12 March 2024

Overview

Bumper issue for December and more importantly January and my annual picks of the year (see below).

9 New Year Investing Resolutions

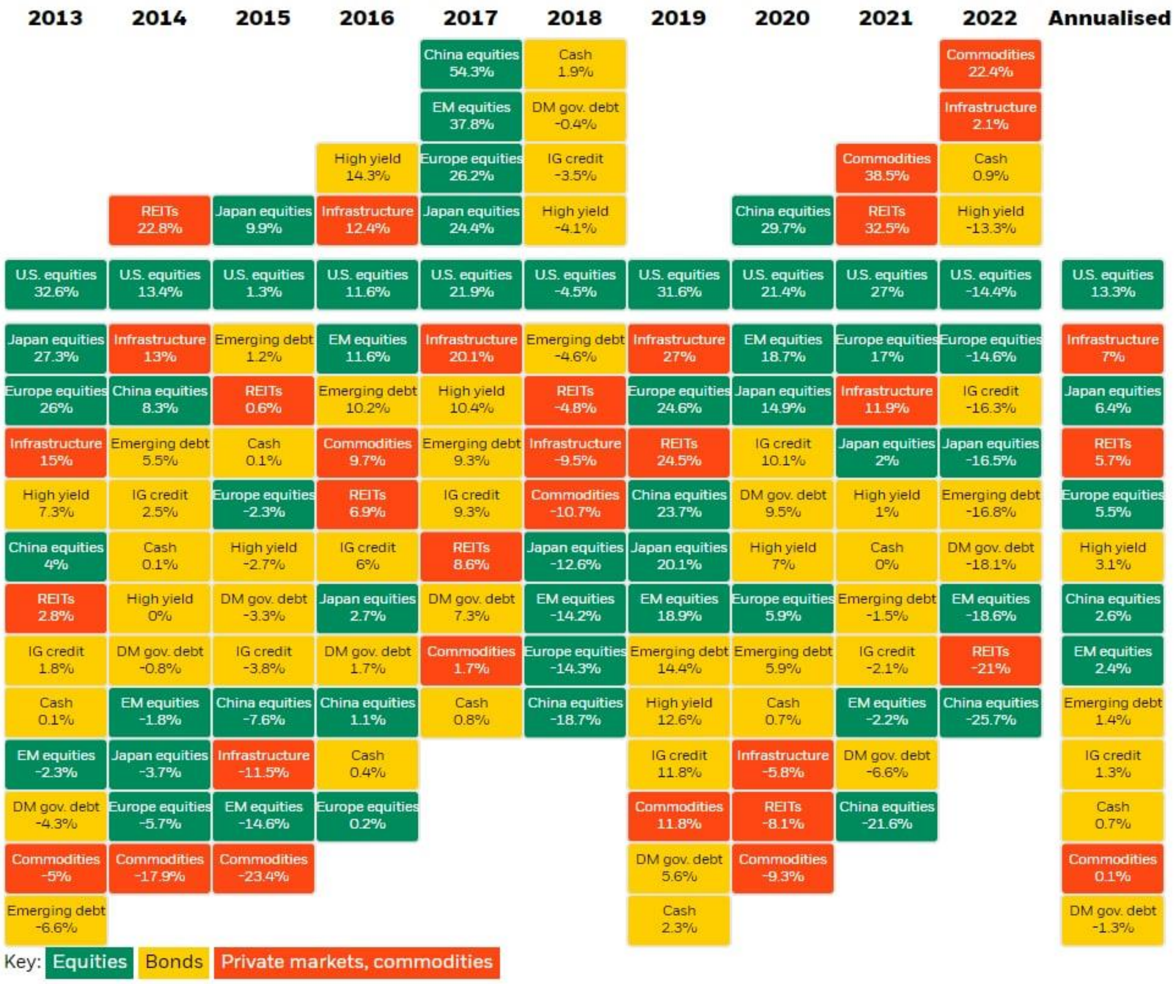
And this too shall pass - that's the lesson from the stock market we can learn. Through conflicts, wars, crisis, pandemics, shocks. And you think your life has bumps.

Cautiously Optimistic

Survey participants see some gains for stocks, bonds in 2023

	S&P 500	EUR/USD	USD/CNH	US 10y Yield	WTI	Gold	Bitcoin
Max	5,800	1.6	8.0	6.5%	$150	$3,500	$120,000
Min	2,000	0.8	5.6	1.0	36	1,245	1,000
Median	4,000	1.1	7.0	3.5	80	1,850	12,500

Source: MLIV Pulse survey Dec. 19-29.
NOTE: Estimates reflect participants' year-end forecasts



Past performance is not a reliable indicator of current or future results. It is not possible to invest directly in an index.
Sources: BlackRock Investment Institute, with data from Refinitiv Datastream, **1 December 2022.**

So much to be positive about. Early signs are investors are taking last year's gains in healthcare and energy and putting the money into beaten down stocks of last year with good fundamentals eg tech – but let's dive deeper. I've sold Abbvie and Eli Lilly for instance and bought nVidia, Taiwan Semi, Tesla. More below.

So, if you're looking for a New Year Investing Resolutions here are some good ones Jim Simmons (hedge fund manager) and Warren Buffett have in common:

1. Invest in what you know: Both Buffett and Simmons recommend investing in companies and industries that you understand. This can help you make informed decisions about the potential risks and rewards of an investment.

2. Don't chase after short-term gains: Both investors advocate a long-term approach to investing, and advise against trying to time the market or chase after short-term gains.

The Bull/Bear case outlook for global equities.

Index	Current Price	New Target Price - Dec 2023 (% From Current Levels)		
		Bull	Base	Bear
S&P 500	3,956	4,200	**3,900**	3,500
		6%	-1%	-12%
MSCI Europe	1,740	2,060	**1,790**	1,485
		18%	3%	-15%
TOPIX	1,937	2,450	**2,150**	1,670
		27%	11%	-14%
MSCI EM	890	1,130	**1,000**	730
		27%	12%	-18%

Source: Bloomberg, Haver Analytics, Morgan Stanley Research forecasts

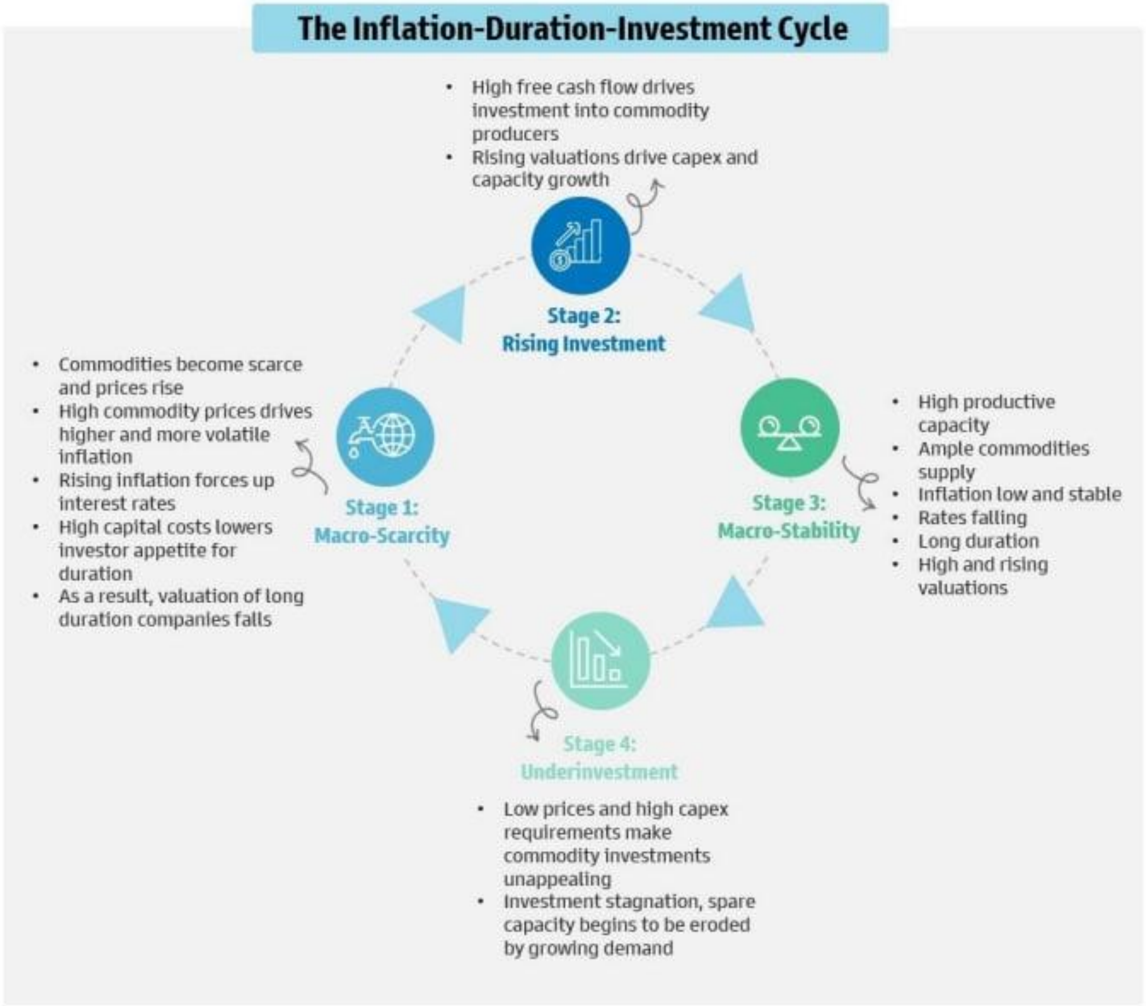
3. Diversify your portfolio: Both Buffett and Simmons recommend diversifying your portfolio to spread risk and increase the chances of earning consistent returns over the long term. Consider mid and large caps and look at correlations to the market.

4. Keep your costs low: Both investors recommend minimizing costs, such as trading fees and fund expenses, to maximize returns.

5. Be patient: Both Buffett and Simmons advise investors to be patient and avoid making hasty decisions based on short-term market fluctuations.

6. Avoid leverage: Both investors caution against using leverage, or borrowing money to invest, as it can increase risk and amplify losses. Max I use for limited periods is 2x leverage on low volatility equities.

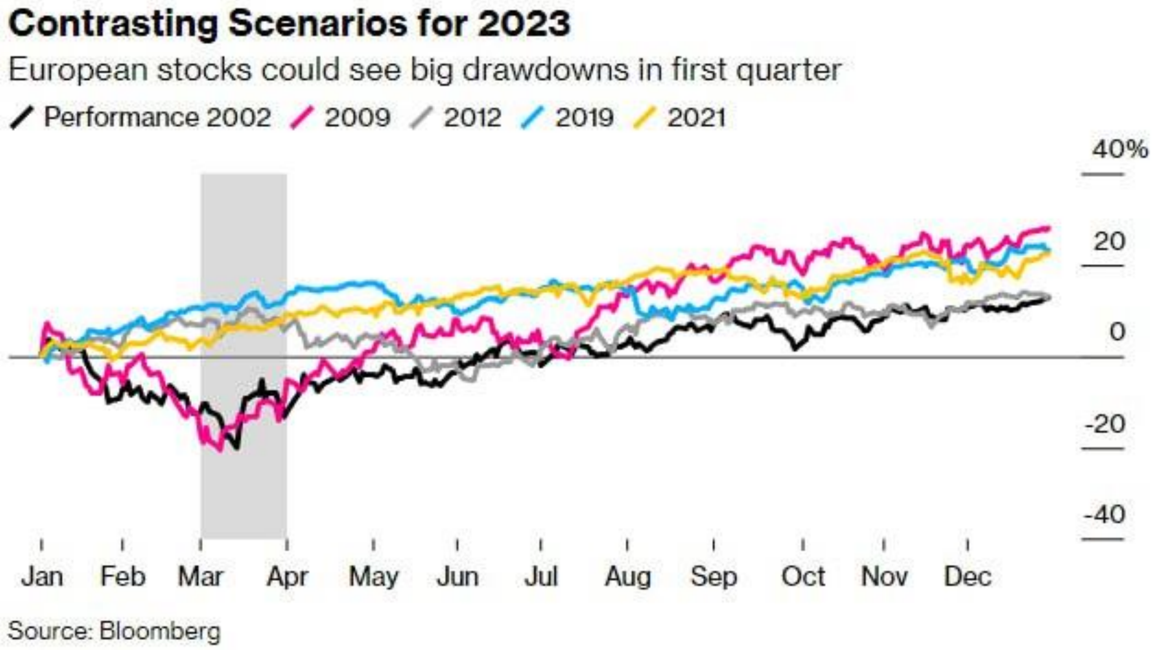
7. Don't get caught up in market hype: Both investors advise ignoring market hype and focusing on the underlying fundamentals of a company instead.



