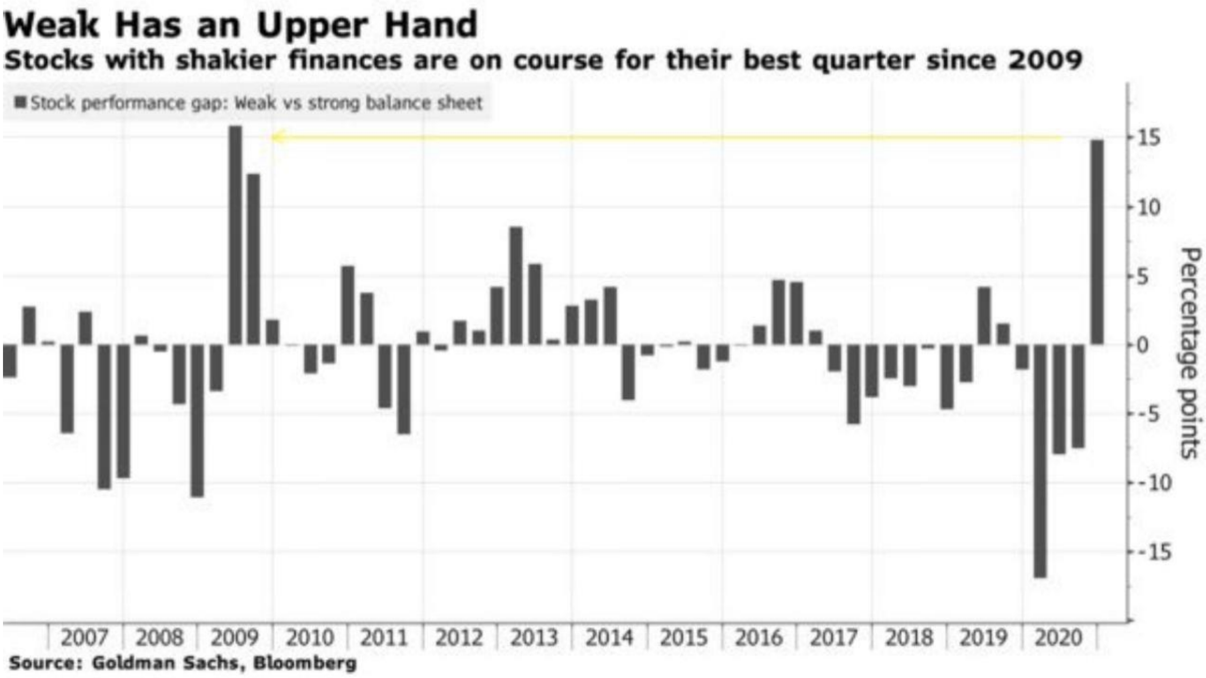
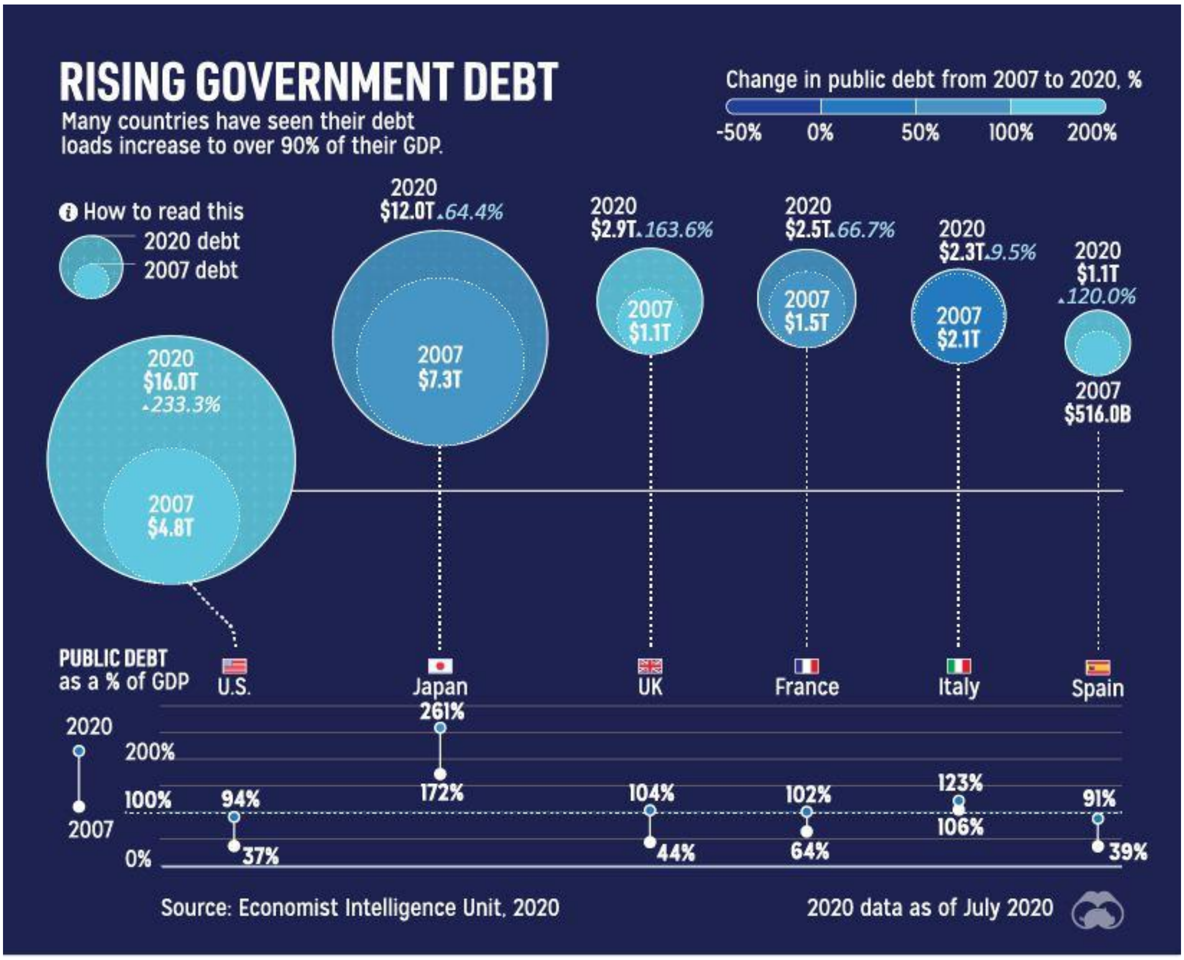
Alpesh Patel's Newsletter

Exclusively for ShareScope Alpesh Patel Special Edition Subscribers

09 December 2020

Overview





As Rishi gave his statement, many are concerned about debt. As long as interest rates are low I am not. Of course there is another problem with State debt – 'crowding out' as they used to teach me at University in Economics, where the State by pouring in its own money, removes private enterprise.

