



postcards from the florida republic
An independent and profitable state of mind.

Wednesday, September 6, 2023

SL: Free Insurance on a Burning House and Crushed SUV

Dear Fellow Expat:

What would you do with \$700 right now?

Would you rent a hotel for two days in a nearby city? Maybe attend a special dinner with a friend or loved one? Pay down debt?

Well, in my case, a bill arrived yesterday for six months of car insurance. We put up about 40 miles a week on our SUV - which has of course lost value over the last year. It goes to and from my daughter's school twice daily and that's about it.

There's no accident history. No tickets. No collisions.

The insurance premium jumped - get this - 25% year over year.

What was the primary driver of this increase?

The cost of covering the accident if the *other* driver isn't insured.

Somebody *please* make it make sense.

Our primary liability is about \$135 over six months.

The cost of coverage if the other driver isn't insured is \$225.

Somebody please make it make sense?!

These out-of-control increases mean I have to ask the question: How many people out there are simply forgoing auto insurance?



Garrett Baldwin
Financial Adventurer

Index Momentum

S&P 500
Nasdaq
Russell

YELLOW
RED
RED

I dove into these numbers this morning...

...and it's horrifying.

Data from 2021 shows that nearly 30% of drivers in Mississippi don't have insurance. It's 25% in Michigan. It's around 20% in Florida, close to 20% in Washington D.C., and about 17% in California.

It's not a political problem. It's an economic one.

So, on the highways and byways of the Florida Republic, around one of every five cars I pass... are driven by uninsured drivers.

I think I'll freaking walk...

You Have (Market) Insurance Right Here.

The Florida Republic is in the business of insurance.

Stock market insurance.

We literally give it away for free *every single day* with our Equity Momentum reading. When it's green, you're clear.

When it's yellow, a storm is on the horizon.

And when it turns red, it's time to take action. Whether it's moving to cash or selling calls on existing long-term protection, this is the ultimate form of insurance.

And it's free. Maybe if enough people follow it, they won't lose money in the markets... and they'll buy some auto insurance. I think that's a fair ask.

And, wouldn't you know it, today, the S&P 500's momentum turned red before kicking back to yellow. But our broad Russell 2000 EQM reading is now officially red.

As the day winds down, reducing risk, setting hard, tight stops on positions, and hedging accordingly are important. This negative cycle could last two days... two weeks... or two months.

All we know is that we are getting out of the way.

Let's look at a few recent examples.

On June 8, 2022: Momentum turned red in a similar intraday event. I was getting a shot in my spine on a doctor's table when my indicator went red. I had to close positions on an "operating" table. We didn't know why momentum went red for nine days, but the S&P 500 slumped more than 10% in a week. We found out the following week that it was the largest hedge fund selloff in 15 years.

On September 15, 2022: Momentum turned red. We got out of the way. The markets cratered into the final week of the month. We didn't know for another week, but the entire British pension system nearly collapsed. We avoided that selloff and bought back after the central banks all pivoted.

On March 7, 2023: Momentum went red. We didn't know why at the time. But we got out of the way. A week later, every single newspaper blared a headline about a regional banking crisis. If you look at Google News before March 7, only *one* article (in *American Banker*) discusses stress in the banking system—just one. A week later, the markets had melted down.

A red EQM reading is a reason to protect yourself.

Think of it as.. a License to Chill.

While everyone else panics, we focus on other things in life. We put down the hurricane shutters, protect our asses, and then get on with other things. There will likely be a lot of noise over the next two weeks. You won't find me panic selling at any point soon.

Rules of Negative Momentum

With momentum now negative, it's time for you to dig deep into a previous article I've written called ["Six Rules for Negative Momentum."](#) Like it says on the box, it's how you tackle negative momentum.

The importance of building cash reserves.

What to do about existing positions.

The opportunity to trade credit spreads around volatility.

[And more.](#)

But when I publish it in the future, I will add a rule to this list that I want to share with you today.

Rule 1: Enjoy Your Life

Typically, I'd put this rule somewhere in the middle. But I am not in the business of sitting around and panicking about the financial markets. While everyone else is losing their mind... panicking over headlines... or trying to short the market... we're taking a step back.

What's the purpose of such stress? One of the best times of my life was back in 2008 - living in Florida. The entire financial system was burning to the ground. I was working on a book on a beach, and when I finished it... I had one of the best memories of my life.

Mortgage banks were collapsing. I was standing in the Gulf of Mexico, a drink in one hand and a CD player in the other - listening to "*Don't Get Lost in Heaven/Demon Days*" by Gorillaz. I was dancing - and no one else was around.

I had no trading exposure to the markets that day. My mind was clear. There was chaos all around me... but there was nothing to fear.

I welcome those moments in the future.

I want those for you as well.

[Catch up on the other rules here...](#)

Stay positive,

Garrett Baldwin
Secretary of Finance
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