Jim Woods'
# INTELLIGENCE REPORT®

*Actionable Information for the Prudent Investor* • August 2021

## Psychologists Have a Term for This Market

One of the most popular terms in the psychology/self-help movement these days is "grit."

According to the American Psychological Association, grit is defined as: "A personality trait characterized by perseverance and passion for achieving long-term goals. Grit entails working strenuously to overcome challenges and maintaining effort and interest over time despite failures, adversities and plateaus in progress."

Now, in addition to describing many of the highest-achieving humans that I know, this definition of grit also applies directly to the personality of "Mr. Market" since the pandemic began. Indeed, since the March 2020 lows, stocks have been on a Jeff Bezos, Elon Musk, Sir Richard Branson-style rocket ride to new, all-time highs. And though most of the back half of 2020 was a relatively smooth elevator ride to the top, the volatility and bouts of selling we've seen in recent months have challenged Mr. Market's grit.

The chart on Page 2 of the major domestic indices in 2021 — the Dow Jones Industrial Average, S&P 500, NASDAQ Composite and Russell 2000 — tells the tale of a market that's come back from several bouts of selling that could have taken down one with lesser grit.

For example, there was a pre-inaugural selloff in late-January that was followed by a rebound to new highs. Then we got another pullback in early March, but that was quickly followed by a rebound to new highs by mid-March. In May, a rather aggressive selloff in stocks largely was based on fears of a potential slowdown in future growth in the face of rising inflationary pressures.

Most recently, in late-July stocks dropped sharply and bond yields crashed to new multi-month lows amid rising concerns that the COVID-19 Delta variant might derail the economic recovery as new cases surge worldwide. Now, while I think concerns over the Delta variant are legitimate, especially from a public health standpoint, from a market standpoint I doubt this is going to be a bearish gamechanger.

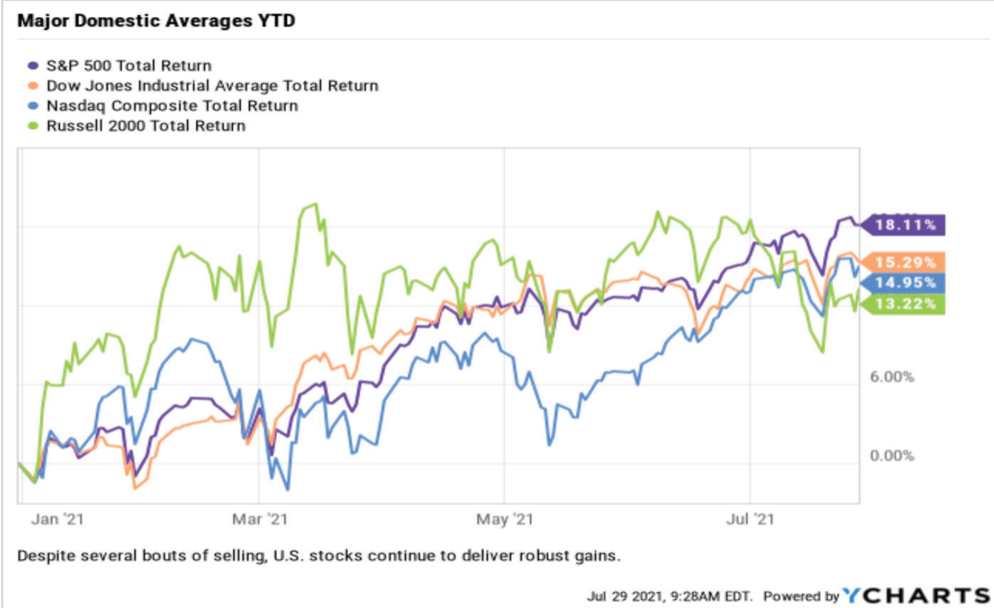
First of all, you must remember that stocks have consistently showed that aforementioned grit and risen to new highs. That tells you that valuations have been a little stretched here and that the market is pricing all the likely positives. So, when some news such as a rebound in COVID-19 comes around, you know there is going to be some "risk-off" selling.

Secondly, we are in the relatively low-volume, summer doldrums in markets, where many of the biggest players are on vacation and many trading desks are sparsely populated. Indeed, I know that because investors have been able to get out and experience the world again this summer. Unlike last summer, there has been a slowdown in retail trading. The lower the volume, the more pronounced the action, and that's one reason for the volatility we've seen.

Of course, these "reasons" to explain big down days such as we saw on July 19 don't make those down days any easier to stomach. Yet what's important here is to keep the bigger picture in mind, which is why I chose to put that year-to-date chart on Page 2. When you look at that, you realize that you're trading and investing alongside a market that not only wants to go up, but that will find just about any excuse to do so.

And while unrealistic optimism is never a good thing, what we've seen throughout nearly all of market history is that staying the course over the long haul wins the day. That win is even greater if your core portfolio is populated with some of the very best stock the market has to offer, stocks that have raised their dividend each year for 10, 20, 50 or even 100 years.

Once you've built your core portfolio with stocks of the sort found in the Income Multipliers Portfolio, you can take advantage of time, and the awesome power of compounding, to set yourself up for a prosperous life.



Despite several bouts of selling, U.S. stocks continue to deliver robust gains.

Moreover, if you add some of the best tactical plays to your mix, you can supercharge your results by banking gains along the way, often over shorter time periods such as months rather than years.

## Thoughts on the Latest Fed Posture

The July 28 Federal Open Market Committee (FOMC) statement didn't contain any real surprises. Fed Chairman Jerome Powell mostly did what the market thought he would by not making any changes to interest rates or the Fed's bond-buying program. And while that was a given that nothing would change, Powell did give a somewhat "hawkish" view of the process during his FOMC press conference.

In that conference, the Fed essentially took another step towards tapering, but U.S. central bank leaders also suggested that the current timeline for tapering would be very, very slow. Or as one of my colleagues put it, at a "glacial" pace. Yes, the Fed will, at some point over the next several FOMC meetings, likely begin removing monetary accommodation. Yet it's also reasonable to expect that quantitative easing, or QE, will persist into mid 2022 (albeit at a reduced pace) and for an interest rate hike at the earliest in late 2022 or early 2023.

