Boom & Bust

August 2019

The Rising Wave of Redistribution Politics

By Rodney Johnson

1993 was a great and difficult year for me. We had just purchased our first home during the winter and by the end of the summer would be expecting our first child. We were in our late twenties, and prepared for neither.

The house was a 1940s bungalow that needed new air conditioning. I did not know that until springtime when the weather turned warm, but with our first child on the way, we couldn't afford a new system. My dear wife endured that summer in Dallas, Texas, pregnant and always hot. She had our son in late August.

We both worked. After my wife finished her eight weeks of maternity leave I took one week of vacation, then our newborn went off to daycare. It was across the street from my office, so he commuted with me in a 10-year-old, single-cab pickup truck with vinyl seats, an AM radio, and, again, no air conditioning.

Further complicating matters was that at the time I was in the last year of my MBA, going to class nights and weekends.

We were both young professionals with solid salaries for our age, but with the housing expenses, child care payments, and student loans, something had to give. It was the creature comforts. We were making choices to put us on the trajectory we wanted.

I'm not complaining, or trying to earn any sympathies for our modest sacrifices. Others haven't had the opportunities available to us. I'm merely highlighting that those choices were available to us to make back then – even on our combined, middle-of-the-road household income.

We could juggle the expenses of buying a home with an FHA loan, having a child, putting him in daycare, and keeping up with our bills… even if we weren't making much progress on paying down our loans.

We expected our income to increase faster than our cost of living, and it worked out that way – even as kids numbers two and three came along, we moved to bigger houses, and I got a car with air conditioning.

But before everything worked out, we had to be able to manage our expenses while taking on the

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house and the kids. For many young Americans today, that's not currently an option. Prices for things like homes, education, and child care have advanced well beyond what's affordable on a median income, leaving them behind previous generations in achieving several common American milestones.

Which begs the question why. Why are they struggling to match the success of their parents? Why are they saddled with financial burdens that appear to be outsized compared to their incomes? What happened, and what can be done?

At the moment, millennials are getting their answers from the Democratic presidential hopefuls. And they're telling young voters that the economy is currently skewed toward those who already have assets. Recent tax reforms benefits corporations and older generations. The only way to fix the inequities in the current system is to forcibly take more assets from those who possess them through taxation, and redistribute them through social programs. It's simply a matter of identifying those who will pay more while directing the benefits to those who are best served.

This is the messaging you're hearing from nearly all of them: Warren, Harris, Booker, Bernie, Buttigieg, Beto… even de Blasio. It's a message that probably doesn't resonate with many people over 50, but that's the point. We're the generations that were able to cobble together small but growing incomes to gather the markers of successful lives. We had car loans, home loans, and some of us even had student loans, but they were within reason given our income. As more women went to work, we put our young children in daycare and paid for after-school care, but again, the cost was well worth the benefit of the extra income from the second earner. While the message may not resonate with us, there's no question that we will be the ones required to pay.

It's too early to tell if Trump will be re-elected in 2020, or if the Republicans will retain their majority in the Senate. It's *likely* that at least one of those two things will happen, which will slow the progress of the redistribution machine. But 2022 and 2024 aren't that far away. As time goes on, younger voters will continue to gain more clout on the electoral maps. And by then, we're likely to have suffered the next recession, which will only make things worse.

We need to pay attention to what the younger generation is demanding – and expecting – from the government, because it will directly affect our bank accounts and investments. From health care to child care, there are several areas of life where we are likely to provide significant support, transferring assets from older to younger generations. The programs will be big, transformative, and expensive. Looking at some of the proposals from current Democratic candidates, we can get a sense of what will happen down the road.

The recurring theme in all of this is simple: Hang on to your wallet!

Young Americans Lagging Behind

The Census Bureau shows that the rate of homeownership in younger groups remains well below the long run average, even though the homeownership rate among older groups has recovered to pre-financial crisis levels. Just under 60% of Americans 35 to 44 years old own a home, whereas the national average rate of homeownership is about 65%. Thirty-six percent of those under 35 own homes, compared to the long run average of 40% for this age group. These numbers started falling during the financial crisis, bottomed in 2015, recovered a bit for two years, then went sideways in 2018.

The reason for falling homeownership is obvious: money… or rather, a lack of it.

Immediately after the financial crisis, lenders were strict in requiring large down payments. Even though housing programs have relaxed and now will offer loans with near zero down for first-time buyers, prices have run up so fast as to put the prospect of homeownership out of reach.

As for children, the U.S. birthrate just touched an historic low. The United States needs 2.1 children per woman of child-bearing age to keep the population steady, replacing each parent plus a bit for mortality and those who don't have kids. In 2018, the birthrate fell to 1.72.

