product as it was in 2008. But it has changed. Very little content on the site is from family and friends. The most reach goes to the most extreme ideas.

But family and friends’ content weren’t enough for a growing, ad supported company. Facebook added “pages” and “groups” to generate more content. These content producing groups are prone to extreme content… and the highest ranking (most extreme) are served to your stream.

Facebook admits in its own research that their policies jeopardize democracy.

Facebook’s algorithm has reached the point that it influenced elections.

So what’s the alternative?

Prioritizing posts from friends and family reduces hate speech and violence. So does adding a confirmation window when you click “share.” If we had to copy and paste content instead of a simple “share” button, that is statistically as effective as the entire “Third-party fact checking” model.

The 99th percentile superuser of Facebook uses 100 times as much social media as the rest. These folks disproportionately affect the algorithm. And they statistically tend to be angry, according to a recent Atlantic expose.

A slight reduction in speed of apps can also reduce user engagement to a healthier degree. If these apps slowed slightly, especially as night approaches, it could influence users to healthier sleep.

A choice as simple as that could reduce hate speech… because superusers would sleep instead of providing massive input to the model.

So we have a choice. Our attention can be influenced by either human beings… or computers.

The economics of social media will change radically.

Last fall Facebook’s profit margin was 35%. That’s amazing. But part of that profitability came from declining to promote critical languages in Ethiopia and India.

On January 1, the EU will demand transparency from companies like Facebook. This will fundamentally change the economics of these companies.

Facebook’s public relations incidents and regulation scares have always affected its stock price. This will only get more prominent.

Alternatives are emerging. There’s a social media company called “BeReal” that promotes accurate pictures of people lives by only letting you post once a day in a two-minute window. One’s called “Monday” – a dating app that only works one day a week.

Another shift coming is Starlink. This Elon Musk product will cause the cost of internet access to plummet. When it reaches scale, the ethnic violence we’re seeing in Kenya and Myanmar will become worse. If you have emerging market exposure in your portfolio, you need to be aware of social media impacts in those nations. It’s a new layer of risk to investors.

**Cormac Kinney: Diamond Standard – Fireside Chat with Eric Wade and Cormac Kinney**

Cormac has revolutionized trading diamonds. His background is in quantitative trading. In the past this asset was unavailable to investors since no one knows what diamonds are worth. There’s no price transparency. And it’s an over $1.2 trillion asset.

Cormac solved this by making diamonds fungible.

Retail diamonds have been available throughout human history. But they didn’t interest investors until now. But Cormac came up with a way to quantify diamonds and put them into a hard product.

Bigger diamonds are more expensive. Colorless diamonds re more expensive. And clearer diamonds are more expensive. There’s not a formula to determine diamond value… it’s “non-linear.”

But you can establish value by brute-force bidding on every diamond on the market. Diamond standard had created a system to do just that. This established a standard value. Now a computer program can produce an equivalent-value sampling of diamonds in every Diamond Standard coin.

Diamond Standard has established a statistically accurate yield curve of how scarce each diamond is.

It’s like a gold bar. Each is .999 pure and 1000 grams. Diamond standard functions the same way. It’s a geologic standard.

But the diamonds in each coin are not identical. It’s not a specific sampling… but a statistically consistent sampling. Each diamond coin is worth the same amount. They can be traded equivalently.

This is a CME Exchange approved product. The diamonds always add up to a public standard. And the diamonds inside don’t have to be identical for that to be true. The diamonds are unique, but the coins are standardized.

Every coin is public and regulated. You can view the certificate of every diamond in every coin, provided by GIA. It’s also audited by Deloitte. And it’s persistent with each coin.

The coin is transparent with a white backing. The backing has a chip that can be used for auditing. You can check your coin’s location via a smartphone app and perform authentication. What’s more is the chip stores a blockchain token. The token proves the coin is fair and official. And since it’s on the blockchain it can’t be changed. Whoever owns the blockchain token owns the coin containing it… so they can change hands extremely efficiently. The coins can be owned by a fund for example. Or in a futures contract. Or ETF. Next year, a currency will launch based on the coin. It will be known as Bitcarbon… and the currency will be backed by a diamond standard.

