Strategy Commentaries for November 2022

Week Commencing 21 November - Eyes down for a full house, an analogy that could have been used in last week's autumn statement designed to readdress the fragilities of the disastrous mini budget which caused so much damage. High on the list of priorities was stability. Front loading tax rises and back loading spending cuts into the future mean that the UK economy will stagnate with growth a distant memory. The budget will serve as a reminder that cash is king yet you make ask what about the elephant in the room 'inflation'. As a participant in the 1970s recollections of high inflation show how destabilizing it can be. Demand pull cost push whatever the cause the old remedy of increasing interest rates are again being used to help to solve the problem of inflation. Like toothpaste once out of the tube it's difficult to push it back in. The FED and the BOE have intimated their desire to put the genie back in the bottle so further interest rate rises a certainty. 2022 has been a crucifying year for the average stock market activist where immunity to losses a trait necessary in these difficult times. The continual instability of global markets influenced by geopolitical tensions mean they are not for the faint hearted as one navigates the maze of hyperbole dished out by the media. Facts dear boy facts often help in providing a way through the maze. eg. Existing home sales in the US tumbled 5.9%, the lowest since December of 2011. It was the ninth straight month of falling sales as home prices remained elevated and a 30-year fixed mortgage rate hit a 20-year high pushing many buyers out of the market. With interest rates elevation continuing, bubble bubble toil and strife, suggests housing as a vulnerable sector. In the UK, as the housing sector's interest rates and affordability sensitive, mean some kind of valuation readjustment suggested. Recent comments have stressed the need to adapt to a changing environment therefore sectors that do well in recessions may well help to assist in finding a way around the downturn. The Business cycle and where one is within it, plays a pivotal role in sector allocation strategies. Defensives, consumer durables, pharmaceuticals are the sectors which will normally assist in recessionary periods. The portfolio continued to see downside with a -4.8% decline attributed in part to dividend shares not returning to their pre ex dividend prices. Resource, shipping stocks are still being problematic with recent acquired One main holdings a financial US service stock falling -12% week on week. This week I discarded Sylvania Platinum with a net positive return replacing it with Arbor Realty Trust a REIT providing a good dividend for Xmas. For the last month, I have concentrated on good dividend payers as a way to offset stock market falls. I may now look to resume to growth stocks to nurse the portfolio back from the heavy falls experienced in 2022. A return to break even status for individual shares will be my goal conscious of the fact that Nov and Dec are normally months that help year end. For the optimist a Santa Rally is always something to hope for. But one must acknowledge that santa's not been to the part in the last two years. Whether we are at the end of the bear market that has been so damaging in 2022 nobody can really say. The market may now have factored in the impending interest rate rises. Sector specific stocks that do well in harsh times will be the stocks that I may look towards to at least cushion the disappointing year. Alas I will be boycotting the World Cup this next month as a matter of principal (corruption and greed) and concentrate on more worthwhile pursuits such as charitable giving. Until Next Time.

Week Commencing 14 November – Last week news that crypto exchange FTX went busk highlights the need to be especially attentive to changing dynamics in the world of finance. It looks like the emperors white clothes where investors have been influenced by polished rhetoric with investors believing only what they wanted to hear. Two traditional ways of assessing share feasibility can be viewed through fundamental and technical analysis using in depth criteria designed to enable an investor objective assessment in investment. Yet in the crypto arena considerations are often based on subjective assessment with no firm foundations. Bitcoin the leading pragmatist in the sector has seen a -75% reduction since the start of 2022. Pitched as the new alternative to traditional fiat currency is symbolic of a fairground ride where significant peaks and troughs has been the order of the day. What the consequences of the recent collapse of FTX will be is uncertain. The fall out for the recent collapse may well filter into other areas so expect further manifestations in that space. Central Banks have long been concerned on the rise and fall of this artificial magic dusk. The advent of the push towards Central Bank Digital Currency [CBDC] in nations looks now one step close. CLICK HERE for BOE CBDC next steps. Last week US markets were in buoyant mood fuelled by the better than expected inflation figures from last Thursday. Market sentiment provided a significant uplift to US market indices. US equities closed last Friday [11 Nov] higher, extending Thursday's sharp gains prompted by weaker-than-expected CPI reading for October which reinforced the case for only a modest 50 bps hike in December by the FED. This upcoming week in the UK will see plenty of robust market action as a result of the 2022 Budget on Thursday. Previous PM Liz Truss's disastrous mini-budget cost the country a staggering £30bn – doubling the sum that the Treasury says will have to be raised by Jeremy Hunt this week in a huge programme of tax rises and spending cuts. CLICK HERE. Isn't about time that politicians should be accounted for their recklessness and not be rewarded for failure! All eyes will be on Thursday's recalibrated budget where a tsunami of spending cuts and tax rises will bring the UK back to earth with economic reality. Expect sharp gyrations in market sentiment with the talk of recession and downturn the flavour of the month. Continuous interest rate rises will do no favours for the Housing market. The devil is always in the detail. Some sectors will find favour and others will not, Defensives against Cyclicals will again take centre stage to provide a way through the maze on which sectors to concentrate upon. Last week the portfolio declined by -1.51%. Recent acquirer One main Holdings a US finance sector choice helped off set the effects of miner Thungela. Thugela again provided dismal performance week on week with a -20% decline. To have retained this share has been a mistake and I will be looking to rectify this situation with a significant loss incurred. Resource stocks, has as of late been to the party so diversifying into other sectors a high probability. This week, my eyes will be pinned to see what sort of rabbit will be pulled out of the hat in this weeks UK budget. Expect the rabbit not to be white. Until next time.

