Strategy Commentaries for June 2022

Week commencing 27 June – June has so far proved to be a sobering month where markets have been in freefall. Dead cat bounces spring to mind where markets temporarily pick up and then retreat below their previous prices. Last week was again one where volatility was the winner with gyrations in stock prices and indices proving that no clear direction could be accurately determined. Sentiment surveys **Click here** and the use of the bull/bear ratio provides a way of determining market consensus, one of which allows one to navigate market direction in these uncertain times. The Vix also provides market temperature on consensus or the fear guide. A high reading providing confirmation that investors are engaging in put buying emphasising downward price action on the Chicago Board of Trade. Previous commentaries have mentioned the extent of sovereign debt that countries are now facing. With the possible Russian debt default and spiralling interest rates, expect this to be the tip of the iceberg for future sovereign debt defaults. A case to bear in mind is that increasing interest rates will mean countries incurring even higher interest payments on their sovereign debt. Inflation continues to filter through to markets as intended future interest rate rises will reflect in curtailing share prices. So unexpected share prices may be based on optimism rather than reality. Bear in mind that upcoming July is normally a rebounded month for shares so one would expect that retrograde June can be put behind one. There is no hiding the fact that 2022 has so far been a dour year for share trading and one would hope that the second half of the year can be an improvement. The portfolio continues to suffer from recent market brutality with last week seeing a further -2.51% decline. Continual erosion last week led me to take decisive action by disposing of Suncor energy, Greenbier Companies Inc and Golden Ocean Group. The continual price decline since purchase of these shares meant liquidated losses. One can only let these shares fall so far. Alas Aloca the aluminium player has become a right dog and sufferance is the word with this share. Unfortunately accepting losses is necessary to protect the portfolio. Further market downside will lead me to start reducing portfolio to a bare minimum until the market improves. This week I will again be reviewing and where necessary purge the shares that have just not performed. One needs resilience in these difficult times and acceptance that market downside is the unfortunate side of the seesaw. Until next time.

Week commencing 20 June – Last weeks Fed decision to raise interest rates by 0.75 bps saw significant volatility with all major markets experiencing falls. Increasing interest rates designed to curb inflation and consumer demand is a tool used to stem inflation. Yet this will also add to further cost pressures thereby fuelling fire to inflationary pressures. Last weeks brutal declines were self-fulfilling as panic was the order of the day. Alas the paws of the bear have been opened, but when will they be closed one must ask! Market corrections on this scale can lead to irrational decisions being based on herd mentality. No sector looked immune from the mayhem that followed last week. Even the energy sector which has up until now has proved resilient and a worthy opponent to the bears paws gave little solace. June traditionally is a month of retrograde and is living up to its reputation as an untrustworthy month of volatility. Traditional markets were hit bad last week as those brave enough to stay the course saw significant dents to portfolios. The crypto scene was similarly affected as major declines in mainstream crypto continue to see decimation. So what does one do you may ask? Stick it out or sell at significant losses. Ones attitude to risk is probably the answer. For those willing to stay the course and retain existing portfolios in times of a bear market one need nerves of steel. For those who decide to accept losses one can fight another day but with far reduced portfolios. Risk on or Risk off, each will have their advocates. The portfolio have suffered seriously in recent weeks experiencing a -15% decline with all stocks performing like a wet sponge. With future interest rate rises on the horizon, sector specific choices may be the way forward. Last week, energy stocks saw significant reductions with technology doing not much better. Markets like certainty and now that forward predictions on an economic slow down are known, then perhaps the bottom has been reached. I look to grind my teeth and brave this one out with the view of micro managing positions whenever possible to stabilize the portfolio however hard that will be. The old adage of time in the market or timing the market ensures that the brave will survive but like anything courage of ones own decisions must be left to the individual. This week I will look to see whether the market can return to some kind of volatility. The VIX is always a good guide to the determination of market direction. Further decimation may lead me to take the well known directive of ‘ sell in May and go away’ if only for my peace of mind. Until next time.

