

Happy Easter!

Happy Easter from Dick and Debbie in the Florida Keys.



CAUTION: Investment Extremists Can Get Wiped Out



By LikunaK @ Shutterstock.com

In 1985, America was just coming off one of the worst bouts of inflation in its history. Much as today, with inflation trailing off but still a worry in everyone's mind, an argument naturally broke out between extremists in the financial media over whether America was poised for reignited hyperinflation or a deflationary death spiral. I had recently pioneered the Financial Armadillo Strategy and was asked to add my voice to the discussion with an op-ed in the June/July 1985 issue of *Reason* magazine. Instead of piling on with more extremism, I wrote:

In the last decade, the world economy has become increasingly

complex and unpredictable. Today, depending on the evidence being considered at the moment, you can make a compelling case for deflation and depression, hyperinflation, and every economic scenario in between. As an economic and monetary analyst, I have my own carefully considered opinions on the subject. However, they are opinions, not guarantees of the future. No one can be absolutely sure what tomorrow will bring.

The major protagonists in the deflation versus hyperinflation controversy are urging investors to choose sides. They claim an individual's financial future depends on betting the right horse. This may be true for speculators trying to make a killing in the financial markets, but it is emphatically not the case for capital-preservation-oriented investors, who should be preparing themselves for any economic eventuality.

The "Financial Armadillo Strategy" is designed to preserve and enhance individual wealth in every conceivable future economic environment. Like the armored little creature from which it gets its name, the Financial Armadillo Strategy is both offensive and defensive in nature. It adapts to a wide range of investment climates and promises to endure, whatever economic upheavals may be on the horizon. The armadillo has survived since prehistoric times. Armadillo-strategy investors will be among those to survive what could truly be a tumultuous economic future.

Then, as now, I encouraged investors to avoid extremism and emotional advice in the face of the inflation-deflation argument. I concluded:

It's not easy for individuals to ignore the often emotional advice given by financial pundits on either side of the inflation-deflation issue. Even an extremist can, on occasion, be correct, and those who follow such advice can make a quick

killing. However, when extremists are wrong, their disciples can be wiped out. It's better to be safe than sorry. The Financial Armadillo Strategy offers a common-sense way to deal with the unknown.

When you want to discuss common sense approaches to the investment unknown, visit www.younginvestments.com, and give my office a call. In the meantime, [click here to subscribe to my free Young's World Money Forecast email alert](#). It's your port in a storm.

Dip a Toe into Gold



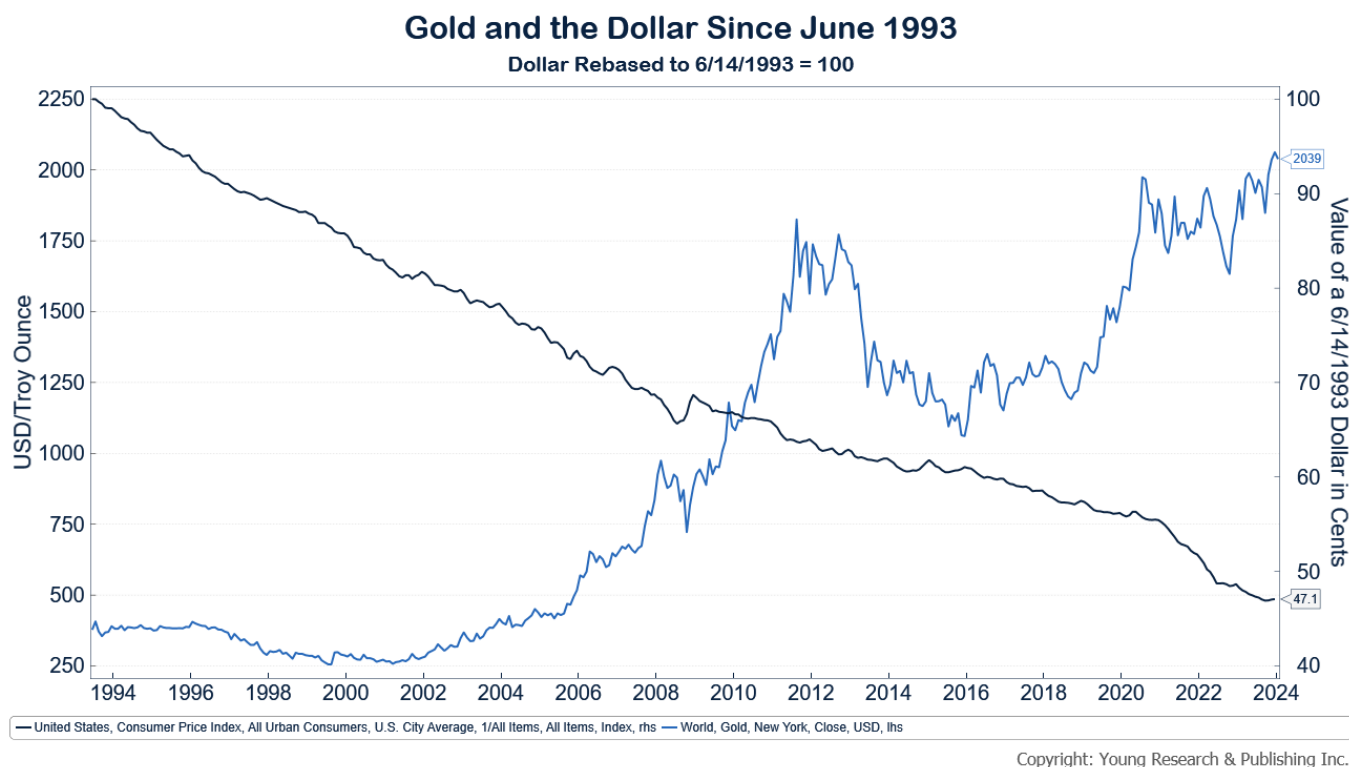
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In June of 1993, *Bloomberg's* Pam Black asked me how to stay ahead of the inflation curve. I told her to “dip a toe” in gold.

