Alpesh Patel's Newsletter

Exclusively for ShareScope Alpesh Patel Special Edition Subscribers

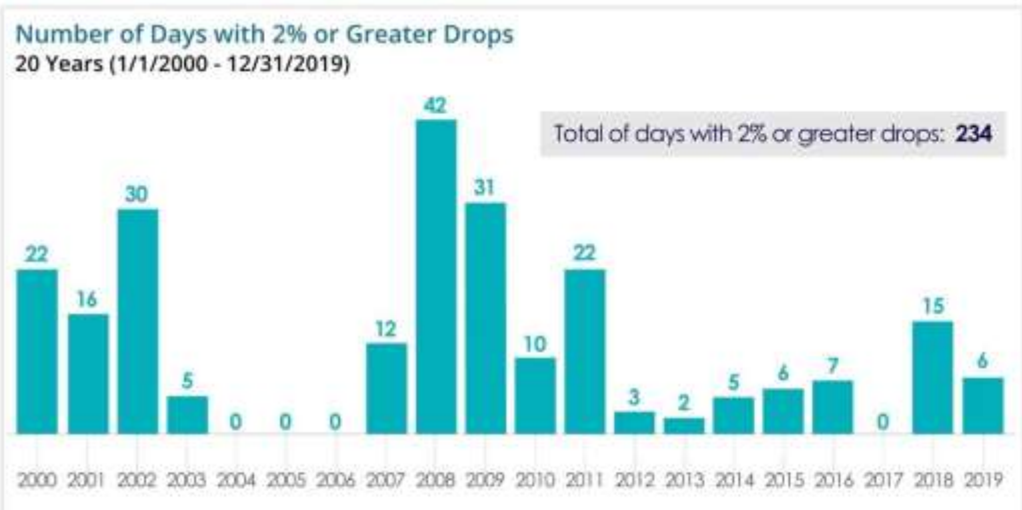
04 June 2021

Overview

Welcome to the newsletter. I want to share the most important market information which caught my eye that you should be aware of:

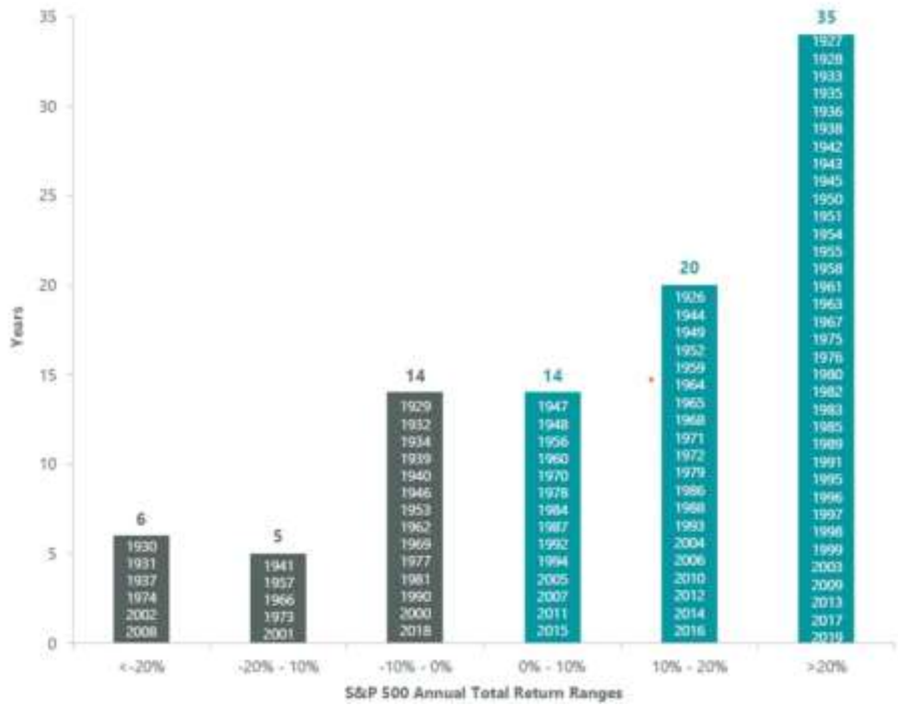
Head strategists at Bank of America, Wells Fargo, Citigroup, Morgan Stanley, and Stifel all have year-end price targets of 3,900 or lower, though they see opportunities in individual names and market sectors.

