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Don't miss our blog
www.street-cents.com

26th Annual Holiday Party
Nov. 19, 2 p.m.
Dallas Museum of Art

Economy/slowdown reminder of time patience

John A. Kvale,
CFA, CFP ®

Are you tired yet of the slowing economy? Pretty sure we all are. The great news is that every day that passes we are one day closer to the sunny times.

We penned our first thoughts to you in this format in December of 2021 but the slowdown did not come in earnest for almost a full quarter later.

Given the fatigue we all may be experiencing, we wanted to remind all of the normal parameters that it takes to get through a "normal" slowdown/recession, if there is such a thing as "normal," as they are all slightly different.

(see **Historically**, Page 2)

PETER ZEIHAN: *Global conflicts, demographics, inflation and more*

We have crossed paths with Peter Zeihan in multiple venues, most recently at the CFA Annual Forecast Dinner in the spring of this year, where Peter outlined in great detail the Russian Ukraine conflict. Interestingly Peter's expectations and forecast at that time have come to fruition almost exactly as predicted.

For those interested, in addition to an almost daily email update, Peter has a YouTube channel Zeihan on Geopolitics - YouTube As well as his home webpage Homepage - Zeihan on Geopolitics

(see **Peter**, Page 4)

Historically, slowdowns average 14 months

(continued from Page 1)

We must go back to over a decade to get to a more normal length slowdown (07-09) and even then, that was not a normal slowdown.

While the pandemic recession as seen by the chart below measuring GDP declines from JPMorgan is severe, it was just not that long, especially when taking into all types of assets in the Capital Markets, both stocks and bonds were stoked by Federal Reserve asset purchases.

So how long do they last?

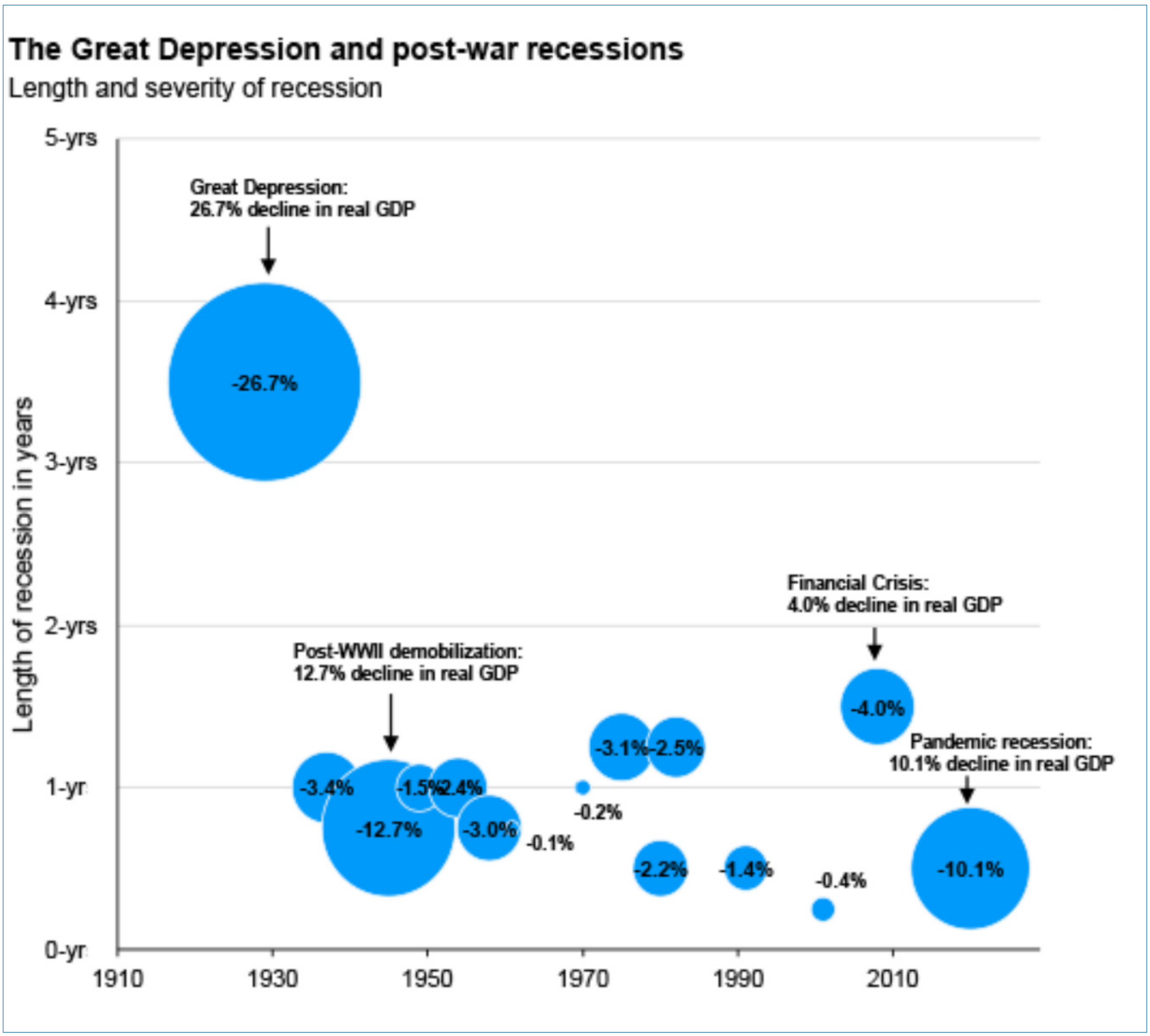
The chart at the bottom of Page 3, again from our friends at JPMorgan Market Insights, show the average slowdown back to the early 1900's averaging 14 months.

