

Chart of the Month

As we head into Christmas, it's a time of year people can get caught up in "excesses." Whether it be just one more slice of pie or one more giant water carrying vessel, having "excess" is something we all indulge. How does excess translate into financial markets?

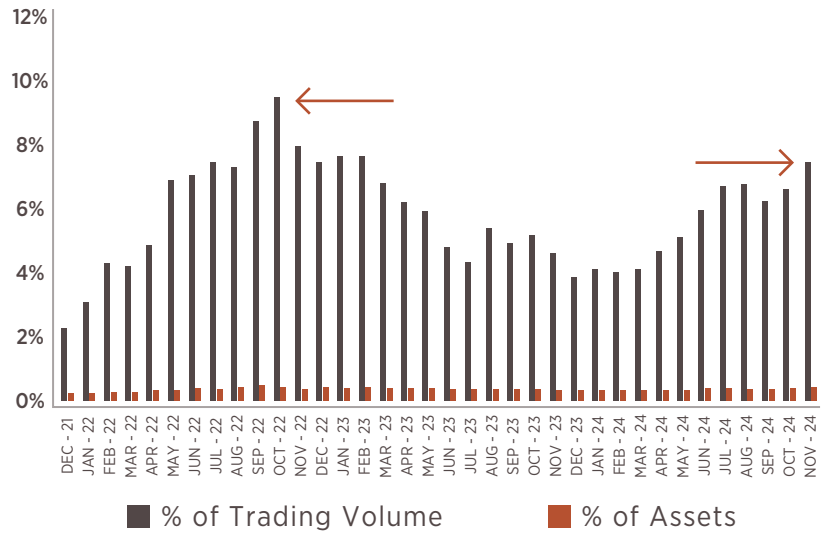
One area we see the potential for "excess" is the rapid growth of single-stock leveraged ETFs. Leveraged products can be a dangerous game. At the most basic and generalized level, a leveraged product is going to provide an investor either 2x or 3x the daily return of the underlying security. The products tend to reset each day, thus, owning one of these is a poor long-term decision due to the compounding effects - leverage works on both the way up and the way down.

As a brief example: You invest \$10,000 in a 2x leveraged ETF. Day 1, the underlying is +5%, but the 2x leverage makes your product +10%, turning \$10k into \$10.1k. On Day 2, the \$10.1k is your new starting point and the underlying falls -5%. The 2x means you lose -10%... \$10.1k turns to \$9.9k. Had you just owned the underlying (which also carries no expense ratio), you'd only be down \$25 instead of \$100.

According to research firm Strategas¹, leveraged ETFs account for a very small portion of U.S. ETF Assets (0.4%), yet, the dollars traded have suddenly spiked to account for nearly 9% of all ETF volume in recent weeks. Our chart this month highlights the usage of these products over the past few years, but there is one major difference between the current spike and the prior spike in late 2022. The S&P 500 was hitting its bottom during the 2022 bear market in Sep/Oct that year, whereas today, the S&P 500 is hitting new all-time highs. This activity certainly impresses the vibe of

¹ Strategas: What to Make of Strong Equity Flows and Elevated Leveraged Volume (Todd Sohn); 11/26/2024

Leveraged ETFs



Source: Strategas, Bloomberg, 11/25/24

potential excess and exuberance! Someone just paid \$6.24mm for a banana duct-taped to a wall at a Sotheby's auction! If anyone is in the market for such a thing, we would be happy to gather up the appropriate supplies and send someone your way!



Performing an Insurance Checkup

Insurance items you should review on a regular basis

As your financial success increases, it's important to regularly review your insurance coverage to manage increased risks. Here are categories to review regularly to avoid financial consequences from unexpected events.

- **Life Insurance:** Protects loved ones by replacing income
- **Disability Insurance:** Covers income loss due to disability.
- **Property and Casualty Insurance:** Protects against property damage and liability.
- **Health Insurance:** Choose the right plan and prepare for Medicare well before age 65.
- **Long-Term Care Insurance:** Covers prolonged illness or disability.

Regularly reviewing and updating your insurance policies with your financial advisor can help ensure your coverage aligns with your long-term financial goals. Visit 6meridian.com/insurance-checkup to learn more.

Source: Bloomberg 2024

	November	YTD	2023	ETFs/Benchmarks
Stocks	United States	5.9%	27.9%	SPDR S&P 500 ETF (SPY)
	Intl Developed	-0.2%	6.5%	iShares MSCI EAFE ETF (EFA)
	Emerging Markets	-2.5%	8.0%	iShares MSCI Emerging Markets ETF (EEM)
Bonds	US Investment Grade	1.1%	3.1%	iShares Core U.S. Aggregate Bond ETF (AGG)
	US Municipals	1.5%	2.3%	iShares National Muni Bond ETF (MUB)
	Intl Investment Grade	1.5%	5.2%	iShares Coare Int'l Aggregate Bond ETF (IAGG)
	Global High Yield	-0.8%	4.1%	iShares Global HY Corp Bond UCITS ETF (HYLD)
	Emerging Markets \$	1.2%	7.8%	iShares JP Morgan USD EM Bond ETF (EMB)
Other	Commodities	-0.3%	3.4%	iShares GSCI Commodity Dynamic Roll ETF (COMT)
	Gold	-3.7%	28.1%	Gold New York Spot (\$/oz)
	Oil	-1.8%	-5.1%	Crude Oil WTI/Global Spot NYMEX

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