

**John Dessauer Investments, Inc.**

**John Dessauer's market review and update as of Wednesday August 17, 2022**

We are home after a wonderful Alaska cruise on the Seabourn Odyssey.

Seabourn does a great job in Alaska especially with the shore excursions. Marilyn's granddaughters had a great experience seeing bears catching salmon, watching humpback whales, seals, sea otters and eagles. The cruise started and ended in Vancouver Canada. And I can tell you that our northern border is not open. We had to pass U.S. customs and immigration before flying back to Florida. In my opinion that is the way all our borders should be. Allowing thousands of immigrants to walk into Texas and Arizona every day is wrong. I hope the voters, come the mid-term elections, realize that we must change the policy at our southern border. It should be as regulated as is our border with Canada.

There was a little more good economic news in July. Not only was job creation strong, but the inflation rate did not keep soaring. Instead, it dipped modestly, down to 8.5% from 9.1%. Any downward tick in inflation is welcome news.

Andy Kessler, writing for the *Wall Street Journal*, headlined his recent article: "RIP Big Bull Market (1982-2022)". On August 12, 1982 the Dow Jones Industrial Average hit bottom at 776.91, about where it was in January 1964. No wonder my Dow 1,000 prediction in the 1980s was greeted with such skepticism. After languishing below 1,000 for 18 years what could finally ignite a surge above Dow 1,000? I saw a few reasons in support of my prediction. Investors generally had sworn off stocks because of their lousy long-term returns. They had enjoyed the soaring interest rates of the 1970s and that was about to change. Bonds had provided better returns than stocks for those 18

years. Paul Volcker, Fed Chair, was determined to kill off inflation. He did it by first raising interest rates, making cash look especially attractive. Few believed he would be so successful, and that inflation and interest rates would come tumbling down, making stocks look very attractive. In addition, there was a growing interest in U.S. stocks by foreign investors. They were early buyers of U.S. stocks, helping to end the long period of stagnation. Then there was Arthur Laffer, an economic advisor to President Reagan, urging him to cut taxes and encourage the supply side of the economy. Laffer and his trickle-down theories were attacked and criticized. But his critics turned out to be wrong. The economy boomed. After a while others joined me in expecting a Dow above 1,000. But none of us saw the enormous gains that lay ahead. The Dow not only flew past 1,000 - it kept on going to a January 24, 2022 peak of 36,800 - a gain of 47 times, or a 9.6% annual return until the Biden inflation killed the bull. It is sad that so many politicians - especially Democrats - do not pay attention to the reality of our own economic history. Clearly keeping taxes and regulation down does encourage supply side expansion and that is the best way to kill inflation.

I know that climate change is a big political deal. But there is too much attention given to popular ideas and too little to real issues. The worst of the green house gasses is methane, not carbon dioxide. The U.S. government pays no attention to methane and is focused on wrecking our energy sources by attacking carbon dioxide. The government of the Netherlands is addressing the methane issue. They are limiting the number of cattle farmers can own. Cattle are a major source of methane. Of course, the Dutch farmers are in an uproar. We shall see how that methane battle works out.

Here at home, there has been some really bad news on methane and climate change. Yes, the cattle in the U.S. are a source of methane. But a far greater source of methane is our landfills. There are landfills everywhere in the U.S. and they are spewing out methane. Worse, that has been getting no attention and so far. We don't know how to even slowdown that source of methane. But here, once again, we see the Biden administration focused on killing our energy businesses while ignoring that driving electric cars while landfills spew methane will do nothing to stop climate change.

Climate change is a real concern, but going green is expensive. For example, what will it cost to develop a way of stopping the methane from landfills? I don't know of any specific data, but common sense says that will be very expensive. Keeping our economy strong so we can afford going green should be the top political priority.

Hopefully Americans will vote for change in the coming mid-term elections. We can change direction and get the economy and climate change going in the right direction.

As for stocks, a new bull market can start any time. And stocks are likely to respond to efforts to kill inflation. We know that raising interest rates high enough will kill inflation. Pessimists keep banging away at the consequences of rising interest rates. They completely ignore what happens after high interest rates kill inflation. What happens is that interest rates come sharply down and stocks go sharply higher.

This coming weekend Marilyn and I will be flying to Reykjavik Iceland. There we will join a Silversea cruise to go through the Northwest passage to Nome Alaska. I

expect to have internet most of the time, but being that far north can be a problem. I will do my best to get you these market comments, but the timing will be different, starting next week.

I will have the next market review and update for you two weeks from today on Wednesday August 31, 2022

All the best,

John Dessauer

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