Mike Larson
Safe Money Report

October 2021 Issue 42 By Mike Larson | Editor

2 High-Rated Stocks for This Higher-Volatility Market

Plus, the ABCs of how the Weiss Ratings can help you go for gains more safely

It all starts with a letter. A simple A, B, C, D or E.

But that Weiss Rating can tell you so much about an investment's potential. That's why it's the first thing I check before I give you any buy or sell recommendation here in your Safe Money Report.

- **They can lead you to investments that are set to go up … without *keeping* you up at night.**

Many years of research and backtesting went into producing the Weiss Ratings. Those, in turn, have helped thousands of investors achieve real-world profits over the past several decades.

This month, I'll show you exactly how we use our proprietary Weiss Ratings to target investments that offer a balance of safety and profit potential.

- **In other words, you don't have to sacrifice one to have the other — you have the opportunity to get both!**

Right now, market volatility is on the rise. So are concerns that an uptick in inflation and/or interest rates could send stocks lower. On top of that, the temporary debt-ceiling détente in D.C. will be just that — short-lived.

The government will keep spending more money than it brings in. So the Treasury will keep borrowing money by issuing bonds. And it will edge even closer to maxing out the amount it can borrow (i.e., the debt ceiling). Congress will have to either suspend or raise that limit by Oct. 18. Otherwise, we start defaulting on our debts and government agencies start shutting down.

- **So, uncertainty about the nation's fiscal future is growing. That makes this a good time to focus on adding a margin of safety to your portfolio.**

We know that no strategy or ratings model can guarantee investors won't lose money, especially if the markets take a significant dive. But we do know that having the right investments can go a long way in making sure your stocks and funds hold up well in a pullback … and head in the right direction faster than their lower-rated counterparts.

How the Weiss Ratings Model Works

We issue two types of ratings ...

Inside This Issue...

- **Safety Ratings** show the relative risk of an insurance company, bank or credit union.
- **Investment Ratings** show the relative attractiveness of a stock, exchange-traded fund (ETF) or mutual fund.

We started issuing our Safety Ratings back in 1989, with our Investment Ratings debuting in 2001.

Here in Safe Money, my focus is on investments. So when I talk about how our ratings model works, I'm referring to the Investment Ratings. These are designed to help you make more informed decisions with the goal of maximizing gains and minimizing risk.

The Investment Ratings are calculated using thousands of data. Based on our own model, they balance reward against risk before assigning a rating.

What you'll find with OUR ratings, as opposed to those issued by many of our competitors, is that they place a higher emphasis on safety.

Remember, our focus is on balance. It's great if an asset runs up a bunch and looks set to make more gains. But if the level of risk is too pronounced to go for those gains, the overall rating will be reduced.

Here's how a stock, fund or ETF "makes the grade":

1. Every overall rating is a combination of the results of two submodels: the **Reward Model** and the **Risk Model**. They're weighed roughly equally.
2. The Reward Model factors in five index readings. Those index values are based on bias-free, quantitative evaluation of sales, cash flow and earnings growth ... stock performance ... return on capital and equity ... dividend-paying ability ... and undervaluation/overvaluation.
3. The Risk Model factors in three index readings: stock volatility ... balance sheet quality/solvency risk ... and undervaluation/overvaluation.

We're not rating stocks based on what's hot and what's not. Nor are we throwing around ill-informed opinions. The Weiss Ratings are based on facts, numbers and data … not gut feelings.

- **Integrity is our foremost concern: We never take a penny from rated companies for issuing our rating.**

We publish these ratings without regard for institutions' preferences. To help guarantee our objectivity, we reserve the right to publish ratings expressing our opinion of an investment risk/reward based exclusively on publicly available data and our own proprietary standards.

What Our Letter Grades Mean

A (Excellent): This investment has an excellent track record for providing strong performance with lower-than-average risk. Although even good investments can decline in a down market, our "A" rating can generally be considered the equivalent of a strong "Buy."

B (Good): This investment has a good track record for balancing performance with risk. While the risk-adjusted performance of any stock is subject to change, our opinion is that this investment's a good value with good prospects for outperforming the market. "B" ratings are considered the equivalent of a "Buy."

