Bert Dohmen's
Wellington Letter™
A Fundamental and Technical Analysis of the Economy and Investment Markets

"CELEBRATING our 48th YEAR of UNSURPASSED FORECASTS"

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Stagflation: The Fed's Biggest Fear

THE STOCK MARKET

We believe the stock market up-move is still in the early phase according to our work. Of course, when the market rises sharply for a few weeks, there is always the natural "cooling off" period. After the consolidation is over, the up-move resumes.

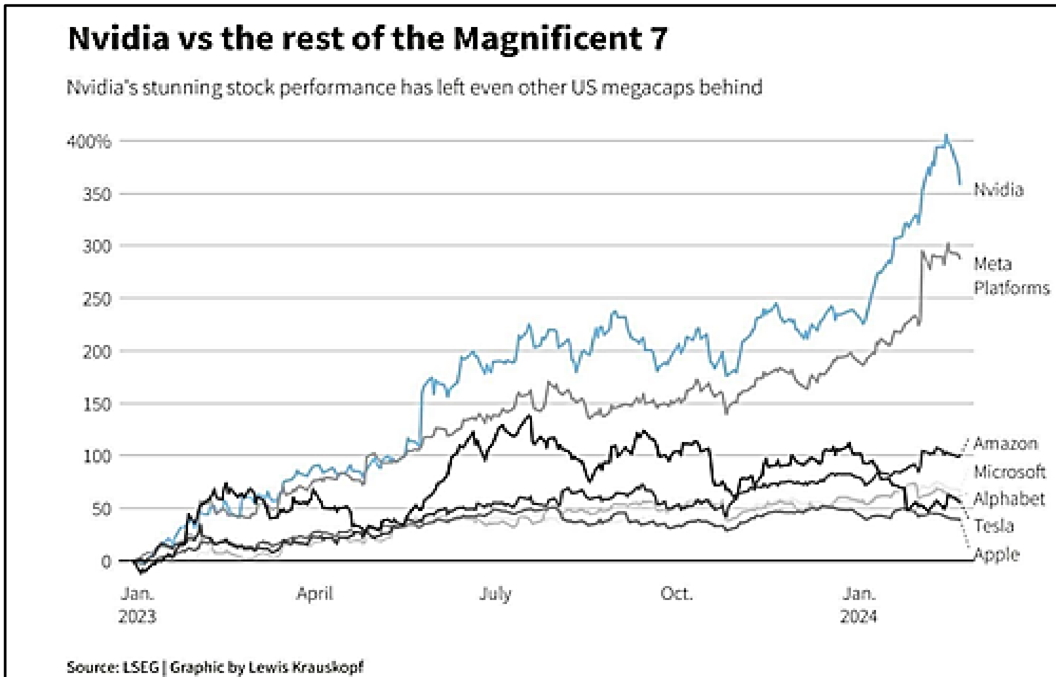
That trend continues until most investors are conditioned to buy such pullbacks. And when they are all on board, and the hype in the financial media is at a peak, suddenly the correction turns into a bear market. That could happen later this year.

Therefore, the consolidation we've been seeing lately was expected.

Last week marked the first week since January 2nd that all four major indices posted weekly declines. The S&P 500 had previously climbed 16 of the 18 weeks since October 30, 2023, yet is now on a two-week losing streak. These are clues of a near-term reversal.

So far, we don't see anything suggesting that this is more than a pullback or at worse, a correction. Many sectors did very well despite the declines in the major indices.

The Magnificent 7 are now down to the "Magnificent 2," that's NVDA and META. The others are underperforming the leaders. Here is the chart (by Lewis Krauskopf)



However, even the broader indices not heavily influenced by the Magnificent Seven stocks continue to perform well. The broad NYSE COMP broke out to a new all-time high a few weeks ago. On the 2-day chart below, we can see it is holding nicely within a special Fibonacci deviation channel that we find useful (blue diagonal lines). The red horizontal line is first support. The lower green line is a "worst case" decline.

The broad VALUG index contains more small cap stocks than the NYSE and it is also equal weighted. The 2-day chart of the VALUG shows it briefly broke out above resistance over the past week, which we labelled with a question mark. That breakout reversed and now should undergo a correction.

Note the bearish candlestick at the top, called a doji. It is very similar to the candle seen in early 2023, which was followed by a more important decline. We believe the current correction may be less than that one and should not go lower than the mid-January bottom (middle red line).

Gold and non-agriculture commodities look good. The 2-day chart of the ETF for Gold, GLD, had a breakout to a new high over the past two weeks just as we had predicted. The Dohmen Money Flow at the bottom looks strong.

Expectations of lower interest rates have caused weakness in the dollar index lately, which has helped propel gold to new highs. The weekly chart below, going back to 2022, shows the inverse relationship between the dollar and gold. They are practically mirror images of each other. Therefore, the continued dollar weakness should allow Gold to climb even higher.

The question now is, if inflation continues to rise, will the Fed be forced to raise interest rates once again? And if so, will that cause the end of the stock market rally and the end of gold's big run up?

Or will we see a similar scenario as in 1978-1980, where stocks and gold became inflation hedges? We have stated many times that we believe a scenario similar to 1978-1980 may now be unfolding (more on inflation in a separate section below).

And finally, a good measure of the strength of speculation is **bitcoin**. GBTC is our favorite indicator for Bitcoin as it has far more history than the number of Bitcoin ETFs that were just recently approved.

Here is the 2-day chart. We believe a pullback is coming as the Dohmen Money Flow, despite still being positive, is rolling over to the downside. We believe the upper red line on the GBTC chart will be support.

CONCLUSION: AI, speculation, inflation, and even gold will be the topics for the next 5-6 months. Of course, there are so many unknowns, such as last week's warning about a nuclear war from Putin if the US enters the war in the Ukraine, China may invade Taiwan, Trump may have an accident, etc.

All these negatives have caused trillions of dollars to pile up in cash or equivalents, or very defensive stocks by cautious money managers. That money is now being reallocated and is the fuel of a bull market, even if it should be a short one.

