The Seville Report

THE INVESTMENT NEWSLETTER

Bear Markets
Investments Ideas
Demystifying Defi
Swing Trading
When Will The NASDAQ Stop Falling
Reddit's Most Mentioned Stocks
S&P 500 Sector Averages

Foreword

Bear markets. A bear market occurs when an index declines 20% from its all-time high. As of this writing, the S&P 500, declined 20% from its high, but traded above the threshold a day later. The Dow Jones Industrial Average came close, but never broke the 20% threshold. The NASDAQ, has entered bear territory and is still in bear territory. Why is a bear market a big deal? Because in the last 100 years, most 20% declines in the S&P 500 are followed by a recession.

A pandemic, a little stimulus for the people, a lot of stimulus for businesses, a spike in demand, a shock to the supply chain, rising inflation due to the spike in consumer demand, the pandemic extended, and an increase to interest rates to battle high inflation is how we got here. Recessions are brutal, and have a way of tearing down everything that seemed solid just a short time ago. Businesses that seemed secure not too long ago, are out of business when a recession rolls through. Employment that seemed safe and secure becomes less so when recession comes in. Vacations transform into stay-cations. Jobs that couldn't be filled, become highly sought after by those under qualified, qualified, and over qualified for the position. Recessions put people in defense mode, and for many investors, when a recession appears imminent money is pulled out of the markets to sit in cash until the recession is over.

Recessions do have a way of rewarding the bold. Those that are willing and able to buy assets when they've been deeply discounted get rewarded years later. As of this writing, the S&P 500 has gained 163% from its pre Great Recession peak, and 523% from its Great Recession low. For anyone who had invested in the S&P 500 close to its bottom in 2009, the market would have rewarded them with $5 plus for every $1 invested, This is the time to dig in and buy value.

In this quarter's issue we investigate two utility companies that look to benefit from the most recent energy revolution. We also take a look into how crypto investors have been making big money from decentralized finance. We also look into swing traders, and how they profit from changes in the market. We hope this issue adds value to your investment planning.

Thanks for checking out The Seville Report Newsletter,

Paul Black

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Cover Photo: Janko Ferlic From Pixel

A project is complete when it starts working for you, rather than you working for it.
– Scott Allen

CLEARWAY ENERGY

CWEN-A

$31.99

Clearway

P/E

235.1X

TRAILING

P/S

2.83X

(TTM)

ROE

-3.13%

(TTM)

ROA

1.40%

(TTM)

REVENUE IN MILLIONS

NET INCOME IN MILLIONS

TARGET PRICE

$45.00

DIVIDEND YIELD

4.43%

INDUSTRY

UTILITIES-RENEWABLES

GRADE

C+

What Does Clearway Energy Do

Clearway Energy, Inc., through its subsidiaries, engages in the renewable energy businesses in the United States. It had approximately 5,000 net megawatts (MW) of installed wind and solar generation projects; and approximately 2,500 net MW of natural gas generation facilities, as well as a portfolio of district energy systems. Its thermal infrastructure assets provide steam, hot water and/or chilled water, and electricity to commercial businesses, universities, hospitals, and governmental units. As of December 31, 2021, the company had 1,370 MW thermal equivalent capacity of steam and chilled water.

Why Invest in CWEN-A

- The current energy revolution makes good investment sense to be a part of.
- The recent market declines have put defensive stocks back in favor.
- Why now is the time to start investing in renewable utilities.

An Energy Revolution

Once again, the world is going through an energy revolution. We may not have lived through the past revolutions, but we've seen signs of their existence. Soil for planting used to be tilled by hand, then animal power was used to drag heavy equipment to till larger plots of land that couldn't be tended to by hand. Oil and gas now fuels the machines that turn soil for farmers. Now, we are in the process of transitioning away from fossil fuel generated energy to renewable energy, and Clearway Energy is a small part of the transition.

Getting Defensive

In times of market declines, the portfolios that outperform the markets or lose the least, are those that hold defensive investments. Defensive companies are companies that continue to do well when consumer spending declines. Companies like McDonalds, industries like the healthcare industry and the utilities industry will continue to perform well during down times, because we still need to eat, we still need to address our health issues, and we still need electricity and gas. With the S&P 500 in a six month decline, investing in a renewable utilities company now allows us to get defensive, while exposing our portfolio to the energy revolution.

Money and Strategy

Clearway generates revenue by negotiating selling energy and energy storage to clients like PG&E, Connecticut Light & Power, Tucson Electric Power, Hawaiian Electric Company and others. Clearway uses debt to acquire energy generating assets, and once acquired, Clearway sells the energy the asset produces. As of March 31, 2022, Clearway owned over 50 energy producing assets, with a capacity of 7,000 megawatts (MW). From the 7,000 MW of capacity, 5,000 megawatts are from wind and solar projects.

The company is a slow grower, which is typical of defensive companies. Over the past four years, revenue has grown at a compounded annual growth rate of 8.9%. The company has been able to generate positive free cash every year over the last five years, and the company pays a dividend. Between 2017 and 2021, Clearway has returned 125% to shareholders by way of capital appreciation and dividends.

Clearway's strategy is growth by acquisition. By acquiring energy producing assets, the company increases its capacity and the amount of energy it can sell. In 2021 Clearway spent $762 million on acquisitions. In the first quarter of this year the company acquired Miliani BL Borrower Holdco LLC, the indirect owner of the Mililani I solar project. The acquisition adds 39 megawatt of solar and 156 MWh of storage capacity.

Outlook and Forecast

2050 is the year to keep in mind. The U.S. is hoping to achieve 100 percent carbon-free electricity by 2035, but experts surveyed by PWC believe 2050 is a more realistic date for the U.S. to reach its goal.

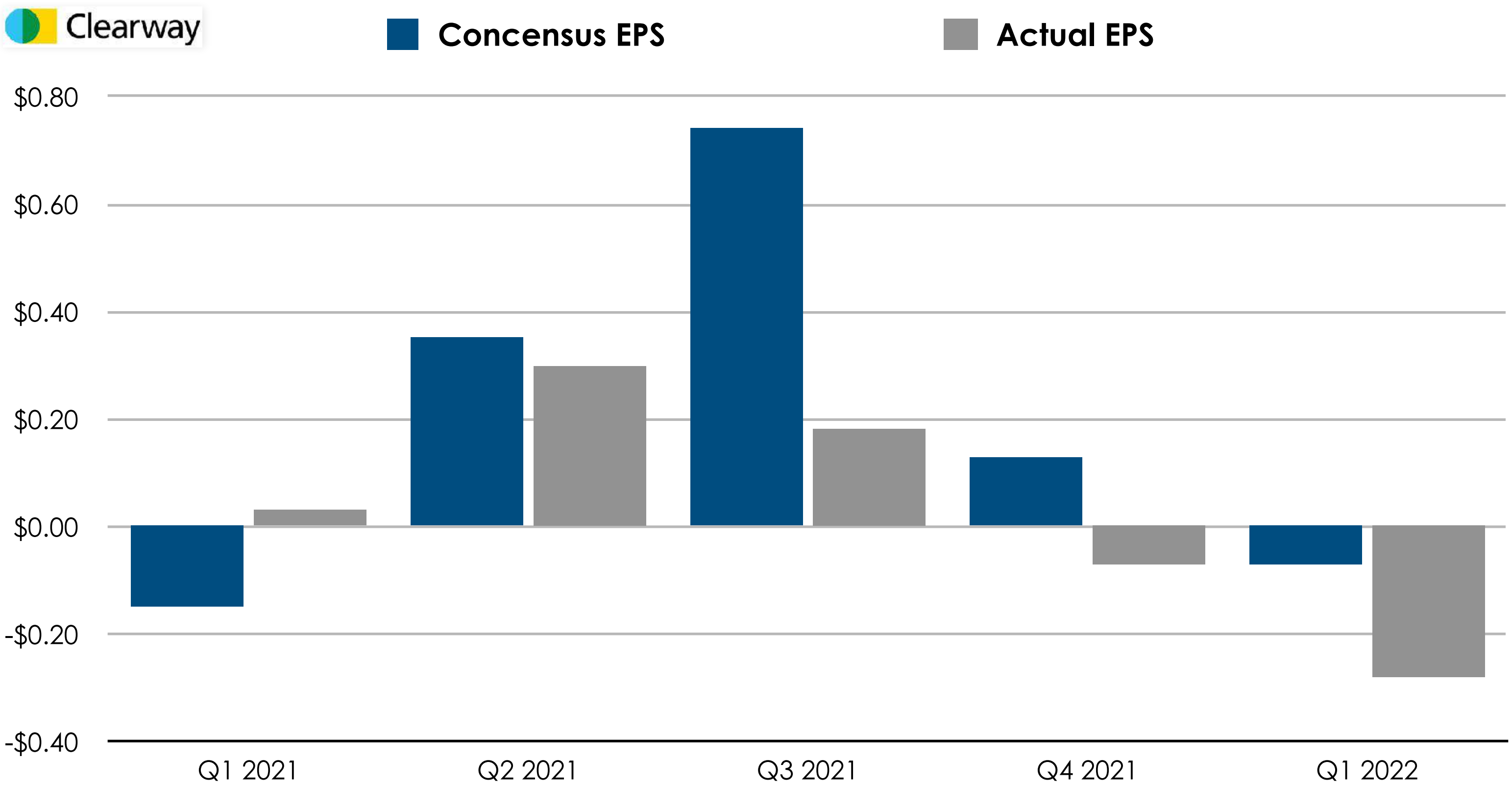
The U.S. ended 2020 with 100 gigawatts (GW) of solar capacity and 122 GWs of wind power capacity. In order to decarbonize the energy sector between 2035 and 2050, the U.S. will need to add 70 - 100 GW of solar and wind capacity per year.

Why Get into Renewables Now

The costs associated with renewables are lower than they've ever been and are still in decline. Without tax incentives, solar and wind have become the cheapest source of power throughout most of the United States. In some situations, the cost of building new solar or wind plants is less than the costs associated with running an existing coal-fired plant. Which is likely the reason we've seen a number of companies announce the closing of coal-fired plants. According to an IEEFA report, electricity producers have announced plans to close 99 gigawatts of coal plants through 2030.

Another energy revolution is in motion, and an investment in Clearway is just one way to benefit from this revolution. The company's ability to generate free-cash flow, generate steady revenue growth and positive net income makes Clearway worth keeping on the investment watch list.

As we were wrapping up this issue, TotalEnergies (TTE), a $152 billion energy enterprise out of France, purchased 50% of Clearway's parent company Clearway Energy Group (CWEN). TotalEnergies has been investing heavily into renewable energy over the last few years. Created in 1924, TotalEnergies has a deep understanding of the energy markets, and their investment in Clearway Energy Group indicates that there is value in Clearway Energy at this time.



What are The Investment Risk

The possible loss of capital is attached to all investments, and Clearway is no exception. There are several touch points of the overall economy and within the company itself that present risk and a possible loss of capital.

Market Risk

The markets have been in decline, and the current sentiment on Wall Street is that 2022 will be a tough year for stocks. The market's decline has been attributed to the fast pace in which the market rose since mid March 2020, as well as high inflation, rising interest rates, and a two party war that has the potential of escalating into a larger conflict. While utility companies are viewed as defensive companies that work well in portfolios during bad market cycles, it's mainly because of their ability to generate cash from their services no matter the state of the economy.

This is great for investors who are looking for a reliable dividend, which Clearway does provide. But for investors looking for capital appreciation from an increase in the stock price, the current economic environment is a challenging one for stocks.

High Amount of Debt

Clearway's strategy for growth requires the company to acquire smaller renewable energy assets, apply their expertise to the operation of the acquired asset in hopes that the new asset will contribute to the company's overall revenue. The company relies heavily on debt to execute its strategy.

Clearway ended 2021 with a total debt-to-total equity of 420.45%, or simply, $4.20 of debt to every $1 of equity. Utility companies within the S&P 500 held a total debt-to-total equity of 160.38% in 2021. The company's S&P credit rating of BB suggests that Clearway is a speculative investment. Over the past decade plus, companies have done well by taking on cheap debt to fuel their growth, but with interest rates back on the rise, everyone's variable debt, including Clearway's, will become more expensive to service. In the past Clearway has been able to service its debt without issue, but investors should keep the company debt load in mind.

The size of the company's debt in an environment where interest rates are on the rise makes CWEN.A an investment that is a bit more speculative than the typical utility company. Renewable energy sources become less attractive compared to fossil fuels when interest rates are high. Higher interest rates impact the cost of borrowing, and effectively change the cost of renewable energy.

U.S. Government's Solar Tariff Investigation

There is an investigation into whether or not China has found away to sidestep tariffs and quotas placed on solar cells by the Trump administration. It's alleged that China solar cell manufacturers have used their business relationships Thailand, Vietnam, Cambodia, and Malaysia to ship Chinese manufactured solar components from those countries to the U.S. The investigation is still ongoing, and could cause delays to solar projects that are in the works for Algonquin. Additional tariffs on solar components coming from Asia could impact the cost of solar projects in the future.

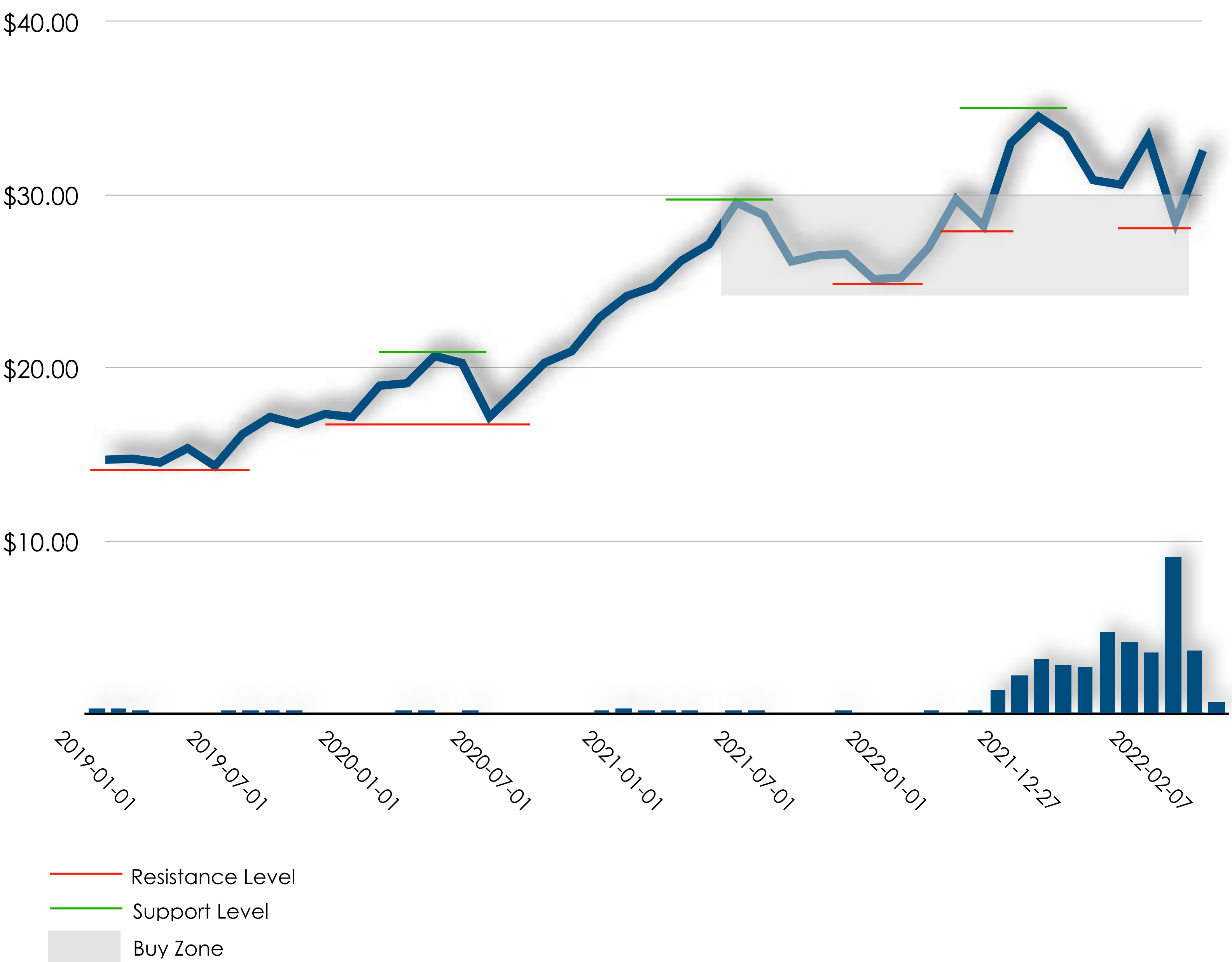
We have assessed the risks associated with Clearway and believe that the fundamentals of the company will improve as the energy revolution continues.

