

Alpesh Patel's July Newsletter

Exclusively for ShareScope Alpesh Patel Special Edition Subscribers



18 July 2019

Overview

Will it keep going up? Too late to pick some quality stocks for growth? Should we be more focussed on protection from falls? Or waiting to buy on dips? All this and more from this newsletter.

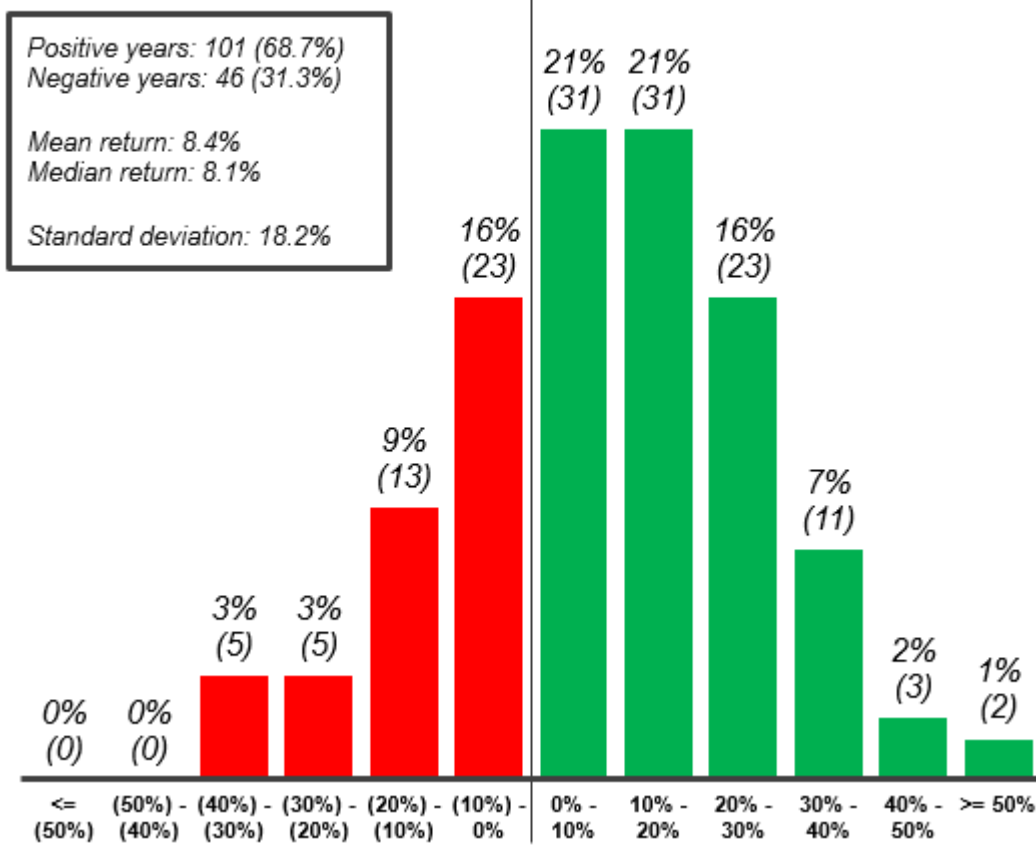
As I've been saying – we are not overly expensive when earnings are factored in – helped by our low expectations and each time they are exceeded, the market moves up.

Above all else this is what I presently have the most faith in – ie any correction will be short-lived and an opportunity to buy.



This year will be one of the positive ones for the US markets!

Distribution of 1yr Total Real Returns



Some more data charts I want to share with you to answer our questions.