But none seem to see a sell-off of 30% or more in the months ahead — it would be hard to do so with the gargantuan economic growth that's expected this year. Also, Wall Street analysts severely underestimated earnings growth in the first quarter, as 86% of S&P 500 companies have reported better-than-expected profits. That's on pace for a record according to FactSet data that goes back to 2008, and a reminder that upside surprises can always happen.

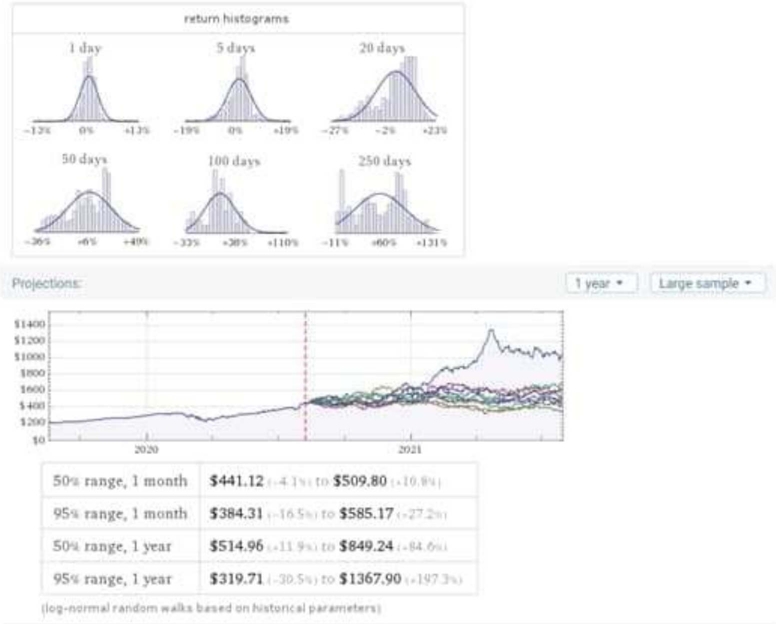


Market Annual Returns

Distribution of S&P 500 Total Returns Since 1926



Apple



Alphabet

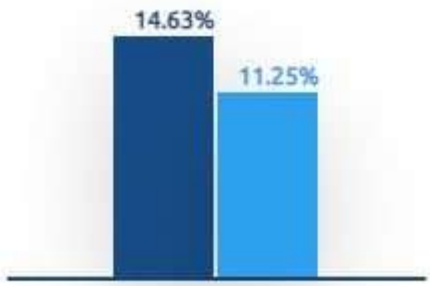
Leveraged ETFs

These are increasingly popular – so I thought I would share the risk of them with you. I do own 2x MSFT and FTSE and 3x S&P 500.

Buy 2X or 3X?: A Primer - Leverage Shares ETPs

Microsoft Trading Behavior

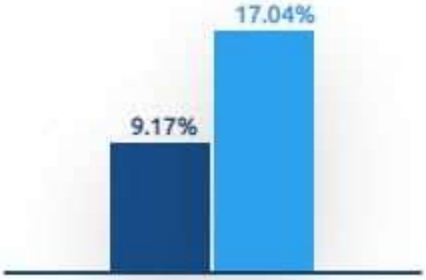
'Sell in May and Go Away'? Below is comparison of stock price change in 1 May to 31 October period vs 1 November to 30 April period (for the past 10 years).



PRICE CHANGE (%)	NOV TO APRIL	MAY TO OCT
Average	14.63%	11.25%
Max	23.37%	22.46%
Median	16.09%	10.61%
Min	-3.69%	-9.77%

Medifast Trading Behavior

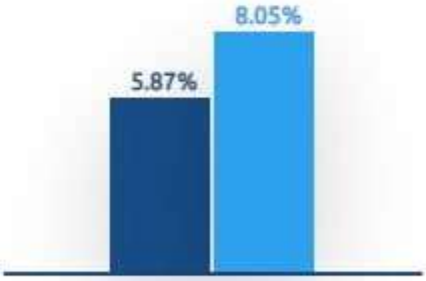
'Sell in May and Go Away'? Below is comparison of stock price change in 1 May to 31 October period vs 1 November to 30 April period (for the past 10 years).