Source: Goldman Sachs Global Investment Research

8. Stay disciplined: Both investors recommend sticking to a disciplined investment strategy and avoiding emotional decisions.

9. Keep learning: Both Buffett and Simmons emphasize the importance of continuously learning and staying up to date on market developments.



2023 Stock Market Predictions

Take a look at the forecasts for 2023 for the US market and stocks from big banks and hedge funds.

Despite a looming recession in the U.S., Deutsche Bank expects global equities to drop sharply by mid-2023. According to Deutsche Bank chief economist David Folkerts-Landau, major stock markets will plunge 25% when the U.S. recession hits but then recover completely by year-end 2023, assuming the recession lasts only several quarters.

In 2023, Goldman Sachs Research predicts the bear market in stock markets will intensify before giving way to more hopeful signals. Goldman Sachs Research predicts that the global stock market will enter its “hope” phase later this year.

Recovery usually begins during recessions when valuations rise. In the past, investing in stocks after the bottom produced better returns than investing before it: average 12-month returns are higher after the bottom than before. Therefore, Goldman Sachs strategists think it's too early to position for a bull market transition

Unfortunately, Federal Reserve interest rate hikes and high inflation aren't going anywhere in the near future. The U.S. economy could do much better in 2023 if the Fed controls inflation and navigates a soft landing.

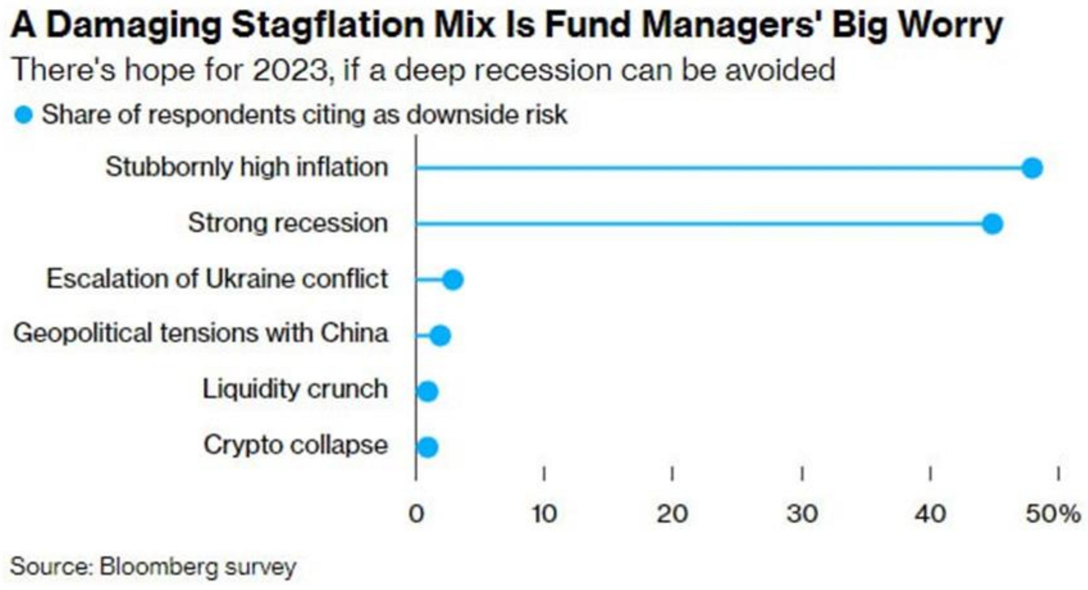
According to CME Group, there is an 86% chance of another Fed rate rise by June 2023. The first quarter of 2023 is expected to see a 1.7% rise in earnings for the S&P 500, but only a 1.7% decline in the fourth quarter of 2022.

With good earnings momentum, U.K. equities offer significant value in a currently undervalued currency. U.K. listed equities should benefit from nominal growth in an undervalued market. Some of the most likely beneficiaries will be high-quality, cash-generating companies, which form a significant part of our portfolios.

The stock of Amazon.com (AMZN) has had a terrible year so far in 2022, but Wall Street says the company is poised to outperform next year.

According to Doug Anmuth, a J.P. Morgan analyst, Amazon stock is one of the firm's top 2023 ideas. AMZN's price target of $145 was reiterated, along with an Overweight recommendation (buy).

A "mild" recession is expected to begin in the second half of 2023 as the Federal Reserve's efforts to tame inflation weigh on consumer spending and investments.

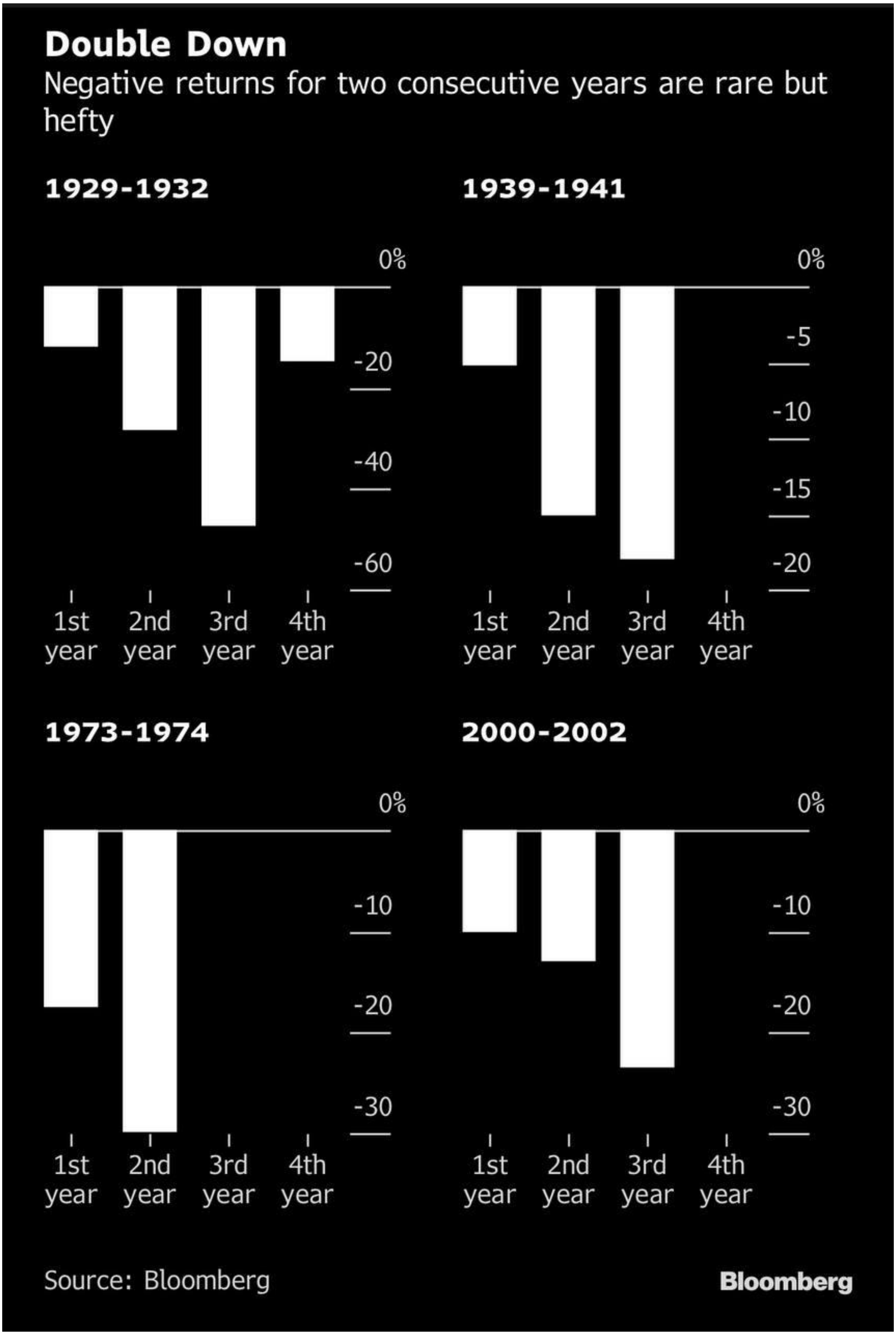


According to Gapen, the U.S. economy is expected to suffer from slower consumer spending by December 2023. Despite the continued decline in inflation, Gapen doesn't see inflation reaching the Fed's 2% target in 2023.

Bank of America reports that a large majority of Wall Street money managers expect stagflation in 2023, similar to the 1970s.

92% of funds managers in the bank's most recent survey predict low economic growth and high inflation in 2023, while only ten percent anticipate a bullish "goldilocks" scenario in which the economy avoids recession.

Rising interest rates and slowing growth further dampen the outlook for fourth-quarter U.S. earnings after a disappointing third quarter.



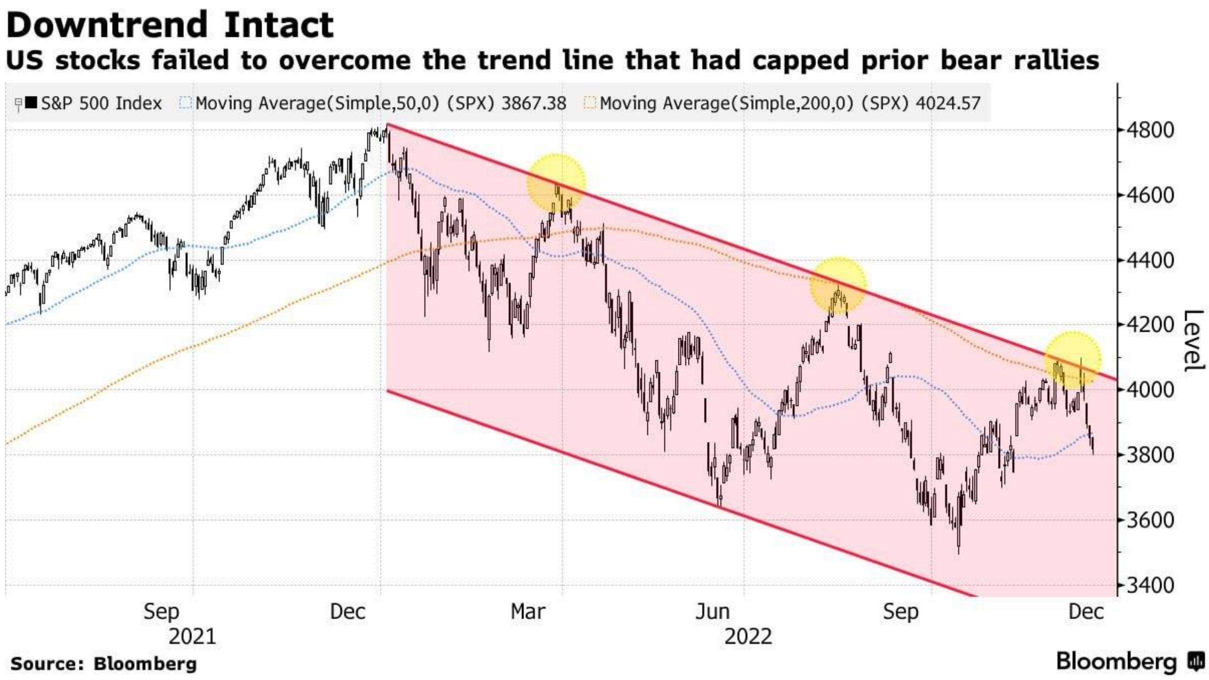
Double Down
Negative returns for two consecutive years are rare but hefty
1929-1932
0%
-20
-40
-60
1st year
2nd year
3rd year
4th year
1939-1941
0%
-5
-10
-15
-20
1st year
2nd year
3rd year
4th year
1973-1974
0%
-10
-20
-30
1st year
2nd year
3rd year
4th year
2000-2002
0%
-10
-20
-30
1st year
2nd year
3rd year
4th year
Source: Bloomberg
Bloomberg

IBES data from Refinitiv showed analysts were expecting S&P 500 earnings to decline 0.4% year over year in the fourth quarter. According to their forecast on Oct. 1, the increase would be 5.8%.