Exhibit 24: Variables hitting 'bear market' thresholds prior to previous downturns

	Start	Dec-61	Feb-66	Nov-68	Jan-73	Sep-76	Nov-80	Oct-87	Jul-90	Jul-98	Mar-00	Oct-07	Apr-11	Accuracy
Rule *	Economic													
Low	Unemployment	✓	✓	✓	✓	✓	-	✓	✓	✓	✓	-	✓	83%
High	M2 yoy growth (Nominal)	✓	✓	-	✓	-	✓	-	✓	✓	-	✓	✓	67%
High	M2 yoy growth (Real)	✓	-	-	✓	✓	✓	-	✓	✓	✓	✓	✓	67%
High	ISM	-	✓	✓	✓	✓	-	✓	-	✓	✓	-	✓	67%
High	GS Recession Prob. (Next 8 Q)						✓	-		✓	✓	✓	-	57%
High	GS Recession Prob. (Next 4 Q)						✓	-	✓	-	-	✓	-	43%
High	CPI (yearly inflation)	-	✓	✓	-	-	-	✓	-	-	✓	✓	-	42%
Rule *	Market													
High	Shiller PE (Percentile)	✓	✓	✓	✓	-	-	✓	✓	✓	✓	✓	✓	83%
Low	Value vs. Growth						✓	✓	✓	✓	✓	-	-	71%
High	PE (Percentile)	✓	-	✓	✓	-	-	✓	✓	✓	✓	✓	-	67%
Low	BAA-AAA	✓	✓	-	✓	✓	-	✓	-	-	✓	✓	✓	67%
Low	Yield Curve (10y-2y)	✓	✓		✓	-	✓	-	✓	✓	✓	-	-	58%
Low	DJ Transportations vs. S&P	✓	-	-	✓	-	-	✓	✓	✓	✓	✓	-	58%
High	HY Defaults								✓	-	-	-	-	40%
Low	10 y BY	-	-	✓	-	✓	-	-	-	✓	-	✓	-	33%
Low	Real BY (10y BY)	-	-	✓	-	-	-	✓	-	✓	-	-	✓	33%
High	Nasdaq vs. S&P						✓	-	-	-	✓	-	-	25%
Rule *	Technical													
High	S&P 12m vol	-	✓	-	-	-	✓	-	✓	-	✓	✓	-	42%
Low	Market breadth (Nb)						-	-	✓	✓	-	-	✓	37%
Low	Market breadth (MV)						-	-	-	✓	✓	-	✓	37%
Low	% at new 52w high						-	-	-	✓	✓	-	-	25%
Low	% at new 52w low						-	-	-	✓	✓	-	-	25%

* Level at the start of the bear market versus level during the previous year

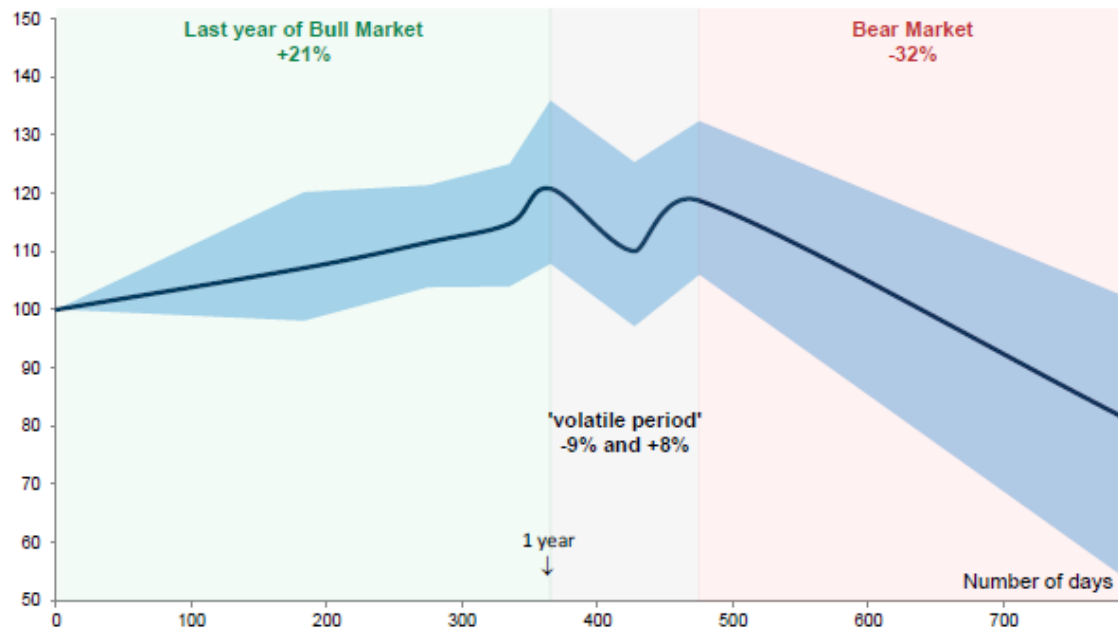
Source: Goldman Sachs Global Investment Research

Well, unemployment is at lows. So, no worries there. Of course other factors can override it.