Put into the paradigm of what I've called the "Four Horsemen" of this bull market, what that means is that the horseman that is historic Fed accommodation will remain generally in place well into the future. One other thing that Powell acknowledged during his press conference was higher inflation.

Here, he admitted that inflation will likely be with us longer than initially expected, but it's not to the point yet where it will change the Fed's expected policy course. That means the Fed is going to allow inflation to run hot, and it continues to actively promote higher longer-term inflation — and for nominal equity prices, both of these policies are tailwinds.

The final takeaway that I got from the Powell presser was that he didn't seem much concerned with the Delta variant. Medical issues notwithstanding, Powell noted that each new surge in COVID-19 cases over the past 16 months seems to generate less and less of an economic response.

Another way to say this is simply that people have become used to COVID-19, and largely we've learned to live with it without making drastic lifestyle changes (including altering travel plans, going out to eat, visiting friends and relatives, and just overall living life).

I suspect that this Delta variant will also be a "this too, shall pass" moment for the markets. Indeed, it already seems to have been. Yet when it comes to exogenous unknowns such as a flare-up in a global pandemic, one must always be on one's toes and ready to adjust — especially when it comes to tactical trades.

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## What's the Situation with Small Caps?

After a big surge late last year and earlier this year, cyclical/value stocks have lagged growth/tech for the better part of the past two months. Yet particularly in July, we saw a big relative sell-off in a subsegment of cyclicals: small caps. The chart on Page 2 shows you just how sharply the Russell 2000 (green line) fell over the past month. And year to date, the small-cap equity benchmark index has underperformed its large-cap brethren.

Now, don't get me wrong, I am not calling for a market in small caps. After all, the Russell 2000 is still up 13.22% year to date. Yet in mid-June, the index was the leader among the major domestic averages, so something has turned conditions in small caps less favorable for the smart money.

To explain this, I turned to my favorite macro analyst, Tom Essaye of Sevens Report Research (see Page 7). Tom explained the situation in small caps in the following way.

"The reason for the small-cap weakness is clear: Investors were concerned about 1) Sooner-than-expected rate hikes (which increase borrowing costs for small companies) and 2) That the strength of the economic recovery had peaked, and as such small caps would be losing an important tailwind."

As Tom went on to explain to me, these are legitimate concerns. However, like most of the underperformance we saw in cyclical sectors and styles, he thinks the selling was much too intense. Tom argues that if U.S. Gross Domestic Product (GDP) remains near 3% for the next several quarters, that's still much higher than we're used to, and it will benefit small caps.

And while uncertainty remains, Tom pointed out that small caps have rebounded in the week-ended July 23. That suggests that the more aggressive sellers in the space have become exhausted.

"Obviously, it's too early to definitively call a bottom in small caps. But if the 'reflation' theory holds (above trend growth, higher inflation) and the Fed keeps the rise in yields manageable, then small caps can resume the outperformance we saw until mid-June."

Although we don't have an official position in small caps, if you are looking to "buy the dip" in this sector, I recommend either the iShares Russell 2000 ETF (IWM) or the iShares Core S&P Small-Cap ETF (IJR). Both offer diversified exposure to the small-cap space and at modest expense ratios.

### Top 20 Income Multipliers YTD

| Stock | Ticker | Total Return YTD |
|---|---|---|
| Lowe's | LOW | 21.80% |
| McDonald's | MCD | 16.01% |
| Procter & Gamble | PG | 3.05% |
| Walmart Stores | WMT | -0.28% |
| Exxon Mobil Corp. | XOM | 44.52% |
| Truist Financial Corp (Formerly BB&T) | TFC | 16.52% |
| PNC Financial | PNC | 26.05% |
| Johnson and Johnson | JNJ | 11.02% |
| Medtronic Inc. | MDT | 12.20% |
| 3M | MMM | 16.39% |
| Caterpillar | CAT | 17.06% |
| Cummins Inc. | CMI | 4.14% |
| General Dynamics | GD | 32.72% |
| Union Pacific | UNP | 5.69% |
| Automatic Data Processing | ADP | 19.04% |
| Texas Instruments | TXN | 14.66% |
| Albermarle Corp. | ALB | 28.63% |
| American Tower REIT | AMT | 28.93% |
| AT&T | T | 3.48% |
| Zimmer Biomet | ZBH | 5.99% |
| **Average Return** | | **16.38%** |

## An Income Multipliers Update

The table on Page 3 provides the latest year-to-date total returns for our mix of 20 Income Multipliers stocks. This month, we are back to seeing positive movement in the portfolio, with the total return year to date coming in at 16.38%. That's a up from the 14.72% gain we saw last issue.

Here again, several of these bellwether stocks are reflective of the rotation we've seen to growth/tech and away from value/cyclical. Perhaps the best stock here illustrating just that is energy giant Exxon Mobil Corp. (XOM). This stock has been the hands-down leader in the Income Multipliers for most of the year, and it still is. In fact, it's up a whopping 44.52% year to date (YTD). Yet, last month, it was up 59.87%.

Now, on July 30, right before this issue went to print, XOM released its second-quarter earnings results, which came in strong. The company reported its largest profit since the end of 2019 as revenue more than doubled to well above forecasts. Net income came to $4.69 billion, or $1.10 a share, after a loss of $1.08 billion, or 26 cents a share, in the year ago period. Wall Street was anticipating earnings per share of just $1.01. The point here is that while that rotation to growth/tech from value/cyclicals continues, energy is still a huge winner, and demands a place in your diversified income holdings.

Other highlights in the holdings this month feature the big move higher in lithium mining giant Albemarle (ALB). Shares now are higher by 28.63%, up from last month's print of 12.46%. The stock is benefitting mightily from the increased demand for batteries of the sort that power electric vehicles (EVs). Now, everyone knows EVs are the future of transportation. With ALB, you are basically getting a "picks and shovels" play on this burgeoning market segment.