The numbers weren't consistent across all ages. Teenage births dropped dramatically over the past decade, which is good. But births to women in their twenties were down overall, while births to moms in their early thirties were flat, and those to moms over 35 ticked higher.

The reasons for not having children, or even starting later in life than previous generations, are easy to find. *The New York Times* surveyed 1,858 young adults, ages 18 to 45, last year, asking why they aren't having their ideal number of children. The respondents could list multiple reasons. The top five responses were:

- Cost of child care: 64%
- Not enough time: 54%
- Economic concerns: 49%
- Can't afford more children: 44%
- Financial instability: 43%

Again, the issue is about money… But Millennials are also finding themselves preoccupied during peak child-producing years by continuing efforts in education. That'll become even more so the case for the members of Generation Z, who are attaining levels of education well beyond what the Boomers and Generation X achieved. The rate of high school graduation – not GED, but actual graduation – has increased from less than 80% in the 2000s to 85% today. College graduation rates have remained steady at about 68% of those who enroll, but a larger percentage of the younger generations are giving college... the old college try. Almost 40% of Millennials and Gen Zers earn a college degree, which is slowly dragging the overall rate of college grads in the population higher.

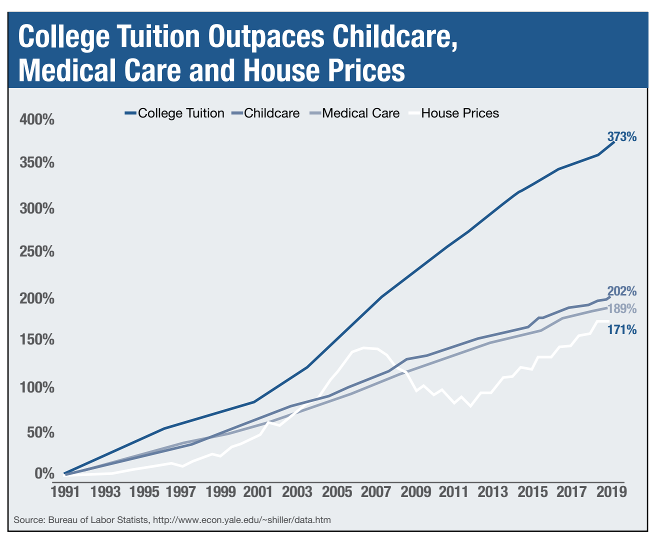
Of course all this schooling comes with a financial cost. Tuition has long outpaced income, and now student loan debt is far more common. Americans carry more than $1.5 trillion in student loan debt, and the burden is generational. Forty percent of people under 30 carry such debt, while only 20% of those over 30 say they have any.

Among those graduating college, 70% will enter the workforce already owing money, and many others who tried college but didn't graduate will also run into debt. The scary number being thrown around is that the average student loan debt is about $38,000, but that number skews toward those who get post-graduate degrees, most of whom go on to careers that give them an income sufficient to pay their loans and still meet their goals.

The real issue lies with the typical undergrad, or even those who never graduate.

According to the Pew Research Center*, students who earn a bachelor's degree and take on student loans leave college with a median balance of $25,000. It's not the eye-popping average of $38,000, but it's not chump change, either. It's a car you can't drive, or a down payment on a home you can't afford. Think about how long it took you to save your first $25,000.

For those who try college but don't graduate, the median loan balance is $10,000. A lot less than the average, but remember, this is for people who don't get the benefit of the degree.



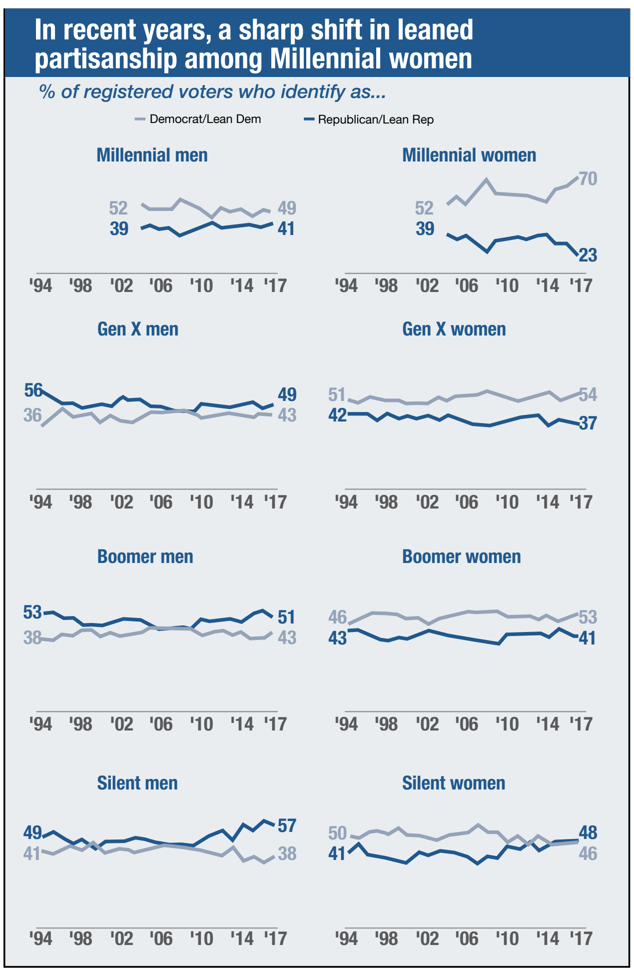
The median weekly income grew 19% from 2010 through the beginning of 2019. But the cost of child care, education, housing, and medical bills expanded much faster.

