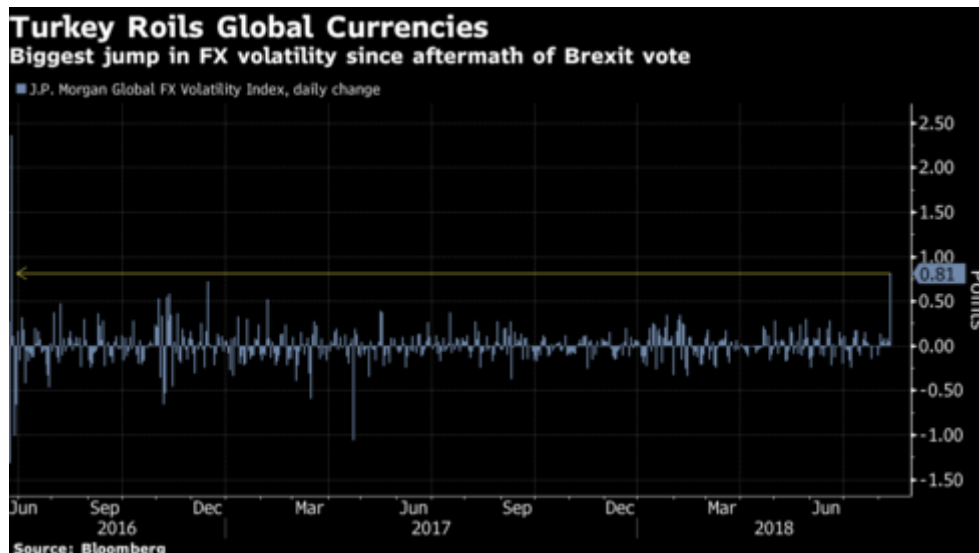




20 August 2018

My view on the markets

How long before currency volatility whacks the market?

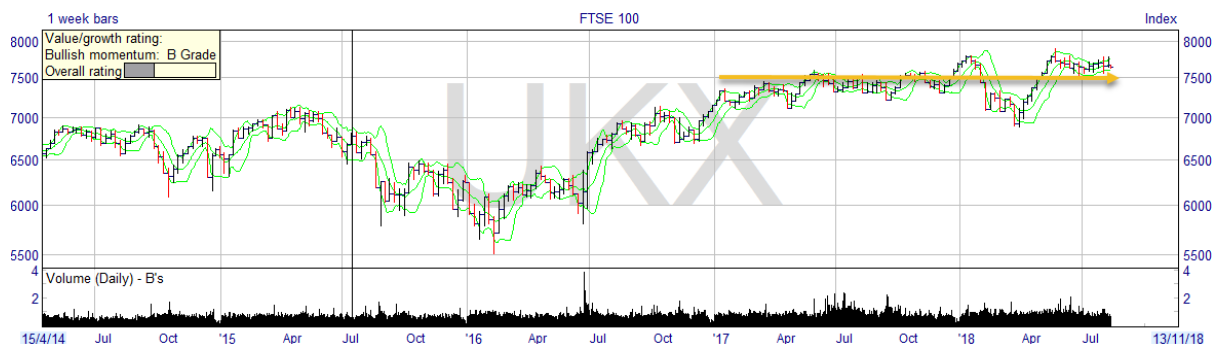


Lots of appearances on the BBC after the BoE rate rise in which I've said:

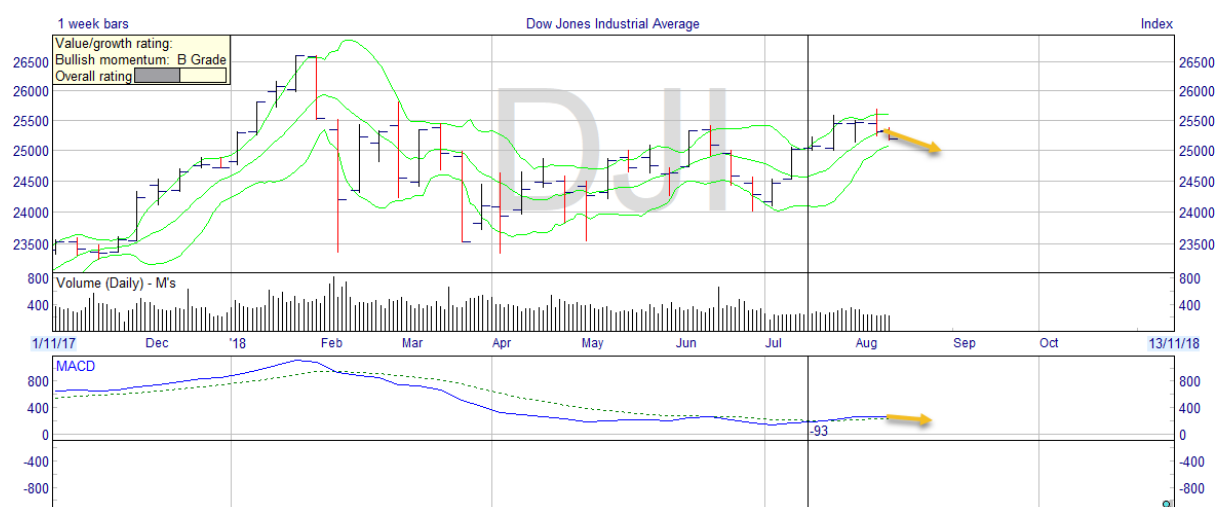


- I don't believe interest rates should have risen
- See my notes below on why the Bank of England raised rates
- It sends the wrong signal to business
- Yes we need to save more and spend less on credit – but this is not the solution

The FTSE 100 has been supported by GBP's falls against USD. A deal and we shall see GBP rise and FTSE 100 fall. I am not confident of much upside presently.



Given the end of the earnings season in the US, I see short term US profit taking.



And for those worried about a trade war, I reiterate what I said last month:

- It's not a trade war because trade is rising as a share of GDP. But it may become one.
- Tariffs are consumer taxes. A way of taxing people whilst they think Trump is a patriot!
- Don't forget other major US tax cuts for corporates. This is boosting US markets. I love US markets. IT especially. Basically Trump has given big business tax cuts and taxed consumers – the poorest – whilst making it look like he is getting jobs for all by tariffs. #Fakenews
- Tariffs don't work well. E.g. BMW's largest factory is in the US, exporting to China! Doh!
- Rising interest rates and rising taxes are not a good mix. But companies can absorb some of those new taxes so consumer not impacted too much too quickly.
- Lower interest rates take the sting out – which is why Trump attacked the Fed.
- Bottom line: Trump wants more market rises. I'm not worried about US markets.
- UK markets – falling Pound pushes FTSE 100 equities higher, but as Brexit approaches decoupling with US and Europe more likely. Good for diversification of your portfolio!
- Oil could reach \$100 – this is before Trump tweets about nuclear war with Iran. It's a tweet so its official US foreign policy. It's Trump so it's bluster.

Top insights from the City

This shows which sectors have out-performed over the last 12 months.

INDEX NAME	YoY Revenue Growth
S&P 500 Energy	34.6%
S&P 500 Materials	17.6%
S&P 500 Health Care	15.3%
S&P 500 Information Technology	14.7%
S&P 500	10.3%
S&P 500 Industrials	9.4%
S&P 500 Financials	9.3%
S&P 500 Consumer Discretionary	8.4%
S&P 500 Real Estate	5.6%
S&P 500 Consumer Staples	-2.1%
S&P 500 Utilities	-3.3%
S&P 500 Telecommunication Services	-6.4%