Another nice mover to the upside this month is American Tower REIT (AMT). Shares of the cell tower property owners are up 28.93% YTD, a nice move from last month's still-strong gain of 19.31%. Of course, there were other holdings that gave back some ground since our last issue, including both of our financial stocks in the portfolio, Truist Financial (TFC) and PNC Financial (PNC). Although both are up nicely YTD, the rotation to growth/tech from value/cyclicals over the past couple of months has shaved the gains down in this segment.

Finally, our industrial positions all pretty much held steady this month, including 3M (MMM), Caterpillar (CAT), Cummins Inc. (CMI), General Dynamics (GD) and Union Pacific (UNP). The industrial segment is trying to game the Fed, the Delta variant and the global economic reopening. Until we get more clarity on those main macro drivers, look for industrials to continue to find their footing.





## Protection Portfolio

| Buy Date or 12/31/17 | Symbol | Stock | Buy Price | Current Price (7/27 Close) | Dividends | Total Return | Allocation | Weighted Return |
|---|---|---|---|---|---|---|---|---|
| 12/31/17 | VFIIX | Vanguard GNMA | $10.46 | $10.65 | $0.79 | 9.35% | 30.00% | 2.81% |
| 12/31/17 | VFSTX | Vanguard Short-Term Investment-Grade | $10.63 | $10.98 | $0.88 | 11.55% | 25.00% | 2.89% |
| 12/31/17 | VFICX | Vanguard Intermediate-Term Investment-Grade | $9.75 | $10.30 | $1.27 | 18.68% | 15.00% | 2.80% |
| 12/31/17 | VDC | Vanguard Consumer Staples ETF | $146.04 | $185.74 | $13.92 | 36.72% | 12.50% | 4.59% |
| 12/31/17 | VDIGX | Vanguard Dividend Growth | $26.55 | $37.80 | $4.81 | 60.48% | 12.50% | 7.56% |
| 12/31/17 | GLD | SPDR Gold Shares | $123.65 | $168.44 | $0.12 | 36.32% | 5.00% | 1.82% |
| **Average return on open positions** | | | | | | **28.85%** | | **3.74%** |

## Tactical Trends Portfolio (TTP) Update

We added two new holdings to the Tactical Trends Portfolio (TTP) since our last issue, and both came on June 25. The first was the move into the Global X U.S. Infrastructure Development ETF (PAVE). This fund is what's known as a "smart-beta" thematic play on industrial and materials companies that are the backbone of large building projects. PAVE contains 100 stocks that include names such as Deere & Co, Eaton Corp, Vulcan Materials Co and Union Pacific Corp. No single holding within the portfolio makes up more than 3%, so it truly has a well-balanced mix of stocks within its underlying basket. Additionally, the fund charges an expense ratio of 0.47%, which is modest even for cost-conscious investors. The recently agreed upon bipartisan deal on infrastructure that just passed the Senate is the first hurdle toward making this deal a reality. And while it's not a certainty until the president signs it into law, the chances of a new infrastructure spending deal are far greater today than they were last month when we bought PAVE. If you haven't added this fund to your TTP mix, I recommend doing so now.


The other new addition to the TTP is electric vehicle bellwether Tesla Inc. (TSLA). You see, one of the main focuses of ramped-up infrastructure spending is green energy, and in particular, electric vehicles (EV). And when you think electric vehicles, well, really one name stands out above the crowd. In fact, you can already see the CEO's face in your mind before you even read the company name, and that face belongs to Elon Musk. Tesla really needs no explanation, as I suspect most everyone knows that it's the premier EV company in the world. However, what you might not know is that after some sharp selling beginning in April, TSLA shares formed a key support around the $600 level in June. As a result of the new infrastructure deal announcement, TSLA shares now have surged to nearly $680. If you don't yet own TSLA, now may be the time to buy.


Volatility has been the keyword term of the day for markets in July, but that's been particularly true for international and emerging markets. That volatility was reflected in Latin American e-commerce giant MercadoLibre (MELI). For the month, the shares are up about 3%. However, the stock was the victim of some selling along with the rest of the market. Still, we are up more than 11% in this position since our March 5 buy, and the stock remains a buy. Shares fell back near their May lows, but after doing so, the stock came roaring back, recapturing its 50-day moving average.


Finally, our big TTP winner continues to be the S&P 500 Equal Weight ETF (RSP). The fund pushed its way to new, all-time highs, and now is up nearly 28% since our November 2020 buy recommendation.

# What's Up & What's Down

Since our last issue, the rotation back into growth/tech from value/cyclicals has largely continued. Perhaps the best way to demonstrate this is to look at several of the S&P sectors and see how their performance has changed over the past month. Here, we see that growth bellwether Information Technology has gone from a YTD gain of just 9% in our last issue to a gain of 17.8% in this issue. Now that is a near-doubling of the performance in the key growth segment.

Conversely, let's look at a traditional value/cyclical bellwether: Energy. Last month, the sector was up an incredible 49.5% YTD, easily leading the charge higher for 2021. This month, however, Energy was up 33.3% YTD. And while that YTD performance still tops the sector list for 2021, the more growth/tech sectors, such as the aforementioned Information Technology, Telecommunications and even Financials, aren't far behind. One other point to note here bolstering this thesis is the move higher in the tech-heavy NASDAQ Composite. In our last issue, the index was up 9.8% YTD. This issue, it's up 14.2% YTD. So, the rotation of 2021 continues, and that's why we have exposure to myriad segments in our Income Multipliers and Tactical Trends Portfolio holdings.