C (Fair): In the trade-off between performance and risk, this investment has a track record that's about average based on its track record and current valuation. It's neither significantly better nor significantly worse than the overall market. This is the equivalent of a "Hold."

D (Weak): This investment is an underperformer related to others with similar levels of risk. Based on its current performance and valuation, we believe it represents a poor investment. While even weak investments can rise in an "up" market, our "D" rating is equivalent to a "Sell."

E (Very Weak): This investment has significantly underperformed most others. The prospects aren't favorable and significant downside risks outweigh any upside potential. This is based on the investment's current financial condition in combination with historical risk-adjusted performance. Consider an "E" rating the same as a strong "Sell."

As for those plus and minus signs we use? A "+" means the investment is in the upper third of the letter grade bracket. A "-" sign means it's in the lower third of the grade.

- **Our research and testing show that higher-rated stocks tend to outperform lower-rated stocks through good times and bad.**

In fact, we conducted a landmark 10-year study showing that investors could've beaten the S&P 500 by a factor of 4.48-to-1 using the Weiss Ratings.

More specifically, the average S&P 500 stock delivered a 44.6% total return, including price appreciation, dividends and reinvestment of dividends during that time frame. But if you invested equal amounts in all the stocks with a Weiss-designated rating of “A” and held them for those 10 years … you would’ve gained 199.9%.

Our ratings have also received praise for their accuracy and performance from The Wall Street Journal, Jayhawk, ConvergEx Group and others.

Safe Money Goes SEVERAL Steps Further

Given everything I’ve just explained, you might have obvious follow-up questions: Why don’t you just recommend all “A+” stocks? Why bother with the others?

That’s where the additional analysis I do in Safe Money comes in. For starters, there are times when very few investments make the cut. There may just be a handful of pure “A+” or even “A” names simply because our model is much stricter than some others.

Indeed, there’s a reason Safe Money Report has been published continually — in one form or another — for over four decades.

Investors like you rely on us to keep ahead of challenges and changes. And our conservative approach to building sustainable wealth has withstood the test of time.

Moreover, think of the definitions I just shared. Any stock rated “B-” or higher is still considered a “Buy.”

As the Weiss Ratings distribution chart from late September shows, 1,038 stocks recently fell into that category. Many are worthy of additional research on my part, and inclusion in the model portfolio, provided they pass muster.

As you probably recall from last month’s issue, I use a proprietary, multistep, income-focused screening strategy designed to maximize your yield … without exposing you to undue risk.

But how does the current market environment factor in? It’s no secret the market’s been struggling a bit behind the scenes for a while. Just look at this chart, which compares the performance of the narrower, larger-capitalization **SPDR S&P 500 ETF Trust (NYSE: SPY, Rated “B-”)** to the broader, smaller-capitalization **iShares Russell 2000 ETF (NYSE: IWM, Rated “C”)**.

In spring, markets began to develop a split personality: Large companies (particularly techs) in the S&P 500 kept rising, but many small-cap and mid-cap companies began lagging. In the last seven months, the S&P 500 rose more than 14%. But the Russell 2000 climbed just 2%.

- **Now, even Big Tech is under pressure. The reason? Rising interest rates.**

Federal Reserve Chair Jay Powell and his cohorts have shifted the narrative. They’ve hinted they might decide to dial back qualitative easing (QE) as soon as November. That, in turn, has Wall Street worried about a replay of 2013’s Taper Tantrum.

At the time, the Fed was buying $85 billion in bonds per month. Its balance sheet totaled just over $3 trillion. Then former Fed Chair Ben Bernanke appeared before Congress in May hinting the Fed would soon consider dialing back the amount of QE underway.

