MAGELLAN FINANCIAL

RADIO 1

Topics

Commodities ETFs Tax Efficient??
Diversify to protect over War worries
Fed Rate Hikes
Gross Crypto…
Going to Cash in Market crash
Roth Conversions Focal Point amid uncertainty

****Can anyone explain to me what happened in Nickle Trading last week??**

https://www.bloomberg.com/news/articles/2022-03-14/inside-nickel-s-short-squeeze-how-price-surges-halted-lme-trading

Personal Finance

Gold, silver ETF owners face 28% top tax rate on profits. That's higher than levies on stocks

Key Points

- **Exchange-traded funds backed by precious metals like gold and silver are treated as collectibles for tax purposes, according to accountants.**
- **That means they carry a 28% top federal tax rate on long-term capital gains. Stocks, bonds and other investments generally have a 20% top rate on profits.**
- **However, there are a few caveats.**

Investors who sell gold, silver and other precious-metal exchange-traded funds may find their profits taxed at a higher rate than other holdings like stocks and bonds.

The IRS treats ETFs backed by physical precious metals as collectibles for tax purposes, according to accountants.

Collectibles — like art, antiques and coins — carry a 28% top federal tax rate on long-term capital gains. (This is the tax rate on profits for an investment sold after at least a year of ownership.)

Conversely, stocks, bonds and many other investments have a 20% top tax rate on long-term profits.

> *"In your mind you think, 'I'm just buying a stock,'" said Troy Lewis, an associate professor of accounting and tax at Brigham Young University. "But the IRS has taken the position they're actually collectibles because they're backed by bullion."*

The IRS didn't respond to a request for comment.

When ETFs are physically backed by gold, silver, platinum, palladium or other precious metals, each ETF share represents ownership in the underlying metal

Diversification Best Protection Against War's Uncertainties, State Street Analyst Says[1]

MARCH 11, 2022 • KAREN DEMASTERS

Diversification using commodities is a key to weathering the volatility created by the current geopolitical situation, according to Matthew J. Bartolini, head of SPDR Americas Research at Boston-based State Street Global Advisors, an investment management company with $4.1 trillion in assets under management.

But at the same time that Bartolini gave guidance for advisors and their clients, he emphasized that uncertainty overlays the market.

"Because of the inability to predict what will happen in the next few weeks or months, advisors and investors should be looking at the long term to weather the downside risk of a volatile market," Bartolini said in an interview.

"Volatility has been, and will be, quite elevated," he added. "The market has had some of its best performing days and worst performing days recently."

"Russia's unprovoked invasion of Ukraine has taken a grave human toll and ushered in a new era of geopolitical conflict," Bartolini said in a recent blog post. "The Russia-Ukraine War also has led to a significant market dislocation, with currency, stock and bond volatility increasing to one-year highs."

As of March 3, the S&P 500 Index had 12 days of gains or losses greater than 1% over the preceding 20 trading days.

"Given the number of known unknowns related to the war and the resulting volatility, now is the time to trust in diversification by relying on traditional risk mitigation tools such as Treasurys, gold and liquid alternatives," he said. Gold, in particular, provides a stable hedge to volatility, he emphasized. "Gold has a low correlation to both equities and bonds. Equities have a negative correlation to uncertainty, but gold has a positive correlation to uncertainty."

The war in Ukraine is not the only risk the market is facing now, he said. Covid still poses a problem and the actions of the central banks are a factor, Bartolini said. "Elevated inflation will make the central banks raise rates soon, which will impact the bond market," he said.
Also impacting the economic outlook is the fact that earnings predictions for the year are not as strong as had been predicted, he said.

Advisors should be telling clients to review the asset classes they are in," he added, noting industrial metals, oil, and agriculture will have advantages.

While assessing options, investors need to keep in mind that trying to time the market is not a good answer to uncertainty, he said.

1) Diversification across asset classes given uncertainty:
https://www.fa-mag.com/news/uncertainty-reigns-as-market-reacts-to-war--state-street-global-advisors-saysa-66799.html

2) This one is a couple of months old, but very timely given the market vol.: Going to Cash can be costly

https://seekingalpha.com/article/4475888-going-to-cash-can-be-as-costly-as-market-crash

3) Fed's cautious next move given geopolitical events:

https://www.bloomberg.com/news/articles/2022-03-11/fomc-seen-being-cautious-in-rate-path-amid-ukraine-uncertainty

Fed Seen Being Cautious in Rate Path Amid Ukraine Uncertainty

- **Fed may not hike at each meeting this year, economists say**
- **The dot plot and hikes are seen as fewer than market pricing**

Federal Reserve officials next week will raise interest rates for the first time since 2018 and signal a faster pace of hikes in 2022, according to economists surveyed by Bloomberg, though they may be cautious amid uncertainty due to Russia's invasion of Ukraine.