I continued:

“Buy it with the idea that you won’t make any money. Hopefully, your other assets will do well, but if they don’t, you’ll be damn happy you were in gold.”

Take a look at the chart below, and you’ll see how gold and the dollar have performed since that article was published.



“Inflation Dodger”

You want a history lesson? In 1987, I was interviewed by *The Kiplinger Magazine – Changing Times* (which is known today as *Kiplinger’s Personal Finance*). This wasn’t long after I had written *Financial Armadillo Strategy* with the late David Franke.

At the time, America was coming off some of its heaviest

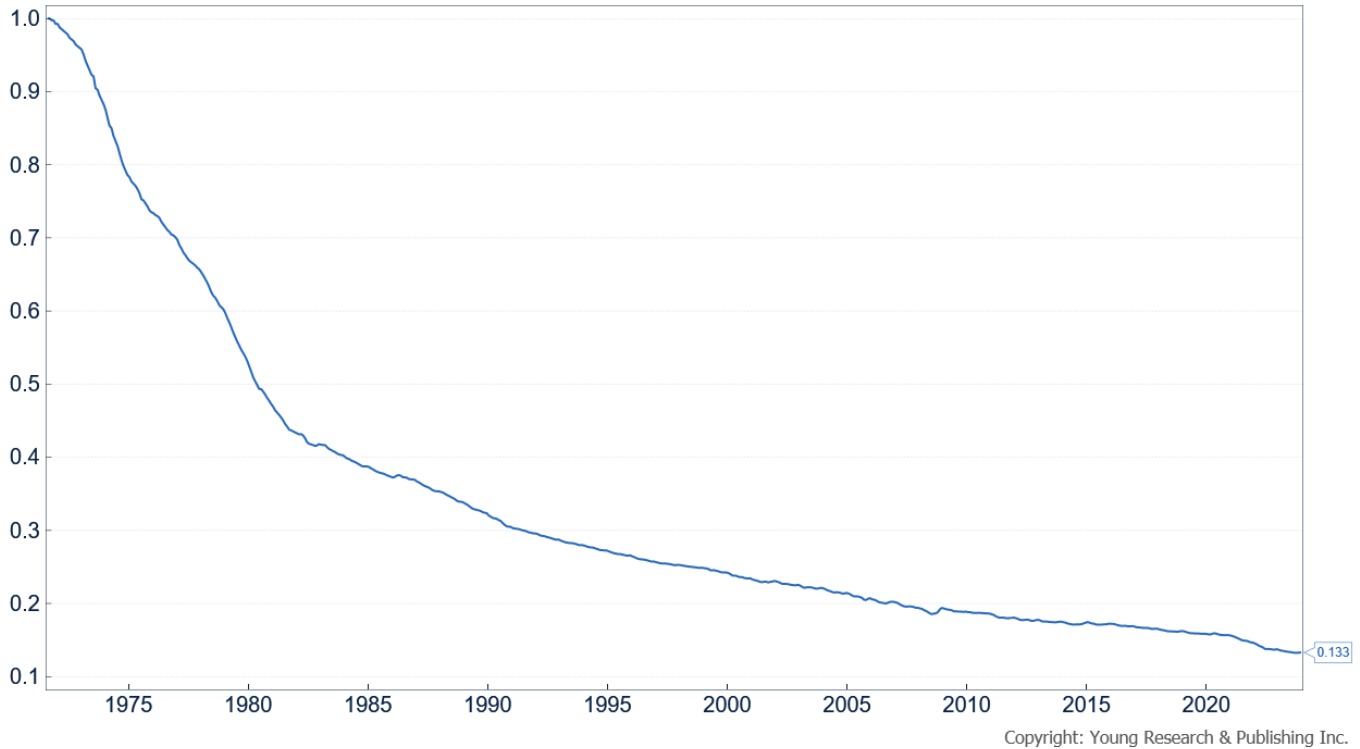
inflation ever, and investors wanted a solution to the problem. Despite those high rates of inflation in the 80s, I warned that even somewhat more moderate rates of inflation—like those Americans have seen over the last two years—do real harm to investors. “I don’t mean 10% or 15% inflation; 4% or 5% is absolutely debilitating,” I said.

