

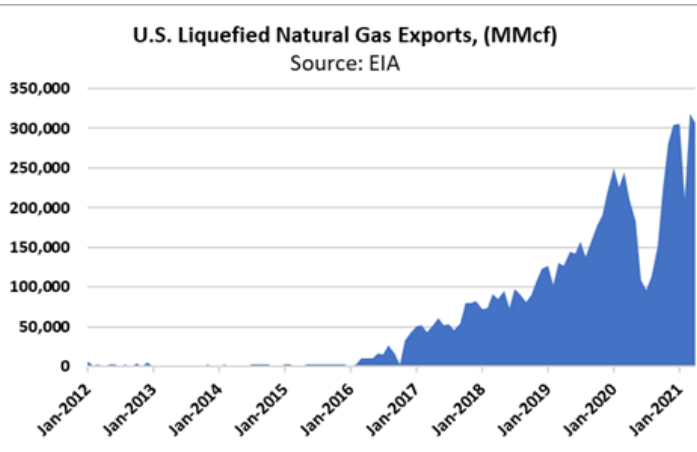


Market Musings

A newsletter brought to you by Victoria Capital Management, Inc.

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Oil and coal have dominated the discussion about the dark side of energy production. Solar and wind have dominated the discussion about carbon free energy. One solution seems to be reflected in the growing popularity of liquefied natural gas. In 2012 our exports of LNG were negligible. By 2021 exports have soared.



“It’s not over till the fat lady sings”

Believed to be from Ralph Carpenter in the newspaper Dallas Morning News, March 1976.

Market Commentary

The second half of 2021 continued the bull market advance that began over a year ago. However, one distinction is how the bull market is progressing. Beginning in March of last year, it was the large cap growth stocks that dominated the rally. Then in November, small stocks took the lead, with growth and value participating. As this year began, value stocks jumped to the lead but lately growth stocks resumed the leadership mantle. The good news is that change in leadership is occurring as the market reaches record highs. As second quarter earnings’ reports reflect outstanding profitability and the economy surges to record gains in GDP, the ongoing rotation is likely to keep the bull market intact.

Where Do We Go from Here?

As Michael Milken pointed out in the Wall Street Journal, the Covid 19 experience, although devastating, has contributed to launching a domestic healthcare initiative equivalent to the impact that the launch of Sputnik had on U.S. science. The rise of the delta variant is requiring even greater research into how we eliminate or minimize the impact of disease—as well as other life-threatening disabilities that are getting the attention of these researchers. As Mr. Milken pointed out in this editorial, DARPA (Defense Advanced Research Projects Agency) was created to ensure that Americans would never again fall behind in scientific and military leadership. “DARPA’s inventions are woven into our daily lives: the Internet, the Global Positioning System (GPS), graphical user interfaces, and practical applications of artificial intelligence like Siri and Alexa.”

For us old folks, we could use some equivalent breakthroughs in the healthcare industry. Can we imagine what might be the equivalent of a healthcare Internet or a GPS system that minimizes the impact of Alzheimer’s disease? While many of these efforts to cure disease have been spearheaded by people like Mr. Milken and Bill Gates, this national commitment to eliminate disease is unprecedented.

For investors, there will be enormous opportunity to participate in this effort. As the era of space exploration dominated the decade of the Sixties, investors were given the opportunity to participate in those companies that introduced new products to allow the U.S. to achieve space superiority and land a man on the moon in less than ten years. That was in 1969, over 50 years ago—and no other country has ever achieved that goal or even come close.

Over the past year a few major drug companies’ research produced antibodies and vaccines that have come close to eliminating the pandemic, yet the presence of the delta variant and individual resistance to taking the vaccine has postponed the ultimate defeat and elimination of the virus. However, further research by drug companies both large and small will develop the ultimate solution and all of us will benefit from a cure not unlike the cure for polio that Dr. Salk gave us back in the 1950s.

Bottom line: the pandemic has breathed new life into medical research and, this decade, like the success of the space program in the Sixties, should experience the golden age of healthcare.

**The price of used cars and trucks in the U.S. is up 45.2% for one year through June 30, 2021. Over the same period, the price of medical care services is up just 1%.
(source: Bureau of Labor Statistics)**