ZANETTI FINANCIAL, LLC

Zanetti Monday Missive 2022.05.02
Why I'm Avoiding Tech Stocks

“A proud man is always looking down on things and people; and, of course, as long as you are looking down, you cannot see something that is above you.”
~ C.S. Lewis

Jeff Bezos had a bad day on Friday. The eccentric billionaire lost $20.5 Billion on Friday and fell behind Elon Musk even further into 2nd Place on the worlds rich list.

Now, don’t get me wrong. I could not care less about what Bezos’ net worth is. What does interest me is what he’s invested in. And his primary wealth comes in the form of his 9.81% stake in Amazon (AMZN) – the company he founded.

The reason we care about investments in Amazon is because we’re always looking for the right investments for our clients. And in regards to Amazon, we had a lot of folks asking us about investing in the stock last year. Our answer was, as it is now, it's too overvalued.

For years, Amazon was a must-have for investment portfolios. It was one of the "FAANG" stocks.

(FAANG = Facebook, Amazon, Apple, Netflix, and Google).

When the Federal government started printing their trillions of dollars back in 2020, we got worried about the rationale of investing in any of these FAANG stocks.

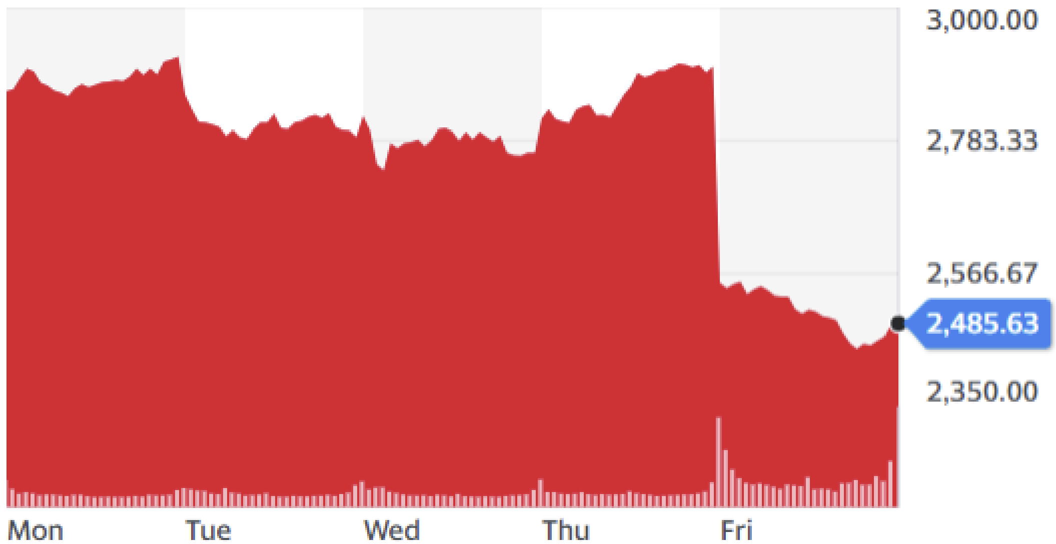
But they did see a huge run-up along with the rest of the stock market. I like to compare the $6 trillion stimulus to giving steroids to an athlete. Sure, you may see some impressive results; but if you're not careful, they can kill the athlete!

Last Thursday, Amazon posted its first quarterly loss since 2015. So, as soon as the market opened on Friday, the price of Amazon stock INSTANTLY fell -14.05%! That was its worst day since 2006.

Amazon.com, Inc. (AMZN)
NasdaqGS - NasdaqGS Real Time Price. Currency in USD
Add to watchlist
Visitors trend 2W ↑ 10W ↑ 9M ↑

2,485.63 -406.30 (-14.05%)
At close: April 29 04:00PM EDT

2,478.75 -6.88 (-0.28%)
After hours: Apr 29, 07:59PM EDT



Do you see the cliff in that chart??? Talk about head spinning!

But enough about Amazon, let's take a step back and look at the broader market in the month of April.

In terms of traditional stock investments… I don't know exactly how to say this, but it was basically a train wreck all the way around.

The Nasdaq (the index that made the most money last year), was down for the month -12.2%! That's a big 1-month drop! The last time it fell that much was in 2008. The S&P 500 was down by -7.8%. In fact, every major index was down for the month.

Index	April-to-date performance*	Worst month since (monthly performance)
S&P 500	-7.8%	March 2020 (-12.5%)
Russell 1000	-8.0%	March 2020 (-13.4%)
Big 5	-14.5%	October 2018 (-15.3%)
S&P 500 Info. Tech.	-12.3%	October 2008 (-17.8%)
NASDAQ	-12.2%	October 2008 (-17.7%)
NASDAQ 100	-12.3%	October 2008 (-16.3%)
Russell 2000	-8.7%	January 2022 (-9.7%)
ISPAC	-11.9%	January 2022 (-14.7%)
GS Most-shorted	-16.9%	March 2020 (-32.1%)
GS Retail Favorites	-17.3%	Inception

Source: Charles Schwab, Bloomberg. *As of 4/26/2022. Big 5 stocks represent Apple, Amazon, Meta, Alphabet, and Microsoft. ISPAC Index is a passive rules-based index that tracks the performance of the newly listed Special Purpose Acquisitions Corporations ("SPACs") ex- warrant and initial public offerings derived from SPACs since August 1, 2017. GS (Goldman Sachs) retail favorites basket consists of U.S. listed equities that are popularly traded on retail brokerage platforms. Indexes are unmanaged, do not incur management fees, costs and expenses and cannot be invested in directly. Goldman Sachs (GS) most-shorted basket contains the 50 highest short interest names in the Russell 3000; names have a market cap greater than $1 billion. Past performance does not guarantee future results.

But we all saw this coming didn't we? And that's why we've been avoiding these overvalued stocks and indexes.

But what about commodities? Well, they were more varied – and still experienced some rough waters, but we are doing very well compared to anything else out there.

Gold actually went up 1% on Friday – opposite of Amazon. But for the month, it was down -1.4%. It's first monthly decline since January. I don't like seeing a decline, but I'm not worried.

I believe the only reason gold fell slightly was because the Fed is talking about raising interest rates.

Gold is typically a market hedge during inflation and uncertain times (we're seeing both right now), but the appeal by the general market is dampened a bit when interest rates rise. Why? Because gold doesn't pay interest.

That being said, that's how the general market reacts on a day-to-day basis – not how we should respond given the environment we're in. We are expecting inflation to continue and uncertainties to continue – not to mention a major Fed mistake. Gold is where we want to be right now.

But not just gold. Other commodities as well. When looking at April, industrial commodities and food commodities were up for the month. That's what I like to see. And that helps to offset the slight monthly drop in gold. All this being said, no matter how you slice it, the entire commodity portfolio currently offers much better value (still underpriced) and is doing much better than traditional stocks.

We expect this to remain the case for a while.

Your Maybe-Biden-Will-Forgive-All-Loans-And-Make-Us-A-Debt-Free-Nation:) Financial Advisor,

Walt

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