PRICE CHANGE (%)	NOV TO APRIL	MAY TO OCT
Average	9.17%	17.04%
Max	62.77%	112.02%
Median	14.94%	0.00%
Min	-31.03%	-23.59%

Target Trading Behavior

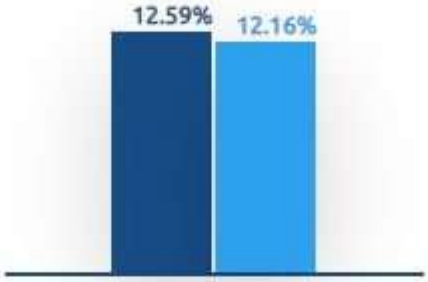
'Sell in May and Go Away'? Below is comparison of stock price change in 1 May to 31 October period vs 1 November to 30 April period (for the past 10 years).



PRICE CHANGE (%)	NOV TO APRIL	MAY TO OCT
Average	5.87%	8.05%
Max	29.17%	39.72%
Median	4.57%	8.12%
Min	-17.37%	-12.15%

Lam Research Trading Behavior

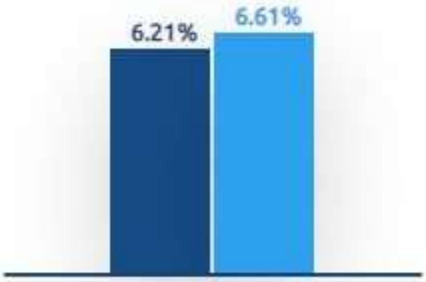
'Sell in May and Go Away'? Below is comparison of stock price change in 1 May to 31 October period vs 1 November to 30 April period (For the past 10 years).



PRICE CHANGE (%)	NOV TO APRIL	MAY TO OCT
Average	12.59%	12.16%
Max	51.89%	43.70%
Median	0.54%	18.10%
Min	-11.26%	-22.06%

Walmart Trading Behavior

'Sell in May and Go Away'? Below is comparison of stock price change in 1 May to 31 October period vs 1 November to 30 April period (for the past 10 years).



PRICE CHANGE (%)	NOV TO APRIL	MAY TO OCT
Average	6.21%	6.61%
Max	18.23%	28.81%
Median	5.02%	6.60%
Min	1.54%	-25.84%

Tactically I am more inclined to Dow than Nasdaq alone, so Walmart fits my tactics (within the strategy of value growth income cashflow etc

Greater reward and greater volatility ones to come - they need more research in the current environment.

"Unless a company has suffered a sea change in prospects, such as impossible labour problems or product obsolescence, a long holding period will keep an investor from acting too human. Being too fearful or too greedy can cause investors to sell stocks at the bottom or buy at the peak and destroy portfolio appreciation for the long run."

Calculations of intrinsic value are far from precise. Consequently, I don't feel any urgency to buy an estimated $1 of value for a very real 95 cents.

I sometimes give Special Situation Strategies. Palantir is a security software company and a very big one. Since IPO it moved from around 9 to 45 then dropped to 19. It's billion-dollar firm, well regarded. It does not fall into my normal strategy due to recent IPO meaning it's not got enough data. One strategy is to expect a 100% return, with risk it falls back to IPO price low point. Abundance of caution that 100% would take 3 years, whilst I may well hope and expect it will take 1 year. But we have to be cautious. Those expecting 1 month for instance will be guaranteed of burnt fingers. One would hold till 1. 100% return 2. Time runs out ie 3 years. Whichever comes first. People risk appetite informs them whether that is attractive to them or not. Most of my holdings as you know continue to be based on value growth income etc.

Palantir Technologies Inc. expects sales to grow 43% in the second quarter, showing new distribution deals are putting its data analysis software into the hands of more customers.

Revenue will reach $360 million in the period ending in June, the company said in a statement Tuesday. Shares gained 9.4% to close at $20.21 in New York.

