



Safety Harbor Capital  
The Compass Weekly Update  
For August 22<sup>th</sup>. 2022  
Posted Sunday, August 21<sup>st</sup> 6:27 pm PST

Here's a stat: we're getting a new website! We'll be posting our monthly journals with weekly updates on the first of each month and before the open on Monday, respectively. Our monthly journal stocks are positive for the year while the market is down 11%.

Our Hedge Fund, the Safety Harbor Capital Hedged US Equities Fund is up 37% ytd\* while 98% of hedge Funds are down for the last twelve months. Our Safety Harbor Capital Hedged US Equities Fund also outperformed an index of hedge funds over 3 month, 6 month and 1 year time frames\*. Bridgewater Capital outperformed us – kudos Mr. Dalio.

\*As of 7/31/22. For accredited investors. Email [inquiries@safetyharborcapital.com](mailto:inquiries@safetyharborcapital.com) to receive our performance report.

We have two ways to invest: we do it for you in our Hedge Fund which is up 37% ytd, or you do it yourself with our Monthly Investment Journal which gives you five stocks each month to consider. Our stocks have traditionally doubled the S&P.

### **The Economy, the Fed and Inflation**

With inflation running towards double digits – our inflation target is double digits for the US before this Fed Fubar is over – the people who have tried to call the top in inflation are running a fools errand.

Looking for clues, our System indicated the last week, to buy crude. The System says oil is going higher and since everything contains a petroleum product (our beds, toothbrush, water bottles) inflation should follow and the Fed should follow along like a scared dog not knowing the way home by going another .75 in September.

A quick look at inflation – inflation is defined as a sustained rise in the price of goods and services. (mr. powell, there is no such thing as “transitory inflation” – it is either transitory or sustained – not both) But let us ignore that and a number of other Fed Follies and focus on the current one – raising interest rates to subdue inflation.

Interest is the price of money. The price of money is a component of inflation. Higher interest rates create higher inflation. Powell is actively raising the cost of financing, storage, and production and actively contributing to the upwards inflationary spiral. He's adding fuel to the very fire he is trying to put out. That is the supply side – prices will go up regardless of demand. We'll discuss the demand side next week but for the cocktail party suffice it to say, “to a point”.

So, prices go up with Fed rate hikes. If demand peaks and they are behind the eight ball, prices continue to rise, demand falls, real wages fall and you have negative Real GDP or an economic contraction - it looks like it is already happening.

### **Market Technicals**

With the S&P selling off at the 4280 we are still in a weekly uptrend until we close below 4110 for the S&P index.

### **Current Forecast**

In this month's August 1<sup>st</sup> journal, with the S&P at 4112, we wrote "we may see the S&P rally a bit higher from here to our system resistance at 4185, 4200 then 4330 (we hit 4325). We would be sellers at those levels looking for a retest of 3640 in the coming 8-10 weeks."

So, that is now our current forecast - a retest of S&P 3640 in the coming 8-10 weeks. Eight weeks would be Oct 14<sup>th</sup>, 10 weeks is November 1<sup>st</sup>. We will keep you posted.

On our new website coming soon, we will post these forecasts and track the accuracy of our S&P index forecasting system. We have been known to be correct 80% of the time. 80%.

### **Stocks of Interest**

In this portfolio, we are now 40% invested and down, now only 2% while the market is down 11%. This has been the most difficult year ever since 2008 (down 12% on the year) for these journal stocks which have historically doubled the S&P index.

Anyway, our system says to short the market and buy oil so, Monday at the open, consider shorting the market and buying oil with the purchase of 1 ETF ticker QID at the open with a stop at \$18.40. Also, consider the purchase of 1 ETF ticker OIL with a stop at 30.30, lastly, consider the purchase of 1 stock ticker OXY with a stop at \$58. Our stop on stocker ticker DIS is fine but consider raising our stop on stock ticker AEO to \$12.80. That leaves us 100% invested in this portfolio with 20% into each position. Updates to follow.

A new weekly forecast will come out Monday before the open as usual. We will be posting to our website and you will login and get the picks and forecasts.

The idea here is to invest 20% of your total portfolio into each stock. Stop orders should be placed as Conditional Orders so market makers can't see your prices. Updates to follow.

### **Important Market Information**

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