Strategy Commentaries for March 2023

STRATEGY FOR WEEK COMMENCING 27 March – Market sentiment was again at the forefront of last weeks gyrations as Central Banks continued to raise interest rates. My humble suggestion of a 25 bps increase came to fruition as both the FED and BOE amicably obliged. Despite the last chance saloon saviour of Credit Suisse by UBS it has not deter the vultures circling around other susceptible financial institution. Stress tests were supposed to have curtailed the chances of broke financial institutions yet they appear to be worth a mirage in an oasis. Friday saw market sentiment again saw further jitters affecting Deutche Bank. Years gone by, Deutche had been experiencing market turmoil and a failing share price. De Jae Vue here we go again. Inflation continues to be the main reason for the hikes in rates. The misguided guidance by the Bank of England that all will come right in the end and growth will return like a lost puppy is rhetoric designed to confuse. The lagging effect needs always to be taken into consideration. Had the Bank of England raised interest rates well before this time then perhaps inflation would not be standing at 10%+ with further rises to come. Too slow on the uptake. The consequences of prolonged period of interest rates rises can only lead to mitigating growth hence the realisation that balancing one objective keeping inflation under control will conflict with other Economic Growth. Well paid people who are controlling the economy need to do better. The FEDs continuous yo yo policy direction is spooking the markets and one could argue that the actions since Feb 2022 has all but freaked out markets with fall out in Bank closures a direct result. Gold has once again return to favour as the shinning silver knight. Optimism is required, unless confidence is returned the market will continue to be in transition. The portfolio held a neutral stance last week with a +0.24% increase. Several shares had seen a week for week increase Diana Shipping +3.7%, EQT 3.23%, and Modine Manufacturing +1.25% but alas March has seen a significant downside with a -16% decline. March has not been kind. Yet last week I continued to adopt an income strategy trade with the buying and selling of One Savings Bank as an overnight trade incorporating a stop loss ensuring income would be raised in the future at little loss in total. The importance of an adopted stop loss on buying shares before ex dividend date can not be underestimated. Despite encouraging signs from Purchasing Managers in the US I will be treating the stock market with caution as March’s performance has meant once again an uphill struggle for the spring quarter. Synonymous with a tempestuous child I am reticent to commit to purchasing further stocks until the market starts to behave itself (but rule out nothing) when market direction begins to turned positive. When that will be the market will decide. Until Next Time.

Week Commencing 20 March – Black Swan events have an unpredictable nature and often arise out from nowhere. Recent weeks have seen the resurgence of events which has led to market nervousness. Yet another week goes by where some kind of bail out of some form has been required. First there was SVB the California Bank caught up in a bank run and last week European bank Credit Suisse which has been entangled with reputation issues on money laundering. Credit Suisse Bank formally supported by a $50bn+ bail out from the National Bank. So what’s going wrong one could ask? Regulatory issues, market sentiment or market dynamics such as fear and greed. In times of such volatility one must consider contagion. The propping up of too big to fail banks can lead to questions on financial sustainability. It would seem that the source of this market failure can be put solely on the hands of the FED whose unenviable task of securing financial stability in reducing inflation by the relentless increase in interest rates has directly led to the issue of financial stability to banks whatever size. The forthcoming week FED meeting may ignore recent banking failures and continue its fight against inflation by continuing it quantitative policy of monetary tightening by a 50bps rise. My humble suggestion is for a 25pbs hike in an attempt to shore up support and at the same time providing support for positive market direction. Consequences will follow whatever direction is made. The tightrope of financial compromise will be in evidence this week. Last week's budget in the UK saw policy directives on employment, enterprise and the economy with targeted support designed to stimulate back to work psychology. Click here for the detail. Inflation the arch enemy of price stability is predicted to decline but one must be cautious of such projections. Whatever the outcome, restrictions to monetary expansion through interest rate increase will continue to be made but the pivoting of these rises look likely to be curtailed. **This Month of March has become reminiscent of a Roman tragedy.** I am reminded of the **Ides of March**, the day in the ancient Roman calendar that fell on March 15 and is associated with misfortune and doom. It became renowned as the date on which Roman dictator Julius Ceasar was assassinated in 44bc. The portfolio in the last two weeks has been materially affected by recent past events. Last week's -9.16% decline followed by the priors weeks of a -8.91% reduction has had a decimating effect on the portfolio. The brutal declines were without question a sober reminder that stock market involvement is not for the faint hearted and require dedication to the cause. Reminiscent of the 2008 financial crisis one must acknowledge the fact, that in times of panic, one must not panic. Last week's portfolio performance continued to bear the burden of negative market sentiment. Harsh falls of double digit declines week on week were evident in Arbor Realty -16%, Devon Energy -12%, Diana Shipping -10%, Modine Manufacturing -13%, Virgin Money -15%. The last two weeks have seen the portfolio decline by -17.7% a sobering fall by anyone standards. The upcoming week may see the disposal of Essentra plc with a possible stop loss activation post ex dividend at £2.00 per share. Upcoming dividend income to be received in April is for the moment. the only glint of sparkle after the last two weeks. Whether the FED will help or hinder the market is now open to question with their dogmatic drive for inflation curtailment. This coming week may need me to discard shares if the portfolio continues to haemoridge which has been the case in March. I feel the ideas of March has hit me like a brick and will be on a monitoring watch for further collapses in the financial sector that look on the cards. 2008 revisited? Look out for the spread of contagion and the futures market. Until Next Time.