And it's not just that costs are shooting higher; they're also increasing at a much faster pace than income, either putting milestones out of reach or saddling newly minted adults with prohibitive costs.

With a chasm opening between the younger generations and their financial goals, it's no surprise to see them migrating toward a political camp that promises to address social inequities, and to do it with other people's money.

The Growing Slant of the Young Voter

Over the past dozen years, male and female voters from each generation have zigged and zagged politically, with some getting more conservative and others becoming more liberal. The differences range from minuscule to moderate, except for those of one group: Millennial women.



As Pew Research charts show, this influential group has moved dramatically to one side of the voting booth.

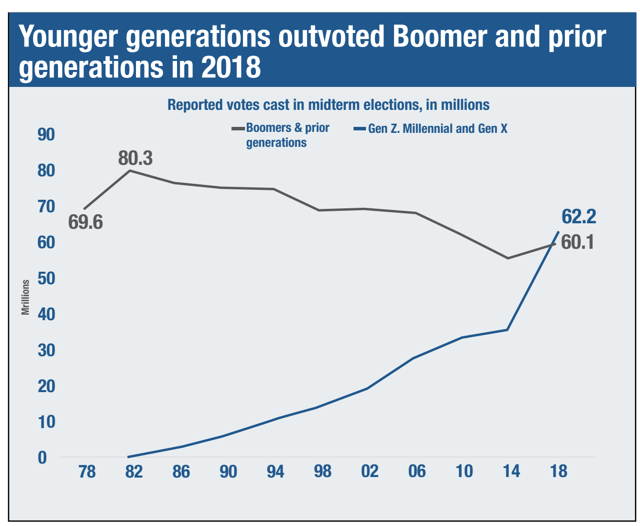
From 2002 through 2017, conservatives gained ground among three groups: both men and women in the Silent Generation, and Millennial men. But the gain of any group that stands out is for Democrats among Millennial women, jumping from 54% to 70%. Because of their numbers, that transition more than offsets the growing conservative tendencies of the Silent Generation in past elections, and it's set to seriously tilt the scales in elections to come.

In the 2018 mid-term elections, more voters under 50 turned out at the polls than voters over 50, the first time that's happened since at least the 1970s.

By 2020, 23% of the electorate will be over 65 years old, but the boomers and older generations will be just 40% of voters, down from 70% in 2000.

As more young, educated, financially strained voters go to the polls, they will be looking for answers to their economic ills, and they will find them in the plans promoted by candidates like Senators Elizabeth Warren (D-MA) and Bernie Sanders (I-VT).

They will vote for the social programs, but older, outnumbered voters will pay for them.



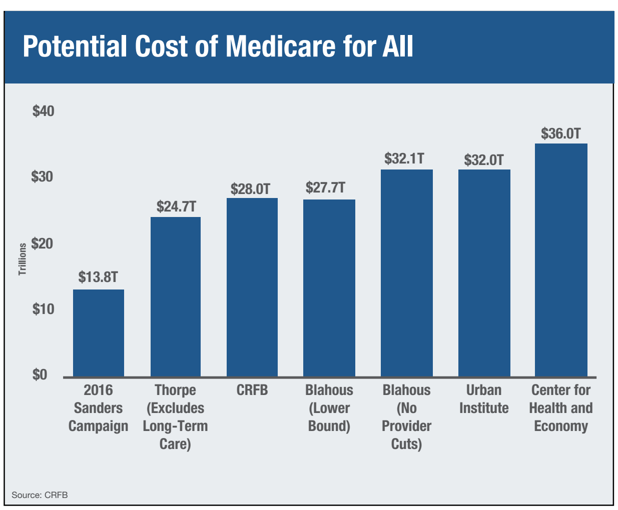
Big Costs for Big Plans

Medicare for All

Health care spending eats up 18% of GDP in the U.S., and is expected to gobble 20% in the next few years. The Affordable Care Act brought the cost of insurance down for those not covered at work, but it did so by levying a tax on others, such as the additional capital gains tax on high earners. Many agree that the current system, filled with competing interests among insurance companies, providers, and patients, is terribly inefficient, but it's a mess to unravel.

