STRATEGY FOR Week Commencing 27 July

It's a critical week for the markets as some of the biggest technology firms including Apple and Amazon report earnings. Earnings will continue this week which will shine light on possible short term trajectory of markets. Earnings for the S&P 500 companies are expected to decline significantly. S&P 500 earnings have been bad as feared as more than a third of S&P 500 companies report on their earnings. Notable earning reporters include Facebook on Wednesday, Alphabet and Amazon on Thursday, Pharmaceuticals Merck, Pfizer and El Lilley are expected to report and product names Starbucks, MacDonalds and Procter & Gamble also release results. Big oil companies Exxon Mobil and Chevron report on Friday. The Federal Reserve meets this week, and is expected to emphasize that it will continue to do all it can to help the economy. Last week's comment on helicopter money which has been missed by many market commentators is still of relevance as the $600 weekly payment to about 30 million unemployed Americans, expires on Friday [31st] with the expectation of future reductions in support. In the UK, the furlough support scheme which has provided crucial support to many will see it gradually reduced in the autumn. Seasonality is often an unnoticed feature that can highlight times when the markets can respond to historical trends. In the main, July which normally is the fifth strongest month of the year for shares has provided welcomed relief from retrograde June. Upcoming August normally has the second lowest average monthly returns for 70 world equity markets. Geo political conflicts and tensions have highlighted the fact that markets respond to catalysis events and rising tensions can particularly impact on the strength of a countries currency. Last week pound sterling reached the heights of $1.27 and Brexit uncertainties on trade deals have again reared its ugly head from below the para pit.

Last week the portfolio saw a +3.37% increase as gainers and losers compensated each other. The power of diversification enabled the portfolio to benefit as positives outweighed the negatives. A recent change of tact was employed to ensure the portfolio will not tolerate new acquisitions that fail to offer growth. I decided to eliminate a recent acquisition of ITM as the trajectory of the share failed to convince me of its worthwhile retention. A loss of -16% in two weeks on ITM provided enough evidence to say adios and a fast goodbye. Replacing ITM with Segro my previous Brexit trade, I return to an old share that had done well in the past. Segro is classified as a REIT and by law dividends should be paid so I thought a better choice than retaining ITM. SDI Group has been on a revival as of late with a last weekly +7% increase. The power of diversification was on show last week as IOF continued its miserable performance with a -15% decline compensated by ODX with a +60% increase. ODX continues to entertain as last weeks price spike to 66p shows there's still life in this share [finishing the week on 58p]. Its recent approval of its test in India may prove to be fortuitous on the news that India infections on Covid grow exponentially. Spirent communications volatility continues to attract market attention. Looking at correlations between shares is a useful technique as negatively correlated high BETA shares ensure that when markets fall a portfolio can be protected through hedging. BATM Communications have proven to be a winner as of late and possible profit taking may be my next step. This week I may reconsider the US Pharma stocks selection, Bristol Myers, Cetene and Catalyst Pharma on news that President Trump will target drug prices with executive orders as an aim to lower drug prices [which may have a knock on effect on the sector shares] which are seen as efforts by the Trump administration to shore up key support for a key voter issue. Until next time.

STRATEGY FOR Week Commencing 20 July STRATEGY WC 13 July WC 6 July WC 29 June