

The Boulware Buzz



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Bitcoin – Let’s talk about it!

Fear of missing out is a powerful force when it comes to investing; it’s difficult to ignore as an asset that has gained more than 500,000% in just a few years. In this newsletter, let’s talk about cryptocurrencies!

What is it? Bitcoin is by far the most popular variation among a class of assets designed to create a digital currency through advanced cryptography (writing or solving computer codes). Unlike traditional currencies, Bitcoin (and other cryptos) operate without central authority or banks and are not backed by any government.

What are the risks involved with investing in Bitcoin?

- 1) Extreme Volatility – Bitcoin tends to garner a lot of attention every time it has a steep run-up in value. But keep in mind, what goes up, can also go down. Let’s use this year as an example. Bitcoin closed at 28,900 on December 31st, 2020 and surged to 63,600 by April 13, 2021. And on April 17th, Bitcoin fell nearly **14% in one hour** before rebounding. As of the date of this writing, Bitcoin trades at 31,742 which is a 50% decline since hitting its all time high in April.
- 2) Bitcoin is impractical as a means of exchange from a resource standpoint. Bitcoin supply is limited and new bitcoin can only be mined using high powered computer systems. The mining process requires so much computing power that **cryptocurrency mining consumes roughly 0.6% of the world’s electricity – more than that used by the entire nation of Argentina!**
- 3) Bitcoin is not a store of stable value. Some investors may be drawn to cryptocurrencies thinking they’re an asset class to store value, but there have been several cases of bitcoin theft. Some unfortunate owners have lost access to their funds by misplacing or forgetting their private digital keys. Since Bitcoin isn’t controlled by any central authority, there’s no one to contact for assistance.
- 4) Governments are unlikely to allow bitcoin usage to flourish without controls. If Bitcoin flourishes, it could reduce the ability of governments and central banks to set monetary policy, and to tax earnings and wealth.

With all this being said, sometimes the best way to learn about a particular investment, is to invest in it yourself. At the moment, when clients contact us about investing in Bitcoin or like products, we are unable to provide recommendations since these investments are not regulated. However, there is a small universe of crypto funds that are approved to purchase at RBC in an unsolicited manner. With cryptocurrencies gaining more and more traction, we hope you find this article insightful in helping you understand a little more about them!

Records all around us

As the S&P 500 hit a new record in June, so did many other economic data points.



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The U.S. Consumer Price Index rose 5.0% y/y, the largest rise since August 2008. The core price index, which excludes food and energy, grew 3.8%, the largest increase for that reading since June 1992. These elevated prices, driven by many issues including consumers emerging from the recession with savings and income broadly stronger than when they entered the pandemic as well as by supply chain disruptions, have caused the inflation conversation to heat up and the transitory timeframe to be debated. The Federal Reserve appears to be signaling it is more ready to combat inflation now than it has been over the last few months via raises in the federal funds rate, potentially as early as next year.

Earnings peaks can stall the S&P 500 in the short term

As investors await earnings results for the second calendar quarter, many economist believe Q2 earnings for the S&P 500 could be the peak, not the end, of growth. Deceleration of growth rates may be possible starting in Q3. RBC Capital Markets, LLC Head of U.S. Equity Strategy Lori Calvasina says data shows “the stock market is normally down modestly on a six-month forward basis after the peak in the S&P 500’s growth rate is achieved, but this weakness is short-lived as stocks are usually up on a 12-month forward basis after such a peak.” Our third-party research provider has a similar message, noting that the S&P 500 has gone eight months without a correction of 5% or more, and we normally experience one on average every seven months. If the 8% correction in the Nasdaq is an indication of a future correction in the S&P 500 and its duration, such an event could provide an opportunity to pick up fundamentally solid companies for longer-term investments, in our view.

Personal Corner

Wyatt, Smokey & Willow at the 4th of July parade in Flagstaff, Arizona



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 The biggest compliment is a referral of your friends and family.

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