So with a little bit of math, that would put us into about mid 2023 before we are finished with this slowdown.

That may be the case, anything can occur, and as mentioned before, each time it is different, but also note that in this same example from above the average expansion is about four years. The last several expansions have been much longer. Said another way, the expansions have been longer and the slowdowns shorter of late, but again, it is good to know what history says.

Since we entered this slowdown near the

(see **Generally**, Page 3)



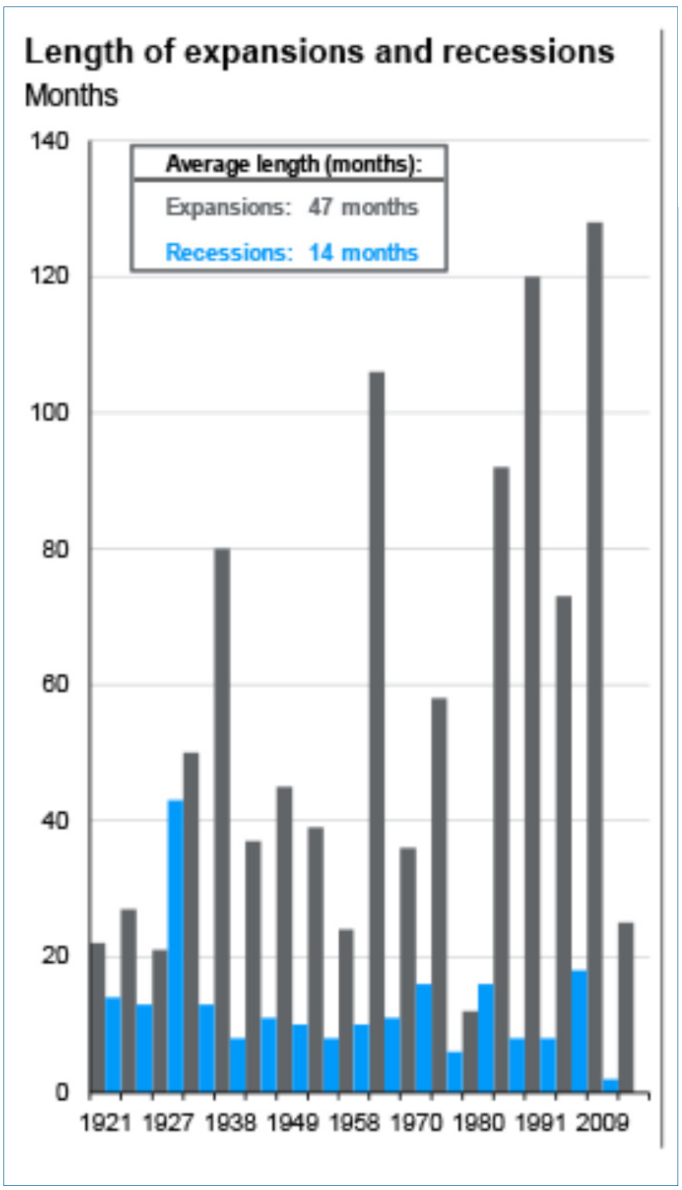
Generally, bear market lasts for 20 months

(continued from Page 2)

end of the first quarter of 2022, we know that this one is not a short slowdown. The only thing we do not know is if it is the 14 month variety or shorter. We are best to expect the more normal and if/when it is shorter, we will be prepared.