In case things to go wrong – it will look like the image below:

Exhibit 5: The 'typical' profile of the 'Bear Market Bounce'

Average returns and length of the S&P one year before and during a bear market (ex 1998)



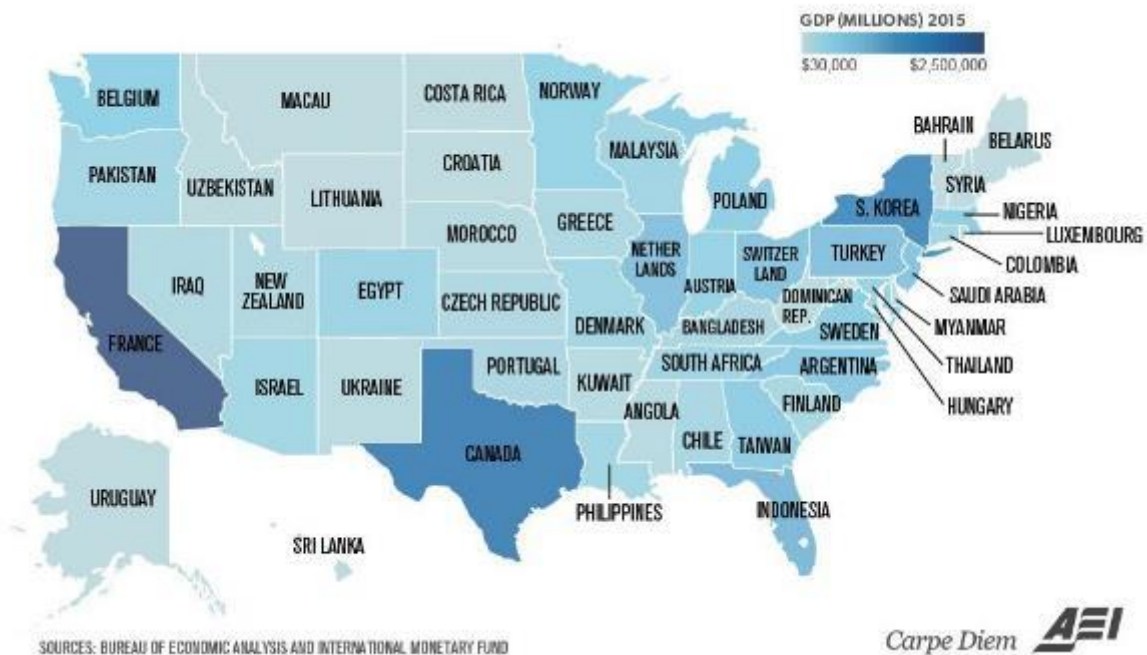
Source: Bloomberg, Goldman Sachs Global Investment Research

Fear, Hope, and Greed



Source: Raymond James research

My view is I want to buy more stocks for my pension and also if the market falls, buy even more. And I am focussed on US stocks – see image below.



Equities

I just see so many companies to choose in UK and US markets with an Alpesh Patel 8 or 9 rating, based on our algorithms which analyse income, growth and value.

I'm picking the highest rated stocks on my algorithm which datamines based on valuations, growth of the companies and the income they generate – to make sure I have companies paying out, growing fast and still well valued. What more could we want?

