

Jack Adamo's Insiders Plus

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Dear Friend & Client,

We had a good week, although the market had a better one. Our Main Portfolio rose 0.8%; our High Income Portfolio rose 0.7% and the three major indices rose an average of 1.8%. This has been the biggest year-to-date market gain since 1987. My older subscribers remember that year well. In October, it saw the largest single-day crash since 1929. As per Jeremy Grantham's advice from last week, I'm not counting on such a large drop, but I wouldn't be surprised to see a sharp short-term pullback sometime this month or next.

The market is closed tomorrow to celebrate the birthday of Martin Luther King, and I'm a little under the weather, so I'll keep this letter short and send a brief note tomorrow or during the week to give a little color to some of the things I'll briefly mention now.

As per my bulletin a few days ago, Annaly Capital Management announced that it will redeem its **Annaly Capital Management 7.625% Cumulative Series A Preferred** (NYSE: NLY-E) on February 8 at a price of \$25 plus accrued interest. I recommend selling the stock if you can get more than \$25 for it. If not, you'll pick up a few extra pennies per share waiting until the redemption. The shares closed at \$25.16 on Friday. Sell Annaly Capital Management 7.625% Cumulative Preferred.

To replace this holding I recommend buying more **Annaly Capital 6.95% Series F Fixed-to-Floating Rate Cumulative Redeemable Preferred** (NYSE: NLY-PF). It closed Friday at \$25.85, considerably above what we paid for our two earlier positions, however, the shares are still the best buy around for the combination of safety, yield and duration. The earliest they can be redeemed is September 30, 2022. At Friday's price the current yield is 6.72% and the yield to redemption is 5.2%. Buy Annaly Capital 6.95% Series F Preferred up to \$26.00. Add a 2% position to the High Income Portfolio.

In my next note I will also, for the first time, formally recommend taking a position in U.S. Treasury Bills. However, although I know how to buy them in my brokerage account without a fee, I'll have to spend a little time on the Treasury site before I'll be able to explain how to buy direct from there. That's why I'm not making the recommendation official tonight.

As far as I know, Schwab, Fidelity and Vanguard buy your Treasuries for you for free. You may inquire of your broker if it does the same. If it charges a fee, depending on how much it is, you may be better off using the Treasury Direct site found here: <https://www.treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=billrates>

I'll try to present an easy explanation of how to use the Treasury Direct auction site in my upcoming note. I'll recommend taking a 6% position in the 1-Year T-Bill. That should give enough time for the market to wax to near-crash levels. If it happens earlier, T-Bills should rise anyway, as folks scramble for safety. The 1-year is yielding in the 1.7% range at the moment. You could also go shorter term on part of the position. For example, you could invest half in the Six Month bill, which should yield around 1.4%. I'll have a better idea by the time we chat next.

Please note that I *do not* recommend buying a short-term Treasury *fund*. With those vehicles you're at the mercy of the constant rollover. I prefer knowing exactly what I'll get back at maturity.

PORTFOLIO UPDATES

We've had a very big run-up in **Ensco plc.** (NYSE: ESV) recently. The stock is now on the verge of breaking into a golden cross, which is usually a very bullish sign. However, while I'm happy about this, I also notice that the shares are way above their 50-day moving average and their 3% Envelope. Those conditions usually precede a pullback before the shares advance further. So don't be surprised if the market takes back some of our recent gains.

Longer term, the future for offshore drilling is still murky due to the fracking element. Nonetheless, I believe Ensco is in the clear to advance profitably over the next few years, within the limitations of the overall economy. Hold Ensco plc.

You can view all of our holdings with their current advice by going to:
http://www.jackadamo.com/main.asp?fn=portfolio_view.asp

The password is: Cooper

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You can look up the original write-ups on any stock in our portfolios by clicking on the symbol on the portfolio page. The original write-up is usually the first mention in any newsletter (although sometimes a stock has been re-recommended later); so pull up the letters oldest first. To see *recent* comments, click on the link that reverses that and brings up newest write-ups first.

Please see the important legal notice at the end of this letter.

I updated our dividends this week, so the returns in the portfolios are now correct, as is the year-to-date performance. The portfolio updater is back in working order as well.

The main actions I want you to take this week are to sell your Annaly E series and replace it with the F series. I'll get back to you in a day or three with more details on how to stock up on T-Bills.

That's it for today. I look forward to talking with you again soon.

Jack

Questions? Write to Jack at: jack@jackadamo.com

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