Strategy Commentaries for October 2022

Week Commencing 24 **October -** We live in interesting times as events of last week in the UK has shown. Hyperbole and wishful thinking can get the optimist so far, but without appreciation of the consequences of actions one is open to forensic investigation to ones actions and policy announcements. An old adage 'look before you leap' is proverb worthy of consideration. The outcomes of the disastrous truss premiership will have far reaching consequences as the shock waves reverberate throughout UK society economically, socially and politically. Market sentiment will be influenced by herd like behaviour and ideological policy not backed up with firm economic foundation will led to instability. I'm reminded of the wartime phrase 'Don't panic and carry on'. So how does one cope with such instability by the actions of others. Like any good general in an army, regroup and re-engage so as to fight another day. An excellent analysis and understanding of the recent tragedy in UK economic policy making can be SEEN HERE. Market sentiment reacted favourably to PMs resignation but UK sterling is still in the doldrums and with impending interest rate rises just around the corner. Last week ended on a positive note as Wall Street rallied, with the Dow adding more than 700 points and both the S&P 500 and Nasdaq up around 2.4% as investors reassessed the outlook for monetary policy. The market movement came in tandem with easing Treasury yields, which brought some respite to growth-oriented stocks. 2022 continues to show little sympathy for stability. The last week of October may just assist in the start of a turnaround. Despite the market turmoil of last week the portfolio saw a neutral performance [+0.00%]. EQT has as of late seen muted performance and further erosion may lead me to take action to address. This week I disposed of my holdings in OkeOne with a purchase of shares in Antero Midstream that deals with water. I was conscious that this goes ex divi on 25 October so again was driven in the desire to receive dividend. I may look to resell this quickly and repurchase OkeOne before ex divi date 31 Oct for further dividend. My strategy in recent months has been to capture income as opposed to growth stocks since the downturn in markets mean that valuable dividends are a way of offsetting the decline in share markets. Thungela Resources and Diana shipping share prices have however yet to recover from dividend dates prices emphasising the fact that one needs to balance risk against reward of chasing dividends at the expense of capital losses on dividend shares held. The strong six month period of the year starts at the end of October. October is historically the third best performing month of the year. As November approaches expect plenty of commentary on the actions of the FED and BOE on monetary policy. Were now approaching Seasonal positivity, which may be the last chance saloon to save 2022 from being a year of disappointment. This week I will be looking at firm statistics rather than politicians and media hyperbole which can only give distraction to the objective. I aim to try apply the concept of unconscious competence [I can do it right by applying the knowledge without thinking about it too much] in my thinking as opposed to the recent debacle of the last two months. Until next time.

Week Commencing 17 October - Determining the outcome of an event is often helped by assessing the probability of that event occurring. Probability is a subjective assessment but will provide guidance on an approach to be followed when one is faced with a mutually exclusive event, Describing two things as mutually exclusive means that they can't both exist, be true, or happen at the same time. Global trends now suggest that the probability of a downturn in major economies is a foregone conclusion as inflation have begun to take hold. Suddenly growth has become the fashionable word. Yet growth without productivity come with accelerating prices in the shape of inflation something that less well informed would be well advised to know. The 2008 financial crisis brought home the fact that nothing is what it seems as the downfall of lehmans proved. Last weeks destabilising events in the UK with 'U turns', Chancellor sackings and the Bank of England's forced intervention in Bond buying to save the UK Governments mini budget, sterling's stability and pensions fund instability shows just how careful one needs to be in preventing a rerun to the 2008 crisis. What few people ever ask is with all this created money that is being pumped into the financial system for its saviour who actually pays the price! I would humbly suggest that misdirection by Governments is clearly now the strategy being followed so as to prevent the real costs of financial intervention to be open to scrutiny. Market turbulence continued last week as a stock sell off returned with a vengeance. In the epicentre of the selloff was a report from the University of Michigan showing that US year-ahead inflation expectations increased for the first time in seven months. Such a reading will put further pressure on the Federal Reserve to stick to its aggressive stance against runaway price growth and raised concern over a possible recession. So expect yet again for the FED to opt for another 75BPS rise in interest rates to reign in inflation. The BOE would I expect to similarly increase interest rates by 50/75 bps as a result of the UK government's mission for growth to counter escalating inflation. Last week the portfolio saw a -4.18% decline with the adopted strategy of indifference towards market turbulence. This week I will assessing asset allocation with the view of possible diversification into another sector. The strong six month period of the year starts at the end of October. Bearing in mind that October is historically the third best performing month of the year, I would pontificate that the month would pick up in accordance with seasonable performance. Until next time.