However, I read in a Government document this past week – 'Crowding In' – where Government uses its power to convene and bring in capital investment eg by setting up a fund to invest in entrepreneurs which matches funding from the private sector which is not doing it itself. So again, could debt be good? Up to a point of course. Knowing where the line is, is of course always the problem.

Another problem with debt – debasement of the currency – but that too does not seem to be happening, nor inflation. Goldman Sachs and the data from US shows a flooding of money, but not much impact on inflation or private sector complaints either.

Goldman Sachs | Global Macro Research

TOP of MIND

WHAT'S IN STORE FOR THE DOLLAR

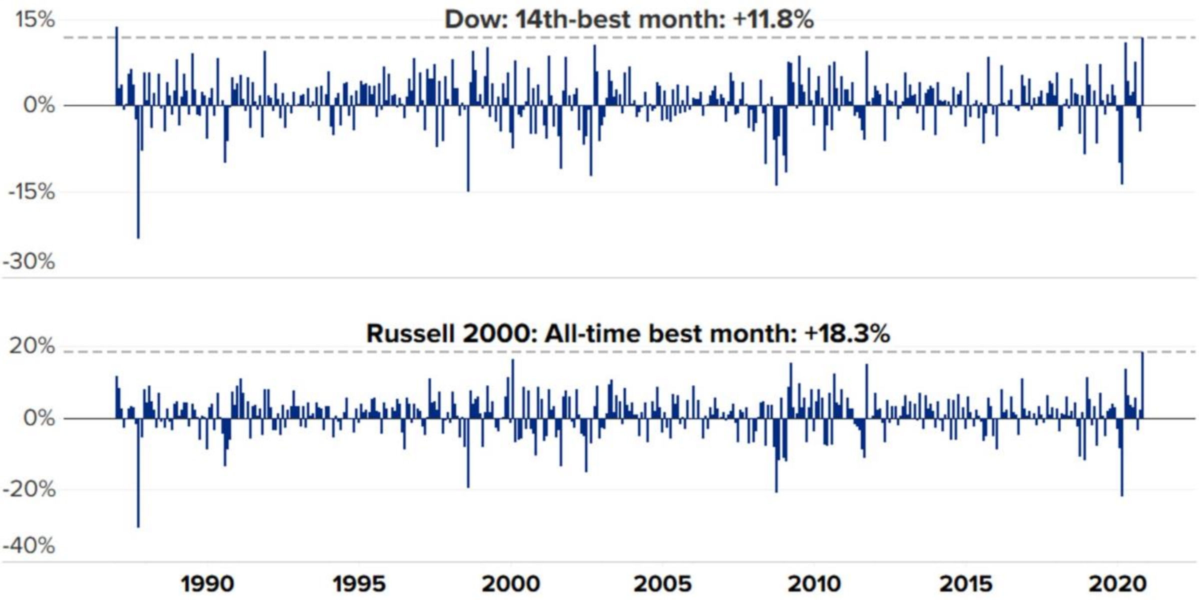
An amazing month:

52 Weeks High

TSLA	573.67 - 0.33 (0.06%)	573.66 × 1	574.00	20 @ 10:58 pm	573.83 × 1	+ 18.62	3.35%
VTI	187.91 + 0.39 (0.21%)	187.39 × 8	187.52	10 @ 9:00 pm	187.91 × 5	– 0.07	0.04%
PYPL	214.88 + 0.42 (0.20%)	214.77 × 2	214.46	1 @ 10:57 pm	214.99 × 1	+ 8.46	4.11%
CMCSA	Comcast Corporation	51.90 × 9	51.80	27 @ 9:00 pm	52.13 × 2	– 0.54	1.03%
IVV	364.20 + 0.21 (0.06%)	364.01 × 4	363.99	9 @ 9:00 pm	364.51 × 210	– 0.52	0.14%
NKE	NIKE, Inc.	135.21 × 1	135.54	11 @ 9:00 pm	135.99 × 2	+ 0.84	0.62%
ABBV	AbbVie Inc.	104.00 × 1	104.20	11 @ 9:02 pm	104.25 × 1	+ 0.24	0.23%
COST	387.75 + 0.00 (0.00%)	387.75 × 1	387.75	9 @ 10:57 pm	388.30 × 1	+ 3.53	0.92%

Market milestones

The stock market notched strong gains in November 2020



SOURCE: FactSet. Data as of market close on November 30, 2020.

CNBC

The Dow's November winners

The 15 best-performing stocks in the Dow Jones Industrial Average in November 2020

Security Name	Ticker	November Return
Boeing	BA	45.9%
American Express	AXP	30.0%
Chevron	CVX	25.4%
Honeywell International	HON	23.6%
Walt Disney Company	DIS	22.1%
Goldman Sachs	GS	22.0%
JPMorgan Chase	JPM	20.2%
Cisco Systems	CSCO	19.8%
Dow, Inc.	DOW	16.5%
Visa Class A	V	15.8%
NIKE Class B	NKE	12.2%
Walgreens Boots Alliance	WBA	11.7%
IBM	IBM	10.6%
Caterpillar	CAT	10.5%
UnitedHealth Group	UNH	10.2%

SOURCE: FactSet. Data as of market close on Monday, November 30.

