Looking for a port in this investing storm

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Today’s article is an exploration of where to potentially park some investment dollars in what one might consider a pretty volatile market of late. The specter (or reality) of a sixth wave of the pandemic, war in Ukraine, seemingly out of control inflation, supply chain issues, rising interest rates and the inter-relation of some of these themes has a lot of my friends asking me what I’m doing right now. I’ll use a term I picked up recently from the crypto investing universe – HODL (hold on for dear life). I’ve raised my cash position to roughly 20% but that means I still have 80% of my portfolio invested (and I don’t hold any bonds or bond proxies). But what is considered a reasonable risk/reward or safe investment these days? I’m sure there are as many opinions as you have time to listen to, but there’s one sector I’ve been adding to in the last few days.

The sector I’m talking about is conservative, profitable, relative low risk, in theory should benefit from rising interest rates, trades at P/E’s ranging from 4x to 10x, most names have 2-3% dividend yields, they just went through Q1 earnings season without hitting too many potholes and are mostly trading at or near 52-week lows. Seems like a great the place to be if you are nervous about the market right now. What sector am I talking about? Large-cap U.S. Banks like J.P. Morgan Chase & Co. (NYSE: JPM), Bank of America Corp. (NYSE: BAC), Citigroup, Inc. (NYSE: C), Wells Fargo & Co. (NYSE: WFC), Goldman Sachs Group Inc. (NYSE: GS), Morgan Stanley (NYSE: MS) and several others. Pretty boring stuff. But that’s the point, at least if you are concerned about where the market is headed.

There are still some potential pitfalls facing this sector. Several companies saw Q1 earnings fall quarter over quarter as a result of lower Investment Banking income given general market uncertainty. J.P. Morgan highlighted some investment risk due to Russian exposure. There was a brief period of time last week where the yield curve inverted, which is a situation where rising interest rates may not benefit banks – generally speaking banks “borrow” short term rates (investor savings accounts) and lend on longer-term rates. And if an inverted yield curve is a harbinger of a recession, then there is likely to be less lending overall for banks. With that said, I don’t see these “risks” having a material impact to overall earnings over the next few months. Technically, many of these stocks look to be forming a bottom or bouncing off support and most have recently hit “oversold” on the RSI indicator. That’s a summary of my thesis, and without getting into a full dissertation on the topic I’ll leave it at that.

This certainly isn’t the only sector I’m looking at right now. I really like oil & gas for the next few years but have a hard time adding to the sector right now with all the uncertainty around the war in Ukraine and sanctions, etc. If there is a correction of WTI prices (into the $80’s) in the event that (hopefully) peace breaks out soon, then I’m likely a buyer. That same logic applies to pretty much all commodities right now. Much of the semiconductor sector is also trading near 52-week lows but they still have huge P/E multiples and with rising interest rates and a potentially challenging Q1 due to the lockdowns in China I think there’s a decent chance I could pick up some of these names even cheaper than they are today. Then there are the profitable large-cap tech stalwarts like Apple Inc. (NASDAQ: AAPL), Microsoft Corporation (NASDAQ: MSFT), Alphabet Inc. (Google) (NASDAQ: GOOG), Amazon.com, Inc. (NASDAQ: AMZN). I’m always looking for opportunities to add to those if there is ever any weakness. But for now, I'll stick to boring, pillar of the economy stocks while I wait for a clearer direction on inflation, COVID and whatever messed up crap Putin is up to.

This is by no means investing advice. I'm not an investment advisor, nor do I play one on TV. This is merely insight into what goes on in my head when I'm spending too much time in front of CNBC or Bloomberg TV while waiting for it to get nice enough to go do fun things outside. Hopefully, it provides you with an investing idea to think about if you are still wanting to stay invested in the markets but are a little nervous at present.

Wealth Minerals' Tim McCutcheon on where the lithium industry is headed

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March 8, 2018 — "What we do know is that the paradigm shift in lithium consumption globally is happening before our eyes." starts Tim McCutcheon President of Wealth Minerals Ltd. (TSXV: WML | OTCQB: WMLLF) in an interview with InvestorIntel's Andy Gaudry.

Andy Gaudry: A Morgan Stanley report on the lithium industry was just released, can you comment on this?

Tim McCutcheon: I think there is a lot of confusion about where the industry is going. It is a very small industry. There are not a lot of data points to get your hands on. What we do know is that the paradigm shift in lithium consumption globally is happening before our eyes. There is a famous picture of Time Square in 1890 where it is all horses and then in 1915 it is all cars. That paradigm shift is happening now. A lot of the analysts in the investment making industry are basically ramping up their expectations for lithium consumption in the next 5 to 10 years. I can understand an analyst wants to be contrarian. It kind of gets your name out there. It is the smart thing to do in terms of basically getting awareness up. The reality is that the lithium industry has a limited ability really to ramp up production. One, if you are talking about brine production, which is half of the world's supply of lithium, it takes at least 9 to 12 month just to actually have that inventory on the market. He is talking about in a very short period of time ramping up production almost 200% globally. In that short period of time you are going to be waiting for all of the stuff to just dry under the sun, which is what solar evaporation is. I think there are some details here that he is not really fully processed in his report. Whatever, it gets the word out there. It is great. The fundamental reality is the world is shifting to lithium-ion battery technology. That is just the fact. We see that everywhere. The reality is that there has not been a lot of thought on, from the consumers of lithium, about where this actually is going to come from. They are putting billions of dollars into building factories. Frankly for them I think a couple of million dollars for lithium supply is almost an afterthought. The reality is that billion-dollar factory is going to stand still if they do not have the lithium supply. Now, it is only now that a lot of these big companies that have gone on the record saying they are going to do this, they are not going to realize –we need to really think about how we are going to tighten up our supply chain. Proof in the pudding, proof of this is Toyota just bought almost a 20% stake in Orocobre. What is that about? Auto manufacturers have been divesting of their suppliers of the raw material sources for decades because they just want to assemble stuff. Now for this company, this major company, to actually go back and buy its supply of raw material shows you how acute this situation is.

Andy Gaudry: Interesting. Your stock was up. You just released a corporate update. Would you like to talk about that?…to access the complete interview, click here.