CWEN.A Peer Review

Income Statement	CWEN.A	BEP	CEG	NEP		
Revenue (ttm)	$1.26B	$4.22B	$19.6B	$1.02B		
EBITDA	$902M	$2.69B	$4.61B	$656M		
Net Income (ttm)	$16M	-$242M	$694M	$79M		
Diluted E.P.S. (ttm)	$0.14	-$0.51	$2.12	$1.00		
Balance Sheet	**CWEN.A**	**BEP**	**CEG**	**NEP**		
Total Assets	$12.8B	$55.8B	$44.0B	$18.9B		
Total Liabilities	$9.51B	$31.8B	$36.4B	$7.81B		
Cash Flow Statement	**CWEN.A**	**BEP**	**CEG**	**NEP**		
Operating Cash Flow (ttm)	$747M	$686M	$1.62M	$693M		
Levered Free Cash Flow (tm)	$370M	-$279M	$2.55B	-$279M		
Margins	**CWEN.A**	**BEP**	**CEG**	**NEP**	**S&P 500 Industry**	**S&P 500 Sector**
Profit Margin	1.27%	-5.73%	3.53%	7.77%	5.41%	12.1%
Operating Margin (ttm)	21.7%	27.4%	10.6%	19.8%	19.7%	20.4%
Return on Assets (ttm)	1.40%	1.33%	2.78%	0.81%	2.70%	3.09%
Return on Equity (ttm)	-3.13%	0.10%	6.39%	1.91%	2.76%	11.4%
Ps	**CWEN.A**	**BEP**	**CEG**	**NEP**	**S&P 500 Industry**	**S&P 500 Sector**
Forward Price-to-Earnings	35.9x	1670.0x	20.7x	35.0x	15.2x	19.1x
Forward Price-to-Sales	0.81x	2.58x	1.07x	4.35x	2.87x	3.14x
Price-to-Book (mrq)	2.02x	1.96x	1.67x	1.78x	2.58x	2.32x
Price-to-Cash Flow (ttm)	1.48x	14.23x	12.57x	8.86x	14.3x	13.7x

While forward P/E comes in high, as with the other renewable energy companies listed, forward P/S, P/B, and P/CF all fall below the averages of the utility and diversified-utility companies listed in the S&P 500.

CWEN.A Buy Zone $24.00 - $30.00



The ideal price for a Clearway investment would be under $30.00. The markets are experiencing a rally, and the rally has pulled the price of CWEN.A above $30.00 per share. The stock has been in a nice uptrend since 2019. CWEN.A hasn't fallen as much as the overall markets have since last November, so getting in below $30 may not be possible. We're not against buying slightly above $30, but would much prefer owning the company in the mid to high 20s.

What is Wall Street Saying

Organization	Rating	Price Target	Date
Evercore ISI	Buy *	$46.00	5/26/2022
RBC Capital	Hold *	$35.00	5/9/2022

* Refers to Clearway class C shares. (CWEN)

Summary

Top Reasons to Invest in Clearway

1. The world is going through another energy revolution, with a shift from fossil fuels to renewable energy sources, which should benefit companies like Clearway.

2. Clearway has been able to acquire renewable energy assets that have contributed to the company's growing revenue, positive free cash flow, and steady dividend.

3. The costs associated with renewables are lower than they've ever been and are still in decline, which should accelerate the move over from energy generated from fossil fuels to energy generated by renewable energy sources.

Top Reasons to Avoid Clearway

1. Market risks. The current sentiment is that the markets will be down in 2022, which if true, will make it difficult to get market gains this year .

2. Clearway has over $4 of debt for every $1 of equity, which is more than two times the debt-to-equity of utilities companies within the S&P 500.

3. Interest rates are on the rise, and renewable energy sources become less attractive compared to fossil fuels when interest rates are high.

ALGONQUIN

POWER & UTILITIES

AQN

$14.63

Algonquin

P/E

27.7X

TRAILING

P/S

3.91X

(TTM)

ROE

3.48%

(TTM)

ROA

1.57%

(TTM)

REVENUE

IN MILLIONS

2017	$981
2018	$1,067
2019	$1,031
2020	$1,034
2021	$1,451

NET INCOME

IN MILLIONS

2017	$149
2018	$185
2019	$531
2020	$782
2021	$265

TARGET PRICE

$22.00

DIVIDEND YIELD

4.94%

INDUSTRY

UTILITIES-
RENEWABLES

GRADE

C

What Does Algonquin Power & Utilities Do

Algonquin Power & Utilities Corp., through its subsidiaries, owns and operates a portfolio of regulated and non-regulated generation, distribution, and transmission utility assets in Canada, the United States, Chile, and Bermuda. It generates and sells electrical energy through renewable and clean energy power generation facilities. The company also owns and operates hydroelectric, wind, solar, and thermal facilities with generating capacity of approximately 2.3 gigawatt; and regulated electric, natural gas, water distribution, and wastewater collection utility systems. As of December 31, 2021, it serves approximately 307,000 electric connections; 373,000 natural gas connections; and 413,000 regulated water distribution and wastewater collection utility systems.

Why Invest in AQN

- The current energy revolution makes good investment sense to be a part of.
- The recent market declines have put defensive stocks back in favor.
- Why now is the time to start investing in renewable utilities.

An Energy Revolution

Once again, the world is going through an energy revolution. We may not have lived through the past revolutions, but we've seen signs of their existence. Soil for planting used to be tilled by hand, then animal power was used to drag heavy equipment to till larger plots of land that couldn't be tended to by hand. Oil and gas now fuels the machines that turn soil for farmers. Now, we are in the process of transitioning away from fossil fuel generated energy to renewable energy, and Algonquin Power & Utilities Corp is a company that is playing a small part in the transition.

Getting Defensive

In times of market declines, the portfolios that outperform the markets or lose the least, are those that hold defensive investments. Defensive companies are companies that continue to do well when consumer spending declines. Companies like McDonalds, industries like the healthcare industry and the utilities industry will continue to perform well during down times, because we still need to eat, we still need to address our health issues, and we still need electricity and gas. With the S&P 500 in a six month decline, investing in a renewable utilities company now allows us to get defensive, while exposing our portfolio to the energy revolution.

Money and Strategy

Algonquin's business is broken down into two divisions, the Renewable Energy Group and the Regulated Services Group. Through the Renewable Energy Group, Algonquin generates and sells electricity produced by renewable power generation (hydro, wind, and solar). The Regulated Services Group operates regulated electric, natural gas, and water and wastewater collection utility systems. The Regulated Service Group accounted for more than 85% of the company's revenue in 2021, but Algonquin has plans to grow its renewable energy division.

Algonquin has grown its revenue from 2017 to 2021 at a compounded annual growth rate of 10.7%. The company has shown an ability to grow organically, but does rely on the growth by acquisition strategy. Algonquin's most recent acquisition was New York American Water, and it's currently working on acquiring the Kentucky Power Company and Kentucky Transmission Company. Algonquin has earmarked $12.4 billion to be used between 2022 and 2026 on capital spending and acquisitions. Algonquin's management believes that the $12.4 billion investment will help it grow adjusted earnings per share at a compound annual rate of 7% to 9%.

The company has shown the ability to generate free cash flow, but hasn't done so on a consistent basis. Over the past five years, only two out of the five have ended with positive free cash flow generation. Despite not being able to generate free cash flow consistently, Algonquin pays a dividend, and has increased its payout at a compound annual rate of 10% between 2010 and 2020.

Algonquin ended 2021 with over $4.00 per share in net tangible assets (cash, cash equivalent, inventory, property & equipment, and long term investments minus total liabilities).

In Q1 20202 net tangible assets per share fell to $3.37, due to a slight increase in total liabilities and a decline in cash, property plant and equipment and long term investments. We look at the net tangible asset per share figure as a discount to the stock price. If AQN is already providing $3.37 per share in value to shareholders after total liabilities are satisfied, we're only paying $11.26 for the stock ($14.63 - $3.37).

Growth in Renewable Energy

Last year Algonquin completed a 24 megawatt wind facility and was able to sell the energy produced from this facility to Hydro-Quebec. In addition, in April 2022 the company completed a 175 megawatt wind facility in Saskatchewan, and has contracted the energy from that facility to SaskPower. The company has several other wind facilities in progress, Shady Oaks II, Deerfield II, and Sandy Ridge.

During Q1 2022, an offtake agreement was made between Meta, formerly known as Facebook and Algonquin's 112 megawatt Deerfield II wind farm. Offtake agreements, or energy partnerships, are a big part of the shift towards renewable energy in the U.S. as pointed out last year by JDSupra. Large companies like Google. Apple and Facebook to name a few have signed offtake agreements with renewable energy companies to reach their goals of becoming carbon neutral enterprises. The recent agreement is the second that Algonquin has done with Meta.

Outlook and Forecast

2050 is the year to keep in mind. The U.S. is hoping to achieve 100 percent carbon-free electricity by 2035, but experts surveyed by PWC believe 2050 is a more realistic date for the U.S. to reach its goal.

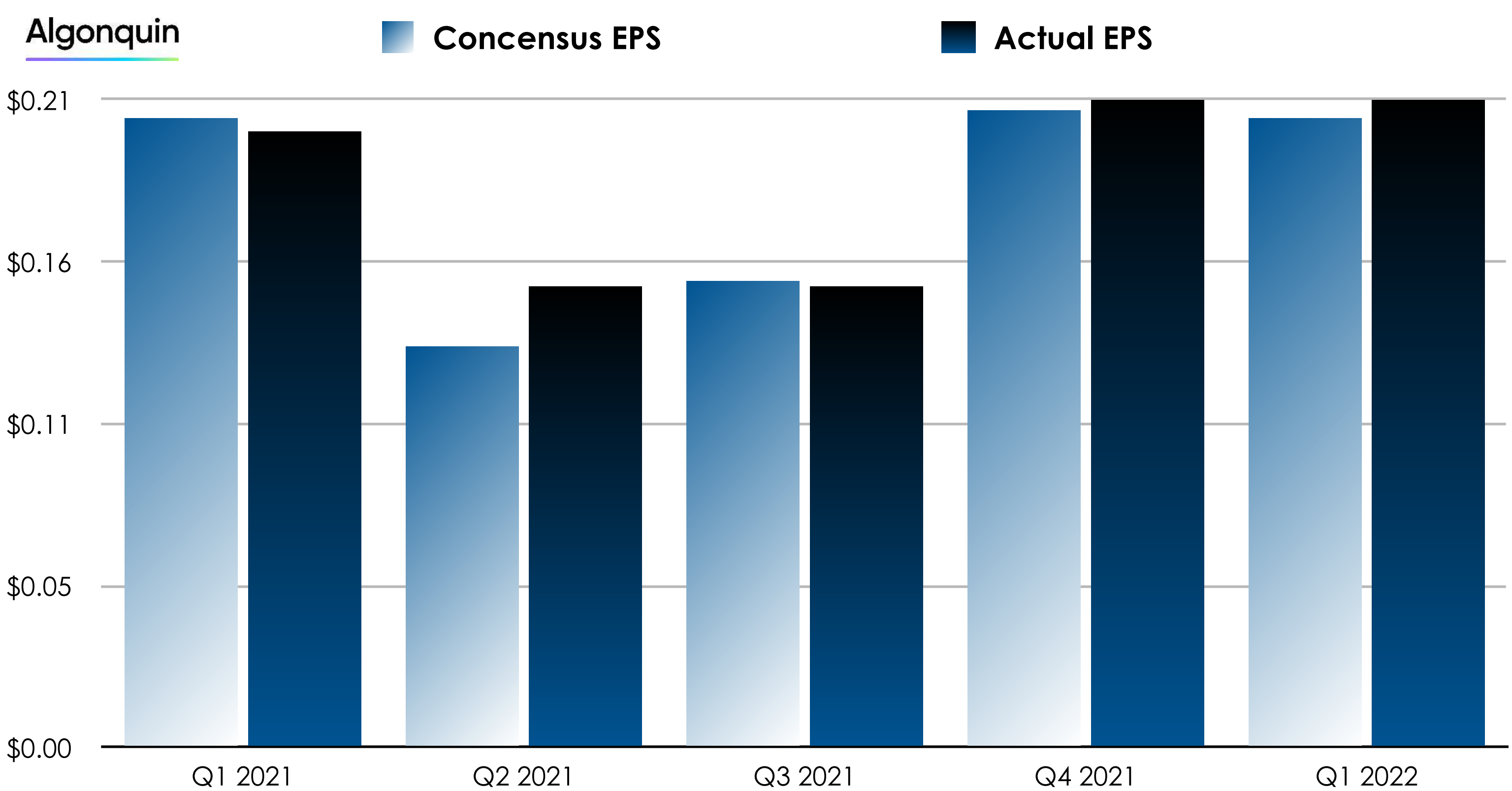
The U.S. ended 2020 with 100 gigawatts (GW) of solar capacity and 122 gigawatts of wind power capacity. In order to decarbonize the energy sector between 2035 and 2050, the U.S. will need to add 70 - 100 GW of solar and wind capacity per year.

Why Get into Renewables Now

The costs associated with renewables are lower than they've ever been and are still in decline. Without tax incentives, solar and wind have become the cheapest source of power throughout most of the United States. In some situations, the cost of building new solar or wind plants is less than the costs associated with running an existing coal-fired plant. Which is likely the reason we've seen a number of companies announce the closing of coal-fired plants. According to an IEEFA report, electricity producers have announced plans to close 99 gigawatts of coal plants through 2030.

Another energy revolution is in motion, and an investment in Algonquin is another way to benefit from this revolution. The company's history of dividend raises makes this an attractive investment at this price point. Algonquin's growth by acquisition has worked to a degree, as the company has been able to grow revenue over the past five years. And Algonquin's more than $3.00 per share in net tangible assets is a nice addition.

This stock isn't a high flier, it's a defensive play that could help steady a portfolio that is heavily weighted with technology stocks and feeling the roar of the bear. For the investor looking for defensive companies with a history of dividend increases, Algonquin should be on the watch list.



What are The Investment Risk

The possible loss of capital is attached to all investments, and Algonquin is no exception. There are several touch points of the overall economy and within the company itself that present risk and a possible loss of capital.

Market Risk

The markets have been in decline, and the current sentiment on Wall Street is that 2022 will be a tough year for stocks. The market's decline has been attributed to the fast pace in which the market rose since mid March 2020, as well as high inflation, rising interest rates, and a two party war that has the potential of escalating into a larger conflict.

Inconsistent Positive Free Cash Flow

Free cash flow is the money left over after a company purchases assets and makes other major investments needed to maintain or grow the business. The cash left over after investing in the business can be distributed to investors by way of dividend. Algonquin's inability to produce consistent free cash flow in the past is a concern. Companies that can consistently produce free cash flow are able to fund their own growth, and rely less on issuing debt.

Debt to Operating Income

Algonquin ended 2021 with a debt to service ratio of .77. The ratio shows how much of the company's current debt it can cover with its operational income. For AQN, the company could only cover 77% of its current debt obligation of 2021 with its operational income. Typically, the further over 1 the ratio is the better. Algonquin had a debt to service ratio of 2.75 in 2018 and 2.26 in 2017.

U.S. Government's Solar Tariff Investigation

There is an investigation into whether or not China has found a way to sidestep tariffs and quotas placed on solar cells by the Trump administration. It's alleged that China solar cell manufacturers have used their business relationships in Thailand, Vietnam, Cambodia, and Malaysia to ship Chinese manufactured solar components from those countries to the U.S. The investigation is still ongoing, and could cause delays to solar projects that are in the works for Algonquin. Additional tariffs on solar components coming from Asia could impact the cost of solar projects in the future.

Rising Interest Rates

In the United States, inflation has hit a 40 year high, and to tame high inflation, interest rates have been raised. Renewable energy sources become less attractive compared to fossil fuels when interest rates are high. Higher interest rates impact the cost of borrowing, and effectively change the cost of renewable energy.