To fix the issue, several candidates are recommending a single-payer system, sort of a Medicare-for-All. Sanders' plan is the most fleshed out. His analysis shows that the government can implement such a plan and will have to come up with an additional $13.8 trillion to pay for it, which can be done through a series of higher taxes, mostly on the wealthy.

But other analysts aren't so sure. Other groups expect the additional cost to be anywhere from $24.7 trillion to $36.0 trillion, as shown on the chart below.



The numbers represent additional government spending, which will need to be financed in some way through taxes. But the argument is that individuals will simply replace the premium they pay to the insurance company with a tax they pay to the government. It's not that easy.

Sanders' plan assumes that we will reduce payments to providers by 40%. Which doctor or hospital do you know that either wants to, or even can, absorb a 40% cut in fees? Today Medicare pays about 94% of what care costs, while Medicaid pays 88%. Providers make up the rest by charging those with private insurance more than they would otherwise have to pay.

If we move to care systems that copy these programs across the country, the costs will most assuredly go up, and that's before figuring in scarcity.

If everyone has health coverage, then people will use more health coverage, making our current shortage of care providers worse.

But even if we take Sanders' plan at face value, it will take an enormous shift of resources to the federal government to pay the bill.

Businesses would have to pay either 7.5% of payroll or 75% of what they are paying in premiums today. Individuals would have to pay 4% of their income, after the standard deduction. Individual tax rates would climb for those making more than $250,000, anywhere from 40% to 52%. The same group would pay ordinary tax rates on capital gains and dividends. Estate taxes would increase, hitting any estate over $3.5 million for individuals and $7 million for married couples, and would be progressive from 45% to 55%.

On top of all that, Americans would owe a 1% tax on any wealth beyond $21 million. If your holdings are worth $21.5 million, you would pay 1% of $500,000, or $5,000. This isn't levied just one time; this is every year.

The proposal would disallow the ability to run income through an S-corp, thereby avoiding the self-employment tax, and would impose a one-time tax on all profits held overseas. In addition, it would impose a fee on large financial institutions (over $50 billion in assets), and eliminate inventory accounting procedures that lower taxes.

It's hard to track all of these numbers, but the story arc is obvious: Tax wealthy people and those who earn more… a lot! Also, tax corporations.

But even with all that, it still doesn't work.

The liberal-leaning Urban Institute studied the issue and estimated that health spending would increase 17%, federal spending would increase by $32 *trillion* dollars; and even with all of Sanders' tax plans, the government would still be short $16.6 trillion in revenue.

While Sanders and others might claim they would simply raise the tax rates on the wealthy and high earners, there aren't enough of them to make it work. And the entire plan assumes that those with wealth and means stand still and pay the taxes without taking steps to minimize the hit, which seems highly unlikely.

Child Care

According to **the Economic Policy Institute*** (EPI), the average cost of child care for a single child can run between 9% to 36% of a family's total income – and higher for families with multiple children. The costs don't come down for single parents, where the bite can run between 27% and 91% of the average single-parent income.

On its website, the EPI allows users to navigate to the costs for each state. I selected my home state of Texas, where the average cost of infant care is $730 per month, or $8,759 per year.

That's 17.2% higher than the average cost of in-state college tuition, which isn't uncommon. Texas is one of 33 states (and the District of Columbia) where infant care costs more than college tuition. Looking at the average family income in the Lone Star State, infant care would eat up 15.5% of what a couple earns.

If the couple had an infant and a four-year old, the cost would soar to almost 50% higher than the average rent in the state, and would gobble up 27.5% of the typical family income.

Unfortunately, Texas is relatively cheap.

In Minnesota, infant care costs $14,300 per year, or 38% more than in-state college tuition, and 40% more than typical rent.

To say that young families have trouble paying this expense is a bit of an understatement. But don't worry… our presidential hopefuls have a plan.

Elizabeth Warren's child care plan is the most complete. It calls for the federal government to partner with local providers, providing a nationally set curriculum and charging a range of fees. Families with an income of 200% of the poverty level or less will pay nothing. The costs scale up from there to 7% of a family's total income.

