

## Strategy Commentaries for April 2023

**STRATEGY FOR WEEK COMMENCING 17 ARIL** –Resilience in times of adversity is a theme appropriate when recession is on the horizon. Despite official figures suggesting that the UK have so far been able to miss the inevitable, the outlook for later in the US does not be so supportive. US retail sales decreased much more than predicted in March, adding to worries about a slowdown in the US economy while inflation expectations for the year-ahead jumped to a five-month high, according to the University of Michigan. Meanwhile, Fed governor Christopher Waller said that while inflation showed positive signs of cooling and banking stress eased, he was ready to approve another interest-rate hike in May. Spring forward is a useful meme when remembering to switch the clocks forward in the UK so perhaps current seasonal market performance may provide uplift in investor sentiment. Inflation in world economies remain stubbornly high and despite efforts to cool the beast one must be in tune to the possibility that inflation could well still surge further after a temporary reprieve. Central banks ambition to keep inflation to its 2% target is a laughable objective and the only possible way this could be achieved is for interest rates to be raised far beyond their projected terminal rate of 6%. More like 10% interest rate will do the trick for a 2% inflation but this would be highly improbable so expect inflation to still remain high with associated effects to the bond market. Business cycles are always a useful mechanism to determine when stock market involvement is considered. Knowing where one is in the business sector allows one to decide the appropriate sector choice. Gold has recently started to shine recently breaking the psychological \$2000 an ounce. Geo political tensions have recently questioned the security of the \$ as the main world reserve currency. Expect future debate on currency alternatives where the rise of the Chinese yuan may start to gather momentum. Yet the dollar is going nowhere soon, so but be prepared for a seasonal pull back. Talk has it that there's regulation on the cards for crypto trading in the UK. Tax authorities have woken up to the scale of crypto trading and the easy money brigade may soon be in for a shock when the declarable capital gains regime start to chase those mysterious crypto entrepreneurs, so be warned. Last week the portfolio saw a +3.6% increase. All shares in the portfolio saw ascendancy (except for arbor realty which has become a dog with flies). Dianna Shipping seeing a +9%, Paccar Inc +6% and Modine Manufacturer +5.5% week on week increases. Continued review will take place this week and a dividend income share may be chosen if Paccar approaches break even. Recovery from retrograde March is my intention and as always patience a necessary attribute. Until Next Week

**STRATEGY FOR WEEK COMMENCING 10 ARIL** – Active or passive investment choices has long been a debate on which to choose. For those that like to follow the indices, the passive choice means leaving it for the indices to decide ones fate. For those that like to focus on individual share choices active helps to siphon on ones skills in the aspiration to develop a portfolio of shares with the intention of beating the index. Hobsons choice one could say. Had one opted to follow the FTSE100 since the start of the year then passive would have been the way to go. The choice therefore dependent on 'as dirty harry would put it. Do you feel lucky Punk! Well do you.' Global stock markets are like tempestuous children throwing tantrums at any and every sign of market negative overtones. Much has been made of the recent switch to money market funds switching out from stock market investment. Indeed stock market volatility has led to sector downgrades with Technology and Banking affected by greed and outright misdirection. One could argue why bother with share just follow the index. As an advocate of determining one's own destiny good, bad or indifferent I have always looked at shares with always the possibility of countless upside. Despite the challenging economic market environment the easy course would be towards the passive approach. Despite recent set backs, particularly in the resource sector, I will however will continue to follow

the active approach not taking the easier passive approach. Well one likes to keep life interesting does one. Stock market cycles will see peaks and troughs and at some point optimism will take hold. When that does, active share selection should help recapture recent lost momentum. So April lets pick up the mantle, confound the critics and start to provide a well deserved seasonal boost. Now in April, investors will be looking for more insight into the health of the world's largest economy. In the US, the spotlight will be taken by the inflation rate, and retail sales, followed by FOMC Minutes, industrial production, producer prices, and Michigan consumer sentiment. Elsewhere, China will be releasing inflation rate and trade data, and the Bank of Canada and the Bank of Korea will be deciding on the course of monetary policy. Also, India, Brazil, and Russia are set to publish CPI numbers. The US Labour Department reported last Friday [8 April] that payrolls grew by 236,000 for the month, compared to market expectations for 238,000. Also, the unemployment rate ticked lower to 3.5%, against expectations that it would hold at 3.6%. Meanwhile, the IMF warned that its outlook for global economic growth over the next five years is just 3%, the weakest in more than three decades, amid a slowdown of activity in the US and Eurozone. Last week the S&P 500 saw its first losing week in four, as a slew of US economic figures fuelled concern that the US economy is headed for a recession. Equities in London advanced for a second consecutive session last Thursday [6 April], with the benchmark FTSE 100 closing above the 7,700 mark, driven by the real estate and financials sectors. The portfolio retraced from the prior week with a -3.24% week on week decline attributed in the main to Modine Manufacturing [-7%]. Shipping stocks Dianna shipping [-3%] and SFL corporation [-3%] continue to disappoint with a glimmer of hope through Devon Energy[+5.6%] spurred on by Saudi call for a cut in barrels of oil supply. Coupled with fundamental analysis, last week's purchase of Paccar Inc was influenced by using the alligator and fractal technique. I will also be utilising a new awesome indicator to test whether share choice can be assisted using this unique position. One always needs to be open to using new techniques if only to keep trading fresh with new ideas. This week I aim to take additional positions using these rare trading techniques. Only time will tell if these prove profitable. New techniques for a new financial year. The portfolio might need restructuring to offset recent performance of poor performing stocks. Several stocks in the existing portfolio alas may need a good kicking if only to keep my morale in tact. Until Next Time.