Ethan Harris, an economist at the University of Texas at Austin, says the Federal Reserve might not be able to control inflation without tipping the U.S. economy into recession.

In Harris's projections, the Federal Reserve will increase interest rates by another 0.5% in December and February and another 0.25% in March, bringing the terminal fed funds rate range to 5%-5.15 percent.

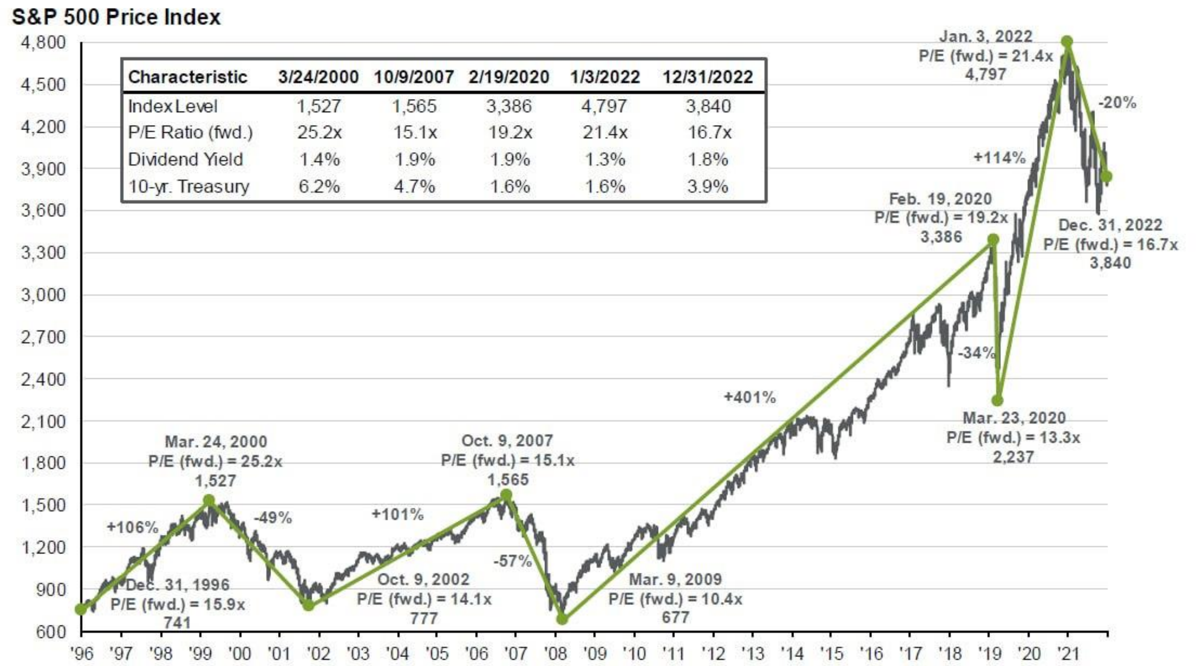
JP Morgan Asset Management recently released its Long-Term Capital Market Assumptions (LTCMAs). As a result of lower valuations and higher yields in asset markets today, these projections provide a 10- to 15-year view of risks and returns. Over the next 10–15 years, a USD 60/40 stock-bond portfolio is expected to generate an annual return of 7.20%, up from 4.30% last year.



Since the above image was produced the market is testing again the upper resistance. After three ‘knocks’ conventional wisdom is the ceiling cracks.

I like the mosaic below. I am getting early signs Financials and Tech may do well. But see what and when I cautiously buy in these newsletters.

But we are not ‘cheap’.



Characteristic	3/24/2000	10/9/2007	2/19/2020	1/3/2022	12/31/2022
Index Level	1,527	1,565	3,386	4,797	3,840
P/E Ratio (fwd.)	25.2x	15.1x	19.2x	21.4x	16.7x
Dividend Yield	1.4%	1.9%	1.9%	1.3%	1.8%
10-yr. Treasury	6.2%	4.7%	1.6%	1.6%	3.9%

Source: Compustat, FactSet, Federal Reserve, Refinitiv Datastream, Standard & Poor's, J.P. Morgan Asset Management.
Dividend yield is calculated as consensus estimates of dividends for the next 12 months, divided by most recent price, as provided by Compustat. Forward price-to-earnings ratio is a bottom-up calculation based on IBES estimates and FactSet estimates since January 2022. Returns are cumulative and based on S&P 500 Index price movement only, and do not include the reinvestment of dividends. Past performance is not indicative of future returns.
Guide to the Markets – U.S. Data are as of December 31, 2022.

															2008 - 2022	
2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Ann.	Vol.
Min. Vol. -25.7%	Value 38.8%	Small Cap 26.9%	High Div. 14.3%	Cyclical 20.1%	Value 43.2%	Value 17.7%	Momen. 9.3%	Small Cap 21.3%	Momen. 37.8%	Min. Vol. 1.5%	Cyclical 36.3%	Momen. 29.6%	Value 29.2%	Defens. 5.3%	Min. Vol. 9.5%	Small Cap 23.2%
Defens. -26.7%	Cyclical 36.9%	Multi-Factor 18.3%	Min. Vol. 12.9%	Value 16.8%	Small Cap 38.8%	Min. Vol. 16.5%	Min. Vol. 5.6%	High Div. 16.3%	Cyclical 27.3%	Momen. -1.6%	Quality 34.4%	Cyclical 27.8%	Cyclical 27.6%	High Div. -3.8%	Momen. 9.2%	Value 21.4%
High Div. -27.6%	Multi-Factor 29.8%	Momen. 18.2%	Defens. 10.1%	Small Cap 16.3%	Multi-Factor 37.4%	High Div. 14.9%	Quality 4.6%	Value 15.9%	Quality 22.5%	High Div. -2.3%	Momen. 28.1%	Small Cap 20.0%	Quality 27.2%	Min. Vol. -9.2%	Quality 9.2%	Cyclical 20.9%
Quality -31.2%	Small Cap 27.2%	Cyclical 17.9%	Quality 7.5%	Multi-Factor 15.7%	Cyclical 35.0%	Multi-Factor 14.8%	Cyclical 2.6%	Cyclical 14.0%	Value 22.2%	Defens. -2.9%	Min. Vol. 28.0%	Quality 17.1%	Multi-Factor 25.1%	Value -14.0%	High Div. 9.1%	Momen. 19.0%
Small Cap -33.8%	Quality 24.9%	High Div. 15.9%	Multi-Factor 7.3%	Momen. 15.1%	Momen. 34.8%	Momen. 14.7%	High Div. 0.7%	Multi-Factor 13.7%	Multi-Factor 21.5%	Cyclical -5.3%	Value 27.7%	Multi-Factor 11.4%	Defens. 25.0%	Multi-Factor -15.5%	Cyclical 8.9%	Multi-Factor 18.5%
Value -36.9%	High Div. 18.4%	Min. Vol. 14.7%	Momen. 6.1%	Quality 12.8%	Quality 34.3%	Cyclical 13.6%	Multi-Factor 0.4%	Min. Vol. 10.7%	High Div. 19.5%	Quality -5.6%	Multi-Factor 26.6%	Min. Vol. 5.8%	High Div. 21.9%	Momen. -17.4%	Multi-Factor 8.5%	Quality 17.0%
Multi-Factor -39.3%	Min. Vol. 18.4%	Quality 14.2%	Value -2.7%	Min. Vol. 11.2%	High Div. 28.9%	Defens. 13.0%	Defens. -0.9%	Quality 9.4%	Min. Vol. 19.2%	Multi-Factor -9.7%	Small Cap 25.5%	Defens. 5.2%	Min. Vol. 21.0%	Quality -20.3%	Defens. 8.3%	High Div. 15.7%
Momen. -40.9%	Momen. 17.6%	Value 12.7%	Cyclical -3.4%	Defens. 10.7%	Defens. 28.9%	Quality 10.7%	Small Cap -4.4%	Defens. 7.7%	Small Cap 14.6%	Small Cap -11.0%	High Div. 22.5%	High Div. 1.7%	Small Cap 14.8%	Small Cap -20.4%	Value 8.0%	Defens. 14.5%
Cyclical -44.8%	Defens. 16.5%	Defens. 12.0%	Small Cap -4.2%	High Div. 10.6%	Min. Vol. 25.3%	Small Cap 4.9%	Value -6.4%	Momen. 5.1%	Defens. 12.3%	Value -11.1%	Defens. 21.4%	Value -0.2%	Momen. 12.9%	Cyclical -27.2%	Small Cap 7.2%	Min. Vol. 13.9%

Source: FactSet, MSCI, Russell, Standard & Poor's, J.P. Morgan Asset Management. The MSCI High Dividend Yield Index aims to offer a higher than average dividend yield relative to the parent index that passes dividend sustainability and persistence screens. The MSCI Minimum Volatility Index optimizes the MSCI USA Index using an estimated security co-variance matrix to produce low absolute volatility for a given set of constraints. The MSCI Defensive Sectors Index includes: Consumer Staples, Energy, Health Care and Utilities. The MSCI Cyclical Sectors Index contains: Consumer Discretionary, Communication Services, Financials, Industrials, Information Technology and Materials. Securities in the MSCI Momentum Index are selected based on a momentum value of 12-month and 6-month price performance. Constituents of the MSCI Sector Neutral Quality Index are selected based on stronger quality characteristics to their peers within the same GICS sector by using three main variables: high return-on-equity, low leverage and low earnings variability. Constituents of the MSCI Enhanced Value Index are based on three variables: price-to-book value, price-to-forward earnings and enterprise value-to-cash flow from operations. The Russell 2000 is used for small cap. The MSCI USA Diversified Multiple Factor Index aims to maximize exposure to four factors – Value, Momentum, Quality and Size. Annualized volatility is calculated as the standard deviation of quarterly returns multiplied by the square root of 4.

Guide to the Markets – U.S. Data are as of December 31, 2022.

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The pessimists have been quiet for a while but they have ample ammunition in the image below of how deep and long market falls usually are. So be cautious and pound cost average in thereafter is the best advice.

