

## Strategy Commentaries for July 2023

**STRATEGY FOR WEEK 24 July** – It will be a very busy week in the US, with the spotlight on the Fed's interest rate decision, the advance estimate of Q2 GDP growth, and earnings results for several big corporations. Other important releases to watch out for include personal income and spending, the PCE price index, durable goods orders, and S&P Global PMI readings. Additionally, investors will closely follow the interest rate decisions from the European Central Bank (ECB) and the Bank of Japan (BoJ), as well as inflation rates for Germany, France, Spain, and Australia. The release of flash PMI readings for Australia, Japan, France, Germany, the UK, and the Euro Area, will be looked at with keen interest as a guide to market sentiment. Last week, pound sterling weakened against the dollar and this week's interest rate decision by the FED will have a knock on effect on currency markets. The little known the Baltic Exchange's main sea freight index, which measures the cost of shipping goods worldwide, fell by 10% to 978 points in the third week of July. The capesize index, which tracks vessels typically transporting 150,000-tonne cargoes such as iron ore and coal, dropped 13% to 1,442 points. This can feed into the price of commodities providing an insight in world trade and supply metrics. Is AI the flavour of the month or just hype. Reminiscing on when Bitcoin surfaced and the whole debate around crypto currency 'changing the world' philosophy when stratospheric rises saw instant riches for doing relatively little! Are we at the same point of reflection for AI stocks one could ask. It would seem that AI is now the place that has taken centre stage for instant riches. Proverbs always prove such interesting metaphors. 'All that glitters is not always gold.' 'Don't count your chickens before there hatched.' The gleaming new kids on the block seem everything AI related. Caution is the watchword I humbly suggest. Last week's news, that Virgin Money is closing a third of its branches in the UK is symbolic of the trend towards digitalisation. What with the institutional push towards currency digitalisation and you have a toxic mix of non human , non binary non cash now on the horizon. The sci-film 'The terminator' is now upon us as reliance is now too much placed on machines rather than human dialogue. Embracing the new world looks certain to mean the demise of cash. But I recommend that before it's too late visitors sign the <https://www.gbnews.com/cash> to ensure cash remains accessible to all and not embargoed by global institutions who want to control individual's destiny through a central bank digital currency. Financial independence CAN ONLY EXIST if cash is retained and not dismissed as a way for payment. Watch out for the charm offensive of the we must have CBDC rubbish. This is a global attempt to control the masses in its financial freedom. The portfolio saw a +3.99% increase week on week as portfolio stocks continue to blossom for July. Last week's increase saw Devon Energy +8.8%, Arbor Realty +6.8%, EQT +4.0%, Kitwave +4.0%, Virgin Money +5.7%, Thungela +4.1%, with decreases in Diana Shipping -1%, Modine -1%. In the last week of July I will be looking at achieving targets for Virgin Money, Modine manufacturing and Arbour Realty, with the view of recycling for gain and dividend reinvestment. July has proved so far a favourable month with a +3.5% upside. I will looking to end the month on a positive note. Well one can only be optimistic can't one. Until Next time.