Warren estimates her plan will cost $707 billion per year, and will be paid for with part of her 2% wealth tax on any holdings worth more than $50 million, and an additional 1% tax on any wealth over $1 billion. More on that in a bit…

Like health care, child care is a moving target. If child care is suddenly free to a substantial portion of the nation, then caregivers will be overrun, and the laws of supply and demand will intervene. The cost will explode, leaving the federal government on the hook for a huge increase in cost, and imposing a substantially higher cost on families that don't qualify for subsidies.

If the situation doesn't ring a bell, it should, because this is basically what happened with higher education, although it wasn't suddenly free. Instead, the government began doling out tuition money to anyone who wanted to go, which created the same imbalance between supply and demand, driving up costs.

Student Loan Debt

Americans owe about $1.6 trillion in student loans, which makes it the second largest category of debt behind home mortgages. That's interesting because more than 62% of Americans own homes, but only 30% have college degrees. As student loans became more prevalent, the cost of college skyrocketed, which ramped up the amount of debt students incurred. The system was supercharged by the number of students who wanted to attend college which, like what might happen with child care, ended up pumping up costs.

Student loans are voluntary. No one makes a person take one out. But few people, be they high school counselors or college admissions advisors, warn against it. Kids still in high school make huge financial decisions about their lives before they can legally have a drink.

But no matter what we think of how we got here, this is where we are, with the younger generations carrying thousands of dollars of student loan debt. Both Sanders and Warren have noteworthy plans for eliminating that debt.

Sanders' plan calls for eliminating all student loan debt and making public universities free. He proposes to pay for it by taxing investment transactions, such as the purchase and sale of stocks, bonds, and derivatives like options. The Sanders camp claims the program will generate just over $2 trillion in revenue over the next decade.

Warren proposes paying off up to $50,000 in student loan debt for each borrower with household income below $100,000, and a sliding scale of repayment for people with higher incomes up to $250,000. Under this approach, more than 75% of borrowers will see all of their debt canceled, while up to 95% will have at least part of their debt canceled.

Both senators point to analysis that shows canceling student loan debt will increase homeownership, give GDP a boost, and increase business formation. The Federal Reserve estimated that student loan debt prevented 400,000 people from buying homes in just one year: 2014.

However, neither camp has discussed in detail the idea of fairness, given that many people paid their way through college, at least in part, and are now being told to pay off the debts of those who didn't do the same.

And what about the 70% of Americans who don't have a college degree? Why are they being asked to pay for those who go to college?

As for Warren's tax on the ultra-wealthy, her analysis, performed by noted economists Emmanuel Saez and Gabriel Zucman, shows that it will raise $2.75 trillion, enough to pay for the $707 billion in child care and the $1.3 trillion in higher education costs, as well as a couple of other programs. But a separate, independent analysis by Lawrence Summers and Natasha Sarin shows the tax raising just $1.1 trillion over 10 years. That would be a problem for the $2 trillion in benefits that are promised in child care and education.

The Sanders tax plan to pay for higher education suffers from the same flaws as his tax for health care. It assumes that those being taxed don't alter their behavior to avoid the levy.

Housing

Home prices, like education, health care, and child care costs, have steadily marched higher over the last several years, pricing out young buyers. But it's not just the price of *buying* a home that's a problem; it's no longer cheap to rent. And renting and homeownership are both driven by the same thing: a short supply of affordable housing, capped by local land use requirements, permitting fees, labor costs, and rising material costs.

Higher prices have pushed lower income households to stretch their budgets to get into rentals that cost more than 30% of their income. As they do this, they push the next group up the income chain to do the same thing.

Warren wants to attack this problem by investing $500 billion over 10 years into building, preserving, and rehabilitating affordable housing units for low income families. Mark Zandi of Moody's Analytics found that Warren's plan would reduce rental costs by 10% over the next decade by taking pressure off the markets.

If that's true, then it would presumably also take some stress off of the single-family market and lead to at least stable, if not lower, prices.

To pay for this, Warren suggests ratcheting up the estate tax, making it applicable to estates of $7 million or more for couples, and increasing the tax for larger estates. She claims her plan would apply to only 14,000 families and would create 1.5 million new, good jobs.

And Then There's Climate Change…

A recent Harvard poll found that likely voters between 18 and 29 years of age want the government to take action on climate change even if it hurts the economy. It's a good thing they feel that way, because several candidates have a plan for climate change, and none of them will take hold without economic pain.

