

MARKING TIME

Your Quarterly Market Update

Provided by:



1101 Fern Hollow Drive, Liverpool, New York 13088
Phone 315-461-0414 Fax 315-461-0349

Most people who have investment accounts which are funded primarily with stocks and bonds know that markets go up and markets go down. So maybe a few investors forgot that. I've talked to a number during the first quarter who seem to have been in that camp. The "I forgot that stocks can go down too" group. OK, I'll admit that since October of 2022, the largest correction U.S. equities have seen was 3%. But that sure was not normal. Plus, anyone who bothered to read *Marking Time* in January would have known that I was looking for a correction. But a real correction. Like at least 10%. So, it really shouldn't have been a surprise to anyone that the first quarter ended with the DOW being down by 1.3%, after dropping 4.2% during March. The S&P 500 finished down by 4.6% for the quarter while losing 5.8% during March. And that the NASDAQ, after losing almost 15% in March, finished the quarter down 10.4%. The Russell 2000 was also a loser by 9.8% during the quarter. These numbers were provided by CNBC Market Watch.

When I started writing *Marking Time* (MT) in late March, I was taken aback a bit by the number of callers who seemed nervous and most apprehensive about a long-overdue, garden variety pull-back. And it wasn't because I really thought any of the callers had read our January installment of MT. (This is the primary reason that we no longer print and mail MT any longer. We were sending out on average over 300 newsletters and my own research had indicated that fewer than 25 clients actually read our missive.) No, I was aghast that investors who have lived with and experienced drops of 15, 25, and in some cases 45%, were so traumatized by what was a relatively non-event. But as March faded away, and Donald Trump got on with his tariff announcements, he took a relatively minor pull-back in stock prices and turned it into a full-throated correction. So, despite how great the numbers for the first quarter look, especially now,

the first week in April has thrown many investors into near panic. I always remind investors, especially those looking for an experienced advisor, that in October of 1987, stocks lost 25% of their value IN AN AFTERNOON! So, I hope investors will attempt to keep events in perspective.

If you haven't already guessed, I had to rewrite this newsletter to make it relevant to what is taking place in real time. However, the drop from less than 10% down to now over 20%, doesn't change its relevance to the past 30 months of steady growth in stock prices. And now, on the bright side, the long overdue correction isn't somewhere out there in the electric mist. It's right here and it's right now.

I will, however, be happy to give you an explanation about what is going on right now in terms of stocks and bonds. If you think back to President Trump's first term in office, much of what he did in the first two years of his administration was immediately positive for stocks. He moved to reduce taxes for people and businesses. He moved to reduce regulations. These two actions pushed stock prices higher. He never got around to talking about tariffs until almost two years into his term. But when he did, the reaction related to stock prices was about the same as it has been in this past quarter. Stocks reacted in a very volatile and negative way. If you can still lay your hands on *Marking Time* from January, you'll see we predicted this. In addition, we also cited enforcement of immigration laws which would shut down the border and removing illegal criminals would also impact the jobs market in America.

As is always the case, I cannot tell you when stock prices will bottom, or how long it will take to recover. What makes this different than the last few corrections/recessions is that this one is man-made. Donald Trump has elected to impose these tariffs and has imposed them at rates much higher



than anyone ever would have expected. That is one of the reasons why the drop has been so sharp and so fast. Markets hate uncertainty and right now, uncertainty is all we can be certain about. Now many won't want to talk about anything other than the stock market and it's frightening descent, but there are a few other factors that are adding to the uncertainty and some of it has to do with one of my old fears about debt and deficits. It does seem, and this is positive, that people in power have noticed the \$37 Trillion debt problem and are attempting to find ways to deal with it. Now I don't think tariffs are even part of the answer, but Trump certainly does. So, there's your silver lining.

For those of you who, over the years, have always been reading *Marking Time*, how long have I been harping about debts and deficits? The answer is, since the national debt went over \$8 Trillion. So yes, I've been cautioning readers for over a decade about the threat to national security that excessive debt presents. But finally, a President, and a majority in the Senate and House have decided to pay attention to the fiscal mess we're in. The response by the Trump Administration was to create the Department of Government Efficiency and put Elon Musk at the head. Who would have ever believed that ANYONE could object to NOT wasting taxpayer money? As it turns out, there are a lot of politicians and government employees who do care because their cushy lives and financial security is dependent on it.

OK now, and you can Google this, less than 3% of Federal employees have been coming into work since Covid. Another thing you can Google is the average salary of these people, who don't come into work anymore. The average is over \$106,000. The average salary of private sector employees is \$62,575. And over 75% of these folks report to work five days a week or more. So, unless you're on the receiving end of this taxpayer funded gravy train, who in their right mind would feel even the slightest sympathy for these people? Yet I've talked with a number of our clients, who really should know better, who somehow feel uncomfortable with shrinking the size of the Federal Government and are not sure that obviously wasteful spending should be ended...despite being \$37 Trillion in debt. Having misplaced much of my patience over the past 49.5 years, I simply react in a stupefied manner. Like who doesn't want a smaller, efficient, and fiscally responsible government? Well, Democrats for one! Ah, we will certainly visit this later.