**STRATEGY FOR WEEK 17 July** – Markets continue to be phased by sentiment with reactions dictated by whether a proactive or a reactive approach is adopted. The business cycle ensures that what goes up will come down at some point in the future. Judging at what point one believes the market will change direction provides a way of determining sector choice and ultimately share choice. Markets are not linear but dynamic and will be influenced by factors such as interest rates, inflation, growth, employment. In the US earnings season is now upon us and with reporting numbers looking decidedly upbeat optimism is in the air. The current state of play in the US provides positive sentiment with the University of Michigan consumer sentiment for the US increasing for a second month to 72.6 in July of 2023, the highest level since September of 2021, and well above forecasts of 65.5, preliminary estimates showed. Both current economic conditions (77.5 vs 69) and consumer expectations (69.4 vs 61.5) improved, largely attributable to the continued slowdown in inflation along with stability in labour markets. Despite this the Dollar has seen a decline. The Dollar is the world's reserve currency used by many countries. Yet threats now exist in an attempt to shift the \$ off its pedestal as the currency of world trade. With Asian countries being 'persuaded' by external forces that their own currencies should be used in preference to the \$, together with the up and coming adoption of digital currency in whatever form [digital \$] will lead to a rethink in the form of payment mechanism used in international trade. On the other side of the coin so to speak, Pound Sterling has seen a significant elevation against the \$ from its low of Sept 22[\$1.02] to its present [\$1.31]. One could humbly suggest that there is high correlation between interest rates and a country's currency. The UK is a net importer. Therefore high strength sterling will further damage its economic prospects through imported higher cost inflation together with damaging its domestic exports. It is likely that interest rates both by the FED and BOE will still be in the ascendancy further exacerbating the inflation problem. Hard to say but an enforced recession looks now likely in the UK. In contrast to the US the UK has seen record high inflation, industrial strife, mushrooming debt, economic impotency toxic ingredients to make a sponge cake turn into a rock cake. In digesting the current problems allows one to siphon in on areas with the greatest potential for trade ideas and sector choices. Taking the bull by the horns and looking at areas of growth is a strategy worth adopting. Modine Manufacturing a US stock specializing in thermal management systems and components, providing engineered heating and cooling components, provides a case in point, where earnings surprises and sector growth allowed myself to see a +30% growth since acquisition. In the UK last week's clean sheet audits of Banks in stress tests saw Banking shares bounce up with optimism that assisted in seeing holding of Virgin Money +17% week on week. So in tough times looking for hot to trot sectors is a strategy worth a consideration. Last week, the portfolio saw a +1.80% increase. A mixed weeks performance was helped by Modine Manufacturing +13%, Virgin Money +17%, Arbor Realty +5%, offset by dowdy laggards of EQT -5% Thungela -4% and Shipping stocks SFL -4%, Diana Shipping -2%. Dismissing these laggards is high on my list but like anything timing is all important. This week I will look with interest to see whether Modine will continue to be my light in shining armour dented by continued illness from Thungela which I now consider to be lost cause. Until Next Time.

**STRATEGY FOR WEEK 10 July** – The unpredictable nature of market trajectory was in clear evidence last week with market retracement in full flow last Thursday. The old adage time in

the market against timing the market comes to find. Nothing is certain as one needs to always assume that nothing is given as certain. In trading the phrase 'reversion to the mean' where corrections take place to ensure that averages in the long term balance out to keep in equilibrium is a thread often forgotten when market momentum takes hold. How fast markets return to normality is one for the academics. Last Friday saw the non-farm payroll saw the US economy added 209K jobs in June 2023, following a downwardly revised 306K in May, and below market forecasts of 225K. It is the lowest reading since December of 2020, but remaining more than twice the 70K-100K needed per month to keep up with growth in the working-age population. The FED has been adamant that they will do what it takes to curb inflation. Given their hawkish stance I would, in humble opinion, expect another 25bps rise in the forthcoming July meeting. Driven by their need to ensure economical control one can only prepare for eventual rise towards 6.50%. The UK has seen base interest rates rise to 5% with potential increase to 6% and beyond. Years of low interest rates at 0.50% have been blown out of the water as the economy begins to adjust to the new norm. A shift in the paradigm from borrowing to saving is now a consequence. For years savers have been penalised at the expense of the borrowers. For the Buy to Let Crowd who saw it as a no brainer, borrowing as much as they could to rent out properties for easy money has been stopped in their tracks. The Buy to Let model so symbolic of the recent decade's easy money machine has been left high and dry with yield income barely covering the increase in interest rates and the regulatory changes of the renters reform bill 2023. From a trading perspective the housing/construction as a sector will be adversely affected as a result of the delayed rate rises filtering through to spending in the sector. Soaring Gilt yields in the UK reflect that markets are now betting on a terminal rate of 6.5% for the British central bank, while JPMorgan went as far as forecasting one of 7%. The developments are set to continue placing considerable pressure on the UK economy, as mortgage demand has tumbled and fresh data from Halifax showed that housing prices fell the most since 2011. So should one go into Defensives one could ask? Consumer durables always a solid sector in times of recession. Despite official recognition that the UK escaped the dreaded R word, I am never convinced of official hogwash particular from politicians who have lost all credibility. It looks likely that the UK is heading towards contraction so be wary of claims that all is well in the garden. Like any good magician sleight of hand and diversionary tactics such as promulgating CBDC will be in evidence in the near future to ensure that the masses accept obedient thought. Pound Sterling strength continues accelerate to heights not seen for some time [1.28] and with the \$ looking decidedly weaker in recent weeks expect \$ denominated stocks to be adjusted. The UK is heavily dependent on imported goods and with a higher £ exports will be adversely affected. Imported inflation will do nothing to aid the PM pledge of halving inflation. After several weeks of recovery the portfolio saw a decline of -2.18% week on week following a prior's weeks +5.50% increase. My recent purchase Kitwave obliged on earnings day but has been retained sacrificing potential profits on disposal. Laggards TGA, DSX, SFL continue to frustrate. Until next time.