Even then—like today—I was focused on dividends and compounding to fight inflation. From *Kiplinger’s*:

Those nearing retirement want assets that are safe but lucrative—easier said than done. Young’s “financial armadillo” seeks to deliver on both counts. It’s designed to place a protective shell around your portfolio, while allowing it to forage for profits at will. This armadillo has but three legs: equities for total return, Treasuries and gold. “The average investor has no conception of what total return is all about,” says Young. “From 1936 to 1986, the compounded growth rate for the Dow was 4.8%. If you take shorter time spans, the results are similar. That’s much less than you would expect.” But when you add dividends, the total return is 9.4%, says Young. “Dividends are extremely important. They should be worth about half the game.”

Take a look at my chart below on the plight of the dollar since Nixon ended gold convertibility in 1971. Compared to the dollar then, today’s dollar is worth only 13.3 cents.

The Plight of the Dollar Since Nixon Ended Gold Convertibility

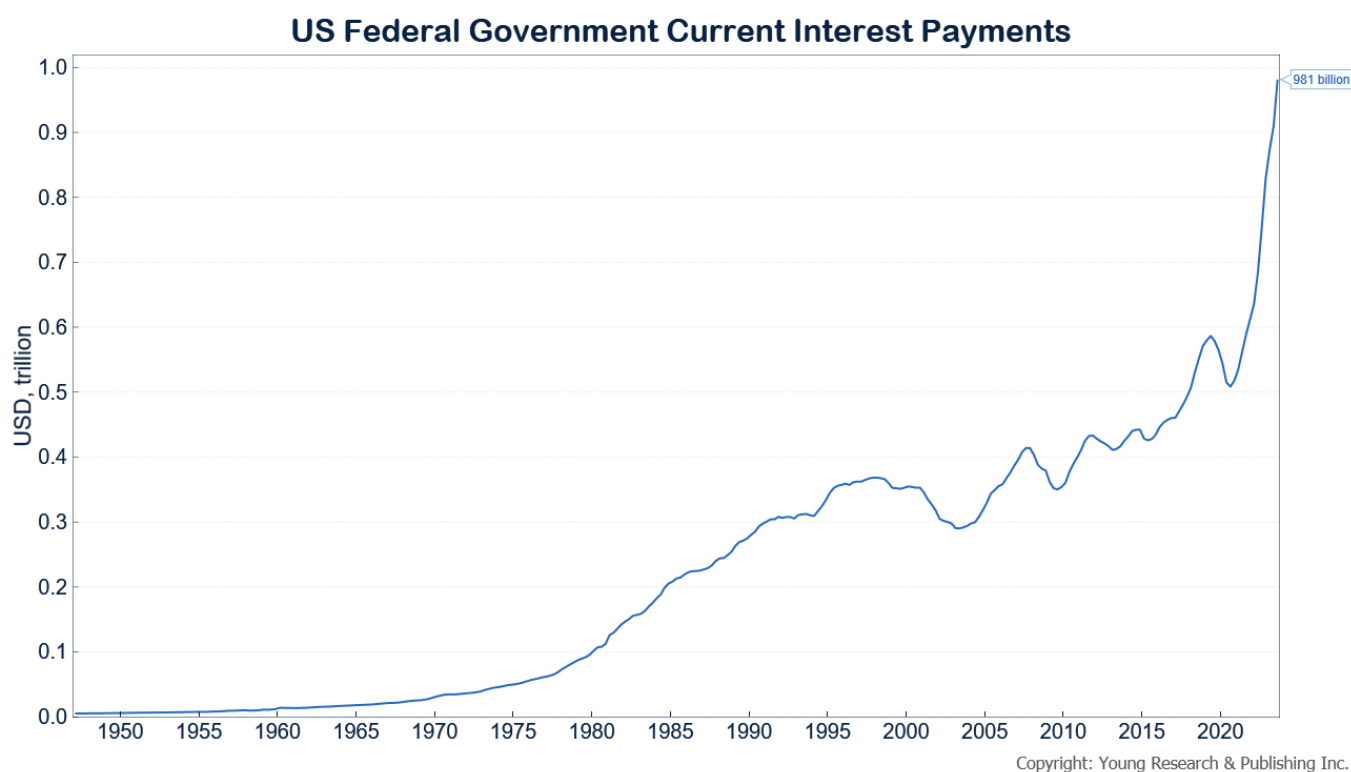


Americans have watched the dollar decline in value ever since the government severed the dollar's last links to gold, a return to which I have always advocated. The author of the article dubbed me an "Inflation Dodger." That's a name I'll proudly accept in light of the destruction of dollar value since the 1970s. When enduring that sort of purchasing power loss, all retirees may need to become inflation dodgers. To this day, dodging inflation guides much of my work at my family investment firm.

Biden's Debt-Fueled Spending Binge and America's Credit

Rating

Since the “temporary” stimulus package of 2009 was enacted by Barack Obama and greased through the system by Ben Bernanke’s Federal Reserve, Americans have faced ever more burdensome budget deficits. After Joe Biden moved into the White House, the dangerous spending reached a new level. Uncontrolled money printing has set America up for some hard lessons as the interest on the federal debt rapidly closes in on \$1 trillion a year.



This time around, the Federal Reserve isn’t running a bond-buying program while pegging interest rates at zero. Instead, the Obama/Biden-style spending will be forced to face the music on interest. Now, after years of profligate spending, Joe Biden has put America’s treasured credit rating at risk. On Friday, November 10, 2023, Moody’s Investors Service cut its outlook on U.S. sovereign credit to negative from stable.

In January of 2012, I wrote about the Obama-era downgrades of

