Warren Financial
Investing for a Greater Purpose®

Q2 2021 Market Strategy

We believe individuals can make a difference. We open doors for our clients, connecting them to a new world of investment opportunities. Freeing the client to achieve their individual Greater Purpose.

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Interest Rates are Rising

Get the latest updates fast,

Say, "Hey Siri, download the Warren Financial app"

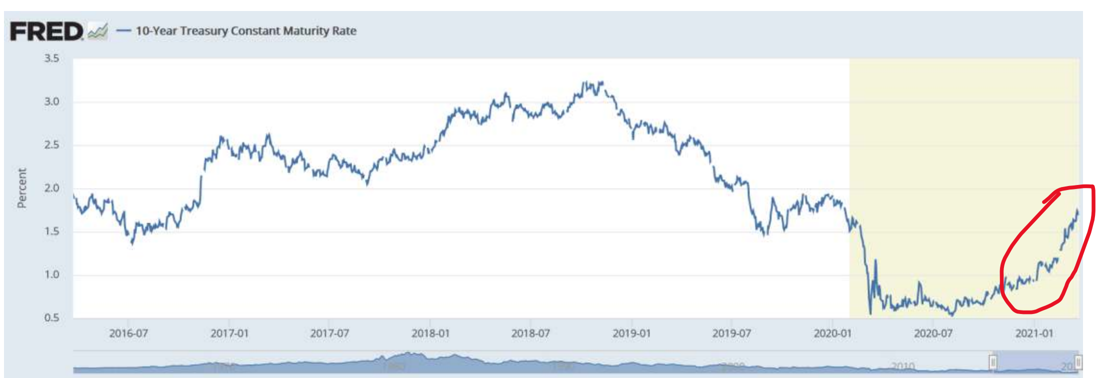
Warren Financial is offering free services to all medical doctoral residents: **Free debt consolidation strategies**. **Doctor mortgages**. **Free investing** through Dec 31, 2021. Please help: Let young Resident Doctors know. Tell a friend.

What Happens Next?

2021: Year of the Vaccine

Interest rates (based on the 10-year government bond) have started to go back up because:

- Congress has already spent a few Trillion and just passed another $1.9Trillion in new spending
- The Federal Reserve is continuing to be accomodative keeping short term interest rates low and purchasing bonds to keep the debt from soaring
- Because they couldn't really go much lower after hitting near 0% during 2020 Covid

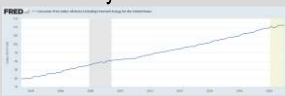


Rates have risen almost to the level seen before Covid. Generally, this is not a big deal, but the speed with which rates went up made the markets feel, "unsettled".

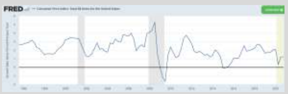
It would not surprise us if rates cooled off a bit in Q2, then re-accelerated in Q3 with another cooling period in Q4. Max rate on the 10-year Gov note in 2021 should be around 2% up from the current 1.65%. This rate increase is a drag on the economy, but rest assured that spending a few trillion here and there should get the economy firing on all cylinders. Economists are expecting a boom time.

So the market is struggling while rates rise. If rates cool, the market will catch fire again.

Consumer Price levels over the past 16 years have consistently risen.



But US Consumer Price "growth" rates have been slower



Consumer price "growth" rates in the US compared to the rest of the world: (darker green means more inflation)

Above charts from OECD, "Main Economic Indicators - complete database"

Warren Financial wants to help our front-line heroes:

All medical doctoral residents who talk with Warren Financial will receive FREE debt counseling regarding how best to handle their medical school loans while at the same time looking forward to beginning their regular life, possibly with marriage/family and/or purchasing a home, while also balancing investing for the future. All services at no cost through Dec 31, 2021.

Please TELL someone you know who is a medical doctor in residency anywhere in the USA. We want to help them. We want to give back something to thank them for their service.