However, it's important to always keep in mind that corrections in market rises are as natural as thunderstorms in the summer. The most important factor is that the Fed must accommodate the record

financing requirements of the US Treasury. They can't have tight money at the same time. Therefore, bank reserves at the Fed will rise, as will money supply (more on this later).

That will occur while the economic weakening becomes more pronounced and rising inflation persists. It will be called **"stagflation."** We will hear that word being used more often in the coming months. It is the great fear of central bankers because their tools don't work during stagflation.

ENERGY

The energy sector is looking strong again after declining since last September. That is a lot of time for energy bulls to have sold their positions. The big smart money has used the selling to accumulate more shares in energy stocks and ETFs.

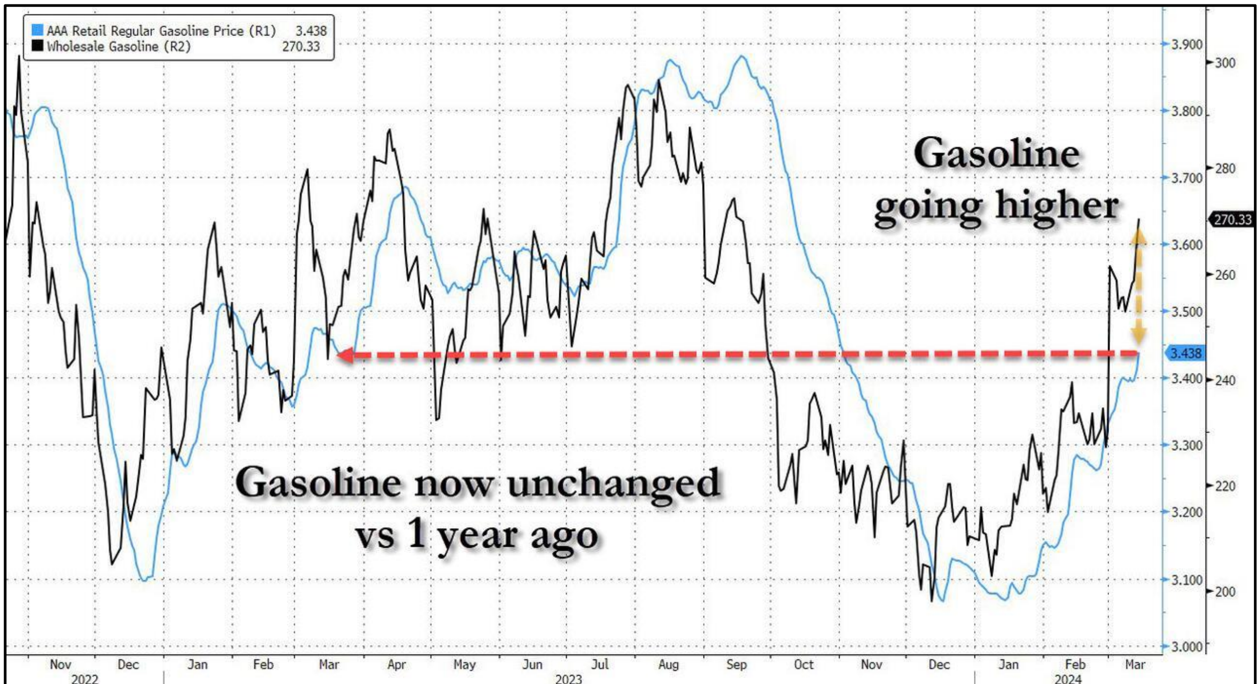
After plunging over 15% in 4 months from the September 2023 top to the January 2024 bottom, the ETF for this sector (XLE) has had a nice recovery. On the weekly chart below we can see it is now approaching resistance in the 94 area (red horizontal line) from three prior peaks (yellow highlighted areas).

The technicals look positive with the MACD (middle) more recently confirming the TSV's ("time segmented volume," bottom) rise since late January. This suggests that while the XLE will likely contend with the above resistance level, the buying power remains strong and should likely break out.

The 20% rise in crude oil prices since the December 2023 bottom is a big reason for the energy sector's strength. The weekly chart of Crude Oil below shows it has now recovered 50% of its losses from the September-December 2023 decline (orange horizontal line, yellow shaded area).

This level in the 81-82.60 area will likely provide some resistance in the near term. However, if demand continues to climb, while supply deficits are expected all year given OPEC's production cuts, oil prices should go higher.

Gasoline prices are still rallying but are now getting into strong resistance, similar to Crude above. That calls at minimum for a pullback. However, this summer could see much higher prices. That will give a big boost to the inflation numbers. **Inflation is not dead by a long shot!**



