DECEMBER 2021 STATEGY COMMENTARIES

STRATEGY FOR week commencing 6 December

Non-Farm payrolls a driver of economic activity in the US fell below expectations in December at 210,000. Whether this will have any affect about the impending FED's interest rate decision on the 14/15 December meeting who can say. Yet the FED has been vocal in voicing their tapering of Bond purchases. The intrinsic inverse relationship between interest rates and the price of bonds mean any falls in the demand for bonds will have a knock on effect on interest rates. So a pre Xmas interest rates increase is still on the cards but may be left to the New Year so as to prevent the choking of the festive season demand. External factors may play a part in the BOE's decision as with rising energy costs, cost of living increases and the effect of omicron COVID variant may defer the decision yet I doubt it. A wall of worry, from the omicron coronavirus variant to the Federal Reserve's signal that it may speed up its withdrawal of stimulus, is driving investors out of technology companies that were once seen as a harbour amid the market storm. The so-called NYSE FANG+ Index tracking the tech industry's giants brushed up against a correction on Friday — with a drop of 9.99% from its closing peak on Nov. 4. That leaves it just shy of the 10% tumble that would mark a full-fledged correction. Stock market rotations and correlations are key as ammunition in ways to offset unexpected market volatility. A key point very rarely questioned is the market valuations of companies, often sprouted by analysts as the one to consider. What is of more relevance is the intrinsic or enterprise value of a company taking into consideration debt and free cash flow available. Reported earnings by companies have recently become a key driver in share price sensitivity so knowing when a companies' earnings is now something that one needs to always take into account. The portfolio returned last week with a +0.88% increase. Technical Analysis is always a useful tool when looking at entry and exits. I felt that Quanta Services [PWR] was in extension territory last week and had given me solid profits was disposed at $124. Next day the stock fell to $110, and that decision alone saved the portfolio from adversity. Timing is always an important. Ensuring losses, do not compound and profits locked in is always a judgement call. My humble suggestion is knowing your losses allowance [whether as a % of the portfolio or stop loss level] and acceptable profit levels so one can live to fight another day. Recent acquisition ON semi-conductors is proving its worth at this moment. QRVO continues to frustrate and a better alternative is on the table. The housing shares DHI and Lenmar continue to be profitable but targets have been set conscious that their share prices will be influenced by the upcoming FEDs interest rate decision on the 14/15 December. Time for Santa perhaps only Mr/Mrs Covid will decide.

STRATEGY FOR week commencing 13 December

Global markets have been resilient in the face of increasing geo political tensions. December traditionally being the best month for stock performance has not disappointed as markets shrug off declines to solidify at even greater heights. As with anything the devil is in the detail. Market breadth is often approach to look at the health of the market. The McClellan Oscillator and advance/decline lines, provides informed diagnosis of the true state of the market. Not a predictor but one which shows current market sentiment. When higher highs and higher low candlesticks are in existence in the market then one can take comfort that markets are in a festive mood. Buying the dip is common phrase investors and traders hear after an asset has declined in price in the short-term. This December has so far seen this in action with stop start market action in evidence. Yet geo political tensions will not go away and the enthusiastic December rally may just be a for taste of possible retrograde sentiment that could take hold in 2022 with impending action in Ukraine and Winter Olympic boycotts by the US in China. Inflation continues to show its teeth as price escalation becomes the norm. So who will be first to move on interest rates? , the FED, BOE. This week sees the FED meeting where its actions will have a direct effect on market sentiment. The effect of omicron COVID variant may have an influence on delaying the inevitable interest rate rise but for how long one must ask! Interest rates have been kept at artificially low levels for too long. A cunning plan by central policy makers designed to get the masses to buy into the idea of loading up on debt. Yet interest rate rises to counter inflation will only act to put petrol on the fire. Escalating interest rises in 2022 will stem the tide of the current bull market as buoyant sectors such as housing could well be affected. This weeks portfolio saw a +4.47% increase with spirited rises across the board with housing stocks DHI [+6.8%] and Lenmar[3.795]. Qorvo also seeing a +5.8%. Last week Oracle reported earnings exceeded market expectations which saw a +16% week on week increase. Knight Swift transportation company seeing a 5.8% increase. Previous commentaries have stated that stock rotation is often a useful approach in keeping ones head above the water. Profit taking may be my aim this week, but I will be guided by actions of the FED midweek meeting. Letting it ride or playing it same. Hobsons choice isn't it. Regards