## Total Return

| | Ticker | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Dow Jones 30 Ind. | DJITR | 19 | 8.9 | -31.9 | 22.7 | 14.1 | 8.4 | 10.2 | 29.7 | 10 | 0.2 | 16.5 | 28.1 | -3.5 | 25.3 | 9.7 | 15.7 |
| Dow Jones 15 Ut. | DJUTR | 16.6 | 20.1 | -27.8 | 12.5 | 6.5 | 19.7 | 1.6 | 12.7 | 30.7 | -3.1 | 18.2 | 14.2 | 13.0 | 14.1 | 1.6 | 8.2 |
| Dow Jones Trans. | DJTTR | 9.8 | 1.4 | -21.4 | 18.6 | 26.7 | 0 | 7.5 | 41.4 | 25.1 | -16.8 | 22.3 | 19.2 | -12.4 | 20.8 | 16.5 | 16.2 |
| NASDAQ Comp. | XCMP | 10.9 | 10.7 | -40 | 45.3 | 18.1 | -0.8 | 17.7 | 40.2 | 14.8 | 7.1 | 9 | 30.7 | -3.6 | 36.7 | 44.9 | 14.2 |
| Wellesley Income | VWINX | 11.2 | 5.7 | -9.8 | 16 | 10.6 | 9.6 | 10.1 | 9.2 | 8.1 | 13 | 8.1 | 7.4 | -8.8 | 11.8 | 3.7 | 5.1 |
| Wellington | VWELX | 14.9 | 8.4 | -22.3 | 22.2 | 10.9 | 3.9 | 12.6 | 19.7 | 9.8 | 0.1 | 11 | 14.2 | -15.3 | 16.9 | 2.3 | 11.4 |
| VG Consumer Staples* | VDC | 15.9 | 12.7 | -16.6 | 16.6 | 14.6 | 13.6 | 11 | 28 | 16 | 5.8 | 6.3 | 10.9 | -10.0 | 22.9 | 7.9 | 6.8 |
| Vanguard High Div. Yield | VYM | n/a | 1.4 | -31.9 | 17.2 | 14.2 | 10.5 | 12.7 | 30.1 | 13.5 | 0.3 | 17 | 16.3 | -9.5 | 20.2 | -2.3 | 15.0 |
| Vanguard Div. Growth | VDIGX | 19.6 | 7 | -25.6 | 21.7 | 11.4 | 9.4 | 10.4 | 31.5 | 11.8 | 2.7 | 7.5 | 14.9 | -7.7 | 24.9 | 8.8 | 13.7 |
| iShares Canada | EWC | 16.9 | 28.4 | -44.5 | 53.1 | 19.8 | -12.4 | 9.1 | 5.3 | 1.1 | -23.9 | 23.8 | 11.4 | -17.1 | 24.7 | 3.2 | 19.3 |
| iShares Switzerland | EWL | 30 | 5.5 | -27.2 | 22.1 | 14.4 | -7.9 | 21.9 | 25.7 | -1.7 | 0.3 | -2.5 | 21.2 | -9.9 | 28.9 | 9.9 | 10.9 |
| Vanguard Materials* | VAW | 19.5 | 26.6 | -46.5 | 51.4 | 24.5 | -9.5 | 17.3 | 24.9 | 5.9 | -10.2 | 21.5 | 22.1 | -18.1 | 21.0 | 17.0 | 14.7 |
| PwrShrs High Div. Achievers | PEY | 14 | -15.3 | -38.1 | 3.6 | 20.9 | 8.6 | 6.3 | 30.5 | 18 | 2.4 | 31.4 | 8.0 | -10.8 | 19.9 | -8.5 | 16.5 |
| T.Rowe Price New Era | PRNEX | 17 | 40.7 | -50.2 | 49.4 | 21 | -15.1 | 4 | 15.7 | -7.8 | -18.8 | 25 | 5.9 | -15.5 | 14.3 | -5.1 | 14.6 |
| SPDR Gold Trust* | GLD | 22.5 | 30.5 | 4.9 | 24 | 29.3 | 9.6 | 6.6 | -28.3 | -2.2 | -10.7 | 8 | 9.6 | 0.9 | 17.9 | 24.8 | -5.6 |
| VG ST Inv Grade | VFSTX | 5 | 5.9 | -4.7 | 14 | 5.2 | 1.9 | 4.5 | 1 | 1.8 | 1 | 2.7 | 1.7 | -1.8 | 2.8 | 2.8 | -0.5 |
| Vanguard GNMA | VFIIX | 4.3 | 7 | 7.2 | 5.3 | 7 | 7.7 | 2.3 | -2.2 | 6.7 | 1.3 | 1.8 | 1.0 | -1.8 | 2.9 | 1.8 | -0.8 |
| VG IT Inv Grade | VFICX | 4.4 | 6.1 | -6.2 | 17.7 | 10.6 | 7.4 | 9.1 | -1.4 | 5.8 | 1.5 | 3.8 | 3.1 | -3.3 | 7.0 | 4.2 | -1.6 |

