

Strategy Commentaries for August 2023

STRATEGY FOR Week 28 August – I start this week's commentary by congratulating India on their successful unmanned moon landing. Good news for the optimist who believes that anything is possible. US markets year on year performance continues to be on the bullish side. In contrast the FTSE 100/250 showing no real teeth in comparison on its yearly performance. Major US indexes closed higher last Friday [25Aug], as traders weighed the remarks from Fed Chair Powell at the Jackson Hole Summit. Powell addressed the string of more resilient than expected economic data all summer long while stating that the Federal Reserve is prepared to raise rates further to bring inflation back to its 2% target. At the same time, Powell suggested that in September, interest rates would remain unchanged to evaluate incoming data, as well as the evolving outlook and potential risks. For a valuable analysis tip the S&P 500 is a major index and can often provide a glimpse into future market sentiment with a rarely looked at S&P 500's McClellan Oscillator. The McClellan Oscillator is a market breadth indicator used in the NYSE to evaluate the balance between advancing and declining stocks. The McClellan Oscillator is valuable as a guide as it provides where stock sentiment currently lies. It recently dropped below -50. Since stocks bottomed in October 2022, the McClellan Oscillator has only been this low twice before: December 2022 and March 2023. Of course, during those months, stocks were in the midst of pretty big selloffs. But in those selloffs, when the McClellan Oscillator dropped below -50 (like today), stocks bottomed, then bounced back big-time. In other words, the McClellan Oscillator is telling us that stocks are either at or very close to a major bottom. With this being so one may believe that with the seasonal performance of stocks markets a bullish mood may continue to favour being an active participant rather than a passive bystander. Yet one must always be in tune what the market wants. The FED's and BOE's continual push towards higher interest rates may yet scupper the recent market behaviour sentiment change. One ultimately needs to make one's own judgement. As has been seen in the past, black swan events that come from nowhere can derail even the best markets. Previous commentaries have mentioned sector specific strategies to cope with the ups and downs. An example can be seen in the energy sector where year on year declines have been the norm. [Crude Oil -13%, Natural Gas -72%, Coal -64%] In contrast some resource sectors have been winner year on year [Uranium +19%, Gold +10%, Silver +28%]. Sectors within sectors are often a valuable analysis to undertake to find chosen winner stocks. Top down rather than bottom up approach a systematic approach to adopt. Last week the portfolio saw a +2.97% increase. Notable week for week increases were in Thungela Resources +13%, Modine Manufacturing +11% and Arbor Realty +4.5%. SFL shipping has recently been on the rise. Despite its recent improvement my holding period return after many months is still in the negative. Discarding shares that have not worked out is part of portfolio management. When these shares approach back to break even I will be looking to remove SFL and Arbor Realty as part of this process. My re-engagement into Modine Manufacturing is aspirational in its approach hoping it will recapture its previous robust performance. Tecnoglass recent purchase has yet to shine. Month end is always a time to reflect and I am hopeful that August will end the month with a smile on my face. Until Next Time.

STRATEGY FOR Week 21 August - Last week saw a significant event that garnered almost no coverage in the mainstream. Fitch, one of the top 3 credit rating agencies on the planet, downgraded America. The only surprise to enlightened readers should be that it's taken them 12 years to agree with S&P's 2011 downgrade. What we're seeing now with the reaction to Fitch downgrading the creditworthiness of Uncle Sam from triple A to AA+. It might sound like a school report card, but those three characters are backed up by masses of detail that is simply too powerful to ignore. Fitch say that the downgrade reflects both a steady deterioration in governance standards over the last 20 years, as well as the expected fiscal deterioration of the coming three years. One of the key measures Fitch use to assess the creditworthiness of a country is the Interest to Revenue ratio, in other words how much they are receiving in taxation versus how much they are paying on all the debt they've accumulated over the years. By the time Sleepy Joe's spending plans take effect in 2025 the American Interest to Revenue ratio will be a whopping 10%, that's 10 times where it should be and nearly four times worse than even the new reduced rating should suggest. Fitch is simply pointing out that the King has no clothes and has been pilloried for the observation. Here in the UK are things any better one may ask. There are now eleven countries with higher rated debt than the US, including Australia, Canada, Denmark, Germany, Sweden, Switzerland, Norway, and Hong Kong. The explosion of debt in the UK has effectively seen the UK maxed out their credit card with debt interest spiralling completely out of control. With debt to GDP now at 100%+ one could argue that the UK is living on borrowed time explaining the reason why the tax burden has shifted to the highest level for the average joe. The recent fall back in energy prices is I would humbly suggest just a transitionary effect (as the chief pongo) at the Bank of England would say. Expect a resurgence in energy costs to take hold as autumn approaches with its knock on effects to energy related shares. Inflation has been on a downward trajectory yet in the UK its current 6.8% inflation rate still is above the 2% Bank of England target and above other countries. The Bank of England suggestion that employees should refrain from excessive pay rises is just another attempt to divert attention from the mess that they have caused by not implementing interest rate rises at the correct time. The BOE's now misguided attempt at further interest rate with the intention of slowing inflation can only do more harm than good by killing the goose in economic growth at the expense of retrieval of loss reputation. As UK households and businesses are discovering, rising rates come with a world of pain after a decade and a half of free money. Hey don't shot me I am only the piano player. The portfolio saw a week on week decline of -3.06%. My reservations regarding recycling back into Modine Manufacturing alas proved correct as a -10% fall resulted in original profits being eroded. Thungela continues to p be off with a -4.5% decline and this share has become a total waste of time. I retain this for now to prevent such a large liquidated loss. Arbor Realty went ex dividend so a -9% decline was as expected. Virgin Money continues to underperform with a -5% decline. I had high hopes for a recent purchase of Inchcape but the recent significant falls meant stop loss of -13% from purchase was hit. In order to prevent further erosion I sold this share with a late US replacement of Tecnoglass Inc. This trade was taken under the basis of a 0.618% fibonacci retracement from a historical high. A recent dowdy earnings report may see the stock bounce back, only my take of course. This has been a rarely speculative technical trade. I await with interest to see if this works out in the next week as a turnaround trade. This week I will look to see that the month end will end as it began with positive market sentiment. One has always look on the brighter side of life doesn't one. Until Next Time.