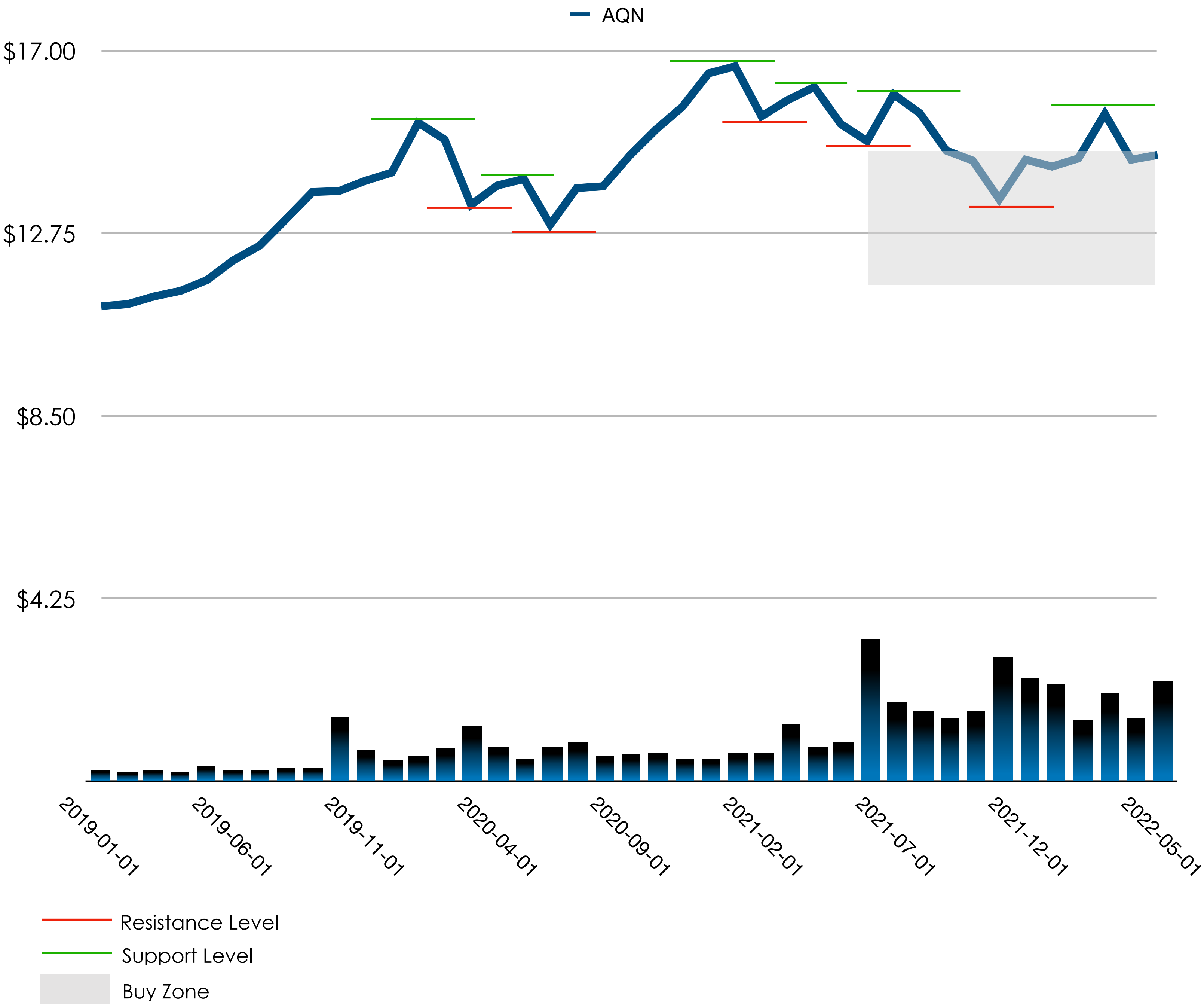
We have assessed the risks associated with Algonquin and believe that the company can reshape its business into one that produces consistent cash flow and has a better debt to service ratio. At the moment, less than 15% of Algonquin's revenue comes from renewable energy. The Commerce Department's investigation into solar tariffs could delay Algonquin solar related projects that are in the works, but, the other power generation sources within the company, as well as any new acquisitions should allow Algonquin to sustain itself through the U.S. government's investigation.

AQN Peer Review

Income Statement	AQN	BEP	CEG	NEP		
Revenue (ttm)	$2.3B	$4.22B	$19.6B	$1.02B		
EBITDA	$838M	$2.69B	$4.61B	$656M		
Net Income (ttm)	$332M	-$242M	$694M	$79M		
Diluted E.P.S. (ttm)	$0.52	-$0.51	$2.12	$1.00		
Balance Sheet	**AQN**	**BEP**	**CEG**	**NEP**		
Total Assets	$16.7B	$55.8B	$44.0B	$18.9B		
Total Liabilities	$9.08B	$31.8B	$36.4B	$7.81B		
Cash Flow Statement	**AQN**	**BEP**	**CEG**	**NEP**		
Operating Cash Flow (ttm)	$567M	$686M	$1.62M	$693M		
Levered Free Cash Flow (tm)	-$801M	-$279M	$2.55B	-$279M		
Margins	**AQN**	**BEP**	**CEG**	**NEP**	**S&P 500 Industry**	**S&P 500 Sector**
Profit Margin	14.3%	-5.73%	3.53%	7.77%	5.41%	12.1%
Operating Margin (ttm)	17.3%	27.4%	10.6%	19.8%	19.7%	20.4%
Return on Assets (ttm)	1.57%	1.33%	2.78%	0.81%	2.70%	3.09%
Return on Equity (ttm)	3.48%	0.10%	6.39%	1.91%	2.76%	11.4%
Ps	**AQN**	**BEP**	**CEG**	**NEP**	**S&P 500 Industry**	**S&P 500 Sector**
Price to Earnings (ttm)	19.4x	1670.0x	20.79x	35.09x	15.2x	19.1x
Price to Sales (ttm)	3.48x	2.58x	1.07x	4.35x	2.87x	3.14x
Price to Book (mrq)	1.73x	1.96x	1.67x	1.78x	2.58x	2.32x
Price to Cash Flow (ttm)	17.4x	14.23x	12.57x	8.86x	14.3x	13.7x

Algonquin's profit margin stands out when compared to other companies within the renewable energy industry. Its profit margin also tops the average profit margin of the utilities companies within the S&P 500.

AQN Buy Zone $10.00 - $14.50



Algonquin's stock hit an all-time high of $17.86 in February of 2021. Since then, it's struggled to find any upward momentum. The goal with AQN is to invest below $14.50 and wait for the stock to break above its former high.

What is Wall Street Saying

Organization	Rating	Price Target	Date
RBC Capital	Buy	$17.00	5/16/2022
National Bank	Hold	-	5/4/2022
Credit Suisse	Hold	$14.29	4/12/2022

Summary

Top Reasons to Invest in Algonquin Power & Utilities Corp

1. The world is going through another energy revolution, with a shift from fossil fuels to renewable energy sources, which should benefit companies like Algonquin.
2. Algonquin's ability to grow revenue and their dividend payout, along with their up and coming renewable energy business makes them an attractive utility company.
3. The costs associated with renewables are lower than they've ever been and are still in decline, which should accelerate the move over from energy generated from fossil fuels to energy generated by renewable energy sources.

Top Reasons to Avoid Algonquin Power & Utilities Corp

1. Market risks. The current sentiment is that the markets will be down in 2022, which if true, will make it difficult to get market gains this year .
2. Algonquin's inability to generate consistent positive free cash flow and the company's low debt coverage ratio.
3. Interest rates are on the rise, and renewable energy sources become less attractive compared to fossil fuels when interest rates are high.

I will tell you how to become rich. Close the doors. Be fearful when others are greedy. Be greedy when others are fearful.
– Warren Buffett

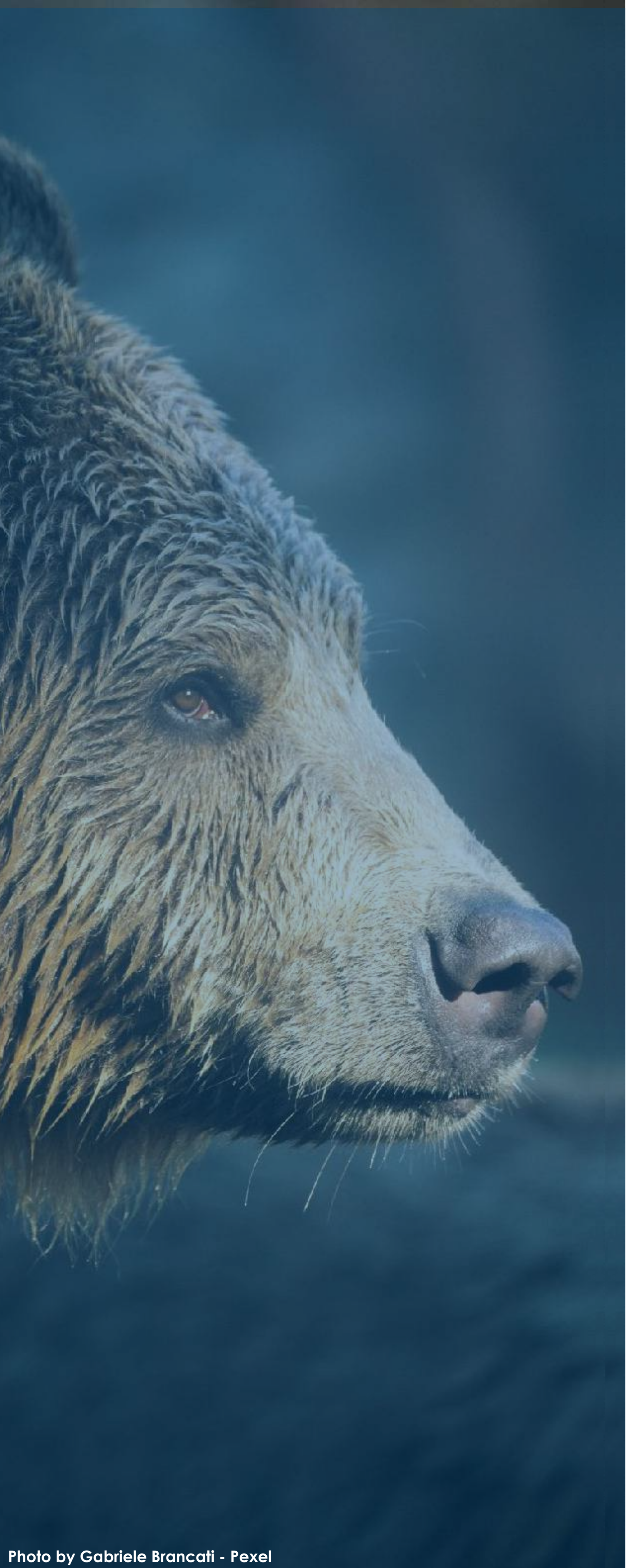


Photo by Gabriele Brancati - Pexel

Demystifying DeFi

Looking at the ways crypto investors have been making money hand-over-fist.

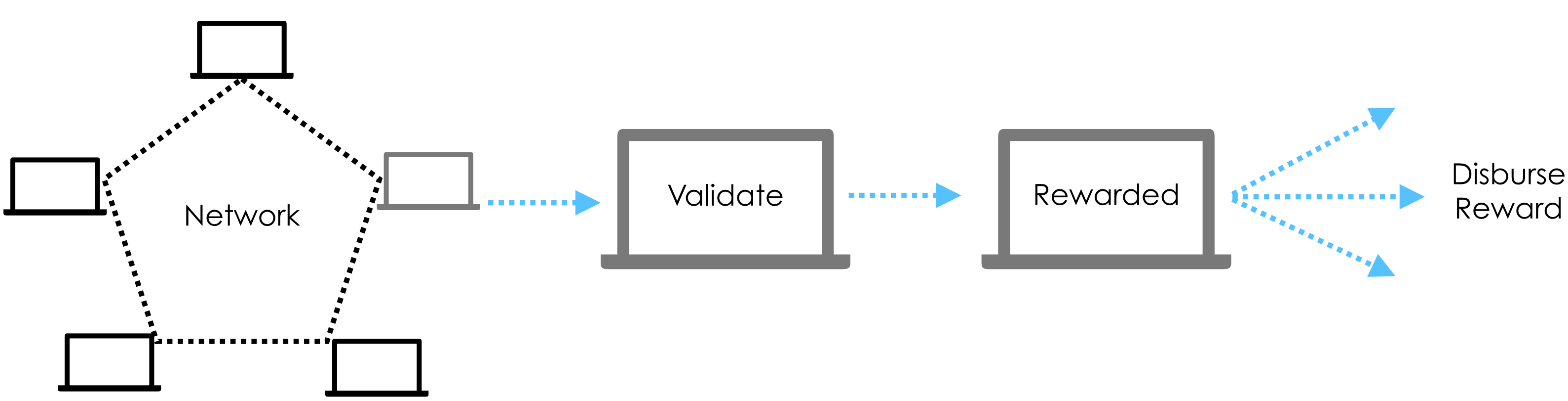
Decentralized Finance continues to grow from new DeFi apps and protocols emerging rapidly and offering very attractive interest rates to early adopters. While the space has seen massive growth over the past two years, the industry as a whole is still very small when compared to centralized financial institutions. DeFi Pulse currently puts the total value locked in DeFi platforms at $56 billion, which is a tremendous amount of money. However, that amount pales in comparison to a centralized financial institution like Goldman Sachs, which ended 2021 with over $1.4 trillion in assets.

Comparing the nascent DeFi industry to a centralized institution that's been around for more than 150 years is unfair, but the comparison provides insight into just how early DeFi is in its development, and how much more it has to grow to compete with traditional finance and traditional finance institutions.

We are a newsletter that focuses on long-term equity investing, but we can't ignore the gains - and the losses - that are taking place within the DeFi space. We briefly touched on DeFi last year in our Digital Investment issue, and in this feature we'll revisit DeFi, and go into how people are making money on DeFi platforms.

What is DeFi?
DeFi is short for decentralized finance, and it is the concept of moving typical financial transactions conducted by centralized organizations to the blockchain where they are decentralized. Transactions like saving, borrowing, lending, investing, and insuring can now all be done on the blockchain thanks to decentralized exchanges.

Because of DeFi, cryptocurrency investors and speculators have additional ways of making money on their cryptocurrencies, aside from the gains that come from market price increases. We'll discuss several ways that investors and cryptocurrency enthusiasts are making money with decentralized finance.



Stake

There are two ways to validate cryptocurrency transactions. One is by proof-of-work, the other is by proof-of-stake. With proof-of-work, the nodes on a network compete to solve a complex problem, and the first to solve the problem is allowed to add a new block and earn a reward. Bitcoin uses the proof-of-work model. With proof-of-stake, cryptocurrency owners stake their crypto holdings, and a validator is chosen from those that have staked their cryptocurrency. Once chosen, that validator verifies that all of the transactions within a block are accurate. Once the transactions have been validated, the block is added to the blockchain, and the validator is rewarded. If the validator's verification of the block is incorrect, the validator will lose a part of their stake. Avalanche, Cardano, Solana, Tezos, and Alogrand are a few coins that use proof-of-stake. Ethereum has plans to move from proof-of-work to proof-of-stake.

For anyone holding a coin that relies on proof-of-stake, they can stake their coin themselves. In order to do this, you will need to set up a computer to be a node on the coins network to validate transaction blocks, and this requires some computer programming knowledge. The alternative to this is joining a staking pool.

With a staking pool, you're pooling your crypto with others who own the same staking cryptocurrency, and a validator uses the pooled crypto to earn the right to validate a block. One of the drawbacks of the proof-of-stake model is that nodes that have staked a higher amount of the cryptocurrency are prioritized to validate transactions over nodes with a smaller amount of the cryptocurrency staked. The more cryptocurrency the node has staked, the better its chances of being chosen to validate a block.

As the validator successfully verifies transition blocks, it earns the fee associated with the block, the fee is split amongst participants in the pool, after the validator takes their fee.

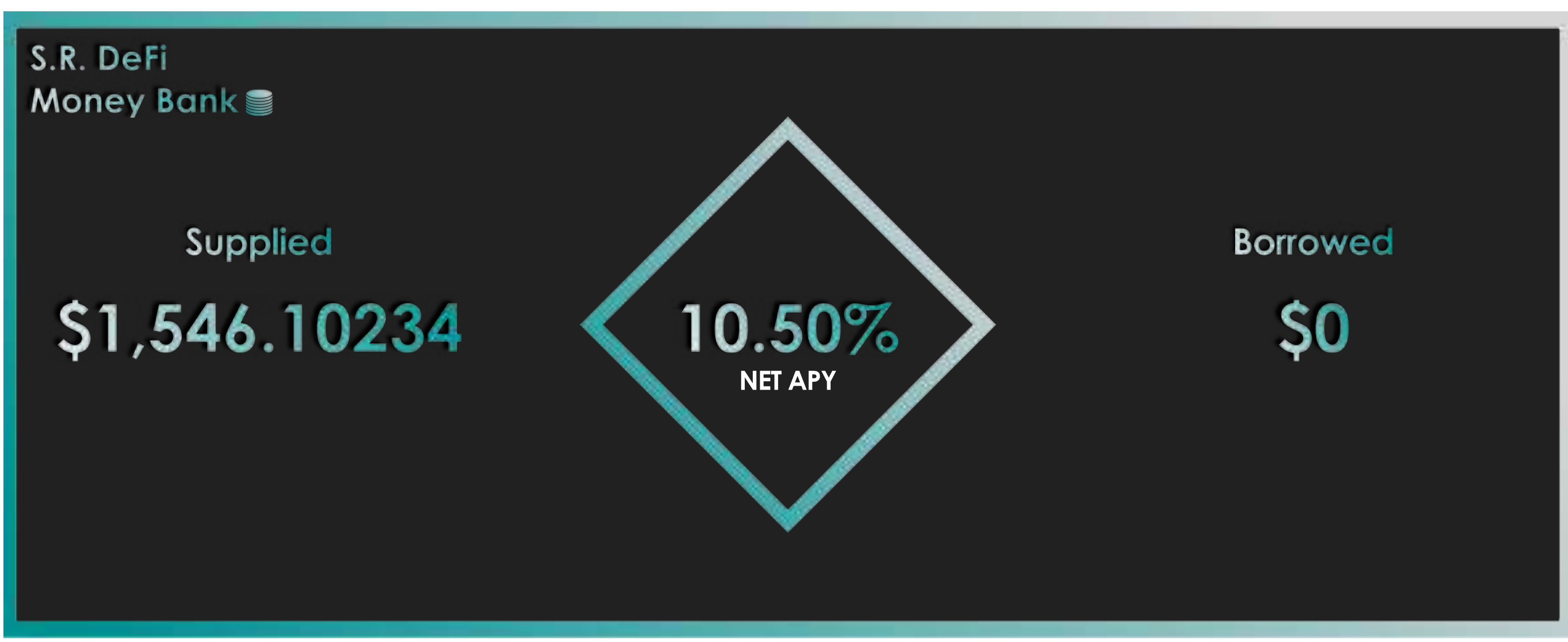
Some platforms offer one click staking. Coinbase for instance allows Coinbase customers that are holding Algorand to stake their crypto. Currently Algorand offers a 5.75% APY before Coinbase's fee. On the Aave platform, holders of Aave can stake their Aave tokens and earn an APR of over 8%. But the big money is in staking lesser known tokens. Crypto investors who are willing to stake coins that aren't household names even amongst crypto investors can see APRs upwards of 50% for staking.