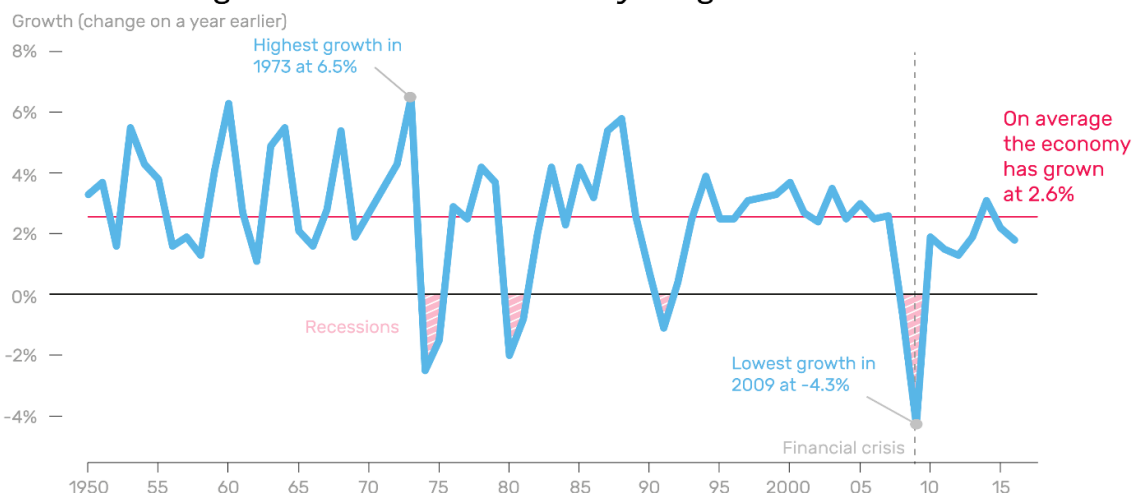
Source: S&P Dow Jones Indices, Bloomberg, Thomson Reuters, Author data

What worries me most is this note about the interest rate rises from the Bank of England – which supports my decision last year to go all in on US stocks with a limited number of UK ones – that we are growing as fast as we can, which is next to nothing. And the reason they give is that productivity will probably never improve and our infrastructure isn't going to improve any time soon. Pretty depressing reading. So they raised rates!

“We think our economy can only grow at a new, lower speed limit of around one-and-a-half per cent a year. We also currently think actual demand is growing close to this speed limit. This means demand can't grow faster than at its current pace without causing prices to start rising too quickly.”

Bank of England

Peaks and troughs: how the British economy has grown



When it comes to UK stocks it means I want the exceptional few which are growing faster than peers and have momentum. I cannot rely on broader economic growth alone.

My favourite Value/Growth picks this month

Using the APSE Value Growth data mining filter for the LSE shares list. Look at the 9s – they are my most highly rated for a 12-month hold.

UK Market:

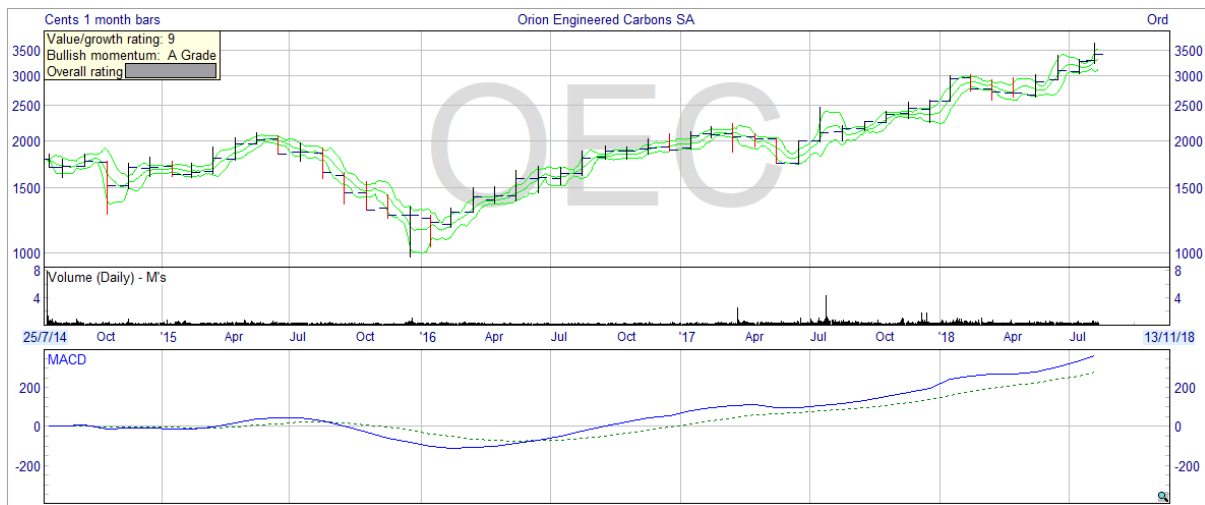
No.	Name	Alpesh value/ growth rating	EPIC
1	Cineworld Group PLC	9	CINE
2	esure Group PLC	9	ESUR
3	Imperial Brands PLC	9	IMB
4	Mondi PLC	9	MNDI
5	National Express Group P	9	NEX
6	Pennon Group PLC	9	PNN
7	Tesco PLC	9	TSCO
8	Vesuvius PLC	9	VSVS