Week commencing 13 June - Inflation like a runaway train has gathered pace in recent months with global economies feeling the effect. From the US, UK @ 9% to Turkey at 75%, every country is now seeing significant uplift in prices. A combination of factors where the planets have come together mean that waffle and rhetoric by politicians who advocate that they know what their talking about can be expunged as pure B.S. Years of policies designed to keep the stock market at elevated prices levels with Quantitative easing as the policy that was one as a one fit sized approach can now be shown as a flawed attempt to keep the show on the road. The Bank of England’s quantitative easing program is on course to book a three billion-pound ($4.1 billion) loss in the coming weeks as the central bank’s massive bond holdings start their journey from government cash cow to a drain on the public finances. The BOE decision this month to begin unwinding its £95 billion-pound bond stockpile kicked off a process that will see gilt holdings fall by more than £200 billion by the end of 2025. Free market capitalistic economics ensures that the market will decide the price with demand and supply the ultimate decider. How can one really be surprised by inflation now reaching heights never dreamed of in the glory days. So Central Banks will resort to more interest rate rises which will further increase inflation. Normally stock prices will be aversely affected and last weeks market sentiment saw early gains in June being wiped off. Hedging techniques allows one to offset potential damaging effects and my policy has been to favour oil and gas related stocks. A recent disposal of Devon energy saw good profits made with a repeated involvement in the share. Last week I continued my interest in energy through the purchase of a Canadian stock Suncor energy. Whether the energy sector relentless increase will continue, answers on a postcard. Yet with escalating inflation looking for the next stop on its train journey and geopolitical factors at play, I have taken a risk on position. One needs to be brave sometimes. If it works out I will be able to say humbly I told you so. If it doesn’t then don’t shoot the piano player. Market sentiment is always fickle and noise often distorts reality. The market may have already factored in impending interest rate rises so expect this week to be a test of optimism or pessimism. As always no one can predict with certainty what will happen. The retrograde price action of Aloca is one where patience has been exhausted and an exit position is planned. Such a promising share has tanked badly stipulating that nothing can be guaranteed. This week I may need to dispose of the poor performers to cleanse the crap that just haven’t come up to expectation. As always a bare knuckle ride is bound to ensue. Until next time

Week commencing 6 June - The sun has got its hat on hip hip hip hooray. The past five months has seen turbulence and volatility invariably caused by international and economic events. Shock and awe could best be described as many were unprepared for the unexpected turn of events. Geo political instability has become endemic which has filtered through to other areas economic. From a trading perspective one must look to the world view and how this can affect markets. Inflation has become a global problem with the FED and BOE on a course to raise interest rates normally a retrograde effect on share prices. The suggested rate hikes are in my humble opinion merely a sticking plaster with so much more to do. One would also need to the effect on the housing market which is being to look like an expanded balloon. Only my humble view of course. The resources sector pre pandemic had shown pedestrian performance but conflicts and economic factors since then has highlighted that money can be made from this sector if one is able to anticipate changes to specific resource sectors. Energy as an example has become highly profitable in 2022 with oil elevating to prices that once thought unattainable. As a proactive strategy I have bought and sold shares in energy firms Dvn Energy, New Fortress Energy, and PDC energy. One also needs to be aware of possible changes with oil embargoes and threats to supply which will affect the price direction of energy stocks. The last month has seen markets respond to wider geo political issues and keeping up to date on how this affects specific resources one is able to navigate opportunities. Such in the case for instance in Cocoa futures on ICE which rose above $2450, the most in a week, amid reduced exports from top growing regions. A decline in cocoa supplies from Nigeria, the world's fourth-largest cocoa producer, sparked short-covering after data showed Nigeria's April cocoa exports fell 61% year on year to 12,497 metric tons.

Further supporting the prices were signs of stronger global demand. New trends have emerged over recent months that have highlighted possible trade actionable ideas such as renewables, solar/wind power, emphasis on defence stocks and pharmaceutical solutions to the pandemic. For the month of June I will look to capture profits made, reinvest and repeat the process assuming that June behaves itself of course. The portfolio has in recent weeks recovered by +10% a welcome increase after the poor 2022 to the end of May. Recently I acquired shares in Harmonic a billion dollar US company together with its subsidiaries; provide video delivery software, products, system solutions, and services worldwide. The company operates in two segments, Video and Cable Access. The Video segment sells video processing, production, and playout solutions and services to cable operators, and satellite and telecommunications Pay-Tv service providers, as well as to broadcast and media, including streaming media companies. Also acquired was shares in small cap International Shipping Company Golden Ocean on the premise that post pandemic, international trade will resume and as a low cost share price with potential upside possible but no guarantees. Diversifying the portfolio with non correlated shares provides a way of mitigation in the event of a market correction. My hope for June is for recovery and resolution so one can return to some kind of normality. One lives in hope. Until next time.