The wall Street Journal has featured Diamond Standard in 5 articles… including one today. This is an extremely important investible asset.

The commodity is liquid. It can be traded 24 hours a day, with no fees. There’s a spot market for the coins that determines the coin’s value every day. Diamond Standard operates the spot market… and trades have been within 1% of spot. Usually a little above the spot. Spot market is instant, whereas direct orders need to be fabricated… so time is a factor that boosts spot prices.

There is also a fund that gives you exposure to diamonds. It provides security and storage for the asset (so you don’t have to own the physical commodity). This lets institutions buy Diamond Standard. And it allows you to put the fund into your IRA.

And if diamonds are like other precious metal asset classes… there’s massive opportunity in the market. Investors have bought and hold about 15% of every precious metal in the world. That’s not a return – that’s the full percentage of the resource on the planet. (Gold is an exception – 30% of gold is held by investors).

**But for diamonds, only 1 to 2% are held by investors**. They have been massively under allocated… and now is the time for investors to catch up. In the next 1-10 years, 15 % of diamonds will be acquired by investors, says Cormac. And that will have massive implications for the price.

There is a bar in addition to the coin, with ten times the value of the coin.

The upshot is everything folks do with gold investment… Cormac is bringing to diamonds.

There will be a sudden inflection point where diamonds will get added to commodity indices. Tens of thousands of pensions, endowments and sovereign wealth funds are invested in commodity indices. And diamonds have more value than other resources. They’re weighted higher. So these index-holding funds will pour into diamonds.

Cormac projects diamonds go up 5x. It happened for gold once ETFs like GLD became available for that asset.

In the last two years diamonds have outperformed gold, silver and the S&P. Cormac sees this as just the beginning.

Diamonds also have low correlation to almost everything… including gold. It has positive returns but low to no correlation – a great holding for any portfolio. It’s a great case for diversification.

What’s more, there hasn’t been a diamond mine discovered in 20 years. Diamond production is declining with no signs of new discovery. And jewelry demand is rising. Supply is down, demand is up… so prices will rise.

Diamond coins take the best qualities of bitcoin – instant trading at low cost – with the best qualities of gold – a scarce, natural commodity.

**Editor’s Panel – Bull, Bear or B.S.?**

Matt Weinschenk will raise data points with Doc Eifrig, Dan Farris, Matt McCall, and Eric Wade. Are they bearish, bullish or BS? (Notes are paraphrased)

MW: Stanley Druckenmiller says the fed funds rate must go higher than inflation. Bullish, bearish or BS?

MM: B.S. Worst case scenario in the next six to eight months is inflation is back to where the Fed wants it.

DF: Nice story, Matt. All we know is the Fed is beating the daylights of demand side, but we don’t know when they’ll let up. Only Lael Brainard is being even a little dovish. They won’t stop until CPI is at 2%.

EW: Bullish. I don’t trust the CPI. The books are cooked. But we’re going to burn our way out of this.

DE: The Fed doesn’t get stuff right. Matt McCall might be right. But it’s just an inkling he might be. In Doc’s vineyard, cabernet had to be picked over two days due to labor laws. Only eight hours per day. This has cut into migrant laborer income. It raises the cost for winemaking. Doc hears the labor side of that is not solved. BS on rates peaking at 8%... it might go as high as 15%.

MW: Cape-Shiller ratio is currently at 27.84, well above average. Are you bullish, bearish or BS about this valuation.

DF: The absolute number doesn’t mean anything. What matters is being on the other side of recent events. Right now we’re on the other side of the biggest financial drinking party of history. A hangover is coming.

MM: This is nonsense. The market has gone up for 15 years with a high cape ratio. Even Shiller disputes it sometimes. It’s a headline grabbing ratio that bears love, and it doesn’t work.

DF: Except it always peaks all-time highs at the top of financial mega-bubbles. You just don’t know until it’s over.

DE: It’s a statistic. It averages stuff. I pay attention to the extremes. It’s fairly high, but a lower high than before. Technician would say it will go down.

EW: Next question.