	Name
2	Apple Inc
3	Home Depot Inc (The)
4	Microsoft Corp
6	UnitedHealth Group Inc
10	Walmart Inc
16	Salesforce.com Inc
23	Procter & Gamble Co
24	Visa Inc
27	Nike Inc
28	Walt Disney Co (The)
11	American Express Co
13	Goldman Sachs Group Inc
18	Caterpillar Inc
21	Honeywell International Inc
26	JPMorgan Chase & Co
15	McDonalds Corp
22	Merck & Co Inc
1	3M Co
5	Travelers Companies Inc (The)
7	Intel Corp
8	International Business Machine
9	Walgreens Boots Alliance Inc
12	Amgen Inc
14	Johnson & Johnson
17	Verizon Communications Inc
19	Cisco Systems Inc
20	Coca Cola Co (The)
25	Dow Inc
29	Chevron Corp
30	Boeing Co (The)

These are Dow companies. Only 30 in the Dow. I own Apple, Microsoft, UnitedHealth, Visa. I did have, put time is up (12 months) on Disney, Cisco, Goldman Sachs, Walgreen Boots.

Name	Price% 2 weeks ago		Alpesh value/ growth rating	Sortino Ratio	Return Alpha %	CROCI (%)	EPIC
Kraft Heinz Co	▲	6.98	7	-0.1032	-0.7787	4.6	KHC
Amgen Inc	▲	5.97	6	0.6972	3.3298	19.5	AMGN
Gilead Sciences Inc	▲	4.67	7	0.0733	0.3259	13.2	GILD
Comcast Corp Cl A	▲	4.66	6	0.5865	6.1648	5.4	CMCSA
Charter Communications Inc	▲	4.49	8	1.3094	8.6358	4.8	CHTR
Regeneron Pharmaceuticals	▲	3.97	6	0.4394	5.0806	14.7	REGN
O'Reilly Automotive Inc	▲	3.65	8	0.8736	6.8530	35.9	ORLY
T-Mobile US Inc	▲	3.45	5	1.8804	8.2158	-2.8	TMUS
Alexion Pharmaceuticals Inc	▲	3.15	7	0.4836	3.9208	17.5	ALXN
Biogen Idec Inc	▲	2.40	5	0.0742	1.1348	16.4	BIIB

Which companies have been driving Nasdaq 100 higher and are they any good?

Name	Price% 2 weeks ago		Alpesh value/ growth rating	Sortino Ratio	Return Alpha %	CROCI (%)	EPIC
Travis Perkins PLC	▲	28.59	4	0.2989	5.6411	11.2	TPK
St Modwen Properties PLC	▲	25.18	4	0.2812	4.9028	4.8	SMP
UDG Healthcare PLC	▲	20.02	7	0.1591	2.6342	14.9	UDG
Ferrexpo PLC	▲	13.81	8	0.4811	11.7595	28.3	FXPO
John Laing Group PLC	▲	12.69	4	0.2896	2.1417		JLG
Frasers Group PLC	▲	11.10	7	0.3309	9.5599	1.9	FRAS
Sainsbury (J) PLC	▲	10.34	6	-0.0989	-0.4928	14.4	SBRY
Chemring Group PLC	▲	10.30	8	0.3185	5.8104	9.2	CHG
Tullow Oil PLC	▲	10.25	4	-0.1207	-1.6798	6.1	TLW
Glencore PLC	▲	9.99	5	0.0544	2.1507	1.3	GLEN
Redde Northgate PLC	▲	9.24	8	0.1467	3.5792	18.7	REDD
Hargreaves Lansdown PLC	▲	8.95	7	0.0310	0.6368	47.9	HL.
Imperial Brands PLC	▲	8.25	10	-0.5508	-3.8031	17.2	IMB
Premier Foods PLC	▲	7.59	6	0.9299	10.9622	4.3	PFD
Airtel Africa PLC	▲	7.58	8			7.6	AAF
Greggs PLC	▲	7.53	4	0.6416	9.5916	-1.7	GRG
BlackRock World Mining Tr	▲	7.31	5	0.5426	5.8743		BRWM
PageGroup PLC	▲	7.27	4	0.1408	2.5099	25.5	PAGE
ConvaTec Group PLC	▲	7.23	8	0.0398	0.8393	10.9	CTEC
Anglo American PLC	▲	7.15	7	0.4884	8.0135	3.4	AAL
Morrison (Wm) Supermarke	▲	7.09	7	-0.4312	-2.4308	-4.1	MRW
Workspace Group PLC	▲	7.02	7	0.0071	1.3978	1.7	WKP
Morgan Advanced Materials	▲	6.97	6	0.0706	2.2150	13.7	MGAM
Smurfit Kappa Group PLC	▲	6.96	7	0.2034	3.1978	10.6	SKG
Centamin PLC	▲	6.96	8	0.0654	1.1979	23.9	CEY
Rio Tinto PLC	▲	6.62	8	0.5406	5.0669	12.6	RIO
Paragon Banking Group PL(	▲	6.24	5	0.0503	2.0325		PAG
Vectura Group PLC	▲	6.06	7	0.5586	3.0805	2.2	VEC
Hochschild Mining PLC	▲	6.03	4	0.1517	2.6725	8.1	HOC
BHP Group PLC	▲	5.77	7	0.3750	4.5578	9.9	BHP
BT Group PLC	▲	5.76	6	-0.0513	0.1559	5.1	BT.A
Big Yellow Group PLC	▲	5.73	7	0.3281	3.3493	5.6	BYG
Diversified Energy Compan	▲	5.59	6	0.3159	2.3392	10.7	DEC
Fresnillo PLC	▲	5.48	6	-0.0389	-0.1376	10.2	FRES
Wood Group (John) PLC	▲	5.40	3	-0.2076	-2.4245	2.2	WG.
Rathbone Brothers PLC	▲	5.29	7	-0.2941	-1.5161		RAT
Grainger PLC	▲	5.13	4	0.1059	1.7617	4.4	GRI
British American Tobacco P	▲	5.11	6	-0.2050	-1.5169	6.8	BATS
Vesuvius PLC	▲	5.02	6	-0.0161	0.6006	8.8	VSVS

