Wealthpin Pro

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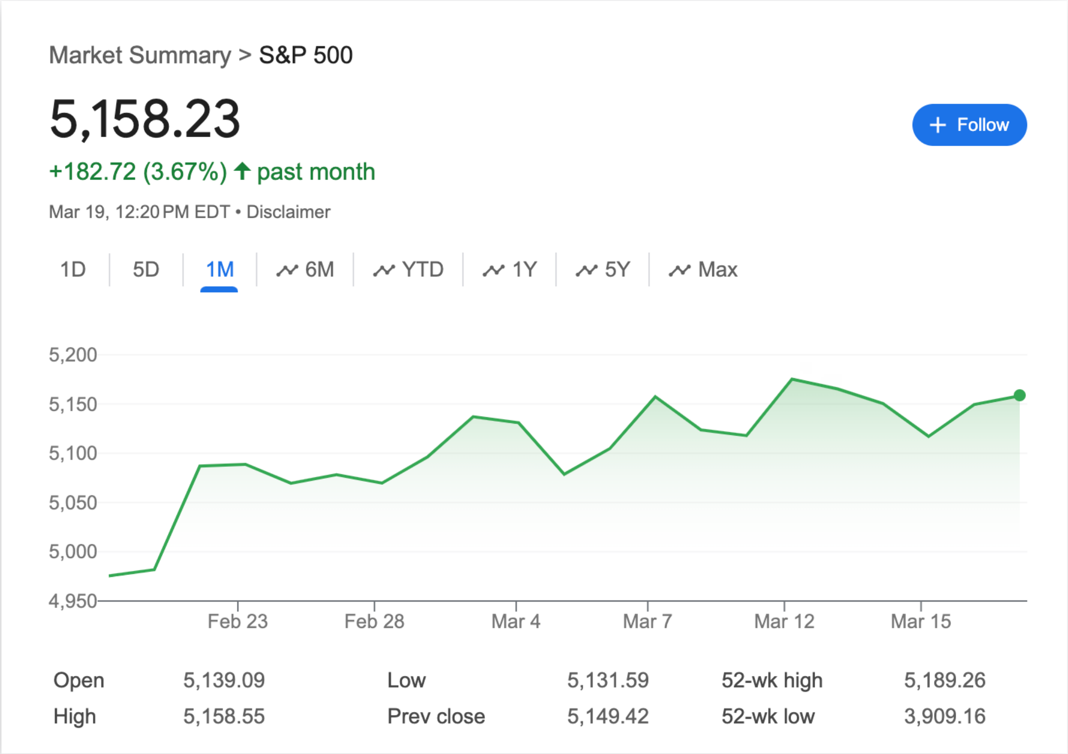
Written by Alex Reid with Paul Baron and the Wealthpin team.

Weird stock opportunity south of the border

Welcome to the March 2024 Wealthpin newsletter.

And while the last month hasn't been incredible... somehow the bull market won't quit.



Despite a fraught election season, concerns about planes falling from the sky, and increasing doom and gloom from regular Americans...

Against all odds, the market continues to power along.

A cynic might say that the stock market doesn't reflect the true main street economy...

But a recent Wall Street Journal article pointed out that the most Americans ever own stocks, 58%.

So maybe America is going to make it after all.

Of course the main vehicle for American wealth is home ownership, and the big bombshell there is a court ruling that delivered a major blow to commissions on real estate sales.

According to the Associated Press:

"As part of a settlement announced Friday, the National Association of Realtors [NAR] agreed to make some policy changes in order to resolve multiple class-action lawsuits brought on behalf of home sellers across the U.S.

The trade group agreed to change its rules so that brokers who list a home for sale on any of the databases affiliated with the NAR are no longer allowed to include offers of compensation for a buyer's agent."

This is going to be a nasty shock to the real estate agent career...

But it's probably good overall.

Experts estimate that this could save homebuyers $10,000 in an average purchase, much-needed relief as decade high interest rates continue to keep home ownership out of reach for average earners.

Stocks for popular real estate platforms like Zillow and Redfin have fallen on this news...

But in the long run, these platforms, which promise to eliminate much of the need for real estate agents, could actually benefit.

Now might be a good entry point, especially for Redfin which is trading around $5 a share right now, a steep discount from previous highs over $96.