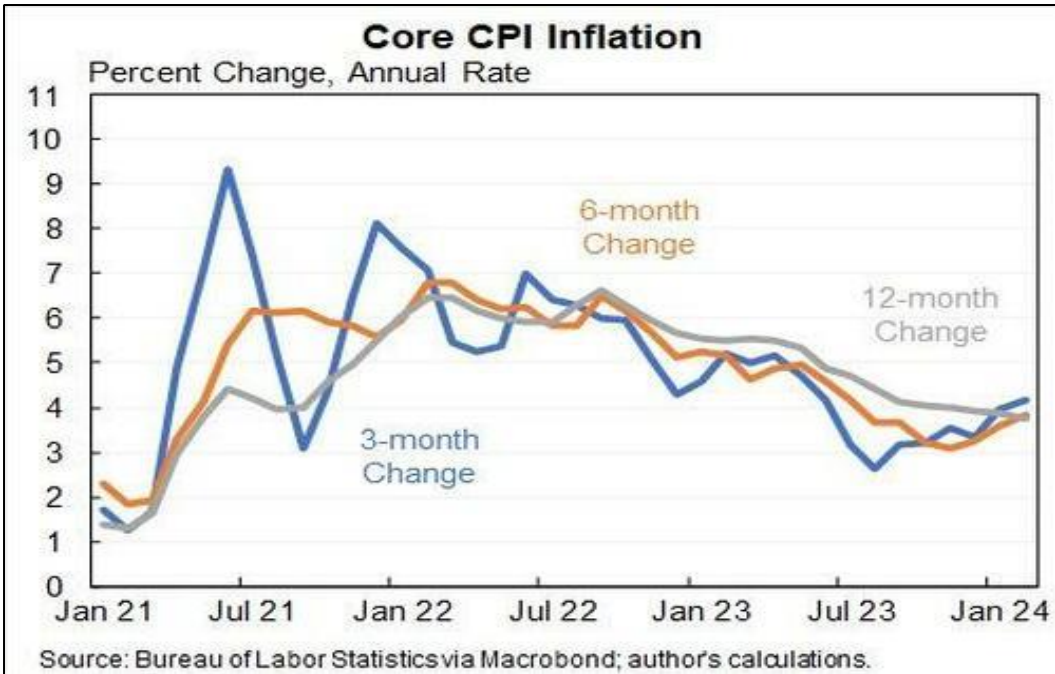
INFLATION: NEW HIGHS COULD BE AHEAD

Just about every analyst says "inflation is declining" just because the percentage of growth is lower, from around 9% last year to around 3.4% at the recent low. THAT IS WRONG.

Inflation is still RISING, just at a slower RATE. ***When you are speeding at 100 mph, and slow to 40 mph, you are still moving forward, just at a lower rate.***

Many analysts don't seem to understand that the CPI is a measure of "rate of change," not of absolute. They obviously skipped math courses in college. Even if the CPI should decline to 1%, inflation would still be increasing.

However, now we're seeing the "rate" is rising again. The inflation data released on Tuesday, March 12 was a disappointment to those who don't read our analysis. The CPI data shows that inflation continues to rise. Contrary to popular opinion, including the views of the Fed, this is not a sign that inflation is dead. This chart via Macrobond shows that it is rising again.



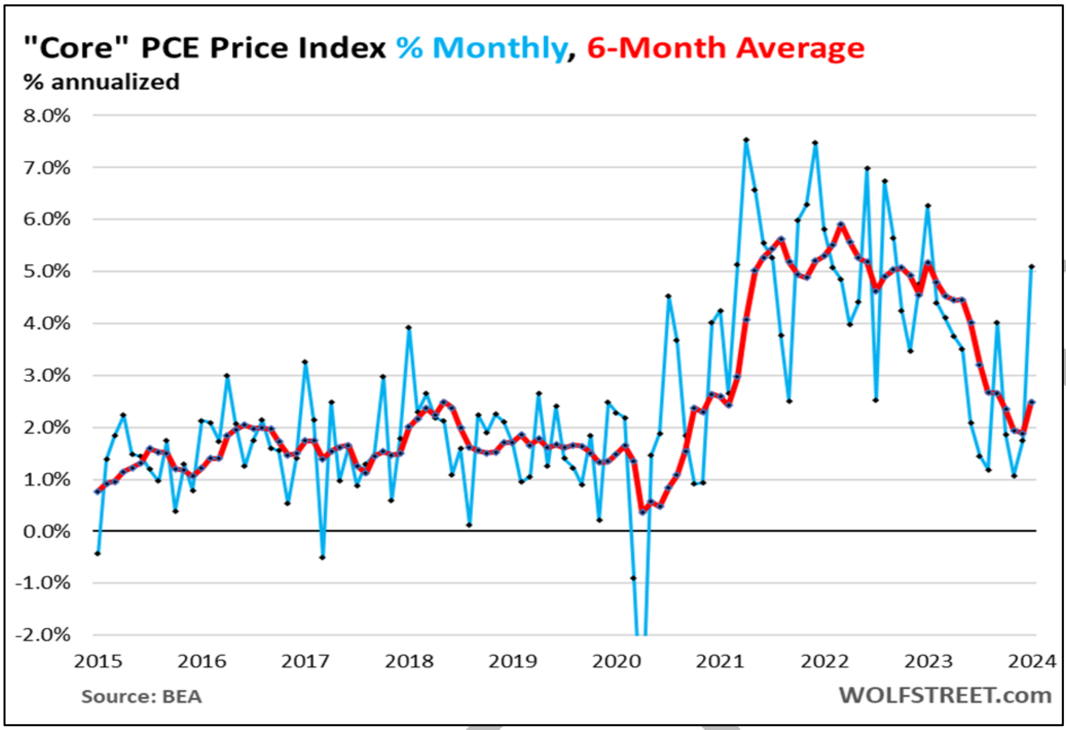
The driving force is **massive record governmental deficits that must be financed.**

The PPI (produce price index) released two days later was much higher than economists had expected. Even now these people continue to talk about "low" inflation.

The PCE inflation gauge released in late February, the one favored by the Fed, recently hit 5.1% monthly, or **over 6% annualized**. But on financial TV they still talk about 3.4% inflation.

The chart below (from our colleague Wolf Richter) shows the monthly annualized PCE (blue line) vs the 6-month average (red line). Wolf calls this **"Worst Monthly Spike of Core Services PCE Inflation in 22 Years."**

Applying technical analysis, it looks like a nice double bottom was made and the PCE is now rising. That base would support a rise back to the old high or even higher. That fits our forecast of much higher inflation ahead.



CONCLUSION: Investors and economists will be very confused this year. At first, inflation numbers may ease temporarily as some consumer businesses try to retain customers. But then prices will rise again when businesses see other costs, such as labor, taxes, regulations, etc. rise.

For us it is virtually certain that the rate of inflation will rise throughout 2024, perhaps to a new high for this cycle. It will be caused by the enormous amount of debt that the Fed will have to help finance with artificially created money.

In late February, former head of the Dallas Fed, Richard Fisher, warned about the massive amount required to finance the US debt and consequences of trying to sell the US Treasury debt paper. We have been warning about that for a number of months.

This is the year that may cause a very serious problem for the US dollar as the Fed is forced to create a record amount of dollars to buy up the debt that the Treasury is unable to sell.