Which stocks have been pushing FTSE 350 in the past few weeks and what do their financials look like? I am not chasing short term momentum or gambling on vaccine rotations etc. The companies have to be sound long term financially not just getting bounces in share prices in the short term.

Name	Price% 2 weeks ago	Alpesh value/ growth rating	Sortino Ratio	Return Alpha %	CROCI (%)
Baker Hughes Co	18.32	5	-0.1222	-0.4095	0.9
Nucor Corp	17.70	5	0.4537	6.5328	6.9
Schlumberger Ltd	17.25	6	-0.1879	-1.5005	4.5
Centene Corp	16.99	8	0.2582	2.5358	12.2
Viatris Inc	16.79	4	-0.5753	-5.4617	1.3
National Oilwell Varco Inc	13.85	4	-0.2830	-3.1165	7.3
Sealed Air Corp	13.76	8	0.2850	4.0098	12.0
NortonLifeLock Inc	13.05	9	0.2792	2.8038	13.4
Gartner Inc	13.04	5	0.4489	6.1288	18.2
Halliburton Co	12.36	6	-0.1260	-0.6215	6.1
Molson Coors Brewing Co	10.67	6	0.0415	1.4256	4.4
CVS Health Corp	10.56	9	0.2828	3.2484	7.7
Perrigo Co	10.39	6	-0.4583	-3.2876	4.6
Cincinnati Financial Corp	9.55	5	0.3944	9.1653	5.5
CF Industries Holdings Inc	9.04	5	0.3081	6.4329	8.1
Freeport-McMoRan Copper	8.72	7	0.5890	14.1840	2.8
Cboe Global Markets Inc	8.62	8	0.1156	1.6890	27.9
EOG Resources Inc	8.59	6	-0.0650	0.4011	4.6
DaVita Inc	8.55	8	0.5957	6.7195	8.6
Franklin Resources Inc	8.53	7	0.1040	2.2307	5.8
Eastman Chemical Compan	8.40	6	0.2172	3.4382	7.4
Henry Schein Inc	8.13	7	0.1383	2.6091	10.0
Valero Energy Corp	8.12	4	-0.0914	-0.1153	-2.0
Lumen Technologies Inc	7.81	6	-0.0530	0.3390	4.8
WW Grainger Inc	7.54	7	0.4208	5.3902	19.5
Northrop Grumman Corp	7.33	8	0.1962	1.9413	8.7
Kellogg Co	7.21	8	0.1411	1.3592	10.9
Leggett Platt Inc	7.02	6	0.2949	6.7849	13.7

S&P500 and which stocks pushed it higher in case you were wondering why an index makes all-time highs but your stocks in it don't. See my previous comment above. I don't chase short term moves in financially unsound companies as it gives a quick good feel and you end up trading out of good companies for momentum and get wrong footed by momentum.