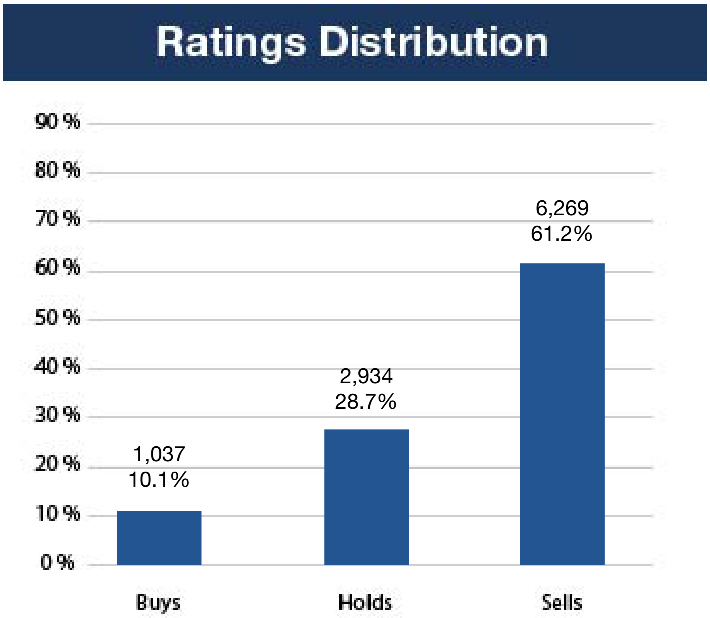
The news came as a big surprise ... and if there’s one thing investors don’t like, it’s a surprise. Interest rates jumped … stocks tanked … the Fed panicked. The start of the tapering process was delayed until December, and it was done at a very gradual pace.

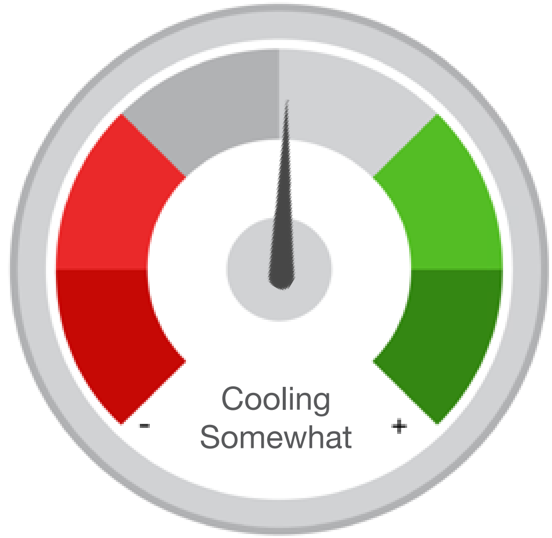
Today, the Fed isn’t buying $85 billion per month in bonds — it’s buying $120 billion. The Fed’s balance sheet isn’t $3 trillion — it’s $8.5 trillion. The S&P 500 isn’t trading around 1,650 — it’s around 4,400. And it isn’t trading for around 18.3 times earnings like then — it’s trading for more than 34 times earnings.

In 2013, house prices just began recovering from the 2008 financial crisis — today, house pricxes are surging nearly 20% year over year … the fastest appreciation rate ever.

Again, the Fed’s trying to take steps to unwin its bond-buying. But it’s doin so when the stakes are much higher,

Weiss Ratings Market Barometer





Indicator Type	Name	Last	1M	12M
Financial	S&P 500 Index	4,353	▼	▲
	VIX Volatility Index	18.8	▼	●
	Commodities Index	243.0	▲	▲
	Stocks In Bear Territory	59.0%	●	▲
	Weiss Buy/Sell Ratio	0.17	▼	▲
Credit	High Yield Spread	1.58%	▲	▲
	Treasury Spreads 2/10 Year	1.23%	●	●
	Treasury Spreads 3 Month/10 Year	1.5%	●	●
Economic	AAII Investor Sentiment Ratio	0.76	▼	▼
	GDP	$22,731B	▲	▲
	Leading Economic Indicators Index	117.1	▲	▲
	Retail Sales	$619B	▲	▲
	ISM Manufacturing Index	59.9	●	▲
	ISM New Orders Index	66.7	●	●
	ISM Services Index	61.7	▼	▲
	Unemployment Rate	5.2%	▲	▲
	Average Weekly Hours	41.5	●	▲
	Non-Farm Payrolls	235k	▼	●
	Consumer Confidence Index	109.3	▼	●
	Industrial Production Index	101.6	▲	▲
	Capacity Utilization	76.5%	▲	▲
	Building Permits	1721k	▲	▲
	Housing Starts	1615k	●	●

Key: ▲ Improving ▼ Deteriorating ● Neutral

How to Adapt as 'Florida Fall' Settles In

The start of Florida Fall. When the first cold front arrives this far south, the thermometer drops and the dreaded humidity dries up.