*An appropriate benchmark is used prior to fund inception

**S&P 500 Sector Indices**

| | Ticker | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| S&P 500 | GSPC | 15.8 | 5.6 | -37 | 26.4 | 15.1 | 2.1 | 16 | 32.4 | 13.7 | 1.4 | 12 | 19.4 | -6.2 | 28.9 | 16.3 | 17.2 |
| Consumer Discretionary | SP500-25TR | 18.6 | -13.2 | -33.5 | 41.3 | 27.7 | 6.1 | 23.9 | 43.1 | 9.7 | 10.1 | 6 | 23.4 | 0.4 | 27.9 | 33.3 | 13.3 |
| Consumer Staples | SP500-30TR | 14.4 | 14.2 | -15.4 | 14.9 | 14.1 | 14 | 10.8 | 26.1 | 16 | 6.6 | 5.4 | 19.7 | -8.4 | 27.6 | 10.7 | 7.9 |
| Energy | SP500-10TR | 24.2 | 35.3 | -34.9 | 13.8 | 20.4 | 4.7 | 4.6 | 25 | -7.8 | -21.1 | 27.4 | -2.2 | -17.1 | 11.8 | -33.7 | 33.3 |
| Financials | SP500-40TR | 19.2 | -18.6 | -55.3 | 17.1 | 12.1 | -17.1 | 28.7 | 35.6 | 15.2 | -1.6 | 22.7 | 23.2 | -13.7 | 32.1 | -1.7 | 24.9 |
| Healthcare | SP500-35TR | 7.5 | 7.1 | -22.8 | 19.7 | 2.9 | 12.7 | 17.9 | 41.5 | 25.3 | 6.9 | -2.7 | 23.4 | 5.3 | 20.8 | 13.4 | 16.5 |
| Industrials | SP500-20TR | 13.2 | 12 | -39.9 | 20.9 | 26.7 | -0.6 | 15.3 | 40.6 | 9.8 | -2.6 | 18.8 | 20.6 | -13.0 | 29.4 | 11.1 | 17.1 |
| Information Technology | SP500-45TR | 8.4 | 16.3 | -43.1 | 61.7 | 10.2 | 2.4 | 14.8 | 28.4 | 20.1 | 5.9 | 13.8 | 41.0 | -1.8 | 50.3 | 43.9 | 17.8 |
| Materials | SP500-15TR | 18.2 | 22.4 | -45.7 | 48.6 | 22.2 | -9.8 | 15 | 25.6 | 6.9 | -8.4 | 16.7 | 22.9 | -14.1 | 24.6 | 20.7 | 14.8 |
| Telecommunications | SP500-50TR | 36.8 | 11.9 | -30.5 | 8.9 | 19 | 6.3 | 18.3 | 11.5 | 3 | 3.4 | 23.5 | -0.3 | -13.4 | 32.7 | 23.6 | 24.7 |
| Utilities | SP500-55TR | 21 | 19.4 | -29 | 11.9 | 5.5 | 19.9 | 1.3 | 13.2 | 29 | -4.8 | 16.3 | 12.0 | 4.2 | 26.3 | 0.5 | 8.2 |

## Sevens Report Economic Breaker Panel, July Update

*By Tom Essaye, Sevens Report Research*

The July update of the Economic Breaker Panel further reflected the continued progress in the economic recovery, although there was a slight hint that, as markets have anticipated, the pace of that recovery may have peaked back in the May/June period.

But that's not a negative, because as the Breaker Panel shows, economic activity is still very supportive of risk assets, including stocks and commodities, both on a macroeconomic and market-based level. The bottom line is that the intensity of the recovery may have peaked in May or June, but it's the equivalent of slowing down from 100 mph to 95 mph. It's still really fast and the recovery is still very, very solid.

***Macro indicators:* 10s-2s, Real Interest Rates.** For these two indicators, we're looking for outright inversion of the 10s-2s spread and positive real interest rates as conditions that would "trip" the economic breaker and serve as a warning. *Update:* In the past we've used the analogy that 10s-2s and Real Interest Rates essentially tell us whether the Fed is putting its foot on the economic "gas" or the economic "brake." For the past year-plus, staying with that analogy, the Fed has had the pedal to the floor, as interest rates plunged to, by far, the most negative we've seen since we started the Breaker Panel three years ago.

Well, for the second month in a row, Real Interest Rates rose, although again it was a small increase from -2.40% to -2.30%. But that's still a very favorable setup for inflation-linked assets (i.e., stocks, commodities) and it is fair to say that financial conditions remain very favorable for continued solid growth in the future. **Takeaway: No Breakers Tripped.**

***Economic indicators:* Light Truck Sales, 12-Month Total Vehicle Miles Traveled, Avg. Work Week, Jobless Claims, Building Permits, New Orders for Non-Defense Capital Goods Ex Aircraft.** For these economic indicators, we're looking for multi-month declines to imply a rollover of the economic trend, or, for 12-month total vehicle miles traveled, a year-over-year decline. *Update:* As mentioned, there were some mild hints of a loss of economic momentum in the economic indicators, as two of the most "leading" economic indicators we watch, Light Truck Sales and Building Permits, saw their breakers "tripped" in July.

These two indicators were the first to really recover from the pandemic, so the fact that we saw small declines on a three- and six-month timeframe for both somewhat confirms the intensity of the recovery has peaked. But at the same time, both metrics only saw small declines, so this in no way implies the economic recovery is under stress. Instead, it likely just confirms that the most intense part of the recovery is behind us (but still very much ongoing). **Takeaway: Two Breakers Tripped (Light Truck Sales & Building Permits).**

***Sevens Report* Economic Breaker Panel (July Update)**

| Indicator | Slowdown Signal | Slowdown Indicated? |
|---|---|---|
| 10s-2s Spread | Inverted? | No |
| Real Interest Rates | Positive? | No |
| Light Truck Sales | Declining? | Yes |
| 12 Month Total Vehicle Miles Travelled | Declining? | No |
| Avg. Work Week | Declining? | No |
| Jobless Claims | Multi-Month Highs? | No |
| Building Permits | Declining? | Yes |
| New Orders NDCGXA | Declining? | No |
| Copper | Declining? | No |
| Crude Oil | Declining? | No |

***Market-based indicators:* Brent Crude & Copper.** "Dr. Copper" and crude oil can act as coincident or leading indicators of economic activity, and multi-month lows in both would "trip" this market-based indicator. To trip these market-based breakers, we'd need to see multi-month lows in both Brent crude and copper. *Update:* Copper has rebounded thanks to general optimism on the global rebound, combined with negative supply news following floods in China. Importantly, copper held support over the past month, which implies that global growth should continue to recover. Oil, meanwhile, rebounded from an OPEC-related pullback a few weeks ago, and is once again near 2021 highs. The key point is that neither copper nor oil imply there's any notable loss of economic momentum. **Takeaway: No Breakers Tripped.**

The July Breaker Panel largely confirms that the intensity of the economic recovery likely peaked a few months ago. But while the intensity of that recovery has declined slightly, on an absolute level, the economic recovery remains very, very strong, which keeps the "Economic Recovery" pillar in place and acts as a tailwind for risk assets, including stocks and commodities.