No.	Name	EPIC	Alpesh value/ growth rating
1	Delek Logistics Partners LP	DKL	10
2	Oasis Midstream Partners LP	OMP	10
3	AT&T Inc	T	9
4	Celanese Corp	CE	9
5	Cosan Ltd Class A	CZZ	9
6	Hartford Financial Services	HIG	9
7	A - James Hardie Industries	JHX	9
8	Johnson & Johnson	JNJ	9
9	Knoll Inc	KNL	9
10	A - Koninklijke Philips Elect	PHG	9
11	Lincoln National Corp	LNC	9
12	Mercer International Inc	MERC	9
13	Merck & Co Inc	MRK	9
14	MetLife Inc	MET	9
15	Monotype Imaging Holding	TYPE	9
16	Newmark Group	NMRK	9
17	QIWI PLC	QIWI	9
18	RPM International Inc	RPM	9
19	Shell Midstream Partners	SHLX	9
20	Steelcase Inc	SCS	9
21	Timken Co	TKR	9
22	Virtus Investment Partners LP	VRTS	9
23	Wyndham Destinations Inc	WYND	9

I also like to buy into long term trends. Sometimes, like AT&T – the fundamentals can be in place, but the price goes sideways.

So, I've highlighted these with a bit about what they do from the web:

Celanese Corporation, also known as Hoechst Celanese, is a Fortune 500 global technology and specialty materials company with its headquarters in Irving, Texas, United States.

The **Hartford Financial Services Group**, Inc., usually known as The Hartford, is a United States-based investment and insurance company. The Hartford is a Fortune 500 company headquartered in its namesake city of Hartford, Connecticut. It was ranked 156th position in Fortune 500 in the year of 2018.

Merck & Co., Inc., d.b.a. Merck Sharp & Dohme outside the United States and Canada, is an American multinational pharmaceutical company and one of the largest pharmaceutical companies in the world.

I've also searched the highest moving ones this year so far and I get these:

Bruker Corporation is an American manufacturer of scientific instruments for molecular and materials research, as well as for industrial and applied analysis.

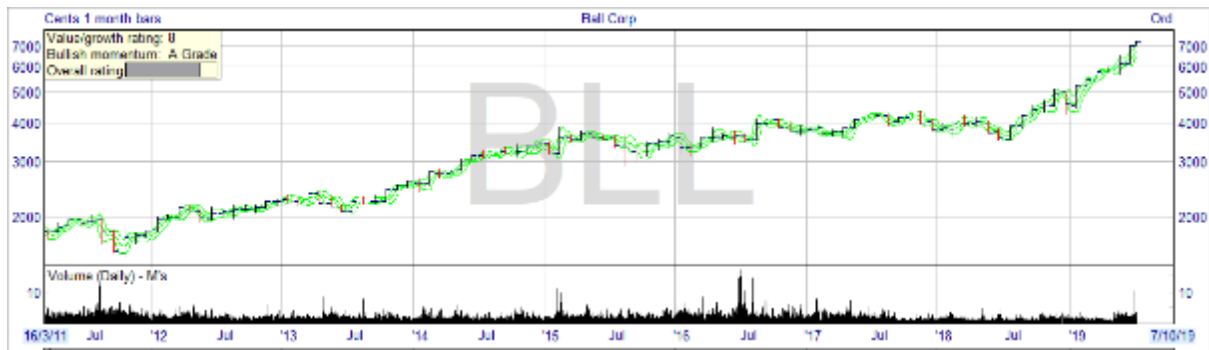


Cadence Design Systems, Inc. is an American multinational electronic design automation software and engineering services company, founded in 1988 by the merger of SDA Systems and ECAD, Inc.