Bull and bear market barometers

Bear markets are "generally" quantified by a 20% or greater drop in value. By this metric all the major indexes have met these criteria already this year. Again, with our



Bull and bear markets

Bull markets			Bear markets		
Bull begin date	Bull return	Duration (months)	Market peak	Bear return*	Duration (months)*
Jul 1926	152%	37	Sep 1929	-86%	32
Mar 1935	129%	23	Mar 1937	-60%	61
Apr 1942	158%	49	May 1946	-30%	36
Jun 1949	267%	85	Aug 1956	-22%	14
Oct 1960	39%	13	Dec 1961	-28%	6
Oct 1962	76%	39	Feb 1966	-22%	7
Oct 1966	48%	25	Nov 1968	-36%	17
May 1970	74%	31	Jan 1973	-48%	20
Mar 1978	62%	32	Nov 1980	-27%	20
Aug 1982	229%	60	Aug 1987	-34%	3
Oct 1990	417%	113	Mar 2000	-49%	30
Oct 2002	101%	60	Oct 2007	-57%	17
Mar 2009	401%	131	Feb 2020	-34%	1
Mar 2020	114%	21	Jan. 2022**	-24%	5
Averages	**162%**	**51**	**-**	**-41%**	**20**

fatigue factor being present, how long do Bear Markets last?

Again, thanking our friends at JPMorgan, the chart above shows a bear market length of 20 months. Take special note of the single digit month of 2020. Again, not normal.

In 2018, the major indexes dropped 19.9%, just barely missing the "general" qualification as mentioned earlier. But again, in less than three months the pain was over.

Now peek back to the 2000 and 2007 prior two slowdowns, 30 and 17 months.

Again, they are never "normal" as we can drive a truck between the 2020 only 1 month drop and the Y2K century turning 30 month bear. Patience!

In closing as we have mentioned before, (see Ben Hunt- Narratives article as well, Page 5) the headlines are the worst near the end (darkest before the light) and interest rates which adversely affect the value of our fixed income instruments in the short term usually drop as the continued slow down occurs. Patience!

JK

PETER ZEIHAN:

“Seems to be a feeling from the Fed Officials, that if a recession is going to happen anyway, let’s get our toolkit back of higher interest rates!”

(continued from Page 1)

Peter’s interesting global background review

“We have had two generations transport, mostly by water where basically anything could go anywhere safely.”

But initially started in the 1990’s, the United States has broadly been pulling troops from abroad steadily. Peter notes that when the Ukraine conflict commenced, the United States had fewer troops abroad than any time early in the century.

Russian Ukraine thoughts – Demographics made it now or never

With regards to the Russian invasion of Ukraine, Peter theorizes that this is a recapture of multiple ports of invasion that Russia has given up over the past many decades.

He also mentions that because of poor demographics the Russian invasion was an absolute necessity sooner rather than later due to an aging population.

If successful, Russia may push into several other countries to gain access of the aforementioned entry ports to the country.

Peter on inflation – Four trends since World War II

Industrial boom post WWII, everyone brought into the modern era in 1950 and 1960’s.

Then a large demographic transition i.e. baby boomers had a dramatic impact.

First, they had kids and built families buying homes.

Then investment which Peter says help with the technology boom.

Now the baby boomers are retiring and moving into retirement which is inflationary due to their next generation of children, the millennial’s, in the United States and they are in their spending years as a larger demographic group of the baby boomers.

In closing, according to Peter, due to the United States having a younger demographic, higher interest rates are a more effective tool in slowing inflation, unlike other countries with older demographics.

Peter’s interesting take on fighting inflation and interest rates used to fight them

“The Federal Reserve led by Jerome Powell, has long wanted to get rates up to a more normalized level.”

For the record this has been a known goal in the halls of Wall Street and the Federal Reserve for that matter.

Peter goes on, “Seems to be a feeling from the Fed Officials, that if a recession is going to happen anyway, let’s get our toolkit back of higher interest rates!”

Of note, the Fed has finally raised rates from an almost zero short term band that was held low for a very long time to a more normalized range. We can argue that maybe it was too fast but they are/have gotten their tool kit back already.

In closing, according to Peter, due to the United States having a younger demographic, higher interest rates are a more effective tool in slowing inflation, unlike other countries with older demographics.

Time will tell but we wanted to bring you Peter’s thoughts given his prior accuracy.