CNBC

The Global Stocks Listed in US (1 Month Performance)

Some of What I Like

3USL[1*]
WisdomTree S&P 500 3x Daily Leveraged

SQ.[1*]
Square Inc Common Stock USD0.0000001

TTD[1*]
Trade Desk Inc USD0.000001 A

TTGT[1*]
Techtarget Inc USD1

PYPL[1*]
Paypal Holdings Inc USD0.0001

PAYC[1*]
Paycom Software Inc USD0.01

DLTR[1*]
Dollar Tree Inc Common Stock USD0.01

NETC[1*]
Netcompany Group A/S DKK1

Lam RESEARCH

OVERVIEW

As a trusted, collaborative partner to the world's leading semiconductor companies, Lam Research is a fundamental enabler of the silicon roadmap. In fact, today, nearly every advanced chip is built with Lam technology.

Our innovative wafer fabrication equipment and services allow chipmakers to build smaller, faster, and better performing electronic devices. We combine superior systems engineering, technology leadership, a strong values-based culture, and unwavering commitment to customer success to accelerate innovation, enabling our customers to shape the future.

KEY FACTS

Founded: January 1980
Revenue: ~$9.5 Billion (CY 2019)
R&D: ~$1.2 Billion (CY 2019)
Employees: ~10,700 (CY 2019)
Headquarters: Fremont, California
Stock ticker – Nasdaq: LRCX

Just because Buffett Likes It…

Doesn't mean you have – but check out my value growth income rating on these yourself.

These are the top holdings of Warren Buffett as of 2020-09-30 in the order of significance.

Ticker	Company	Shares (1000)	Value ($Mil)	Weighting (%) ↓	Share # Change from Last Period	Current Price ($)	Price Change Since Quarter End (%)
AAPL	Apple Inc	944,295,554	109,358,868	47.78%	-3.70%	120.3	3.9%
BAC	Bank of America Corp	1,010,100,606	24,333,323	10.63%	+9.20%	27.58	14.5%
KO	Coca-Cola Co	400,000,000	19,748,000	8.63%		53.85	9.1%
AXP	American Express Co	151,610,700	15,198,971	6.64%		118.67	18.4%
KHC	The Kraft Heinz Co	325,634,818	9,752,763	4.26%		32.15	7.3%
MCO	Moody's Corporation	24,669,778	7,150,535	3.12%		275.54	-4.9%
USB	U.S. Bancorp	131,961,832	4,730,833	2.07%		44.28	23.5%
CHTR	Charter Communications Inc	5,213,461	3,254,972	1.42%		641.41	2.7%
DVA	DaVita Inc	36,095,570	3,091,586	1.35%	-5.25%	113.14	32.1%
WFC	Wells Fargo & Co	127,380,440	2,994,716	1.31%	-46.38%	24.9	5.9%
VRSN	VeriSign Inc	12,815,613	2,625,279	1.15%		194.88	-4.9%
BK	Bank of New York Mellon Corp	72,357,453	2,484,755	1.09%		39.71	15.6%
GM	General Motors Co	80,000,000	2,367,201	1.03%	+7.12%	42.13	42.4%
V	Visa Inc	9,987,460	1,997,192	0.87%		212.7	6.4%
ABBV	AbbVie Inc	21,264,316	1,862,541	0.81%	New Buy	98.36	12.3%
MRK	Merck & Co Inc	22,403,102	1,858,337	0.81%	New Buy	80.18	-3.3%
BMY	Bristol-Myers Squibb Company	29,971,194	1,806,963	0.79%	New Buy	64.5	7.0%
AMZN	Amazon.com Inc	533,300	1,679,217	0.73%		3131.06	-0.6%
MA	Mastercard Inc	4,564,756	1,543,664	0.67%		335.45	-0.8%

These are the top sales of Warren Buffett as of 2020-09-30 in the order of significance.

Ticker	Company	Current Shares (1000)	Value ($Mil)	Impact to Portfolio (%) ↓	Share # Change from Last Period	Average Cost	Current Price ($)	Price Change(%)
AAPL	Apple Inc	944,296	113,599	-1.64%	Reduce -3.7%	$109.02	$120.3	10.3%
DVA	DaVita Inc	36,096	4,084	-0.08%	Reduce -5.25%	$85.39	$113.14	32.5%
WFC	Wells Fargo & Co	127,380	3,172	-1.39%	Reduce -46.38%	$24.66	$24.9	1.0%
AXTA	Axalta Coating Systems Ltd	23,420	663	-0.01%	Reduce -2.7%	$23.16	$28.3	22.2%
LBTYA	Liberty Global PLC	18,010	405	-0.01%	Reduce -6.73%	$22.47	$22.5	0.1%
GOLD	Barrick Gold Corp	12,000	310	-0.12%	Reduce -42.64%	$28.46	$25.86	-9.1%
MTB	M&T Bank Corp	2,920	371	-0.08%	Reduce -35.64%	$102.25	$126.92	24.1%
PNC	PNC Financial Services Group Inc	1,920	242	-0.18%	Reduce -64.12%	$107.55	$126.29	17.4%
JPM	JPMorgan Chase & Co	967	113	-0.99%	Reduce -95.64%	$98.2	$117.3	19.5%

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This article sums up why I want people to be their own fund managers and not just trust 'experts' to manage their money:

THE TIMES | Today's sections | Past six days | Explore

£1bn cost of sitting in a poor fund

Ali Hussain

Sunday November 29 2020, 12.01am, The Sunday Times

Customers of St James's Place paid the most, with a bill of £583 million
ALAMY

Investors paid more than £1 billion in fees over a year for funds that did not offer good value for money.

Customers of St James's Place (SJP), Britain's largest wealth manager, paid the most, with a bill of £583 million for investment in 18 funds whose performance the firm itself has concerns about. They include the £780 million Diversified Bond fund costing 1.55 per cent a year, which is up 11.2 per cent over five years compared with a sector average of 17.5 per cent. The £482 million Alternative Assets fund costs 1.78 per cent and is down 15 per cent over five years, compared with a sector average increase of 30 per cent.