Week Commencing 7 November – As expected both the FED and BOE raised interest rates by 75bps last week. The FEDS take was that there is more interest rate hikes to come and 50bps looked pencilled in for the next meeting. Markets were hopping that a pivot was on the cards but subsequent chairman Powell's robust message saw markets once again react with negativity for continuing monetary tightening. For a diagnosis of the impact of the FEDs interest rate decision CLICK HERE. Particularly hard hit was the technology sector where the shine seems to be losing sparkle as cloud computing and Tech mega giants Apple seem to be taking the backlash on negative market sentiment. In following the FED, the BOE hiked based rates by 75bps and stipulated that the UK is set for a difficult period with recession likely to last for two years. It's not what many want to hear but transparency provides markets more certainty on the direction of travel. Currency weakness in pound sterling has been noticeable. Effectively the pound has lost 15% of its value since the start of 2022. This unnoticed devaluation of sterling coupled with high inflation now in situ means more pain. This month sees the UK deliver a recalibrated budget with significant fiscal impacts from tax changes to hit all and sundry. 'fiscal drag' a term associated with sucking more people into the tax net as a result of freezing of personal allowances and life time pension allowance freezes will suddenly become a reality. Spending reductions and taxing of windfall profits designed to help public finances may just be the ticket to help assist UK's battered reputation as a fiscally responsible sovereign country. National debt and the servicing of a countries debt, has now become paramount to ensure that a country can meet its future obligations. Quantitative tightening and balance sheet reduction has now become flavour of the month so being reliant on future Government bail outs probably not a wise course to assume. The Business cycle and where one is within it, plays a pivotal role in sector allocation strategies. Defensives, consumer durables are the sectors which will normally assist in recessionary periods. Despite market volatility of last week, the portfolio remained in neutral gear with a +0.09% increase. In accordance with recent income strategy trades, I sold out of Antero Midstream and bought shares in OMF a financial services company. Acknowledging that it was time for diversification together with reaping the benefits of income from an ex dividend trade. Last weeks uplift in resource stocks was welcome in the Portfolio with Thungela Resources seeing a resurgence [+5%] South 32 [13%] EQT [+8.5%]. November and December has in the past been months of volatility and 2022 will be no different. Optimism may at last begin to take hold with the US mid term elections. This week I will be looking to continue to nurse the portfolio back to health after the previous months of disruption. Until Next Time.

Week Commencing 31 October - Recent fiscal U-turns on UK government mini-budget and the appointment of a new prime minister, Rishi Sunak, have eased market tensions after a period of elevated volatility, but the country still faces (in Rishi Sunak's own words) a "profound economic challenge. The combination of rapid and unfunded fiscal expansion as proposed in trussonomics made financial markets very nervous. Markets were unsure of how fiscal sustainability would be restored. The sharp selloff in gilts that followed the recent mini-budget had spill over effects for bond yields in other countries reminiscent of a tsunami where the effects were felt far and wide. Inflation and the cost of living crisis have been highlighted as the enemy at the door as changes to interest rates begin now to reshape economic policy as the solution. This raw answer alas will have effects far beyond the economic. Criticism of the Bank of England that they were late to the party in using interest rate hikes to offset earlier rises when inflation rates was at 5% would I suggest be a reason for them to act decisively this week now that inflation is 10+%. Expect the BOE to raise interest rates by 75bps furthering compounding recession talk. According to Goldman Sachs Research a four-quarter cumulative decline in GDP of 1.6% is now expected, and have intimated that the UK downturn may be deeper than forecast with a "significant" recession now the likely case for the U.K. An excellent analysis and understanding of the recent tragedy in UK economic policy making can be SEEN HERE. Over the pond the FED looks likely to continue its planned 75bps before pivoting in 2023. Whatever the outcome, changes in interest rates will have changes to bond markets and share prices. I have in recent posts commented on the seasonality aspect. Now were into November perhaps that uptick in share markets could finally take place as. Yet sector performance will enter into equation in the month of November. Expect the Budget Statement that is to be delivered on the 17th November to provide some surprises as tax rises and spending to become ingrained by the establishment into subliminal programming of peoples mind. Identifying possible areas of benefit will help trade idea generation as for example in reducing reliance on fossil fuel energy to green alternatives, electric batteries, and litumen. Last week the portfolio saw a -1.91% reduction. The early part of October compensated for recent declines ensuring that I still am in the positive for the month of October, despite some robust falls in some of the stocks. My recent strategy of acquiring income generating stocks has helped compensate for share price falls. Revising a share purchase in Antero Midstream will provide forward income as an example. Diana Shipping and Thungela Resources continues to frustrate and time cometh to take the hit and move on. Last week Sylvania platinum went Ex dividend ensuring a welcome income for xmas.. Share price recovery from shares that go ex dividend is something to always note. I have over recent weeks adopted a strategy of indifference over market retrograde believing that seasonal performance will again see share prices revert to the mean. Yet stop losses now beckon with unfortunate occurrence so this week I may need to recalibrate some of the holdings into liquidity or into some defensive sectors to protect the portfolio which has alas been on the other side of mike Tyson fist. Expect markets volatility to continue to be enacted on interest rate decision days and the upcoming budget in the UK. Until next time

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.

Lessons should be learned that unconscious incompetence [I've got no clue what I'm doing but I think I do] as displayed by any leadership can only lead to ultimate failure.