

STRATEGY FOR week commencing 12 April

Global equities have continued their march to new highs following last week's record close. Following some encouraging words from the Fed earlier in the week, the S&P 500 seemed to breeze past 4000 with little hesitation and currently sits around 4100. Despite the continuing economic devastation caused by the pandemic with the US registering abhorrent numbers of fatalities, the ISM Manufacturing PMI, last week increased to the highest level in over 35 years. May I suggest that the FED and now Central Banks are beginning to look beyond the present and looking forward to post pandemic growth policies? As economies reopens, with more widespread vaccinations, the level of S&P 500 earnings is going to continue with fiscal stimulus and accommodative monetary policy buoying the U.S. economic recovery. Concerns regarding Overheating economies probably too early to call but higher income groups appear to have accumulated more savings than in previous years during the pandemic and at some point will be ready to spend the surplus savings accumulated. In contrast, the poorest in society have seen significant reductions in spending power. **CLICK HERE**. The effects of the paradox of unequal wealth distribution in society may well be addressed in the future by wealth taxes and higher inflation. Policy makers may see this as the solution as inflation relaxation would enable recent stimulus by central banks acting as life support to ailing economies to be diluted by default. Earnings season is about to come to life in the US in the next few weeks.

The coming week in the UK will begin to see the economy open up, a tentative step towards normality. The success of vaccination rollout may help to see recovery yet by no means certain is the case for back to normal. Travel and hospitality which have taken such a large hit will take significant time for recovery one small step towards normality a welcome approach. Alas bureaucratic impasse in Europe has directly affected vaccine rollout with Europe economies taking a back seat to recovery. This week the largest Initial Public Offering comes to market in the US with Coinbase. Undoubtedly the take up will be far more pronounced than the abysmal derliveroo IPO which looks like the hallmarks of a barking dog. The \$1.8bn IPO of coin base should excite the market. The important point to make is how main street can now no longer ignore the once dismissed crypto sector now seem favoured by private sector clientele. Anything Crypto must come with a health warning. As central banks now actively look to create their own centrally as Central Banks globally look to develop CBDC (Central Banks Digital Currency) they may well be behind the curve and subordinate to the recognised alternative cryptos. Yet one must never dismiss the potential effect of regulation that may have an effect on this space.

The portfolio saw a -2.10% decline week on week. Alas the dogs of the portfolio continue to bark loud with Fulgent Genetics -13% Co-diagnostics -5%, Emergent Bio solutions -4% all contributing to negative performance. These shares have performed with abject fragility and significant losses will be taken on crystallization of these shares. One must always try to avoid emotion with losers and disposal of these shares should have been done much sooner. Too late for a hero on these stocks so offset compensation must come from the positive. All the other shares helped to soften the blow from the dogs and sector rotation may be a future strategy that I may adopt. The volatility of the Crypto stocks MARA and RIOT continue to provide a rollercoaster ride and with correlation to Bitcoin a significant feature for their success. monitoring on this provides me a bare knuckle ride. Perhaps this week's Coinbase IPO may provide further traction for these shares or perhaps not. The US housing sector continues to gently provide resilience with DR Horton +4% and Lennar Corp providing welcoming support. This week I will again watching the dogs continue to bark loud hoping that somebody throws them a bone! Until next time.

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