

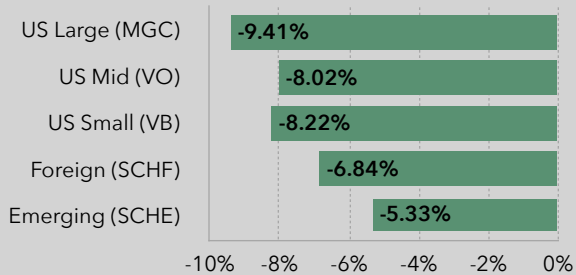
## April 2022

### Economic Data

- 428,000 jobs were added in April; the unemployment rate was unchanged at 3.6%
- Retail sales were up 0.5% for the month of March because of an 8.9% increase in sales from gas stations
- Y/y inflation (CPI) rose to 8.5% in March—the eleventh month in a row at or above 5% (not transitory) and the highest print since December 1981
- Existing home sales fell for the second straight month in March, down 2.7%; supply is only at two months and median prices were up to \$375,300

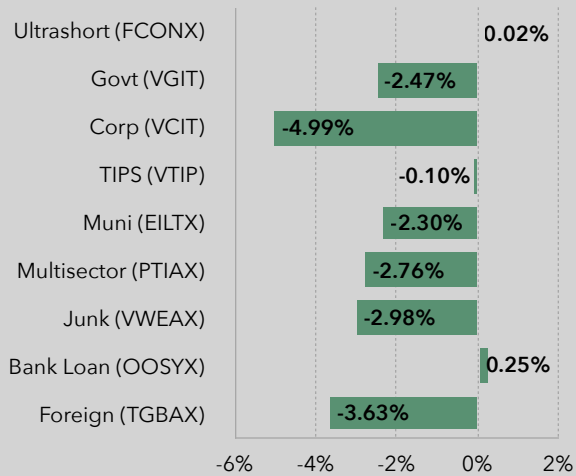
### Stocks

#### April Returns



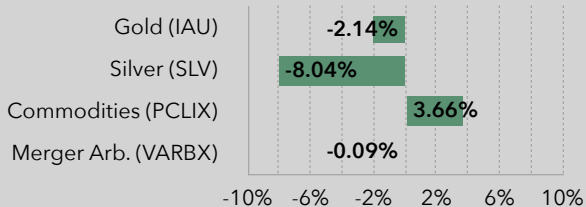
### Bonds

#### April Returns



### Alternatives

#### April Returns



Performance data provided by Morningstar

The brain uses two systems to process information. The first type is intuitive but lazy, rapidly forming judgements with no conscious input. The second system is slow, reflective, and not guided by emotions. It is that second system — type 2 — that we want in control of our investment portfolios.

### Boring is In

It really wasn't that long ago when clients only wanted to talk about Tesla, Rivian, crypto, NFTs, meme stocks, or Cathie Wood. These things were exciting and people were making a lot of quick and easy money. Do you know what people didn't want to talk about? What they haven't even thought about since maybe they were ten and grandpa disappointed them with one for their birthday? Savings bonds.

Savings bonds are issued by the U.S. Treasury and have the full faith and credit of the U.S. government behind them, which is about as risk-free from a credit standpoint as you can get. Savings bonds are super boring, yet I have had no fewer than four clients ask me about them in the past few weeks. I don't think savings bonds have been this popular since we fought the Germans back in WW2.

Something this safe is bound to pay you a pittance in yield, right? Well, how does 9.62% sound? Pretty darn good, which is why Series I savings bonds are getting a lot of attention all of a sudden.

If you buy Series I savings bonds today you'll earn 9.62% through October 2022. The reason is that the interest rate on Series I bonds are based on a fixed rate, which is only 1.12%, AND the rate of inflation, which clocked in at a nosebleed 8.5% in March.

If the Fed manages to get inflation under control (a big "IF", mind you), you can expect that yield to go down in six months. In this environment, I'm happy to plunk down some money and take that guaranteed return for the next six months and add yet another hedge against inflation to my portfolio. The price of your Series I bonds can never decline, either, which is a comforting advantage.