Meet BEN HUNT of Epsilon Theory

Narratives, news, taking a step back and a deeper look back on track

After more than two years of listening to Ben Hunt, the Grant Williams Podcast was the final listen that garnered great interest as we have mentioned before and do again in this newsletter that the headlines tend to be the worst near the end of a slow down, aka "Darkest before the dawn?"

Background

Ben taught political science for 10 years at New York University from 1991 until 1997 and (with tenure) at Southern Methodist University from 1997 until 2000. He also wrote two academic books, ***Getting to War*** (Univ. of Michigan Press, 1997) and ***Policy and Party Competition*** (Routledge, 1992), which he co-authored with Michael Laver. He lives in the wilds of Redding, CT on Little River Farm.

Ben theorizes that words are used to shape our behavior and as such he and Rusty, his business partner have a goal to identify when such events are occurring.

This is NOT a Fact Check, and not meaning that you as the reader will disagree or agree with them, only alerting to the fact that there may be some persuasion occurring in the narrative.

The missionary statement or strong direct narrative

Ben and his partner theorized that missionary statements once saved for Oval Office wartime speeches or the like are now used in part due to the way we consume our information by almost everyone, leading to an overload possibly of missionary or breaking news like headlines and narratives.

The possible effect of strong missionary statements or narratives, again Ben theorizes, is that when there is the need for a very strong subject matter or narrative, if we are not careful, we have become desensitized to things because of the possible dramatization of other headlines and narratives that it's not taken serious. Said simply, the boy who cried wolf.

In the podcast Grant mentions something Ben brought to his attention that he uses to decipher his intake of information.

"Why am I reading this, and why am I reading it now?"

The gist of this is to be curious or maybe slightly skeptical but not pessimistic or negative, just having front of consciousness thought that maybe there is a slant or a narrative here that's trying to persuade.

Ben uses the following slightly humorous analogy to give further insight. *"When the water at which we swim, (AKA reading) one may take everything at face value which is great, but sometimes it may be important to take a step back and think about why and what water or reading we are doing!"*

As a simple example, think about the last time you purchased a car and not too long after that purchase it seemed like everywhere you went you saw that same car. This is what Dr. Hunt is asking us to do when we are reading, just take note.

Great news on the horizon?

Dr. Hunt mentions that they have actually had a number of news organizations and authors directly communicate with he and his partner in order to make sure or check that they are not accidentally using a narrative, which is a fantastic possible change moving forward.

Ben says as a content creator it's healthy for us to watch out so that we are not falling into these traps, present party included. It is very easy to accidentally fall into this trap.

In a self confession like statement, Ben mentions that the last thing that he does before going to bed is take a look at his phone and the first thing that he does when he wakes up is take a look at his phone. Sound familiar? Ben carries on that he's trying to break this routine but that it is not easy and lends itself to further capability of the aforementioned items.

In closing, if we all stay conscious of the water, curious and positive, we may be able to discern when aggressive narratives are headed our way and possibly thwart their impact!

JK

BACK TO BASICS

Series gives comprehensive financial planning review

Near the turn of the calendar last year, the goal of creating a fun multi series, almost seminar or course on financial planning topic was born. Meet our back to basics review series.

With a goal of hitting the most important topics of financial planning from a high-level and keeping it fun but also touching all the important areas, eight monthly episodes later our back to basics series was complete.

Posted on our blog site at www.street-cents.com the series has its own page, "Back to Basics." A summary and links to all topics is available.

We envision this as a great reminder for seasoned veterans. For the record, the series garnered many clients and friends reaching out to say, "Oh, yes, I need to review that!" to a basic starter kit for those new to the financial planning arena.

Here are the topics.

Part 1 The Emergency Fund

An emergency fund is just what it sounds like, a non-investment, non-risk, extremely liquid savings account, without worry that is available at a moment's notice. In our current environment, this fund is likely earning a low interest rate. That is fine as safety and liquidity are most important for this fund. Return and risk are directly related and we are in a very low rate environment currently.

Part 2 Protection Planning

Health insurance: one accident could be devastating to your net worth!

Home and auto and umbrella protection: never go a day without coverage.

Life insurance: The need for life insurance grows as your liabilities increase especially with the primary breadwinner of the family.

Part 3 All about Debt Planning

In a perfect world, no debt of any type may be a desire and many might feel success is reached upon this achievement but not all debt is bad, and there are likely mandatory times of debt.

Part 4 Retirement Planning

The most important parts of retirement planning are as follows: start early, save as much as you can especially when you are young as compounding is your friend and don't overthink your investment options, just allocate as available and save, save, save.

Part 5 Education Planning

Start early. Think of educational funds as fast use retirement funds. Make it easy for grandparents and others to contribute to an educational fund.