STRATEGY FOR week commencing 20 December

Last week saw plenty of whipsaw activity with markets adjusting to catalyst events. Last weeks FED meeting continued to have hawkish sentiment by taper its bond buying faster-than-expected, alongside interest rate rises next year, to help reduce inflationary pressures. Increasing the taper effectively ensuring that support through bond purchases would be curtailed by March 2022. Chairman Powell of the FED stipulated that inflation was no longer transitory and will be here to stay for the foreseeable future. A scheduled plan of three interest rates hikes for 2022 and 2023 is now the FEDs intention. Yet despite inflation now taking hold they left interest rates on hold till 2022. The Bank of England in contrast raised interest rates to 0.25%. Both actions by central banks, I humbly suggest, will do very little to change the inflation monster that's about to gather pace. With sovereign debt now at unstained levels [Just look at the World Debt Clock], inflation is the answer to erode the debt effect. The world is now a washed with debt. Worldwide debt rose to 256% of GDP in 2020 according to new statistics released by the International Monetary Fund with the US Congress has voted to raise the government's debt ceiling, just hours before the country risked defaulting on its obligations. Last week's global markets were in no compromising mood as volatility saw whipsaw activity throughout the week. US markets reacted with support last Wednesday after the FED meeting, but it soon subsided as by the end of the week US markets retrenched leaving an exasperating week of disappointment. Sector allocation is an important feature when faced with uncertainty. Classical economics often describes perfect markets and competition as reality. Yet this is far from the truth with the pandemic and crypto currency being examples to the contrary. The continued effect of the pandemic with closed country borders. Devastating casualties/fatalities and knock on effects on the business community, travel etc. will have a consequential effect on sectors such as hospitality, travel and tourism. Hence being in the right sectors at the right time an important strategic objective. The portfolio saw a significant decline last week of -5.74% in response to the previous weeks +4.47%. Last week saw significant falls in all shares with noticeable declines in Livent Corp [-13.7%], Housing Stocks DR Horton [-6%] Lenmar [-9%], Qorvo [-7%] Ultra Clean Holdings [-8%]. A report that Oracle Corp. was in talks to buy the Cerner Corp medical-records company for about $30 billion, did little for Oracle's share price with a -6.6% decline on Friday alone, adversely affecting the portfolio. A lesson to be learned, that once target are hit profits to be taken. The so called Santa rally has yet to materialise, and I am far from convinced that it will do so. Whether the last two weeks of the year will be fruitful is far from certain. Yet I remain resolute with targets in place and look to capitalise this time on disposal of stocks if they managed to put the past week behind them. The last two weeks is often a busy time and I remain optimistic that December will finish the year as it has always done, in positive territory. I wish you peace and serenity and a Happy Christmas to one and all.

STRATEGY FOR week commencing 27 December

Historically the final trading week of the year is often one where the opportunist sees it as the last chance saloon, with the best trading week of the year. Particularly strong days on the 28th and 29th December mean that the faint hearted may capture the last action of 2021. Pre Xmas ended with opportunism. In the final weeks of December, the S&P 500 index SPX was up about 20% on the year. 2021 has been an unusual year with global markets having to adapt to the post COVID aftermath which still lingers to this day. Sector allocation has come into its own with the global bond markets on course for the worse year since 1999 as the asset class falls 4.8% in 2021 due to hot inflation and central banks' effort to tame price growth. Sectors such as travel, airlines, hospitality all seeing imposed regulations with its disastrous industry wide effects. So what sectors to benefit in 2022! Think sustainability as the new kid on the block with renewables taking the fashionable route for the brave. So is the stock market bubble to burst in 2022! CLICK HERE for informed opinion. A look to the past always provides an interesting comparison with what could happen in the future. 1932 saw zero interest rates with plenty of monetary expansion to keep economies on track. Germany of the 1930s saw runaway inflation where a loaf of bread cost a mint. Fast forward to 2022 and de ja vue would seem to be showing the same ingredients with relentless support provided by Central Banks and Governments. 2022 any different! yes I believe it will be as policy directives over the next year will be implemented to stem the giant tanker relentless pursuit into the unknown. With tapering of bond purchases, confirmed interest rate rises on the horizon and easy monetary policies on the wane, the days of unrivalled support looking numbered. Weeding the financial system of cheap debt easier said than done with the odd country liable to default on its debts. Sovereign Debt is now an increasing global world problem. So who will be first to default one should ask! Will first mover advantage adopted by el salvador committed to crypto currency be the answer, answers on a post card. Over the next few months, investors will look for the U.S. central bank to engineer a soft landing for markets as it attempts to switch gears and tighten accommodative monetary policies to fight inflation running at 1980s levels, but also keep the economy advancing. Last week the portfolio saw a +1.06% overall increase with spirted advances in many including Ultra Clean Holdings +8.7%, On semi conductors +6.7%, Lithium company Livent Corp +4.7%, Housing US stock Lennar Corp+4.7%. Recently robust performer Oracle Inc seeing a -8.00% decrease. This week is one for monitoring and an end of the year disposal of housing DR Horton possible if target price can be achieved for sector reallocation and ending the year on a positive note. Notice the growth of two symbol language, EV and QE. All foreign to me! Happy New Year.