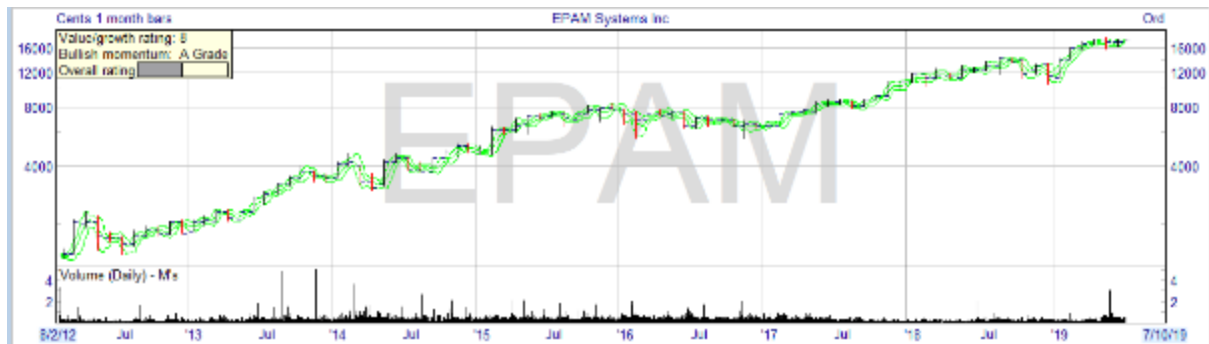


Euronet Worldwide is a US provider of electronic payment services with headquartered in Leawood, Kansas. It offers automated teller machines, point of sale services, credit/debit card services, currency exchange and other electronic financial services

Ball Corporation is an American company headquartered in Broomfield, Colorado. It is best known for its early production of glass jars, lids, and related products used for home canning.



EPAM Systems, Inc., also known as EPAM, is a global provider of software engineering and IT consulting services headquartered in Newtown, Pennsylvania, United States. The company has software development centers and branch offices in North America, Europe, Asia and Australia.



Paysign, Inc. (my speculative one) provides innovative debit and prepaid card programs that deliver secure, immediate and user-friendly access to incentive, reward, compensation, and reimbursement funds.

Running the same algorithm on the UK market gives me:

No.	Name	EPIC	Alpesh value/ growth rating	CROCI (%)
1	BCA Marketplace PLC	BCA	9	2.8
2	Greencore Group PLC	GNC	9	5.3
3	Informa PLC	INF	9	6.9
4	Polymetal International PLC	POLY	9	7.4
5	BBA Aviation PLC	BBA	8	7.8
6	Domino's Pizza Group PLC	DOM	8	22.0
7	Equiniti Group PLC	EQN	8	7.2
8	Meggitt PLC	MGGT	8	4.7
9	Pets at Home Group PLC	PETS	8	6.2
10	Playtech PLC	PTEC	8	13.9
11	RHI Magnesita NV	RHIM	8	10.5
12	Savills PLC	SVS	8	14.9
13	Smurfit Kappa Group PLC	SKG	8	8.8
14	Standard Life Aberdeen PL	SLA	8	0.6
15	Tullow Oil PLC	TLW	8	7.9
16	Weir Group PLC	WEIR	8	3.9
17	Spectris PLC	SXS	7	5.1
18	Beazley PLC	BEZ	6	3.5

(By the way higher the CROCI (cash return on capital invested) the better – developed by Deutsche Bank, used by Goldman Sachs.

If I do that with US stocks, as well as my algorithm and longer-term trends I get:

Hamilton Lane a global Private equity firm investing in companies worldwide

Verisign, Inc. is an American company based in Reston, Virginia, United States that operates a diverse array of network infrastructure, including two of the Internet's thirteen root nameservers