"Cold" is relative, though. It's more of a "cool" front. And a similarly mild cool front is evident in our Weiss Ratings Market Barometer.

Consider: Four out of five of our financial sub-barometer indicators are up notably from a year ago, but three of five have slipped in the last month.

All but one of our economic sub-barometer readings are "flat-to-improved" from a year ago, but four of 15 have weakened in the last month.

Meanwhile, the Weiss Ratings breakdown offers a comparably mixed perspective of the market.

The good news? Our "Buy" ratings tally is hovering in double-digit territory. Roughly 10.1% of the stocks we cover earned that grade.

The bad news? That's down from 10.6% a month earlier. "Sells" also ticked up to 61.2% of the stocks we follow from 60.9%.

Data suggests Florida Fall is settling in ... and in the market as well. No reason to break out the ski jackets and down comforters — or in market terms, sell everything and go to cash. But it's enough of a reason to trim your positions and stick with a Safe Money investing approach!

Bedrock Income Portfolio: With a High Yield, High Ratings & Exposure to Customers Like Apple, Buy This Tech Today!

If you acted on the Flash Alert I sent on Sept. 16, you should have exited your **Union Pacific (NYSE: UNP, Rated "B")** position at a small loss of 4.3%.

Not great. But not a huge hit, either. Especially because you more than offset that with a 7.1% gain on **3M (NYSE: MMM, Rated "C+")** at the same time. Those moves came after a much larger 17.8% gain on **Texas Instruments (NYSE: TXN, Rated "B")** a few w eeks earlier.

And before my new recommendation, I have a quick update on one of our positions. Drugmaker **Merck (NYSE: MRK, Rated "C+")** just announced a blockbuster development on the COVID-19 front.

The company said its experimental pill, called molnupiravir, proved highly effective at reducing hospitalizations and deaths from the virus. If the Food and Drug Administration (FDA) approves its use in the coming weeks, patients could begin taking it shortly thereafter.

Merck shares shot up on the news. If they can clear technical resistance in the high-$80s, the sky's the limit. Hold on tight!

Now for that NEW recommendation in the technology sector that could deliver even MORE profits and income …

When you think about all the ways technology has changed our lives and workplaces over the last several years, it's astounding. And the COVID-19 pandemic accelerated and amplified many of the shifts already underway.

But how does it all come together? What enables faster, more reliable smartphone service? What helps more

... continued on page 7

Bedrock Income Portfolio Table

Position	Ticker Symbol	Weiss Rating	Initial Reco Date	Purchase Price	Recent Price (as of 10/04/21)	Indicated Dividend Yield	Total Return (incl. dvds.)	Current Recos
Broadcom	**AVGO**	**B**	**10/8/21**	**TBD**	**$475.95**	**2.9%**		**BUY 2.5% position**
Abbott Laboratories	ABT	B	9/10/21	$129.21	$115.53	1.4%	-10.5%	BUY 2.5% position
Fastenal	FAST	B	8/13/21	$55.39	$51.30	2.1%	-7.3%	BUY 2.5% position
Broadridge Financial Solutions	BR	B	7/9/21	$168.08	$162.55	1.4%	-2.9%	BUY 2.5% position
Air Products and Chemicals	APD	B-	6/11/21	$299.39	$255.99	2.2%	-14%	BUY 2.5% position
Mondelez International	MDLZ	B	5/14/21	$62.56	$58.07	2.2%	-6.7%	BUY 2.5% position
Automatic Data Processing	ADP	B-	4/9/21	$187.35	$199.97	1.8%	+7.7%	BUY 2.5% position
Algonquin Power & Utilities	AQN	B	11/13/20	$15.93	$14.85	4.4%	-3.9%	BUY 2.5% position
NextEra Energy	NEE	C	10/9/20	$75.39	$79.36	1.9%	+7.3%	BUY 2.5% position
Merck & Co.	MRK	C+	9/11/20	$84.61	$83.10	3.1%	+1.3%	BUY 2.5% position
Amgen	AMGN	C+	8/14/20	$239.52	$211.44	3.2%	-9%	BUY 5% position
Sprott Physical Silver Trust	PSLV	Unrated	1/30/20	$6.59	$7.89	N/A	+19.7%	BUY 7.5% position
SPDR Gold Shares	GLD	C	6/14/19	$126.56	$ 165.36	N/A	+30.6%	BUY 5% position
iShares 1-3 Year Treasury Bond ETF	SHY	C	6/14/19	$84.59	$ 86.14	0.3%	+4.1%	BUY 12.5% position