## Final Thoughts on FreedomFest

I recently was basking in the bosom of freedom. And while the experience still is at the forefront of my thoughts, I'd like to reiterate some of what I mentioned regarding this event in the July 28 issue of *The Deep Woods*. I have been to many FreedomFests over the years, but this one had an intangible element of excitement, energy and sense of appreciation that I had not experienced before. I attribute this to the pandemic, as we had to forego FreedomFest last year due to COVID-19.

This year, everyone seemed to feel good to be around each other after a two-year pandemic drought. And with hardly a mask in sight, we were able to see fellow liberty warriors smiling, shaking hands and interacting the way humans were meant to do.

There were many great highlights to this year's event, including dynamic speeches by radio talk show host and California gubernatorial candidate Larry Elder, the great Ayaan Hirsi Ali and Dave Rubin. Dave also was a guest on my podcast, Way of the Renaissance Man. That episode will be uploaded soon, and I will let you know when it's available.

Perhaps the greatest moments for me this FreedomFest came in the form of subscribers to my newsletters honoring me by offering their heartfelt thanks for what I do. Literally dozens of you came up to me multiple times during the event to thank me for helping you make money in the markets via my stock and options advice. More importantly, many of you thanked me for helping you buy houses, take grand vacations, and send your kids to college using the information garnered from my expertise.

For a writer/stock picker whose job it is to help others find the best exchange-traded funds (ETFs), individual stocks and stock options to own, hearing of the real-world success subscribers have had is perhaps the most gratifying feeling one can have.

For those of you who came up to offer your thanks, eminently kind words, appreciation and gratitude for what my Eagle Financial Publications colleagues and I do each week, may I also now formally, in print, tell you that whatever appreciation you have for us, we have far more for you. It is because of you, the subscriber to our publications, that we are allowed to do what we do. Without you, we couldn't do what we love.

May our hearts soar in the skies of prosperity and liberty for all our days to come!

In the name of the best within us,

Jim Woods

**Jim**

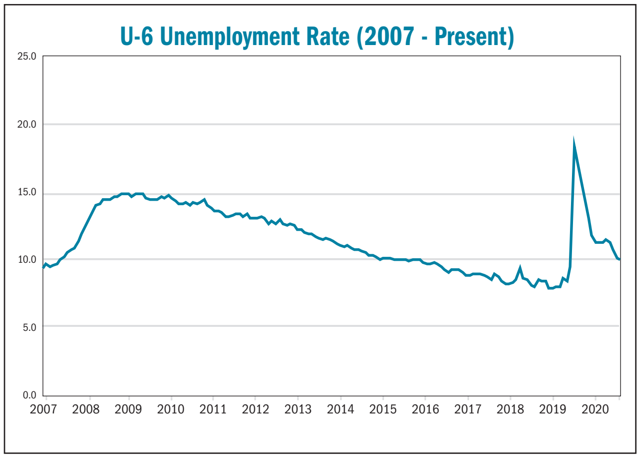
**P.S. Las Vegas Money Show, September 12-14, Bally's Hotel & Resort:** Join me! For more information, go to Woods.MoneyShow.com. A special registration code of 053551 is embedded in the link to help my readers gain early bird pricing and a seat at the event.

JIM WOODS is a 20-plus-year veteran of the markets with varied experience as a broker, hedge fund trader, financial writer, author and newsletter editor. His books include co-authoring, "Billion Dollar Green: Profit from the Eco Revolution," and "The Wealth Shield: How to Invest and Protect Your Money from Another Stock Market Crash, Financial Crisis or Global Economic Collapse." He also has ghostwritten books and articles, as well as edited the writing of the investment industry's biggest luminaries. His articles have appeared on financial websites that include InvestorPlace.com, Main Street Investor, MarketWatch, Street Authority, Human Events and others. Jim formerly worked with Investor's Business Daily founder William J. O'Neil to help author training courses in stock-picking methodology.

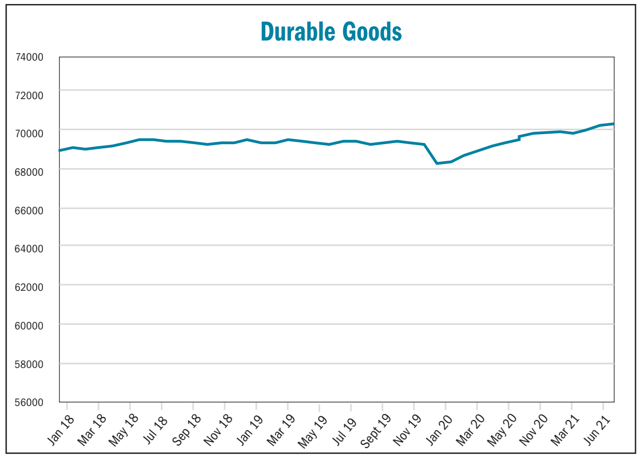
In the five-year period from 2009 to 2014, the independent firm TipRanks ranked Jim the No. 4 financial blogger in the world (out of more than 9,000). TipRanks calculates that during that period, Jim made 378 successful recommendations out of 506 total to earn a success rate of 75% and a 16.3% average return per recommendation. He is known in professional and personal circles as a "Renaissance Man," since his skills encompass composing and performing music, Western horsemanship, combat marksmanship, martial arts, auto racing and bodybuilding.

