

Strategy Commentaries for May 2023

STRATEGY FOR WEEK COMMENCING 1 MAY

Due to illness I am taking an extended time for recovery and hope to provide future commentaries in the near future. 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