There are some tax advantages as well. The interest is not subject to state income tax. You also have the option to defer paying federal income taxes on the interest until you sell the bond.

So why don't we invest everything in Series I bonds? Well, there are limitations. You can only buy \$10,000 worth of electronic I-bonds per calendar year. You can also purchase up to \$5,000 in paper I-bonds, but only with your IRS tax refund which is kind of silly and not very helpful. You can also buy them through businesses or trusts, or purchase them for your children, but overall your buying capacity is quite limited.

There is another catch, too. They are illiquid. You can't sell these bonds for 12 months, so you definitely need to consider your liquidity needs and not count on this for your emergency savings. If you sell the bonds within the first five years you'll also have to forfeit the three months of interest prior to the sale.

The series I bonds are something you have to purchase online directly from the [U.S. Treasury](#). It may not be the way your grandpa did it, but that's not a bad thing. I mean, storing your paper bonds in a shoebox in your closet for 30 years like he did is probably not the best way to go about it. The process is quite simple and you will have your account opened and funded in only a few minutes.

## Portfolio Positioning

The market has been shaky all year, but things really started to unravel last month. Stocks are getting close to bear market territory, and the 40-year old bond bull market has clearly ended. We've been underweight both, which has softened the blow a little bit. Year-to-date, there are really only two asset classes that are still in positive territory. The first is gold (IAU), which is hanging onto the green by a thread, up 1.15% YTD. The second is commodities (PCLIX), which has been the saving grace of our portfolios and is currently up 29.57% for the year amid supply chain disruptions and Russian sanctions.

There will be a time when it makes sense to start cutting back on alternatives and begin moving equities back up to neutral and maybe even overweighting them in anticipation of stronger markets. I just don't think we're there yet.

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| Tactical Asset Allocation |                   |             |         |            |                  |
|---------------------------|-------------------|-------------|---------|------------|------------------|
| Asset Class               | Heavy Underweight | Underweight | Neutral | Overweight | Heavy Overweight |
| <b>Fixed Income</b>       |                   |             |         |            |                  |
| Duration                  | ●                 |             |         |            |                  |
| Inflation                 |                   |             |         | ●          |                  |
| Credit                    | ●                 |             |         |            |                  |
| Foreign                   |                   |             |         | ●          |                  |
| <b>Equities</b>           |                   |             |         |            |                  |
| Large Cap                 | ●                 |             |         |            |                  |
| Mid Cap                   |                   | ●           |         |            |                  |
| Small Cap                 | ●                 |             |         |            |                  |
| Developed Intl.           |                   | ●           |         |            |                  |
| Emerging                  |                   |             | ●       |            |                  |
| <b>Alternatives</b>       |                   |             |         |            |                  |
| Commodities               |                   |             |         |            | ●                |
| Hedging                   |                   |             |         |            | ●                |

## Binge Box

### Our Flag Means Death (HBO Max)

This is definitely not *Black Sails*, which is easily the best pirate series out there, in my opinion. Like that better show, however, *Our Flag Means Death's* characters include historical pirates like Blackbeard (Taika Waititi), Calico Jack (Will Arnett), and Stede Bonnet (Rhys Darby). They take massive creative liberties with the characters and history to make it a comedy and that's okay, because it is kind of funny. Sometimes. I must admit that it did take me a couple episodes to get into, but I can see why the show is so popular. You can stream the entire first season on HBO Max.

## About EmeraldSpark

EmeraldSpark Investments, LLC is a Registered Investment Adviser based in Chicago, IL. We were founded by Ryan P. Layton, CFA in 2015 to provide personalized financial planning and fiduciary investment management services to select clients. Our investment process blends the foundations of Modern Portfolio Theory with the latest research in the field of behavioral finance. We specialize in asset allocation and investment due diligence to help provide our clients with investment strategies personalized to match their specific goals and risk comfort zone.

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