Week Commencing 13 March – The euphoria of optimism took a knock last week as Chairman Powell of the FED reiterated his intension that interest rates would continue their relentless rise in order to bring inflation down to 2%. Data driven stats on core inflation, non payroll farms report again led to negative market sentiment. The January/February respite rally that had been in vogue looks alas has for the moment come to a halt as markets have seen a sell off. I humbly suggest that the damage that is being done by the FEDs continuous recalibration on interest rate towards endless rises means inevitability that US will enter into a recession in the short to medium term. The conventional upward rising yield curve is normally regarded as a sign of a healthy economy. Normally, if you plot the interest rates at different maturities, you get an upward-sloping (yield) curve. But if for some reason the short term becomes unusually risky, the curve (or portions of it) may become downward sloping. Recently, the series describing the difference between the 10-year and 2-year Treasury constant maturity rates has received growing interest, primarily because of the yield curve. Under normal circumstances, long-term interest rates are higher than short-term interest rates (when annualized), principally because the long term is usually perceived as riskier and so long-term debt demands a higher return. Yet we now have a negative yield curve where the 2 year is continually above the 10 year which has been the case over recent periods. This is a normally seen as a sign of a recession six months down the line. Coupled with the fact that the terminal rate looks likely to be higher approaching 6% explains the sudden weakness in market sentiment. The NASDAQ saw a -4.7% decline week on week. The market now expects a 0.5% points rise in the US this month but be prepared for a 0.75% point rise. Last week's correction to US markets are a stern reminder that nothing is guaranteed as with the case on last week's notification that US Silicon Bank was closed by California regulators after tech firms raced to pull cash from the business also saw contagion spread to the crypto market. I am reminded of the video 'I am too big too fail' Click Here. This coming week will see the UK spring Budget where rabbits may be put back into the hat. Wed 15 March will see heightened activity as markets will digest the sobering details that are to be announced. Expect tax rises and abnormal fiscal changes that will filter into several sectors of the economy. The 800,000 disappearing reduction in recent employment would I suggest see changes encouraged to a return to work for the over 50s. The onslaught on potential ISA changes may have a significant effect on financial firms and with the government's mantra of keeping inflation under control (to offset wage price spiral) would I see a restrictive policy choices a year before an election. The portfolio had up to last week been on a roll of positivity yet markets came with a 'kowpow' as the portfolio suffered a -8.8% reduction. I decided to dispose of One Main Holdings with a profit in tow and reacquire Arbor Realty Trust for an ex-dividend trade (After the change to a 10 March Divi date). Wednesday 8 March saw significant market turbulence with all major US markets on a downward spiral. Recent acquire Modine Manufacturing fell -9% week on week as resource stocks also having a miserable week. Last week's comment about resilience came into play as yet again the market tempestuous nature continued to ensure that black swans in some forms are always there in the back ground ready to pounce. This week will again be one of management as markets continue to disappoint with unpredictable downside. Whether the UK spring Budget will confound critics and be market friendly I very much doubt. Until Next Time.

Week Commencing 6 March – Resilience is an attribute that one must acquire in order to cope with the ups and downs of trading. It is particularly relevant in times of unprecedented unpredictably. Market sentiment often the driver of optimism has been back in vogue as of late with markets showing signs of change. 2023 has so far been in favour so perhaps the build up of happy momentum is at last featuring through to market performance. The dowdy days of 2022 may at last be behind us after resilience of the times of the bear. Yet those black swans may still make an appearance so watch out for the unpredictable. The US market often the driver of global market sentiment is doing its best to present a rosy picture with the labour market is still with strong momentum prompting some economists to assume that the Fed to raise its benchmark rate by a hefty half-percentage point in the upcoming policy meeting. Like a bet on red or black on roulette. Only the FED will decide. Yet a "perfect storm" is potentially brewing this year, with the market on a recession warning, debt crisis, and out-of-control inflation. Spring is nearly here and snow is a reminder of this! With this in mind, eyes in the UK will over the next two weeks, be looking at the upcoming UK Spring budget and the tax raising or more precisely tax raiding budget. Rumours and speculation abound yet what is clear from initial observation is that the budget will deliver the biggest kick in the testicular region that few have yet to comprehend. The days of wine and roses are now over with the Government needing to raise plenty. So button up the hatches and expect significant core changes that will directly expect the ability in particular for private investors. This week I have started reading 'George Orwells book of 1984'. It's so resonates today with thought police, indoctrination and behaviour control which is so 2023. The portfolio continued to see positivity with a +1.16% increase week on week. Arbor Realty was disposed of having served as a reliable income payer. I have decided to reduce involvement in resource related stocks when the time approaches as they have now become a drain of energy and on finances. Being overweight in one sector is not good policy. With that in mind a replacement share ' Modine manufacturing Co' that deals with thermal energy and climate solutions is a topical trade idea that I have decided to pursue. Although this is not a dividend paying share I have taken the view to rebalance the portfolio with growth and income stocks with the aim of recalibration ensuring that the portfolio is managed with the best of both worlds. Disappointing resource stocks EQT and Thungela Resources are being kept for dividend and once they have fulfilled their purpose they will be disposed whenever viable. Being able to feel the temperature of potential changes on the investment horizon will enable one to adopt a strategy to benefit from near term projections. In particular UK budget tax changes may necessitate the need to consider sector choice as a strategy. This week I will look with interest on the performance of Modine Manufacturing is see if my choice of share comes up to my expectation The 7th March 2023 sees the tenth anniversary of this web site and I hope that I have been able to provide more insight into the world of financial markets. Until Next Time.