America's debt in the Fall of 2011:

The international financial landscape today is far different than at any time in the past. I mean a lot different. Due to profligate mismanagement by our politicians in Washington, the U.S., for the first time in history, has lost its AAA-credit rating. Meanwhile, the Fed is pouring more and more high-octane fuel into the economic engine with increasingly foul results.

The downgrades are a symptom of the real problem, which is too much spending. Since inflation laid bare how badly accommodating Federal Reserve policy can mess things up, Biden's overspending is exposed for the danger it is. Moody's, S&P, Fitch, and all Americans will inevitably have to recognize the danger in Biden's debt-fueled spending binge. Perhaps they will even do so before it's too late.

Fidelity and the Flight to the Suburbs

Originally posted on May 13, 2021.

Back in February, I wrote to you about how I started in the institutional research and trading investment business at Model Roland & Co. on Federal St. in Boston in August 1971. Just up the street from Model were Fidelity Investments, and Wellington Management, both of whom I called on from my very first hours on the job.

Over five decades ago, Ned Johnson, aka "Mister Johnson," ran the show at Fidelity. At Wellington, Jack Bogle, "Mr. Mutual

Fund,” had not yet left Wellington to start Vanguard.

My focus in the initial going was international research and trading, and remains so today all these decades later. I still consider Fidelity and Wellington the industry leaders.

Both firms feature great cultures, industry-leading technology, well-rounded investment programs for individuals, families, and small businesses—the type of folk I hoped to be associated with throughout my investment career.

Not a business day goes by that one of my associated companies is not involved with one or more of Fidelity or Wellington’s services.

I never would have expected, as I started out in August 1971, that I would be working with Fidelity and Wellington for over 50 years.

In Wellington’s case it, to this day, manages hundreds of billions of dollars in blue-chip, “prudent man rule” quality investment mutual funds.

In the early ’90s, Wellington’s chief investor relations officer informed me that I directed more mutual fund assets Wellington’s way in a given year than did the rest of the combined American investment newsletter industry.

And now in 2021, with our little family investment management company requiring a cutting-edge custodian for our \$1.3 billion-dollar conservative Boston-style management company we, not surprisingly, rely on Fidelity.