So as you know I have FOMO investment in crypto. Bought in 2018 (at the peak!) so I am no expert. To hold for 10 years ie 2028. Either I will be up 10x or down 100%. Anyway, so far XRP is minus 50% and Eth +200%. Draw your own conclusions. Will look at other strategies and share.

Oh, I used Binance and Etoro. FYI. There are others. It's high risk and definitely risk capital only as the chances of 100% loss is unknowable and may be 100%.

Inflation fears are unlikely to end the equity rally

The S&P 500 declined 1.4% last week, retreating from the previous week's record high, driven by concerns that higher inflation could lead the Federal Reserve to withdraw monetary stimulus. The US consumer price index for April rose 4.2% year-over-year, exceeding the 3.6% consensus forecast, and up from 2.6% in March. Market pricing of the inflation outlook also climbed: The US 10-year breakeven rate is now implying average inflation of 2.5%, close to the highest level since 2013 and up from 2% at the start of the year.

Sector level moves reflect concerns about inflation and higher yields, with "reflation" plays and value stocks outperforming the technology sector and growth equities more broadly. US energy stocks outperformed the market by 0.6% over the week, while financials outperformed by 1.7%. The technology-heavy Nasdaq Composite fell 2.3% over the week.

From UBS

"We see potential for financials and energy to continue to rally, as well as broader value stocks in the US.

Financials benefit not only in a reflationary environment of higher yields and a steeper yield curve, but also from stronger growth via a reduction in nonperforming loans and the positive impact on earnings revisions from lower loan provisions" UBS Wealth Management

For decades Hargreaves Lansdown (HL) was Britain's most influential investment platform, credited with changing the way that ordinary people saved.

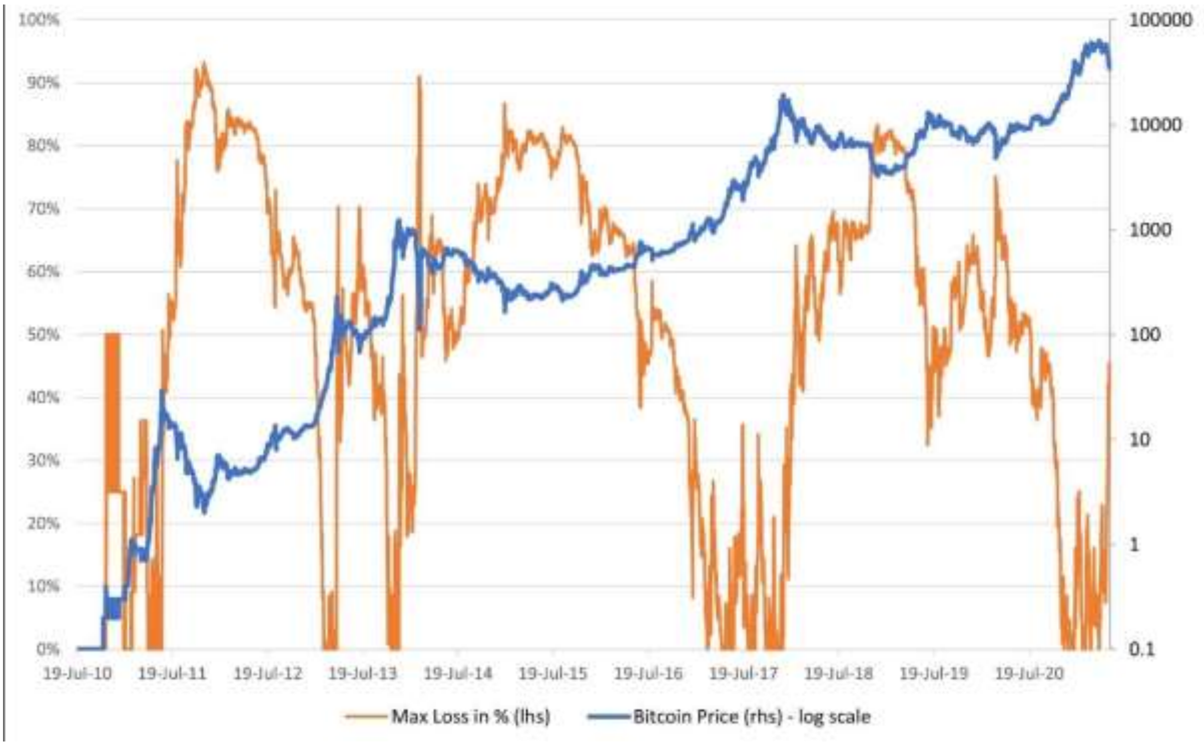
Special Strategy. Risk: HIGH. Downside Loss Potential - assume > 50%. Square 3x Leverage Exchange Traded Product. Hold up to 3 years, or exit sooner if down 75%(!) or make 100% return.