From Warren's Green Manufacturing plan to Sanders' support for the Green New Deal, the Democratic hopefuls have staked out positions that call for significant changes in the way we live, and are asking us to pay dearly. The price tags for their plans range from $2 trillion, to $5 trillion, to a figure that's still a bit fuzzy but looks to be at least $10 trillion for the Green New Deal.

So Many Promises, So Few Taxpayers

Just as with every election cycle, politicians promise many things, most of which we understand will never happen. But what if, either this time or next, it really is different? What if the rising group of young voters decide they want a much heavier government hand in our lives? Who could blame them?

Those voters have watched their parents struggle during the financial crisis, which the Federal Reserve "fixed" by driving interest rates lower and essentially guaranteeing profits to banks. The monetary engineering drove asset prices higher so that, if you already had assets, things turned out well. But if you didn't, then you were left behind, fighting to catch up.

With that in mind, it's easy to see how a young Millennial family, struggling to manage rent, child care, and student loan debt, would find the programs above appealing.

But that doesn't make the programs fiscally responsible.

For health care, Sanders tells us he'll tax businesses and individuals, specifically those making over $250,000, and raise the estate tax. But his plan still falls short by $16.6 trillion.

On child care and education, Warren will tax the wealth of the ultra-wealthy every year, and will still fall short by $900 billion. Sanders' education plan will tax investors.

There isn't much data on Warren's housing plan, but she'll pay for it by raising the estate tax.

As for climate change, the numbers are so big, and we're so far from a meaningful plan that will provide the desired result, that the numbers can't be quantified. One trillion? Two trillion? Ten?

And do you see the pattern above? The plans go back to the same well, individuals with high earnings and substantial wealth, to pay for several programs. The same estate dollar can't be used for health care and housing. And that assumes that the dollar is there in the first place.

It's hard to hide or change earned income, but wealth is different. Warren plans to tax wealth every single year, as does Sanders. The Europeans found this so difficult, both in calculation and implementation, that they ended it. Estate taxes sound good, but the first thing such a tax would do is encourage many smart lawyers and financial types to develop new ways to avoid the tax.

Rich people sort of like being rich. They're not going to sit around and just let the government take their money. And they don't happily send it in, either. Candidate Joe Biden earned $15 million in the last couple of years and took advantage of the S-corp tax loophole to avoid the self-employment tax. Several billionaires have written op-eds, asking for higher taxes on themselves, but as of yet none have written a personal check to the government as a gift payment. Obviously these people claim to want to give the government more of their wealth, but aren't rushing to do so.

None of this is a commentary on how things should be. I briefly mentioned the issue of fairness with paying off student loan debt or making college free. What about the fairness of free or subsidized child care? Are we making those without children pay for those who reproduce? Of course we are, which already happens through tax deductions.

Wading through the issue of fairness involves first setting the priorities of the constituents. That's what happens at the ballot box, and looks to be changing dramatically right before our eyes.

Bernie Sanders was almost laughed off the public stage in 2016 when he called for single-payer health care. Now he's one of several mainstream candidates calling for that change. Ideas that we wouldn't have given a second thought 10 years ago are now serious proposals. Paying off every individual's student loan… really?

I expect the rising electorate to move the federal government this direction by 2020 at the earliest, or 2024 at the latest, right in line with Harry's predictions from 25 years ago about the bottom of the current economic season. He noted that the winter season would run from 2008 through 2022, and would be marked by many things, including widespread discontent that the gap between the rich and the poor kept getting bigger… and people would demand action.

They'll get it, and it will cost us dearly.

Boom & Bust Porfolio

No One Rings a Bell at the Top

I've learned many lessons from my wife over the decades we've been together. I know women do ***not*** want me to solve their problems. Besides, they've probably thought of most of my solutions already. I understand that when a woman walks out of the dressing room and asks how the item she's trying on looks, she's already seen herself in the mirror and thought it was good enough to come out for a second opinion.

I learned that one the hard way.

But one of the best lessons I learned from my wife has nothing to do with the interaction between men and women, but rather people in general. All of us run into many different types of people in life, and more than just a few turn out to be, well, crazy. Maybe it's a prospective business partner, or a neighbor, or perhaps the parent of a kid's friend. We've all met them, but typically we find out a little too late how crazy they are.

My wife tells me that most – not all, but most – people will show you their crazy card. Your job is to watch for it.

Fifteen years and more than a few crazy people later, I learned the lesson. I walk away from deals that sound great if the person on the other side shows any sign of having his bubble off center. I remain quiet in conversations with neighbors who start to get a little loud or stray off topic. I might miss an opportunity here and there, but I've also narrowed most of my dealings over the last decade or so to sane people. It's helped me remain calm.

Which brings me to the markets.