Ticker:

RDFN: NASDAQ

This is a longterm play, but getting in now offers two potential catalysts:

1. In the short term these stocks could very well pop if we do see a rate cut in the next year. No guarantees on that of course... but we agree with the theory that rate cuts are likely to come before the election, to give the economy a little extra boost.

2. In the longer term, with lower commissions and more direct listings by sellers, these platforms could largely replace the embattled real estate agent industry.

Interest rates... interest rates... interest rates.

While the real estate industry is most directly affected... this is still the 800 pound gorilla in the markets.

Now even the Bank of Japan has been forced to abandon negative real rates.

This marks the first time in 17 years that Japan has raised rates. And hopes for US rate cuts have been dimmed by higher than expected CPI inflation numbers.

Of course massive American deficit spending isn't helping with inflation.

On X (formerly known as Twitter) veteran CFO Robert M. Sterling posted the following:

"This is the scariest chart I've ever made. This is what it looks like when a country is heading toward a financial precipice.

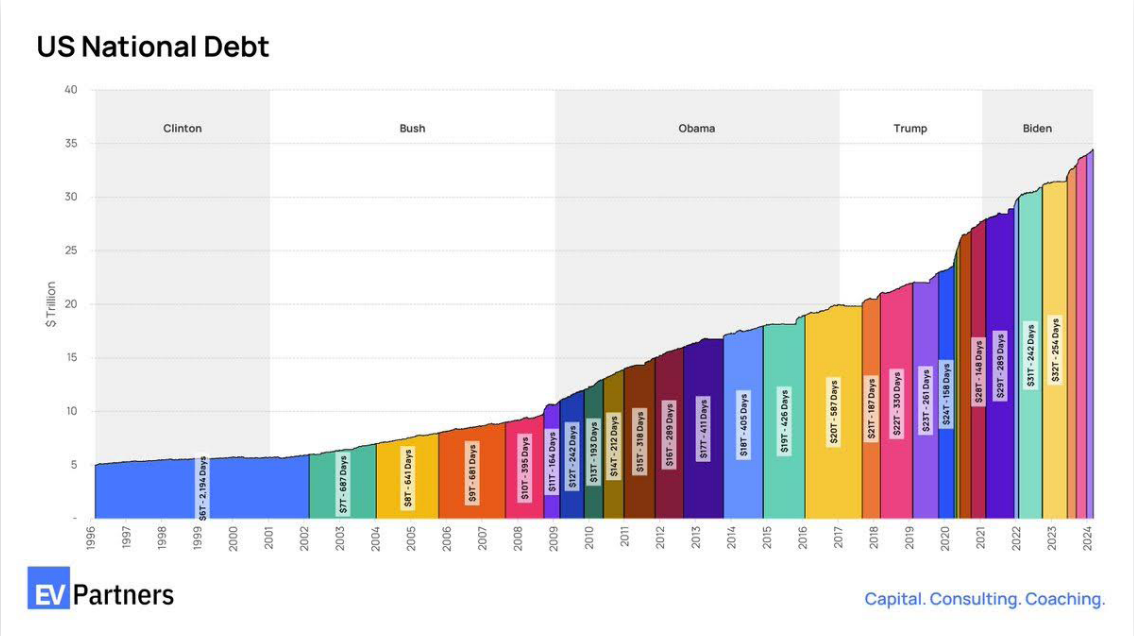
Each color shows $1T getting added to the national debt.

Not that long ago, it took six years to add a bar.

We're now adding one every 90-120 days.

The explosion of debt has been the only bipartisan phenomenon of my lifetime. For us conservatives, we can't blame it on just Biden and Obama. For you Democrats, you can't put this on just Trump. It's both parties, all presidents, and every Congress…

…Where does it end? As deficits continue to pile up and borrowing costs remain relatively high compared to where they were over the previous 20 years, how is any of this sustainable?"



Commenting on Robert's post, blogger Mike Cernovich added:

"We are definitely running an experiment. Can a global super power with nukes and a reserve currency just go 100 trillion into debt without it all crumbling down?"

It's a grim scenario when you put it like that.

Tech billionaire Balaji Srinivasan added his own commentary, suggesting that Bitcoin is the answer.

A recent resurgence in crypto suggest that a lot of people agree with him. These algorithmically governed assets seem to be largely immune to government

> (Though as we've said before, if you do allocate some of your portfolio to crypto, as we have done, make sure you do some research about holding it in your own digital wallet that YOU control, even if you purchase it from a centralized exchange like Coinbase. The FTX debacle showed beyond a doubt that the dictum "not your keys, not your coins" is true)

Cryptocurrency is taking the place of gold with a younger generation, as a store of value that is resistant to political economic mismanagement.