MW: Adam Neuman has a new startup with blockchain tracking carbon consumption. He has raised $350 million.

MM: It’s a joke. This guy is a walking crook. He’s just throwing out buzzwords. It’s scary that lots of money is sloshing around out there funding these deals. It’s even a little bearish.

DF: Matt and I surprisingly agree. It makes me bearish. Him still raising money with assets like real estate he’s trying to turn to iPhones… if you can raise $350 million on residential real estate with iPhone-like characteristics? It’s absurdly bearish. At the bottom we will never hear from this guy again.

EW: It makes me bearish. Sign of the top, easy money… The real loser is no one trusts the carbon market. Even without politics. It got politicized and judgy and people dismissed it. Now that it’s wrapped into real estate for easy money, to get ESG money – easy money begetting easy money – I hate that. It solves nothing. It stays mushy and political. I’d like a political solution I can trust. This puts us back a decade.

DE: Nothing to add.

MW: Cathy Wood writes a letter to the Fed warning of a deflationary bust.

DF: I want to like Cathy Wood. But once you’re down 70%, don’t write the fed, take care of your business. She got caught doing poorly and is blaming others, is how it looks to me.

DE: A letter to the Fed is like a letter to Santa Claus.

MM: I like Cathy. Her investing thesis is great. She’s trying to make a point that innovation will drive down prices. We see it in flat screens already. That’s what she’s getting at.

MW: Mark Zuckerberg sees over 1 billion in the Metaverse buying digital goods.

EW: BS. I love the metaverse. But we can’t escape reality… especially if Meta is involved. It subverts the escapism. You can sell me the virtual shoes to impress the virtual people. It’s all bullshit at this point but it won’t be in time. I hope to heaven that a billion of us don’t end up telling Zuck our metaverse waist size.

MM: I don’t think it’s BS. The younger generation are on computers to escape reality. It’s an easy escape for young people. I don’t back Zuckerberg or meta for this… but look at Roblox. Atari just bought a huge plot in Decentraland. It’s pretty amazing. My niece borrowed my credit card to buy stuff on Roblox. There’s something there.

DF: How high is Atari to buy virtual real estate? They make games. They can make more real estate. IT’s like God buying a planet. It’s insane.

EW: But do we want a unified metaverse or exclusionary metaverses? Yes, you can make another one that’s the boondocks… but why would you?

DE: You can spend your money as an adult however you want. I know 40-year-olds who still play dungeons and dragons. A few people in the room have bought virtual stuff. I’ve never done it. It seems bearish though.

MW: Housing. Transactions in home sales have ground to a halt. We are below the replacement rate of home building we need.

MM: I’m bearish. Prices are falling so I’m not buying right now. But borrowing costs are at a recent high due to mortgage rates and price appreciation. That means a major slowdown. But long-term I’m bullish. Millennials need homes and are starting families later in life. And inventories are historically low. Long term bullish, short term we’re in trouble.

DF: Agree.

DE: I expect home sales to plummet. I’m very nervous about it. I’m currently real estate free mainly because of interest rates and inflation. That’s especially true for high-end real estate. Luxury prices are divorced from sense. But the cost of supply hasn’t adjusted and may never adjust. It’s bearish.

EW: I’m bearish due to mean reversion. Twelve months ago bids were hyper competitive. But that’s not the real world. Real estate shouldn’t transact instantly like that, and we have to pay the piper. Sales were way too fast. Once it took six months to sell a properly priced house. But they’re still cranking out homes in California and selling for ridiculous prices. New builds are bought before their done. Is this a slow-burning crash? I’m not confident we get through unscathed.

MW: Inflation concern and saving level concerns are falling despite no government stimulus and inflation. Consumer spending is at an all-time high. Consumers are happy to spend.

MM: It’s confusing. It doesn’t make any sense to me. Maybe it’s the holiday season. Or retail therapy. Btu savings rate has come way down, and the lack of concern concerns me. With holidays approaching we may see retail sales at all-time highs, for better or worse. And retailers are beaten down.

DF: You have to pair this with falling savings and rising credit card debt. Eventually that doesn’t work out well.