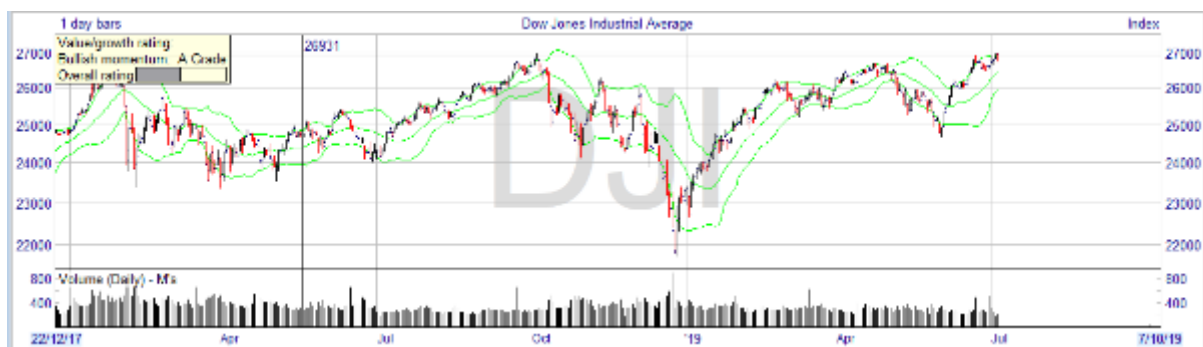


Mastercard

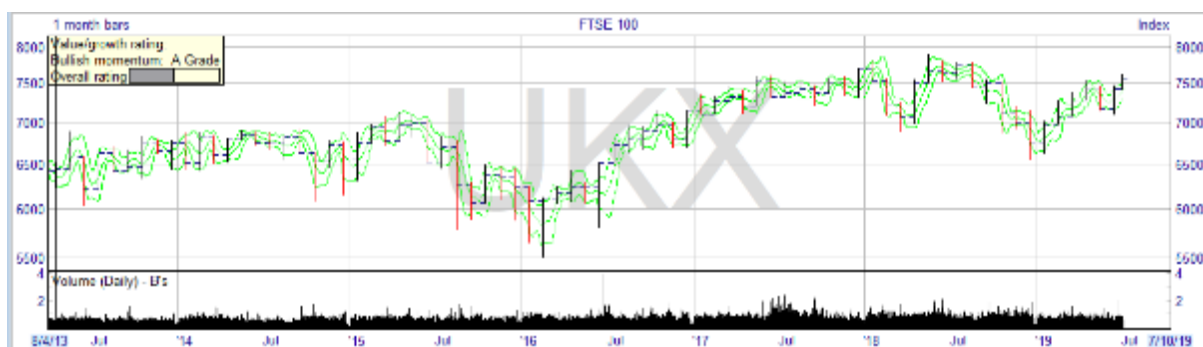
Accenture – the strategy consultancy.

Indices

Well we return to all time highs as I mentioned. We will go higher yet this year. The cut in Fed interest rates will help.

