

STRATEGY FOR 6 January 2020

As a new decade and year begins so it seems that volatility which has been absent in 2019 will seem to make a welcome return with geo-political tensions taking centre stage last week. Safe haven assets such as Gold may return to the party as middle- east political turbulence is bound to see gyrations in the oil price and market sentiment.

The market fear gauge the VIX provides a good barometer on market sentiment. The VIX provides a guide on how much the S&P 500 is expected to move. The greater the outlook with respect to time and the greater the VIX levels, the greater the expected price ranges. As a guide with a 95% probability and a VIX of 20, the S&P500 is expected to fall within $5.8\% \times 2 -/+ = 11.6\%$. The VIX finished last Friday with the VIX showing +14.02. [CLICK HERE for CBOE VIX](#) with a 95% probability a weekly equivalent to -+4%, monthly -+8%. A daily check on this week's VIX might prove a worthy consideration given recent geo political events.

Global markets reacted with robust turbulence on last week's political events. US Stocks on Friday ended a holiday-shortened week solidly lower, with the Dow shedding more than 230 point. The decline marked the worst for the Dow and the S&P 500 since Dec. 3 and the sharpest daily slump for the Nasdaq since Dec. 2. Performance wise the FTSE 100 often underperforms the S&P500 in January. Seasonally the second week of January is the weakest week for the market in the whole year. Around the middle of the third week, the market has tended to rebound sharply. For the optimist a melt up, for the pessimist a melt-down. It is important to note that the a so called melt up is considered by market pundits as the end phase of an asset bubble and is usually, but not always, followed by a significant downturn in stock values.

In the UK, dispirited fortunes on recent economic data suggests that the recent post-election bounce may come back down to reality. British factory output fell in December at the fastest rate since 2012 as a tepid global economy hurt demand and businesses further reduced stocks of goods they had built up in case of a no-deal Brexit. The UK Manufacturing Purchasing Managers' Index (PMI) fell to 45.6 from 49.1 in November, it's lowest since July 2012. Readings below 50 denote contraction.

The portfolio ended the year with the portfolio grown by +42% in 2019. Last month saw weekly positive increases seeing a +9.60% monthly increase in December. I ended 2019 by trading out of Bristol Myers Squibb ensuring year end profits. I have gradually decided to adopt a home bias strategy of UK stocks and with this in mind decided to acquire UK share Volex (a cabling company for technology) as a complementary share to Spirent communications which proved to be the real winner in 2019 increasing +47% as the golden star of the portfolio.

The 2019 portfolio performance and trades can be viewed here. [2019](#) [2019 Trades](#). I will be looking at Iofina plc and MKS instruments as likely candidates for potential disposal in early 2020 for break even and profit taking when appropriate. I look forward to 2020 with caution given my continued reservations that the stand out weakest year in the decade since 1801 has been the 10th year i.e. 2020. Until Next time.

[STRATEGY FOR 30 December](#)

[STRATEGY FOR 23 December](#)