Your Survival Guy, hard to believe, joined my family business over two decades ago. But before that, he was at Fidelity which he too recalls as being run like a family business. This week he explains Fidelity’s unique positioning during the pandemic.

In Rhode Island, you'll find a company that embraced the suburbs long ago, Fidelity. The company maintains a sprawling campus in Smithfield, RI, and will soon be hiring many young Rhode Islanders to fill out an expansion. Rachel Nunes reports for Patch:

Fidelity currently employs 3,200 people in Rhode Island, and the new positions will add 500 over the coming fiscal quarters.

"Fidelity Investments is excited to grow our footprint and expand our existing regional site in Rhode Island," said Mark Barlow, the company's senior vice president of personal investing. "We're increasing the number of client-facing associates to support not only unprecedented customer growth and engagement, but also our associates who work hard every day to help our clients. Expanding in Rhode Island gives us access to a talented and educated workforce in the Ocean State to fill these positions that are new to this market for us."

Applicants to the new jobs will not need to be licensed financial professional, Fidelity said. Instead, the company is looking for candidates with "strong customer-service skills, including those working in industries like hospitality and retail that may have been hit hardest by the pandemic."

That's just a small part of [why Fidelity is number one](#).

Action Line: *If you haven't already [escaped the city](#), consider a trip to the country today to scope out your future.*

P.S. Read more about how I got my start at [Model Roland & Co. back in 1971, and gold's 50-year price explosion](#).

The Single Worst Market Timing Event in History

Attempting to time the market could be the most popular mistake among market participants. Here's what I wrote about market timing back in January 1997:

Panic!...

History has been made. Since the exact summer Dow low of 5346.55, the Dow has soared an amazing 21.9%. Never in stock market history has the Dow added 1,000 points so fast. As a cap to the monster four-month surge, the Dow Jones News Service headlined a lead story with, "November Point Gain Was Largest Ever for the Dow." To anyone who was foolish enough to sell stocks in front of this tidal wave, the bailout goes down, in terms of points, as the single worst market-timing event in history.

How have you fared? With a history-making, four-month supercharged gain under our belts, now is the right time to take a little investor inventory. Are you on board with my serious long-term battle plan? Or are you running from rock to rock like most investors, dodging bullets as in an old Tom Mix western? Well, you needn't be bushwhacked by savage market swings.

Even professionals can get market timing wrong. Later in the same piece, I wrote:

[H]ere is a tragic example of market timing at its bankrupt worst. At the end of 1995 and the opening days of 1996, the

fund manager for the biggest U.S. equity fund made a massive timing/sector bet by switching the fund's biggest positions into long bonds instead of equities. In effect, he created a balanced fund for mostly unknowing investors who had largely invested in Magellan Fund as a way to participate in equities through smart stock picking. Well, the mammoth timing/sector bet was a disaster, and the fund manager is now history. And Magellan, the worst performer among the big 10 equity funds year to date, has beaten not one of its nine competitors.

Successful investing is primarily all about compounding, time, and patience. It is more about intuition and less about anything else. And it is more about diversification and less about selection. It is all about doing less and not more.

Below, you can watch *Riders of the Purple Sage*, filmed in 1925, starring Tom Mix, Beatrice Burnham, Arthur Morrison, Warner Oland, and Wilfred Lucas. The film, directed by Lynn Reynolds, was based on the novel of the same name by Zane Grey, published in 1912 by Harper & Brothers.

CAT 5: Prepare for Hurricane Lee

Hurricane Lee has strengthened to a Category 5 storm and is barreling through the Atlantic on course to hit America's East Coast. Right behind Lee is Tropical Storm Margot, which is also expected to reach hurricane levels. *First Coast News* reports:

It's very active across the Atlantic basin, but thankfully there are no local threats in Jacksonville within the next

week. Remember to stay updated this time of year as the historical peak of the Atlantic hurricane season is approaching.

