July 21, 2025

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Dear Investor,

Another rally is on our hands, prompted by the usual magic tricks of the central bank and Treasury (as they support corporate activity by buying our own debt) and by Tariff positives.

Tariffs remain a key focal point and Trump's negotiating approach of hammering an opponent only to back down has been deemed toothless by the players in asset markets. The nickname 'TACO' (Trump Always Chickens Out) has been assigned. Bulls are locked onto earnings being sustained. Consumers are catching relief in a reduced pace of price increases (inflation), but inflation by all measures is 2.3% to 2.9%, well above the Fed target of 2%.

The Fed is under heavy pressure by Trump to lower rates, but Chairman Jay Powell is resisting, doing so under the rationale that Tariffs ***may*** cause inflation again one day. Trump's position is actually very reasonable. Former Fed Chairwoman left the Treasury (sabotaged) with a position of having to refinance up to 9 Trillion in US Treasury bonds that mature over twelve months. Since we know Uncle Sam never pays down debt (it just cranks out more), rolling over the debt that matures is going to be ***very*** expensive. The old rates in the 1%-3% neighborhood have to be refinanced at 4.0 – 4.8% rates, which will add almost an additional $1 Trillion in interest expense annually. Powell ***could*** lower rates, as Trump bludgeons, then raise them after the re-financing drill is over … but he isn't ... complicated by the fact Powell himself jammed rates lower going into the last election when inflation was considerably higher. In plain English, Powell is 'BS'ing, and visibly playing politics.

The BRICS block of countries continues to grow, trading directly with each other and using their own currencies more each day … not the US Dollar. The US Dollar has been very weak recently, overdue for a rally we suspect. A weak dollar can be a boost for asset prices.

Confidence in government remains at historic lows with zero accountability for the many visible acts of corruption. DOGE (Department of Government Efficiency) hit the mark in Q1, but Elon Musk departed stage left amidst a public tiff with Trump. Assertions about the Epstein list were made, and Trump has now backed away from revealing it. Anyone researching the matter knows that many members of the ruling class have been captured by financial bribery and deviant appetites. The world seems to be run by the worst of people, from both fake sides of the aisle, none of whom are held accountable for anything,

For Q2, caution was no longer rewarded as TACO and the antics of Treasury Secretary Bessent pumped risk appetites right back up. We remain very overvalued by historic metrics.

When dust settled in Q2, the S&P 500 and Nasdaq were back up YTD a bit over 5%. Yields remain elevated with 10 Yr UST at 4.4%+. Our quarterly letters often coincide with market reversals. Powell could force a pivot July 30th, Tariffs could explode August 1st, and any Epstein revelation of how depraved the deviant captives of the ruling class is, or the Russian-Collusion coup of 2017 (just made public though visible since 2017 through many non-MSM sources), could ring the bell at the top. Get your popcorn ready.

Best Regards,

Mike Sullivan

Detail:

Q2 reversed course as Bessent countered Yellen's ineptitude (or sabotage). The removal of the Debt Ceiling means the money spigots are limitless now. Most importantly, earnings have navigated the Tariff Tantrum and indices have resumed climbing ignoring all noise:

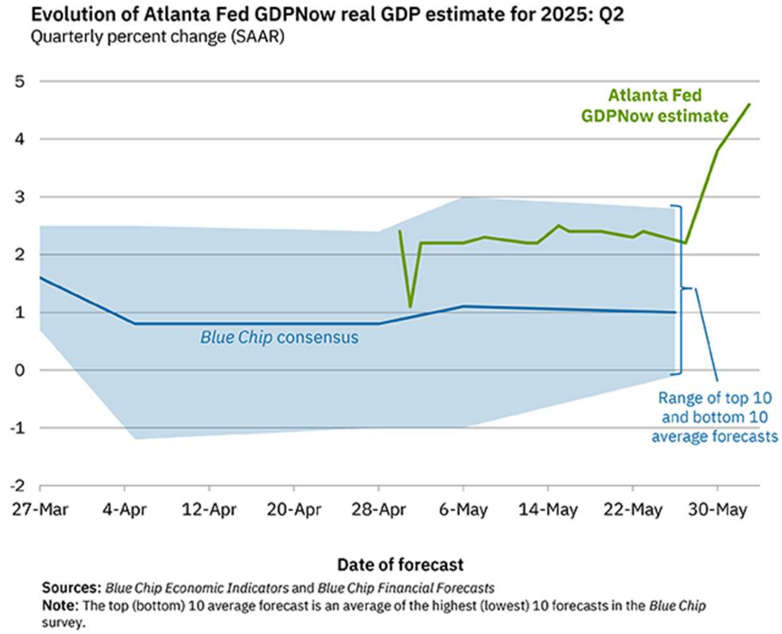
INDEX	Description	**Q2**	**YTD**
Standard & Poor's 500	US Based Large Stocks (500)	**10.1%**	**5.5%**
Dow Jones Industrials	US Based Large Stocks (30)	**4.9%**	**3.6%**
Nasdaq 100	US Based Large Stocks	**16.2%**	**5.5%**
Standard & Poor's 400	US Based Mid-Cap Stocks (400)	**5.9%**	**-0.6%**
Russell 2000	US Based Small-Cap Stocks (2000)	**7.3%**	**-2.5%**
Dow Jones Transports	US Based Transportation Stocks	**4.1%**	**-3.2%**
Dow Jones Utilities	US Based Utility Stocks	**3.2%**	**7.3%**
EAFE International Index	International Large Cap	**10.1%**	**18.3%**
MSCI Emerging Markets	Diversified Emerging Markets	**10.9%**	**15.4%**
Commodities	Bloomberg Commodity Index	**0.0%**	**3.3%**

Sources: *Bloomberg, vanguard.com, yahoo.com*

At the end of Q2, most indices had rallied to positive returns with the exception of the smaller interest rate-sensitive companies and the transports. As we go to print, Bessent has thrown away all prior references to 'de-toxing'. As he did after the Covid debacle, Trump has thrown open the monetary spigot and accelerated the relentless debt binge. One Big Beautiful Bill should result in a stimulated economy indeed near term, but its debt trajectory will likely prove fatal at some point. As always, 'Kick the Can' is the game.

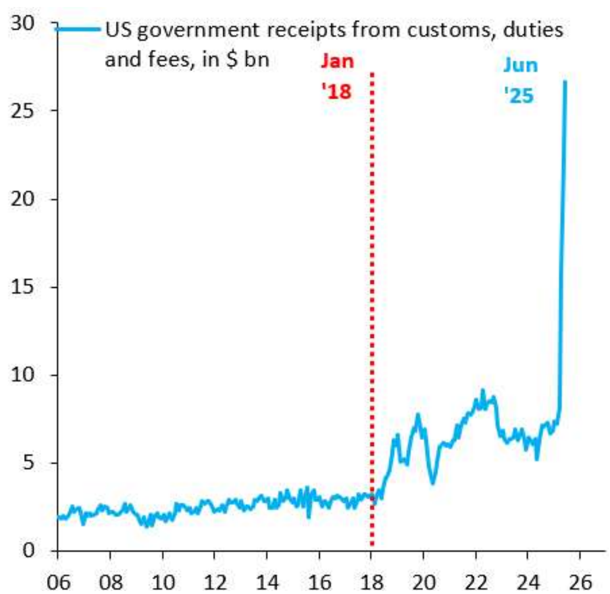
Regarding Economic data, here are some recent numbers:

- The latest Price/Earnings ratio for the S&P 500 surged to **23.8,** jumping **from the 20.3** reading of the prior letter.
  - The 'Alligators Jaws' closed with the March market decline, but the lower jaw (earnings) is rising again along with stock prices.
- Inflation is mixed. Core Inflation (sticky price increases) weighs in at 2.9%, well above the Fed's target of 2.0%, and CPI jumped to 2.7 YOY%.
  - US Corporate revenue is heavily service based, less exposed to tariff inflation
- Retail Sales for June surged up +0.6% vs the expected increase of 0.1%. The Consumer remains motivated by rising stock prices and declining tax burdens.
- Residential Real Estate remains stalled with 30 Year Mortgages at 6.7%.
  - Housing Starts dropped nearly **-10%** and Sales dropped **-14%** MOM in June.
  - Florida and Texas continue to dive, Florida may drop or eliminate property taxes, and Trump and MTG support eliminating cap gains on residences.
- Commercial Real Estate continues to struggle.
- Fed chairman Powell should drop rates. Bonds say so more loudly than Trump.
  - Deficits are ridiculous now, but the interest expense carried by Uncle Sam does not have to be so hefty relative to the rates other countries are paying.
  - Powell is going to be replaced in early 2026, but he may be fired before that.
- Tech overlord stocks reversed to all time highs. AI and CBDC seem destined to rule our world, while stock investors cheer on their own imminent techno-slavery.
- Regional business barometers were negatively affected by uncertainty, but rebounded.
- GDP growth cooled hard in Q1, but surged in Q2 with Atlanta Fed's GDPnow +4.6%



Above, and as just indicated, the June Atlanta Fed 'GDP now' estimate surged to a +4.6% rate following the TACO temporary suspension of Tariff's. August 1st is the new deadline for tariffs, and the usual Trump deal bluster is underway.

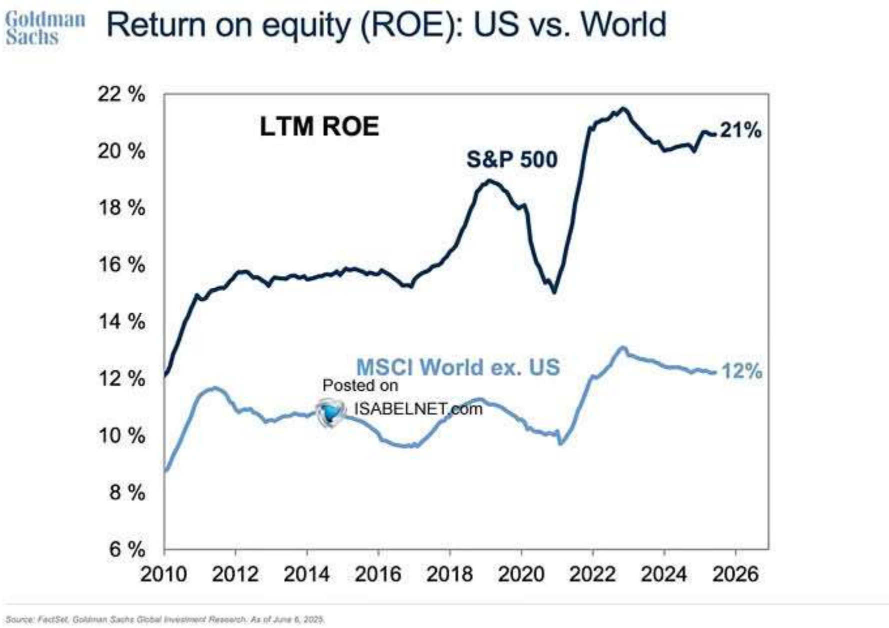
Regardless of bluster, thus far the Tariffs have proven to be quite positive, delivering real income to US coffers, paralysis of US businesses experienced in Q1 loosened up, inflation is not crushing US consumers, but rather seeing foreign businesses largely eat those costs.



Source: Robin Brooks

Trump's disruptive style, deliberate but exhausting, thus far has been quite effective from an economic standpoint. It is hard to argue with the results.