Dynamic Income Portfolio: Tune In to This Highly-Rated TV Stock

I have a new pick for you — one that should deliver great profits and great income! But let's cover recent portfolio developments first.

Per my Flash Alerts from Sept. 16 and Sept. 23, you should have exited three Dynamic Income Portfolio positions:

1. Sold your 2.5% position in **3M (NYSE: MMM, Rated "C+")** for a gain of around 7.1%.
2. Sold your 2.5% position in **VICI Properties (NYSE: VICI, Rated "B-")** for a gain of around 12.7%.
3. Sold your 5% position in **Yamana Gold (NYSE: AUY, Rated "C-")** for a loss of around 25.4%.

I would've preferred all three positions to be winners, but we've had a bunch of recent juicy profits. And we have plenty of opportunities to go for more winners.

Some of those recent gains in the last few months include 7.3% on **Rent-A-Center (Nasdaq: RCII, Rated "B-")**, 17.8% on **Texas Instruments (Nasdaq: TXN, Rated "B")** and 46.8% on **Stantec (NYSE: STN, Rated "B")**.

Now, rather than deploy all the cash you raised, I recommend you add just a 2.5% position in a new higher-yielding, "Buy"-rated name: **Nexstar Media Group (Nasdaq: NXST, Rated "B-")**.

Nexstar's the largest local broadcast television company in the U.S., either owning and operating or providing services to 199 stations across 116 markets in 39 states.

Nexstar also has an expanding online content and services business it recently bulked up by purchasing the political news site, The Hill, for $130 million. Finally, it operates the NewsNation network, formerly known as WGN America.

Sales and profits have grown nicely, driven by strong advertising and distribution revenue gains. Revenue jumped 40.9% year over year in the Q2, while adjusted earnings before interest, taxes, depreciation and amortization (EBITDA) surged 48.6%.

... continued on page 8

Dynamic Income Portfolio Table

Position	Ticker Symbol	Weiss Rating	Initial Reco Date	Purchase Price	Recent Price (as of 10/04/21)	Indicated Dividend Yield	Total Return (incl. dvds.)	Current Recos
Nexstar Media Group	**NXST**	**B-**	**10/8/21**	**TBD**	**$153.60**	**1.7%**		**BUY 2.5% position**
Amplify CWP Enhanced Dividend Income ETF	DIVO	B	9/10/21	$36.19	$35	4.9%	-2.8%	BUY 2.5% position
Equity LifeStyle Properties	ELS	B-	6/11/21	$75.85	$78.67	1.8%	+4.2%	BUY 2.5% position
CRH Plc	CRH	C	5/14/21	$51.04	$46.71	2.4%	-8%	BUY 2.5% position
Rio Tinto Group	RIO	B-	4/9/21	$78.98	$66.56	10.2%	-8.7%	BUY 2.5% position
iShares U.S. Infrastructure ETF	IFRA	C	3/12/21	$34.70	$34.79	1.5%	+1.4%	BUY 2.5% position
Innovative Industrial Properties	IIPR	B	11/13/20	$153.31	$228.48	2.3%	+52.1%	BUY 5% position
Americold Realty Trust	COLD	C	9/11/20	$36.58	$28.88	2.9%	-19.2%	BUY 2.5% position
McDonald's	MCD	B	8/14/20	$206.81	$243.08	2.1%	+20.8%	BUY 5% position
VanEck Vectors Gold Miners ETF	GDX	C	5/8/20	$34.73	$29.67	0.5%	-14.1%	BUY 7.5% position

Front Article Continued

assets are more inflated and Wall Street's more addicted.