Part 6 Estate Planning

Over the years we found many people fearful of the complexity of the documents, when in reality the majority of the problems are simply answering questions.

Part 7 KISS Investing

While many analysis dig so deep into investments that it makes your eyes glaze over, there are really two important parts of investing. KISS – Keep it simple silly.

1. Save as much as you possibly can and as early as you can.
2. Make sure your allocation above is such that during rough rainy times, a.k.a. slowdown/recession you do not eject and sell. Our human nature of fight or flight will take you out of your investment portfolio at exactly the wrong time if you are over allocated to risky investments.

Part 8 Tax Planning

Coincidentally, the most important part of tax planning is the second word in the subject, planning.

As we individual or corporate tax payers traverse the tax year, it's important to take note of unusual events that may be occurring. We're certainly not saying you have to worry about this every minute of the day but should you have an unusual increase in income or decrease in income, this should be thought about before the end of the year for your tax planning.

Each part of the series is meant to be detailed enough to give a thorough understanding of the subject but done in completely relaxed terminology so as not to confuse (especially relevant in the Estate Planning section). See our blog site at www.street-cents.com for more details on each part of this series.

Our hope is to help remind and maybe educate those newer to the subject matter through sharing of this series to anyone that you may know that may be interested. Enjoy and please share away!

JK

Great time to check run rate of contributions to retirement plans or the like

(Article first appeared on www.street-cents.com)

With a pending holiday week coming up and many on Wall Street seem to be getting their kids back to school, we thought it timely to remind everyone to check those retirement contribution run rates.

Great time to review

Midway through the third quarter is a good time for all of us to review our retirement contribution levels. If our intent is to max out our 401(k), or other retirement plan, take a peek and see if you're on track to achieve this goal.

If you have any questions certainly shoot us your latest paycheck and we can do the calculations but here are roughly where we should be on our contributions to the regular and ketch-up 401(k) levels.

Ideally your year to date (YTD) contribution levels for your 401(k) regular withholding by yourself should be about $13,500 to meet the $20,500 regular filing maximum by the end of the year. If your goal is to achieve the $27K catchup for those 50 and older we should be at about the $18,000 level today. Both should be the individual YTD withholding amounts. We know there are matching and employer contributions but the rules are set for us as an individual at the $19,500 regular maximum and $27,000 catch-up maximum.

Two quick reminders

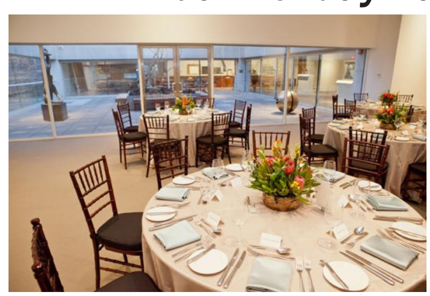
If you have changed employers, it is your job to keep up with the maximum amounts as mentioned here because the new employer will not know your prior contributions.

Also, we like to max fund early our contributions if we know we are not going to be at our employer the full year, especially if we may be going to another place that may not have a plan or may have a mandatory waiting period.

There are variances in certain situations, most of which we have already discussed but those that we have not recently … this is your friendly reminder!

JK

J.K. Financial, Inc. 26th Annual Holiday Party



Founders Room

Saturday, Nov. 19, 2 p.m.
Meet and greet then tour until 5 p.m. closing.

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Parting thoughts for you...

As we enter the final quarter of the year, historically a very good capital market quarter, we call your attention to our main article of the newsletter, a reminder of a normal slow down and length of time it normally takes to work through the system.

It's very possible the historic positive seasonality may be trumped by a more normal macro-economic situation. As mentioned in our main article on the economy, the good news is every day that passes we are one day closer to better times and sunny skies.

Dr. Ben Hunt garners subject matter in our newsletter, after repeated appearances in a perfect timing of his narrative headline's views are worth your attention, especially given the extra negatives narratives associated with the end of slowdowns.

Lastly, we hope to see everyone at our never before venue for our 26th Annual Holiday Party at the Dallas Museum of Arts on Saturday, Nov. 19 at 2 p.m. Have a great day, a super start to the fall season and see you at the DMA.

Dates:

Nov. 6 - Daylight savings time ends

Nov. 19 - J.K. Financial, Inc. Holiday Party - Dallas Museum of Art, 2 p.m. Save the date!

Nov. 24 - Thanksgiving holiday, U.S. capital markets closed

Dec. 26 - U.S. capital markets closed