Quarterly Booklet

WINTER 2019

"WD-40" is an abbreviation of "Water Displacement, 40th formula." The first 39 were failures.

If you run into a hurdle this year,
keep in mind it may be your WD-1.

ONE DAY
IN JULY

A Note from our Founder

Examining a spreadsheet, you can see why big companies like call centers. The costs are attractive, especially when they operate overseas.

Attractive costs or not, they'll never find a home at One Day In July.

Giving our clients our cell phone numbers makes their life easy. People have enough to juggle in today's world, and our service, like our investments, are meant to eliminate friction.

No call centers, no phone trees, no receptionists, no searching websites for answers.

We're on speed dial. And that's how it's going to stay.

~ Dan Cunnnigham

The Loser's Game.

"The investment management business is built upon a simple and basic belief: professional managers can beat the market. That premise appears to be false... Gambling in a casino where the house takes 20% of every pot is obviously a Loser's Game."

Charles D. Ellis, President of Greenwich Associates, as written in the July/August issue of The Financial Analysts Journal. **The article had a major impact. The year? 1975.**

Source: John C. Bogle Financial Markets Research Center, The First Index Mutual Fund

Anxiety.

The risk I worry most about for investors, by far, is anxiety. Anxiety is on the rise in American society. The causes vary, but continuous access to information, as well as the perception that everything is immediately controllable, underlie the trend.

Anxiety has a good chance of reducing, not increasing, an investor's returns. It tends to snowball and leads to behavioral changes at the most inopportune time.

What to do?

If financial markets make you worry, consider this: As Americans, we are living in the safest, most prosperous time anyone has ever experienced in the history of civilization. It helps to put the little green and red numbers jumping around on screens in perspective.

Quarterly Earnings.

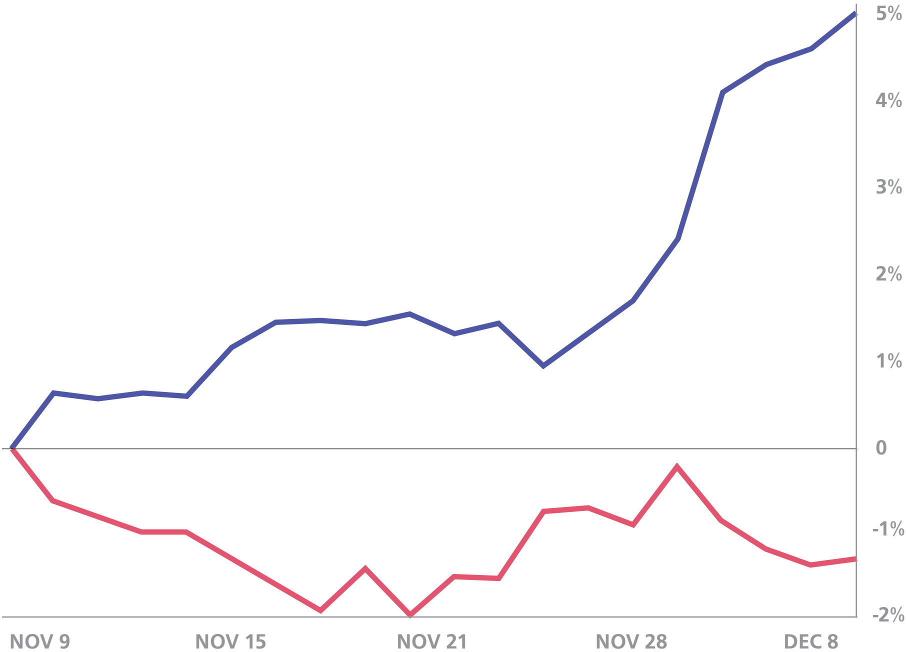
"In both national policy and business, effective long-term strategy drives economic growth and job creation. For public companies, these same principles are true. That's why today, together with Business Roundtable, an association of nearly 200 chief executive officers from major U.S. companies, we are encouraging all public companies to consider moving away from providing quarterly earnings-per-share guidance. In our experience, quarterly earnings guidance often leads to an unhealthy focus on short-term profits at the expense of long-term strategy, growth and sustainability."

- Jamie Dimon and Warren E. Buffett, June 6, 2018

Measuring businesses using short 90 day intervals makes no sense and encourages short-term thinking. It's time to retire this practice.

Source: Factset earnings insight, 9/21/2018

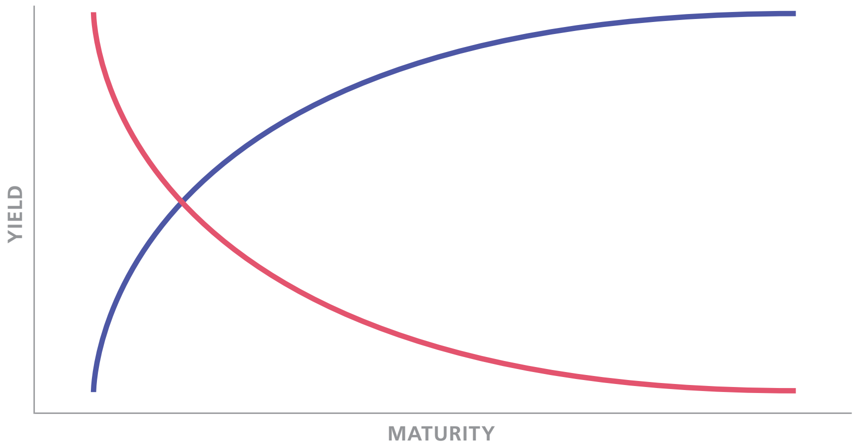
Long Term Treasuries:
Insurance Against Fear.