I don't know when, or if, this potential powder keg will blow. But I know that investing with a focus on safety, income and our Weiss Ratings helps you build a nice blast wall in the meantime. One that should help your portfolio avoid the worst of the damage if rising rates fuel a risk explosion.

I also know that dialing down your stock exposure is a reasonable measure. That's what I recommended you do in two recent Flash Alerts.

It's also why I suggest you redeploy only a portion of the cash those moves raised in this month's issue. And it's why I'll continue to be in touch as often as possible to keep your money safe!

Bedrock Income Portfolio Continued

customers access the internet through faster broadband pipes? What allows enterprise companies to store data in the cloud and access and analyze information across multiple platforms?

I'm talking about **Broadcom (Nasdaq: AVGO, Rated "B")**, a leader in the semiconductor and software industries. The company offers a wide range of products and services to the networking, broadband, wireless communications, data storage and industrial sectors. **Apple (Nasdaq: AAPL, Rated "B")** is a well-known customer of Broadcom's, accounting for around 15% of sales last year.

- **There's a lot to like about Broadcom's results. Unsurprisingly, given the current strength in the tech sector, revenue rose 16% to $6.8 billion in Q3.**

Meanwhile, adjusted profit jumped 28% to $3.1 billion, or $6.96 per share. CEO Hock Tan sounded confident about fourth-quarter results, too, citing strength in cloud computing, 5G and broadband-related businesses.

What about income? Broadcom pays out $3.60 per share in quarterly dividends. Not only is that almost 11% higher than a year earlier, it's also good for an indicated yield of 2.8% at recent prices.

It's more than double the S&P 500 — and 80 basis points more than Texas Instruments.

Our Weiss Ratings system graded AVGO a "Buy" since February. Sub-readings on growth, efficiency and solvency are all in excellent territory, too. Here's what to do:

Buy a 2.5% position in Broadcom Inc. (Nasdaq: AVGO, Rated "B") shares at the market.

Sit tight with your other positions. Even after this Bedrock Income Portfolio recommendation — and the other you'll find in the Dynamic Income Portfolio section — you'll still be sitting on more cash than you had before my Flash Alerts.

I believe that's a solid approach given recent, heightened volatility. If everything settles down, I'll tell you how you can put more money to work for even greater yields and greater profits!

Dynamic Income Portfolio Continued

Management expects the strength to continue — a key reason the company hiked its full-year free cash flow forecast. Officials also boosted Nexstar's quarterly dividend 25% to 70 cents per share. The new rate is good for an indicated yield of 1.7%.

Furthermore, the company raised share buyback authorization by another $1 billion and it's paying down debt with spare cash generated by operations.

All of that's pushed NXST shares into "Buy" territory with the stock earning "B-" or "B" grades from our Weiss Ratings system since March.

That's the kind of consistency I like.

If you agree, here's what to do:

Buy a 2.5% position in Nexstar Media Group Inc. (Nasdaq: NXST, Rated "B-") at the market.

Sit tight with your other positions for now. And if you're just coming on board, welcome!

You can check out the model portfolio table on page 6 for instructions on what to do now with previously recommended positions. The last column on the right has those details.

Actions to Take

Action No. 1: Buy a 2.5% position in **Broadcom Inc. (Nasdaq: AVGO, Rated "B")** at the market in the Bedrock Income Portfolio.

Action No. 2: Buy a 2.5% position in **Nextar Media Group Inc. (Nasdaq: NXST, Rated "B-")** at the market in the Dynamic Income Portfolio.