

October 2016 – Monthly Financial Update

October 2016 Overview

Fall is here and with it comes cooler weather and nice scenery with the leaves changing colors. This is also our anniversary month! My parents were able to watch our daughter so we could go on a date to our current favorite restaurant. It is a Spanish style restaurant and we tried many different plates.

I also took my daughter to her first pumpkin patch. My wife had to work so we did a little father daughter outing. She had a great time running around and sitting on pumpkins. She even picked out her own little pumpkin :) Now every time she sees a pumpkin, she says "Dada". It's so cute and my wife is bummed because she missed out on her first pumpkin patch experience. This is a good example of why we strive for financial freedom!

I finally received my new [iPhone 7 Plus](#) in the mail. It arrived about 20 days early. I didn't activate it right away though because I didn't have a case for it yet. Once I knew my phone was being shipped, I scoured Amazon for a case. I finally settled on the [Caseology Titan Series](#). It's a nice slender case in black and gray. So far so good although I haven't dropped my phone yet on concrete or any other hard surface.

We had an incident with our stroller. I was in a hurry and removed the stroller from my car and leaned it up against my wife's car. I figured if she was leaving the house, she would see it when she put our daughter in the car seat. Well, my wife decided to put air in her tires during our daughter's nap. She backed her car out of the garage and ran over the stroller. The stroller didn't make it and we had to [buy a new one!](#) That set us back \$180.

Finally, our [lease ended](#) at the end of October. I ended up [buying a used Toyota 4Runner](#) two days before the lease expired. Although I was in a pinch to find a car, I did not settle until I found what I was looking for. I am very happy with my 4Runner!

To add to all this excitement, our net worth grew to **\$927,356.87** which is an increase of \$17,594.55 or 1.90% from [last month](#).

Stock Sales & Purchases

The Cash Lab

Formulas for Generating Money

<http://madcashlab.com>

It's pretty apparent this market is not going to make any big moves until after the election is over. Analysts predict if Clinton wins then the markets will go up. The reason they would go up is monetary policy would stay the same as it did under Obama. I believe the market is artificially inflated with these policies however, so that's not necessarily a good thing.

Analysts predict the market will go down if Trump gets elected. Some of this will be out of fear because Trump is unpredictable. Also Trump does not favor an easy money policy which benefits Wall Street. I think Trump's actions will allow the market to reset and allow it to continue with the least amount of manipulation as possible during his term.

With all this being said, I took profits on a couple of my best performers this month. I also sold a bad mistake for a loss. I did not reinvest any money as a result of these sales and it is currently sitting in cash. I want to see what is going to happen with the election before I make any moves. Here are my stock sales in October:

The Cash Lab

Formulas for Generating Money

<http://madcashlab.com>

Ticker

UCO

UCO

UCO

BTUUQ

BTUUQ

PBR

Account

Roth 1

The Cash Lab

Formulas for Generating Money

<http://madcashlab.com>

Roth 2

ESA

Roth 2

Brokerage

Brokerage

Price

\$11.43

\$11.43

\$11.42

\$17.93

\$16.23

\$12.26

Total

The Cash Lab

Formulas for Generating Money

<http://madcashlab.com>

Gain / (Loss)

59.98%

46.92%

84.41%

(88.79%)

(76.12%)

71.34%

(12.36%)

UCO - ProShares Ultra Bloomberg Crude Oil

UCO is a highly leveraged ETF which seeks to double the returns of WTI crude oil futures contracts. In the same token, the losses are also doubled. Highly leveraged ETF's are only meant to be held for a short period of time. By short, I mean a couple days. This fund is not meant for buy and hold investors.

I knew all this going into my investment of UCO however I held onto it for about 8 months. The result was great for me as I made 43.11% over all three accounts invested in UCO. I purchased my shares in UCO when Oil hit about \$30/barrel. I'm particularly proud that I bought UCO when oil hit \$26/barrel in my daughters ESA account. She bought in at a share price of \$6.10 and the lowest UCO went was \$5.93!