The graph above shows the iShares HYG Fund (red) vs the iShares Long-Term Treasury Bond index (purple) from November 9th to December 8th, 2018. This was a period where volatility rose and investor nervousness increased. See how the value of the Treasuries rose almost 6.5% relative to the high-yield, or junk, bonds? When fear creeps into markets, junk bonds, even in a fund or an index, do not provide the same level of protection. They often fail their mission exactly when they are supposed to deliver.

Source: Stockcharts 11/9/18 – 12/8/18, TLT vs HYG, interest included

Inverted Yield Curve.



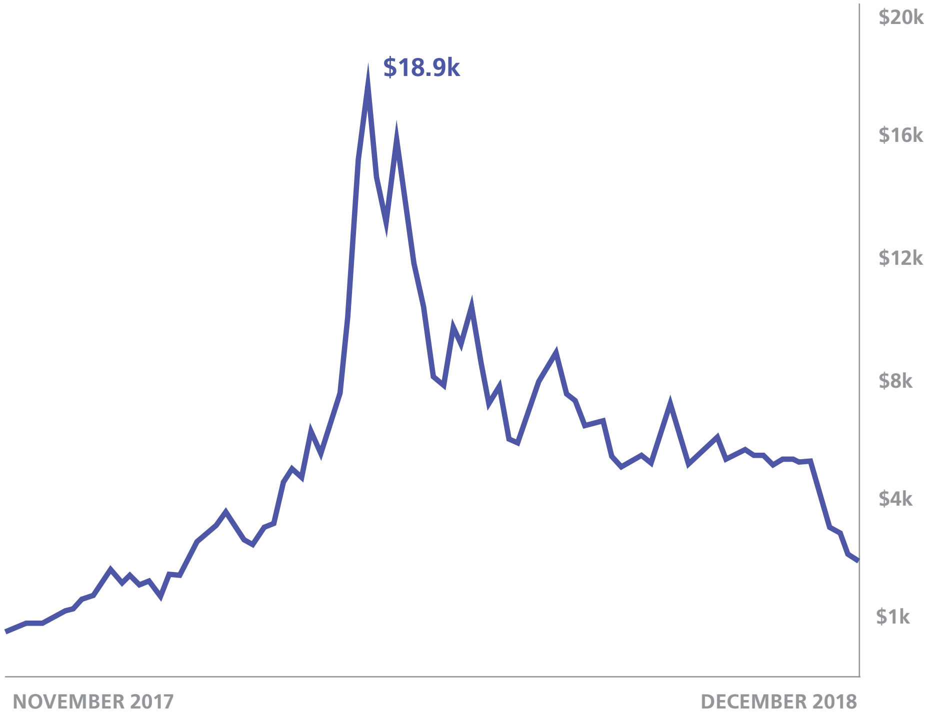
You may have seen the term “Inverted Yield Curve” in the media recently. A normal yield curve is shown in purple. What you expect to make each year from bonds with longer maturities rises, as compensation for the risk of owning a bond that takes longer to mature.

Sometimes, though, this curve inverts, as shown in red, where you end up with a lower expected yield on the longer bonds. Why? When investors sense that the economy may go into recession, they buy longer bonds en masse, pushing the price up and the yield down. They want to own the longer bonds that pay more because they anticipate the federal reserve will cut rates during a recession.

This sometimes, though not always, signals a recession is coming.

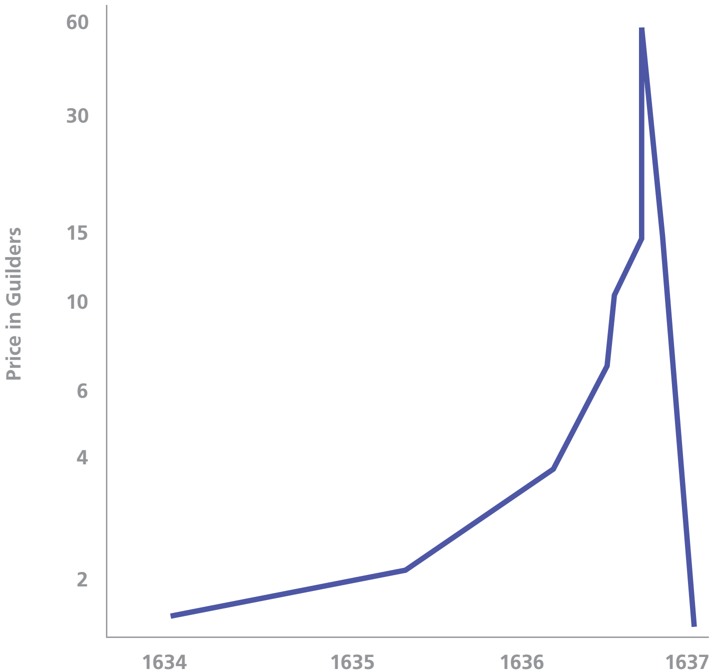
Bitcoin.

This isn't going well.



Source: Coinbase, June 30, 2017 to December 13, 2018.

Dutch Tulip Bubble:
December 1, 1634 to February 5, 1637



It didn't go so well four centuries ago either. Technology may change, but human emotion does not.

Fun fact: at the peak of tulip mania, a single Viceroy bulb was worth five times the value of an average house in the Netherlands.

Sources: Elliot Wave International / The Tulipmania: Fat or artifact? 2006 E.A. Thompson University of California at Los Angeles.

The Dow Jones.

How many companies remain in the Dow from the original 1896 index?

ZERO.

General Electric, the last remaining member, left on June 26, 2018.

Source: Business Insider 6/20/18 GE out of Dow Jones

Parting thought.

"Inspiration is for amateurs. The rest of us just show up and get to work."

Chuck Close, Artist

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