# Economic Analysis

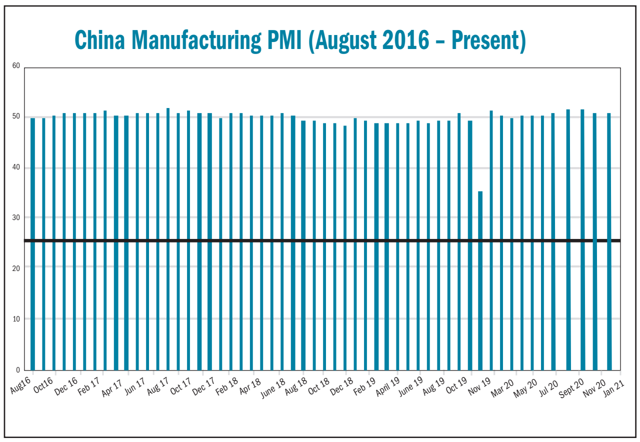
## — REPORT —



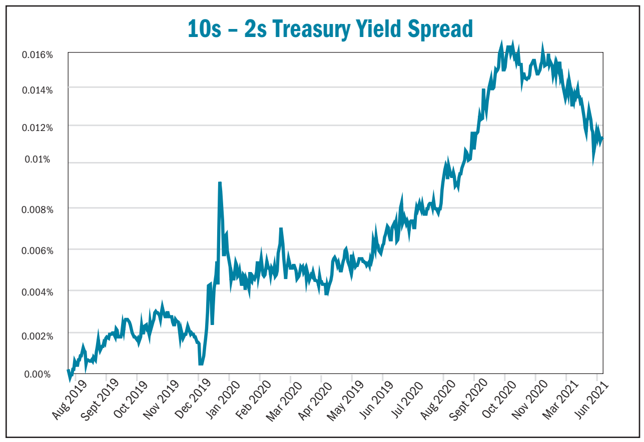

The U-6 total unemployment rate rose slightly last month, as employers struggle to make new hires.



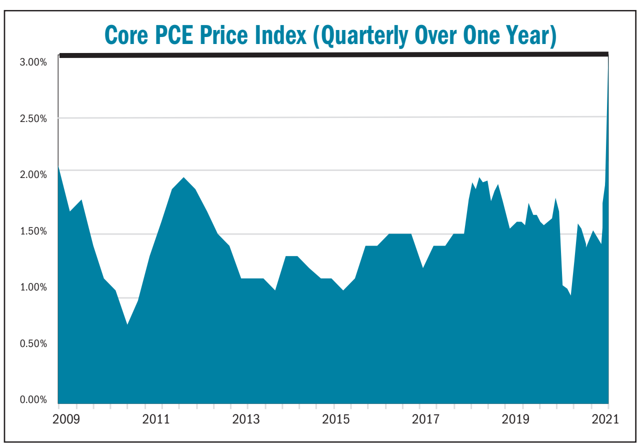

Business spending and corporate investment moderated slightly, but the metric remains generally strong.



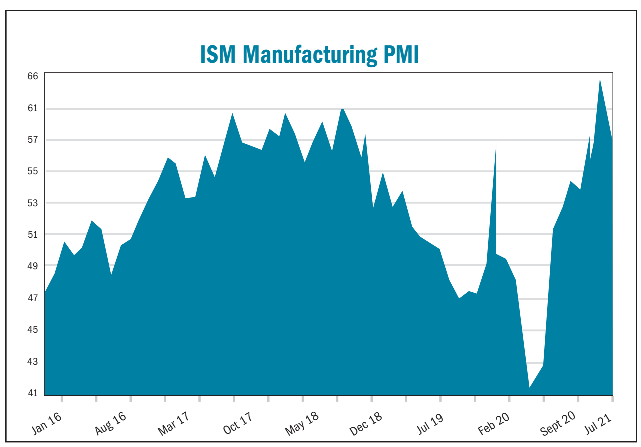

Chinese manufacturing activity remained solid in the latest PMI report, as the metric continues in expansion mode.




The yield curve has flattened recently, reflecting some concern about future economic growth.




The Fed's preferred measure of inflation continues to blare out at multi-year highs, but is this surge only "transitory?"




Manufacturing activity in the United States remains robust, and the segment is helping to drive the recovery forward.

## iShares Core U.S. Aggregate Bond ETF (AGG)


Bond prices have rallied over the past month on fears of a stall in the recovery following the increase in COVID-19 Delta variant cases.

## SPDR Gold Shares (GLD)


Gold prices remain off the 2021 highs, but there has been a bounce recently with a drop in the dollar.

## S&P 500 Index ($SPX)


The broad-based domestic equity index remains just off all-time highs, despite growing COVID-19 concerns.

## U.S. Dollar Index ($USD)


The U.S. Dollar Index remains generally rangebound in the low 90s.

## Vanguard Total World Stock ETF (VT)


Global stocks remain near all-time highs thanks to the economic recovery and global stimulus.

## West Texas Intermediate Crude Oil ($WTIC)


Oil prices are close to 2021 highs on a combination of limited supply and expected strong demand.



Data and chart analysis provided by Sevens Report Research, www.sevensreport.com.

*Bill Gale*
*Founder, GovMint.com*

**NEW DESIGN**

**SPECIAL MARKET OPPORTUNITY**

# The Biggest Event in American Silver in 100 Years!



Dear *Wood's Intelligence Report* Subscriber:

Simply put, I have never seen anything like this. And I've been in this business 38 years during which time I've shipped literally hundreds of millions of dollars' worth of bullion coins, shipwreck treasure and collectible coins. But what's going on this summer is a first for me. Something so astonishing that everyone in America should take notice. Not just folks who love coins—everyone. Of course I'm talking about the just released and newly redesigned 2021 US Silver Eagles Dollar coins. The most important coin in the modern era has changed after 35 years.

## 100 Years of American Silver Dollars

The silver dollar wasn't always an American institution like it is today. In 1859, the richest silver mine in American history, the Comstock Lode, was discovered in Nevada. And in 1878, the Bland-Allison Act restored silver as legal tender, an event that gave birth to the Morgan Silver Dollar. Known as the silver dollar that built the Wild West, the Morgan was often found in the saddlebags of cowboys, ranchers and outlaws who preferred hard currency over paper. It was minted until 1904, then made a one-year comeback in 1921, 100 years ago. Next came the Peace Silver Dollar, introduced that same year as a one-year-only commemorative celebrating the end of World War I. It was so popular it went on to replace the Morgan Dollar and was minted from 1921-1928, then again in 1934 and 1935. That was it for silver dollars until 1971 through 1978 when the Eisenhower Silver Dollar was minted.

