



23 July 2018

## My view on the markets

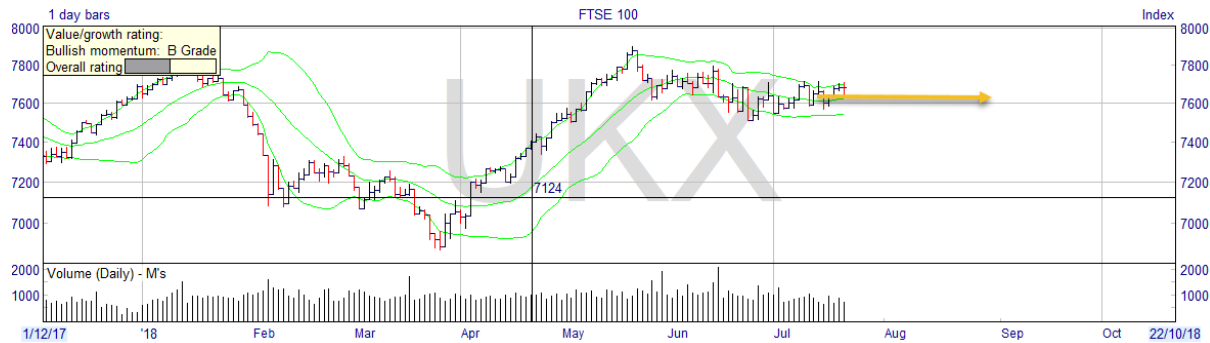
As I said on the BBC:



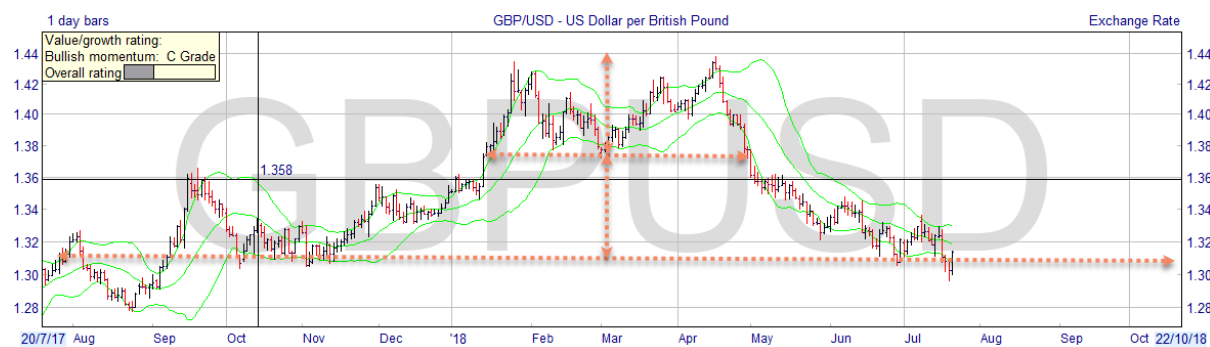
1. It's not a trade war because trade is rising as a share of GDP. But it may become one.
2. Tariffs are consumer taxes. A way of taxing people whilst they think (if they voted Trump) he is a patriot!
3. Don't forget other major US tax cuts for corporates. This is boosting US markets. I love US markets. 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
4. They don't work well. E.g. BMW's largest factory is in the US, exporting to China! Doh!
5. 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.
6. Lower interest rates takes the sting out – which is why Trump attacked the Fed
7. Bottom line: Trump wants more market rises. I'm not worried about US markets.
8. 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!
9. 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.

Overvalued US? Yes but I am not worried yet. I will continue picking well valued growth stocks – listed below. Same for the UK.

Despite Brexit negotiations continuing and talk of no deal the FTSE holds up because a fall in GBP props it up.



As for GBPUSD – I think a base has been made.



USD has a base because of demand for USD when Americans sell debt abroad – higher yields for those overseas investors who don't care about Trump Tweets. The budget deficit due to tax cuts should mean lower USD – but it ain't happening yet against the Pound.

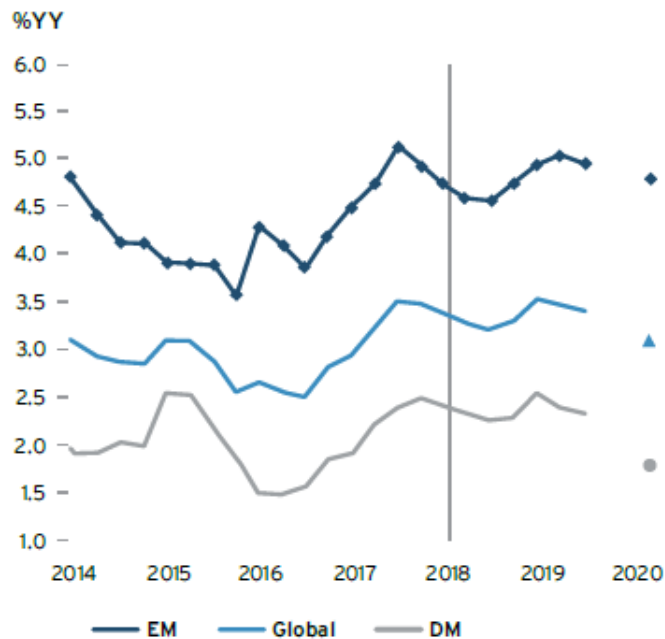
## Top insights from the City

Citibank's Wealth Management's mid year review interested me. I wanted to share these highlights:

## Key Takeaways

- Citi Analysts maintain their forecast of above-consensus global real GDP growth of 3.4% for 2018 and steady inflation of 2.5%, as global growth continues broadly across economies and sectors.
- Inflation remains subdued across Developed Markets (DMs), particularly outside of the US.
- Downside risks to growth include faster-than-expected tightening of monetary policy across DMs, rising protectionism and trade war threats, heightened political risks and a China and/or US slowdown.

Real GDP Growth



Source: Citi Research. As of 8 May 2018. Forecasts are expressions of opinion, are not a guarantee of future results and are subject to change. Past performance is no guarantee of future results. Real results may vary.



US

While US valuations still look expensive compared to other markets, Citi Analysts believe that earnings momentum has been boosted by tax cuts and expect S&P 500 EPS to grow 19.7% in 2018. Risks of rising inflation and interest rates as well as potential trade friction could restrain PE. Given these potential risks, Citi Analysts are neutral on the US.



EUROPE

Citi Analysts expect above-trend regional and synchronised global growth to support 10% EPS growth in 2018, but upside looks less likely now as European earnings have disappointed over the last five years with key headwinds from regional growth, banks and commodities.



JAPAN

Citi Analysts are moderately positive on Japanese equities and in line with the 7% consensus 2018 EPS growth given profit margins have reached their highest level since 1995 despite a strong yen.



EMERGING  
MARKETS (EMs)

Citi Analysts positive outlook for EM equities is supported by robust earnings momentum and attractive valuations. Further weakness in USD would also be helpful. For the 2017 full-year earnings season, more EM companies reported earnings in line with expectations and China had more companies beating expectations than missing.

## Global growth is expected to be supported:



Additional fiscal stimulus during the next two years from the passage of the Bipartisan Budget Act of 2018 as well as from the 2017 US Tax Reform.



Domestic oriented sectors outperforming and economic activity expanding to narrow output gap.



Uptrend in exports, continued recovery in business investment and 2020 Tokyo Olympics.



China's trade connections to the world and domestic economic strength suggest it could endure through US trade threats. The government has expressed commitment to open markets.



Strengthening EM macro fundamentals and solid domestic economic growth.



## My favourite Value/Growth picks this month

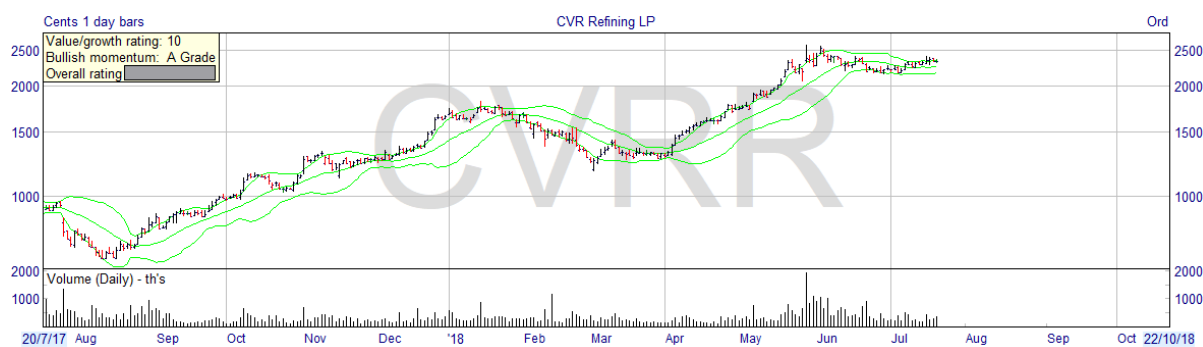
Using the APSE Value Growth data mining filter for the LSE shares list, look at the 9s – they are my most highly rated for a 12-month hold, for those who like buy and hold.