However I did get greedy and should have sold in June 2016 when oil reached \$50 a barrel. My daughter was up about 133% at the peak and as you can see she ended up receiving an 84.41% return when I sold in October. After kicking myself, I decided that I would sell no matter what when oil reached \$50/barrel again.

So why did I lose 50% between June and October when oil hit \$50/barrel each time? That is the nature of a highly leveraged ETF. The fund manager must rebalance the fund daily to two times exposure of its futures contracts and swaps. Daily compounding (whether positive or negative) eats away at the share price over time. As a result, there is a high expense ratio of 0.95% due to its active management of the derivative contracts.

BTUUQ - Peabody Energy

I have three bad mistakes in my portfolio and Peabody Energy is one of them. Peabody Energy is the largest private-sector coal company in the world. Unfortunately the company filed for chapter 11 bankruptcy on April 13, 2016. The bankruptcy is a result of "the war on coal".

I have never understood the "war on coal". Coal powers [33%](#) of the energy grid in the U.S. So why does the government and other organizations such as the [Sierra Club](#) want to regulate it out of existence? I understand the harmful effects of pollution and am all for alternate sources of energy such as solar. However, until alternate forms of energy can be made affordable to most of the population, we still need coal to power our grid.

Arch Coal, the second largest coal company, has gone through a similar situation as Peabody Energy. Arch Coal recently [came out of chapter 11 bankruptcy](#) and reduced its debt load by \$4.7 billion. However any shareholders were wiped out and lost 100% of their investment. This was my

fear with Peabody Energy which is why I sold.

At the worst, I was down about 95% of my investment with Peabody. With such a big loss, I didn't really care to sell in an attempt to recuperate any of my money. I was prepared to see it go to \$0 and gamble on a chance of it recovering. I was also waiting to see who the next president would be. With Clinton, I pretty much knew my investment in Peabody Energy would have gone to \$0.

With Trump however, I felt there was a chance that my investment could turn around at some point in the future.

I ended up not waiting on the election to sell as I witnessed one of the craziest rides I have ever seen in a stock I owned. BTUUQ at it's lowest was a \$0.545 stock. The stock price found support in the \$1.50 range for the longest time. Then a miracle happened from October 17th - 24th.

BTUUQ shot up 1,250% from \$1.50 to a high of \$18.75! I couldn't believe my eyes! This was the selling opportunity I have been waiting for.

I watched from 1:00pm until 2:00pm on October 24th as the price kept pushing higher. I kept refreshing my trade before submitting it and saw my net proceeds rise every time. I did well in my Brokerage (\$16.23) and particularly Roth 2 (\$17.93) accounts at selling near the top (\$18.75). The price cooled off very quickly after reaching it's high and settled at \$16.07 for the day. Since then, the price has dropped significantly.

The price run up was due to the rise of coal prices to \$200/metric ton, which is twice the cost in the previous quarter of \$92.50/metric ton. The big jump was due to a resurgence in Asia's need for coal. Another piece of the puzzle was the Mangrove Partners fund took a [5.2%](#) stake in Peabody.

With Mangrove announcing its stake, it sent the shorts covering and also exposed a lot of naked call sellers. It turns out that there was an extremely large open interest in call options compared to the number of shares outstanding.

PBR - Petrobras

Petrobras is a Brazilian oil company which the Brazilian government owns 54% and controls another 10% indirectly through the state. The stock reach an all time low of \$2.71 on January 20, 2016 and has pushed all the way up to \$12.56 on 10/24/2016. I sold on 10/26/2016 which was near the recent high.

I bought PBR in two installments in June 2014 and January 2015 with an average buy in price of \$7.20. I ended up selling at \$12.26 per share.

PBR seems to have reached the top of a wave 3 in October if you follow Elliott Wave theories. I still find this stock valuable with plenty of room to grow so I will possibly be buying back into PBR in the near future.

Income

October was the first month where I implemented Google AdSense on my blog. I made a whopping \$4.15! This should grow over time as long as I produce new and interesting content. My most popular post is about [digging out the basement](#) of the row home we are currently rehabbing. I had 1,407 views on this page last month!