STRATEGY FOR Week 14 August – Next week, investors will eagerly follow the FOMC minutes release for additional insights into the Fed's plans for the remainder of the year, although Chair Powell said last month that decisions will be made on a meeting-by-meeting

basis. Markets are currently pricing in an 89% probability of the Fed holding interest rates in September while the odds for a quarter point hike in November currently stand at about 32%. The University of Michigan consumer sentiment for the US edged lower to 71.2 in August of 2023 from 71.6 in July which was the highest reading since October 2021, but beat forecasts of 71, according to preliminary estimates. In the UK, the economic calendar is packed with key releases including unemployment figures, inflation data and retail sales. Figures are likely to show the UK's inflation rate slowed to 6.8% in July, the lowest since February 2022 and retail sales probably declined after three consecutive months of increases. Meanwhile, the unemployment rate is seen holding steady at 4% in the second quarter. It would appear that the inflation rate has taken centre stage in recent times with economic policy being influenced by the core inflation rate. Quantitative Easing i.e. the buying of bonds by a central bank of Governments debt took prominence in days gone by, in order that markets could be supported to create artificial asset bubbles. The trouble with asset bubbles, they burst. The plethora of interest rate rises over the last year or so has begun to have an effect on asset valuations on house prices in the UK. A blip or a blob! One can only judge through market sentiment where growth in the economy will take centre stage in political debate. The portfolio held steady last week with a +0.6% week on week increase, following previous week increases +2.37%. A previous week saw profits taken on a successful trade held after a four month holding period- US share Modine Manufacturing Inc. A holding period of return for Return on Investment is a valuable metric to understand as it provides a basis of assessing what return one gets for each share held per day. Last week I decided to recycle profits made by again repurchasing Modine Manufacturing which had been such a success last time out. I'm always hesitant in returning to previous winners for fear of giving back profits gained. I will be actively monitoring my larger purchase with a stop loss in place in the event that Modine doesn't oblige this time around. Thungela resources saw a +5% rise but I don't hold my breath following muted potential performance in an earnings update. EQT saw a +3% increase. Virgin Money the banking share seeing -4% decreases. Next week Arbor Realty Trust goes Ex divi so once income secured I may reassess my holding of this share post Ex divi for a more productive return elsewhere. Again using the Holding Period of return as a guide for profitability or not. I will be guided by this forthcoming weeks financial stats to see how much it will have on market sentiment which as always is a useful guide for strategy. Until Next Time.

STRATEGY FOR WEEK 7 August – Another Day another \$, or more precisely another interest rate rise. Last week the Bank of England once again raised interest rates by 25 bps with two members opting for a 50 bps. Only 25bps the cynics would say yet this is the fourteenth monthly rise. Two members of the MPC opted for a sharper 50bps hike and one other preferred a hold, suggesting that the combination of soaring inflation with plunging demand for mortgages and risks of economic contraction is resulting in dividing opinions on the best course of policy action. The BOE England being rightly concerned about inflation with its debilitating effects. Yet the one trick pony policy instrument of continual interest rate increases seems destined to lunge the economy into recession. The Commander in Chief [No not the PM (all smiling with no real bite) but] the Bank of England Governor seem oblivious to the fact of the lagging effect of interest rate changes. It takes time for these to filter down to ordinary folk. I would humbly suggest that recession in the UK is all but inevitable as debt for the many spiral to unaffordable heights. Last week's reporting of the UK banks reporting billions of pounds in unrealised profits again shows how slow the Bank of England reacts to enforcing banks to pass on interest rates to savers. Get your act together BOE. Take the foot of the pedal with interest rate rises allowing the economy to