No.	Name	EPIC	Alpesh value/ growth rating
1	Cineworld Group PLC	CINE	9
2	Liontrust Asset Manageme	LIO	9
3	Maintel Holdings PLC	MAI	9
4	Miton Group PLC	MGR	9
5	Morses Club PLC	MCL	9
6	National Express Group PL	NEX	9
7	Plus500 Ltd	PLUS	9
8	Vp PLC	VP.	9
9	Charles Taylor PLC	CTR	8
10	Ferguson PLC	FERG	8
11	Gordon Dadds Group PLC	GOR	8
12	GVC Holdings PLC	GVC	8
13	Premier Asset Manager	PAM	8
14	S & U PLC	SUS	8
15	Sainsbury (J) PLC	SBRY	7
16	Wincanton PLC	WIN	7

And for US shares:

No.	Name	EPIC	Alpesh value/ growth rating
1	CVR Refining LP	CVRR	10
2	Arthur J Gallagher & Co	AJG	9
3	Suncor Energy Inc	SU	9
4	James River Group Holdings Ltd	JRVR	7
5	Occidental Petroleum Corp	OXY	7

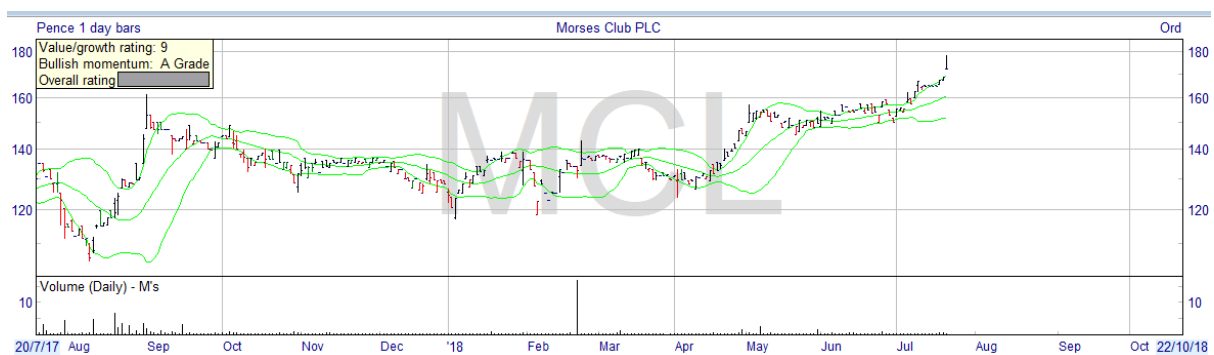
What I love about APSE is finding names I had never come across like this one:



## My favourite Momentum/Value picks this month

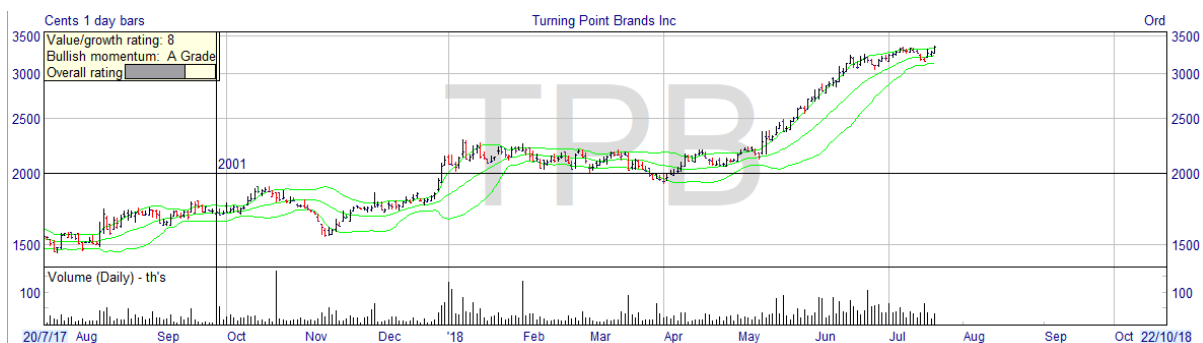
The point with this radar is to find undervalued stocks showing some momentum using our algorithms.

No.	Name	EPIC	Alpesh value/ growth rating
1	DS Smith PLC	SMDS	9
2	Morses Club PLC	MCL	9
3	Caledonia Mining Corp	CMCL	8
4	Premier Asset Management Group PL	PAM	8
5	S & U PLC	SUS	8
6	STV Group PLC	STVG	7



## Top trades for this month

This month: Turning Point - Speculative and higher risk.





## Personal Activities

It's been a very busy month. Wife surprised me for my birthday with a trip...



...and a birthday boat trip around the canals of Regents Park and Little Venice



I hosted the Vice Chancellor of Oxford University at an event there (below left).



I hosted a group of global entrepreneurs at the Institute of Directors in London (above right).

I visited my old school...







President Obama famously retook the Oath of Office as President...he did so standing in front of a portrait of an alumnus of my school, Henry LaTrobe:



I hosted an investment forum for UK India:



One of the companies I've brought to the UK – WorldWideGeneration – got to meet the Prime Minister:





And I did a live broadcast from Downing Street...and hosted educational institutions in the UK...