## Then, Silver Eagles Arrived!

Fast forward to 1985 when President Ronald Reagan signed the Liberty Coin Act, authorizing the U.S. Mint to issue American Eagle coins as a new way for the public to secure silver bullion. In that moment, everything changed. A star was born in the form of the Silver Eagle. Nobody could have foreseen how incredibly popular Silver Eagles would become. As intended, the coins appealed to investors with their one troy ounce weight and 99.9% purity guaranteed by the U.S. Government, but they also proved to be a big hit with collectors. That's due in large part to the iconic design that features designer Adolph Weinman's beautiful Walking Liberty on the front, and the Heraldic Eagle by John Mercanti, the 12th Chief Engraver of the U.S. Mint, on the back. The coins were so popular that between 1986 and 2020, over 535 million were struck. That's more than HALF A BILLION coins, easily making Silver Eagles the most bought coins on the planet.

## The Times They Are A-Changin'

Collectors crave coins that are considered "Key Dates" that represent something significant in the history of that coin, like firsts, lasts, low mintages, alternative finishes and new designs. And here we are, at the start of the first-ever design change of the Silver Eagle, making 2021 a very definite Key Date in Silver Eagle history. For the first time since the coin's inception in 1986, the revered Heraldic Eagle reverse is being replaced by a beautiful new "Eagle Landing" design by artist Emily Damstra. Also, for the first time, the initials of the Walking Liberty designer Adolph Weinman have been added to the front of the coin beneath "In God We Trust." You may see these newly designed 2021 Silver Eagles referred to as Type 2 Silver Eagles to distinguish them from the original design, now referred to as Type 1 Silver Eagles.

## But, There's a Twist

Normally, when the U.S. Mint makes a design change or introduces a new coin, it happens at the beginning of the year and coins get a full release of 12 months. But in 2021, for the first time ever, the Mint is making a change HALF-WAY through the year. I don't know the exact reasons this decision was made, but it's not hard to speculate that the pandemic played a big part in

*over, please*


## Your Chance to Secure the Very First New Silver Eagles

- ✓ First-Ever New Design Silver Eagles
- ✓ Struck in 99.9% Fine Silver, with Weight and Purity Guaranteed by the U.S. Government
- ✓ First-Ever Silver Eagle with Two Designs in the Same Year
- ✓ Flawless Mint State-70 (MS70)
- ✓ Certified First Day of Issue (FDI)
- ✓ Expected Low Mintages (due to mid-year release)

it, with all the accompanying work delays and schedule changes. And why is that significant? Since the 2021 Type 2 Silver Eagles will only be released during the last half of this year, it's possible they'll have one of the lowest mintages we've seen. Which could in turn make this 2021 a **DOUBLE** Key Date, with both a new design and a low mintage. Demand for these coins is already sky-high, but if the mintage ends up being low, on top of the new design, watch out! Collector demand could blow up to levels we've never seen.

## How Do You Make Something Hot, HOTTER?

Collectors want the "best of the best." I don't care what the collectible is, collectors always chase the finest quality available. With coins, quality is measured by grades. Coins are graded on a 70-point scale, with a grade of 70 representing absolute perfection, even under magnification. There is nothing higher. With a new release, collectors quickly snatch up coins and send them to leading independent grading services like Numismatic Guaranty Corporation (NGC), hoping those coins come back with a top grade of Mint State-70 (MS70). There's simply no better condition—and no grade is more coveted by collectors. That's especially true when we're talking about "firsts" like this one. I do everything I can to get my hands on as many perfect MS70 coins as I can each year, and that's exactly what I did with this popular, ground-breaking release of Type 2 Silver Eagles.

## What's Better Than the Best?

With this release, I wanted to "take it up a notch" by not only securing coins that earned the perfect 70 grade, but also coins that qualified for the most-desired Pedigree of First Day of Issue. Pedigrees are additional attributes of a coin that can increase its collector desirability—and the pedigree collectors want most on Eagles is First Day of Issue, which means the coins were purchased the very first day the U.S. Mint released the coins. I'm proud to say I have managed to have my coins certified with the special First Day of Issue (FDI) pedigree.

As I've said, collectors love Key Dates, and place a premium on these coins—especially when they are certified with special pedigrees and designations. The 2021 Silver Eagles with the brand-new design I'm offering today come certified as flawless MS70, and pedigreed as "First Day of Issue." In short, these possible DOUBLE key date coins are a collector's dream! They're not only better than the best, they're also the first of the best.

## Don't Wait Another 100 Years!

These coins are going to be RED HOT, so do not drag your feet on this. The demand for Silver Eagles is exponentially higher than it was when the coin was first introduced 35 years ago because these new Silver Eagles appeal to investors and collectors alike. Nobody knows how low the 2021 Silver Eagle Type 2 mintage will be, but we do know that only a very small fraction of those coins will earn the coveted First Day of Issue Pedigree and be certified MS70. You're looking at the biggest silver event in the last 100 years. Don't wait—secure yours right this minute!

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**Offer Code UWR264**

*Please mention this code when you call.*

**2021 $1 Type 2 American Silver Eagles NGC Mint State-70 and First Day of Issue**

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| 1-4 coins | — | $74.95 each | |
| 5-9 coins | — | $73.95 each | **SAVE UP TO $9** |
| 10-19 coins | — | $72.95 each | **SAVE UP TO $38** |
| 20+ coins | — | $69.95 each | **SAVE up to $100 OR MORE!** |

Sincerely,

Bill Gale, Founder

**FREE SHIPPING on every order!***

P.S. I'm so excited for you to own these coins that I'm including FREE Domestic Shipping with every order. And your satisfaction is guaranteed, protected by our 30-Day Return Privilege. Now hurry and secure your new 2021 Type 2 Silver Eagles!

*Bill Gale is a professional numismatist, author, and TV host with more than 30 years of coin market experience. But first and foremost, Bill is an avid collector himself. GovMint.com is a distributor for most worldwide government mints and the Smithsonian®. Since 1985, hundreds of thousands of satisfied customers have acquired coins from GovMint.com: Your one best source for coins worldwide.*

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