

**Sun City Summerlin
Computer Club**

Internet Investing \$IG

Tom Burt

SIG Meeting Schedule

- **The Internet Investing SIG meets every other “even” month on the third Thursday morning at 9 AM. The next six meetings will be:**
 - *October 20, 2016*
 - *December 15, 2016*
 - *February 16, 2017*
 - *April 20, 2017*
 - *June 15, 2017*
 - *August 17, 2016*

Recent Market Moves Discussion

- **Let's Look at Recent Charts for Market Averages**
 - *Dow Jones Industrials Chart ^DJI*
 - *S&P 500 Chart ^GSPC*
 - *Nasdaq 100 Chart ^IXIC*
 - *Russell 2000 Chart ^RUT*
 - *Key Dow stocks: <http://money.cnn.com/data/dow30>*
- **The markets have recently been trading higher.**
 - *For the past two months, Dow has been in a range between 17,100 to 18,650.*
 - *Volatility still seems to be the norm.*
- **What did *YOU* do (if anything) in the past two months?**
 - *Buy on the dips? Sell (at the bottom or at the top)? Hold?*
 - *Did you buy Puts? Buy Calls? Sell Puts? Sell covered Calls?*
 - *Did you or will you buy in near the bottom?*
 - *Are you moving into or out of “safer” investments (bonds / CDs)*
- **What do *YOU* think *will* happen in the next 3-6 months?**

Fundamentals Review

- **Dollar remains very strong against foreign currencies.**
 - *Oil priced in dollars.*
 - *Saudis and Iran are still pumping and flooding the markets.*
 - *Crude oil now about \$46.50 and many energy stocks have risen.*
 - *Other commodity prices and stocks of producers still down.*
- **ISIS and Russians in the middle east causing great concern.**
 - *“Flight to quality” (Selling stocks and buying US Govt. debt) has pushed bond yields down. The 10 year Treasury note now yields about 1.55% !!!
The 30 year Treasury note yield is 2.29% !!!*
- **Deutsche Bank in Serious Trouble**
 - <http://www.express.co.uk/news/world/700366/Deutsche-Bank-Germany-economy-crisis-shares-plunge-EU-Angela-Merkel>
- **Eurozone – in *BIG* trouble due to hoards of refugees.**
- **Official Inflation rate is *fairly* low (~1% / year)**
 - <http://www.usinflationcalculator.com/inflation/current-inflation-rates/>
 - *Some food prices have come down (beef, pork) on specials*
 - *NV Gasoline is still cheap (\$2.05 at Costco)*
 - *Medical care & insurance is NOT cheap*

Negative Interest Rates

- **Negative Interest Rates for German Consumers**
 - <http://www.bloomberg.com/news/articles/2016-08-11/negative-rates-for-the-people-arrive-as-german-bank-gives-in>
- **Deutsche Bank in Trouble (see previous slide)**
 - *Will likely need a taxpayer / consumer bailout or bail-in from the ECB*
- **Implications:**
 - *Cash on deposit at US banks safe so far.*
 - *US Federal Reserve and other central banks considering negative interest rates on inter-bank deposits (ECB, BOE, BOJ).
(Deposit a dollar, get back 99 cents) no certain time for this.*
 - *This could eventually move to consumer deposits.
(Banks passing through negative interest rates to consumers)*
 - *Likely will initially apply to balances over \$100K or maybe \$250K.
(i.e. Hit the “rich”)*
- **What can you do?**
 - *Keep account balances below \$100K.*
 - *Convert large bank accounts into high grade short-term bond holdings:
e.g. US Government or high grade corporate short-term ETFs (low fees)*

Preferred Stock ETFs Concern

- **“Yield to Call” concerns / caution**
 - *ETFs hold portfolios of callable bonds purchased at a premium to face value.*
 - *If / when called, those bonds only return their face value.*
 - *Potential for substantial cap loss resulting from the call.*
- **Mitigating Factors**
 - *ETFs hold large portfolios with different maturations & call dates.*
 - *Whole portfolio won't get called at once.*
 - *You can own share of more than one preferred stock ETF – spread the risk.*
- **Current Preferred ETF Price & Yields (8-16)**
 - *PFF: \$40.00, 5.61%*
 - *PGX: \$15.27, 5.64%*
 - *PSK: \$46.16, 5.30%*
 - *SPFF: \$13.69, 6.84%*

Open Discussion