Bull and bear markets

Bull markets			Bear markets		
Bull begin date	Bull return	Duration (months)	Market peak	Bear return*	Duration (months)*
Jul 1926	152%	37	Sep 1929	-86%	32
Mar 1935	129%	23	Mar 1937	-60%	61
Apr 1942	158%	49	May 1946	-30%	36
Jun 1949	267%	85	Aug 1956	-22%	14
Oct 1960	39%	13	Dec 1961	-28%	6
Oct 1962	76%	39	Feb 1966	-22%	7
Oct 1966	48%	25	Nov 1968	-36%	17
May 1970	74%	31	Jan 1973	-48%	20
Mar 1978	62%	32	Nov 1980	-27%	20
Aug 1982	229%	60	Aug 1987	-34%	3
Oct 1990	417%	113	Mar 2000	-49%	30
Oct 2002	101%	60	Oct 2007	-57%	17
Mar 2009	401%	131	Feb 2020	-34%	1
Mar 2020	114%	21	Jan. 2022**	-25%	9
Averages	**162%**	**51**	-	**-41%**	**20**

eft) The current peak of 4797 was observed on January
t high. The related market return is the peak to trough
n January 2022 is currently ongoing, with the "bear
the current trough in October 2022. Averages for the

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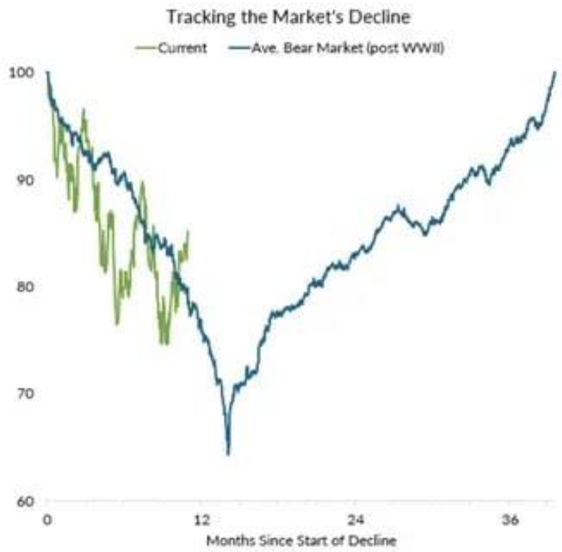
Chart of the Week:

The path of the typical bear market decline suggests more downside remains



S&P 500 Index Bear Market Analysis

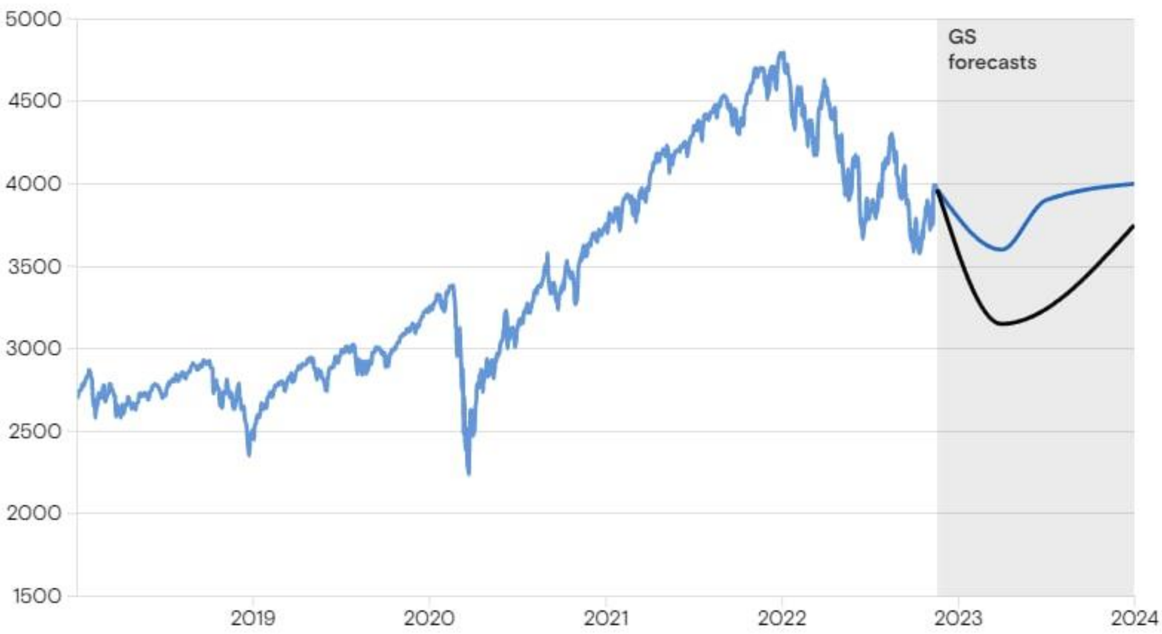
Top	Bottom	Months	Δ Price
8/2/1956	10/22/1957	14.6	-21.6%
12/12/1961	6/26/1962	6.4	-28.0%
2/9/1966	10/7/1966	7.9	-22.2%
11/29/1968	5/26/1970	17.8	-36.1%
1/11/1973	10/3/1974	20.7	-48.2%
11/28/1980	8/12/1982	20.4	-27.1%
8/25/1987	12/4/1987	3.3	-33.5%
3/24/2000	10/9/2002	30.5	-49.1%
10/9/2007	3/9/2009	17.0	-56.8%
2/19/2020	3/23/2020	1.1	-33.9%
Average (post WWII)		14.0	-35.7%

Source: Glenmede, FactSet Data through 12/1/2022

The left panel shows the S&P 500 Index during the current bear market in green, as compared to its performance during the average bear market since World War II in blue. The right panel shows a summary of all bear markets since World War II. Bear markets are defined as market declines of 20% or more. The S&P 500 is a market capitalization weighted index of U.S. large cap stocks. Past performance may not be indicative of future results. One cannot invest directly in an index.

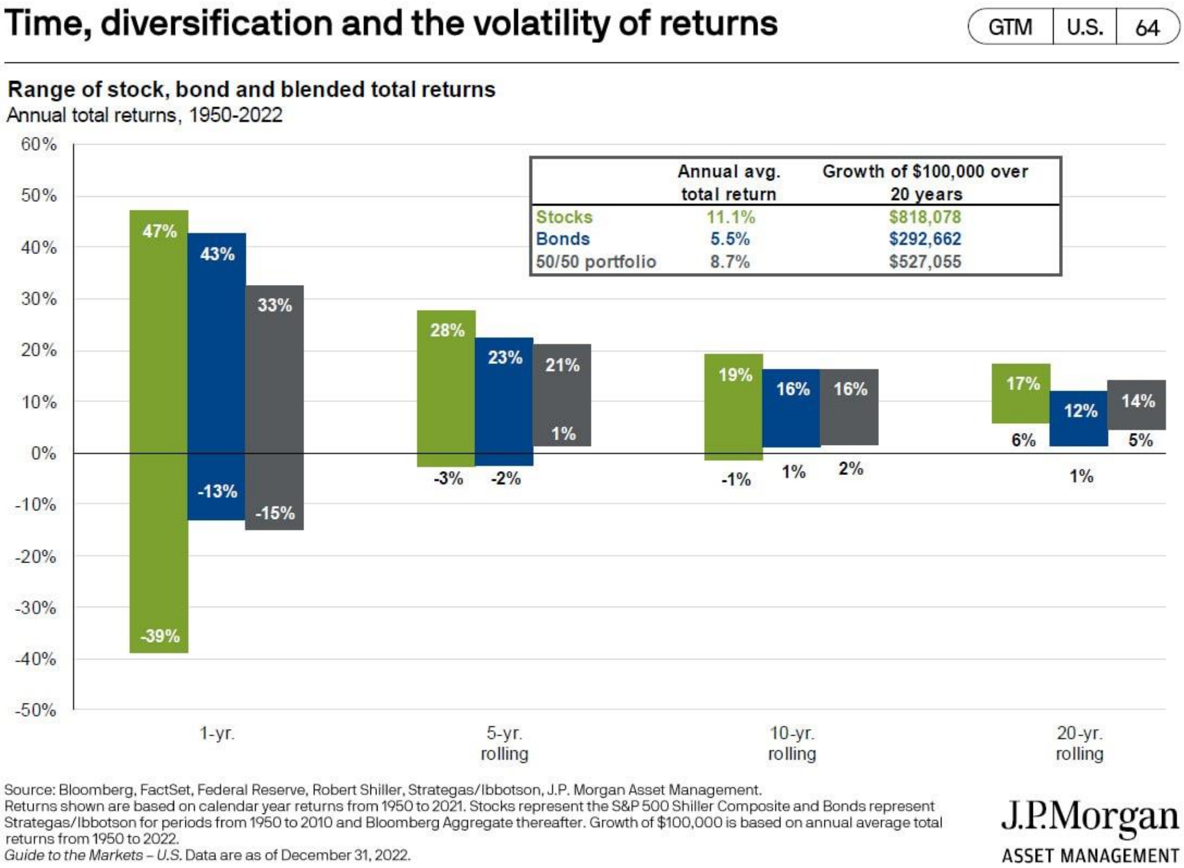
Forecast path of S&P 500 in soft versus hard landings