adjust to the new economic paradigm. Otherwise the fragility of the UK economy will be left open to economic decline, social disparity and a widening of the economic fabric into instability. Over the next year with an election pending be aware of the charm offensive that will be adopted by the technocrats (smiling PM included). In the US bond yields fell as a mixed jobs report did little to alter bets on the outlook for Federal Reserve policy. The US economy added 187K jobs in June, missing market expectations of a 200K rise, but the unemployment rate unexpectedly fell to 3.5% and hourly earnings surpassed estimates at a 4.4% yearly growth. The US unemployment rate unexpectedly fell to 3.5% and hourly earnings surpassed estimates at a 4.4% yearly growth. Next week, all attention will be focused on the US inflation report scheduled for Thursday, while the earnings season continues. In the US, investors will also be keeping a close eye on producer prices and the Michigan Consumer Sentiment. Last week the portfolio saw a +2.37% increase, week on week increase helped considerably by Modine Manufacturing. Its recent earnings surprise saw its share price spike on earnings day by 17% at the top from opening. Modine was bought in March. It reached a great target price with a 55% increase from purchase. So alas dear friend I liquidated the stock ensuring comfortable profits thereby offsetting the poor performers in the portfolio which continue to do damage to the portfolio. Like an old friend it was time to let go to protect profits which has helped the portfolio back on track for the year. Inchcape a recent purchase has yet proved to be helpful with a -3.7% decline yet a dividend payer. Resource stocks continue to be problematic with Thungela -6.3% being now retained only for the expected dividend at some point in the future. Oils fragility being shown in Devon Energy with a week for week decline of -3.4% decline. Shipping stocks Diana and SLF continue to underperform. I am currently investigating forecast earning potential as a guide for a share purchase as in the case of the successful Modine. This week I will be again hoping for target achievement for Virgin Money and will be looking for opportunities to recycle profits from Modine into another prospect but this again will be dependent on the weeks market sentiment. The summer lull may provide a golden opportunity to capture a golden nugget but as always research with the added use of Williams alligator for technical entry and exits an obliging tool. Keep the faith. Until Next Time.

STRATEGY FOR WEEK 31 July – It will be a very busy week with US non-farm payrolls and earnings reports taking centre stage. In the US, investors will also be following factory orders, JOLT's Job Openings, and ISM Manufacturing and Services PMI. Elsewhere, the central banks in the United Kingdom, Australia, and Brazil will be deciding on the course of their monetary policy. The buoyancy of July saw market sentiment turned to the ascendancy despite interest rates rises. Notwithstanding short-term weakness, July saw a fifth straight month of gains in both the Nasdaq Composite and the S&P 500. In addition to being up six out of the last seven months this year, returns have showed robust performance with 34% for the Nasdaq and 18% for the S&P 500. March 2023 was particularly striking as a month of correction. Cycle theory suggests that there are peaks and troughs so one must look forward towards markets responding favourably. Last week's 25 bps rise by the FED seemed to be accepted by the market with indifference in contrast previous rises that have had more of a significant response. It seems likely that the FED may have one last 25bps rise left in them. The terminal rate i.e. The rate which at which the FED sees its job done may well be approaching and hence Julys optimism has filtered through to the sentiment. In the UK still expect the BOE not to relinquish on further additional rises but conscious of the fact that the plateauing of inflation with last month's rise falling below 8%

is a sign that the 'one trick pony' policy instrument of interest rate rises seem to at last be working. As with any economic indicator there's always a time lag. Particularly relevant in this context is the UK housing market with housing funding being based on fixed rate mortgages. Given that many fixed rate deals will expire in the near future with new deals remortgaged deals be based on higher interest rates, this still may have an effect on short/medium term inflation for the masses. The UK is in the unenviable position of being the highest inflation G7 country. So despite positive July, with markets helping the weary trader, one must keep on top of the antics of the FED and BOE. Earnings season has again reiterated the importance of choosing the right stocks in the right industry. Capturing the better than expected moves (beating EPS consensus) provides a real tonic for holders of those stocks. Earnings surprises help to discover the stocks and sectors hot to trot. Tailgating on stocks on the up is worthy of consideration. The portfolio ends July with a +6% month on month increase with the last week of July seeing a +2.3% increase following a prior week +3.99%. All but one share in the portfolio[Modine] saw positive increases with Arbor realty +6.5% (Following earnings surprises), EQT +6.0%, Shipping stocks Diana +6% and SFL +3.7%. Last week I sold kitwave for a modest profit given the jump in price following earnings uplift. The recent rise in stock price of EQT is encouraging signifying that energy costs may start to capture price momentum as autumn approaches. Laggard miserable Thungela is a dog that's ready for the knackers yard and has been retained for now. The loss suffered by this stock is an example of how one can be lulled into a false sense of security because of the high dividend stock. Be wary on stocks that are high dividend payers but change the goal posts at a whim. A case in point is Sportech plc whose incorrect reporting last week and hyperbolic interpretation around ex dividend dates saw the need to re-clarify information ultimately resorting to misinforming investors of when a share should be retained for ex dividend payouts. All that glitters is not always gold. This week I will be looking to recycle Kitwave receipts into an appropriate stock. Whether for capital or dividend reinvestment probably be dependent on market sentiment in the First week of August. Until Next Time.

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 they are 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 Arbor 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.