

STRATEGY FOR Week Commencing 7 September

The first trading week of September saw through the froth of recent market exuberance blown away as markets pulled back violently. The technology index the NASDAQ was in the early part of last week entering the 12,000 plus arena. By week end the NASDAQ had finished in the 11,300 arena. The FTSE 100 the LSE blue chip index had been enjoying life in the 6200 arena. By week end it had finished in the 5700 territory. The FTSE 100 fell to a near four-month low last Friday as the chance of Britain leaving the European Union without a trade deal rose sharply, while housebuilders tumbled amid scrutiny from the UK's competition regulator.

Obviously events of the last six months have been dominated by twists and turns of the pandemic, but as in devalue, here we are again as poker faces take place for trade uncertainty with both UK and Eurocrats on a collision course for a no deal trade negotiation. News that the British government is planning legislation that will override key parts of the Brexit withdrawal agreement, risking the collapse of trade negotiations with Brussels could well see an impact on sterling which has risen to \$1.32.

Britain has set a deadline of Oct. 15 to strike a free-trade deal with the European Union, and if none is agreed both sides should "accept that and move on," UK Prime Minister Boris Johnson will said on Monday 7 Sept. An analogy to a matador and a bull in a bullfighting context where a Mexican standoff would seem to be the outcome of UK/EU discussions on negotiations will eventually add confusion to the mix. Whether or not a trade agreement can be found is now debateable as the continuing devastating effects of the pandemic continue to play a role in the economic fortunes of major economies.

From a domestic UK stand point, rumblings of inevitable tax rises in the upcoming November budget will manifest itself into sectoral changes with past favourites. e.g. With the Buy to let fraternity expect tears of pain as the expected capital gain tax rises on this sector will probably see an offload of supply. Additionally possible adjustments to reduce pension's relief for higher tax payers has all the hallmarks of redistribution as the cost of paying for Governments helicopter money strategy to all and sundry. The portfolio took a -4.31% reduction last week as all shares were negative decliners. BATM communications saw a loss of interest with a -11% fall. I expect the Brexit trade Segro to regain market interest in the event of a non-deal with suggestions that new lorry parks will be built to cope with the new bureaucratic dealings with the EU. Promises, Promises by ODX never seem to transpire into reality so I will be looking for a price target as time begins to lose my patience with this share. Spirent Communications saw a -5.0% decline and with recent purchase Nano one materials experiencing volatility, I look to this week as confirmation on whether September will reaffirm itself as the normal worse month or an exception to the rule. Disposal of some holdings may be on the agenda if it is deemed worthwhile for portfolio management. Until next time.

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