Crazy, volatile, edge-of-your-seat market action can happen at any time. No one cares when it means new highs or rip-roaring gains. But no one wants to sit around and watch their profits get sucked out of the system. The problem is, just like crazy people don't introduce themselves as such, the markets don't announce their intention to roll over.

There's an old saying on Wall Street: "No one rings a bell at the top."

But that doesn't mean all is lost and we have to sit through gut-wrenching moves. By watching a few metrics, such as valuations, earnings growth, GDP, and the Fed, we can see the "cards" that the market is showing and make a reasonable case for where things are headed.

Today we've got several flashing warning lights, which tells me it's better to be cautious. We won't be adding a new position this month. Instead, we're going to review some of what we own and tighten up our stop losses on the items in our "Boom" portfolio.

Market Highs and Little Else

We're in the midst of earnings season. Before the announcements kicked off, the consensus estimate was for earnings to fall 3% or so from this time last year, and then remain flat in the second half of the year. It's not that companies are doing poorly; they're just suffering with tough comparisons to the first year of tax reform when they were able to keep a bigger portion of their earnings.

The trade wars with China, Canada, Europe, and anyone else who annoys the president don't help, but they're not significantly impeding business yet.

A bigger issue for earnings might not be local. The global economy is slowing down, which should weigh on U.S. multi-national firms. Some of this is due to trade uncertainty, but there are other problems. China's mess comes from an over-reliance on debt, which fueled excess spending for years and now has to be worked out of the system. The Europeans are aging, which leads to weaker consumption and high savings. And then there's Brexit. We don't talk about it much, but Britain is a big player in the European Union. With Boris Johnson set to take the helm as Prime Minister, a no-deal Brexit looks possible. Such a thing could set off an economic bomb or cause just a few minor adjustments. No one knows.

U.S. second-quarter GDP looks like it will come in around 1.4%, less than half of the 3.1% of the first quarter, and will bring the first half of the year growth to 2.25%. Not bad, but not great by any means.

With contracting earnings, questionable business prospects, and weak GDP growth, you might expect the markets to be edging lower as investors hedge their bets. Of course, that's not the case. We're at record highs, and it's all because of the Fed.

Every time a Fed governor talks about weighing the risks to the economy and markets, investors cheer the possibility of a rate cut or two.

We're likely going to get a rate cut at the end of this month, and potentially another in September, which would signal that the Fed governors see economic headwinds. It seems odd to cheer the possibility of bad news by driving up stocks, but that's where we are, and that's why I'm more cautious than I've been since last fall. The market is waving its version of a crazy card, and it's my job to see it.

Maybe it's nothing. If so, then we'll be right back at it in the months ahead. But for now, let's tighten up our stop losses and let things ride.

The Chips

After puking its guts out at the end of last year, **Advanced Micro Devices (NYSE: AMD)** had a great spring, and then walked sideways a bit before moving higher this summer. We're now back near 52-week highs and sitting on nice gains. Our other chip stocks, **Nvidia (Nasdaq: NVDA)** and **Broadcom (Nasdaq: AVGO)**, took different paths. We purchased them when the chip sector took a nosedive at the beginning of the summer, and our timing looks pretty good. But those two remain 10% to 15% off of their highs from earlier this year, and Nvidia is more than 40% off its high from last year.

The chips might have more room to run, and I really like the gaming story with Nvidia, but the general slowdown around the world, and in China in particular, could weigh on chip purchases over the next several months or so.

Increase the stop losses on these stocks as follows

INVESTMENT	Current Stop Loss	Increased Stop Loss
AMD	$25.00	$28.50
NVIDIA	$115.00	$135.00
BROADCOM	$195.00	$249.00

Skyworks Solutions (Nasdaq: SWKS) is not exactly in the same group as the chip stocks, but it's close enough to feel some of that sector's pain. We just bought the name, and it hasn't moved much, so our stop loss remains the same at $59.

Entegris (Nasdaq: ENTG) and **Altria (NYSE: MO)** have given up a little ground, with each sitting about 10% above their stop loss, so no need to adjust either one.

Entegris is also connected to the chip industry. The company makes non-contamination materials and processes used in chip fabrication. Part of the reason we bought Entegris was the company's impending merger with Versum, but the deal didn't happen and Versum instead sold itself to the private firm Merck KGaA. We've held onto Entegris because it still offers great value as a supplier to the chip market. The company recently increased its dividend by 14%, and will post earnings on July 25.

Altria, the U.S. portion of cigarette giant Philip Morris, is a dividend play. The company pays about 6% per year, which is better than most fixed income and comes with potential growth. Altria has been under pressure this year because, well, it's a smoking company, which puts it in the crosshairs of many organizations.