And when you look at the disturbing data about US government spending, you see a dire need for SOMETHING.

Mainstream options like US treasuries and simply holding cash obviously wont work while the dollar is taking so much damage.

And we do have portfolio allocations to precious metals and cryptocurrency, which we think will help.

But today's trade idea is different.

Because as US inflation and deficits soars... we can look to a surprising alternative:

Latin America and Mexico.

Alex Reid doing some boots on the ground research south of the border.

In past decades, these governments were much more dysfunctional than our own.

But things are changing!

El Salvador president Nayib Bukele has risen to international fame for his unprecedented crackdown on crime. Once, El Salvador was the most dangerous developed nation.

Now, its crime and murder rate is much lower than ours in the US.

And in Argentina, Austrian economics adherent Javier Milei won the presidency and is implementing a series of massive reforms, eliminating huge amounts of government waste.

Milei still has a big fight ahead of him, but, after decades of radical left wing rule, he is another ray of light in Latin American development, and is extremely committed to turning Argentia into the business friendly, economic powerhouse that it deserves to be.

Here's what a recent Financial Times article said about investing in Latin America:

"Big asset managers are flocking to Latin American bonds and currencies, attracted by the region's high interest rates, low inflation and more resilient economies than many had expected.

Latin America is home to five of the world's top eight performing currencies this year, which have benefited from the region's central banks acting early and decisively by raising rates and keeping them high even as inflation recedes."

And while Mexico has been a source of much negative news because of the US border crisis...

Their economy is doing much better than many people realize:

"...high rates have not choked off economic growth. Brazil and Mexico — the region's two largest economies by GDP and the most popular among international investors — both outperformed growth forecasts in the first quarter of this year, prompting economists to raise their projections for the end of the year."

So as a hedge to American volatility...

And a bet on the exciting developments in Latin America...

Today's trade idea is:

iShares Latin America 40 ETF

Ticker: ILF on NYSEarca

Last Close Price: $28.28

This index fund gives you exposure to 40 of the biggest and most exciting companies operating in Latin America right now.

Because it follows an indexing approach, it keeps management and transaction fees lower, and is more of a macro bet on the entire region.

And while you certainly could invest individually in 40 Latin companies… that becomes very difficult with international stocks and currency conversions…

So for this type of play, an ETF that pre-bundles them for you is very appealing.

On Yahoo Finance one commenter put things very succinctly:

"Long this ETF. Great region of the globe that's self-sufficient with commodities. Very young population compared to Europe, the US and Asia. Latin America will benefit from reshoring of manufacturing from China. The P/E of this etf compared to the rest of the world is very attractive. Buy and hold for the next decade. "

We're inclined to agree.

And when you buy a big index fund like this of American companies, that's typically considered a very conservative and safe bet…

But in a developing region like Latin America…

It's riskier… but that also means it offers much more of a shot at explosive growth.

One of the biggest companies in this fund is Brazilian firm Vale SA, a major Latin American miner of precious metals that are crucial to battery and microchip supply chains.

As demand for platinum and other materials increases, we like this industrial powerhouse.

Another large holding for the fund is Walmart Mexico, which is exactly what it sounds like.

But unlike its behemoth American counterpart, Walmart has a much smaller footprint in Latin America, giving it a lot of room to grow.

You also have shares of major Latin American bank Banco Brasil, oil company Petrobas and Nu, a digital first bank that serves Mexico, Columbia and Brazil.

Warren Buffett recently acquired over a billion dollars worth of Nu... and we always like seeing that when we consider a new play.

All told this fund is a comprehensive basket of power players south of the border...

And while we like growth prospects as the region reforms economically...

We also really like it as a hedge against our main portfolio which is so focused on the United States of America, that some international balance could really help smooth things out in a downturn.

What do you think of this month's newsletter? Please respond and let us know.

We're proud to share this note from Patrick in New Jersey who's been appreciating our newsletters and new daily email style:

"This email really hit home for me. I appreciate you willing to put your name to this.

This kind of adversarial perspective is sorely lacking from CNBC, Bloomberg and most disappointingly my Financial Advisor. Keep up the great work and keep speaking truth to power."

We'd love to see a note like this from you, and if not the case we'd love to know how we can make things better for you.

Until next time,

Alex Reid

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