US Market:

No.	Name	Alpesh value/ growth rating	EPIC
1	Allison Transmission Hold	9	ALSN
2	American Equity Investme	9	AEL
3	Antero Midstream Partner	9	AM
4	Ares Capital Corp	9	ARCC
5	AVX Corp	9	AVX
6	Best Buy Co Inc	9	BBY
7	Black Stone Minerals LP	9	BSM
8	Celanese Corp	9	CE
9	Cohu Inc	9	COHU
10	CONSOL Coal Resources	9	CCR
11	CVR Refining LP	9	CVRR
12	Delek Logistics Partners L	9	DKL
13	Dun & Bradstreet Corp	9	DNB
14	Energy Transfer Partners L	9	ETP
15	Enterprise Products Partne	9	EPD
16	Federated National Holdin	9	FNHC
17	Global Brass & Copper Ho	9	BRSS
18	Guess Inc	9	GES
19	Hess Midstream Partners	9	HESM
20	Insight Enterprises Inc	9	NSIT
21	ITT Inc	9	ITT
22	KLA-Tencor Corp	9	KLAC
23	Kohls Corp	9	KSS
24	Main Street Capital Corp	9	MAIN
25	Medtronic Inc	9	MDT
26	Merck & Co Inc	9	MRK
27	MPLX LP	9	MPLX
28	NMI Holdings Inc	9	NMIH
29	Oasis Midstream Partners	9	OMP
30	Orion Engineered Carbon	9	OEC
31	Pennymac Mortgage Inv	9	PMT
32	A - PetroChina Co Ltd	9	PTR
33	Plains All American Pipeli	9	PAA
34	PNM Resources Inc	9	PNM
35	Progressive Corp	9	PGR
36	Rayonier Advanced Materi	9	RYAM
37	RPM International Inc	9	RPM
38	Timken Co	9	TKR
39	TriplePoint Venture Growt	9	TPVG
40	United Parcel Service Inc	9	UPS
41	Web.com Group Inc	9	WEB
42	Williams Partners LP	9	WPZ

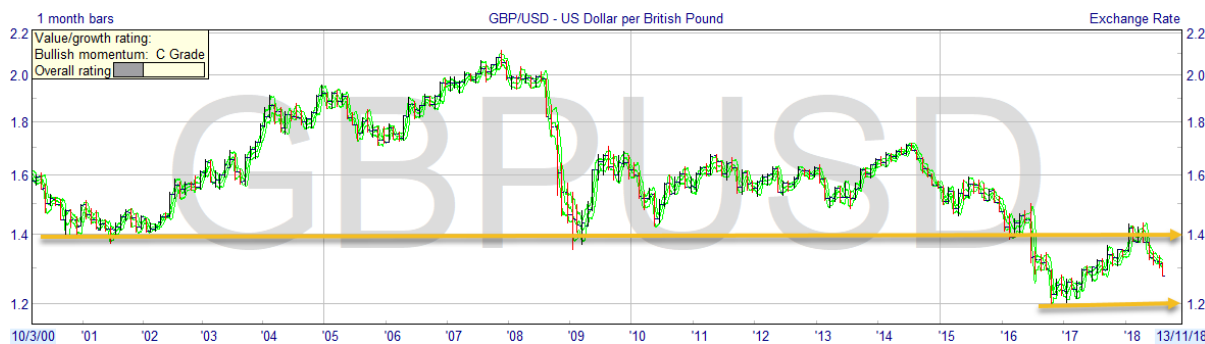
Remember, you can see these for yourself, any time, by loading the APSE Value/Growth data mining filter.