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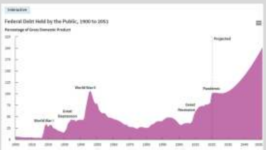

Congressional Budget Office estimate of projected US Gov't debt thru 2050

ARE YOU READY?

In 2021, Warren Financial plans to launch banking products. Aimed at on-boarding the "next" generation of investors, our Warren Financial VISA will sport ultra low rates. We will launch student loan consolidation. And finally, we will launch specialized mortgages such as doctor mortgages.

We have built new software in excel to analyze loans and provide graphical representation. This answers the questions:

1) Should I refi my mortgage?
2) Should I refi my student loans? Which student loans are best to refi?
3) Should I consolidate some personal loans with a HELOC or a new mortgage?

If these questions are on your mind, come let us walk you through the analysis.

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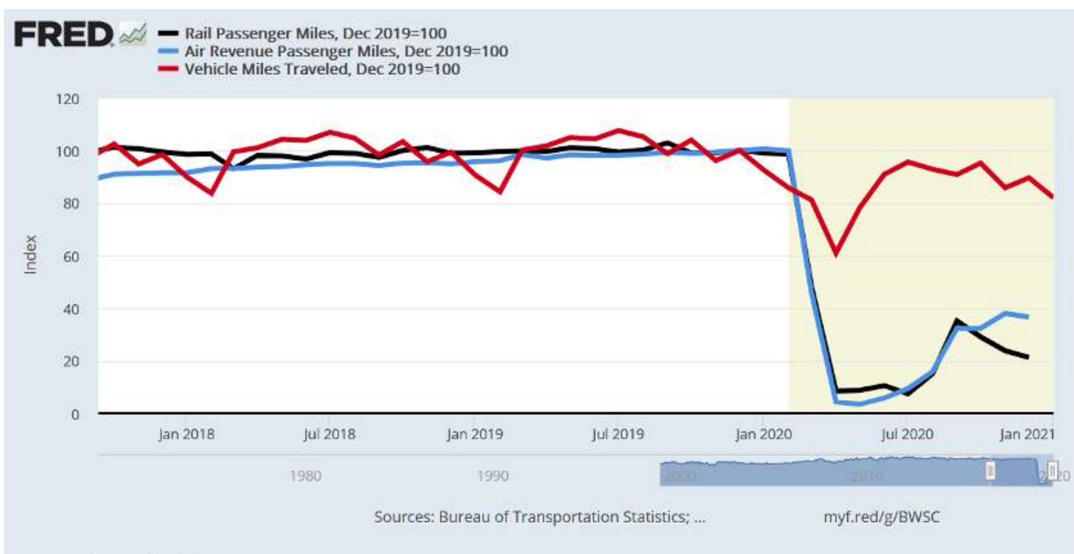
Post Covid, there are still about 10million people who need to re-join the workforce to get us back to full employment as we were pre-Covid.

Economic growth estimates for 2021 are being raised. Prior to the vaccine being available the estimates were averaging around 3%. Now the estimates are averaging 5% or more.

Transportation can tell you a lot about the economy. The graph below shows that car traffic declined the least and is down the least resulting from the Covid effect. But airline and rail traffic fell off significantly. Rail traffic is still struggling. Air traffic is rebounding smartly but has a long way to go before getting back to pre-Covid levels.

It seems likely that air travel will not get back to pre-Covid levels any time soon – it could take a decade – because business has discovered they don't need employees to travel. Most work can be accomplished over a Zoom call. Rail travel should rebound if the stimulated economy booms.



Inflation?

Inflation is still not a problem today, but Congress is spending Trillions which leads to a supply and demand problem – think back to your education now. If there are more dollars floating around in the economy, then each of those dollars will be worth less. This explains why the US dollar has been falling as Covid has been ending and Congress has been spending. Regardless, at this time, the dollar is still strong enough, and inflation is not currently a problem. We are keeping careful watch though.