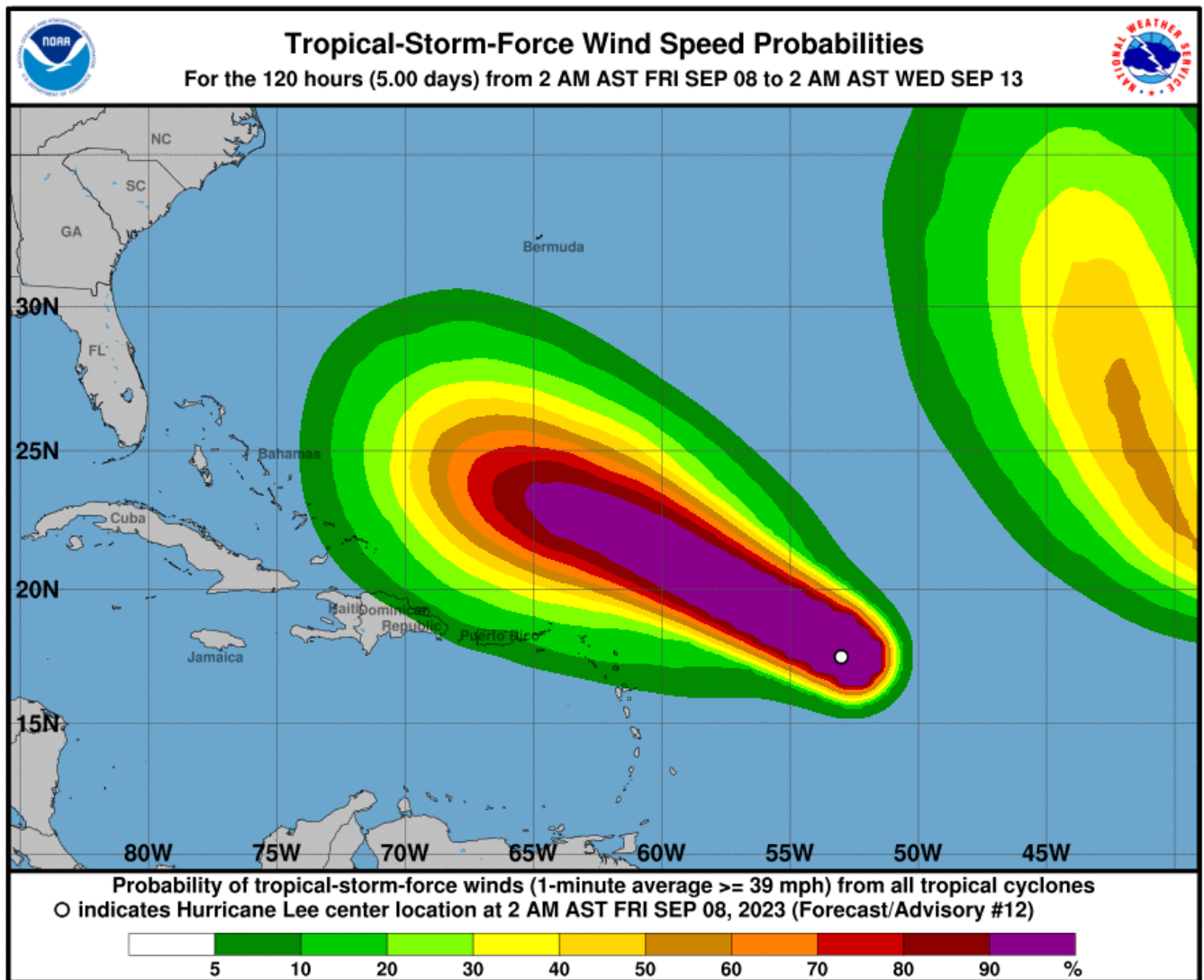
Tropical Depression 13 has formed in the Atlantic, and it is forecast to become a major hurricane by Saturday. We are watching it closely as models suggest it could head towards the Caribbean, or travel just north of the islands and near the Bahamas by mid-next week. It is too early to tell how this could impact the East Coast of the United States, but it is something to watch closely. Guidance continues to be strong on the development of this area as it moves west this week.

Hurricane Florence was said to be a “guaranteed fish storm” in its early beginnings in 2018, but the forecast changed and it ended up making a direct impact on the Carolina Coast. Not that this current system we’re watching won’t re-curve, but Florence does serve as a reminder to not write these tropical waves off too soon. Stay tuned for updates.

There are two other areas we’re monitoring as well, but do not pose a concern to us at this point. Post-Tropical Cyclone Franklin is located several hundred miles north of the Azores and is forecast to move quickly southeastward towards warmer waters east of the Azores. Another strong tropical wave is forecast to move off the coast of West Africa on Tuesday and head toward the Cape Verde Islands.

It’s already been a very active season. Normally by now, we’d only have 7 named storms. Instead, we’ve already had 11 (12 if you include the one unnamed subtropical storm in January), which is more typical for October 2.

Read more [here](#).



Javier Milei: A Light in Argentina's Darkness?