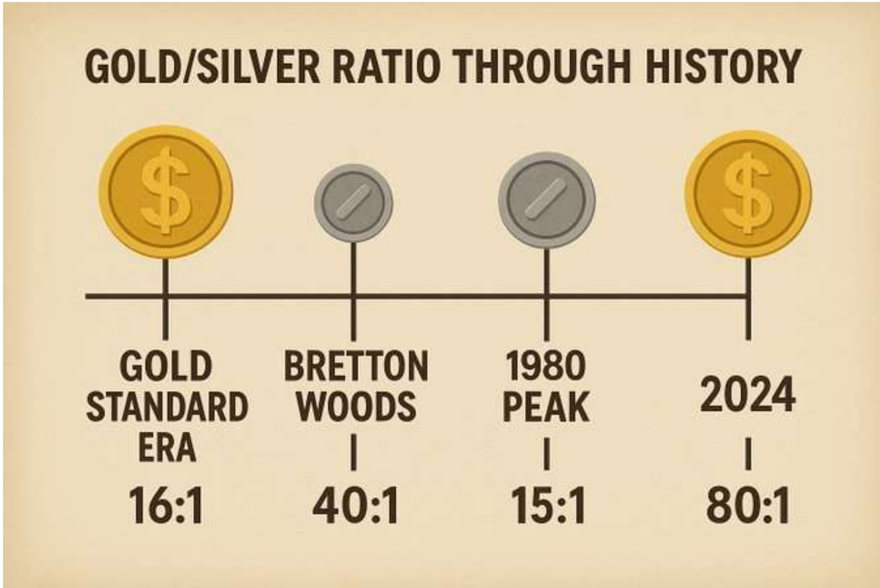
When Trump tweeted (or 'truthed) it was time to buy stocks, he was on target … at least through today. And when he crows about the strength of the US and labels us the hottest place to be economically and from an investment standpoint, he is right about that too:



If we get past the fact that all countries are debt-financed, we can feel good about it. The entire western world (and China) are running huge fiat systems, so it is apples to apples.

Gold continues to display strength. Investors are eyeing 3,500+ as gold works a technical pattern known as an ascending triangle that *might* break out upward:

- The debasement of fiat currency across the globe has gold in high demand.
- Exchanges in the East are keeping the price of gold more honest, serving as a counterbalance to the price manipulation imposed by the Western central bank machine.
    - o Eastern depositories are being established by BRICS nations to diversify holdings and serve as backing for BRICS countries trading with their own currencies
    - o Trump's threats to impose more tariffs on BRICS countries shows US desperation
- The Gold/Silver ratio which surged to over 100 in May has recently pulled back to 95 as silver has begun to surge itself. The gold price has merely stalled, but silver is running. If history is a benchmark, silver is still very undervalued, at least relative to gold:



Let's look at gold as priced by other measures. In 1920, the average house cost $6,296. With gold priced at $20.67/oz, 305 ounces of gold bought you a house. With gold at $3,334 last night, those 305 ounces would buy you a 1,016,132 house today.

If you don't think you are being robbed by central bank fiat money systems, think again.

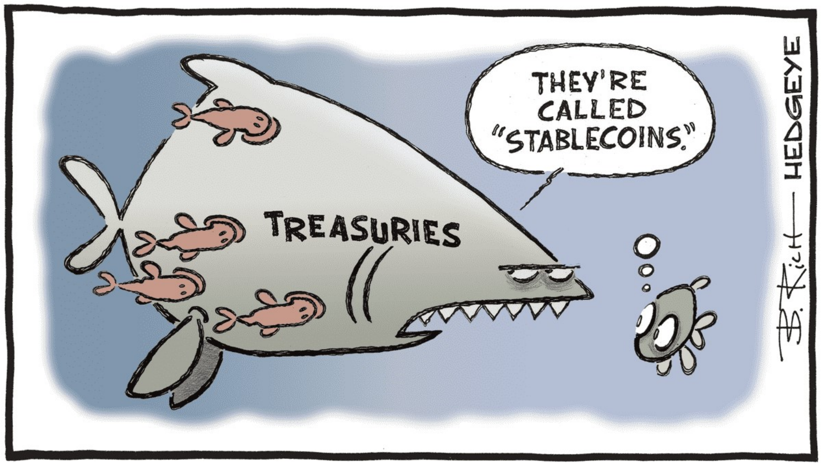
Watching stock prices inflate can be fun, but only for those who own them. Were gold still backing the currency, ***everybody*** would be better off today.

The asset referred to as 'Virtual Gold' seems to be running away with all these newly minted debt-based dollars (and euros) too. The king of crypto, Bitcoin, is vacuuming up assets relentlessly, as are many other crypto-currencies:

Long term Bitcoin traders warn of the imminent beat-down that occurs every three or four years in the asset, but the entry of institutions and sovereign nations (that have begun to accumulate it as an approved asset) may have changed the game notably.

