

STRATEGY FOR Week Commencing 28 September

As markets step sideways is history about to repeat itself one should ask? On September 5, 1929, Roger Babson an eminent commentator of the era gave a speech saying, “Sooner or later a crash is coming, and it may be terrific. The vicious circle will get in full swing and the result will be a serious business depression. Factories will shut down, men will be thrown out of work. There may be a stampede for selling which will exceed anything that the Stock Exchange has ever witnessed.” This was known as the Babson break and soon after Wall Street reacted swiftly which saw the great crash of 1929. History has an unfortunate knack of repeating itself. In confirmation of my previous commentary in February 2020 espousing the view of eminent technical guru WD Gann whose financial timetable provided an uncanny prediction that panic and low stock prices was to be the suggestion for 2020 would seem to have become reality. [CLICK HERE- Gann-financial-timetable-updated](#). Everything could be said to go around in cycles and as the pandemic continues to have far reaching consequences for societies, one must wake up to the new reality.

In the UK, the upcoming November budget has now been cancelled. Instead further extended support may continue for the fortunate few but alas many will see real hardship. UK Government finances have been shot to pieces and the days of austerity are now but a distant memory. Interest rates the once suprema policy instrument to control monetary policy has become a defunct tool as Governments everywhere inject fiat money into their systems to support ailing economies. UK national debt is now at second world war levels, yet the beat goes on and on as Quantitative easing [buying up one’s own debt] continues to laden the burden of debt to future generations. For the forthcoming US election, provides further evidence that VOLATILITY is bound to become the winner in these uncertain times. October to December has in the past seen dramatic market inflections and 2020 will be no different. The strong six month period of the year starts at the end of October. October normally shines out as the third best performing month of the year but one should be aware that October can be a volatile month for equities. Since 1984 seven of the ten largest one day falls in the market have occurred in October.

Last week the portfolio saw a -7.05% decline undoing previous week’s positive performances. Elon Musk’s battery day turned a damp squib with a \$50 billion loss in Tesla’s valuation. Last week’s optimistic purchases of Lithium Americas Corp and Nano one materials relating to lithium and batteries took the full brunt of losses with -14% and -18% declines triggering stop losses a day after purchase. Despite the decline I retain for now not rushing to liquidate losses. BATM has seen declining share performance and a part disposal saw me add position to Bango plc to equalise the portfolios internal structure. All the shares in the portfolio saw declines as UK housebuilder Redrow continues to show poor performance with a -8% weekly decline. No dividend declared on Housbuilder’s now being a common theme. Learning tech group also seeing worrying decline of -8.94% with Spirent holding its own despite a -5% weekly decline I look to normally positive performing October as an anti-dope to fading September. This week I will continue monitoring with part or full disposal activated on non performing shares that breaks their stop loss with appropriate action is needed. Until next time.

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