And that is what always causes super-high inflation…or worse.

As the economic weakness becomes more recognized, the inflation RATE may even go **temporarily** lower as consumer firms try to offset the lack of demand by cutting prices. It will be widely misinterpreted and be even more bullish for stocks, although briefly.

MONEY CREATED OUT OF THIN AIR CAUSES INFLATION

In our opinion, it is more probable that the next longer term upward phase in inflation has started, which should make a new post-1980 high. The only alternative is statistical manipulations at the BLS to keep inflation headline numbers deceptively low for political purposes.

The US debt is at a new record high of $34 TRILLION. If that isn't enough, **it is increasing by $1 TRILLION every 3 months.**

Secretary Janet Yellen just said that the **$16 TRILLION of new debt expected over the next 10 years is "fiscally responsible."** What planet does she live on?

We believe that the US has now reached the point where the money creation cannot stop and must accelerate in the effort to prevent a deep Depression. But the money creation only postpones and makes the inevitable collapse worse. It will be incredibly important to have leadership after the election that has the courage to address the **unsustainable deficits**.

As the debt rises, so does the interest burden. This makes inflation expectations soar, pushing interest rates to new highs, making the debt servicing that much more expensive, requiring ever more Fed money creation.

The interest compounds. Sometimes **"compounding" is called the 8th wonder of the world**. But if you have to pay it, it is a disaster.

That is how super-high inflation begins and then feeds on itself when the majority of Congress has no idea what they are doing. The Fed must accommodate the need for the US Treasury to sell its debt certificates, called "bonds" and "notes," because private and non-governmental entities will stop buying this confetti.

This started happening in the late 1970's. Finally, G. William Miller was fired and Paul Volcker was appointed Fed chair. He knew he had to get double-digit inflation under control, **by restricting credit, not just hiking rates**.

But where is the Volcker of today? Even if there is one, he would not be appointed by Washington.

The **US is already on the road to a banana republic** in many areas, such as ignoring the US Constitution. The compounding debt will only accelerate.

China will be popping the champagne bottles in the early phase, until they realize that China is heading for a depression as demand of goods from western nations dries up.

Of course, if China is smart, they may be able to keep their prices down while those of the west will soar. That would boost demand for Chinese goods. Is that the plan?

In the west there is no big winner. The real winner is he who loses the least or who recognizes the truth and able to benefit, as our members did during the late 1970's inflation.

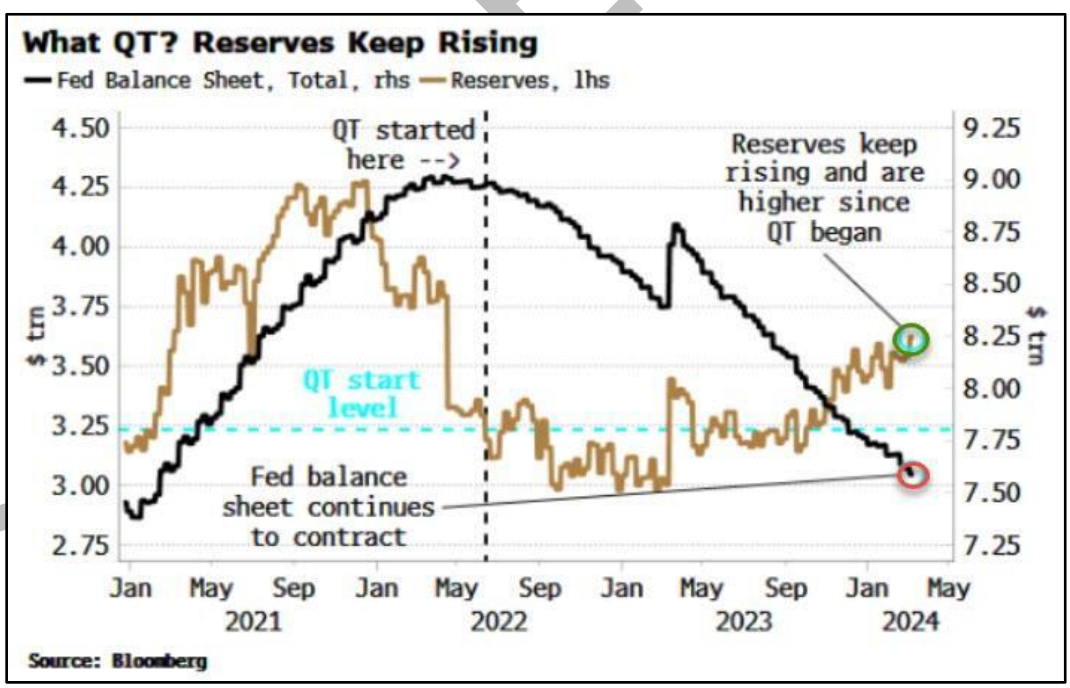
For 2024 we first expect that typical profitable phase of rising inflation. Interest rates may even be cut once or twice by the Fed when the sinking economy is recognized. But that will force the Fed to create additional trillions of dollars of money out of thin air in addition to the trillions it must already create to finance the current maturing debt.

The battle between alternating inflation surges and Fed actions to counter market forces will make markets extremely volatile. Last year's expectation for 6 Fed interest rate cuts was already reduced to 3, and now some observers dare to mention that there may be no cuts at all. That is our view.

FED STATS CONFIRM RISING LIQUIDITY: Late this year, we expect the AI frenzy to finally exhaust itself for a while, when the recession is finally recognized and the alleged strong economy is found to have been a "fairy tale."