As previously mentioned I bought Roblox outside normal GIP rules, as an IPO as I think the market is going crazy on such deals. So i give normal risk warning. On 0 to 10 where 0 is a bank account and 10 is something high volatility small cap on my Great Investments Programme but with good value, growth, income, cash flow. I put this at an 11 on the risk line.

The above message on Roblox from March 16th has so far turned out good. So far.


Actively managed equity funds have suffered huge outflows
Cumulative global monthly flows ($bn)
Bond ETFs
Non-ETF bonds
Equity ETFs
Non-ETF equities
2000
1000
0
-1000
-2000
2010
2012
2014
2016
2018
2020
Source: EPRF
© FT

1 month. S&P500.



That's Bitcoin

Still an upside story to be told

From UBS Wealth:

With global equities now up 7% year-to-date and 20% above pre-pandemic highs (with US equities up 10% and 22%, respectively), many investors are skeptical that there is much upside left.

Although additional returns may seem unlikely after such a strong rally, we think the market will remain supported by the following factors:

First, strong earnings growth. In aggregate, S&P 500 earnings for the first quarter have beaten expectations by a remarkable 24%, with profit growth set to exceed 45%. Our estimates for 2021 reflect this faster recovery, and we now expect S&P 500 earnings to expand by 40% to USD 200 per share this year, rising to USD 215 in 2022. In the Eurozone, we expect an even sharper rebound and estimate earnings growth of 50% for 2021, with a further 12% expansion in 2022. In Asia ex-Japan and emerging markets as a whole, we forecast 31% and 35% earnings growth, respectively, in USD terms this year. This pace of earnings growth has global equities trading at a price-to-earnings (P/E) ratio of 17.6x for 2022.

Second, low yields. Our year-end target for the 10-year US Treasury yield is 2%. We continue to believe that the uncertainty over whether high inflation will prove more lasting than transitory, a likely tapering discussion before year-end, and strong economic data will maintain upward pressure on US 10-year yields toward our 2% target. However, the April payrolls report has given the Fed justification to maintain its existing policy settings and defer the discussion around tapering its monthly bond purchases until later in the year. Meanwhile, Japanese and European central bank policy is set to remain accommodative. The recent rise in 10-year Bund yields is likely over, and we expect them to end the year just below zero. All this should limit how high US 10-year yields can go.

Third, the combination of strong earnings growth and low yields makes valuations seem more appealing than a simple look at a price chart would suggest, and we do not see valuations as a constraint for stocks at present. In the US, the equity risk premium (ERP, a measure of the expected excess return from stocks over investing in government bonds) is currently around 300 basis points (bps), close to its 20-year average of 333bps and above its average since 1985 of 187bps. At a global level, there is even room for ERP compression. The current ERP for the MSCI All Country World index is around 400bps, above its long-term average of 274bps.

Our base case is for the S&P 500 to hit 4,400 by year-end, for a price return of 6%. In our upside scenario, the index reaches 4,600 by year-end, for a price return of 11%. In Europe, our base case is for a 9% price return for the Euro Stoxx 50 by year-end, rising to 17% in the upside scenario. In Asia ex-Japan, our base case is for a 16% price return, rising to 27% in the upside case.

The real story is about reflation

Although we expect upside for the market as a whole, it will not be evenly distributed. I discussed last month how market outcomes will be shaped by competing narratives between “lower for longer” and the “Roaring 20s.” This has been playing out, with energy and financial stocks outperforming in recent weeks amid inflation concerns. Yet we believe the reopening trade is still not fully priced in to the market. After underperforming by 31% between the start of 2020 and the Pfizer vaccine announcement in November, cyclicals have since outperformed technology by just 11%.

The reflation trade’s potential is also borne out in valuations. Forward P/E multiples indicate that cyclical sectors such as energy, financials, and industrials are trading close to historical averages—arguably “cheap” given the reduction in long-term interest rates—while technology-heavy sectors are trading at a significant premium.