Staking does come with risks. For those using a staking pool, the pool manager can increase the fees, essentially using your stake to win the right to validate blocks, but then keeping a larger portion of the fees earned for themselves. There is a possibility that the validator steals the entire pool of staked cryptocurrency along with the staking reward.

Lend

Lending cryptocurrencies is another way to make income from crypto holdings. People who decide to lend their cryptocurrency, will take on the responsibilities of a bank, because they will need to seek out the platforms and protocols to lend to, like a bank would seek out qualified borrowers. The benefit of this is that the crypto holder through their own research can find and lend their crypto to whomever is paying the highest APY. The downside of this is that the lender has to do their own leg work, which includes vetting the platform or token and possibly swapping one token for another in order to secure a higher interest payout.

On lending platforms like Compound.finance and Aave.com people looking to earn money on their crypto can search the sites for an APY to their liking. Once an attractive APY has been located, it's just a matter of connecting a crypto wallet to the site, depositing the cryptocurrency you want to lend, and that's it. From there, you can watch the interest on your cryptocurrency accumulate.



Invest

Investing in Defi is as simple as investing in the DeFi protocols themselves. Lending platforms like Compound Finance and Aave have their own token, which allows holders of the token a say in how the protocol is managed. Investors who choose to invest by purchasing the token produced by a protocol will benefit when the price of the token increases and will lose money when the price of the token declines. Investing in protocols come with big risks, as the protocol could fail to attract users and go out of business.

Another way of investing in DeFi is by purchasing DeFi related index funds. The **SPDR S&P 500 ETF Trust ($SPY)**, is an exchange traded fund that tracks the S&P 500, and allows investors to gain exposure to the 500 best companies within the United States that make up the S&P 500. By buying a share of the SPY, investors are gaining a small portion of the 500 best publicly traded companies. For investors who prefer index funds to individual investments, there are DeFi based index funds that track the best protocols within DeFi.

Total Crypto Market Cap, or TCAP for short, is an index that tracks the entire cryptocurrency market. The DeFi Pulse Index, the DeFi index with the largest market capitalization amongst DeFi Index projects, tracks 14 for the most notable protocols within DeFi like, Uniswap, Maker, Aave, Compound, and yearn.finance to name a few. For investors interested in the Metaverse, The Metaverse Index, was designed to track sports, business, and entertainment trends taking place in virtual environments. This list isn't a comprehensive list of all of the DeFi Index funds available, but App.zerion and indexcoop.com are two sites that provide a comprehensive list of DeFi related index funds.

Investors should keep in mind that DeFi related index funds will increase and decrease with the DeFi market and the traditional stock market.

For investors who are bullish on cryptocurrencies and/or decentralized finance, and want to be involved, but don't have the time or patience to research individual tokens and protocols, a DeFi Index fund is a good option.

Insure

Insurance is a pillar of centralized finance. While it doesn't get discussed as much as stocks, bonds, banking, and real estate, it is just as important. In 2020, the gross premiums written in the 38 OECD member countries totaled $5.23 trillion, which is the size of the global technology industry.

The beauty, and the beast of Decentralized Finance lies in the smart contract, it is the foundation of the industry. Decentralized Finance operates outside of the "Know Your Customer" rule that traditional companies within finance have to abide by. Within DeFi, loans and staking aren't based on race, color, sexual orientation, or quality of education. If someone wants a loan from a DeFi platform, they only need to deposit their cryptocurrency as collateral. If someone wants to take advantage of the very high interest rate being offered by a DeFi platform, it's as simple as connecting a digital wallet and staking the required tokens. No names, no social security numbers, no address, or work history are required to do these transactions through DeFi thanks to smart contracts.

Smart contracts are contracts coded by software engineers, that are programmed to work when certain parameters are met. Because code is written by people, and people make mistakes, DeFi protocols are vulnerable to bad actors who look to take advantage of errors in the code. This is where DeFi insurance protocols come in.

Nexus Mutual, inSure DeFi, Armor.fi, Nsure Network, are a few of the DeFi protocols offering insurance to DeFi investors and DeFi protocol creators. Coinmarketcap offers a comprehensive list of DeFi insurance protocols that are available to invest in. Though not a major money maker yet for investors, insurance for DeFi protocols and crypto assets could take off as the decentralized finance increases.

According to theblockcrypto.com, from the beginning of 2022 up to May 1, 2022, $2.1 billion has been stolen in DeFi attacks. The DeFi industry is still young, unregulated, and prone to hacks. Most DeFi sites offer bug bounties - rewards to programmers who can find vulnerabilities in their code, but the amount hackers have been able to steal trumps the amount that companies offer for ethically hacking their systems. For DeFi to grow to the point where it rivals centralized finance, it has to provide security to its users and their assets, and DeFi insurance platforms are able to assist with that.

$$$ So Where is the Big Money Made?

The big money is made by being a liquidity provider, but there are tremendous risks involved. When an investor provides liquidity to a platform, their money is pooled together with funds from other investors. The DeFi platform collects transaction fees for trades conducted on the platform and splits those fees with the liquidity providers.

For example, an investor with $1,000 worth of ETH and $1,000 worth of AVAX, provides the $2,000 worth of tokens to an ETH-AVAX liquidity pool on a site like TraderJoexyz.com. The $2,000 is pooled with $98,000 worth of ETH and AVAX already in a liquidity pool. With $2,000 in the pool, the investor has a 2% ownership of the EHT-AVAX pool. When other TraderJoe users use the ETH-AVAX pool to swap between tokens, TraderJoe collects a transaction fee. If TraderJoe collects $30,000 in fees on $1 million worth of transactions within the ETH-AVAX pool, the investor is entitled to 2% of the $30,000 collected, or $600.

Over the past two years, crypto investors have been able to secure big monetary gains by putting their cryptocurrencies to work in liquidity pools across a number of different platforms,

There are DeFi protocols offering investors up to $3,000 in returns for every $1,000 of liquidity provided. The high payouts are a way of attracting assets to a platform. The more assets a DeFi platform can attract, the more they can invest in their platform and services, and the more money they can loan out and collect interest on. But investors beware. As discussed earlier, there are bad actors in the DeFi space. Rug pulls have become common in the industry. A rug pull occurs when someone establishes a DeFi platform, advertises an extremely high APY, and after securing a sizable amount of deposits, shuts the platform down and disappears with crypto that was offered to the liquidity pool. Also, liquidity pools have been in hacked in the past. If the code for the smart contract is constructed poorly, it leaves the pool vulnerable to an outsider draining the liquidity pool of its funds.

Hacker Drains $500K From DeFi Liquidity Provider Balancer

The sophisticated attack exploited a loophole that tricked the protocol into releasing $500,000 worth of tokens.

CoinDesk

Then there's the risk of impermanent loss, which occurs if assets provided to the pool increase in price rapidly or decrease in price rapidly. Going back to the example of the investor who provided $1,000 of ETH and $1,000 of AVAX to a liquidity pool, if the price of Ethereum increases from $2,000 per coin to $4,000 per coin, that's a 100% gain that the investor missed out on because their assets were in the liquidity pool. And, if the price of Ether drops rapidly, the yield rate received from the liquidity pool may not be enough to offset the loss.

To receive the big money associated with providing liquidity to a DeFi platform, investors are hoping for several things to happen that are out of their control. The project has to be a legit project and not just a ploy to steal crypto assets. The smart contract has to be safe and secure, the liquidity pool has to generate enough fees to make the investment worth doing, and the price of the tokens provided to the pool need to rise in unison, decline in unison, or stay stable in order to avoid impermanent loss.

How People Have Been Making Money From Owning Cryptocurrencies
Hopefully this provided some insight into how people have been making money from the crypto markets over the past few years. Thanks to Decentralized Financial platforms, cryptocurrency investors don't have to wait around for the next big price move in the crypto markets, they can use their crypto to make money even when the price of crypto isn't doing much.

Investors considering entering the DeFi space should do their research, and I strongly suggest that the research be very thorough. While there are some great DeFi platforms and ideals available, there are dozens of bad ideas with little to no chance of success. In addition there are bad actors attempting to capitalize on any vulnerability displayed by DeFi platforms. In either case, insufficient research, a bad DeFi protocol, or a bad actor could result in large financial losses for investors.

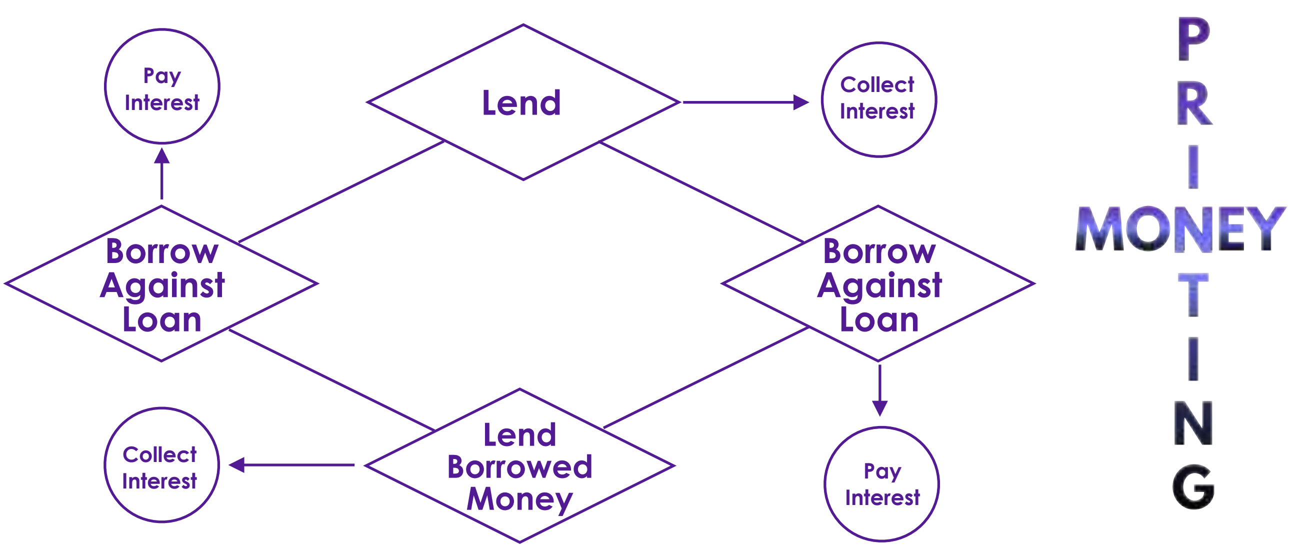
We think Decentralized Finance will be a major competitor to traditional finance by the end of the decade. The smart investors who are quick to see opportunities when others see confusion are typically rewarded with big gains. We're still focused on investing in equities and holding those equities over the long term, but we can't ignore what's happening in Decentralized Finance. We look forward to discussing other aspects of DeFi as well other alternative investments in the future. Invest safely.

Bonus: Leveraged Lending

Another way crypto investors have been making money in DeFi is through leverage lending. We covered lending earlier, where a holder of cryptocurrency lends their crypto to a platform, and earns interest on the crypto loaned. With leveraged lending, a person who loans crypto to a platform and collects interest on that crypto, would then use their loaned crypto as collateral to take out a loan from the same DeFi platform. With new money in hand, the investor will lend that money to the DeFi platform, collecting interest on another set of crypto provided to the platform. With the second amount of money provided to the platform, the investor takes a loan against that money, and on, and on, until the investor is unable to borrow any more money from the platform.

There are some downfalls to leveraged lending. The interest rate paid on borrowed crypto is more than the interest earned on money loaned to the platform. Also, if the price of the crypto borrowed experiences a significant decrease in price, the loan could be liquidated once the loan is no longer over collateralized, and a liquidation fee will be taken against the crypto that was held as collateral.

The idea scenario for leveraged lending would occur when crypto prices are rising, as the rising price of the cryptocurrency would help to offset the interest owed, and the investor would keep any capital gains received from the sale of the borrowed cryptocurrency, as well as the interest earned on the crypto loaned to the platform. This is a strategy employed by investors within crypto who possess sizable amounts of crypto assets and knowledge on how crypto markets trade. This is an advanced strategy that can turn a small amount of crypto into a sizable amount if executed in good market conditions.



Swing Trading

A look in to how traders profit from market swings.

Photo by Leonard Dahmen From Pexel

To master the game of investing, it helps to understand the other players participating in the game. There are several groups that are moving markets on a daily basis, and all of the groups are looking to capitalize from the markets, but in their own way. There are the long term investors that look to buy investments cheap, hold for one to three years, and sell the investment at a much higher price than when they purchased it. There are day traders that are looking to capitalize on quick, short-term moves made by a trade-able investment. Successful day traders aren't making the big gains on one investment that a long term investor does, instead, day traders pile up a number of small wins that turn into a big win over time. There's also momentum traders, who look to profit from long-term trends and changing market momentum. Momentum traders will go long (buy an investment) if they think an investment is in an up trend, and go short (sell an investment) if they think an investment is in a down trend. Momentum traders will stay with the trade until the trend breaks, which can be several days, several weeks, or several months. Then there's swing traders, who fall somewhere in-between day traders and momentum traders. Swing traders are attempting to capture one swing of a trend, and are typically out of their trade within six or seven days. Similar to day traders, swing traders are looking to accumulate lots of small wins in hopes they combine for a great gain at the end of the trading year.

Trading, whether it be day trading, momentum trading, or swing trading, are disciplines that require years of study and practice to master. In this article we're going to discuss what swing trading is, how it's used to profit from movements in the market, who swing trades, the benefits of swing trading, and the drawbacks of swing trading. We'll also discuss two swing trading strategies used by professional and retail traders alike.

Support: Refers to the price level that an asset does not fall below for a period of time. *(Investopedia)*

Resistance: Is the price at which the price of an asset meets pressure on its way up by the emergence of a growing number of sellers who wish to sell at that price. *(Investopedia)*

Price Action: The movement of a security's price plotted over time. Price action forms the basis for all technical analysis of a stock, commodity or other asset chart. *(Investopedia)*

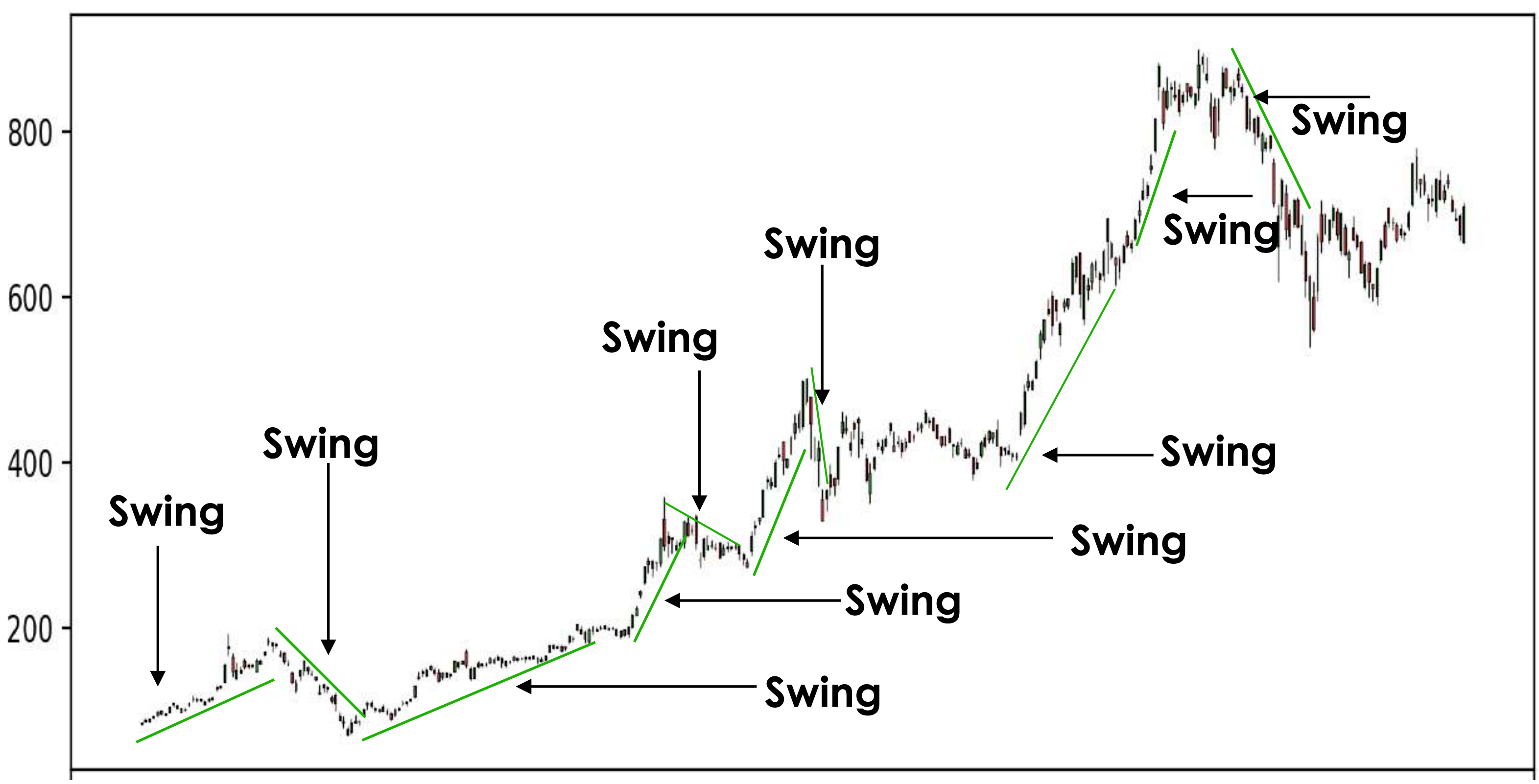
Market Indicator: A market indicator is a quantitative tool that is used by traders to interpret financial data in order to forecast stock market movements. *(CFI)*

Technical Indicator: Heuristic or pattern-based signals produced by the price, volume, and/or open interest of a security or contract used by traders who follow technical analysis. *(Investopedia)*

I. What is Swing Trading

Swing trading is a style of trading that uses technical analysis to predict short term price movements in financial instruments. While it is possible to incorporate fundamental analysis into a swing trading strategy, the bulk of swing trading relies on the technicals, such as support and resistance levels, moving average levels, indicator readings, volume levels, and price action of the investment in question. Swing trades typically last from 2 to 6 days, but can go longer if the technicals support staying in the trade.

