

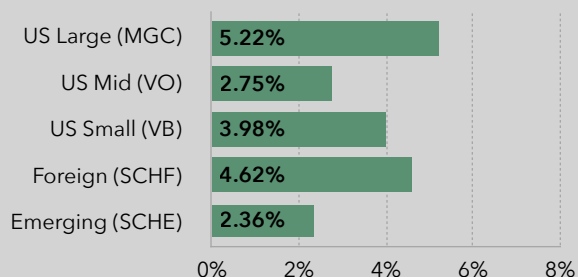
May 2024

Economic Data

- 272,000 jobs were added in May; the unemployment rate edged higher to 4.0%
- Retail sales were unchanged in May, with nonstore retailers down 1.2% and gas stations up 3.1%
- Y/y inflation (CPI) tempered to a 3.3% pace in May, with used car & truck prices down 9.3%; the core rate (less food and energy) grew at 3.4%
- Existing home sales declined 1.9% in April and are down 1.9% y/y; the median home price rose to \$407,600

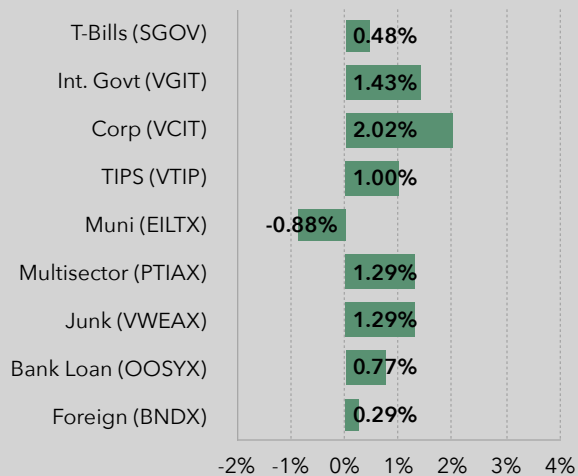
Stocks

May Returns



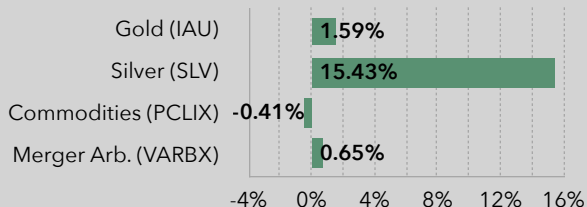
Bonds

May Returns



Alternatives

May 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.

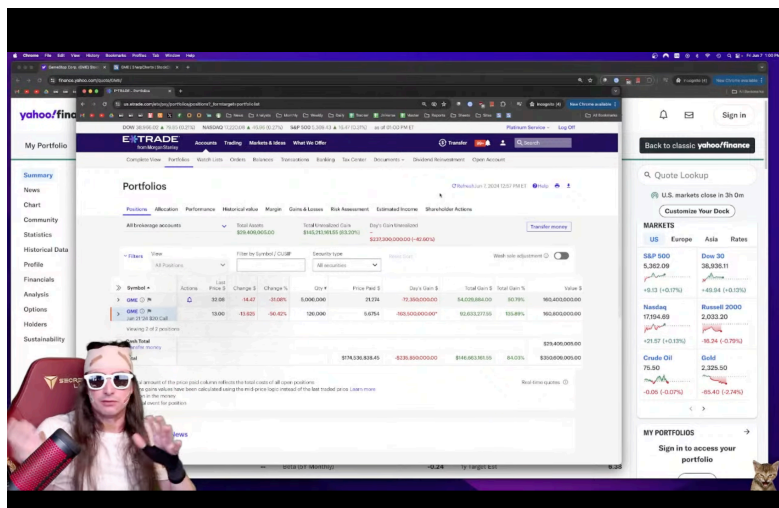
Meme Stock Mania Restarts With a Roaring Kitty

Keith Gill, aka Roaring Kitty, is the analyst-turned-r/wallstreetbets icon that rallied all the apes behind the famous GameStop short squeeze of 2021, thus heralding in the meme-stock era. His thesis back then wasn't terrible. It was a company he thought was undervalued, with new leadership in the form of Chewy founder Ryan Cohen with a plan to, I don't know, pivot the company to something that wasn't a dying mall store selling physical media in a digital world. More importantly, there were a lot of hedge funds betting against this stock by borrowing shares and selling them short. If the stock made a huge run-up, a lot of them would be forced to buy if they couldn't cover their margin calls or just needed to stem the bleeding. So that's what happened, and Keith Gill made a mint. A lot of the apes made money, too, but probably even more lost money by buying in at heavily-inflated prices.