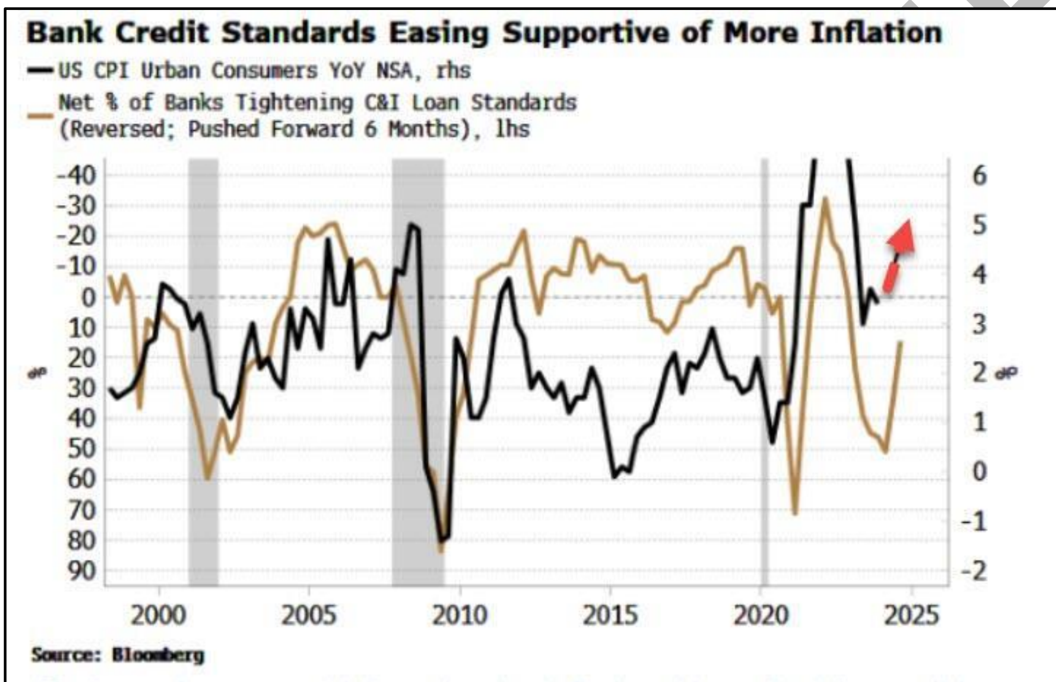
Until then, the Fed will create the money needed by the US Treasury. We detected a few months ago that the Fed, contrary to its statements of fighting inflation, was actually loosening credit. **Central banks can increase liquidity by increasing reserves. That's what started happening.**

The chart below (via Bloomberg) shows that bank reserves (brown line) are rising. Rising reserves enable banks to lend more.



Furthermore, **banks have loosened credit standards for loans**. On the chart below (via Bloomberg) "Net % of banks tightening loan standards" is the brown line. That is very important. The black line is US CPI. Notice how both are very well correlated.

The **Dohmen Theory of Liquidity & Credit** we developed about 48 years ago says that those two factors determine the major trend of the stock market. It is far more important than all the stuff you hear about earnings, dividends, and many other "fundamentals."



The chart above shows credit is expanding. **Money is the key.** We just have to determine if the availability of money **is contracting or expanding.** The stock market will follow.

All of this is reflected in money supply M2, which made a turn late last year **from declining to rising** (we covered this in our last ***Wellington Letter***). In January other factors, which we discussed above, started confirming that the Fed had abandoned true anti-inflation measures, in spite of what they said.

Therefore, the Fed is ***not*** tightening, in the true sense of the word, which means a scarcity of loan creation, not just higher interest rates. The charts from Bloomberg above confirm it.

That confirmed to us that the AI frenzy we were expecting had the fuel to go much further. Speculation requires "loose" money!

TREASURY AUCTIONS SUFFER LACK OF DEMAND

Treasury bond auctions bring higher yields. It is because of an excess supply of this confetti, as well as the resulting expectations of higher inflation.

The US is now adding an amazing $1 TRILLION new debt every 100 days! What is one TRILLION? **One trillion seconds is roughly 32,000 years**. That was when mankind lived in caves.

According to an article we read, US debt on the last day of February was **$34.471 trillion, a new record high**. Debt has increased by $470 Billion in the first **two months** of the year.

At this pace, the US debt will hit $37 trillion by year-end and $40 trillion by the end of 2025. Imagine that!

Why is this important for investors? Because it presents a great opportunity for profits, as well as protection of what you have earned over your lifetime. Inflation hedges will do well.

However, in the long run the **loss of purchasing power of the currency** will be terribly detrimental for the country. Therefore, smart and informed investors will move their money where it will keep up with inflation.

Gold prices will soar because gold cannot be created by the Fed. But the Fed creates as much money as needed to finance the US Treasury debt auctions. The immense sizes of these auctions are starting to see signs of "indigestion" as we predicted.

Massive money creation creates big speculation as we have written for a long time. We are there now. Bitcoin, which has zero intrinsic value, made a new all-time high recently.

On February 26, 90 minutes after the Treasury sold **a record $63 billion** in an ugly 2 year T-Note auction, there was an auction of 5-year T-Notes of **$64 billion. It was the most ever sold for that series.** The Treasury had to offer higher yields to attract buyers. That trend will accelerate.

However, the Fed is always the "buyer of last resort." Do the incompetent policy makers in Washington (the majority of them) have any idea what they are doing?

Last week we heard one Wall Street guest on TV recommending bonds because the yield is likely to rise, which amazingly he considers positive. Doesn't he know **as yields rise the price of the bonds declines proportionately?** Perhaps he was advising the banks that failed last March because of the huge losses on their bond portfolios.