Where day traders look to capture and profit from micro moves, and momentum traders try to capture the bulk of a trend, swing traders are concerned with profiting from one swing. The diagram below shows an investment in an up trend. Though the overall trend is up, there are pull backs within the trend, these pull backs represent swings, and this is where swing traders look to make their money.



Stop Loss: An order placed with a broker to buy or sell a security when it reaches a certain price. Stop-loss orders are designed to limit an investor's loss on a position in a security. *(Investopedia)*

Moving Average: a calculation to analyze data points by creating a series of averages of different subsets of the full data set. *(Wikipedia)*

II. Who Uses Swing Trading

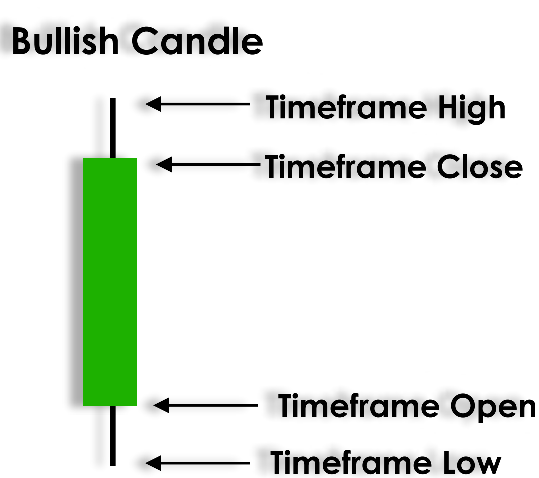
Swing trading is used by major Wall Street investment banks, multinational banks, and hedge funds, as well as small retail traders. Wall Street banks have trading desks with well trained professionals that work to extract profits from the market from swing trading. Banks all over the world swing trade the forex exchange markets to bolster or reduce reserves of a particular currency. Swing trading doesn't require a trader to watch a screen all day, like a day trading does. Because of this, swing trading can be an effective way for people who have full-time jobs to trade the markets. In addition to that, there are farmers, oil prospectors, and others who swing trade the commodities markets when they feel there is information and a swing they can profit from.

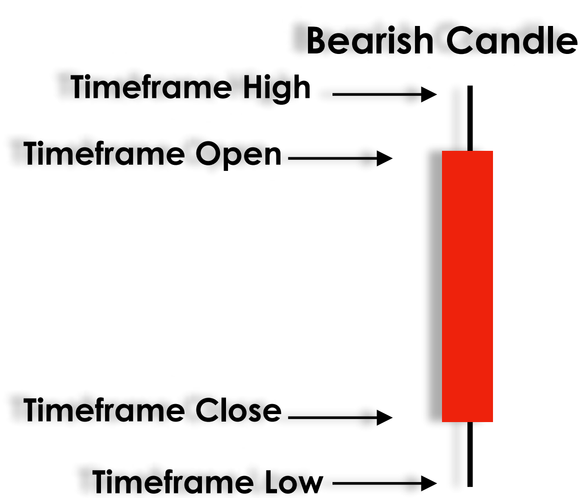
III. What are the Benefits

There are several benefits to swing trading. One of the major benefits is that an investor's money doesn't stay in the markets long. For swing traders, once a trade is taken, the trade will either fail within a few days, and they will exit with a small loss, or the trade will move towards profitability, in which they'll exit the trade at their desired profit target and wait for the next trading opportunity. Another benefit to swing trading is that it can be done with different asset classes. Once someone understands how to read charts and technical indicators, the skill can be applied to cryptocurrency charts, foreign exchange charts, commodity charts, in addition to stock charts.

IV. What are the Drawbacks

The drawbacks of swing trading are that it requires time to understand how to read charts, understand price action, and decipher other technical indicators. There's also a high degree of failure associated with swing trading. To become a decent swing trader requires a significant amount of loss and getting things wrong. Even well established successful traders lose money.



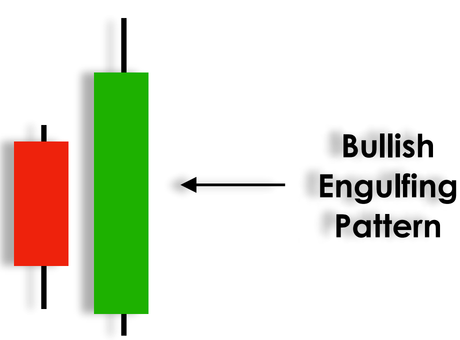


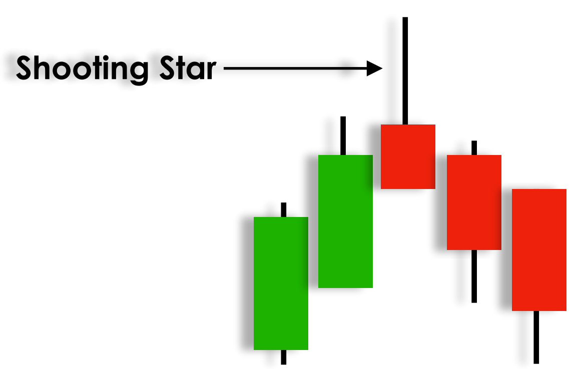
V. What to Know to be a Good Swing Trader

To be a good swing trader, there are many things that a person needs to know and understand, but we'll only list some of the basics. Maybe the most important thing to understand is **support and resistance levels.** Support and resistance levels tell a story about the behavior of an investment and how it's been traded by investors and traders. Understanding how to spot support and resistance levels, and being able to decipher what the levels mean is a must to be a good swing trader.

Understanding **capital management** is another must to being a successful swing trader. Capital management encompasses understanding what percentage of the portfolio should be allocated to a swing trade. It also encompasses knowing what the profit target is for every trade attempted as well as the max loss that can be taken on a trade.

Understanding **candlestick patterns** and **price action** are also essential to being a good swing trader. Candlestick patterns are an extensive topic, and we'll just be scratching the surface here. As shares of investments trade back and forth between buyers and sellers, charting software takes the buys and sells and groups them into a candlestick, so that investors can get a visual representation of the buying and selling taking place. These candle sticks can be grouped into a 30 second block or a one month block and everything in-between. A 30 second candlestick captures all of the trades that occurred in a 30 second period, a 15 minute candlestick captures all of the trades that occurred in a 15 minute time period. **Candlestick patterns** form over time based on the buying and selling taking place on an investment. Some of the patterns that may form are a bull flag, a bear flag, a cup and handle pattern, a head and shoulders pattern, a double top or double bottom, a symmetrical triangle, a descending triangle, a wedge pattern, a rounding top or a rounding bottom, and those are just a few of the macro patterns. Within those, traders have to be aware of the micro patterns, like the hanging man, the dark cloud cover, three white soldiers, the morning star, the bullish engulfing pattern, the bearish engulfing pattern, and many others. Knowing how to recognize these patterns on a chart helps give swing traders an edge, and helps them to decide on which trades to take and which trades to pass on.





Price action, refers to the way the investment trades at a specific price area or spot on a chart. For example, stocks typically face a psychological barrier when they trade to or close to a major round number. A stock that has traded under $10 for a significant period of time may trade to $10 and then decline or trade close to $10 per share and decline. Traders read price action by watching the buys and sells that enter the market for the stock as it nears $10 per share, and the price action at that level will determine if and how the trader will trade that particular stock. Most sophisticated trading platforms provide **level two quotes**, so that traders can track all trades coming into the market for an investment. Using level two, traders can see if there are more buyers than sellers at a particular price and vice versa, they can also see when attention for a particular investment wanes.

Level 2 quotes via E-Trade

Understanding **moving averages** and how to use **indicators** is also a requirement to being a good swing trader. Moving averages take particular aspects of a candle, like the closing price, and averages out the price over time to smooth out the movement of the stock price. Moving average durations varies from trader to trader, but the 10-day and 20-day moving averages are popular among swing traders. Some swing traders use the cross of the 10-day above the 20-day as a signal to go long and the cross of the 10 day below the 20 day as a signal to go short.

Next are indicators. The need for indicators is a seriously debated topic among traders. Some believe they help with trade decisions, while others believe that the information indicators provide is past information and does little good predicting the future movement of an investment. However, even the traders that dislike them and have chosen not to use them, understand how the important ones work. The moving average convergence divergence indicator, better known as the MACD, the Bollinger Bands, the Relative Strength Index, the Average True Range indicator, the Price Oscillator, and the Money Flow index, are just a few out of dozens of indicators that are available.

Then, there's the Fibonacci chart tool, which identifies the Fibonacci retracement levels on a chart. The trading tool originated from the Fibonacci sequence, and provides horizontal lines that spot where support and resistance areas are on a chart.

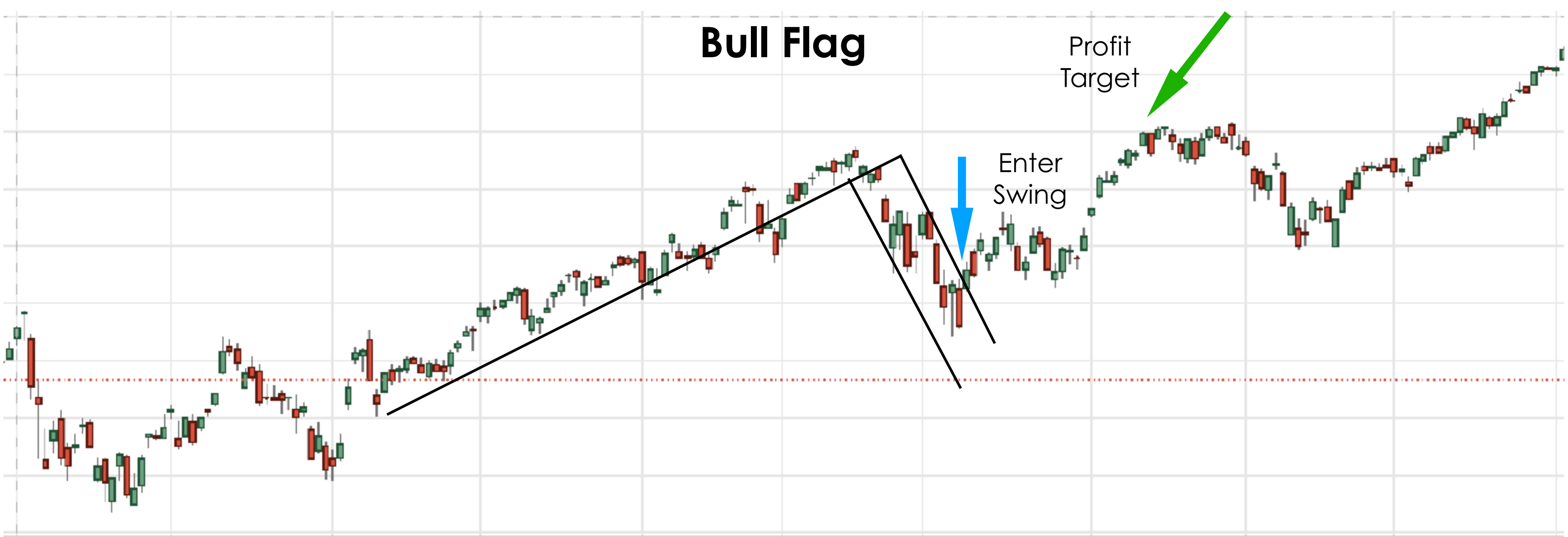
With a knowledge of support and resistance, money management, chart patterns, candlestick patterns, price action, moving averages, indicators, and Fibonacci retracement levels, swing traders pool this knowledge together to create a trading plan that will help them beat the markets.

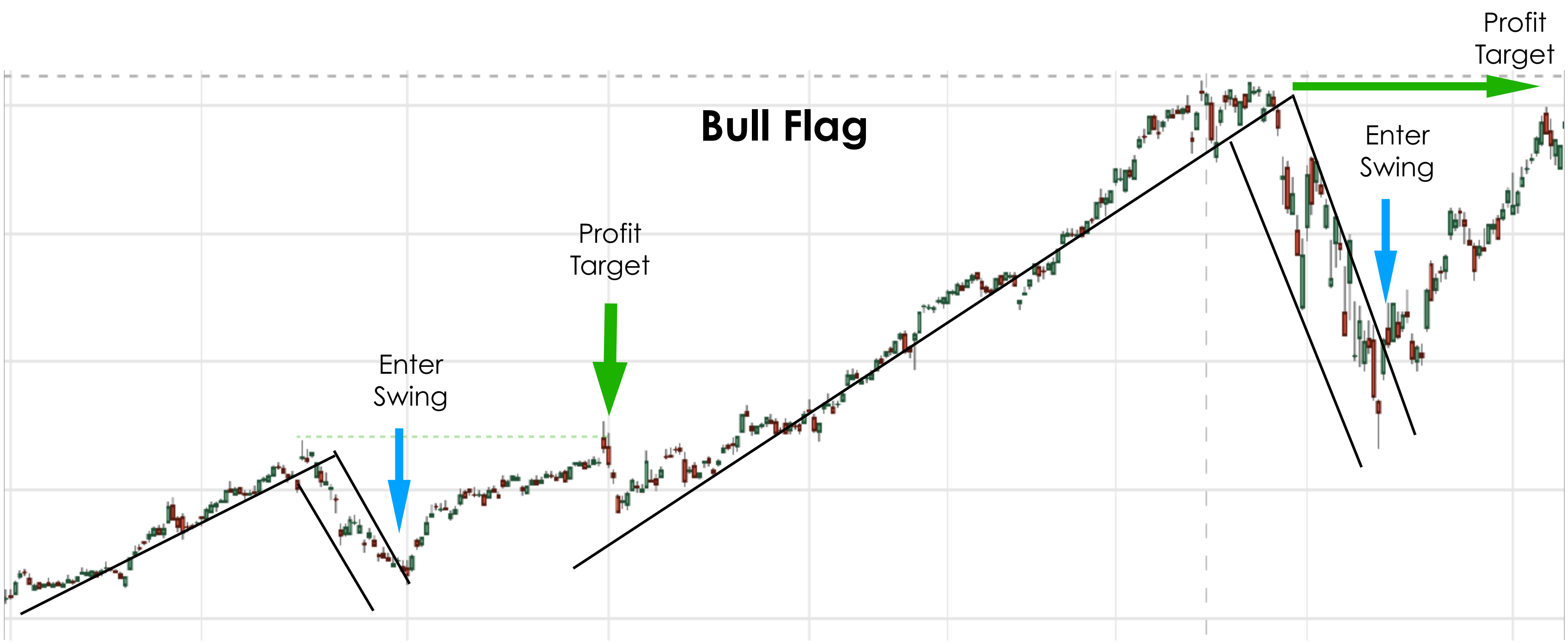
VI. 2 Swing Trading Strategies

There are many successful trading strategies that swing traders can pull from to pluck profits from the markets, but we'll discuss the bull flag strategy and the breakout strategy.

The Bull Flag

A **bull flag** occurs after a stock makes a run in price over a time span, and then makes a slow decline in price over a short time span. The run up in price may have been sparked by good earnings or other good news about the investment, and the price decline typically occurs from investors and traders selling the investment and taking profits after the increase in price.