Other than that, nothing new in the income category. My wife and I collect a paycheck and the amount does not change from month to month.

Dividends

I do not have a [dividend focused portfolio](#), so my dividend streams are not consistent. I am working towards a dividend portfolio by selling stocks as they become ripe for gains. Then I will take the proceeds and invest them into dividend stocks...when the market isn't so expensive.

Here are my dividend payments for October 2016:

The Cash Lab

Formulas for Generating Money

<http://madcashlab.com>

Stock

TOT

Account

Roth 1

The Cash Lab

Formulas for Generating Money

<http://madcashlab.com>

Dividend

\$9.38

Return

0.97%

The Cash Lab

Formulas for Generating Money

<http://madcashlab.com>

I [purchased TOT](#) back in August and have already received about a 1% return on my money through dividend payments. This beats my [Capital One 360 savings](#) rate of 0.75% annually. TOT pays a quarterly dividend.

I actually received \$13.40 in dividends, however there were three taxes taken out of my dividend:

The Cash Lab

Formulas for Generating Money

<http://madcashlab.com>

Transaction Tax

Foreign Tax

Processing Fee

Total

\$1.91

\$2.01

\$0.10

\$4.02

The Cash Lab

Formulas for Generating Money

<http://madcashlab.com>

14.25%

15.00%

0.75%

30.00%

France charges a 30% tax to foreign investors...ouch! Double ouch since this stock is held in my Roth account and I can not recoup 15% of foreign taxes paid on my tax return. However, I bought TOT for price appreciation and will sell it when ready. In the mean time, it's nice to collect a dividend. Even after taxes, I am looking at an annualized dividend yield of 3.88%.

Rental

I've owned many rentals but have sold all of them off in the last few years. They were lower end homes with lower rents but good cash flow.

Those homes were a great start but I decided to change my rental property plan.

I now buy junk houses in great areas where I can produce equity through the rehab process. Better properties equal higher rents and better quality tenants.

Here is our lone rental property which we have achieved an infinite return through the cash out refinance method:

The Cash Lab

Formulas for Generating Money

<http://madcashlab.com>

Rental Income

Mortgage

Taxes

Insurance

Other

Profit

\$1,549.00
\$786.90
\$110.99
\$96.08
\$0.00

\$555.03

We are throwing around the idea of selling this rental home once the lease is up next April. We have such a large equity position in this home that it may be better to cash it out and apply the money towards a new home.

Expenses

This month we saw a huge increase in our grocery bill from \$700 last month to \$992 this month! That was mainly my fault, I did a lot of the grocery shopping. However, I typically only shop at Aldi's which is pretty cheap. I like to stock up on things though so I have less trips to the grocery store. Hopefully we'll see a decrease next month.

I realize I need to come up with a better format for discussing these more in future blog posts. That will give me something to do during winter :)

Net Worth Summary

We ended the month of October with a net worth of **\$927,356.87** which is an increase of \$17,594.55 from September or 1.90%.

The increase is due to our retirement and brokerage accounts. Many of our positions are in commodities which have seen a rise recently. Also, I sold a few positions at their most recent highs. These stocks netted me a few thousand dollars over their value last month.

2016 Net Worth Summary

- [June 2016 - \\$890,956.41](#)
- [July 2016 - \\$900,825.62](#)
- [August 2016 - \\$899,012.43](#)
-
- [September 2016 - \\$909,762.32](#)

Final Thoughts

October proved to be a great month financially speaking. I'm glad we finally have our cars replaced so we can now focus on a house for ourselves. The leaves are changing and it's time to hunker down for the winter months. The only good thing about winter is we tend to spend less money!

The Cash Lab

Formulas for Generating Money

<http://madcashlab.com>

Hi readers! How was your October financially?

Want to get the latest posts from The Cash Lab? Make sure to subscribe on [Facebook](#), [Twitter](#), or by email or RSS reader (in the column to the right).