

Week in Review

Uncertainty abounds

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Disclaimer: I am not a certified financial analyst.
Any trading decisions you make are your responsibility

Summary of Major Events

- Trump's tariffs mostly on hold.
 - Only China has thus far been assigned tariffs
 - Other tariffs, countries on hold or being studied
- Federal court orders AID funds be released
- Most members of the Joint Chiefs of Staff fired
- US / Russia talks are working to reset US-Russia relations
- US, Russia, China, Belarus, N. Korea vote against Ukraine in the UN
- US and Ukraine agree to mineral rights arrangement as payback
- EU bolstering defense expenditures
- President Trump is directing the [Committee on Foreign Investment in the United States](#) to restrict Chinese spending
- Consumer exhibiting “cognitive dissonance”
 - The economy is strong, but the consumer's mood is sour

Economic Commentary

Should we be worried?

- Mortgage delinquencies steady at 1.1%
- Consumer credit card delinquencies steady at 3%
- January retail sales fell 0.9%
- Consumer sentiment is declining from 73 to 64 (U Michigan survey)
 - Confirmed by the Conference Board
- PMI for manufacturing and services are declining
- Existing home sales down 4.9% in January, plus rising mortgage rates
 - Housing market is slowly coming back into balance
- Commercial real estate is rebounding – WFH is over!
- US labor market in balance - Jan payroll up 143,000
- Germany has a new, conservative Chancellor. Seeks independence from US.
- Fed's preferred inflation measure, PCE, reports on Friday. 2.5% est.
- Barron's article re: Energy market - > Natural gas is the only game in town
 - GE Vernova announced new NG-powered electric generation plants

Market Commentary

- **Investors backing away from Mag 7; moving toward EU, China and bonds**
- Nvidia earnings – later today!
- **Good numbers from Home Depot and Lowe's**
- Meantime, [hedge funds](#) have trimmed net positions on most of the [Magnificent Seven](#) stocks, according to Goldman Sachs Group Inc. strategists. (Bloomberg)
- S&P500 short interest has suddenly increased: now 2% of market cap (Bloomberg)
- Consumer staples rising (XLP); consumer discretionary falling (XLY)
- Health care (XLV) is the top performing sector YTD
- Gold continues rising: Up 10% YTD
- 10 year bond yield declined to 4.3%.
- VIX popped up to 19, but still average.
- CNN fear gauge dropped to 23 – extreme fear!
- Vanguard total bond index (BND) approaching over-bought condition
- Put/Call ratio rising rapidly

Gem of the week: Hercules Capital (HTGC)

- Hercules is a Business Development Company (BDC) based in California
- Provide loans to mid-cap technology, software and biotech startups
 - Large banks are not lending to this sector
- This our gateway to private equity
 - It is venture capital for retail investors
- They are required to distribute 90% of earnings as dividends to remain a BDC
 - They pay no taxes!
- They are ranked among Seeking Alpha's top stocks
- Dividends are variable: base div plus supplement (\$.40 + .07)
 - Currently 8.8%
- Stock price can be volatile
- Dividends plus potential capital gains: Up 80% in 5 years

Hercules
5-year
performance

Price Performance Chart

for Hercules Capital, Inc (HTGC)

Past 5 years of Hercules Real Time Weekly Prices

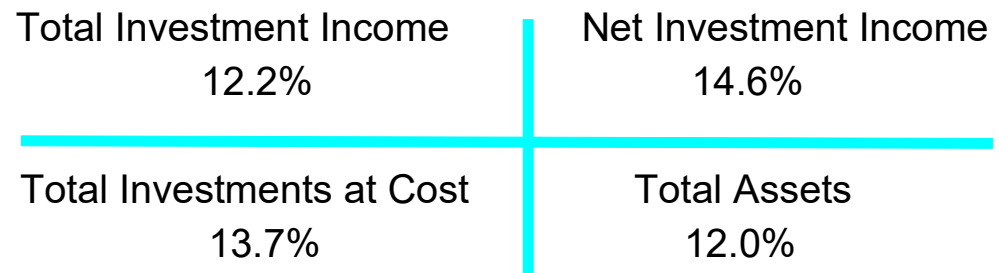
with Multiple Financial Statistics

Hercules Capital

Hercules Key Performance Highlights

Four Bar Charts for Hercules

Past 12 years of Increasing Performance Characteristics



HTGC is on Seeking Alpha Top Stocks

SA Dividend Score Card for Hercules

Dividend Summary

Yield
Annual Payout
Payout Ratio
Growth Rate
Years of Growth

Rating Summary

SA analysts
Wall Street
Quant

Last Announced Dividend

Amount
Ex-Div, Payout, Record, & Declare dates
Frequency

Factor Grades (Now, Past)

Valuation
Growth
Profitability
Momentum
Revisions

Now what?

- What do we do with all this information?
- Short term?
- Long term?
- Stock market: Sell everything? Stay put? Buy selectively?
- Bonds: Wade in?

“If you’re going to sin, sin against God, not the bureaucracy.
God will forgive you. The bureaucracy will not.”

Admiral Hyman Rickover