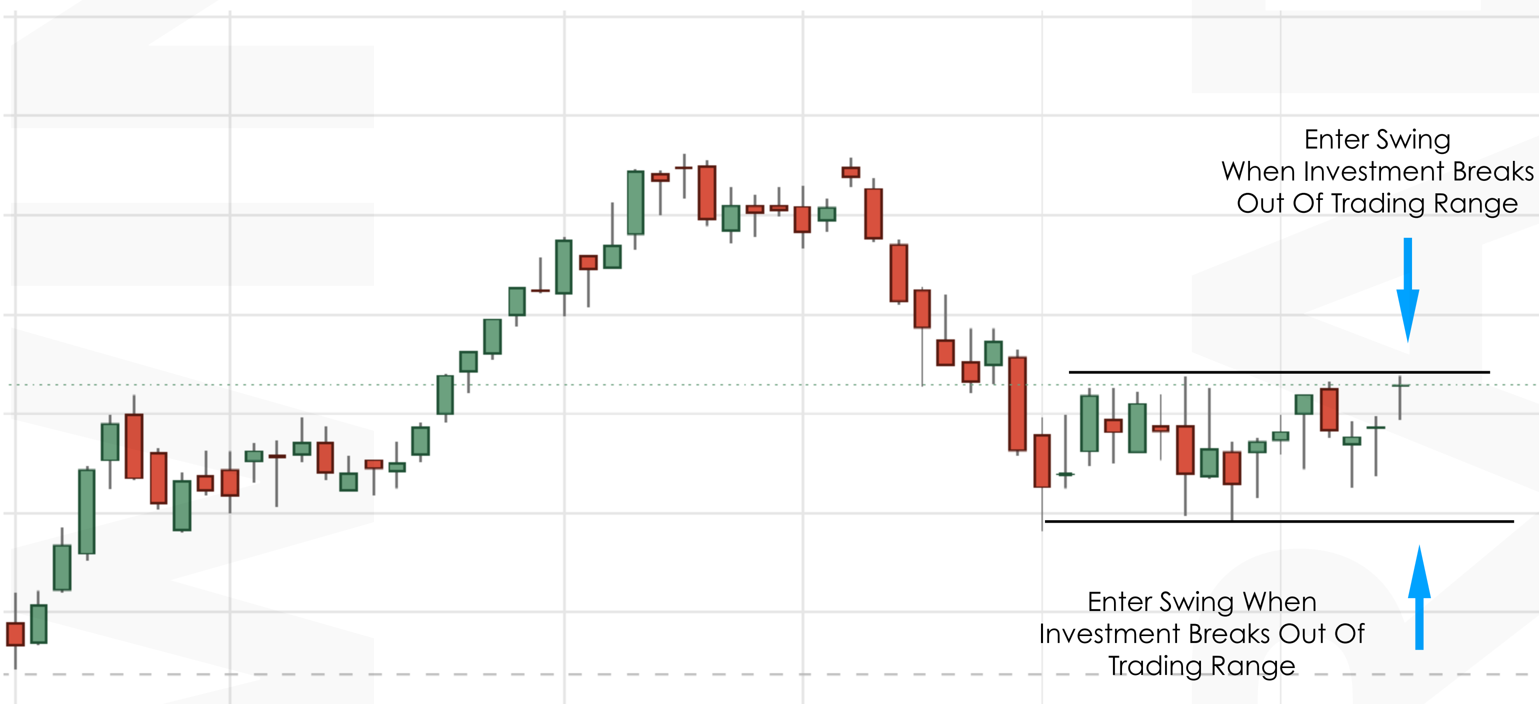
As shown in the diagrams, when the price declines, the chart forms a flag. Swing traders who trade bull flags are hoping that after the pull back in price, the investment will make another swing and go up in price. Where to enter the trade depends on the trader, their risk tolerance, and their capital management strategy.

Once in the trade, the profit target is typically placed at the point the stock began its decline, because this area has already proven to be a place on the chart where buyers lose control and sellers take over. Some swing traders will set a sell order to sell their position once the investment reaches that level, while others will only sell a portion of the trade, and leave a small amount in the trade until the market swings in the opposite direction.

In bear markets, swing traders will use Bear Flags to take advantage of falling stock prices.

The Breakout

After an investment has made an extended move upwards or downwards, it will get to a price point where buyers and short sellers won't find value in the investment. Since neither side is overwhelming the other, the investment will trade in a range. Swing traders who trade breakouts are hoping that the investment breaks out of its range and starts a new trend. But beware, if a stock trades in a range for a significant period, it will give false signals of a break, only to return back to the range. In bear markets, swing traders will trade breakouts to the down side, and short investments as they break through the support level.



The Wrap Up

These are just two strategies out of many, and we only provided the bare bones of both strategies. In live trading, good swing traders are looking for confluence between price action, volume, moving averages, chart patterns, candlestick patterns, and support and resistance. Also, there's the timeframe analysis that takes place, when a traders views charts in different time frames in order to make a better trade entry. A trader may see a chart pattern form on a daily chart, but use the five-minute chart to time the purchase of the investment.

Swing trading can be extremely profitable if done correctly, but extremely frustrating and unprofitable when rushed and not taken seriously. What we've discussed here won't make anyone a master trader, but it will provide insight into how one sector of market participants are viewing the markets. The next time you see a chart, you'll be able to identify a swing and where a swing trader might enter a trade.

If this has sparked an interest in swing trading, check out chartmill.com. Chartmill helps traders find potential swing trades based on chart patterns.

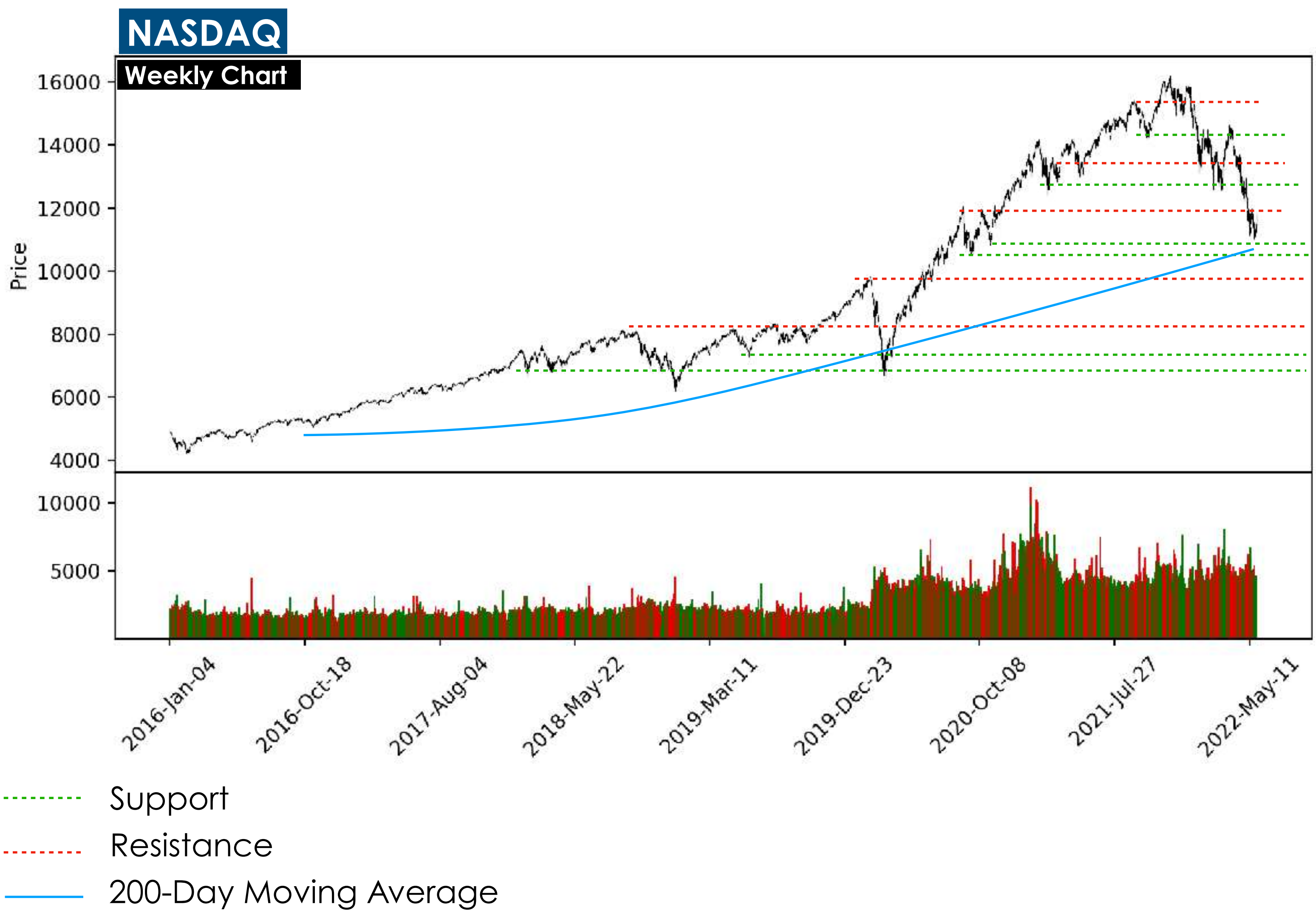
Volume: Is a measure of how much a given financial asset has traded in a period of time. *(Investopedia)*

Profit Target: A predetermined price point at which an investor will exit a trade for a positive gain. *(Investopedia)*


The Technicals
A Technical view of
the NASDAQ Index
Photo by Vincent M.A. Janssen From Pexel

The NASDAQ: How Low Can it Go?

The NASDAQ index has been in decline since last November and has entered bear market territory. Technology companies account for a large portion of the NASDAQ index, so its decline has caused investors to wonder what's happening within technology. Inflation and higher interest rates are playing a part. Raising interest rates to battle rising inflation is bad for tech companies, who rely on cheap capital to fund their growth. Also, the pandemic pulled forward earnings for some tech companies. Tech companies experienced several years of revenue growth in just one year because of the pandemic. And because that growth was crammed into 2020, investors are worried that tech companies won't grow as fast as they have over the next few years. The war in Ukraine doesn't help either. In an attempt to punish Russia, some tech companies, along with other companies have pulled their business from Russia. Those are just a few of the fundamentals plaguing tech stocks and the NASDAQ, but what does the chart say?



In September of last year, and again in November, the Relative Strength Index (not shown above) traded to over 70. An RSI reading over 70 indicates that the market is overbought, and signals to traders that the markets are positioned to decline.

Looking at the chart above, we can use past support and resistance areas to put together a thesis on where the NASDAQ will stop declining. So far in its decline, the NASDAQ has found buyers at previous levels of support and resistance, that's what causes the small rises from the dotted line. However, the buying is never sustained and the market continues to fall shortly after the spike.

At this juncture, the NASDAQ has erased all of its gains from 2021. In our piece on swing trading we touched on confluence. In trading, confluence is when multiple trading signals occur at once. On the NASDAQ chart, the 200-period moving average, which has been a strong level of support in the past, is intersecting with previous levels of support. Together, these two technical indicators make a strong area of support for the NASDAQ to bounce off of, and a wise place to enter the markets long. But if the 200-period moving average and the other levels of support near the moving average don't hold, it could be a very tough 2022 for investors.

The last time the NASDAQ fell significantly below its 200-period moving average was September 2008, and it traded below its 200-period moving average for 15 months. The sentiment on Wall Street is that 2022 is going to be a down year for markets, but there is a lot of value in the market for anyone who is thinking long-term and doesn't mind short-term draw downs. With so many stocks trading at value prices, how long will Wall Street's big money stay on the sidelines? The 200-period moving average is an area where large financial institutions typically place buy orders to take advantage of falling markets. It's why the 200-period moving average is such a strong area of support. Will Wall Street pile into stocks when the NASDAQ touches the 200-period moving average on the weekly chart or is Wall Street already giving up on 2022?

For small investors, aligning your money with what Wall Street is doing is always a good strategy. In the coming months, keep an eye on the charts. No matter what the analysts say, the charts will show if big money is entering or leaving the markets. Getting in with the big money can potentially lead to big investment wins, stay alert.

Reddit's Most Mentioned 25

The most mentioned symbols from 'wallstreetbets', 'investing', 'stocks', 'options', and the 'StockMarket' sub-reddits over the past 30 days.

Symbol	Company Name	Mentions
SPY	SPDR S&P 500	886
TSLA	Tesla, Inc.	462
NVDA	NVIDIA Corporation	329
GME	GameStop Corporation	295
AAPL	Apple Inc.	271
AMZN	Amazon.com, Inc.	242
VTI	Vanguard Total Stock Market ETF	219
AMD	Advanced Micro Devices, Inc.	211
MSFT	Microsoft Corporation	172
QQQ	Invesco QQQ Trust, Series 1	168
VOO	Vanguard S&P 500 ETF	160
CPI	IQ Real Return ETF	145
GOOG	Alphabet Inc.	125
COST	Costco Wholesale Corporation	124
ARKK	ARK Innovation ETF	107
FB	Meta Platforms, Inc.	107
TWTR	Twitter, Inc.	88
COIN	Coinbase Global, Inc.	72
AMC	AMC Entertainment Holdings, Inc	68
GOOGL	Alphabet Inc.	56
V	Visa Inc.	56
VXUS	Vanguard Total International St	51
SHOP	Shopify Inc.	47
SNAP	Snap Inc.	46
YOU	Clear Secure, Inc.	40

As of 5/27/2022

SPY

Price	$415.26
Forward Price-to-Earnings	
Forward Price-to-Sales	
Price-to-Book	
Price-to-Cash Flow	
Return on Equity	
Return on Assets	

GME

Price	$137.21
Forward Price-to-Earnings	N/A
Forward Price-to-Sales	1.67x
Price-to-Book (mrq)	4.56x
Price-to-Cash Flow	-24.1x
Return on Equity	-37.4%
Return on Assets	-7.10%

TSLA

Price	$759.63
Forward Price-to-Earnings	55.8x
Forward Price-to-Sales	9.14x
Price-to-Book	20.1x
Price-to-Cash Flow	57.0x
Return on Equity	28.2%
Return on Assets	10.1%

AAPL

Price	$149.64
Forward Price-to-Earnings	22.5x
Forward Price-to-Sales	6.15x
Price-to-Book	32.9x
Price-to-Cash Flow	20.8x
Return on Equity	149.2%
Return on Assets	21.6%

NVDA

Price	$188.11
Forward Price-to-Earnings	29.5x
Forward Price-to-Sales	13.7x
Price-to-Book	15.7x
Price-to-Cash Flow	52.2x
Return on Equity	41.9%
Return on Assets	18.5%

MEME TRADE 2022?

It doesn't scream value stock, but GameStop ($GME) has been racking up the mentions on Reddit. Will the markets revisit the meme trade in 2022?

Quarterly Economic Data

Symbols	Assets	5/25/2022	Vs Last Issue	Vs 6 Months	Vs 1 Year
GC=F	Gold	$1,846.20	-2.14%	3.06%	-2.73%
SI=F	Silver	$21.86	-8.91%	-6.96%	-22.03%
PL=F	Platinum	$933.40	-11.01%	-4.20%	-21.90%
PA=F	Palladium	$1,988.60	-15.76%	7.79%	-28.40%
HG=F	Copper	$4.28	-4.36%	-3.37%	-5.42%
CL=F	Crude Oil	$110.33	20.46%	41.39%	66.99%
EURUSD=X	EUR/USD	$1.07	-4.06%	-4.16%	-12.10%
GBPUSD=X	GBP/USD	$1.25	-6.21%	-5.91%	-11.39%
CNY=X	USD/CNY	$6.65	5.16%	4.09%	3.66%
CAD=X	USD/CAD	$1.28	0.10%	1.26%	6.41%
JPY=X	USD/JPY	$126.77	9.69%	9.84%	16.46%

Inflation	Feb. '22	April '22
U.S. Inflation Rate	7.50%	8.30%
China Inflation Rate	5.10%	2.10%
U.K. Inflation Rate	5.50%	9.00%
Euro Area Inflation Rate	5.80%	7.40%

Growth	Dec. '21	Mar. '22
U.S. GDP Growth	6.90%	-1.40%
China GDP Growth	1.6% *	1.30%
U.K. GDP Growth	1.10%	0.80%
Euro GDP Growth	0.30%	0.30%

