

Hearts And Bones



June 9, 2024(<https://Kotokreport.Com/2024/06/09/>) •

David R. Kotok(<https://Kotokreport.Com/Author/Christopher/>) • Reading Time: 3 Minutes



We will start this commentary with an excerpt from “Hearts and Bones,” a famous Paul Simon song of the early 1980s. At the end is a link to a YouTube of the song and a detailed explanation of how the song and its album came about.

And whoa-oh-oh, she said: “Why?
Why don’t we drive through the night
We’ll wake up down in Mexico”
Oh, I, I don’t know nothin’ about, nothin’ about no Mexico

“And tell me why, why won’t you love me for who I am, where I am?”

He said, “Cause that’s not the way the world is, baby

This is how I love you, baby

This is how I love you, baby”

Mexico. A remarkable political change yields a government where women head the branches and the presidency and fill other roles. Shortly after Claudia Sheinbaum was elected as the nation’s first woman president, another woman was murdered while in her capacity as mayor of a Mexican city. As Paul Simon sang with a warning 40 years ago, “This is how I love you, baby.” There’s more in the reading list below on Mexico, India, South Africa, and others. But first the portfolio disclosures. Questions can be directed to Matt McAleer.

“Cumberland’s Mexico weight in the international ETF portfolio was changed in response to events. Here’s the summary from our ETF research staff. (For details, contact Matt McAleer (<https://www.cumber.com/team/matthew-c-mcaleer>).)



The Mexico-specific ETF we used in our international model is EWW; it has been sold. We also pick up very small weight in ILF & a couple other positions. The country breakdowns at end of Q1 were at about 2.4% total exposure for Global & 6% for International. Mexico weight is much lower today. The benchmarks are S&P Global BMI/ex-US, but we typically compare to ACWI/X. Both of those ETFs had Mexico at under 1% at the end of the first quarter.

India. No changes occurred this week in the positions held by Cumberland. Cumberland’s position per our staff:

INDA is the India ETF we hold but we also pick up in SPEM, ACWX, etc. End of Q1 total weight in country breakdowns was 3% for Global & 7.5% International. ACWI/X was 1.7% & 4.8% respectively.

See reading list for analysis of Modi election results.

South Africa. Staff reports:

We do not currently hold a position in South Africa in the model; however, the country ETF we've used in the past is EZA. From a broad standpoint, the country breakdowns had both our Global & International strategies and ACWI/X exposure at under 1%.

As of 5/31/2024, The International ETF portfolio sector breakdown is as follows.

SECTOR	5/31/2024	ACWX	CUMBERLAND INTL
TECHNOLOGY		12.94%	11.64%
HEALTHCARE		9.24%	7.03%
FINANCIALS		21.66%	18.29%
COMMUNICATION SERVICES		5.21%	3.75%
CONSUMER DISCRETIONARY		11.29%	9.16%
INDUSTRIALS		13.90%	12.02%
CONSUMER STAPLES		7.41%	7.32%
ENERGY		5.94%	8.71%
UTILITIES		3.15%	1.74%
REAL ESTATE		1.85%	1.42%
MATERIALS		7.36%	12.92%
CASH		0.00%	6.00%
TOTAL		100.00%	100.00%

(<https://i0.wp.com/kotokreport.com/wp-content/uploads/2024/06/1d02b195-0300-9b11-58bd-53940998e497.png?ssl=1>)

Let's get to the reading list.

Mexico

"What's the gist of why traders sold Mexico after Sheinbaum's big win?" <https://x.com/thestewart/status/1797944402771616095?s=12>
(<https://x.com/thestewart/status/1797944402771616095?s=12>)

"Mexican mayor killed hours after first woman elected president," <https://www.bbc.com/news/articles/c166n3p6r49o>
(<https://www.bbc.com/news/articles/c166n3p6r49o>)

"Biden issues new executive action: Much of southern border to close at midnight," <https://www.politico.com/news/2024/06/04/biden-border-close-executive-action-migrants-00161483> (<https://www.politico.com/news/2024/06/04/biden-border-close-executive-action-migrants-00161483>)

"What Biden's immigration order means for the job market," <https://www.politico.com/newsletters/morning-money/2024/06/04/what-bidens-immigration-order-means-for-the-job-market-00161379>

(<https://www.politico.com/newsletters/morning-money/2024/06/04/what-bidens-immigration-order-means-for-the-job-market-00161379>)

"Money-Minting Peso Trade Upended by Mexico's Election

Shock," <https://www.bloomberg.com/news/articles/2024-06-04/money-minting-peso-trade-upended-by-mexico-s-election-shock> (<https://www.bloomberg.com/news/articles/2024-06-04/money-minting-peso-trade-upended-by-mexico-s-election-shock>)

India

"India's 'Political Earthquake' Upends Predicted Modi

Triumph," <https://www.bloomberg.com/news/newsletters/2024-06-04/bloomberg-evening-briefing-india-s-political-earthquake-upends-modi-triumph>

(<https://www.bloomberg.com/news/newsletters/2024-06-04/bloomberg-evening-briefing-india-s-political-earthquake-upends-modi-triumph>)