Panorama of the city of Buenos Aires, Argentina, near the National Congress Palace. By Dudarev Mikhail @ Shutterstock.com

Argentina has suffered rampant inflation, bad government, and declining freedom for years. Now, according to Daniel Raisbeck at the Cato Institute, Argentiniens have the opportunity to elect someone with a real plan to give them back control. Raisbeck writes:

"We are all Peronists," remarked Argentina's corporatist strongman Juan Domingo Perón in 1972, the year before he assumed the presidency for the second time. His quip turned out to be more accurate for the 21st century than for his own times; in 1976, Perón's second wife, Isabel, was ousted from power by a military junta that ruled until 1983, when the Peronist Justicialist Party lost the presidential election in an upset. Since 2003, however, Argentina has been under left-wing, Peronist governments for all but four years.

In the 2015 presidential election, Mauricio Macri, a center-right businessman, narrowly defeated his Peronist opponent with the promise to cut inflation to a single digit and allow a stagnant economy to grow. During Macri's four-year term, however, inflation doubled (from 27 to 54 percent), the country's Gross Domestic Product shrank, and the Argentine peso plummeted against the dollar. Having failed to cut public

spending, Macri turned to the International Monetary Fund for the largest loan in the institution's history (\$57 billion). In late 2019, Macri lost his reelection bid to the current, Justicialist Party president Alberto Fernández, a Peronist ally of former leader Cristina Fernández de Kirchner. The latter was in office between 2007 and 2015, having succeeded her deceased husband, Nestor Kirchner, the winner of the 2003 election.

In theory, this year's election should have been a rematch of the 2019 campaign. However, neither Fernandez nor Macri will be on the ballot. The former, who has presided over a debt default in 2020 and what is now triple-digit inflation—the official, annual rate was 114 percent in June—decided (no doubt wisely) not to run. Macri, who would have faced serious primary contenders in his own party, stepped aside as well. Still, the pundits were expecting their respective successors to face off for the presidency. Voters had other things in mind.

The Peronists are grouped under a coalition called "Frente de Todos" (Everyone's Front). The main center-right opposition, led by Macri until recently, is called "Juntos por el Cambio" (United for Change). Contrary to polling forecasts, neither side obtained the largest percentage of the vote in Sunday's mandatory presidential primaries. Instead, the overall winner—with 30 percent of the vote—was Javier Milei, a free-market economist who was first elected as a Congressman for a newly created party—Liberty Advances—in November of 2021.

Milei came to prominence as an outspoken guest in political television shows, where he lambasted Cristina Kirchner, the current vice-president, for economic incompetence and her government's blatant corruption (last December, an Argentine federal court found Kirchner guilty of appropriating close to USD \$1 billion from sham contracts and spurious infrastructure

projects). Macri, Kirchner's successor, fared little better according to Milei, who remarked that the former president's government merely offered "socialism with good manners."

A former heavy metal vocalist, Milei has proven to be a skilled showman, with a particular talent for illustrating that, when applied, the theories of classical liberalism benefit the ordinary man. From the outset of his congressional term, Milei announced that he would not accept his due salary. Instead, he carries out a monthly raffle in which anyone can register for a chance to win around nine times the national monthly minimum wage. Whereas his opponents decry a dangerous, self-promoting scheme to gather personal data from thousands of participants, Milei explains that he is returning to the taxpayers what is rightfully theirs.

Milei's idiosyncracies—he thanked his four dogs for helping him to victory—his disheveled, polemical style, and his routinely packed political rallies, which resemble hard rock concerts, all might seem to preclude any ideological coherence. That is not the case. Milei's platform affirms that "the Argentine state is the principal cause of Argentines' poverty." It includes a unilateral commercial opening for highly protectionist Argentina, the privatization of all state-owned companies, a universal school voucher program, a 15 percent reduction in public spending as a percentage of GDP, eliminating 17 of 25 ministries or departments of state, and getting rid of utilities, subsidies, and price controls.

Milei's main mentor is Alberto Benegas Lynch, a respected classical liberal economist. He considers Milei an heir to Juan Bautista Alberdi, the creator of the 1853 constitution, and credits him with having "transferred (classical) liberal ideas to the political sphere after an absence of eight decades." Benegas Lynch's father, Alberto Benegas Sr., founded a think tank in the 1950s, the Center for Liberty Studies,

which invited Austrian economist Ludwig von Mises—among other scholars— to lecture in Buenos Aires. Milei is thus the product of a rich intellectual pedigree.

Milei's critics still denounce him as a demagogue with an arsenal of questionable antics, beginning with his trademark profanity, which he routinely aims at particular opponents and the "political caste" in general. Ideologically, left- $\square$ wingers tend to attack Milei for his radical "neoliberal" agenda. The intelligentsia also has tried to associate Milei with nationalist and "populist" right- $\square$ wing figures such as Donald Trump and Jair Bolsonaro. The press regularly describes him as "ultra right- $\square$ wing."