When Altria purchased part of vape firm Juul Labs, the firm created one more way for people to hate it. With its techy aesthetic and flavored offerings, Juul has long been the vape choice of teens, which is a problem. Juul is in the middle of an anti-youth vaping campaign, but that's a long slog that will most likely keep shares of Altria under pressure. I set the stop loss close on this one when we bought it because the goal wasn't to play volatility in Altria but to earn the dividend.

The W Company (NYSE: WW), previously known as Weight Watchers, has finally come alive. The company earned an upgrade from an analyst who noted that subscriptions appear to have bottomed and are on the way up, which is great news. Subscriptions flow right through to the bottom line, but the company carries a lot of debt. When subscriptions are falling, debt payments remain the same, which drives costs up quickly. The same holds true in reverse.

We've got a decent gain in the stock, so we'll bring our stop loss up, much closer to our original buy price. Move the stop loss from $12.60 to $17.00.

The last holding, **KushCo Holdings (OTHOTC: KSHB)**, is a very speculative play in the cannabis industry. I don't have a stop loss on it because there's not much of a point. The company makes the packaging and delivery devices for cannabis companies, and it's doing very well, but the stock remains volatile. This is one of those "home run" plays that we have to let run its course as the industry grows.

Our three "Bust" holdings include two bond funds, **the Blackrock Municipal 30 Trust (NYSE: BTT)** and the **Blackrock Taxable Municipal Bond Trust (NYSE: BBN)**, as well as the **ProShares UltraShort Euro ETF (NYSE: EUO)**.

The two bonds funds have benefited from falling interest rates, and should do well as the Fed lowers rates later this month and possibly later this year. When the Fed lowers short-term rates, they reduce the cost that closed-end funds like these must pay for financing, which increases the funds they have for payouts to shareholders. That's a good thing!

The short euro fund has done well as the U.S. dollar has gained ground. That trade has run its course for the time being, but could get quite a positive jolt as Brexit gets closer.

**Please visit the* Boom & Bust *homepage at Dentresearch.com to view the links.*

Boom & Bust Portfolio

Investment	Ticker	Entry Added	Buy Price	Current Price	Stop Loss	Total Dividends	Total Returns	Call
BOOM PORTFOLIO								
Skyworks	SWKS	7/1/19	81.91	$84.54	$59.00	$-	3.21%	Buy at Market
NVIDIA	NVDA	6/4/19	$143.00	$175.66	$115.00	$-	22.84%	Buy at Market
Broadcom - Registered	AVGO	6/4/19	$265.70	$300.78	$195.00	$2.65	14.20%	Buy at Market
WGHT WTCHER INTL	WW	4/30/19	$20.42	$22.92	$12.60	$-	12.24%	Buy at Market
KushCo Holdings	KSHB	3/26/19	$5.69	$4.48		$-	-21.27%	Buy up to $6.50
Altria Group	MO	3/1/19	$52.75	$50.04	$45.00	$1.60	-2.10%	Buy up to $55.00
Entegris	ENTG	3/1/19	$36.22	$39.72	$33.00	$0.07	9.86%	Buy up to $42.00
Advanced Micro Devices	AMD	1/7/19	$20.57	$33.49	$25.00	$-	62.81%	Buy at Market
BUST PORTFOLIO								
BR Tax Municipal Bd	BBN	11/30/18	$20.37	$23.78	$18.80	$0.94	21.37%	Buy up to $20.50
PROSHARES ULTST EURO ETF	EUO	12/29/17	$21.20	$26.50	$21.50	$-	25%	Buy at Market
BlkRck Mun 30Tr-SBI	BTT	9/27/16	$24.11	$23.38		$2.39	6.90%	Buy up to $24.50

NOTES: The *Boom & Bust* Portfolio is an equally-weighted strategy and does not include dealing charges to purchase or sell securities, if any. Taxes are not included in total return calculations. "Total return" includes gains from price appreciation, dividend payments, interest payments, and stock splits. Securities listed on non-U.S. exchanges; total return also includes any change in the value of the underlying currency versus the U.S. dollar. For transparency sake, we want you to know that we have an advertising relationship with EverBank. As such, we may receive fees if you choose to invest in their products. Stop-losses: The *Boom & Bust* Portfolio maintains stop-losses on every stock, ETF and bond recommendation; stop-losses are not exercised for mutual funds unless otherwise noted. Sources for price data: Yahoo! Finance (finance.yahoo.com), Financial Times Portfolio Service (www.ft.com), TradeNet (www.trade-net.ch/EN), and websites maintained by securities issuers.

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