Of course the reason private investors get it wrong can be summarised:

WHY DO PRIVATE INVESTORS GET IT WRONG

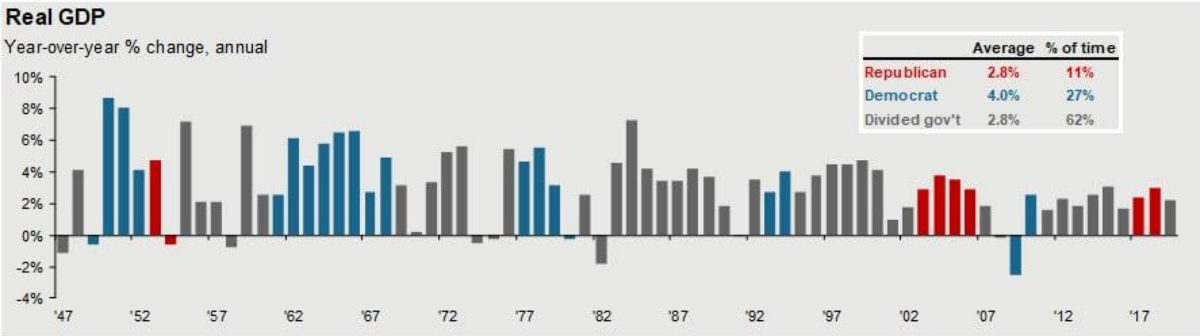
Winning Financial Times Competition	Ordinary Poor Performing Private Investor
Know the Data That's Important	Doesn't Know What to Look At
Clear Specific Strategy for Rising and Falling Markets	No Strategy
Adds only to Quality Picks	Adds to Poor Quality Losers
Has Strategy so Always Knows What to Do	Panics on Profit. Panics on Losses
Shrewd on What Pays For	Expensive Subscriptions
Access to High Quality/High Value Super-Rich Info	Relies on Journalists & Brokers
Efficient	Spends Hours & Confused

The US Election is Not Over & Neither is Brexit

Big diff between split and Democratic Congress with a Democratic President. We will know next week if split or Democratic Congress.

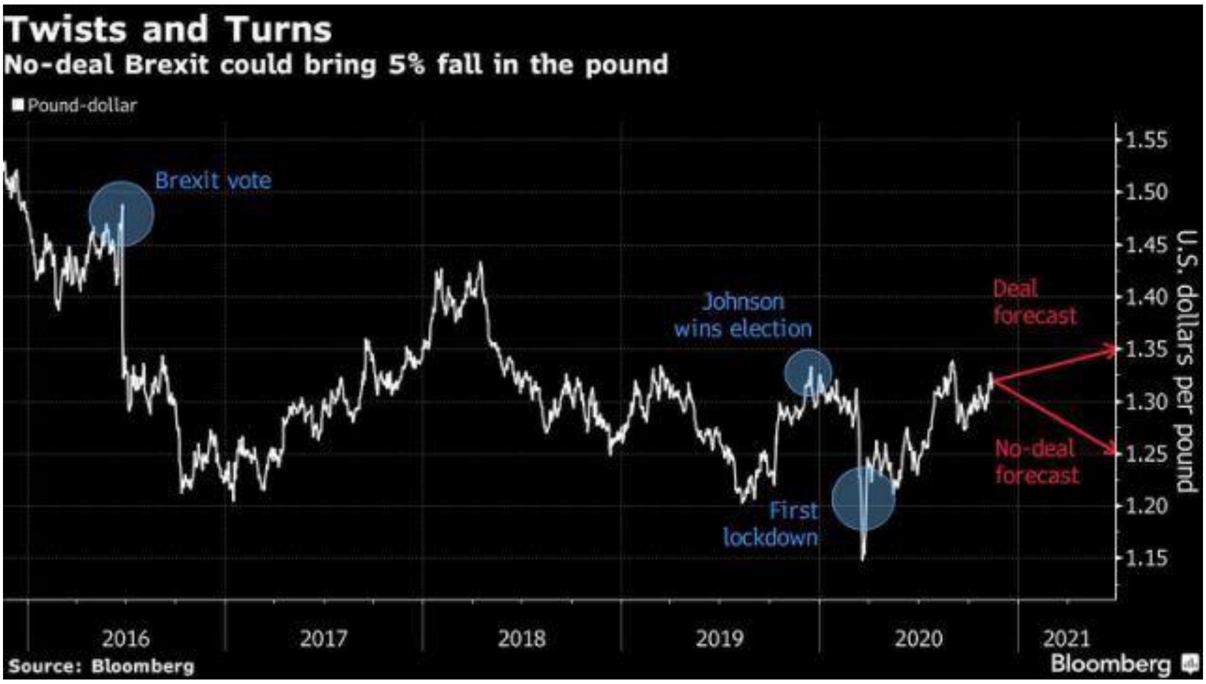
Dow Jones Industrial Average Performance		
When U.S. government has:	% gain/annum	% of time
Democratic President, Republican Congress	9.1%	10.1%
Democratic President, Split Congress	10.4%	3.4%
Democratic President, Democratic Congress	7.2%	33.4%
Republican President, Republican Congress	7.3%	23.5%
Republican President, Split Congress	-2.9%	11.5%
Republican President, Democratic Congress	2.4%	18.4%

Source: Charles Schwab.

