

Hello Everyone,

As many of you know, Zanetti Financial is no longer a one-man show. Walt Benson has joined the firm, and I couldn't be more pleased.

Walt is a fully licensed Registered Investment Advisor. He is a successful businessman. He is also a sitting Bernalillo County Commissioner. He understands business and politics and the markets. Not a bad combination.

And, yes, you can complain to *Commissioner* (!) Benson about the roads whenever you want!

Another attribute of Walt's is this. He believes in taking the initiative. So, early last week he said he wanted to take a stab at writing the weekly missive. Way. To. Go. Walt.

After reading his thoughts, please don't be afraid to comment. Walt's phone number is 505-858-3303. Or you can email him at waltbenson1@outlook.com. He'd love to hear from you.

So, with that.

Walt, meet the Monday Missive Readers.
Monday Missive Readers, meet Walt. :>)

Zanetti Monday Missive 2021.11.22

Hotrod Lincoln

"Son, you're gonna' drive me to drinkin' if you don't stop drivin' that Hot Rod Lincoln." Verse from Commander Cody's 1971 song "Hotrod Lincoln".

Continuing on with Greg's Missive last week, "Keep on Truckin'", I'm going to branch out to another area of transportation: Cars. Specifically used cars.

If you've been in the market for a car lately, whether it be to replace an older car, replace a car from an auto accident, or because your son is looking for a hotrod Lincoln, you've probably been frustrated. There are few to be had. And it's not only in your local market. The same is true across the country.

As Greg mentioned last week, we have a shortage of truck drivers. The ports are backed up. Same goes for the train depots. Auto materials and parts are just part of the supply chain that is backlogged. Then there are the notorious "computer chips" used for cars, made in Taiwan, that are on backlog.

This has created a perfect storm for new car sales. So, with auto dealers not having the new inventory to put on lots, they are now some of the biggest purchasers of used cars (they still need inventory), competing directly with consumers. And here's where we go back to Econ 101: Supply and Demand. With supply so low, and demand so high, used car prices rise.

In an interview earlier this month, Ford's CFO, John Lawler said supply chain constraints "will probably extend into 2022." And given automaker's new push towards electric, the computer chips that are difficult to source now, will be in even more demand in the future.

Meantime, folks still need cars to drive, to get to work, to get medical care, to get groceries, to go to church, to take kids to school and sports, and yes, to go hotroddin'. So used car prices rise, and we don't expect them to fall anytime in the near future. Manheim is the largest used car auction house in the world,

below is their historical chart of the used vehicle value index – you'll see a not-so-subtle trend begin around the time of the Covid 19 global shutdown.

For those of us blessed to have a car, when we go to the gas station, it's not just car prices that have shot up, but the gas we have to pump is shooting up as well. As are the groceries we put in the trunk. I think we can all agree that when we look at these price trends, we see that this is a real-world example of... dun, dun, dun... PRICE INFLATION! Yes, it's true. However, "transient" the Fed may want to call it, inflation is here for all to behold.

And speaking of inflation, the insurance company, Country Financial, recently conducted a survey and found that 9 out of 10 Americans are "highly concerned about inflation". It seems that 9 out of 10 Americans aren't merely dismissing our inflation as "transitory" despite what they've been told.

And not to go down too many rabbit holes, but as Consumer Sentiment is falling, the stock market is breaking new peak records daily.

The pieces don't really fit well together, do they? It seems like something's gotta give.

So, what does this mean for us as investors? Well, since we don't want to go to used car auctions and buy clunkers at record highs so we can sell at even higher prices, we will keep investing in the materials that cars are made out of. As well as the other things that can't be printed. As demand for everyday necessities increase and look to be underpriced in relation to what Wall Street is profiting on, we remain calm and take a long-term perspective.

Signed, Your Nothing-Paints-A-Picture-Like-A-Picture, Financial Advisor,

Walt

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