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Warren Safer-Equity Fund

The Warren Safer-Equity Fund

*Still rising, but slower.
*No hedges currently, but this could change quickly if markets go into a tail-spin (we don't expect any significant downward movement, but we are always ready).

Disclosures:
Please refer to our website for regulatory disclosures.

Do you have a friend?

Show them the Warren app you have on your phone!

ANVS has soared. Annovis Biopharma is one of our original WFS Angels picks from about 10 years ago which went public last year. Annovis is in Phase 2 trials of a drug that treats epilepsy, CTE, PTSD, alzheimer's. Still a very risky bet, but nice to see it doing well. Has a long way to go before Phase 3 approval.

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Strategy Update for 2021

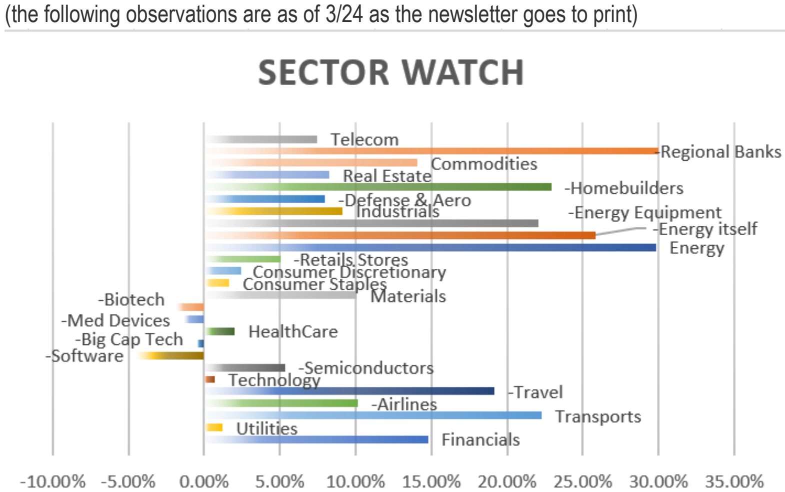
(not much change from last quarter)

1) The rest of the world investment markets are cheaper than the US but have not performed as well.
2) World investment markets may continue to underperform, but we are alert for a change in this trend. At some point in the future world markets will outperform the US and we are ready to take advantage of that shift.
3) We are prepared for a kind of 1900's style roaring 20's. The stimulus may kickstart our economy into a repeat of the roaring 20's. But stimulus may also cause a repeat of the depression, 1930's style.
4) Stimulus will finally rekindle inflation. But a spark is a long way from a raging fire. Expect consumer prices to finally exceed 2% inflation at some point during the year. Interest rates will begin to rise making bond investments a continual disappointment. Expect the 10-year rate to reach about 2% later this year.
5) Expect a broad-based economic rebound in 2021. We will be ready!
6) So we are sticking with fundamentals: we want to own companies that are growing, that are generating more revenue and more earnings, or have the best chance to do so.

Sector Watch

(in search of a Bull Market)

(the following observations are as of 3/24 as the newsletter goes to print)



The biggest problem with the first quarter of 2021 is that the sectors that make the most money were the weakest, and the sectors that don't generally make much money were the strongest. A complete reversal from 2020. Regional banks make sense because they do well when rates rise. So, we do in fact own an overweight in regional banks, but not enough to offset the weaker sectors of Tech, Software, Medical Devices, Biotech (vaccines and therapeutics), and overall Health Care. Airlines did great, but we don't really want to own them because their fundamentals are generally pretty weak. Perhaps they might be good for a quick trade, but not for the longer term. We own a nice overweight in homebuilders and we have been buying travel (not including airlines) as Expedia, Priceline, etc re-open with the economy. Energy did quite well, but we don't want any overweight in energy for the long term. Semiconductors have been a nice overweight for us, but we don't want to own materials/commodities for the long term.

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