Week Commencing 10 October - The Lady's not for turning was an iconic phrase made by UK Prime Minister Thatcher refusal to perform a “U-turn" in response to opposition to liberalisation of the economy. Fast forward to today and selective “U turns” on political sensitive policy initiatives would appear to now be the norm as reputational damage liken by the boy who cried wolf scenario in not following ones conviction opens one up to political blackmail from friends and foe. The promising start in the first week of October was muted last Friday with the US stocks trading deeply in the red , with the Dow Jones falling over 600 points, while the S&P 500 fell more than 3% and the Nasdaq dropped almost 3.8% after fresh labour market figures dashed any hopes of a slower pace of tightening by the Fed on Interest rate increases. The Non-Farm payroll jobs report continued to point to a tight labour market, with the US economy adding 263K jobs last month, above forecasts of 250K. In the UK the domestic agenda has all been about the aftermath on prior weeks so called 'mini budget' where interest rates on housing mortgages have increased with the curtailment of housing mortgages and talk of corrections to house prices. UK house prices dropped for a third straight month in September, as rising borrowing costs are likely to exert "more significant downward pressure". So a period of consolidation looks increasingly on the cards as a look to where we are in the business cycle is a way to unravel the jigsaw of where to concentrate and focus on. CLICK HERE. A contraction in the economy invariably leads to muted sentiment so confining one to sectors that will do well in recessions is a worthwhile strategy including sectors such as consumer staples, healthcare, Energy. Last weeks OPEC+ meeting saw a committed cut in supply of oil to major markets. OPEC+ agreed on a bigger-than-expected output cut, squeezing supplies in an already tight market. The cartel's Gulf oil producer decided to cut production by 2 million barrels per day or about 2% of global supply, the most significant output curb since the start of the pandemic. Saudi Arabia, OPEC's de facto leader, said the group moved in response to a weakening global growth outlook and to prevent a price crash like that seen in 2008. With 2 million barrels per day less on the market and consistent with economic theory Brent Crude saw price rises. So a wider appreciation of what the economic consequences of policy initiatives provides a framework to generate trade ideas. My portfolio has been positioned towards energy, mining and precious materials. Last weeks portfolio recovery +8.21% increase saw all shares (with the exception of Thungela Resources) increase with significant upside in EQT corporation +16.3%, Oneok INC +15.9%, and previous laggard, Diana Shipping +20.5% with all other +5% and above. The portfolio held up well in comparison in major stock market indicies and will benefit from Thungela dividend payment this coming week . Several sectors such as Technology has yet to shine in 2022 and the seasonal pick up to year end will be needed for the portfolio to recover, but like many fund managers holding ones nerve in times of unpredictability is a commendable attribute. I have specially left trading positions alone nursing them back to recovery but as with the unpredictable events that surrounds markets, I may need to take action in the event of disruption that may occur during the month. Until Next Time.

Week Commencing 3 October -'That was the week that was' was a satirical television comedy programme in the early 1960s on British TV. The theme this week is to be comedy as the farce and fall out from the so called mini budget [not so mini I surmise] which turned the once well regarded British economic political establishment into one big comedy caper. The ineptitude and mismanagement of the so called 'growth budget' has been there all to see. Ivory tower politicians who have no appreciation of the consequences of their actions which lead to the tanking of the currency, explosion in sovereign debt levels which will paid for by the many and the misguided redistribution to the already well off is a sign of a banana republic. And here cometh the Bank of England, with a £46bn intervention programme to mitigate the amateur Governmental fairground show to shore up faith in the financial system. For the sake of a misguided tax reduction strategy the UK economy will now fall into recession as the credit worthiness of the UK takes yet another hammering. Geo political tensions continue to be heightened with unwanted conflicts and actions permeating consequences throughout financial markets. September was the worse month since March

2020 as many markets saw downturn the trend. Past performance normally regards October as the bounce back month with the start of the period to Xmas proving seasonal positivity. 2022 has been a brutal year for the aspiring stock market investor where all major markets have done little favours for the many. The FTSE 100 returning to levels to the pre 2000. The portfolio saw a -4.92% reduction week on week with September seeing a -10.8% reduction. Like global market indices that have seen 25+% reductions year to date, markets have shown little sympathy and strong fortitude and conviction is necessary to keep faith. Portfolio management now comes into its own and one must keep on the ball to ensure one lives to fight another day. The last week of September coupled off a month of disappointment as resource stocks once having immunity status from previous market downturns retreated. In essence the disastrous Diana shipping, again showing it poor performing price action status where a significant loss has damaging the portfolio. EQT incorporation also proving a difficult performer yet despite its -16% loss last week will see a neutral position since purchase. Energy stocks have been on the decline last week and now that the stocks have gone Ex-dividend I will be looking to recalibrate the portfolio with better performing stocks once the shares can retrace to around break even. Share selection and sector rotation will again be on my mindset. Sector specific ideas providing opportunities such as currently wheat futures surging to three month highs after government figures showed lower than expected production. The psychology of trading provides a way forward. One must be desensitized over losses ensuring that they won't become self perpetuating. With the exception of Diana Shipping all shares in the portfolio are yet to hit their -15% since stop loss territory but conscious that once again losses may need to be taken to keep the show on the road. Keeping a level head in times of distress is an important attribute particularly over 2022. Risk On or Risk OFF for the rest of the year each individual will decide their own course. For the moment I will continue to be brave and keep the faith but aware that shares that have fallen into the dog category may be irremediable and continued destruction may lead me to regroup liquidating the undesirables to take a back seat until the market begins to behave itself. Until Next Time.