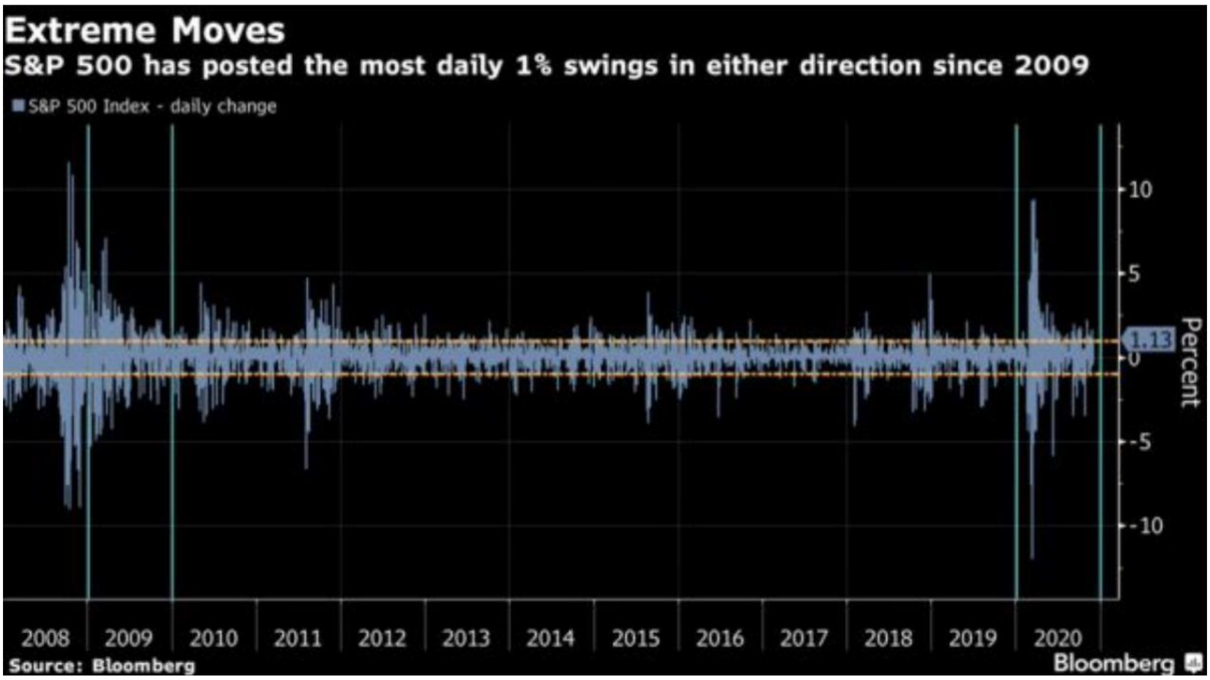


For those thinking they will time their investments – don't. I buy and hold for 12 months and review and have the 15-12-25 rule. 15 stocks roughly, for 12 months, and if any drops 25% from the peak of when I purchased, then exit. I have kept it simple. You could of course nuance it. But complications lead to lack of discipline.

As for Brexit:



What To Do In a Stock Market Collapse



Imagine you own a stock that month on month extending over several years produces a consistently rising share price. In the space of two and a half years you have a 900% return. You see the price double in a year, but on one particular day, the stock has dropped 40% compared to the previous day. A full year's worth of gains erased in a few hours. What does an online trader do?

The culprit under scrutiny is not exactly a fly by night high risk penny share company.

However, the sharp share price fall could have been in any company, and most people will have experienced this difficult situation I was recently faced with. Only now do I feel able to talk about it – after much psychotherapy. The cause of the fall, as is often the case with such events, was an earnings announcement.

Choices in a Stock Market Collapse

An online trader in this situation has three choices. You can buy more stock, do nothing, or sell out. The argument for buying more stock could be that it is now 'cheaper', that such an unusually large drop may have been a market over-reaction and represent a buying opportunity.

I do not consider buying more to be a good idea after such a traumatic event to the stock price. If I have bought the stock based on certain criteria, such as expectations about growth, earnings, profits, then I would now be buying this stock right after an announcement telling me that I was wrong.

In any event, a buy decision on any stock should also be based on a comparison to opportunities elsewhere. A company having made a negatively interpreted earnings announcement is rarely going to be one of the best buy opportunities around.

Option 2

The second option is to do nothing. This may well be attractive if I had bought the stock to buy and hold until retirement. You see I feel life is too short to buy and hold until the day before I die, and spend the money on my death-bed.

The danger of doing nothing in this situation is that we are choosing to ignore a very important piece of market information. Buy and hold is one thing, buy and hope is quite different.

Option three is to sell some or all of the holdings. This is a difficult choice for most traders because, as Pat Arbor the former Chairman of the Chicago Board of Trade explains in The Mind of a Trader, ‘a loss is not just a loss of money but a blow to the ego’. Needless to say I do not suffer from such ego problems!

as Pat Arbor the former Chairman of the Chicago Board of Trade explains in The Mind of a Trader, ‘a loss is not just a loss of money but a blow to the ego’. Needless to say I do not suffer from such ego problems!

Managing Your Ego In a Market Collapse

A loss is also difficult to face because many traders feel that they need to win on every trade. The important thing is not the number of winners you have, but how much money you make. They two are not always directly linked. I know many traders who win nine trades in a row only to lose on the tenth all the previous nine gains.

But how does one know whether the stock has fallen to the point where it should be sold? There are many reasons why one may wish to sell a stock, but there is one over-riding rule that should be used in order to limit downside risk. The rule, taken this time from Bill Lipschutz, former Global Head of Forex at Salomon Brothers presented in The Mind of a Trader, is to only risk about 2% of your total trading capital on any single trade.

For instance, if you have £20,000 to trade with, and divide that into 20 portions of £1000 in order to reduce risk through diversification, then you should not suffer a loss greater than £200 on any single £1000 trade. That is because £200 is 2% of your total trading capital of £20,000. With the downside protected, you could go through prolonged losing streaks without the fear that you will exhaust your capital. Again, a buy and holder may well just hold on.

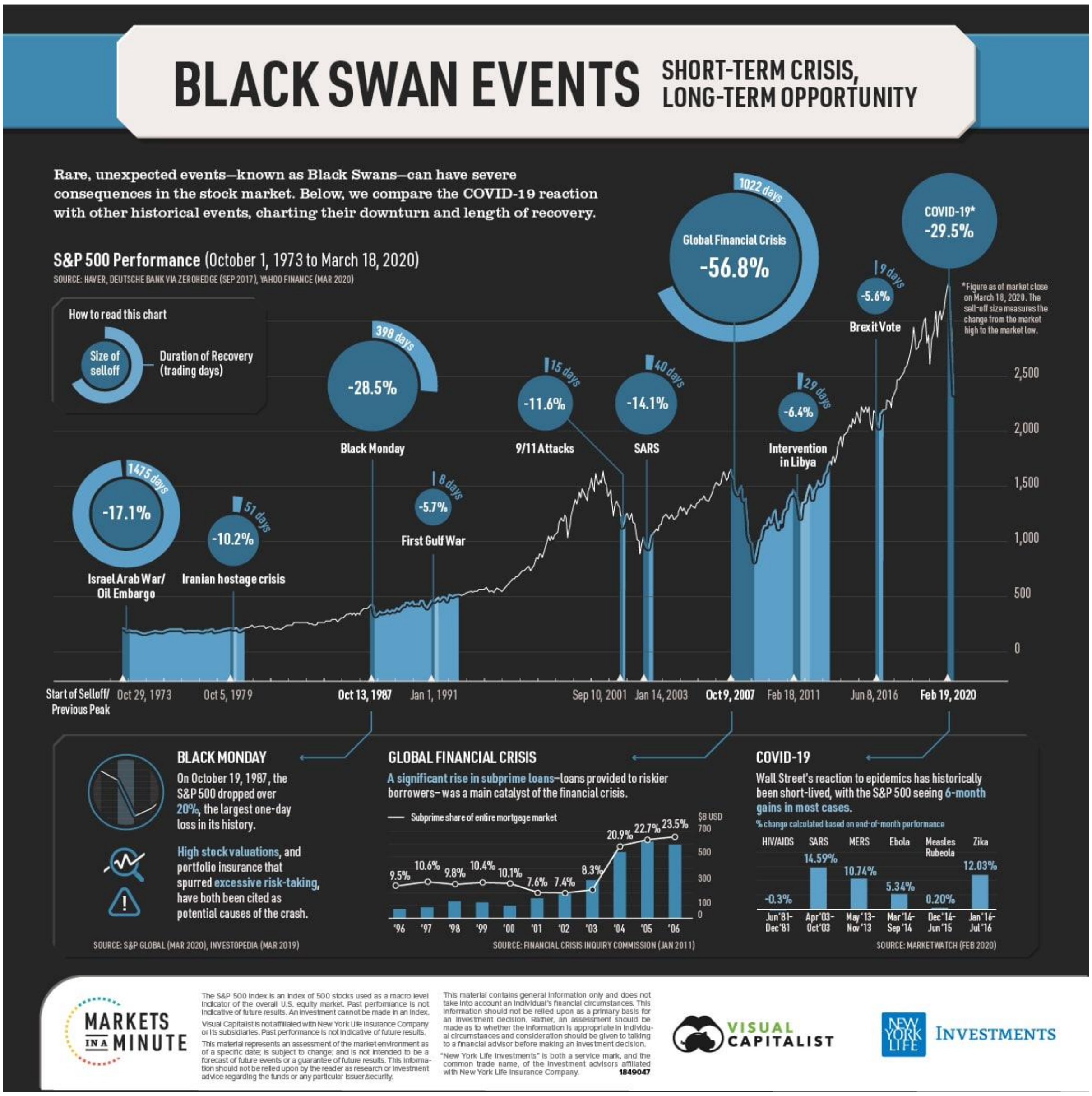
Learn to Love Your Small Losses

Equally important to learning to love your small losses, so you can redeploy the capital into a more fruitful trading opportunity, is to learn something from those losses – after all if I have paid the market something, I sure want to get some value out of the expense.

So what did I learn from such falls? Perhaps more analysis? Well, the company where this happens more often than not had revenue growth that doubled the previous year, decreasing expenses year on year, increasing operating income, reduced debt and interest expenditure thereby increased earnings per chare each year resulting in strong share price growth.

An important lesson I was reminded of was that expectations drive prices, even for very profitable companies. If earning miss expectations then even if they and revenue, assets etc. grow, the price can drop. But that is trading for beginners, there was a more important lesson.

Price jumps because what occurred was unexpected. The unexpected by definition is very difficult to, well, expect. It is unforeseeable, and that is why once it occurred the price jumped downwards. The ultimate lesson from this was that '**it happens', so deal with it. Follow the 2% rule to limit risk. Of course you are free to try sell well before facing a 2% loss, the rule is just an absolute bottom line to protect trading capital.



JP Morgan Just Said This Stock Is Worth Buying: Wrong - Why You Should Be Your Own Investment Manager

So like most of you I get email alerts from investment banks wealth divisions on stocks. JP Morgan just sent me one on a company. I am going to do an experiment. To teach you why they are wrong and you should be your own fund manager, managing your own 15-20 investments in your stock portfolio.

This is what JP Morgan (Stephen Tusa) said, "[We] see the stock as being relatively cheap compared to close peers within the Fab Tech and Med Tech space with significant upside post COVID-19 that does not appear to be entirely realized in the valuation as of yet compared to the peer FY2 expectations. CFX has strong brands and franchises… and an underappreciated productivity opportunity with primary end market bounce back in Fab Tech and demand spikes in Med Tech.”

Tusa backs his upbeat comments with an Overweight (i.e. Buy) rating and a $52 price target indicating his confidence in a 38% one-year upside.

Elsewhere on the web, I found easily this information:

Colfax, a niche manufacturing company. Colfax produces a range of equipment for the welding, medical device, and air and gas handling markets, ranging from medical equipment for joint reconstruction to welding helmets and cutting torches. While it may sound incongruous, the combination works for Colfax, and the company is experiencing a turnaround from corona crisis losses in 2Q20.

The third quarter earnings, at 41 cents per share, showed both good and bad. It was down 32% year over year, but has more than quadrupled sequentially and beat the estimates. Revenues were up 29% sequentially, coming in at $805 million. Management expects to see continued sequential improvements through the remainder of 2020, and predicts full-year earnings in the range of 45 cents to 50 cents per share.

But All Is Not Right

The problem is analysts have to be busy and encourage trades - else how will banks make money? You as a private investor don't have to churn and come up with lots of ideas. The problem with JP Morgan's pick is this:

Whilst it does indeed have good valuation and growth and a good story, if I were looking at Industrial Engineering which is the sector it is in, I prefer a company with better metrics. Better cash-flow and return on capital; lower price volatility and better returns and a better balance sheet.

So here is the experiment. I pick CDW Corp - a provider of education services to Government entities like schools, ticks many more boxes. Let's see who wins over 12 months shall we?

Conclusion

The point is, this job is not as hard as over paid analysts at global investment banks would have you believe and I will prove it. Watch the two stocks perform over the year.

Bitcoin Rally: Is It Really Different This Time?

A lot of professional economists now live their lives to bash and criticize cryptocurrencies and their place in the modern world. Evidence of this is abound through a cursory look on Twitter, or Linkedin or Facebook. It’s more divisive than the Brexit and the American President – or at least feels it.

I think the reason for them constantly throwing the *bubble* buzzword out there all the time is because they are not looking beyond the surface of what these cryptocurrencies are built on. As well as economists, you have governments and banks who are also determined to write off these digital assets as snake oil, and frauds. Makes you wonder if something is so worthless why millions of nothing gets stolen in online heists each month?

They are acting like spoilt brats who have just had their toy taken off them, so if they can play with a toy no one else can either, this is the attitude of people right now in high up official positions.

In case you need reminding why Crypto is different to a Tulip…

Institutional Money : Bitcoin?

84 funds were launched in 2017 focused on Crypto[1]. That's an estimated $2 billion of assets under management. 2018 is bound to see in my view a Crypto exchange traded fund. This is a natural progression from the CBOE and CME futures on Cryptos.

Blockchain and Bitcoin Being Different

"Yes, the blockchain may seem like the very worst of speculative capitalism right now, and yes, it is demonically challenging to understand. But the beautiful thing about open protocols is that they can be steered in surprising new directions by the people who discover and champion them in their infancy. Right now, the only real hope for a revival of the open protocol ethos lies in the blockchain" says the New York Times. [2]

The launch of cryptocurrencies have unleashed a new wave of technology that can bring about a new understanding and new way of doing things. Technology like blockchain has opened up a new level of trust between people, by way of decentralised databases.

CryptoKitties, a blockchain company, hit sales of $12m in their first month.[3] First month.

There's no doubt that blockchain technology is absolutely here to stay, and shift focus from centralised applications to decentralised applications. If you are unaware of what blockchain is, it is an open ledger that allows for information to be distributed but not copied, and it is currently creating a new type of Internet.

You see, information that is held on a blockchain network exists as a shared and continually reconciled database. The *shared* aspect is the most important and offers the most benefits, when compared to a centralised database, because the database isn't stored in any single location, like a data centre for example, but rather it is spread out across an entire network, which makes it extremely difficult for any hacker to corrupt.

This type of storage technique is why blockchain would be great at transforming the financial infrastructure in the modern world, because it removes the need for trust between corporations and people. Since Bitcoin's launch in 2009 the use of blockchain has become more widespread, people have begun to see the obvious benefits to such a technology and the way it can improve services.

Initial Coin Offerings

Cryptocurrencies have brought about a new method of raising capital, that trumps the previous way of approaching venture capitalists and angels. Now, you don't need to approach anyone, the investors flock to you, by means of initial coin offerings which have gained momentum in 2017 with various platforms launching their own ICOs to raise funds. $3.7 billion was raised via ICOs in 2017.[4]

Take Filecoin who launched their own ICO and managed to raise $257,000,000[5] in funding in exchange for SAFTs or *Simple Agreements for Future Tokens*. Filecoin was so successful that it attracted the attention of notable venture capital firms such as **Sequoia Capital** and **Union Square Ventures**.[6]

Now with the media narrative claiming that cryptocurrencies are all caught up in giant bubbles and are likely to pop "*any day*", then ask yourself why credible venture capital firms are so eager to get in on the action?

When you consider that ICOs are going to get easier because of platforms like CoinList and Balanc3 which make due diligence and accounting and reporting easier[7], you can see why ICOs will almost certainly grow in 2018.

Of course there will be regulation – this will spur not hinder growth – the right kind of growth.

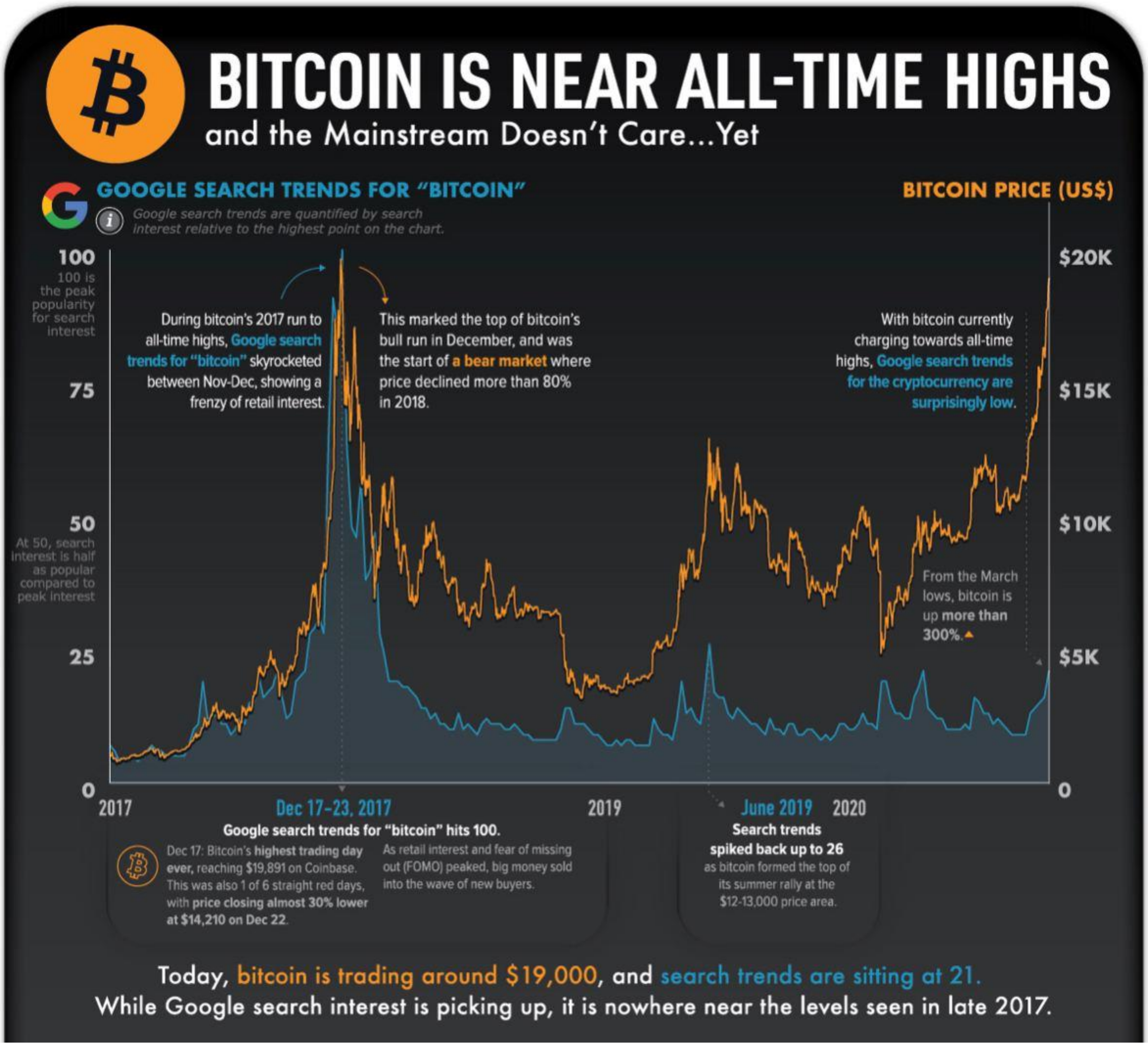
Global Acceptance

There's no doubt that cryptocurrencies are here to stay, with so much attention that is being thrown in that general direction, it will be a matter of time before there is global acceptance if these digital coins. 2018 is expected to see the number of people who own cryptocurrencies triple, with drivers of this adoption will be because of the positive connotation of holding digital value. Not only that but it is becoming easier for people to gain access to cryptocurrencies as an investment, with platforms like Coinbase and Binance taking steps to make the process a lot less cumbersome.

Soon we will start to see global companies jump on the bandwagon when they realise the only way to utilise the technology for their benefit is to hop on board. It goes back to that old adage, "*first they ignore you, then they laugh at you, then they fight you, then you win*". In my eyes, global authorities won't have the power to destabilize the cryptocurrency market, but rather be forced to join it and it has already started with cryptocurrency futures being launched on the global stock exchanges. There is only one way for cryptocurrencies to go, and that is up and up, there is no bubble, just speculators who don't understand.

Conclusion: Bitcoin Rally: Is it Really Different This Time?

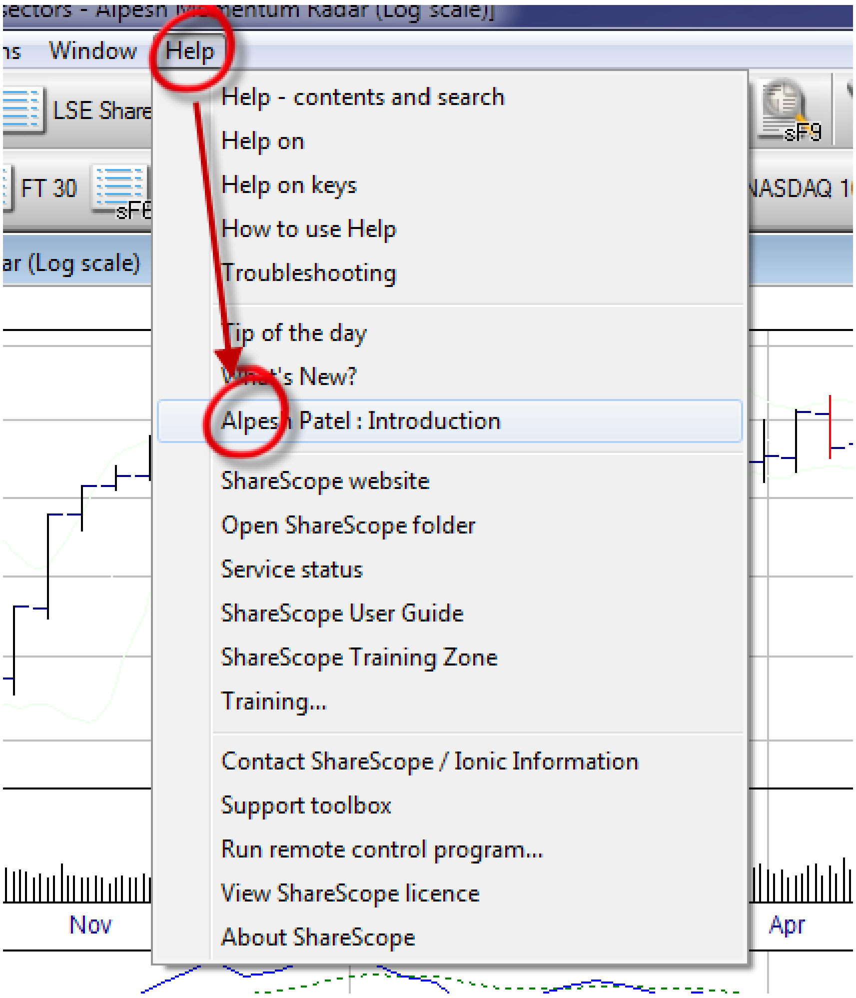
The best risk/reward strategy I can think of is to use risk capital, allow three years in which you will either double your money or lose 75% of it. If you like those odds great. Once you double, then take out your original capital if risk-averse, or place a stop loss if it drops 25% (or a figure to suit your risk appetite) from the highest point since you bought it .



BITCOIN IS NEAR ALL-TIME HIGHS
and the Mainstream Doesn't Care...Yet
GOOGLE SEARCH TRENDS FOR "BITCOIN"
Google search trends are quantified by search interest relative to the highest point on the chart.
BITCOIN PRICE (US$)
100 is the peak popularity for search interest
At 50, search interest is half as popular compared to peak interest
During bitcoin's 2017 run to all-time highs, Google search trends for "bitcoin" skyrocketed between Nov-Dec, showing a frenzy of retail interest.
This marked the top of bitcoin's bull run in December, and was the start of a bear market where price declined more than 80% in 2018.
With bitcoin currently charging towards all-time highs, Google search trends for the cryptocurrency are surprisingly low.
From the March lows, bitcoin is up more than 300%.
2017
Dec 17-23, 2017
Google search trends for "bitcoin" hits 100.
Dec 17: Bitcoin's highest trading day ever, reaching $19,891 on Coinbase. This was also 1 of 6 straight red days, with price closing almost 30% lower at $14,210 on Dec 22.
As retail interest and fear of missing out (FOMO) peaked, big money sold into the wave of new buyers.
2019
June 2019
2020
Search trends spiked back up to 26 as bitcoin formed the top of its summer rally at the $12-13,000 price area.
Today, bitcoin is trading around $19,000, and search trends are sitting at 21.
While Google search interest is picking up, it is nowhere near the levels seen in late 2017.

Help Page

Some interesting things you might like:



Personal

I'm doing a lot of virtual talks promoting technology entrepreneurship in the UK.