Everyone who is trying to figure out Trump is also trying to figure out whether the fiat central bank system led by our Federal Reserve is going to be turned on its head. Nations, led by the US, may seek to replace central bankers with sovereign money once again, this time backed by assets like land, gold and yes … even crypto.

Bessent is now looking at jumping onto the virtual currency bandwagon by incorporating stable coins onto the balance sheet. The belief is that Treasuries, backed by Stable Coins, will keep the demand for US debt robust. (He will need demand at the rate he is borrowing!)

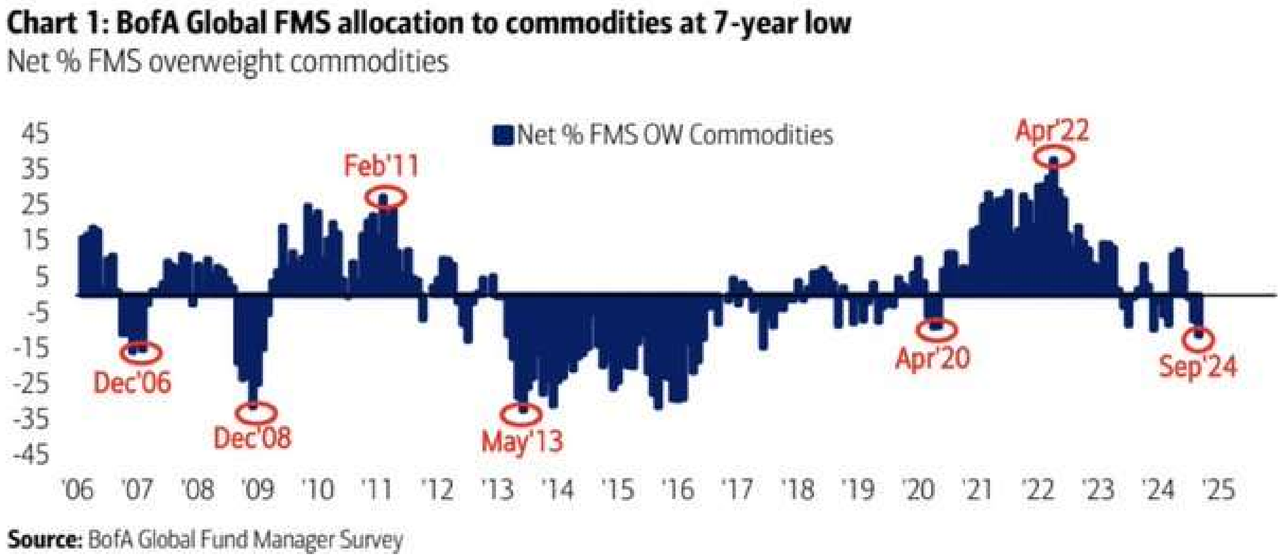


Back in normie world, Earnings Season starts heavy reporting this week. Earnings and projections are what drive stock prices. While valuations on current earnings expectations are indeed very high, we will soon see where we stand. The removal of tariff fears, the cost savings of AI (from replacing consumer-friendly helpful humans with time-wasting annoying phone robots), and a stimulated Consumer (motivated by forthcoming boosts from One Big Beautiful Bill) may justify these high valuations. This analog of the S&P 500 in the late '90's shows such a potential path. You remember the late '90's? After multiple years of 30%+ returns in the S&P 500, everyone thought 20%+ every year was normal? It worked great for several years until Y2K pasted us! With no debt ceiling, and no public understanding of fiat money systems, could we now see 'Act 2'?? It is possible.

If we do see such a boom environment, we will certainly have to look harder at commodities.

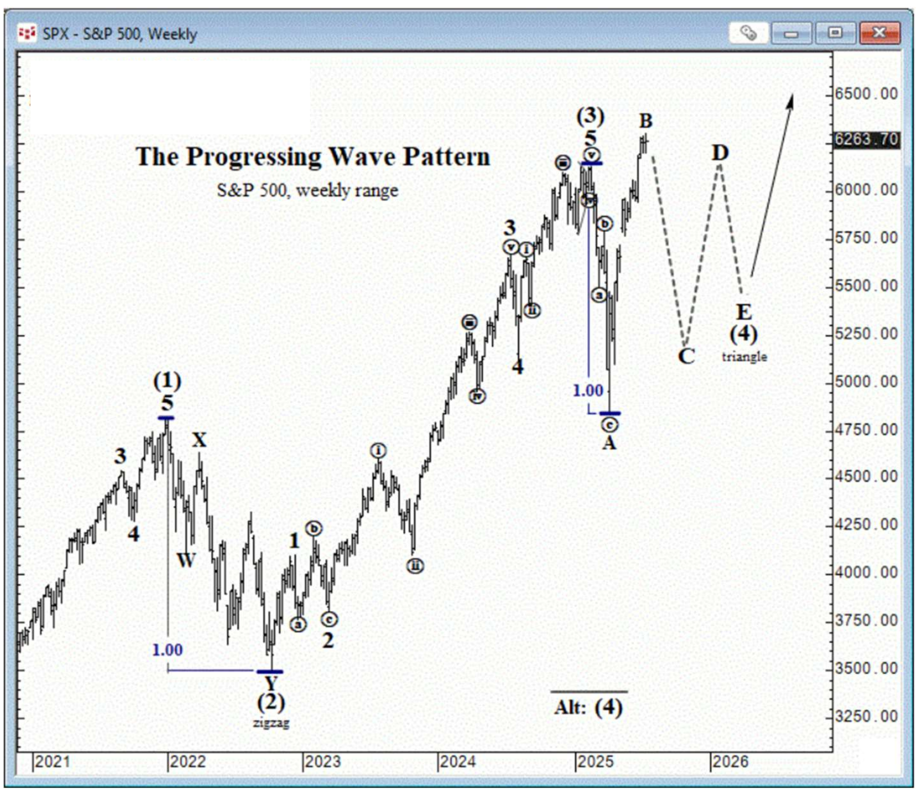
Just as silver is underpriced relative to gold from a historic standpoint, commodities seem to be a relative bargain versus our highly valued equity prices. If stocks do boom, commodities may well boom even more.

We have seen a few signs of life in commodities aside from gold as the Big Beautiful Bill's economic stimulus components align with some major rebuilding projects in Ukraine and Gaza globally. AI infrastructure demand may be the turning point, as copper has shown.



There is of course always a Bear case for markets. Those tend to be more challenging as the consumers who use fiat money worldwide are completely unaware about this monetary stuff. Today's robust Retail Sales number +0.6% proves that point.

Even the Bearish case shows the momentum can carry further, like the latest from Elliott Wave which sees this alternative wandering through until a market peak in 2026.



Any chance of a near-term peak would require a catalyst.

WW3 seems to have been avoided for now with the bombing of Iran's nuclear facilities, only Russia vs Ukraine is visible on the horizon. Trump punted the war-mongering into Europe's court with his latest weapons offer, which requires NATO countries to actually buy the weapons and give them to Ukraine … effectively calling the bluff on the Euro elite who pander and posture while they can hide behind the US doing the dirty work. Any European driven aggression likely falls into the above Elliott timeline of some time in 2026.

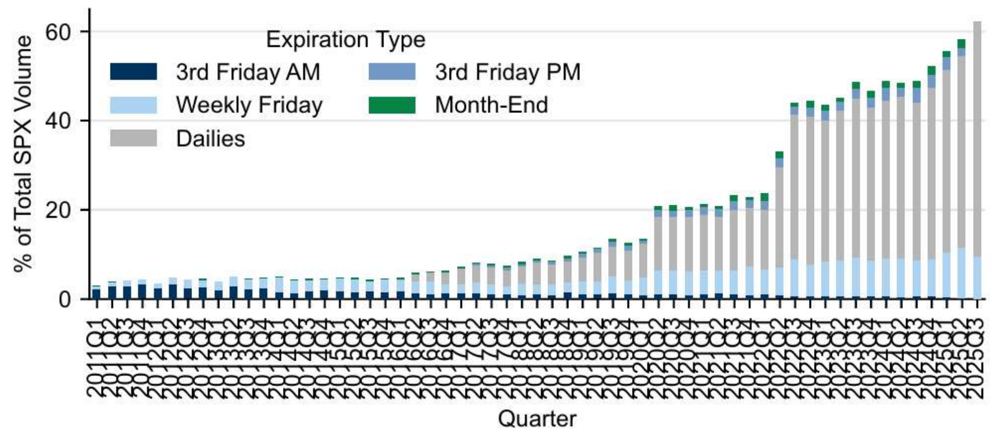
That leaves another possible candidate: the market's now casino-like nature.

The vast sums of fiat money being generated across the globe have prompted heightened levels of gambling day to day. The options market, which involves speculation on directional moves of underlying assets like stocks, has exploded with options that expire that very same day. Akin to placing a bet on a horse, traders are plowing money into options that will no longer exist by the close of the trading day … they are all or nothing bets essentially.

The chart below shows the explosion in '0DTE' (Zero Days To Expiration) options:

Exhibit 4: Zero-day options volume reached a historic high this quarter

% of S&P 500 listed volume expiring within 24 hours, by expiration type



Source: Goldman Sachs Global Investment Research, OptionMetrics

While these traders enter a trade knowing they could lose their full investment (premium), they do nothing to calm markets but rather account for some of the wild swings we see as markets dive or ramp. More importantly, the speculative fervor has carried to other assets that are more substantial and have the potential to accelerate crashes. Leveraged ETFs are at record levels of assets as well, and those represent a much bigger portion of market assets (and investor portfolios).

Another candidate for tipping markets on their ear is the repulsive Jeffrey Epstein saga.

There too, Trump is displaying his master-disruptor tendency by reversing on his long-standing commitment to uncover the horrific antics of Epstein, widely believed to be an intelligence asset of both the US (CIA) and Israel (Mossad) who entrapped power figures so they could be controlled … unfortunately at the expense of not just young girls, but children.

The line-up of corrupted power-elite who potentially participated in heinous activity ranges across politics, high finance, Hollywood mouthpieces, and even the scientific and higher education communities. Depraved souls all, and they number far more than people imagine.

Bizarre displays early in the Trump administration hyped imminent disclosure, but were soon reversed with statements that Epstein did in fact kill himself and that there was no client list! Further revelations indicate that there is indeed a list, but it was polluted by the same nefarious intelligence community that weaponized the dirty deeds in the first place. In other words, some evidence in the hands of those now leading the DOJ and FBI is manufactured, thus poisoning the barrel so to speak.

Any revelations sifted from whatever evidence is on hand could easily topple the power structure of the swamp, then take markets down along with the culprits.

We would not call Epstein a high probability 'black swan' event, however, based on the current report card the Trump base publishes to measure whether rhetoric matches action … IE holding anyone accountable for anything:

NUMBER OF ARRESTS	
RUSSIAN COLLUSION HOAX	0
JAN 6TH	0
MAR-A-LAGO RAID	0
BIDEN AUTOPEN	0
2020 ELECTION	0
EPSTEIN PEDOPHILE ARRESTS	0
COVID	0
BENGHAZI	0
DOGE FINDINGS	0
UKRAINE IMPEACHMENT HOAX	0

The spectator sport that has evolved out of the Epstein saga has embraced both sides of the political spectrum with Trump haters calling for its release because of belief that Trump himself is on the list, and supporters demanding he deliver on his promise to punish culprits.

We hold to the belief that most people are indeed good at heart (in vast contrast to those who populate the swamp) and that both sides contain normal people that will find confirmation of an Intelligence-driven honey-pot operation (whose victims are children) beyond repulsive.

The 'Russian-Collusion' Coup of 2017, just hitting some news outlets (although buried by most as is typical), has been known since 2017.

Any legitimate revelation of Epstein or government coups would rightfully shatter confidence in elite power-players. While a good thing for the country long term, either would encounter serious short-term shock first that rightfully turns institutions on their head.

Wild times indeed.

Despite all of this, the allocation game has for now shifted from caution to a choice for each investor that may favor moving toward normal risk tolerance. Call us at (740) 990-0333 (FFF) if we can be of assistance!