MW: Energy. Gas prices went from $75 to $110 to $90. Our production of oil is only up 6%.

MM: Bullish. I’m late to the game, I bought energy four months ago. I believe in renewables and EVs. But it’s slow. And Ukraine showed us our reliance on fossil fuels. It’s going to take a long time. I’m taking a barbell approach. Oil companies and EVs.

DE: I like that.

EW: Strategic reserves are being depleted. But with a 50 to 100-year time horizon, burning everyone else’s oil is genius. At this rate we’ll have the last drop here. I don’t know how to profit on that. But thinking beyond this winter, we should burn everyone else’s oil. We’ll use our cheap dollars. And keep our oil in the ground. We’re keeping inventory and soon we will own the oil market.

MW: Crypto. In 15 years, bitcoin’s purpose has shifted. Now it’s a safe haven from fed meddling. But it’s behaved like a tech stock.

EW: Bullish. 10x in 42 months is bullish. Bitcoin is and always has been all of the above. It is what you look for in it. It has mimicked healthcare stocks in the pandemics. It’s a meme zeitgeist generator because we are. It’s like tofu. It’s rock-hard tofu.

DE: If you surround yourself with smart people, you look successful. I don’t know bitcoin. I defer to Eric.

MM: Volatility in bitcoin is lower than S&P or Nasdaq. That’s bullish for building a base. 20-year-olds aren’t buying gold. I think gold is stupid – and I know that’s controversial. I’m still holding bitcoin and I believe in it long term as an asset class. Eventually it will decorrelate and become even. More attractive.

DF: It is decorrelated. It hasn’t pierced it’s June 16 bottom where stocks have. It’s volatile but I think it’s neat and I hope it works, because its outside of banking.

EW: Buy volatility tokens.

MW: Audience questions?

Audience: You’re all bearish on housing…

DF: Not long-term.

Audience: In the short term. Let’s say there’s a housing leverage session. Aren’t you more concerned about a housing downturn for its knock-on effects?

MM: No one knows the short term. It’s not part of my investing scope.

DE: Very short-term bearish. High-end stuff is going to flush out.

Audience: We’ve seen crypto parallel the stock market pretty much. Do you see that going forward? And what would cause that to stop?

MM: The event is a stock market bottom. The risk-off trade of selling everything makes crypto its own asset class.

EW: Correlation isn’t as high as it has been. Investors need to see the value of crypto as its own asset class. Also we don’t discuss different coins as much as we once did. That could be important in the future. We’re locked in a macro view. But if crypto gets a rally going, scarcity comes into play again. It’s volatile but oversold compared to other assets. So we will front-run everything else due to scarcity. It is going to lead the market before other asset classes.

Audience: Did any speakers change or sway you at this conference?

MM: The colonel made me bullish. His view on Putin helped.

EW: Joel Litman.

DE: Every talk I sit in persuades me. That’s the beauty of this conference. There’s not one viewpoint, it’s about information gathering.

Audience: A lot of stops were hit since last year. How do you feel about that?

MM: I think he’s talking about me. I don’t regret it. That’s my strategy. I buy a basket of stocks, and not all will make it. But some will be 10 to 20x-ers. So I stick with it.

**Editors Panel – Invest Outside the Stock Market**

We’re going to look forward to our favorite investments we haven’t written about, outside of stocks. Featuring Matt Weinschenk, Dr. David Eifrig, Eric Wade, Chris Igou and Rob Spivey (Altimetry and Valens Research). (Notes are paraphrased)

MW: This has been a challenging year. Our average gain from last year was a loss of 23%. The market lost 22%. We’re in line with the market. That’s based on one-year return, without trailing stops. We’ve got a number of really big gains in bullish years… but when we don’t gain, we match the market. When we’re right, we’re really right… and that’s why we’re sharing our best ideas now.

CI: In bear markets it’s easy to overanalyze. It’s painful and we look at all kinds of metrics. But this muddies the waters. I want to talk about municipal bonds. They’re down 32% off peak. But you can earn 5.8% dividend yield.