**STRATEGY FOR WEEK COMMENCING 3 APRIL** - Wall Street extended gains for the third straight session and closed higher on Friday on 31<sup>st</sup> March, the last trading day of the month and quarter. Despite the final week of March returning to a sense of normality, the month proved to be one of unkindness with harsh reality to the humble trader. Driven by events of collapsed banks, continuing interest rate rises, negative market sentiment and ongoing issues from the FTX fiasco, March proved to be a toxic month for myself as downside market sentiment upset the previous good start to year. Black Swan events arise like a phoenix from the ashes and the fall out through Banks failure both in Swizerland and the US leave the humble trader often confused as how to prepare for such events. Spring has now arrived and perhaps last week's March retracement to positive April may see a return of positivity in market sentiment. The forthcoming week may be the catalyst for a positive change. Key trading opportunities arise in the coming week when we get US Non-Farm Payrolls and interest rates decisions from Australia and New Zealand. Together with indications from the US from ISM purchasing Managers Index may bring a sense of respite. The Fed's preferred inflation measure, the US core personal consumption expenditures price index, came below expectations at 4.6%, in the latest signal that inflation peaked while sparking speculation that the Fed's rate-tightening cycle could end soon. Yet the FEDS continued interest rate in hike in May, may still put a spanner in the works. Next week will also have an OPEC+ meeting, where talks relating to the impact of the banking turmoil on confidence and oil demand may well dominate. In the UK, market sentiment is often driven by housing sentiment and its knock on effect on political sentiment. The Nationwide

House Price Index in the UK declined by 3.1% year on year in March of 2023, the biggest annual drop since July of 2009. House prices in the UK were down 0.8%, a seventh consecutive fall and compared to forecasts of a 0.3% decrease. House prices in the UK are now 4.6% below the August 2022 peak. It would appear the interest rate hikes are having their desired effect. Contraction and expansion go hand in hand with market sentiment. News this week that listings in London Stock Exchange drying up with the FCA having to now consider modification of the rules to entice companies to list is, another sign of LSE market dominance being put on hold. Historically a bad March means a good April. Records support the fact that April is the second best performing month of the year with the FTSE 100 strong relative to S&P for the month. The US Non Payrolls to be released on Friday 7<sup>th</sup> April coincides with Easter holidays so expect anticipatory trading in the run up to then. It will also provide a barometer for April' projected market performance. The portfolio finished the month with a +3.37% week on week increase. Although welcome it did not distract the fact of a -14.2% portfolio decline for the month of March. Such a decline can be treated as psychologically damaging yet one must be aware of the fact that markets do not behave like logical robots so one needs to strong in temperament and acknowledge that risk will always be there of market retracement. Thungela Resources have now reported their ex-dividend date [27 April] so again expect prices to be volatile until then. I may dispose of this before then. All shares in the portfolio have been affected by March's performance. I have decided to keep the faith but remain vigilant, aspirational that there are better times ahead. I will also be looking to employ new technical trading techniques such as the Williams Alligator and fractal technical techniques as an aid to determine peaks and troughs for trading entries and exits. [click here](#). March's unexpected market knock back has resulted on me to reconsider trading approaches. April will I hope rejuvenate market sentiment to the upside and recent upside S&P performance may lead me to consider a potential purchase. Like a boxer on a canvass after a knock down, up at the count of eight to resume and live to fight again for another month. Until next time.

**STRATEGY FOR WEEK COMMENCING 27 March** – Market sentiment was again at the forefront of last week's 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 Deutsche Bank. Years gone by, Deutsche 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.

nancial markets. Until Next Time.