What I love about APSE is finding names I had never come across before like this one:

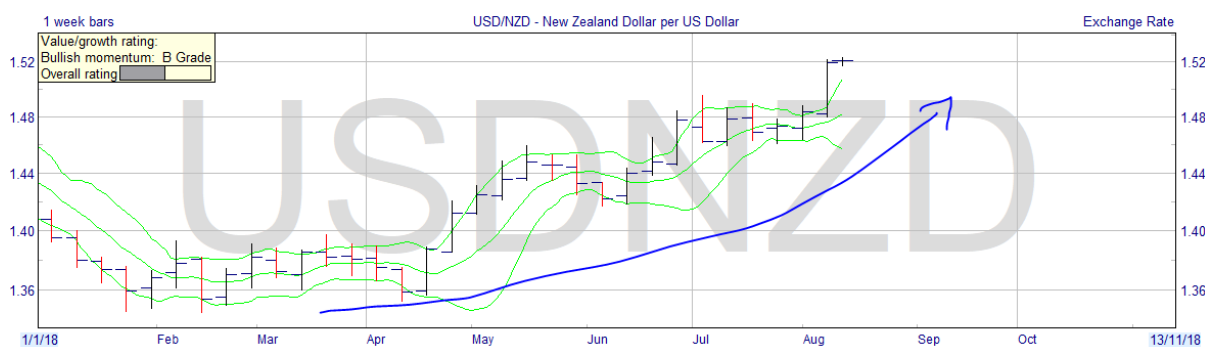


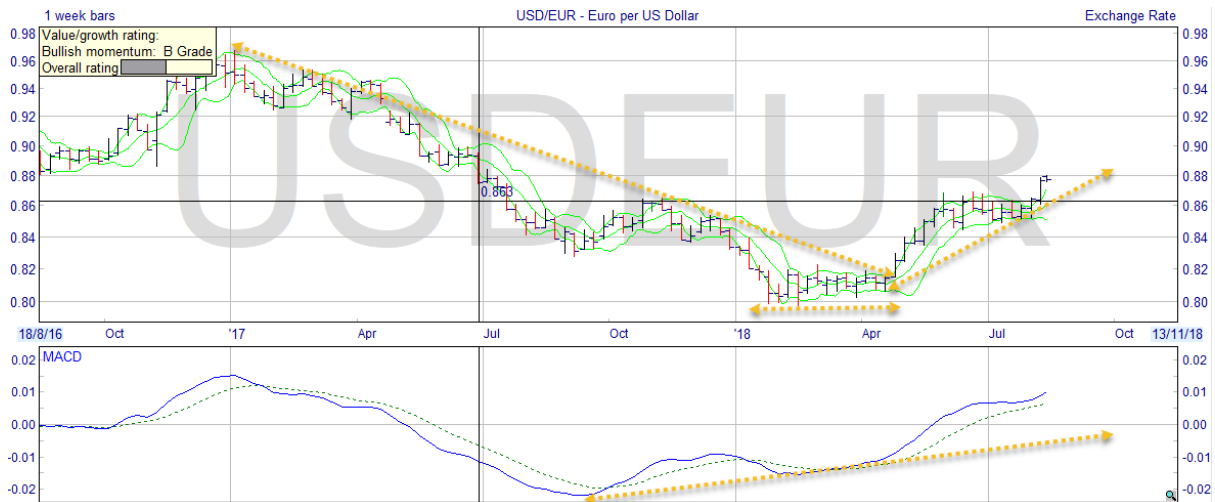
Forex

So, we are clearly in a new gravitational pull for GBPUSD.



When it comes to measuring the rise of the US Dollar – then this is the clearest trend:





My favourite Momentum/Value picks this month

The point of this radar is to find undervalued stocks showing some momentum:

No.	Name	EPIC	Alpesh bullish momentum rating	Alpesh value/growth rating	Price% 3 months ago	Alpesh overall rating
1	Staffline Recruitment Group	STAF	A Grade	9	22.68	
2	TT Electronics PLC	TTG	A Grade	9	15.67	
3	Bonmarche Holdings PLC	BON	A Grade	8	27.47	
4	Gordon Dadds Group PLC	GOR	A Grade	8	16.92	
5	Warpaint London PLC	W7L	B Grade	7	10.84	

I declare an interest that Gordon Dadds are my lawyers – by coincidence.

For the US – only these have popped up:

No.	Name	EPIC	Alpesh bullish momentum rating	Alpesh value/growth rating
1	Merck & Co Inc	MRK	A Grade	9
2	Northrim BanCorp Inc	NRIM	A Grade	8
3	United Bankshares Inc	UBSI	A Grade	8

Top trades for this month

Speculative and higher risk: Credit Acceptance Corp. It's American!

Dechra, Hiscox too. Old favourites.

Personal Activities

I basically lived off the previous month. Seriously people – I need a rest now and again!

I did make some angel investments into these:



And into Qured...