The problem with that theory is that, although Milei seems not to mind the Trump- $\square$ Bolsonaro associations and even encourages them, he is certainly no economic nationalist. In fact, his trademark policy proposal to tame inflation in Argentina is to dollarize the economy, shut down the central bank, and get rid of the national currency. As my colleague Gabriela Calderón and I argue in a recent Cato Institute policy brief, dollarization is both necessary and long overdue in Argentina. In the primaries, the largest block of voters agreed.

The charges of demagoguery against Milei ring most true in terms of certain policy proposals that seem unachievable. For instance, his platform aims to cut public spending drastically without firing any current functionaries and to eliminate subsidies and price controls without affecting artificially low utility bills. As economist Iván Carrino notes, solving such problems painlessly is highly improbable.

A few days ago, Milei was still an underdog, struggling for relevance in a three- $\square$ way race according to the polls. Now he is the man to beat for both of his main opponents: Patricia Bullrich, Macri's former Minister of Security, and Sergio Massa, the Peronist candidate and current Minister of Finance.

Were he to win the presidency in October, Milei is unlikely to implement all of his ambitious agenda. If he manages to dollarize Argentina, however, Milei will have deprived the political class of any ability to carry out monetary policy, thus breaking the long cycle of currency devaluation, monetized debt, triple-digit inflation, and chronically decreasing purchasing power. This alone would be a monumental service to his countrymen.

As things stand, Massa would be eliminated in the first round of voting in October, with Milei and Bullrich proceeding to a run-off in November. In which case one thing will be certain: Argentines are all Peronists no longer.

Read more [here](#).

Inflation Is Improperly Defined

In August 2009 I wrote:

I do not believe in cost-push inflation. By example, union pressure to increase wages is not an inflationary event. An economy will adjust for higher wages without a general increase in the level of prices across the economy. Inflation is strictly a monetary event: i.e., too much money chasing too few goods. Milton Friedman was the dean of the monetary inflation fraternity. Whenever you come across an article on M.F., be certain to read with care as you will improve your understanding of a lot of things.

Writing for *Real Clear Markets*, John Tamny echoes my sentiments, and those of Milton Friedman, that inflation is a monetary event, writing:

To witness the search for actual inflation (a decline in the monetary unit) among economists and pundits is like watching a hunt for green M&Ms in a bowl full of yellow ones. It's futile.

Which is something to keep in mind with "inflation" well in mind. Searches for it will be fruitless, misleading, or both, so long as the problem (inflation) is improperly defined. And improperly defined it is.

Consider the focus on wages at the moment. Supposedly rising wages are evidence of inflation. Don't you get it? If people have more money to spend, spend it they will on the way to rising prices. Except that it's not as simple as economists and their lickspittle media enablers make it out to be.

If employees have higher wages, logic dictates that someone is paying those higher wages. It's not as though the funds directed to workers are pulled from another planet, or picked off of a tree on which they grow. For an employee to receive more pay is only mathematically possible insofar as the employer has fewer dollars. In other words, even if you believe that rising wages cause higher prices born of "demand," you can't ignore that someone, somewhere has reduced "demand" born of funding those higher wages.

Prices are no different. If chicken breasts are pricey, and they seemingly are at the moment, life is about tradeoffs. If chicken breasts are enjoying increasingly sizable wallet share, logic dictates that some other market good (perhaps popsicles) is being left behind at the grocery store as a vivification of the truth about tradeoffs.

Back to wages, logic dictates that they would rise the most amid a lack of inflation. Which is kind of a statement of the obvious. Compensation doesn't just happen any more than jobs are "created" or just "happen." Jobs are an obvious consequence of investment in new businesses and/or new ideas altogether. And when investors invest, they're plainly pursuing future returns in terms of a monetary unit, in our case the dollar.

From the above it's no reach to conclude that investment would shrink amid periods of currency devaluation. Put more bluntly, inflation is anti-investment. Really, why would those with title to money put it to work in search of returns coming back in dollars that are shrinking in value? Why indeed.

Still, lost-in-the-stone-age economists and the pundits who hang on their every word believe higher wages cause inflation. They don't. To say that higher wages or higher prices cause inflation is like saying upset stomachs cause chocolate. Causation is plainly being reversed.

Read that last paragraph again. Then watch Milton Friedman's Money and Inflation talk given at the University of San Diego in 1978 below.