Quarterly Economic Data

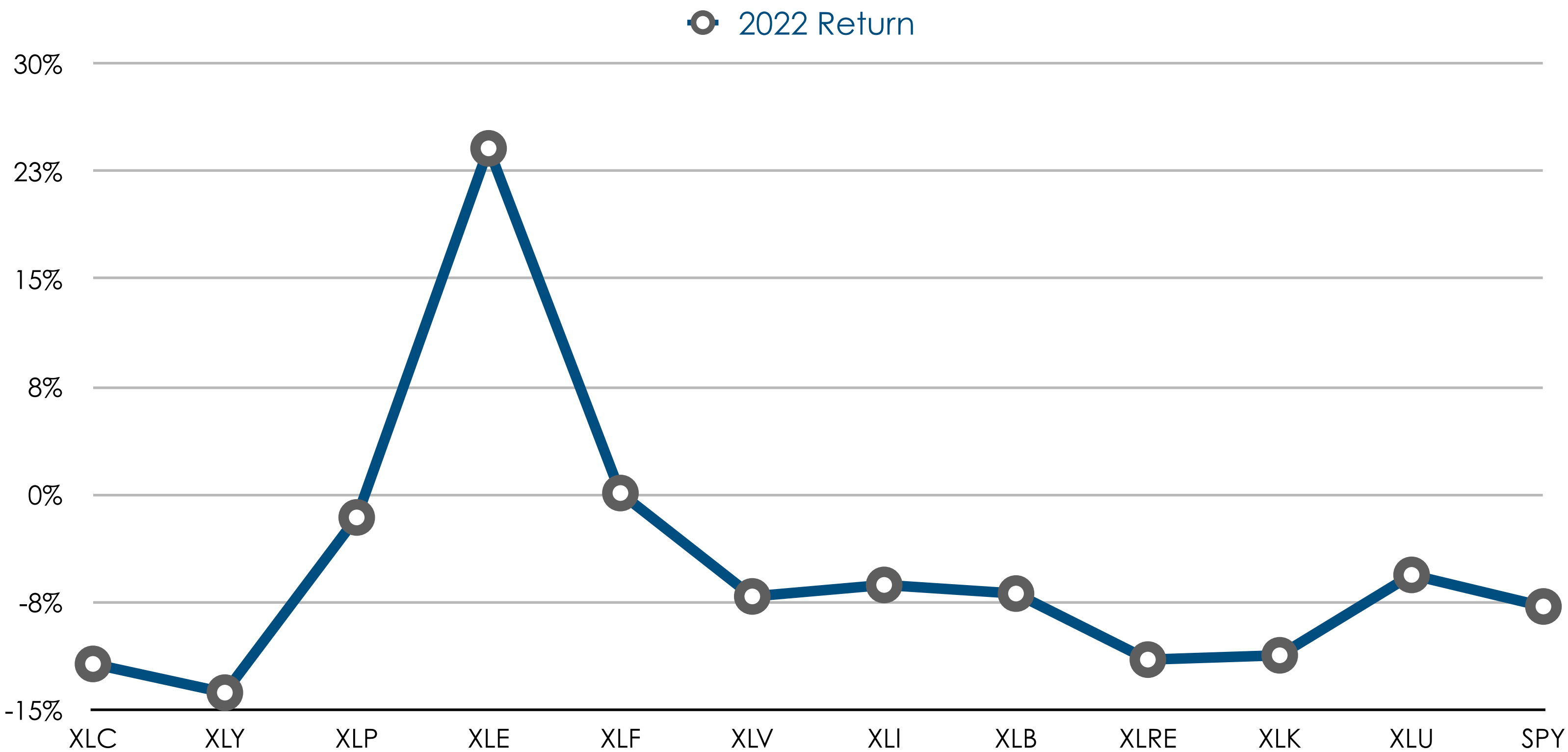
U.S. Housing	Jan. '22	Apr. '22
Housing Starts	1.63M	1.72M
Building Permits	1.89M	1.81M

Debt	2/26/2022	5/23/2022
U.S. Debt	$30.2T	$30.4T
China Debt	$10.4T	$10.6T
U.K. Debt	$3.2T	$3.32T
World Debt	$82.1T	$82.7T
U.S. Student Loan	$1.77T	

Unemployment Rates	Feb. '22	Apr. '22
U.S. Unemployment	3.80%	3.60%
U.K. Unemployment	4.1%*	3.7%***
Euro Area Unemployment	6.8%**	6.8%***
China Unemployment	5.1%*	6.1%

* December 2021 (U.K. & China Unemployment)
** January 2022 (Euro Area Unemployment)
*** March 2022(Euro Area & UK Unemployment

SECTOR ETF

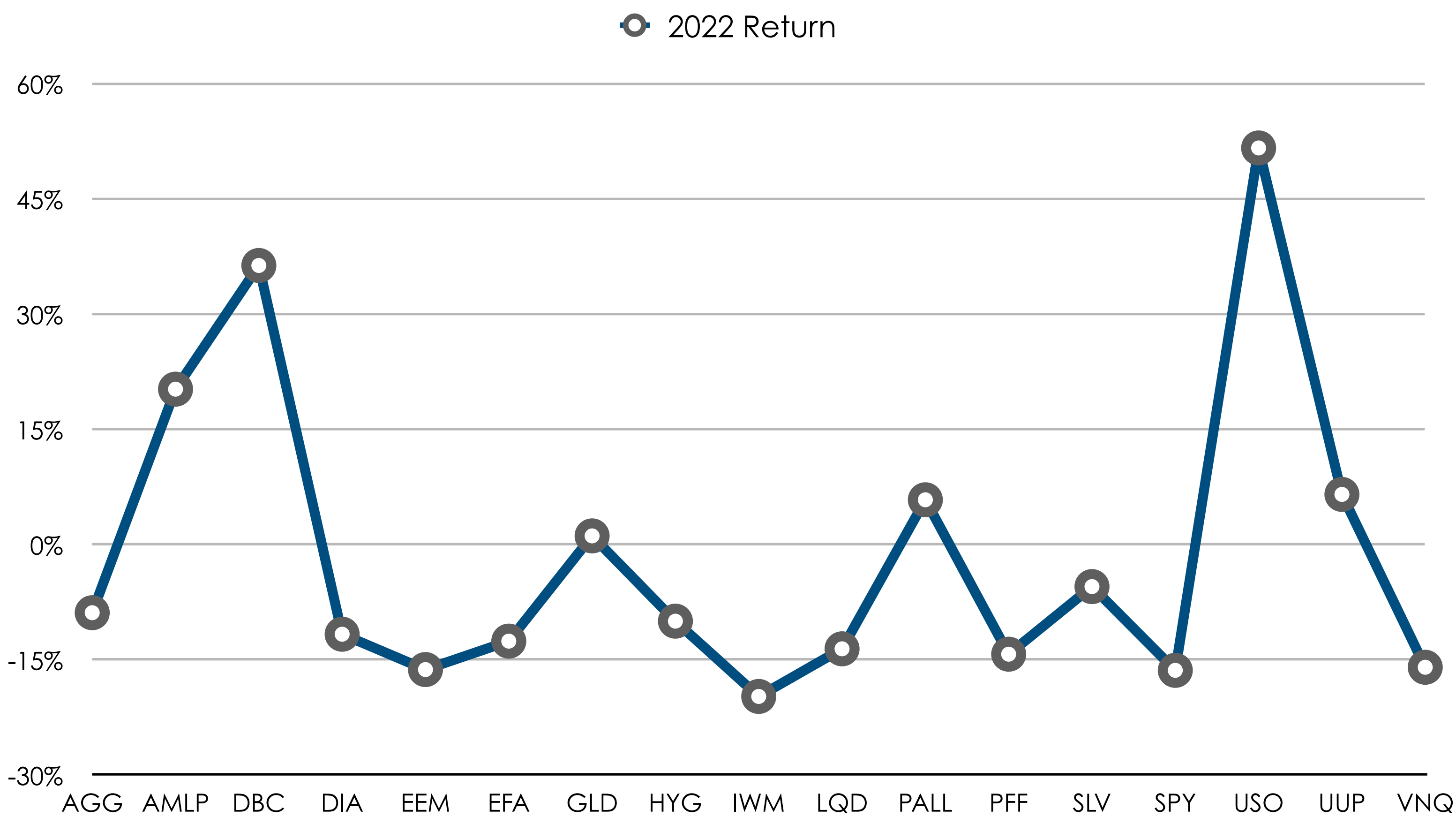


ETF	Sector Tracked	Price	2022 Returns as of 5/25/22	Year-Over-Year Change
XLC	Communication Services	$57.56	-25.9%	-26.4%
XLY	Consumer Discretionary	$141.71	-30.7%	-17.0%
XLP	Consumer Staples	$73.36	-4.9%	3.0%
XLE	Energy	$85.99	54.9%	66.6%
XLF	Financials	$34.19	-12.4%	-8.5%
XLV	Health Care	$131.27	-6.8%	5.8%
XLI	Industrials	$91.69	-13.3%	-11.3%
XLB	Materials	$83.82	-7.5%	-3.2%
XLRE	Real Estate	$43.64	-15.8%	1.7%
XLK	Technology	$133.62	-23.1%	-3.6%
XLU	Utilities	$74.00	3.4%	13.4%
SPY	S&P 500	$397.37	-16.3%	-5.0%

ETF BY ASSET TRACKED

Symbol	Asset Tracked	Price	2022 Returns as of 5/25/22	Year-Over-Year Return
AGG	Intermediate Term Bonds	$104.04	-8.8%	-9.1%
AMLP	Energy (MLPs)	$39.40	20.3%	34.7%
DBC	Commodities	$28.35	36.4%	65.9%
DIA	U.S. Large Cap Stocks	$321.28	-11.6%	2.3%
EEM	Emerging Markets	$40.93	-16.2%	-24.8%
EFA	Developed Markets (minus U.S. & Canada)	$68.83	-12.5%	-8.3%
GLD	Gold	$173.08	1.2%	4.4%
HYG	High Yield Bonds	$78.39	-9.9%	-9.6%
IWM	Small Caps	$178.73	-19.7%	-18.2%
LQD	Corporate Bonds	$114.66	-13.5%	-12.2%
PALL	Palladium	$186.59	5.9%	-17.6%
PFF	Preferred Stocks	$33.85	-14.2%	-8.9%
SLV	Silver	$20.34	-5.4%	-19.9%
SPY	S&P 500	$397.37	-16.3%	3.9%
USO	U.S. Oil	$82.48	51.7%	94.3%
UUP	US Dollar	$27.31	6.6%	12.2%
VNQ	Real Estate Investment Trust (REITs)	$97.56	-15.9%	9.4%

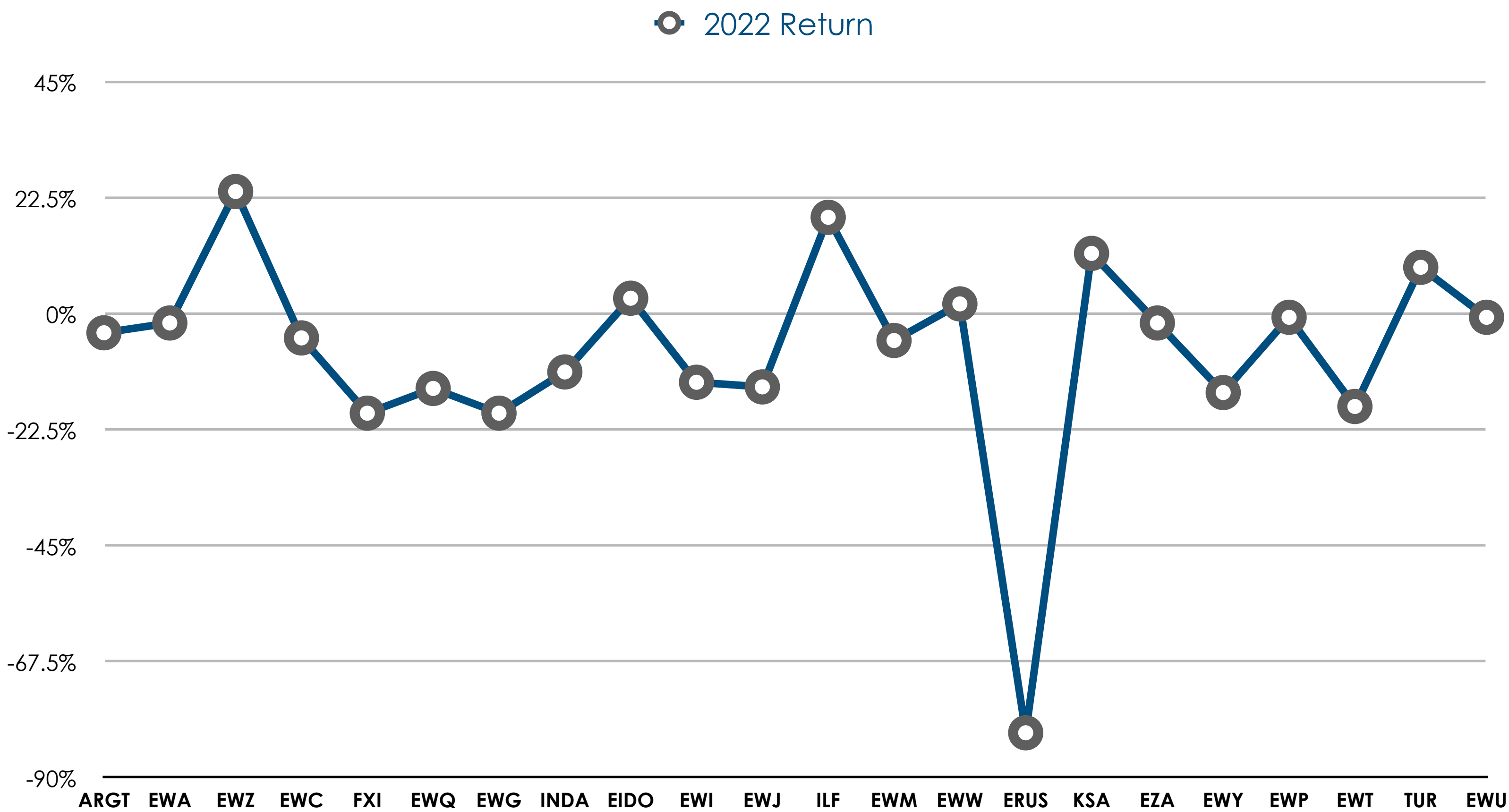
ETF BY ASSET TRACKED



ETF BY COUNTRY/REGION TRACKED

Symbol	ETF	Country Tracked	Price	2022 Returns as of 5/25/22	Year-Over-Year Change
ARGT	Global X MSCI Argentina ETF	**Argentina**	$30.11	-3.6%	1.9%
EWA	iShare MSCI Australia ETF	**Australia**	$24.40	-1.7%	-8.1%
EWZ	iShare MSCI Brazil ETF	**Brazil**	$34.75	23.8%	-6.5%
EWC	iShares MSCI Canada ETF	**Canada**	$36.65	-4.6%	-1.8%
FXI	'iShares China Large-Cap ETF	**China**	$29.56	-19.2%	-35.9%
EWQ	iShares MSCI France ETF	**France**	$33.30	-14.4%	-14.1%
EWG	iShare MSCI Germany ETF'	**Germany**	$26.49	-19.2%	-26.2%
INDA	iShares MSCI India ETF	**India**	$40.72	-11.2%	-6.5%
EIDO	iShares MSCI Indonesia ETF	**Indonesia**	$23.68	3.1%	11.4%
EWI	iShares MSCI Italy ETF	**Italy**	$28.47	-13.2%	-14.7%
EWJ	iShares MSCI Japan ETF	**Japan**	$57.54	-14.1%	-15.5%
ILF	iShares Latin America 40 ETF	**Latin America**	$27.87	18.8%	-4.7%
EWM	iShare MSCI Malaysia ETF	**Malaysia**	$23.76	-5.1%	-12.2%
EWW	iShares MSCI Mexico ETF	**Mexico**	$51.60	2.0%	9.4%
ERUS	iShare MSCI Russia ETF	**Russia**	$8.06	-81.2%	-81.0%
KSA	iShares MSCI Saudi Arabia ETF	**Saudi Arabia**	$45.71	11.8%	20.2%
EZA	iShare MSCI South Africa ETF	**South Africa**	$45.60	-1.7%	-11.7%
EWY	iShares MSCI South Korea ETF	**South Korea**	$66.00	-15.2%	-27.6%
EWP	iShare MSCI Spain ETF	**Spain**	$26.10	-0.6%	-15.2%
EWT	iShares MSCI Taiwan ETF	**Taiwan**	$54.68	-17.9%	-10.8%
TUR	iShare MSCI Turkey ETF	**Turkey**	$20.28	9.1%	-11.2%
EWU	iShare MSCI United Kingdom ETF	**U.K.**	$32.94	-0.6%	-2.3%

ETF BY COUNTRY/REGION TRACKED



S&P 500 SECTOR AVERAGES

5/27/2022

Sectors	Communication Services	Consumer Staples
Average Price	$272.75	$107.25
Average Trailing P/E	24.95x	19.50x
Average Forward P/E	27.35x	16.30x
Average Price/Sales (ttm)	2.58x	2.45x
Average Forward Price/Sales	2.12x	2.66x
Average Price/Book (mrq)	4.34x	13.28x
Average Price/CashFlow	21.86x	17.7x
Average Quick Ratio	1.66	0.65
Average Current Ratio	1.90	1.24
Average Total Debt to Equity	185.74	215.64
Average LT Debt to Capital	45.70%	56.87%
Average Return on Equity	7.78%	55.94%
Average Return on Assets	5.91%	8.24%
Average ROIC (ttm)	8.66%	16.0%
Average Book Val./Market Val.	44.4%	23.4%
Average Asset Turnover	0.51	1.06
Average Inventory Turnover (ttm)	36.0	7.0
Average EBITDA	$20,633,240,434	$6,272,524,999
Average Operating Margin	18.07%	17.82%
Average Profit Margin	12.69%	10.88%
Average Gross Margin (ttm)	50.0%	38.0%
Average Revenue	$64,140,434,783	$55,130,625,000
Average Market Cap	$198,271,304,348	$58,397,187,500
Average Enterprise Value	$217,386,086,957	$68,551,562,500
Average Enterprise Value/Revenue	3.01	2.78
Average Enterprise Value/EBITDA	13.1	14.3