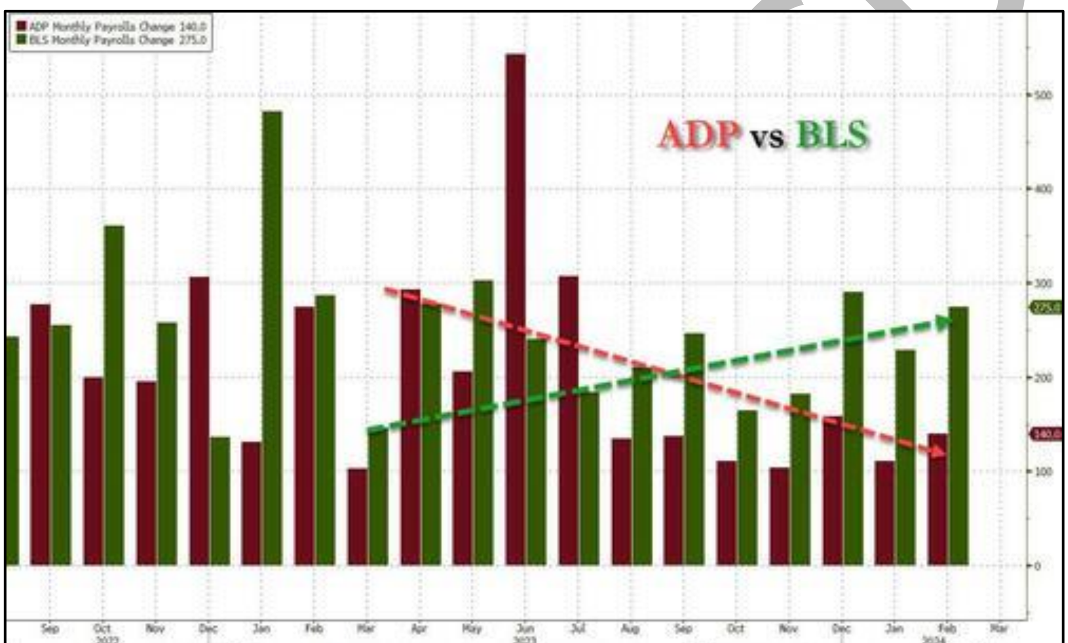
We don't criticize, just want to point out that decades of experience in anything gives us an advantage. Youth has much to learn, just as we did several decades ago.

THE GLOBAL ECONOMIES

The US economy is in a recession, but Washington nor its lapdogs on Wall Street, will admit that until perhaps late this year when they have sold their big positions. In fact, insider selling statistics are soaring.

Recession is confirmed by the latest **jobs data**, which showed a big decline in the **Household** Survey, although the headline Establishment survey (of the BLS, "Bureau of Lying Statistics"), which is faked, showed there was a gain in jobs.

Here is the chart comparing the BLS numbers (green bars and arrow) with that of the unbiased, private ADP number (red bars and arrow).



Other firms, such as zerohedge, have become excellent in pointing out the number fairy tales of the BLS and other government entities. We love it when others also expose the truth.

Aside from the recent spectacular deceptive BLS report on jobs, here is an additional factor they pointed out:

> *"the BLS reports that in February 2024, the US had 132.9 million full-time jobs and 27.9 million part-time jobs. Well, that's great... until you look back one year and find that in* ***February 2023 the US had 133.2 million full-time jobs, or more than it does one year later!*** *And yes, all the job growth since then has been in* ***part-time jobs****, which have increased by 921K since February 2023 (from 27.020 million to 27.941 million)."*

The advertised "strong job market" is total fiction! But analysts and economists swallow it as it were the gospel truth. They are lazy analysts!

There are more surprises: are the illegal migrants counted? Foreigners apparently are apparently getting most of the jobs: **native-born Americans lost 2.4 million jobs** the past 3 months.

As our friends at [zerohedge]() pointed out: *"In the past three months, a record (ex-covid crash)* ***2.4 million native-born jobs have been lost****, including* ***494K*** *jobs lost in February"*

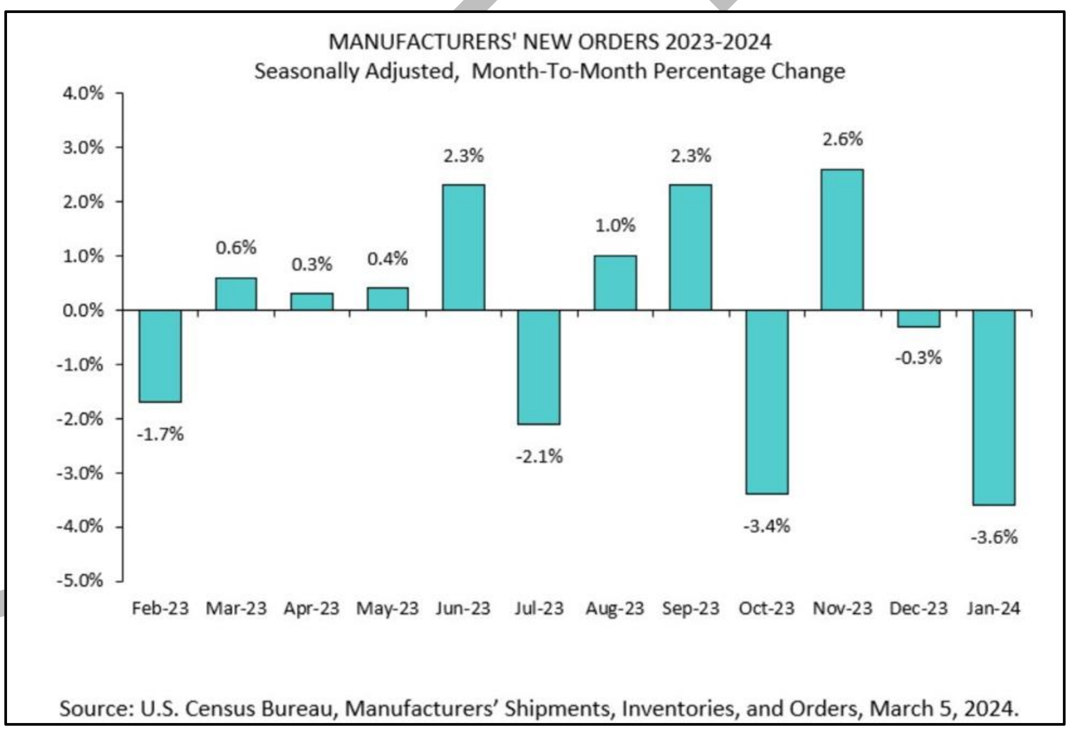
However, the **foreign born workers** got a **record 1.2 million jobs". Do the foreign-born include** both legal and illegal migrants? It is assumed that **mostly illegal workers were added in February!** That is noteworthy.