Roaring Kitty sort of disappeared after that, presumably to enjoy his new-found wealth. He left behind millions of faithful followers who held onto the dream and their shares. It became almost a cult of sorts, with many of them having the misguided belief that this is their one chance to get even with "the man", or perhaps viewed it as their only path to wealth because who wants to work and save and invest for the long-term? YOLO!

Last month, however, Roaring Kitty returned to reveal he was back into GameStop, and the apes went wild. In two short days the stock shot up 271% before quickly crashing back down to earth. To revive the stock again before his options expired, he scheduled a live stream. It initially worked, however, the stream didn't begin on time and the stock started crashing again. Once it did start, what followed was one of the most bizarre moments of internet I have ever witnessed.

A seemingly manic Keith Gill, covered in bandages and wearing a prop arm sling, spent an hour spouting cringe-worthy babble. He offered no new thesis or outlook. He did not buy more, nor did he sell. He could have exercised some of his options, forcing any naked writers on the other side to buy shares. He didn't do any of that. He just rambled for an hour as \$235 million of his portfolio evaporated. Is this the end of the meme-stock era?



Ultimate Endless Shrimp Ends Red Lobster

When I was a kid, it was an indisputable fact that the best restaurant in the world was the Red Lobster adjacent to the Twelve Oaks Mall parking lot in Novi, MI. This was, of course, long before I knew that Michelin rated restaurants, let alone made tires. Sadly, Red Lobster entered Chapter 11 bankruptcy last month and is reportedly closing nearly 50 locations as part of the restructuring.

Red Lobster made their popular Ultimate Endless Shrimp (UES) promotion permanent last year, and took something like an \$11 million loss in the process. I watched a YouTube video of a guy who posted up at a Red Lobster for 10 hours and managed to eat 200 shrimps. The impressive feat would normally list price for \$178, but thanks to the UES promotion he only paid \$20 for the pleasure.

So there is your headline: “Ultimate Endless Shrimp Ends Red Lobster.” But did it? Did it, really? Did an \$11 million operating loss end what was a \$2.6 billion company just eight years ago when Thai Union bought a minority stake in the company. Wait, who is Thai Union, you ask? They are a Thailand-based seafood conglomerate who bought the rest of Red Lobster in 2020. It makes a lot of sense, really. You’re a seafood company, so you buy a seafood restaurant chain to sell your seafood through. Vertical integration. Brilliant.

The UES promotion wasn’t the downfall of Red Lobster. Forced closings during the pandemic, higher wage costs, mounting debt with, higher interest rates, and a consumer that is struggling under the weight of a 20% increase in prices over the past 3.5 years were the real culprits. Thai Union wanted out of a restaurant business they essentially think is worthless. “We’re not expecting to get anything much from the sale,” said Thai Union Group CEO Thiraphong Chansiri. When they couldn’t find a willing buyer, the parent company decided to unload as much shrimp as they could, extracting whatever cash they could reasonably get away with and leaving debtors holding the bag. Not quite Bond villain level, but I would honestly love to read a Michael Lewis authored book on this story.

Tactical Asset Allocation					
Asset Class	Heavy Under-weight	Under-weight	Neutral	Over-weight	Heavy Over-weight
Fixed Income					
Duration	●				
Inflation				●	
Credit	●				
Foreign			●		
Equities					
Large Cap	●				
Mid Cap		●			
Small Cap			●		
Developed Intl.	●				
Emerging		●			
Alternatives					
Commodities					●
Hedging					●

T+1 Trading

We reached an important milestone in our industry's evolution a couple weeks ago, as we transitioned from a T+2 to a T+1 settlement cycle. This change impacted the settlement period for most U.S. and Canadian securities traded on U.S. exchanges. What is basically means is that instead of waiting two business days to receive the proceeds from a stock or ETF sale, you now get it the next day. This matches up settlements with mutuals funds, which have settled at T+1 for as long as I can remember. The change should also reduce risk in the financial system. It is a welcome upgrade.

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Binge Box

Fallout (Amazon Prime)

I grew up loving video games, but I must admit as I’ve grown older they have slowly drifted out of my life. I definitely can’t call myself a gamer anymore, but there have been a couple titles that have captured my imagination. Fallout 3 and Fallout: New Vegas were two such games with rich storylines and strong character development. Amazon has brought this wasteland world to life in a new series that follows, among other characters, Lucy Maclean, who has been living her whole life in an underground vault. She wanders the post-nuclear-apocalyptic world on a life or death mission. You don’t have to know the games to appreciate this series, the best I’ve watched all year.

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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