While markets pricing interest rates see as many as six or seven hikes this year spread out during the Federal Open Market Committee's remaining seven meetings, economists say the Fed's quarterly forecasts in the "dot plot" will show around four hikes for 2022 and they predict the Fed will follow through with five increases with no half-point moves.

Investors have ramped up expectations for an aggressive Fed posture in the face of the highest inflation in four decades. But the economists say the outlook has become muted by uncertainty over Ukraine, sanctions and surging commodities prices. The economists predict the Fed may raise rates by 1.25% this year, with rates reaching 2.5% in 2024.

4) Roth Conversions in a down market:

https://www.fa-mag.com/news/downturn-means-the-time-is-ripe-for-roth-conversions--advisors-say-66813.html

Bill Gross, 'King of Bonds' and Prominent Crypto Critic, Invests in Bitcoin

The legendary financier Bill Gross holds bitcoin after having loudly criticized popular crypto and then there are the classic finance superstars, who one after another are saying they were wrong about digital currencies, and more specifically bitcoin.

After the hedge-funder Ken Griffin, it is the turn of the king of bonds, Bill Gross, to pledge allegiance to bitcoin. In a recent interview with CNBC, Gross claimed to have invested in bitcoin.

"I simply think that, you know, the crypto coins are a bubble. I do think there are survivors," Gross said. "I do think we need an alternative to the dollar as we've seen in the last week or two and that you know, there will be several survivors and I'm invested to a small extent in bitcoin."

Five years later, he has changed his tune again. But he is not alone.

By becoming a bitcoin investor, Gross joins a list of big names in traditional finance who are converting to digital currencies.

“Crypto has been one of the great stories in finance over the course of the last 15 years. And I’ll be clear, I’ve been in the naysayer camp over that period of time,” billionaire Ken Griffin said recently. “But the crypto market today has a market capitalization of about $2 trillion in round numbers, which tells you that I haven’t been right on this call.”

In 2016, the king of bonds believed that bitcoin could be a safe-haven asset for investors fleeing volatility and falling interest rates.

“‘Bitcoin and privately agreed upon blockchain technologies amongst a small set of global banks are just a few examples of attempts to stabilize the value of their current assets in future purchasing power terms,” he wrote on Bloomberg in October 2016. “Gold would be another example -- historic relic that it is. In any case, the current system is beginning to be challenged.”

Roth Conversions Take Centerstage After Market Downturn, Advisors Say

MARCH 11, 2022 • TRACEY LONGO

Can be critical with Roth IRA conversions. In that light, the recent market decline definitely made the prospect of converting regular IRA assets to a Roth more alluring for those investors who are well positioned, advisors said.

Tax-free growth has made Roths an effective retirement planning tool since Congress created them in 1997. With Nasdaq retreating more than 17% this year, the market declines offer the right investors three additional conversion incentives: a lower conversion tax bill, the ability to convert more assets and the prospect of watching the market rebound tax free.

“The market is down, so the tax liability of a conversion will be cheaper now than last year, depending on your asset allocation. We are definitely pounding the table for those in their gap years to consider a Roth conversion now,” said Brad Lineberger, founder and president of Seaside Wealth Management in Carlsbad, Calif.

****Seeking alpha article Going to Cash in a market crash…negative affects**

The 18 Minutes of Trading Chaos That Broke the Nickel Market
https://www.bloomberg.com/news/articles/2022-03-14/inside-nickel-s-short-squeeze-how-price-surges-halted-lme-trading

When the commodity’s price went vertical last week, the metals industry plunged into turmoil not seen since the Tin Crisis of 1985.

It was 5:42 a.m. on March 8 in London when the nickel market broke. At that time of day, bleary-eyed traders are typically just glancing at prices as they swig coffee on their way to the office.

On this day, however, metal traders across the city were glued to a screen, watching the price action on the electronic market, which was already open to accommodate Asian trading. Nickel prices usually move a few hundred dollars per ton in a day. For most of the past decade, they’d traded between $10,000 and $20,000.

Yet the day before, the market had started to unravel, with prices rising by a stunning 66% to $48,078. Now, the traders watched with a mixture of horror and grim fascination as the

price went vertical. Already at an all-time high by 5:42 a.m., it lurched higher in stomach-churning leaps, soaring $30,000 in a matter of minutes. Just after 6 a.m., the price of nickel passed $100,000 a ton.

For participants in commodities exchanges, a price rally is not necessarily good news. Miners, traders, and manufacturers often use the market to make short bets—that is, to make money when prices fall. And when those wagers move violently in the opposite direction, they can be hit with huge margin calls, or requests to put down more cash to back their trades. The head of one London metals brokerage recalls feeling sick as he watched the moves, realizing what the spike in prices would mean for his company, the market, and the global metals industry. “Those 18 minutes will haunt me,” says the executive, who wasn’t authorized to speak publicly.