

Strategy Commentaries for March 2022 [28 Feb, 7, 14, 21 March]

STRATEGY FOR week commencing 28 February Geo political events of last week in Eastern Europe played a significant effect on heightened volatility throughout Global markets. Wall Street main indexes rallied last Friday despite the current geopolitical situation. Last week volatility was reminiscent of a roller coaster ride. Despite persistent inflationary pressures, geopolitical risks stemming from Eastern Europe, the continued unpredictability of current market dynamics has shifted market consensus to a risk off situation. Risk adversity and how one approaches it, is important in times of heightened activity. Using probability theory is often a unique way to determine the prospects of actions of others. Determining the likelihood and occurrence of an action of others can often provide answers of the direction to follow. The impact of the current market turbulence and fluidity calls for assessment and judgement and the impact when making trading decisions. 'What if' scenario assessment allows one to decide on a particular course of action. My last weeks comment on limiting losses with the deteriorating geo political situation was one where a 'fight to safety' was the appropriate course of action thereby vindicating my actions by liquidating holdings in UCTT, Lithium producer Livent, US house builder Lenmar Inc and Knight transportation. In times of extreme volatility stop losses provide the ultimate protection and last weeks market action saw stop losses triggered and liquidating with those stops activated, accepting the losses to prevent further erosion was my main concentration of last week. I was able to liquid shares prior to last weeks geopolitical decisions on action thereby invoking a risk off situation. The now slimmed down portfolio allows me to focus on the current shares. I will be assessing the possible effect of a 0.50 interest rise in the FED rate due mid-march and the effect on my existing housing holding DR Horton inc. I will be looking to add positions when general market sentiment changes and geo political risks begin to subside. I have commented in the past about asset allocation. The resources sector looks like its back in favour with oil hitting \$100 a barrel and holding elevating to heights not previously reached. My recent acquisition of Aloca Inc the aluminium producer is a case in point where safe haven stocks and sectors are the ones to find in times of uncertainty. Last week indexes reacted to the downside on the events on Eastern Europe. One must always consider 'dead cat bounces' where markets recover and then fall back down again. Despite market index falls of last week the portfolio saw a +1.29% increase helped by my clinical decision to cut shares hitting stop losses. Whether last Friday's initial recovery can transform into a permanent one is far too early to call. Caution is to be the watch word and playing it safe may just be the correct course of action. The FED will make the decision mid-March on the projected rise in interest rates. Again probability theory provides a possible way of determining the size. With inflation running at 7%, can the FED really ignore a rise of 50bps! Whatever the decision expected market volatility to continue. The brave will survive as the flight to safety may always be the best course of action not only in trading but life in general. Until next time.

STRATEGY FOR week commencing 7 March - Global markets continue to react to events in Eastern Europe with volatility heightened. Specific sectors have benefited at the cost to others. Recent commentaries, has suggested that Asset Allocation has become an important ingredient to change with the times when faced with changing dynamics. The resources sector has become the hot sector at the expense of the traditional. For example in the last month Coal +77%, Gas +155%, Wheat +49%, Aluminium +23%, Crude Oil +29%, Lithium +29%. Crystal balls do not exist to tell the future but adapting to changing economic and political changes allows one to offset against current dynamics. Market sentiment remains a powerful instrument in determining market direction. In the US the unemployment rate edged down to 3.8% in February of 2022 from 4% in the previous month,

a new pandemic low and below market expectations of 3.9%. The American economy added 678,000 jobs in February of 2022, the most in seven months and way above market forecasts of 400,000. The Federal Reserve is so to deliver its interest rate hike. How willing it will be to increase by 50bps is open to discussion, yet the impact and tone of the increase will likely be downgraded on the continuing flux in Eastern Europe. The continuing geopolitical instability is likely to have impact on anything economic particularly markets. Inflation has been rearing its head and with the cost of quantitative easy money now filtering through the system will have been impacting economies throughout. Sovereign debt continues to escalate to unaffordable levels so expect soon country wide debt default. Countries economic strength often synonymous with its currency strength suggests that inflation will only do harm. Currency devaluation and capital controls would, I expect, to be on the agenda for countries experiencing domestic economic difficulties with the resurgence of 'bail in' confiscating monetary policies and bank runs a product of the times. Last week Global markets saw declines in its indices with the NASDAQ falling -2.8% and FTSE 100 -6.8% with the FTSE being back to levels of a few decades ago. This reaffirms the point that loyalty to poor performing markets is just nuts. The portfolio beat the indices this week with a +3.7% increase. Recent weeks has seen the adoption of a change strategy by choosing hot sector stocks and eliminating the poor performers. Such clinical action was necessary with my change in tact to resources based stocks. High flying aluminium has proven its worth with Alcoa corp. Last week I activated trade positions in previous minnow iodine miner Iodine Plc and Energy and renewable producer Devon Energy. US share Devon Energy had solid fourth quarter results and will go ex-Dividend on 11 March with \$1 per share quarterly dividend. Nice work if one can get it. Akamei technology saw a +8.3% increase. Other remaining shares performance, were docile in comparison. The upcoming FED decision will affect housing stocks and how much impact this will have on HR Horton is difficult to estimate. Holding periods provide a way of determining if share retention is worthwhile and continuing docile performance by stocks that I have held for a long period without solid performance will soon see elimination of the laggards for better performers. This coming week market performance will again be influenced by market sentiment and how much risk markets are willing to take. Risk on or Risk off you decides. Until next time.