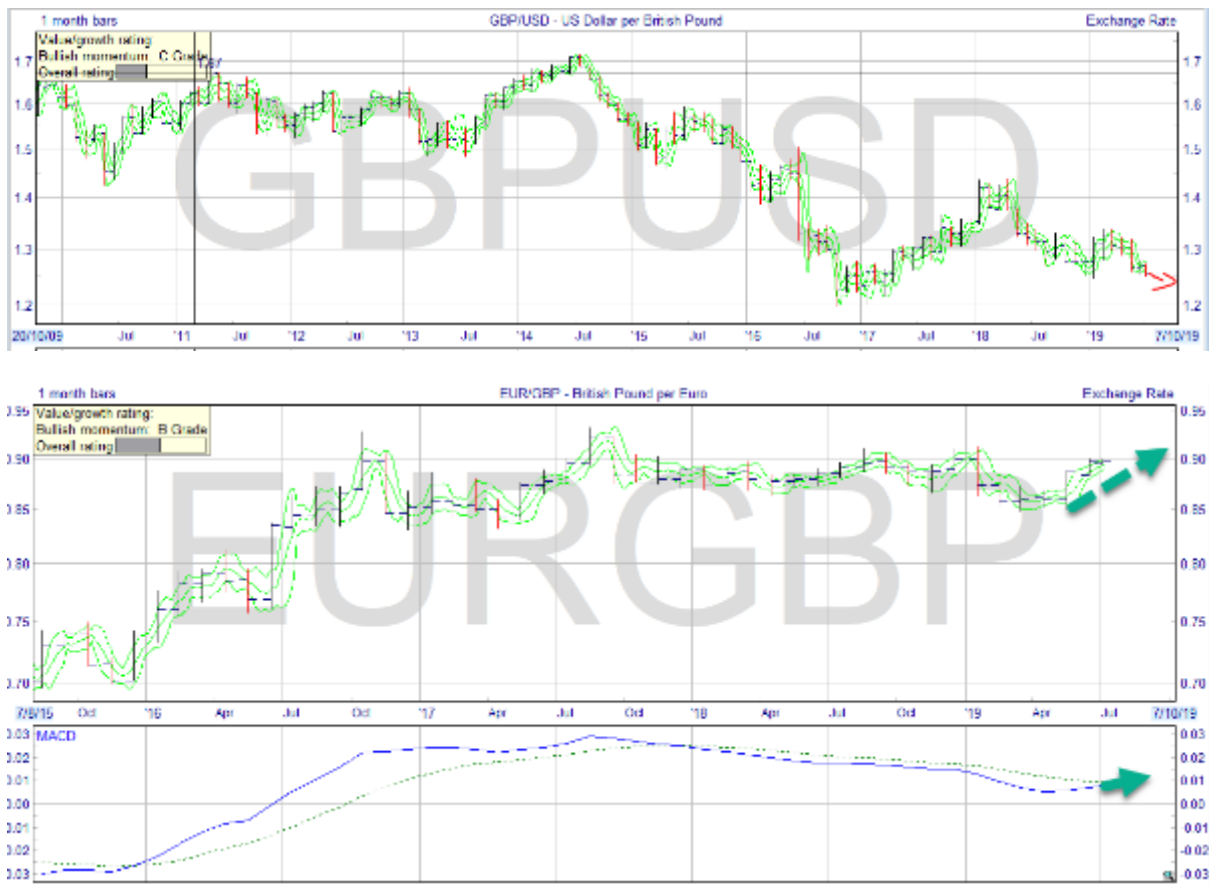


We could see a FTSE bounce if Brexit is hard and pound falls, and if it is good, on optimism:



Forex

Some of my views I've shown with arrows



Neil Woodford and Fund Managers

You all invest yourself. Thank god. Well you may know Neil Woodford's fund was suspended. I hate to say 'I told you so' but from writing about this in the Financial Times over 16 years ago - and also see the image to this post, where he only just beat a cat in his performance (16 years ago in a market forecasting competition run by the FT over a 12 month period) - the bigger problem is the old boys network screwing pensioners. The fund manager cosies up to the broker who distributes to pension funds (your money) and to you without telling you they get fat kickbacks. The fund managers - as I've written in my FT columns, my FT books, my Bloomberg shows (!!!) know marginally more than a cat.