S&P 500 Index price



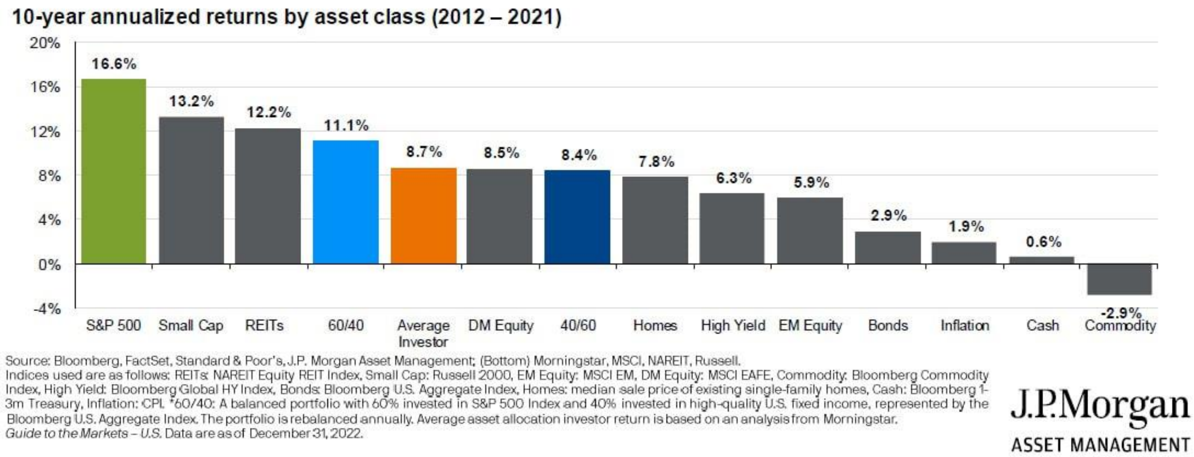
Source: Goldman Sachs Research

Goldman Sachs

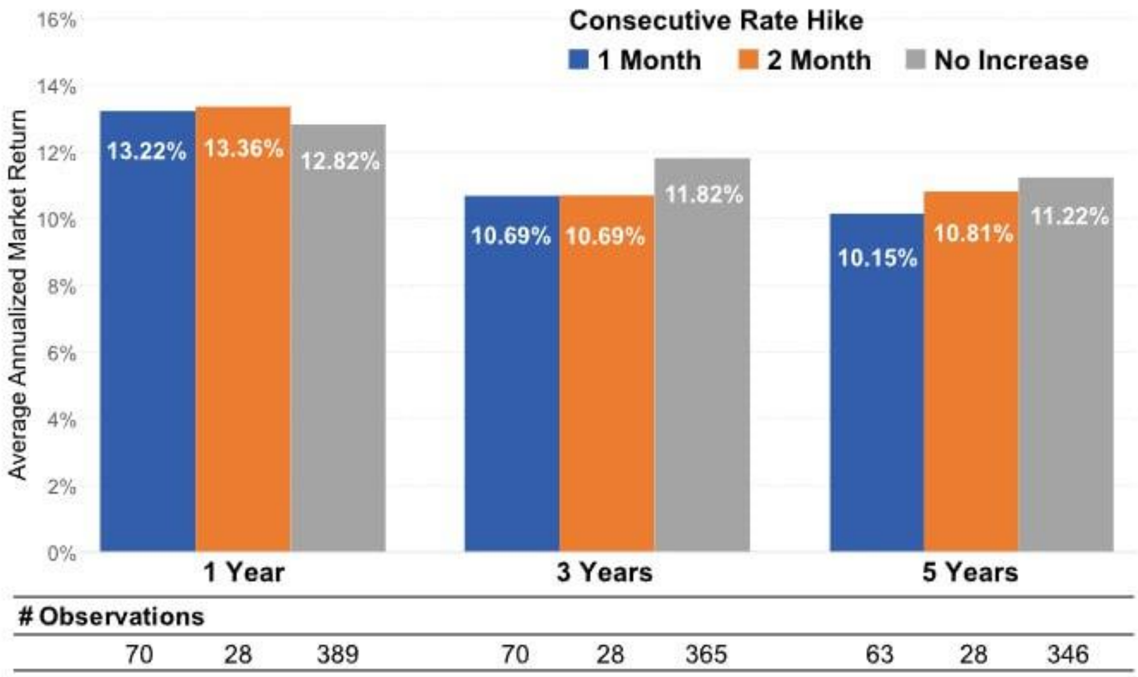


The next 10 years will not deliver the kinds of returns we got in the past 10. That is pretty much agreed. But given nuclear fusion and AI, I would not be too sure. Technology is exponential. Who would have thought Captain Kirk would actually go to space in real life?

I fully expect my son will be in space one day.

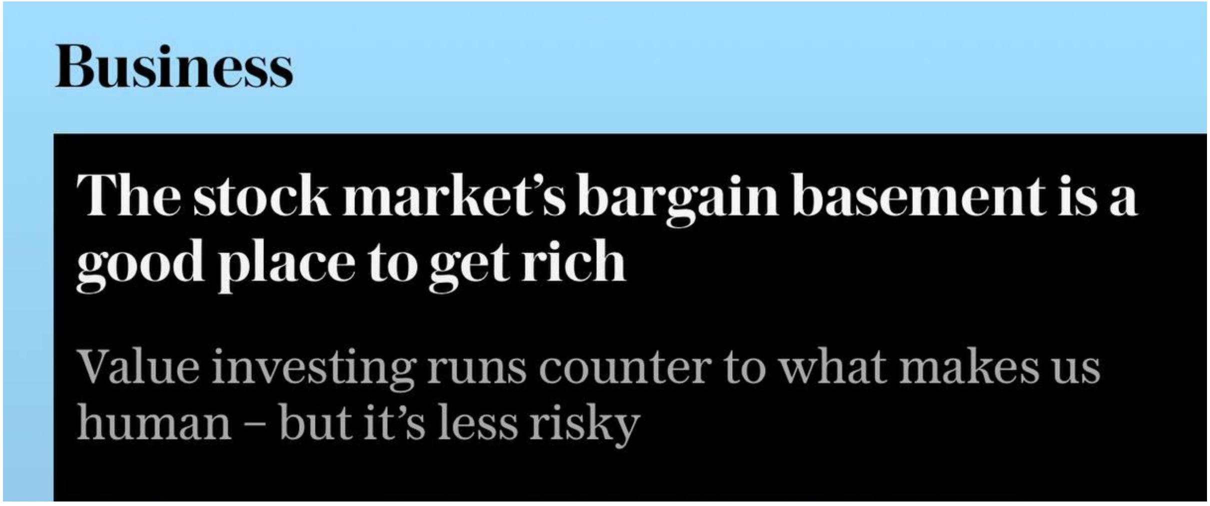


US Equity Market Returns Following Consecutive Fed Funds Rate Hikes
(1/1983–12/2021)



Source: Monthly target federal funds rate data from Federal Reserve Bank of St. Louis. The monthly series reflects the federal funds target rate from January 1983 through December 2008 and the federal funds target range—upper limit (ul) from January 2009 through December 2021. Equity market returns computed using monthly return to the Fama/French Total US Market Research Index, available from Ken French Data Library. There are 70 one-month rate hikes, 28 two-month rate hikes, and 389 months without an increase. Average annualized returns following consecutive rate increases starting at month end; performance time horizons can overlap. Past performance is not a guarantee of future results. © 2023

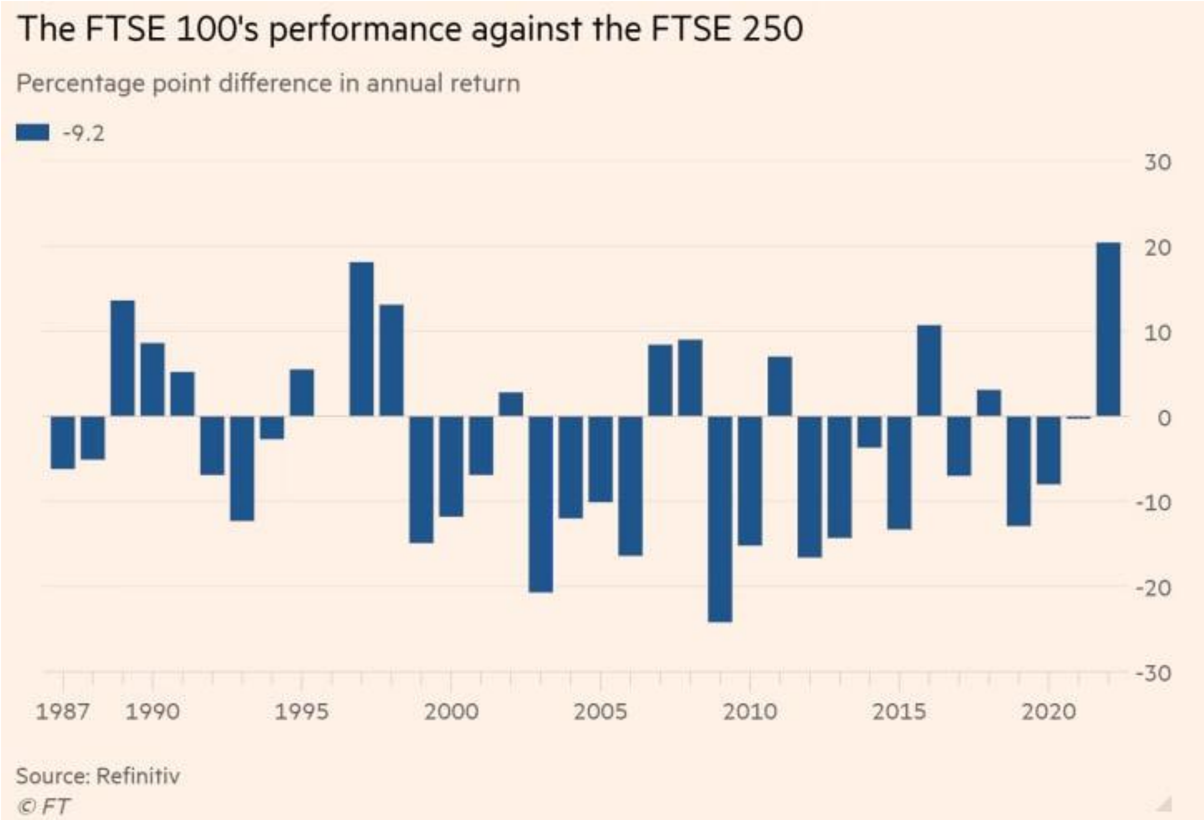
Good times ahead



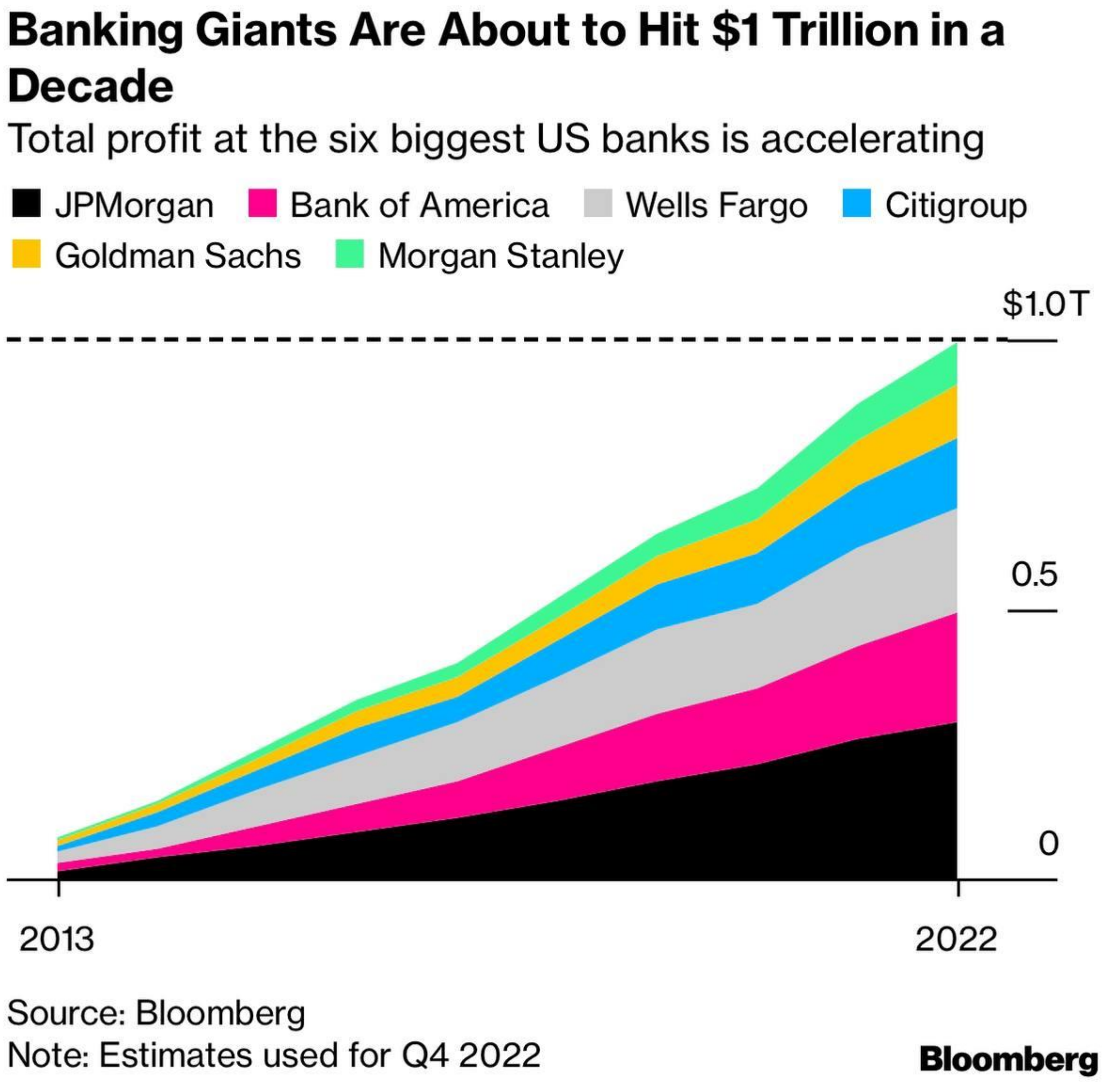
Business

The stock market's bargain basement is a good place to get rich

Value investing runs counter to what makes us human – but it's less risky



The UK markets as a whole held up well. And this year looks potentially good. My picks below – sorry for being a tease and making you wait till lower down!



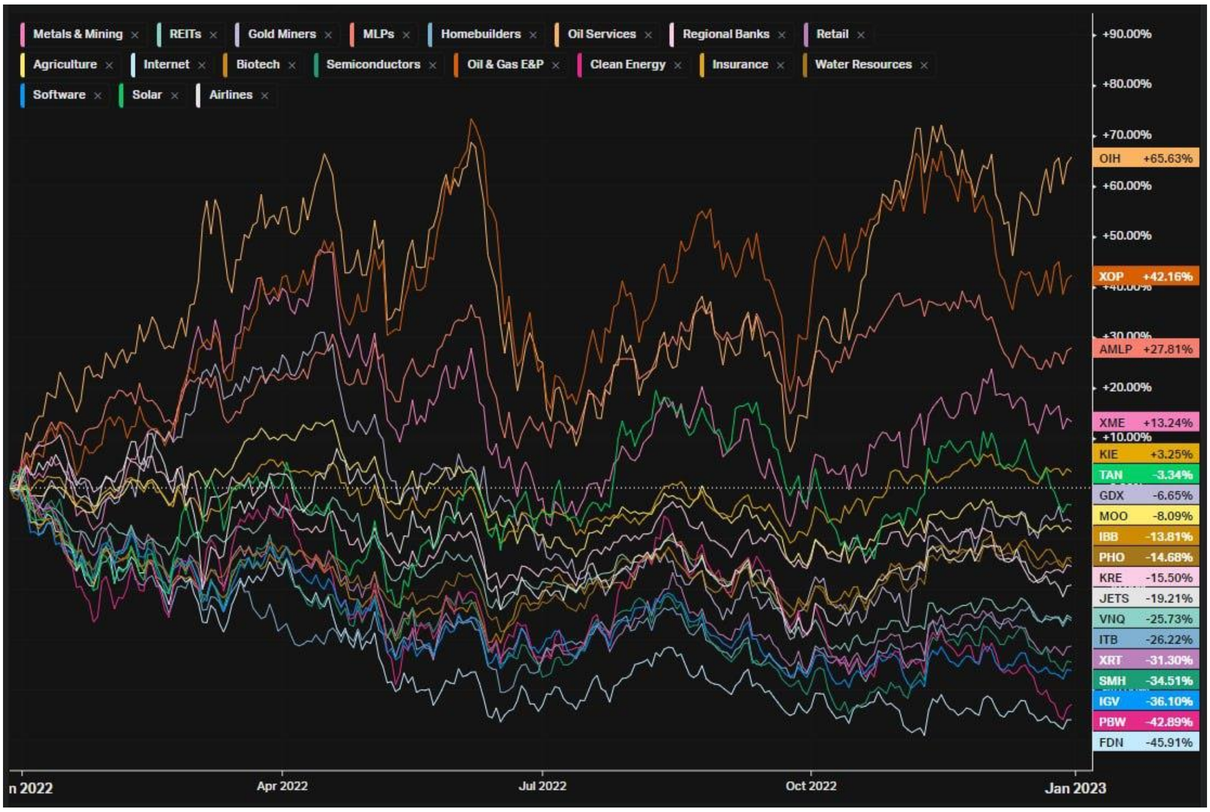
As the image above shows, financials are in the money and higher rates can potentially benefit them when mixed with inflation.

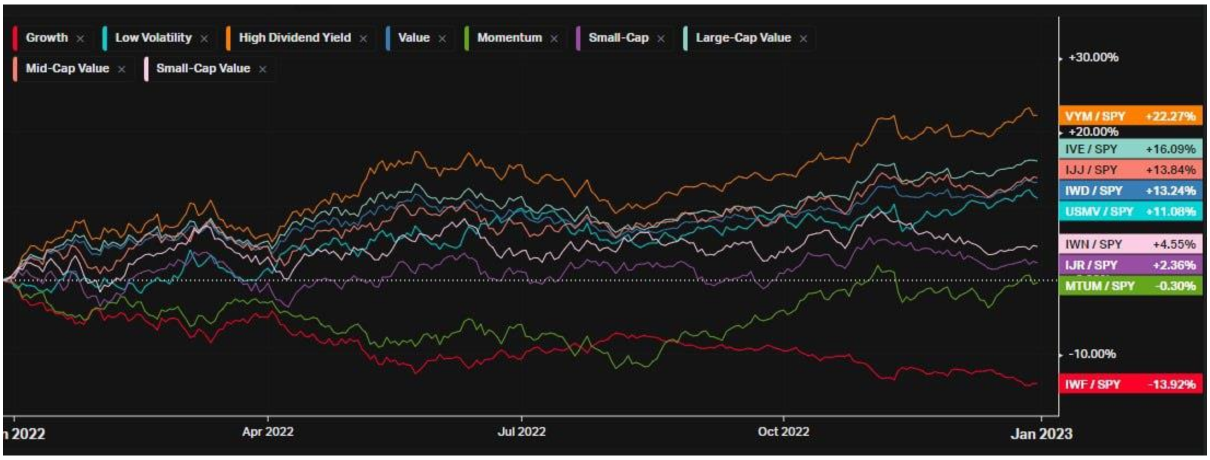
2022 in Review

Below you see the sectors and markets and how they performed. The pictures speak for themselves and we are looking forward so I will not deep dive into them save to say

- Most of the banks are positive on US or overweight US
- India is looking overvalued and expensive
- Clean energy got pummelled and oil did well. So much for ESG talk.
- Quality companies ie profits, revenue growth, cash flow growth, dividend payers are the big bank analysts favourites. But I have a suspicion if tech companies meet those criteria they will have a great year. 'If' I wrote.


NASDAQ Composite
S&P BSE SENSEX
NIKKEI 225
Shanghai Composite
Dow Jones Industrials
S&P 500
FTSE 100
Deutsche Boerse AG DAX
+20.00%
+10.00%
-30.00%
-40.00%
SENSEX +5.25%
UKX +1.24%
INDU -9.16%
NKY -10.01%
DAX -12.17%
SHCOMP -14.12%
SPX -19.89%
CCMP -33.61%
Apr 2022
Jul 2022
Oct 2022
Jan 2023


Metals & Mining
REITs
Gold Miners
MLPs
Homebuilders
Oil Services
Regional Banks
Retail
Agriculture
Internet
Biotech
Semiconductors
Oil & Gas E&P
Clean Energy
Insurance
Water Resources
Software
Solar
Airlines
+90.00%
+80.00%
+70.00%
+60.00%
+50.00%
+20.00%
OIH +65.63%
XOP +42.16%
AMLP +27.81%
XME +13.24%
KIE +3.25%
TAN -3.34%
GDX -6.65%
MOO -8.09%
IBB -13.81%
PHO -14.68%
KRE -15.50%
JETS -19.21%
VNQ -25.73%
ITB -26.22%
XRT -31.30%
SMH -34.51%
IGV -36.10%
PBW -42.89%
FDN -45.91%
Apr 2022
Jul 2022
Oct 2022
Jan 2023

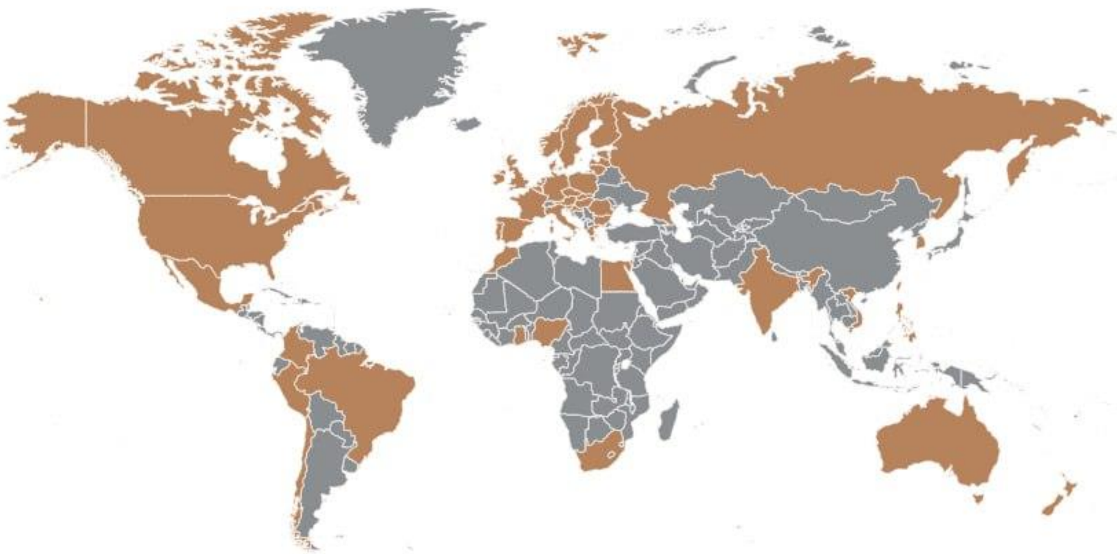


These were the best in 2022 from the S&P. Health and energy pretty much sums it up. I think the money which went into those might this year look for returns elsewhere as I wrote before. I own APA and Halliburton and Occidental and picked about half the stocks in that list on my Telegram channel during the year.

U.S. 500 - All sectors - Alpesh Table (Linked)	
Name	Price% 3/1/22
Occidental Petroleum Corp	102.74
Hess Corp	84.64
Marathon Petroleum Corp	77.25
Exxon Mobil Corp	73.62
Schlumberger Ltd	68.55
APA Corp	66.36
Valero Energy Corp	64.48
Halliburton Co	64.07
Marathon Oil Corp	60.46
ConocoPhillips	59.90
McKesson Corp	51.08
Chevron Corp	50.54
Cardinal Health Inc	47.75
Merck & Co Inc	44.28
Enphase Energy Inc	43.65
EOG Resources Inc	42.11
Northrop Grumman Corp	41.51
Cigna Corp	41.44

And 2022 was about raising rates. They should peak this year in the US and UK.

CENTRAL BANKS RAISING INTEREST RATES



Source: FactSet. Data as of November 2022.

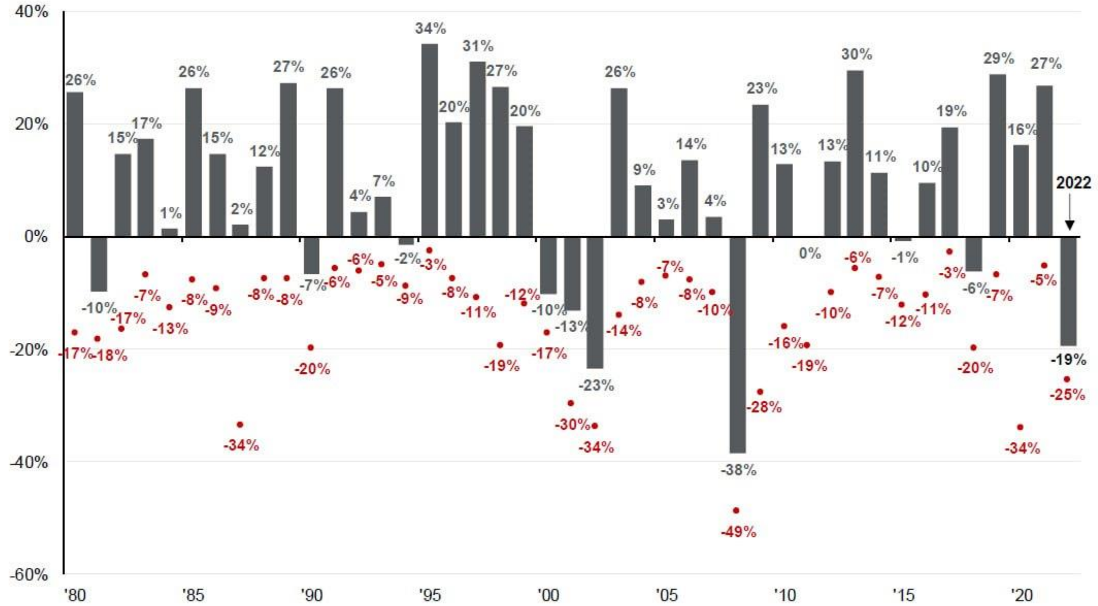
This is what 2022 meant and how it fits into some context.

Annual returns and intra-year declines

GTM | U.S. | 15

S&P intra-year declines vs. calendar year returns

Despite average intra-year drops of 14.0%, annual returns were positive in 32 of 42 years



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.
Returns are based on price index only and do not include dividends. Intra-year drops refers to the largest market drops from a peak to a trough during the year. For illustrative purposes only. Returns shown are calendar year returns from 1980 to 2021, over which time period the average annual return was 9.4%.
Guide to the Markets – U.S. Data are as of December 31, 2022.

J.P.Morgan ASSET MANAGEMENT

Whilst the image below suggests we are fair long term valuation, the problem is that markets often overshoot to the downside and get undervalued too.

Valuation measure	Description	Latest	25-year avg.*	Std. dev. Over-/under-Valued
P/E	Forward P/E	16.65x	16.82x	-0.05
CAPE	Shiller's P/E	27.96x	27.93x	0.01
Div. Yield	Dividend yield	1.81%	1.99%	0.53
P/B	Price to book	3.42x	3.10x	0.40
P/CF	Price to cash flow	12.42x	11.19x	0.56
EY Spread	EY minus Baa yield	0.17%	0.27%	0.05

Source: FactSet, FRB, Refinitiv Datastream, Robert Shiller, Standard & Poor's, Thomson Reuters, J.P. Morgan Asset Management.
Price-to-earnings is price divided by consensus analyst estimates of earnings per share for the next 12 months as provided by IBES since December 1997 and by FactSet since January 2022. Current next 12-months consensus earnings estimates are $231. Average P/E and standard deviations are calculated using 25 years of history. Shiller's P/E uses trailing 10-years of inflation-adjusted earnings as reported by companies. Dividend yield is calculated as the next 12-months consensus dividend divided by most recent price. Price-to-book ratio is the price divided by book value per share. Price-to-cash flow is price divided by NTM cash flow. EY minus Baa yield is the forward earnings yield (consensus analyst estimates of EPS over the next 12 months divided by price) minus the Moody's Baa seasoned corporate bond yield. Std. dev. over-/under-valued is calculated using the average and standard deviation over 25 years for each measure. *P/CF is a 20-year average due to cash flow availability.
Guide to the Markets – U.S. Data are as of December 31, 2022.

J.P.Morgan ASSET MANAGEMENT

Beware the Pension Destroying Fund Manager

Below is the fund manager someone's employer put the company pension in. Imagine a quarter of your pension destroyed in one year. An IFA on my Twitter tried to defend it without the usual "but only one year, one fund" etc whereas my point was, put it in bitcoin if your problem is just duration and not size of falls.

Base Currency	GBP
Dividend Dates	End of February, August
ACD	Link Fund Solutions (LF)
Depositary	Northern Trust Investor Services
Dealing	Daily at Noon
Initial Charge	0.0%
Performance Fee	0.0%

PORTFOLIO FACTS

No. of holdings	27
Avg. market cap	>£100bn

Top 10 Holdings %	52.6
ASML	Microsoft
Charles Schwab	Nvidia
Dexcom	Sartorius
Lam Research	Veeva
Mastercard	Visa

	2022
Blue Whale[1]	**-27.6%**
IA Global[2]	-11.1%
Outperformance	**-16.5%**

Past performance is r

[1]I class Acc shares, net of fees pri

Fundinfo. Performance data for pe

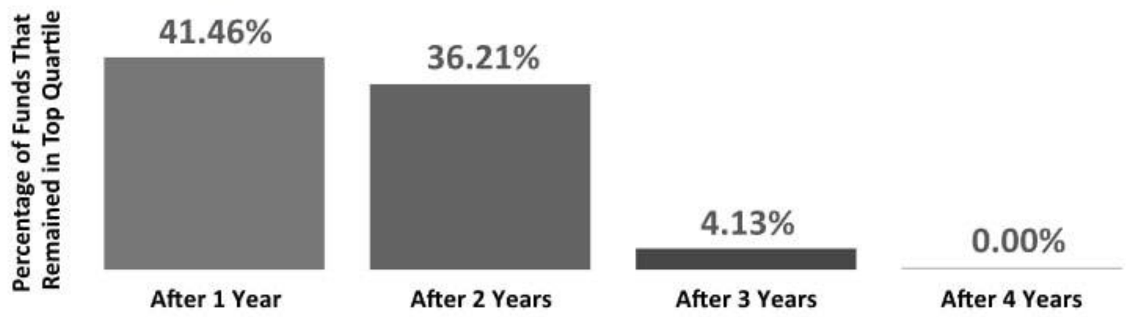
FUND MANAGER'S C

Article

- A blank sheet of pape
- H1 2022 update - 20 .
- 2022 performance up

Performance Persistence of All U.S. Equity Funds in the Top Quartile

Data as of June 30, 2022



Source: S&P Dow Jones Indices LLC, CRSP. Data as of Jun. 30, 2022. Graph is provided for illustrative purposes. Past performance is no guarantee of future results. This is not to be construed as an offer, solicitation, recommendation, or endorsement of any particular security, product, service, or considered to be tax advice. There are no guarantees investment strategies will be successful.

Another reason you better see www.campaignforamillion.com

My Picks for 2023

As you know each year since 2004 (so coming up to the 20-year record) I have been providing picks based on my VGI and other research. Recently I started providing UK and US too.

Here are my picks for this year. We keep it really simple. Hold from date of publication to 31st December and sell if any drop 25% from entry price. Also, the money is divided equally into each.

The results are that I've averaged 16.9% pa on UK and about double that on the US (double because the US does tend to double the UK market in stocks generally anyway – not every year but past two decades).

UK Picks 2023

1. Associated British Foods
2. Atalaya Mining
3. Entain
4. Jupiter Fund Management
5. K3 Capital
6. Keller Group
7. RWS Holdings
8. Spectra Systems
9. UP Global Sourcing Holdings
10. Xpediator
11. Bioventix
12. Breedon Group
13. CRH
14. EKF Diagnostics
15. AstraZeneca
16. Robert Walters

US Picks 2023

1. Hibbet
2. Horizon Therapeutics
3. Quest Diagnostics
4. Cambium Networks
5. Criteo
6. Agco
7. Broadcom
8. Brunswick
9. Carter's
10. FinVolution
11. Bath and Body Works
12. IAA
13. Integra Life
14. Patrick Industries
15. State Street
16. Tempur
17. Toll Brothers
18. United Rentals
19. Allstate
20. Amdocs
21. Comcast
22. Community Healthcare Trust
23. DaVita
24. Equifax
25. First American
26. Gentex
27. Microsoft
28. Inmode
29. International General Insurance
30. JP Morgan
31. Modivcare
32. Teleflex
33. Disney
34. Tesla
35. Taiwan Semi
36. nVidia
37. Lam Research
38. ServiceNow

The results for 2022 – someone is working that out and will post in next month's newsletter and the Sharescope website too.

The Bond Market Rules the World

With the resignation of UK PM Liz Truss and the installation of new PM Rishi Sunak, many are clamouring to identify a culprit for what forced such an abrupt transition. Enter an unlikely culprit: the bond market.

What is the bond market? Why is it so powerful? What are economists saying about our near financial future based on trends in the bond market? Read on to learn more.

What is a bond?

A bond is a sort of loan given by a consumer to a corporation or government. When someone buys a bond, they're essentially loaning the second party money, which the second party agrees to pay back someday (on a specific date) while also paying interest along the way. Industry and the government usually turn to bonds when they need to raise money, say experts at Vanguard.

It seems like a good deal for the government or company in question, right? It is—unless the money isn't there when customers (who, in this case, are the lenders) want their due.

Financial Instability in the UK and US

Recent financial instability in the UK has destabilized the bond market. 2022 was not a stable year for the global economy, with many nations feeling the pinch directly. In short, UK banks experienced severe shortages of funding and tried to turn to selling bonds to boost revenue and balance the budget.

In essence, banks were hoping that pensioners and other at-risk individuals would be willing to loan them a bailout. This did not go well, and as more people either refused to buy bonds or instead cashed outstanding bonds, the UK liquidity issue worsened. Consider it an issue of "the Emperor has no clothes": how could consumers place trust or money in a failing system? When the bank comes to **you** for a loan, you know things aren't good.

And because the UK and US markets are linked, Americans also feel the sting. While US Treasurer Powell has been scrambling to plan to address economic volatility, the stock market—usually the US's golden goat—keeps falling, and falling, and falling.
But what does this have to do directly with bonds? What's the link?

The Link Between Bonds and Stocks

Long known to be linked in their successes and failures alike, both bonds and stocks have been falling in 2022.

In the simplest terms, when banks are low on funds, they raise interest rates to generate money. But this rise in interest slows economic growth because it makes borrowing money more expensive for consumers. Worse still, this slowdown affects the stock market because the economy slows down considerably when nobody can afford to borrow. This causes an economic crisis, one of which is brewing as we speak.

So a bond crisis wherein banks try to "fundraise" often results in raised interest rates, leading to a stock crisis because economic growth slows to a halt. Further, rising interest rates make new bonds—purchased at those higher rates—more valuable than older bonds through something called the yield curve. This, in turn, makes it awfully tempting to cash out those old bonds before they lessen in value further—a process that only further undercuts banks' financial stability.

It's like building a pyramid while people remove blocks from the base!
The result is a timid stock market, expensive bonds for the wealthy, increasingly cheapened bonds for long-timers (who can't afford to buy new bonds after cashing out their old), and an economy in crisis.

What Can You Do?

To stay afloat in this volatile economy, it's best to educate yourself on the stock market and its relationship to bonds and economics. Forewarned is forearmed, and consumers will need all the protection they can get as the UK and US economies to struggle to regain their footing.

UK-India Free Trade Agreement

Negotiations for the UK-India bilateral Free Trade Agreement (FTA) started in January 2022 with an end-of-year timeline. The two nations failed to agree on terms, and the FTA's progress seemingly stalled for a while. But the ambitious trade pact received a much-needed impetus with Rishi Sunak's recent ascension to power in the UK.

Greg Hands, the trade minister for Britain, stated last month that the UK had completed all major sections of the FTA, which he deemed essential to the UK's economic revival. "A strong FTA can strengthen the economic links between the UK and India, boosting the UK economy by more than 3 billion pounds by 2035 and helping families and communities," Business Standard quoted him as saying.

But is it all cut and dry, as some in business and political circles believe? As it turns out, that's not the case.

Concerns regarding the FTA still abound

Alex Ellis, the British High Commissioner to India, is cautiously optimistic about the two nations reaching a consensus on the trade pact in the upcoming months after 18 months of back and forth.

Businessmen and lobbyists strike a similarly optimistic note. In his conversation with ET Prime last month, Karan Bilimoria, a UK-based Indian businessman and a proponent of the UK-India FTA, was extremely hopeful about the trade pact coming to successful closure.

Opening up the Indian legal sector

While it seems the ball is now in India's court, concerns regarding some provisions continue unabated—particularly after an initial draft of the pact leaked in the press. In one instance, the FTA makes a strong case for liberalization of the Indian legal sector and letting British lawyers practice law in India. However, the Bar Council of India isn't very keen on exposing Indian lawyers to stiff competition.

Controversial IP provisions

Humanitarian organizations have also attacked a leaked chapter of the FTA that concerns IP provisions. *Doctors Without Borders* has explicitly demanded the complete scrapping of the IP provisions, citing that the leaked chapter contains several harmful sections.

This includes a contentious provision that mandates disclosure of all patents, which might end up crippling the global supply of generic medicines.

If India agrees to play ball and modifies its national IP laws to accommodate UK's demands, it could increase the cost of 25 percent of NHS medicines that India supplies.

Médecins Sans Frontières UK, Oxfam GB, and seven other organizations also implored the UK to withdraw the proposed IP chapter immediately.

Tariff reduction on goods

Andy Street, Mayor of West Midlands, which is the UK's second-largest destination for Indian FDI in the country, considers tariff reduction on goods "the single most important factor" of the UK-India FTA.

But he also expects stiff resistance from Indian carmakers to lower import tariffs. But there is some proverbial silver lining as India has accepted the UK's major demands for a reduction in tariffs on importing Scotch whisky and provisions for higher quotas.

Given that average Indian tariffs are higher than those in the United Kingdom, the latter stands to gain considerably more from the former. Scotch whisky accounts for 90% of all the UK's alcohol exports to India, despite the country's steep tariffs on the beverage (150%).

Can Modi-Sunak deliver?

During their meeting last month, the UK-India FTA was discussed at length between India's External Affairs Minister S Jaishankar and Britain's Foreign Secretary James Cleverly.

It is in the interests of both countries to increase trade and labour mobility between them, so the United Kingdom is pushing for greater access to the Indian market for high-quality British goods.

Speaking at the Global Trade Conference 2022, a week later, Trade Minister Greg Hands remarked, "…our governments are making good progress in negotiating an ambitious FTA which could boost trade between us by as much as £28 billion."

However, several experts are calling for exercising restraint in their expectations regarding what UK PM Rishi Sunak and his Indian counterpart Narendra Modi can actually deliver. Even if the two nations ink the FTA in 2023 as expected, it could be radically different from the leaked draft.

2023 Stock Market Forecasts

Markets Insider

Despite a looming recession in the U.S., Deutsche Bank expects global equities to drop sharply by mid-2023. According to Deutsche Bank chief economist David Folkerts-Landau, major stock markets will plunge 25% when the U.S. recession hits but then recover completely by year-end 2023, assuming the recession lasts only several quarters.

Goldman Sachs

In 2023, Goldman Sachs Research predicts the bear market in stock markets will intensify before giving way to more hopeful signals. Goldman Sachs Research predicts that the global stock market will enter its "hope" phase later this year. Recovery usually begins during recessions when valuations rise. In the past, investing in stocks after the bottom produced better returns than investing before it: average 12-month returns are higher after the bottom than before. Therefore, Goldman Sachs strategists think it's too early to position for a bull market transition.

Forbes

Unfortunately, Federal Reserve interest rate hikes and high inflation aren't going anywhere in the near future. The U.S. economy could do much better in 2023 if the Fed controls inflation and navigates a soft landing.

According to CME Group, there is an 86% chance of another Fed rate rise by June 2023. The first quarter of 2023 is expected to see a 1.7% rise in earnings for the S&P 500, but only a 1.7% decline in the fourth quarter of 2022.

IFA Magazine

With good earnings momentum, U.K. equities offer significant value in a currently undervalued currency. U.K. listed equities should benefit from nominal growth in an undervalued market. Some of the most likely beneficiaries will be high-quality, cash-generating companies, which form a significant part of our portfolios.

Kiplinger

The stock of Amazon.com (AMZN) has had a terrible year so far in 2022, but Wall Street says the company is poised to outperform next year.

According to Doug Anmuth, a J.P. Morgan analyst, Amazon stock is one of the firm's top 2023 ideas. AMZN's price target of $145 was reiterated, along with an Overweight recommendation (buy).

Market Screener

A "mild" recession is expected to begin in the second half of 2023 as the Federal Reserve's efforts to tame inflation weigh on consumer spending and investments.

According to Gapen, the U.S. economy is expected to suffer from slower consumer spending by December 2023. Despite the continued decline in inflation, Gapen doesn't see inflation reaching the Fed's 2% target in 2023.

Markets Insider

Bank of America reports that a large majority of Wall Street money managers expect stagflation in 2023, similar to the 1970s.

92% of funds managers in the bank's most recent survey predict low economic growth and high inflation in 2023, while only ten percent anticipate a bullish "goldilocks" scenario in which the economy avoids recession.

Reuters

Rising interest rates and slowing growth further dampen the outlook for fourth-quarter U.S. earnings after a disappointing third quarter.

IBES data from Refinitiv showed analysts were expecting S&P 500 earnings to decline 0.4% year over year in the fourth quarter. According to their forecast on Oct. 1, the increase would be 5.8%.

Benzinga
Ethan Harris, an economist at the University of Texas at Austin, says the Federal Reserve might not be able to control inflation without tipping the U.S. economy into recession.
In Harris's projections, the Federal Reserve will increase interest rates by another 0.5% in December and February and another 0.25% in March, bringing the terminal fed funds rate range to 5%-5.15 percent.
Yahoo Finance

JP Morgan Asset Management recently released its Long-Term Capital Market Assumptions (LTCMAs). As a result of lower valuations and higher yields in asset markets today, these projections provide a 10- to 15-year view of risks and returns. Over the next 10–15 years, a USD 60/40 stock-bond portfolio is expected to generate an annual return of 7.20%, up from 4.30% last year.

Top Tips For Being A Great Hedge Fund Manager

When I wanted to be a full-time derivatives trader, I decided to meet the best in the world, like the Global Head of Forex Trading at Salomon Brothers and the recent Hedge Fund Manager of the Year.

I interviewed them, and the Financial Times published it in "The Mind of a Trader" - the first of my 16 odd books.

The hedge fund managers I interviewed helped me establish my own hedge fund many years later)

My webinars this week (as part of my Campaign for a Million to teach a million people how to be better investors and traders) will focus on trading lessons from hedge funds that private investors should adopt.
70% of private investors lose money trading. So what are the winners doing right?

To learn more about the Campaign: www.campaignforamillion.com

Here are the top tips for being a great hedge fund manager like the ones who helped me.

1. Strong analytical skills:A great hedge fund manager should be able to analyse financial data and market trends to make informed investment decisions. This includes identifying key drivers of market movements and understanding how different assets are likely to perform under other conditions. We simplify this with algorithms and technology ourselves.

2. Risk management skills:A hedge fund manager must identify and manage risk effectively. This involves understanding the potential risks associated with different investments and developing strategies to minimize or mitigate those risks. Again, we use algos to tell us where we stand.

3. Adaptability: Markets are constantly changing, and a great hedge fund manager needs to be able to adapt to these changes. This includes being able to identify new opportunities as they arise and being able to adjust investment strategies quickly when necessary. Tech gives us an edge on speed. The webinar explains this and what private investors can do.

4. Strong communication skills:A hedge fund manager must communicate effectively with clients, colleagues, and other stakeholders. This includes clearly explaining investment strategies and the reasoning behind them, as well as providing regular updates on the performance of the fund. This is why I love giving webinars - it hones our message.

5. Discipline:A great hedge fund manager needs the discipline to stick to their investment strategy and avoid making impulsive decisions. This includes controlling emotions and making decisions based on logic and analysis rather than being swayed by market noise or personal biases. Algos and tech are invaluable here.

6. Networking and relationship-building skills:A hedge fund manager may need to build relationships with a wide range of people, including clients, investors, and industry experts. Strong networking and relationship-building skills can help a hedge fund manager access valuable information and resources that can be used to inform investment decisions.

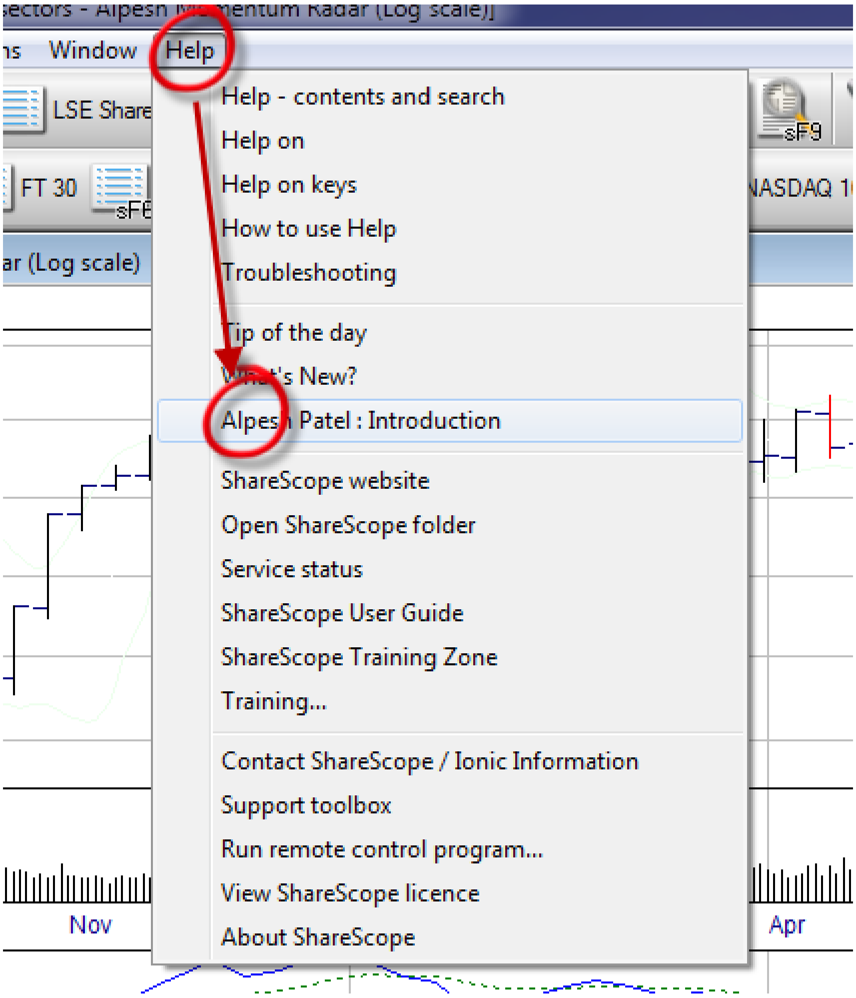
7. Strong work ethic: Managing a hedge fund can be demanding, and a great hedge fund manager must be willing to put in the time and effort required to succeed. This includes being able to work long hours and handle high levels of stress and is committed to continuously learning and staying up-to-date on industry developments.

8. Attention to detail:A hedge fund manager needs to be detail-oriented in order to thoroughly analyse financial data and identify important trends and patterns. This includes being able to spot potential risks and opportunities that others may miss.

9. Creativity:A great hedge fund manager should be able to think creatively and come up with innovative investment strategies. This includes identifying unique opportunities and developing unique approaches to managing risk.

10. Team player:A hedge fund manager often works with a team of analysts, researchers, and other professionals. Working effectively as part of a team can be crucial to the success of a hedge fund. This includes collaborating with others, delegating tasks effectively, and providing support and guidance to team members.

Help Page



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This is Qatar – hope you watched the World Cup.

I managed to get some time in the Maldives.

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