S&P 500 SECTOR AVERAGES

5/27/2022

Sectors	Consumer Discretion	Energy
Average Price	$320.70	$85.69
Average Trailing P/E	21.89x	20.54x
Average Forward P/E	13.04x	16.00x
Average Price/Sales (ttm)	1.94x	2.36x
Average Forward Price/Sales	1.93x	2.17x
Average Price/Book (mrq)	4.44x	2.83x
Average Price/CashFlow	20.83x	11.05x
Average Quick Ratio	0.85	1.00
Average Current Ratio	1.77	1.29
Average Total Debt to Equity	164.30	102.76
Average LT Debt to Capital	76.13%	41.20%
Average Return on Equity	16.5%*	37.81%
Average Return on Assets	7.71%	7.19%
Average ROIC (ttm)	11.74%	10.52%
Average Book Val./Market Val.	23.04%	38.27%
Average Asset Turnover	1.00	0.76
Average Inventory Turnover (ttm)	19.0	22.0
Average EBITDA	$4,333,479,000	$9,864,826,086
Average Operating Margin	4.22%	22.02%
Average Profit Margin	3.62%	15.63%
Average Gross Margin (ttm)	36.0%	40.0%
Average Revenue	$31,289,666,667	$50,847,391,304
Average Market Cap	$40,279,500,000	$70,879,130,435
Average Enterprise Value	$49,350,666,666	$82,592,608,695
Average Enterprise Value/Revenue	2.59	2.95
Average Enterprise Value/EBITDA	23.02416667	10.18869565

* Excludes Home Depot's Return on Equity (84,712.82%)

S&P 500 SECTOR AVERAGES

5/27/2022

Sectors	Finance	Healthcare
Average Price	$144.46	$227.24
Average Trailing P/E	13.22x	31.27x
Average Forward P/E	12.12x	20.41x
Average Price/Sales (ttm)	3.24x	4.24x
Average Forward Price/Sales	3.53x	4.36x
Average Price/Book (mrq)	2.95x	14.39x
Average Price/CashFlow	8.92x	21.97x
Average Quick Ratio	24.14	1.47
Average Current Ratio	1.44	2.07
Average Total Debt to Equity	61.47	338.60
Average LT Debt to Capital	35.07%	43.20%
Average Return on Equity	17.31%	47.89%
Average Return on Assets	3.37%	8.83%
Average ROIC (ttm)	11.83%	15.15%
Average Book Val./Market Val.	64.43%	25.68%
Average Asset Turnover	0.20	0.92
Average Inventory Turnover (ttm)	0.00	8.00
Average EBITDA	$5,833,308,409	$6,590,172,344
Average Operating Margin	32.40%	21.22%
Average Profit Margin	25.42%	15.20%
Average Gross Margin (ttm)	68.0%	51.0%
Average Revenue	$23,685,072,063	$43,579,062,500
Average Market Cap	$40,993,174,603	$75,750,312,500
Average Enterprise Value	$21,206,031,746	$84,682,812,500
Average Enterprise Value/Revenue	2.30	4.44
Average Enterprise Value/EBITDA	4.28	15.85

S&P 500 SECTOR AVERAGES

5/27/2022

Sectors	Industrials	Information Tech.
Average Price	$161.40	$179.75
Average Trailing P/E	19.16x	35.26x
Average Forward P/E	15.67x	20.10x
Average Price/Sales (ttm)	2.45x	5.72x
Average Forward Price/Sales	2.79x	5.50x
Average Price/Book (mrq)	4.44x	31.87x
Average Price/CashFlow	19.89x	29.19x
Average Quick Ratio	1.11	1.48
Average Current Ratio	1.61	1.92
Average Total Debt to Equity	115.88	151.80
Average LT Debt to Capital	50.90%	46.50%
Average Return on Equity	35.89%	56.56%
Average Return on Assets	7.59%	9.70%
Average ROIC (ttm)	9.55%	17.97%
Average Book Val./Market Val.	17.96%	20.07%
Average Asset Turnover	0.85	0.72
Average Inventory Turnover (ttm)	24.0	12.0
Average EBITDA	$3,161,129,199	$8,095,517,462
Average Operating Margin	16.38%	24.17%
Average Profit Margin	12.09%	19.68%
Average Gross Margin (ttm)	$33	$53
Average Revenue	$19,066,666,667	$24,056,268,657
Average Market Cap	$32,060,133,333	$126,644,776,119
Average Enterprise Value	$38,486,266,667	$131,107,313,433
Average Enterprise Value/Revenue	2.77	5.83
Average Enterprise Value/EBITDA	10.55	20.20

S&P 500 SECTOR AVERAGES

5/27/2022

Sectors	Materials	Real Estate
Average Price	$130.49	$141.74
Average Trailing P/E	21.07x	41.56x
Average Forward P/E	14.68x	37.22x
Average Price/Sales (ttm)	2.13x	8.69x
Average Forward Price/Sales	2.14x	9.63x
Average Price/Book (mrq)	5.77x	4.37x
Average Price/CashFlow	15.11x	21.71x
Average Quick Ratio	1.05	88.05
Average Current Ratio	1.77	5.47
Average Total Debt to Equity	171.63	175.99
Average LT Debt to Capital	43.79%	56.72%
Average Return on Equity	37.74%	13.81%
Average Return on Assets	8.07%	3.18%
Average ROIC (ttm)	12.23%	4.78%
Average Book Val./Market Val.	33.42%	30.62%
Average Asset Turnover	0.73	0.21
Average Inventory Turnover (ttm)	7.00	0.00
Average EBITDA	$4,327,307,692	$1,891,664,000
Average Operating Margin	18.27%	28.46%
Average Profit Margin	11.93%	29.69%
Average Gross Margin (ttm)	30.0%	59.0%
Average Revenue	$17,712,307,692	$4,328,753,667
Average Market Cap	$32,270,769,231	$26,299,333,333
Average Enterprise Value	$37,546,538,462	$36,421,666,667
Average Enterprise Value/Revenue	2.46	12.12
Average Enterprise Value/EBITDA	11.08	17.48

S&P 500 SECTOR AVERAGES

5/27/2022

Sectors	Utitlies	S&P 500
Average Price	$81.09	$168.41
Average Trailing P/E	30.44x	25.35x
Average Forward P/E	19.11x	19.27x
Average Price/Sales (ttm)	2.94x	3.52x
Average Forward Price/Sales	3.14x	3.63x
Average Price/Book (mrq)	2.32x	8.27x
Average Price/CashFlow	13.72x	18.36x
Average Quick Ratio	0.50	11.09
Average Current Ratio	0.84	1.94
Average Total Debt to Equity	158.47	167.48
Average LT Debt to Capital	57.93%	50.36%
Average Return on Equity	11.40%	159.11%
Average Return on Assets	3.09%	6.63%
Average ROIC (ttm)	4.18%	11.15%
Average Book Val./Market Val.	42.67%	33.1%
Average Asset Turnover	0.26	0.65
Average Inventory Turnover (ttm)	16.0	14.0
Average EBITDA	$4,253,571,428	$7,231,767,828
Average Operating Margin	20.43%	20.31%
Average Profit Margin	12.12%	15.36%
Average Gross Margin (ttm)	42.0%	46.0%
Average Revenue	$12,532,142,857	$31,488,035,623
Average Market Cap	$33,036,071,428	$66,807,426,621
Average Enterprise Value	$55,003,571,429	$74,757,738,702
Average Enterprise Value/Revenue	4.80	4.19
Average Enterprise Value/EBITDA	1.62	12.87

Undervalued Technology Companies of the S&P 500

5/27/2022

Symbol	QRVO Qorvo	IPGP IPG Photonics	INTC Intel	JNPR Juniper	WDC Western Digital	MU Micron	S&P 500 Technology	S&P500
Forward P/E	9.62x	19.57x	11.71x	14.6x	6.19x	6.06x	20.1x	19.2x
Forward P/S	2.62x	3.52x	2.42x	1.97x	1.1x	2.44x	5.5x	3.63x
P/B (mrq)	2.49x	1.92x	1.67x	2.19x	1.52x	1.66x	31.87x	8.27x
P/CF	11.33x	16.69x	5.97x	14.35x	7.56x	5.47x	29.19x	18.35x
ROA	11.03%	7.37%	7.38%	3.27%	6.90%	11.11%	9.70%	7.77%
ROE	22.5%	10.4%	26.9%	7.81%	16.6%	20.4%	56.6%	6.62%
BV/MV	40.1%	52.2%	60.0%	45.8%	65.9%	60.3%	20.1%	33.1%

Tech and consumer cyclical companies with the S&P 500's technology and consumer discretionary sectors whose forward price-to-earnings, forward price-to-sales, price-to-book, and price-to-cash flow are lower than the average of the S&P 500; and whose return on assets, return on equity, and book value to market value are higher than the average of the S&P 500.

Undervalued Consumer Cyclical Companies of the S&P 500

5/27/2022

Symbol	DHI DR Horton	WHR Whirlpool	LKQ LKQ Corp	LEN Lennar Corp	PHM Pulte Group	S&P 500 Consumer Cyclical	S&P500
Forward P/E	4.18x	7.53x	12.59x	4.24x	3.87x	13.04x	19.2x
Forward P/S	0.74x	0.47x	1.11x	0.62x	0.64x	1.93x	3.63x
P/B (mrq)	1.44x	2.14x	2.43x	1.03x	1.34x	4.44x	8.27x
P/CF	-181.18x	6.15x	11.84x	10.09x	10.54x	20.83x	18.35x
ROA	17.15%	6.75%	7.23%	11.67%	13.77%	17.15%	7.77%
ROE	33.2%	34.0%	18.7%	19.8%	29.8%	33.2%	6.62%
BV/MV	69.3%	46.9%	41.1%	98.5%	75.9%	23.0%	33.1%

The Good, The Bad, and The Ugly

The Good

There hasn't been much to celebrate in 2022. Only a few companies that we recommended over the past nine months are trading above their recommended price. However, since we see sales, when others see doom and gloom, we've been able to invest heavier in several tech names that we previously recommended.

The Bad

There's nothing bad to report in this quarter, almost everything is ugly.

The Ugly

PATH -55%

UiPath
Recommended
Dec 2021

MQ -38%

Marqeta
Recommended
Dec 2021

UiPath and **Marqeta** have been in decline since they were recommended. The selloff in tech that started last November is in its seventh month. The selloff has taken down the values of good and bad companies, UiPath and Marqeta included. We still believe that automation within medium to large size businesses and digital payment ecosystems will have a big impact during this decade. Because of this, we continue to invest in UiPath and Marqeta despite their large price declines.

Reviewed Stocks That Didn't Make the Report

Company	Stock	Price	Grade
Revolve Group	RVLV	$29.38	C
Alpha & Omega Semi.	AOSL	$46.00	D
Sportsman Warehouse	SPWH	$9.33	C
Cantaloupe	CTLP	$5.06	D
NextEra Energy	NEP	$68.00	C
Nike	NKE	$119.00	Incomplete
Autoscope Technologies	AATC	$5.00	D
Hims & Hers Health	HIMS	$3.89	D

Research over the last few months introduced some names worth keeping on a short list.

Revolve Group, an online clothing retailer that looked promising, but with the markets in decline we felt it was better to get defensive.

Sportsman Warehouse, the sporting goods retailer graded very well. We reviewed the company around the time of the Uvalde school shooting, and hunting and shooting equipment accounted for more than 50% of Sportsman Warehouse's revenue, so we chose to pass on SPWH. But from our review the company is solid, and if gun laws aren't updated, SPWH should be a great long-term investment.

NextEra Energy was another solid find, and we considered adding it to this issue. But since we selected two companies in the renewable energy business for this issue, we didn't think it was worth laying out the investment case for a third.

How to Use The Seville Report

Thanks for checking out The Seville Report; we hope it adds value to your investment plan.

Every quarter we release a newsletter that highlights three investments that we are keen on. These investment ideas will vary from industry-to-industry and sector-to-sector. In addition, the investment ideas may be growth companies, blue chip companies, or anything in between. Our goal is to find undervalued companies that will rise in value over the long term.

Every company/ investment idea will have a break down of what the company does, why we like the company as an investment, what risk are involved with the investment, a peer review by the numbers, a buying range, a list of Wall Street firms upgrading or downgrading the company, and a summary.

Each company is given a grade. The grades can range from +A to C. In our metric a C is the lowest a company can grade for us to consider it investment worthy, an +A is the highest grade. Companies that grade out at D and F do not make the newsletter, but are noted in our "Stocks That Didn't Make the Report" section.

How to Use The Seville Report

Our buying range or buy zone is our personal area where we believe the investment offers value. If a stock breaches below our buy zone, it doesn't necessarily mean we will sell the investment. We will however reassess our research and the company to determine if the fundamentals have changed.

We do list target prices that we expect our investments to reach. We may not sell our entire investment at the target price, we may sell a portion or decide to continue holding the investment if it trades above our target.

Each investor should purchase and sell investments according to their investment plan and strategy.

For the times when our investments fall below our buy zone, purchasers or subscribers of The Seville Report usually receive an email from us explaining our position and opinions.

However, we tend not to put too much weight in the day-today fluctuations of the market. If a stock price trades below our buy zone today, a Seville Report purchaser may not receive an email that day.

It's not uncommon for us to mention a company in back-to-back newsletters or recommend the same company again in the future. If we feel the company's stock represents a bargain we we'll recommend it again. We believe why buy 50 okay stocks, when you can invest in 10 – 12 good companies.

Before purchasing any investment listed in The Seville Report independent research should be conducted. Also, investments that are being considered should align with a pre-determined investment plan.

Questions are always welcome. Should any Seville Report purchaser have any questions please feel free to email us Pblack@sevillereport.com or sevillereport@gmail.com. We will do our best to respond as soon as possible.

Thanks again for purchasing The Seville Report.

Glossary

Book Value-to-Market Value: This is a metric used to find a company's value by comparing its book value to its market value.
Side Note: This became a key metric in our review after reading the Fama-French research reports.

Capex: Capital Expenditure: This is money spent by a company to maintain or acquire fixed assets like equipment, land, and buildings.

Dividend: A sum of money paid regularly by a company from company profits to its shareholders. Payments are typically made quarterly.

Insider Buying: The purchase of shares of a company's stock by someone employed by the company.

Market Cap: Market Capitalization: This represents the value of a company traded in the stock market. The Market Cap is obtained by multiplying the outstanding number of shares to the current share price.

Net Debt: This is a metric we use to compare the amount of debt the company carries with the amount of cash the company carries. (When we note that the company has negative net debt, this means the company has more debt than it has cash and cash equivalent).

P/B: Price-to-Book, a metric used to compare a stocks market value to its book value. The Price-to-Book is calculated by dividing the current price of the stock by the company's latest quarter's book value per share. The lower the P/B the more attractive the investment.

P/CF: Price-to-Cash Flow, a metric used to measure a company's stock price to its cash flow per share. It is calculated by dividing the company's share price by the company's cash flow per share. A company with a low P/CF is said to have value when compared to other stocks in its industry or sector.

P/E: Price-to-Earnings, or price multiple: The P/E is a metric used to measure the value of a company by dividing the company's current stock price by its earnings per share.
The lower the P/E the more attractive the investment**.**

P/S: Price-to-Sales, a metric used to value each dollar the company earns in revenue. The Price-to-Sales is calculated by dividing the companies market capitalization by its total revenue. The lower the P/S the more attractive the investment

R.O.A.: Return on Assets: This metric is used to determine how profitable a company is relative to its total assets. It gives an investor an ideal of how effective management is in using its assets to generate revenue.

R.O.E.: Return on Equity: This metric is used to determine how profitable a company is relative to its shareholders equity. It gives an investor an ideal of how effective management is in using money shareholders have invested to generate revenue.

Share buyback/ Share Repurchase: When a company buys back its own shares from the marketplace, reducing the number of outstanding shares.

Winners Circle: The Winner Circle is a group of stocks that we have reviewed in the past that went on to increase in value, at times hitting the expected target and others times exceeding the target price. We compare stocks currently under review to the Winners Circle to get a broader reference about the stock.

10K: The company's yearly report. This is where the company reveals to the public how much money it has made or lost in the last year of business. The 10K also reveals the company's assets, liabilities, and cash flow for the last year.

10Q: The company's quarterly report. This is where the company reveals to the public how much money it has made or lost in the last quarter. The 10Q also reveals the company's assets, liabilities, and cash flow for the last quarter.

Things You Need to Know

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The Soundtrack

The collection of music we listened to while working on this issue of The Seville Report

Artist	Song/Album
Normand Beach Party	Feelin' Real Beachy
Lewis Bennett	Roots Reggae Radio
G Mills	Rest Your Head (Original Mix)
Royksopp	Remind Me
Crumb	Locket
Joy Crookes	Skin
Loose Ends	Hanging On A String
Foster Sylvers	Misdemeanor
Nardo Wick	Who Wants Smoke??
Ama Lou	Same Old Ways
Baby Tron	Prince of The Mitten
Vince Staples	Ramona Park Broke My Heart
Latto	777
Coi Leray	Trendsetter
Kendrick Lamar	Mr. Morale & The Big Steppers
Pusha T	It's Almost Dry

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