

## MARATHON INVESTMENTS Newsletter, May 9, 2021

The S&P 500 closed at 4,232.60 on Friday, up 1.2% for the week and up 12.7% year-to-date.

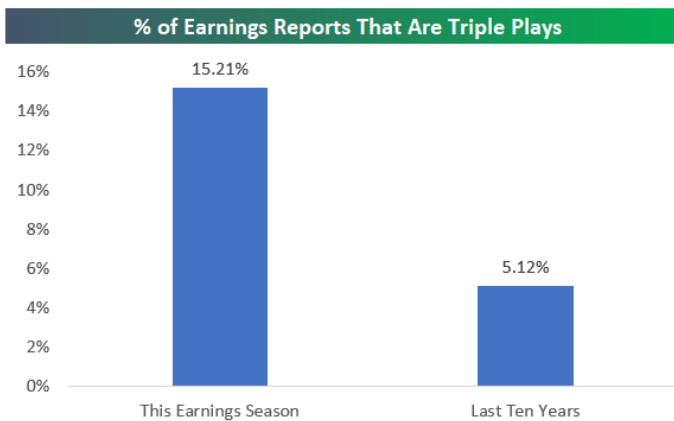
The US April payroll report showed 266,000 in net new jobs, which was much lower than economists expected. The seasonal adjustment explained a lot of the weakness. The unemployment rate ticked up to 6.1%. The market interpreted the numbers positively as this will delay any potential hawkish behavior from the Fed, since the Fed is favoring maximizing employment rather than minimizing inflation at this time.

There has been a divergence between job openings and payrolls recently, meaning that jobs are available, but the wages offered are not high enough to attract people back to the workforce. Unemployed Americans are receiving state aid and then an additional \$300 in weekly additions from the federal government. Basically, they get paid not to work.

Earlier, last week, Treasury Secretary Janet Yellen, rattled the markets when she said that “It may be that interest rates will have to rise somewhat to make sure that our economy doesn’t overheat.” Later in the day, she backtracked her comments.

Also, the Fed is seeming less united these days. The President of the Federal Reserve of Dallas, Robert Steven Kaplan mentioned that financial market excesses and imbalances can jeopardize the Fed’s goals.

We’re now past the peak of earnings season, and while stock performance hasn’t been particularly positive in reaction to the reports, the number of triple plays is three times higher than the historical average. A triple play is a company that reported better than expected earnings and revenues and raised guidance for the near future.



### Chart of historical corporate income tax revenues as share of GDP, 1934-2019.

27-April-2021

Corporate Income Tax Revenue as a Share of GDP, 1934 - 2019



Source: Office of Management and Budget, Historical Tables, Table 2.3: Receipts by Source as Percentages of GDP: 1934–2025 (accessed April 27th, 2021). Based on Adam Carasso’s “The Corporate Income Tax in the Post-War Era” Tax Facts column (March 3rd, 2003).

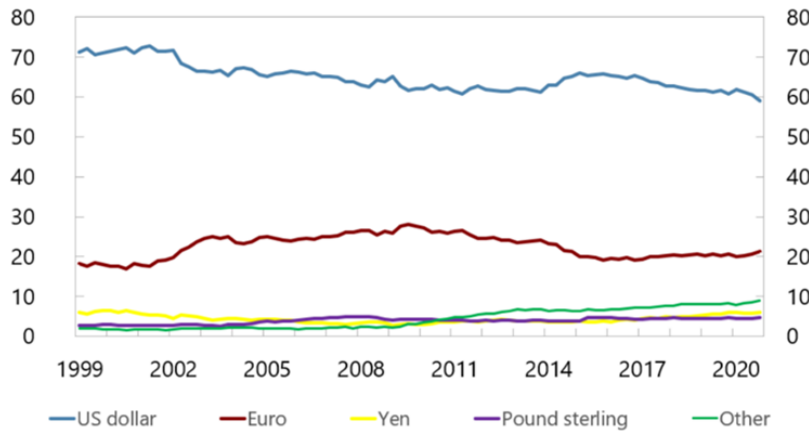
Notes: Shaded areas represent business cycle periods as recorded by the National Bureau of Economic Research.

From the IMF: Notwithstanding the decline in the past 25 years, the dollar remains the dominant reserve currency in the world, albeit slightly less dominant. It is hard to see the dollar displaced by another single currency anytime soon.

### Demand for dollars by central banks

The US dollar's share in global foreign exchange reserves fell to its lowest level in 25 years in the fourth quarter of 2020, driven by exchange rates in the short term and central bank actions in the long term.

(currency composition of global foreign exchange reserves, percent)



The curse of company size over the long haul. This graph goes back to the early 1970's. If you only invested in the largest individual S&P 500 company at any time, you would have underperformed the broader market by a factor of 10. Names like GE, AT&T, IBM, Altria, Walmart, Cisco, Exxon, etc. were each once the largest company in the market, but vastly underperformed the broader market after their glory days.

## PENDER

Forward thinking. Finding value.

### The Curse of Size Over the Long Haul

*The largest S&P500 member crushed by the rest*

The largest S&P500 member (1972-2016)



The S&P500 vastly outperformed the largest individual S&P500 stock (+10x end wealth difference)

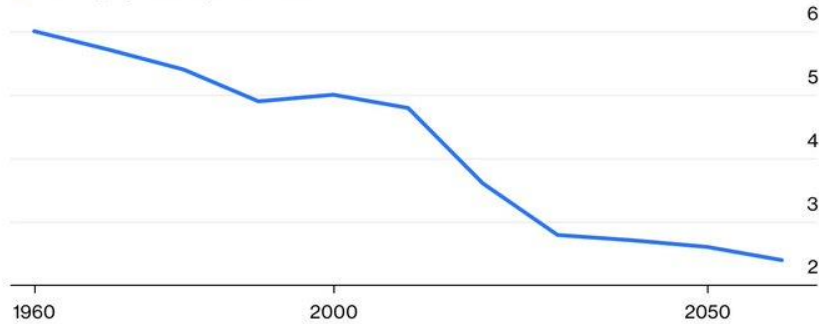
Source: Ned Davis, Pender

As the population ages, the number of working-age people available to support each old person decreases; this puts an increasing financial and physical burden on the young.

### The Young Workers' Burden

The number of Americans available to support the elderly is getting smaller

Working-age adults per 65+ adult



Source: PRB

*Building wealth in the stock market requires patience and discipline. Marathon Investments selects quality companies with strong balance sheets which generate above average cash flows and dividends. The company is expanding and interested in new clients and referrals. Portfolios are personalized, there are no investment minimums and costs are low to ensure that you benefit the most in the **long run**.*

*This newsletter is intended to be educational and for general interest only. It should not be seen as individual investment advice or as a recommendation to buy, sell or hold any security. All investments involve risks, including potential loss of principal.*

Thank you for your interest, Hans

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**Reaching financial success is a marathon, not a sprint. Slow and steady wins the race.**

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