SUMMARY: US-born workers' jobs **plunged by 2.4 million in 3 months** and foreign-born, **mostly illegals, got 1.2 million jobs** in just one month.

Is this a Marxist plot? Do the illegals pay taxes? How are they working without being legal? Does anyone in government still care about US laws?

The "official" unemployment rate in the US jumped to 3.9% and is now at **a 2-year high**.

We also got **"factory orders"** for January earlier this month, which almost no one mentions. The monthly declines are steepening. Here is the chart over the past year via Greg Michalowski.



Wall Street analysts and economists tell us the economy is strong, citing the "fake" numbers from Washington. But the reality is that it is confined to a few narrow sectors such as restaurants, airlines, and hotels.

The car industry is suffering, partially because of the reluctance of consumers to buy EVs. The online auto buy/sell platform *CarEdge's noted on X: "For reference, new car **inventory is up 195% over the past 30 months**."*

We read another post that said, "New Car Inventory has EXPLODED higher," up 49% from last year, and now at the highest level since June 2020.

That is another confirmation of recession. Or does anyone think that car sales plunge during a strong economy?

GERMANY: A German, Holger Zschaepitz, wrote on X about Germany's recession problem:

> "Good Morning from #Germany, where the labor market is sending out strong warning signals. Jobless claims rose by 11,000 in February – **more than double** the 5,000 predicted by analysts. The seasonal-adjusted unemployment rate held at 5.9%, its highest level in >2yrs."

Their GDP growth is negative.

RECESSION

The signs of the recession in progress are mounting but Wall Street doesn't want investors to know that. This will eventually provide the excuse for the Fed to continue its money creation.

Signs of recession are everywhere. On March 13, one headline read: **"Dollar Tree Shares Plunge After Earnings Miss, Plans 600 Store Closure Amid Customer Spending Pullback."** They plan to close those 600 locations in the first half of 2024. Later in the day, the company announced it would also be closing another 400 stores over the next several years.

With that type of business closing 1000 stores, you know that lower income people are stressed.

We are shocked when we take a rare trip to a shopping center and see rows of stores closed with "For Lease" signs. But we have not heard one analyst on TV comment on that. It is already reminiscent of deep recessions.

Thus, there are two tremendously strong counterforces: the destruction of the purchasing power of our currency because of infinite debt creation versus the strong recession as businesses close.

The first causes substantial price increases, as we have already seen, and the latter requires even more money creation, which causes even more inflation. This is the typical road to super-high inflation. And that causes tremendous volatility as the pendulum swings back and forth. The election may determine whether we stay on the road to super high inflation.

This is very reminiscent of the 1930's, when there was a global depression. It brought the world **ruthless and bloody dictators and about 200 million deaths**. We predicted that in our forecast for the decade in 2020 when we said that this decade would be similar. The similarity thus far is striking….and scary.

THE EU WILL ISSUE BONDS

Is Europe a good alternative for US investors?

The EU Commission wants to raise $110 billion in Eurobonds to be issued by the EU Commission. It is said these bonds will be used to arm Europe for the future and supporting Ukraine.

Apparently, there is no record keeping on where all the BILLIONS to Ukraine are being spent and how much ends up in bank accounts of powerful individuals in tax havens such as Malta.

It just sounds like more of the same: **more money for Ukraine, more war spending, more killing of innocent civilians.** About 500,000 have already been killed in Ukraine. Is this what the war in Ukraine is about? Putin has nothing to gain from the massacre. The proponents of the Ukraine war are seeing their bank accounts soar.

Putin has been wanting to negotiate peace since the beginning. That is known. But the dictator of Ukraine, who has prohibited all other political parties, has refused to negotiate with Putin, along with Washington. **These people, including EU and US politicians, have the blood of 500,000 people on their hands.**

The US alone has sent more than **$160 billion** to Ukraine, but there is no accounting of where it has gone. More money is in the bills now in Congress.

No one except the families seem to care about the Ukrainians who have died in the war.

The last time Brussels (EU) sold bonds it didn't go well for the buyers. Those bonds have **plunged about 45% in value in just a few years**.

In our view, the whole goal is to have Brussels become the central government for all EU countries, far beyond the original powers. Brussels will give itself all the dictatorial powers **and the power to impose taxes on all people in the EU**. **What a power grab that will be.**

BOEING TROUBLES KEEP GETTING WORSE

The number of defects of Boeing aircraft is mounting. Over the past couple weeks there was a Boeing 777 that lost a tire after takeoff from SFO. Another, separate, incident involved the rudder pedals on a

737-max became "stuck" while flying out of the Bahamas. There was also an engine fire mid-flight on a Boeing 737 out of Houston recently.

An airline captain said that this is not normal and something has to be changed. This is all very scary. Zerohedge had an article on the latest near catastrophic incidents, all with **Boeing** aircraft:

Here are the latest headlines:

1. ZeroHedge (Tuesday): *"Plane Was Nosediving": United Airlines Boeing 737 Engine Erupts In Flames Over Texas*

2. CBS News (Thursday): *American Air jet clipped Frontier Jet on Miami International Airport tarmac*

3. ZeroHedge (Friday): *United's Boeing 737 Max Jet Veers Off Runway In Houston, Marking Third Incident In Week*

4. ZeroHedge (Friday): *Tire Separates From Boeing 777, Crushes Cars In San Francisco Parking*

5. ABC7 News (Friday): *SFO-MEX United flight makes emergency landing at LAX due to hydraulic failure: officials*

We flew United Airlines (UA) recently. We usually try to avoid UA and take an airline that uses Airbus planes. The plane was a Boeing 767. In first class the video screen was so small you had to lean forward to read the text. I'm guessing it was no more than 3" high.

There is something very wrong at Boeing. Boeing is now fully DEI (Diversity, Equity, Inclusion). In other words, hiring mechanics and electronic specialists is now based on race, not on ability.