FT Top Ranked Fo



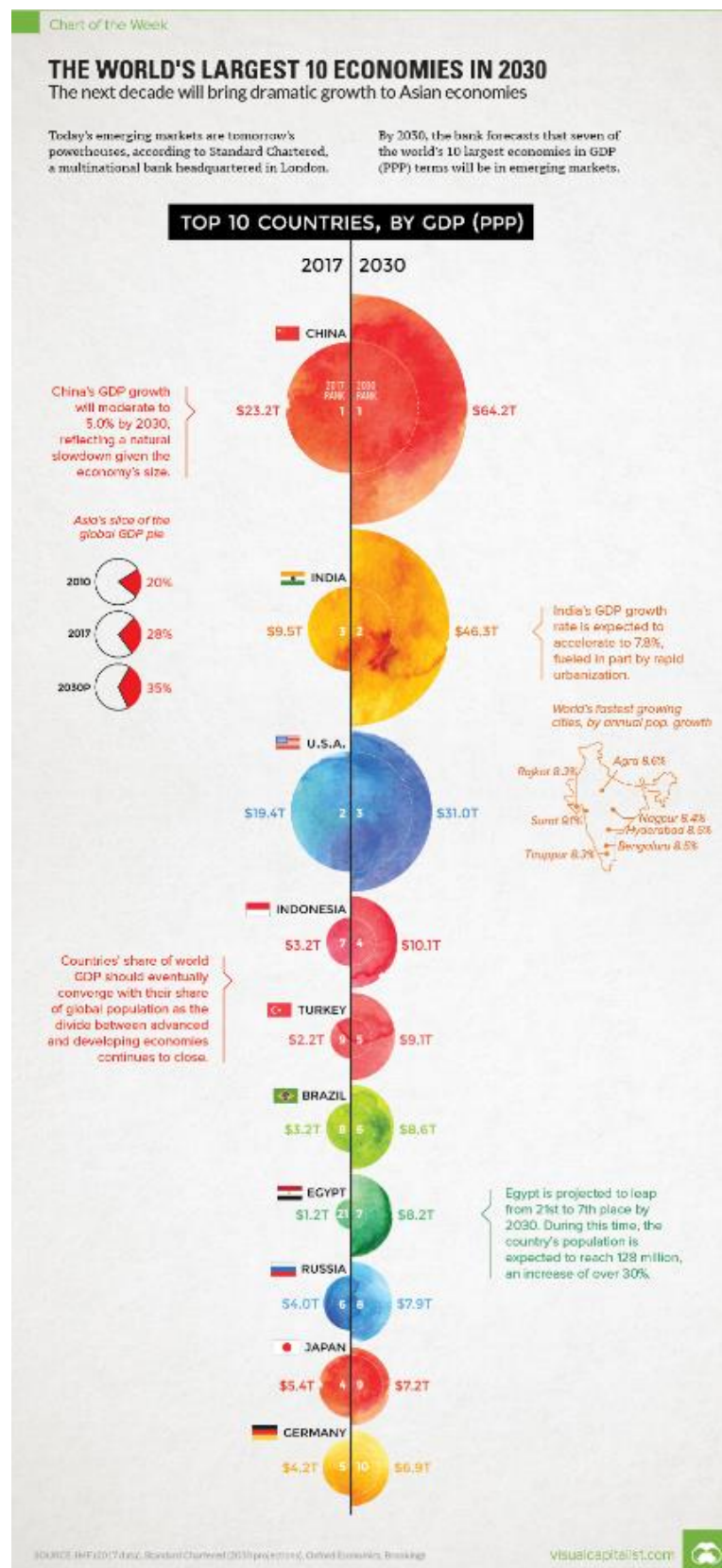
Educate yourselves. By the way looking back at that FT competition in the image, I notice something about the ethnicity of the participants. It's why I don't say I'm humbled. The time for ethnic minorities to have to do twice as well in the hope of being recognised and be simply 'humbled' is well and truly over. You made us twice as strong, twice as good.

I've written today to the Commons Select Committee to investigate. And I can tell you I know all about the old boys network being in fund management myself - at University, they blocked me from the Investment Club to go up against Cambridge because 'they wanted their friends in the limited places they had'. All the worst things you hear - it's true.

My boss is me. How you like me now boys.

For Your Personal Perusal

Some interesting things you might like:



Personal Thoughts

A ridiculously busy past month. Some highlights.

My new love: early morning bike rides around our beautiful city listening to audio books. Today's choice: "The Money Culture" highly recommended. Written in 1989. The bit on Trump and debt fuelled shenanigans of companies and rubbish fund managers is as true as ever.



As the Prime Minister said, "for anyone who thinks the UK is retreating from the world, they would be totally wrong". Here we explain from the experts how and why to export. Helping British companies export is so important, because 400,000 do not who could, and it is vital for those of us who do, to roll up our sleeves and show those who do not, how to do it. Business isn't 'me, me, me' it's 'Us, us, us' or rather 'UK, UK, UK'.



People at the bottom often have no credit history. So, they are financially excluded. I first brought this company from [Singapore](#) to the UK a couple of years ago. They solve that problem. Yesterday - they won a competition with 60 other global tech companies. "Iceberg Insights is a credit check service for lenders in the world's fastest developing countries. With our solution, lending officers can predict risk amongst borrowers, with no to low credit history, by scientifically defining their willingness to pay"

The hours of travel, the tiredness of being on your feet for even more hours, talking all day long (it is tiring), the cost to your own business, all vanishes when you win.

Well done [Capgemini UK](#) and Adele Every and team for amazing event and our GEP (Global Entrepreneur Programme) team too! [#investingreat](#)

Oh the sweet joy of victory! <https://www.iceberginsights.com/>



My son with Gary.







A speech on trade and investment in Westminster.



On BBC!

Work trip..for our hedge fund...Middle East



Speech in the Palace of Westminster on education.

Fat camp in Austria:



