



Zanetti Monday Missive 2022.01.24 TIMBER!!!!

“What goes up, must come down.”

~ Sir Isaac Newton

**“The bookful blockhead, ignorantly read, with loads of learned
lumber in his head.”**

~ Alexander Pope

Last week was an exciting week for the stock market, eh? We watched in awe as the Nasdaq fell to 12% below its November peak. Yes, that’s what Wall Street considers a “correction.” And the Dow and the S&P 500 didn’t fare much better.

By Friday, the Dow saw its 6th straight down session. That’s the longest such streak since last September. While the S&P 500 fell in 10 of the last 11 sessions.

To point out some of the biggest drops, Peloton (the exercise equipment company) dropped 24%. And we watched as the mighty Netflix fell 19%.

It wasn't just stocks that fell either. By Friday, Bitcoin fell to its lowest level since September and through this past weekend continued to fall even lower. Now its priced at about half of its peak.

If you've been reading these missives of mine and Greg's, you shouldn't be surprised. And heck, even if you haven't read our missives – you shouldn't be surprised. Everything has been pointing to a correction lately. And as the great Isaac Newton said, "what goes up, must come down."

But today isn't a told you so message. Or more accurately, preaching to the choir. Today is actually about something else that falls. Trees. That's right....

TIMBER!!!!!!!

But, as the lumberjacks have been hollerin', the price of timber has been going...

UP!!!

In fact, record lumber prices and cardboard production (remember when I was complaining about the cost of cardboard to hold ice cream?) are starting to lift timber prices from their yearslong slump.

To clarify, timber is the word we use to describe fresh cut trees. Lumber is the processed by-product we use to build things like homes and furniture.

Officially, the price of lumber hasn't been this volatile since World War II. That surprised even me! But don't confuse volatility for price. It's not the price alone that's been under observation, it's the rapid change in prices that has taken the world by storm.

Between 1947 and 2019, monthly change in the price of lumber averaged 0.3%. Since January of 2020, though, it has averaged 12%. In fact, the price of lumber has increased nearly 45% since September!

That's probably something that most of us can relate to. As we have gone to Home Depot to pick up supplies to work on a home project, grabbing some 2x4s has caused us to grab our wallets in shock!

Because of lumber, along with other materials, we've seen the cost of new home construction skyrocket as well. (Remember: those pesky cost increases are typically passed on to the consumer.) And the spike in new home costs has also created greater demand for existing home sales, which has driven up those prices as well.

But while lumber prices shot up this past year, timber interestingly didn't also jump from the start. Part of that is explained by supply and demand as well as supply chains. It took a while for the cut lumber to dwindle to the point that timber supplies started to strain.

But now, finally, the average price for pine trees in the Southern United States (much of our pine timber is grown in the South) used to make lumber has reached highs not seen in a decade.

And while current timber prices have bounced 18% from the 50-year lows of summer 2020, they're still below the prices they fetched two

decades ago. That might mean there's still room to, er... grow.

With the housing market still struggling to meet demand and e-commerce driving cardboard boxes to never before seen demand, timber and its "clean-cut" lumber kids look to be good commodities to keep following.

Now, the next issue that I'm watching, which might affect these prices – is interest rates. The Federal Reserve Board will be meeting this week and in part they'll discuss interest rates. Which impact mortgage rates. Which impact home sales. Which impact the economy.

We are watching these meetings closely and will keep you posted.

Your I'd-Like-To-Be-A-Lumberjack-But-Not-Sure-I-Could-"Hack"-It
Financial Advisor,

Walt

By accepting this material, you acknowledge, understand and accept the following:

This material has been prepared at your request by Zanetti Financial, LLC This material is subject to change without notice. This document is for information and illustrative purposes only. It is not, and should not, be regarded as "investment advice" or as a "recommendation" regarding a course of action, including without limitation as those terms are used in any applicable law or regulation. This information is provided with the understanding that with respect to the material provided herein (i) Zanetti Financial, LLC is not acting in a fiduciary or advisory capacity under any contract with you, or any applicable law or regulation, (ii) that you will make your own independent decision with respect to any course of action in connection herewith, as to whether such course of action is appropriate or proper based on your own judgment and your specific circumstances and objectives, (iii) that you are capable of understanding and assessing the merits of a course of action and evaluating investment risks independently, and (iv) to the extent you are

acting with respect to an ERISA plan, you are deemed to represent to Zanetti Financial, LLC that you qualify and shall be treated as an independent fiduciary for purposes of applicable regulation. Zanetti Financial, LLC does not purport to and does not, in any fashion, provide tax, accounting, actuarial, recordkeeping, legal, broker/dealer or any related services. You should consult your advisors with respect to these areas and the material presented herein. You may not rely on the material contained herein. Zanetti Financial, LLC shall not have any liability for any damages of any kind whatsoever relating to this material. No part of this document may be reproduced in any manner, in whole or in part, without the written permission of Zanetti Financial, LLC except for your internal use. This material is being provided to you at no cost and any fees paid by you to Zanetti Financial, LLC are solely for the provision of investment management services pursuant to a written agreement. All of the foregoing statements apply regardless of (i) whether you now currently or may in the future become a client of Zanetti Financial, LLC and (ii) the terms contained in any applicable investment management agreement or similar contract between you and Zanetti Financial, LLC.

*Copyright © *2022* *Zanetti Financial, LLC*, All rights reserved.*

Our mailing address is:

5120 San Francisco Rd NE
Suite A

Albuquerque, NM 87109

505-858-3303