The stock is destined for much lower prices. After nearly getting back to its March 2021 highs recently, the stock **plummeted over 26% since December 2023 high**, even while the S&P 500 has climbed almost 10%. It is now down 59% from its high in 2019. See the monthly chart for Boeing below.

In the meantime, the stock of Airbus (EADSY) is at a new all-time high. It should get a large market share from Boeing.

Boeing is having other serious problems: a 30+ year employee had warned management of the sloppy work on 737 and 787's. He became a **"whistleblower."** Last week, just before he was supposed to give sworn testimony, he was found shot dead in his car. **"Suicide" was the claim**. His friends say that is impossible. In fact, he told them if he was found dead, it would NOT be Suicide.

It's interesting how many very important people, who have serious stories to reveal, are suddenly found dead of alleged "suicide." That erodes further confidence people had in Boeing. Cancellation of orders will follow.

It's a self-enforcing cycle: passengers will prefer to choose flights using Airbus aircraft because of the fear factor, airlines respond by cancelling Boeing orders and buy Airbus aircraft instead. The news drives even more airlines in the same direction. Boeing has to cut corners in order to survive. Quality suffers, and the situation worsens.

And then it needs a government bailout. The justification is that Airbus, a european company, has governmental support.

CHINA CONTINUES ITS ECONOMIC CONQUESTS

The bearish news on China is that the residential real estate sector seems to be in shambles. Buyers of condos have lost all their money because most were bought before construction even started. Reportedly **there are 25 million empty, new condos**. We believe the actual number is far more.

However, China still has advantages over the rest of the world: smart, hard-working people and a government that is focused on destroying its enemies without bombs and missiles, but by putting top politicians of those countries on China's payroll.

Now China is exporting a large amount of their cars to Latin America and around the world. Some SUVs are **priced at about half** of US or Japanese equivalent cars. And a recent report on CNBC said that buyers state the quality is good.

Several years ago, I went to China as a guest of the founder of a large North American car importer. We went to some of the "research facilities" and met with top executives. We saw models of the cars they were going to produce for the export market. We were impressed by the great designs and the apparent quality.

At Great Wall Motors the robots were working a fully automated car assembly plant that excels anything in the US. Only a few humans were required. In the US, the Unions don't allow that.

The big question: are there buyers for Chinese cars abroad? Will Chinese cars sell in the US and the EU? In our opinion, yes!

After that, the US car industry will be relegated to the museums. The US has a 25% import duty on Chinese cars imposed by Trump. What if that is negotiated away, or at least reduced by pro-China politicians?

While CEOs of US companies spent their time on "wokeism" and "executive golf games," the Chinese will continue their economic conquests. And thus, WWIII will be won by China, probably without bombs and missiles. Why destroy what you want to conquer?

The Chinese stock markets are another thing. The indices are down as much as 45% over the past two years. China has already limited short selling. It recently banned HFT (high frequency trading) and reduced "quant" trading. Why would any trader want to be exposed to such a barrage of new rules every time the market declines again?

Communism and capitalism don't mix. China could be much more powerful with a free capitalist society. The US would never be able to compete with the Chinese. The US, now with the importation of some of the worst criminals and terrorists from around the globe, is in a long-term decline. China is on the rise. Ditching communism would make China the most powerful nation in the world. Let's not convince Xi Jinping to do that.

POTPOURRI

GOOGLE

The road to "wokeness" is dangerous as Budweiser, Disney, Target and others have found out. We and others used the slogan "Go woke, go broke." We saw it happen at Google several years ago. What a shame!

Marketear.com writes*:*

> "Has the **woke virus** spread too far? **Gemini** is a PR disaster for Google. But the question is if it is more than that, if this is just the symptom of an already very sick patient. Clearly the company is going **through an existential crisis right now.** The question is if it is **too woke to function**. Were Bud, Target and Disney just the warm-up acts in the "Go Woke, go broke."

They say Google may perhaps have an "existential problem." We think that is too extreme, but there is obviously a serious problem.

We phased out of using google as our default search engine over the past several years when it became clear that search results were becoming untrustworthy. They became ever more political… in favor of the woke left. For more unbiased results one had to go to page 4 or 5 of the results. But who goes that deep?

Distortion, deceptive out-of-context quotes, eliminating counter-facts, inserting opinions such as "without presenting evidence," etc. made many search results worthless or worse.

The ultimate confirmation of wokeness was the recent demonstration/introduction of Google's GEMINI program using AI.

We touched on this a bit in our February 25 ***Wellington Letter***, but here's an example: when people asked Gemini for photos of historical figures, Gemini showed that the pope was a black female while the Vikings, America's Founding Fathers, and George Washington were shown to be black.

This is how AI will be misused, i.e. to deceive people. Intelligent people will laugh, uninformed people will accept it as truth. That is perhaps 30% of the population.

Fortunately, investors can act quickly, take their money elsewhere, and use other competitor products, which we have done. But many users are still unaware. That can do a lot of damage to the company and the country.

Their stock has struggled over the past 6 weeks. Advertising will diminish after the political ads disappear after the election.

TAXES

We just heard a speech from "the big guy" where he said the "rich must pay their fair share." The term "fair share" has never been defined. Now there is even a proposal to tax the rich on unrealized gains. Amazing!

Checking with the website of the "Tax Foundation," we find this:

> "In 2018, the top 50 percent of all taxpayers paid 97.1 percent of all individual income taxes, while the bottom 50 percent paid the remaining 2.9 percent."

Isn't this "fair" enough? **Half of the people in the U.S. pay a total of 2.9% of taxes.**

Wishing you successful investing,

Bert Dohmen and Dion Dohmen

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You may schedule an appointment for a consultation with Mr. Dohmen (impersonal analysis and forecasts only, not related to specific securities or investments). Payment must be made in advance with credit card. Consultations are in 15-minute increments at the rate of $600 per 15 minutes, or $2400 per hour.