STRATEGY FOR Week Commencing 14 September

Last week's news that the U.S. budget deficit topped $3 trillion fuelled by the immense fiscal cost needed to limit the damage wrought by the COVID-19 pandemic is a stark reminder that Global debt has now become the new norm. **Click Here -why markets aren't worried over the US governments mountain of debt.** How can this be afforded one could ask! Interest rates at zero and beyond would be the answer. The often forgotten inverse relationship between the rate of interest and price of bonds is a reminder that policy choices have unintended consequences.

Expansionary monetary policy to stimulate an economy typically involves a central bank buying short term government bonds in order to lower short term market interest rates to encourage banks to increase loans. Quantitative easing the policy instrument would seem to have been used as a one size fit all policy to further stimulate economies by buying assets of longer maturity than short term government bonds, thereby lowering longer term interest rates further out on the yield curve. Implementation of QE has invariably injected impetus into the money supply with the risk of lowering exchange rates as future inflation down the road may well be the outcome.

Oil prices posted their second straight weekly loss as stockpiles rose around the world and fuel demand struggled to rebound to pre-coronavirus levels. Oil reliant exporting countries that depend on their revenues may well see economic devastation. In the UK the safety net of financial support and helicopter money for the economy will be restricted from October [as the furlough scheme begins to unwind] and the effects of widespread job losses will become a significant threat to the economy.

The current turmoil regarding UK/EU relations continues to dominate media speculation that the exclusive trade deal may be as far off as the moon. Yet last week's promising provisional trade agreement between the UK and Japan provides welcome news that somebody still loves the UK. Pound sterling this week undoubtedly affected by the uncertainty of trade discussions. Now at $1.28 pound sterling has fallen from last week's level at $1.32 suggesting that opportunities exist for the brave in Forex trading.

Last week the portfolio saw a +5.39% increase which offset the previous weeks -4.31%. In part the resurgence benefited by a weekly +40% increase in price on ODX for last week being the main contributor for portfolio stability. Recent events regarding testing for the pandemic has brought associated shares as flavour of the month which includes ODX. Conscious of the fact that ODX has concentration risk, the next few weeks may decide on whether profits gained should be banked or let the ball roll on the roulette table guided by market sentiment and technical analysis for the exit point. Bango Plc was also a winner last week with a +13% offset by the declining BATM which has fallen out of favour from its initial popularity. Nano one material regained some optimism with a +6.9% weekly interest. Other shares in the portfolio tread water. Wary that September is the worst performing month of the year, holding ones nerve for action may be the choice this week. Ah well there's always the rhetoric of the US presidential campaign to keep me entertained if things get boring. Until Next Time.

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