"A shock election result in India humbles Narendra

Modi," <https://www.economist.com/asia/2024/06/04/a-shock-election-result-in-india-humbles-narendra-modi> (<https://www.economist.com/asia/2024/06/04/a-shock-election-result-in-india-humbles-narendra-modi>)

"If You Needed Reminding, Markets Aren't the

Voters," <https://www.bloomberg.com/opinion/articles/2024-06-05/india-election-to-brexit-trump-upset-to-lula-markets-aren-t-voters> (<https://www.bloomberg.com/opinion/articles/2024-06-05/india-election-to-brexit-trump-upset-to-lula-markets-aren-t-voters>)

"Modi Loses Majority in Stunning Election Setback, but Is Set to Keep Power in

India," <https://www.wsj.com/world/india/india-election-2024-nanendra-modi-6179abad> (<https://www.wsj.com/world/india/india-election-2024-nanendra-modi-6179abad>)

"Modi Vows to Retain Power Even as Party Loses India

Majority," <https://www.bloomberg.com/news/articles/2024-06-04/modi-poised-to-lose-india-majority-need-allies-to-keep-power> (<https://www.bloomberg.com/news/articles/2024-06-04/modi-poised-to-lose-india-majority-need-allies-to-keep-power>)

South Africa

"South Africa Stands at the Crossroads," <https://www.bloomberg.com/news/newsletters/2024-06-05/south-africa-stands-at-the-crossroads-after-anc-s-electoral-losses>

(<https://www.bloomberg.com/news/newsletters/2024-06-05/south-africa-stands-at-the-crossroads-after-anc-s-electoral-losses>)

"The ANC dilemma which will determine South Africa's

future," <https://www.bbc.com/news/articles/c4nnz8x72g4o> (<https://www.bbc.com/news/articles/c4nnz8x72g4o>)



"South Africa Main Opposition Sees Room for Optimism on Coalition," <https://www.bloomberg.com/news/articles/2024-06-04/south-african-election-main-opposition-sees-room-for-optimism-on-coalition> (<https://www.bloomberg.com/news/articles/2024-06-04/south-african-election-main-opposition-sees-room-for-optimism-on-coalition>)

"South Africa's president urges parties to find common ground in talks after election deadlock,"<https://apnews.com/article/south-africa-election-anc-vote-68a64d6bb5f0655233c7d6d4aa7bb0e8> (<https://apnews.com/article/south-africa-election-anc-vote-68a64d6bb5f0655233c7d6d4aa7bb0e8>)

Before we tune into Paul Simon, let's add an interview with Ian Bremmer, which he posted on X. Ian talks about the options of the United States and the impact our divisive politics are having on our relations with the other countries around the world.

"what's the intl reaction to trump's felony convictions?" <https://x.com/ianbremmer/status/1798086441899327687?s=12> (<https://x.com/ianbremmer/status/1798086441899327687?s=12>)

Now here's the history of Paul Simon's song and album: "Hearts and Bones, by Paul Simon (<https://musicaficionado.blog/2017/10/02/hearts-and-bones-by-paul-simon/amp/>)"

And we will close with the song, the official version of "Hearts and Bones. (<https://www.youtube.com/watch?v=hu2Oj6VyAZE>)"



Paul Simon - Hearts and Bones (Official Audio)

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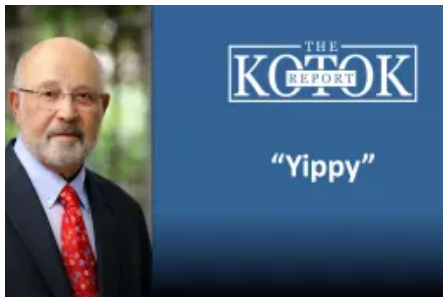
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(<https://kotokreport.com/yippy/>)

“Yippy” (<https://Kotokreport.Com/Yippy/>)

Did Trump pause tariffs announced on April 4 because people were “getting a little bit yippy” or because miscalculations spelled disaster?



(<https://kotokreport.com/tariffs-damn-the-torpedoes/>)

Tariffs — Damn The Torpedoes! (<https://Kotokreport.Com/Tariffs-Damn-The-Torpedoes/>)

On April 4, Jack Farley and I discussed the Trump 2.0 tariffs in depth, and I held nothing back.



(<https://kotokreport.com/trump-tariff-outcome/>)

Trump Tariff Outcome? (<https://Kotokreport.Com/Trump-Tariff-Outcome/>)

Does the Trump bear market bring the S&P 500 Index down to 4000? Does it result in a drop of S&P earnings (2025–2026) down to the \$200–\$220 range?



(<https://kotokreport.com/dt-2-0-tariffs/>)

DT 2.0 Tariffs (<https://Kotokreport.Com/Dt-2-0-Tariffs/>)

I asked expert David Blond why Trump and Co. selected a bizarre and discredited approach to create its trade deficit formula.

« **Previous** **Next** » (<https://Kotokreport.Com/Hearts-And-Bones/2/>)

Contact David

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