In short, unlike Trump's first term, all the stuff that stocks and the economy don't like are coming early on in this term. All the stuff that stocks and the economy will celebrate won't be coming until later. What are those? First, the extension and making permanent the Trump tax cuts that were passed in 2017. Second, the actual reduction in regulation for businesses and Americans in general whose impacts will take a few months to be felt. When we pass through the tariff, immigration, and down-sizing of the Federal work force, and have certainty on tax policy and regulation reduction, stocks will reflect much more optimism. I would suggest that investors simply ignore the current volatility if they can't do the savvy thing and buy on some of the great dips and opportunities that these uncertainties are creating in stock prices.

The sector which experienced the largest drop in value during the March sell-off was technology. Once again, this really shouldn't have been surprising. What goes up like a rocket usually falls like a brick. We've long discussed the risk vs. reward aspect of investing. However, since the NASDAQ plunged in March of 2000, and which took a decade to retrace their fall, the long term best performing sector has been technology. Growth stocks like Amazon, Microsoft, Tesla, Google, and Nvidia have been responsible for almost 60% of the growth of the S&P 500 for the past decade. Growth has outperformed value stocks like Proctor & Gamble, Clorox, Altria and other high dividend paying stocks for over 15 years. So, why would that be changing now? Because we've seen the limits of technology? I'm thinking, NOT! To be clear, there isn't anything wrong with being a conservative investor who favors lower volatility...as long as the investor doesn't mind lower returns. Obviously, a mix of growth and value makes sense for a wide array of investors. But to be clear, growth, over the long term, has always provided higher returns than value over the long term. After all, where do you think the expression 'no guts, no glory' came from? The real lesson here is to know what you own, and why you own it. And, when you experience the higher level of volatility that comes with growth investing, don't be shocked. Decide whether you really are an investor seeking the higher returns that growth stocks provide. My personal experience in the aforementioned 49.5 years of doing this, is that one mistake that most investors make is being TOO conservative. Most investors confuse volatility with risk. They are very, very different.


If I haven't already tipped my hand, let me prognosticate about the coming quarter as we enter the longer, lighter, and warmer days of spring. By the time you read this newsletter, Americans and investors will know a great deal more about the Trump tariffs and their likely impact on the economy and stock prices. Although Trump has stated that he doesn't really take the stock market into consideration, the reality is that he certainly does. I'm sure Democrats would call this a lie, but I simply would note that Trump shoots from the hip, changes his aim frequently, but always likes to be viewed as a hero, record breaker, and trend setter; in other words, a really smart business guy. Everything he does is simply fantastic... 'like nobody's ever seen before.' (Gosh, I hate that expression.) Believe me when I tell you he cares about the direction of stock prices. Hence, if we've bottomed out on the major indexes, and I wouldn't be totally sure of that, the coming months should bring good news for stock investors. Buying NASDAQ stocks, growth companies right now, would provide the largest discounts. Since value stocks have either gone up or held their value, these stocks don't represent the bargain that the Magnificent 7 and other growth stocks present. We simply need to get beyond the tariff and immigration issues. On a personal note, I've liked TESLA for a while. One of my favorite money managers, Ron Baron, has made billions on TSLA and if you listen to him talk about SpaceX, you would be enthralled as well. The stock was at \$415 before Elon Musk decided to help shrink the cesspool that generations of politicians have created in Washington. The stock dropped to about \$220 (you may have seen Kamala Harris's running mate, Tampon Tim Walz, cheer the drop in public) for about three days and currently trades at about \$280. This is just to illustrate the opportunity available for those who are not faint of heart.

There is one thing that has not changed at all since Trump's first term in office. That would be the hate effusing from and willingness to lie on the part of Democrats and their friends and confederates in the mainstream media. I found it amusing that less than 30 days into Mr. Trump's term, Dems were saying stuff like "all he's talked about is the cost of living and he's done nothing to bring down prices." After LESS THAN 30 DAYS in office!! Dems assume that folks who vote for them are as stupid as they are...but then, they could be right. It took four years for the left to screw things up, but Trump should be expected to fix everything in a month. Yeah...right! And the press? Well, they're

back to ignoring what Americans care about (as reflected in Trump's win last November) and want to tell us how unfortunate it is that Federal workers (the world's BIGGEST oxymoron) might lose their jobs; that illegal migrants who are criminals, murderers, child rapists, and weapons and drug traffickers shouldn't be arrested and deported; that women athletes should be forced to change in locker rooms with 'trans' men, should have to compete against 'trans' men, should lose their scholarships, awards, records, health, and dignity to 'trans' men; One should never forget that the word 'trans' comes from 'transvestite!' Nothing new here to see. There have always been confused and mentally challenged people who either thought they were, or wanted to be, something different than they were. (Try watching Martin Scorsese's 2002 film *Gangs of New York* which takes place in the 1860's. The trans folks depicted in the film were called 'he-shes'.) The problem is that now, the he-shes would like to be elevated in society instead of simply being accepted.