**STRATEGY FOR WEEK 3 July** – Last week saw markets finish the second quarter in up an beat tempo finishing the month with heightened optimism. Wall Street rallied on the last day of Q2, as easing inflation offered relief to investors worried about further interest rate hikes. The Dow closed more than 280 points higher, while the S&P and the Nasdaq added 1.2% and 1.4%, respectively. PCE inflation, the Fed's preferred inflation gauge, rose 0.3% mom, with core annual inflation rate slowing to 4.6% and the headline PCE rate reached the

lowest in nearly two years. So far on Q2, the Dow Jones added 2.5%, the S&P surged 7%, a third straight quarter of gains and the Nasdaq jumped 13.3%, pushing year-to-date gains to 3.8%, 16.4% and 32.8% respectively, led by a rally in AI-related shares and bets the Fed is done with most of its rate hikes. On the other side of the pond it's a whole different story. In contrast the UK is now among the leading nations with inflation riding high at 8.7%, the consequence of which is feeding through to interest rate rises. Dampening consumer demand is now a main driver by the Bank of England in curbing spirited stickiness of inflation. What goes around comes around as those in the previous distant era of the 1970s saw when domestic inflation were hitting 12%+ and interest rates of 15%+. Forward to today with Base rates climbing to 5%+ with the knock on effects evident to significant hikes in mortgage rates. Suddenly 'the slow on the uptake Bank of England' who should have taken action well before now on interest rate changes have come late to the party. In trading one needs to look beyond the present to see the sectors which have future potential. Central Bank Digital Currency where tokenised digital currency is to replace fiat currency looks now a certainty where countries are adopting this at a fast rate of change. An announcement in late July on such a system FEDNOW is imminent effectively de dollarizing the \$ to a digital equivalent is now on the cards following many other countries adoption of this 'new money' (Hong Kong etc). The powers that be, will do all they can to convince the masses that digital sovereign currency is the only game in town. YET CONTROL is their hidden agenda. It is so dangerous to allow Technocrats such as Lagarde,[EUR] Powell,[FED] Bailey[BOE] to effectively hijack the monetary system to conveniently ensure the demise of Cash as a payment mechanism. Bearing the fact that digitalisation and AI seems the hot potato for sector selection for future trading opportunities. On a positive note The University of Michigan consumer sentiment for the US (a leading indicator) was revised higher to 64.4 in June of 2023, the highest in four months, from a preliminary of 63.9. Improvements were also seen in both current economic conditions (69 vs 68) and consumer expectations (61.5 vs 61.3). So perhaps the third quarter may see an uptake in consumer sentiment the only question where. The portfolio saw a +5.5% week for week increase, with June seeing a +8% monthly increase. All the shares saw a bounce back with Arbor Realty +8.8%, Virgin Money +5.56%, EQT +5.29%, Modine Manufacturing +4.70%. SQZ was discarded as an income trade with a replacement UK trade Kitwave Group Ltd bought prior to earnings. This has risk in its context regarding buying shares before earnings [4 July]. Yet fundamentals and technical look sound and admirable so I'll see if my faith in my intuitive trading ability holds up. Despite summer lightening, energy stocks has seen a gentle rise so this a sector to watch. Laggards Diana Shipping, SFL and thungela Resources behaved themselves but on recent performance expect that not to last. This week will see non Farm payrolls out on Friday, so expect some market volatility. For Optimistic market sentiment, whether July continues from late June's good performance one can only wish. Where's that green bottle with the genie in it. Until Next Time.