What matters with municipal bonds is not reality… it’s expectations. In 2004, bond prices fell when Alan Greenspan said rates would rise. But they bottomed before the hike cycle started.

Same thing happened with Janet Yellen in 2017.

Municipal bonds crashed when rate hikes announced this year. Expectations have turned bearish. Now bonds are trading at 2008-levels. But expectations are more important than the reality.

Yields are already at 4.5%. Treasuries are at 4%. Expectations are met. So muni-bonds are at a bottom. We can enter at a discount.

NRK is the ETF holding municipal bonds. It’s at a discount to Net Asset Value. Chris projects 30-45 upside in 2023. Earns a 5.8% Yield. Use a 15% trailing stop.

EW: This year Crypto Capital likes wine. We have recommended two so far. 2018 Blason D’Issan Wine Futures is up 32.26% and 2021 Jezreel Icon Wine Futures is breakeven (still in bottling phase), projected 60% return. Both use blockchain. Wine futures have low-to-negative correlation. They’re “the best thing to come out of 2021.”

There’s another wine future for a wine that’s yet to be bottled. It’s a 2021 vintage from a winemaker whose 2017 wine was the highest rated Israeli wine ever produced. These are futures so you will not receive the wine immediately unless you want it when it’s bottled. Winemaker is also the founder of the Vinsent Blockchain and Wine app.

The pick is the Jezreel Valley Argaman 2021 Futures. Targeted return is 42.85%. It can be found at www.jezreelwinery.store/argaman2021futures.

It’s a great wine, and a better investment.

RS: Valens research has a hedge fund client that focuses on energy. Energy investors don’t want to EMPs to invest in wells anymore. They want the money back. In other words we want oil companies that return cash to shareholders.

But the bond market is saying something else. Energy bonds are at the highest yield since 2015. At that time energy markets were falling apart. There was a supply glut. At the time, 220 energy companies were at over 10% yield. The market was projecting bankruptcy.

But 20 of those bonds skyrocketed… and a similar setup is appearing with Laredo (LPI). Its return on assets isn’t compelling today. But its listening to institutional investors.

Laredo is prepared to handle its debt obligations dated out 2028. Its earnings are projected to spike in 2023. And by 2028 it will pay off its debts.

But it might do that beforehand. They have a free cash flow spike coming. And they’ve pledged to use that to pay off debt as soon as possible. And yet its bond is trading at .97 on the dollar.

This is 10% yield for a company committed to settling its debts ASAP. If they do, on January 1, 2023 (the first day they can) they can buy back for $1.07 on the dollar.

Buy the Laredo Petroleum (LPI) 2028 10.125% bonds.

DE: We don’t know what government is saying to us anymore. For example, Fauci told us masks wouldn’t work. This was an error. We’re in an era of truth distortion. Once we’re lied to, it’s hard to trust.

Our government isn’t perfect. But they are in power.

What’s more, correlation is not causation. And folks think in herds. When the brain’s fear center fires, you want to be in the herd. You feel more pain when the fear center is firing.

Should you be buying stocks? What’s the herd doing? Brain chemicals are powerful.

The conventional wisdom said bond investors shouldn’t panic in bear markets… but this year they should have.

There’s a book called Factfulness. Everyone should read it – it convinces us that the world and the US is a great place to be. We’re alive in a great time.

Human behavior is a key driver of investment performance. And it moves in a cycle.

That brings us to Doc’s pick… Myokines.

This is not a stock. It’s based on a medical paper that came out this week. The research is in the Journal of Gerontology. It has to do with healthspan (in contrast to lifespan). How long you are healthy.

It’s well known that we get Sarcopenia. That’s where you lose muscle year after year. About .5 to 1%. This mass is related to brain function, inflammation, and other negative outcomes.

Doc’s pick is exercise, movement and weightlifting at least two-to-three times a week. It helped even 80-year-olds. We should all be lifting weights. You are your best investment.

Walk with weights. Do high intensity interval training. 30-45 seconds of bike sprinting once a week changes your brain. It improves outcomes for dementia and Alzheimer’s. When you go for a walk, move as fast as you can for ten seconds and add to your time each day. You only need 45 seconds a week for a benefit.