Neither the Democrats or the press will tell you that the border has been virtually shut and secured in less than 60 days. This is in spite of the fact that senile Joe Biden kept telling us, and his Democrats stooges joined in, that nothing could be done without more legislation. Joe would say, "I don't have the authority." What a joke! What a lie! That was as big a lie as 'you can keep your doctor if you like him/her.' How about the Democrats and the press telling us that Joe was bright, and fully in control of his cognitive faculties while physically running circles around the young members of the White House Staff. We just passed the 5th anniversary of the Covid crisis, and all the stupid lies we were told about social distancing, masks, vaccines, and more; ALL were lies. But the Dems and the press, in concert, like they always are, persecuted and silenced ANYONE who dared have a different opinion...no matter how scientifically based. So, when Democrat politicians tell you that Trump wants to end Social Security, or Medicaid, or that Trump's tax cuts helped the rich, not the middle class, who, just who would listen to these liars? Well, stupid folks...that's who.

Today's lies involve things like, 'Elon Musk wasn't elected by anyone.' Well, that's true. But he's been employed by and power delegated to, from a guy who was voted for...and elected, by millions. Who voted for all the left-wing nut-jobs that ran the country while Joe Biden was vegging





out at the beach? No one really believes this guy was running the nation. How about finding out about the billions and trillions of dollars that NGO's, (non-governmental agencies) have given to illegal immigrants in an effort to get them into and embedded in our country. And you can Google this; in the four years of the Biden administration, Democrats misdirected Medicaid funds at an average rate of \$230 billion each year to these illegals. The Biden Administration gave out over two million Social Security numbers to illegal migrants. All were/are ineligible. Many are criminals. This simply endangers these programs for Americans. So, when Dems say that Trump will cut Medicaid and Social Security, you had better hope he does since the left-wing Democrats have been using the funds for illegals in an effort to re-supply their voter base. And last but not least, let's discuss, just briefly, the Palestinian nonsense and the paid, anarchists who support murderers, terrorists, and anti-Semitic fascists. (Funny how the fascists are always calling their opponents fascist.) Democrats and their left-wing judges want visa and green card holders who essentially have agreed to obey our laws and support our country as part of the consideration for being allowed to be here, to have their legal deportation stopped although they have violated the terms of their presence here. Let's get one thing straight...having a Green Card and a visa is not a right, and they don't come with either civil or due process rights that U.S. citizens are granted by our founding document. The deportation of these enemies of America, as well as the gang members who have killed and committed crimes here, is opposed by these parasites who love criminals and freaks and only hate Republicans and Americans. This is who Democrats and the press in America support. Not Americans, not taxpayers, not women, not people playing by the rules. Democrats and the press support the worst ideas, worst concepts and worst people on the planet. My Grandmother's quote about Palestinians would certainly apply to Dems and the press.

I could never finish this section without talking about the Department of Education and that apparently, a majority of Americans object to it going away. But why? Jimmy Carter, the second worst president of all time, brought the DOE into existence as a gift to the teacher's unions for supporting him in his 1976 election bid. This was in spite of the 10th Amendment of the Constitution stating that powers not expressly

given to the Federal Government, are returned to the States and the people. Read the entire Constitution. NO WHERE does it mention education. But Jimmy created it anyway and since all his buddy Democrats ran the House and Senate, the Department of Education was created. So, and you can Google this; almost \$3 Trillion and 45 years later, the proficiency for 8th and 3rd graders for math and reading is less than 35%. Yet taxpayers spend more than any other country on earth, about \$25,000 per student, and rank dead last for performance. So, who would want to keep that? People who don't know much?! They must be products of America's public education system.

America is in the process of cleaning up its act. For four years, we've ignored at least 10 million illegal migrants coming into the country and instead of finding jobs, supporting themselves, and contributing to our country, they've taken funds and resources from Americans who don't have such a great life themselves. Think of those who only have Medicaid and Social Security. We've presided over an economy which was 'juiced' by taxpayer dollars. We've gone from spending about \$500 Billion more than we take in to spending more than \$2 Trillion more than we take in. The private sector has been squeezed out and the public sector, funded with printed dollars, has taken over. That's how we went from being \$28 trillion in debt to over \$37 Trillion in four short years. No serious person thinks this is going to be fixed without some drastic action and some short-term pain. That's what we are witnessing right now.

Hopefully, there are enough thinking Americans to understand and have enough courage to put an end to the craziness. We should stop allowing stupidity to prosper in America. We should actively oppose, silence, and dox the crazy politicians and those who support them in the same manner they have us. Make being anti-American and just plain stupid, shameful and embarrassing again. Our way of life, and our children's way of life depends on it.

MJMahshie