STRATEGY FOR week commencing 14 March – Geo political dynamics continue to dominate the trajectories of global markets as the consequences from the devastating conflict in Eastern Europe manifest itself in economic, political, human impacts. Volatility in Global Markets is a given as compromise seems to be in short supply. The ramifications of the continued action in Eastern Europe continue to reverberate throughout all global markets. Foreign exchange, commodities, stocks and bonds have all been affected. Country Risk has now become an essential dynamic when considering stock market involvement. Last weeks commentary suggested that sovereign debt default will become a tangible issue and looking for countries with solid fabric in finances will now become a factor that come high in stock market involvement. External impacts on sanctions, trade embargoes and reputational political damages together with downgrades in the economic health of a nation by external agencies [Fitch, Moody's] provides a clear view on the path of economic health of any nation. A case in point is Sri Lanka where economic turbulence, sovereign debt default, shortages in fuel, resources and tourism which count for economic strength means that the countries future economic prospects open to debate. How well a countries currency copes and its acceptance for trade a critical factor. One can also apply such model to any country! Opportunities can often emerge from the depths of despair. Country by Country, Sector by sector analysis often a useful approach in determining the investment focus to be concentrated upon. Comparing economic performance of countries and reliance on its trade and how it will be affected by external tariffs, a case in point. By assessing the way the wind is blowing and the potential path of direction allows one to determine where to focus on. Recent commentaries, has suggested that Asset Allocation has become an important ingredient to change with the times when faced with changing dynamics. The resources sector has become the hot sector at the expense of the traditional. For example in the last

month Coal +77%, Gas +155%, Wheat +49%, Aluminium +23%, Crude Oil +29%, Lithium +29%. Alternatively the Airline industry has been affected by fuel price hikes and air space limitations, so trading decisions can be guided by current geopolitical risks. The recent rebalancing of the portfolio was necessary with the laggards in performance dismissed. The portfolio retreated last week by -3.16% offsetting the prior week's gain of +3.30%. Given the present volatile nature of markets, acceptance of weekly changes now a natural occurrence. Alcoa Inc the aluminium company saw a -11% fall week on week, with On semiconductor -8%. DR Horton -4%. This coming week sees the FED decide on interest rates. A rise is on the cards, but by how much determined by current inflation. Consolidation is my present strategy helping to firefight from the volatile nature of market performance. I look with positiveness that the final weeks of March will see the month end on a high. Whether aspirations turn to reality, probably dependent upon current market performance, which as usual will be influenced by market sentiment. Until Next Time.

STRATEGY FOR week commencing 21 March – Last week The FED and BOE raised interest rates on the premise that it would help to offset inflation. Too little too late I would suggest. Natural hedges to offset inflationary pressures would now seem to be flavour of the month, with golds elevation to \$2000 an ounce a possible anti dope. Bonds once considered a safe haven is still offering such paltry recompense with inflation now running at 7%. Sector and asset allocation would seem to be the name of the game in the current economic and political environment. Geo political instability has changed investor sentiment as recent political events continue to affect and drive market sentiment. Technology the once unstoppable sector has been a casualty as of late with retrograde market action with the major tech players seen downside. A tech wreck one could argue as lofty market valuations begin to realign to more realistic valuations. Shares that were once the next best thing with tulip bulb valuations popular in lockdown environments [Zoom, Peleton] have seen significant falls. Proverbs often come to mind 'All that glitters does not always shine', 'Beware of Greeks bearing gifts.' As an analogy to the sea, the market can be choppy as hell as has been seen recently. Steadying the boat during the recent ongoing market storm is one where conviction in alternative strategies a worthwhile course. The resources sector continues to bear fruit as like in any market, demand and supply will ensure price will find its equilibrium. The current threat of oil embargoes from exporting nations will affect the price of oil. As a consequence oil related stocks will be affected. Similarly supply issues relating to Nickel has seen parabolic market action in this resource. The portfolio saw a return of +5.03% last week. The adoption of resource based stocks Iofina PLC +15% [Rare earth material Iodine] , Nano one materials +16% [Lithium], Akamai tech +7%, On semiconductors +10% have ensured that the portfolio has been steadied after weeks of poor performance. How risk averse one is, is always a point to consider. In challenging times one needs to look critically at what messages are being sent. With interest rates now on the ascendency my holding of US housing supplier DR Horton is looking in doubt unless share price performance improves, otherwise another resource stock looks an alternative. This week will again be challenging for many. Until next time.