Although we do not expect the performance and valuation gap to fully close, given that the pandemic has accelerated various digital trends, we think the trade has further to run. We expect rising long-term interest rates to support the financial sector. An increase in travel and tourism, and a broader increase in mobility from in-person shopping and working, should boost energy demand and the energy sector. Meanwhile, the accelerating global economic recovery should support base metal demand in commodities.

What to do in tech?

On the flip side of the reflation trade, the technology sector has been under pressure in recent weeks. The NYSE FANG+ index, made up of the 10 most traded tech stocks in the US, is 14% shy of February's all-time high, as fears of higher inflation and tighter monetary policy have weighed. In China, internet stocks have also suffered, as part of a sell-off that saw the broader MSCI China index dip into bear market territory.

The risk of regulatory action by Chinese authorities and weaker-than-expected share buyback announcements have been important driving factors. We expect the sector to recover in the long term, given its structural growth prospects, but think volatility is likely to persist in the short term. Global mega-cap tech stocks are trading at a forward P/E ratio of around 27x, which we don't think is unreasonable given that we expect earnings to grow at a mid-teens percentage rate during the next three years. But with a lack of strong near-term catalysts, uncertainty about the regulatory focus globally, and potential pressure on the sector from rising yields, we also don't see the near-term opportunity as compelling.

Against this backdrop, we advise investors to manage their exposure to global megatech, which we define as tech and tech-enabled companies of more than USD 200bn market cap. One approach is to weight overall portfolio exposure to be in line with relevant regional benchmarks. Mega-tech names account for around 18% of global equities and close to 27% of the S&P 500. We believe a mega-tech portfolio allocation in line with these proportions offers a reasonable proxy for our neutral stance on technology.

Within tech, we believe small- to mid-cap tech companies look most attractive given the segment's recent underperformance and strong long-term outlook. We particularly recommend diversifying toward opportunities in small- to mid-cap companies that may yield "The Next Big Thing," including those involved in themes like 5G, fintech, healthtech, and greentech. In China, we note that the internet sector is trading at a significant discount to its US peers, and focus on companies with strong balance sheets, resilient cash flows, high earnings visibility, and a managed approach to engaging in new investments. Incremental US auditing developments are unlikely to weigh significantly on Chinese tech ADRs, in our view, given their already less demanding valuations.

"Wait and see"

Volatility picked up in May in reaction to two US data developments. Consumer price inflation for April rose 4.2% year-over-year versus expectations of 3.6%, and the labor market added only 266,000 jobs for the month versus expectations of around 1 million, indicating supply constraints. This raised investor concerns that inflation will be more persistent than expected, potentially leading to higher interest rates.

In such an environment, it can be tempting for investors to wait—for volatility to abate, for a more meaningful sell-off, or for other uncertainties to resolve—before putting cash to work. Recent history marked by a series of rapid recoveries from sharp drawdowns, most notably in 4Q18 and 1Q20, has conditioned many investors to the potential gains to be had by timing market entries.

However, this story could prove costly for investors if they stick to it for too long.

We remain positive on the outlook for global equities in spite of the recent increase in volatility. We expect the cyclical-value trade to receive further support from the ongoing vaccine rollouts, and central banks remain committed to loose monetary policy. We keep our exposure to emerging markets because valuations look particularly appealing after the recent underperformance versus developed markets. We also upgrade Japanese equities to most preferred. Japan's relatively slow vaccine rollout has contributed to year-to-date underperformance. However, we think that healthy earnings growth, a positive correlation to US real rates, and a high sensitivity to the global economic recovery should support Japanese stocks going forward. At a US sector level, we like energy, financials, and industrials as beneficiaries of reflation. We continue to favor small-caps versus large-caps.

Fixed income

Given tight spreads and rising government bond yields, we hold a least preferred view on investment grade (IG) bonds and prefer riskier segments of the credit universe. We like US senior loans, which we believe will be supported by the improving macro and earnings outlook, the ongoing search for yield, policy support, their floating interest rates, and moderation of default risks.

Currencies

The market has pushed expectations for Fed rate hikes further into the future, after April's unexpectedly weak US labor market data. This supports our view for US dollar weakness and the medium-term positive trend for the euro, the British pound, the Australian dollar, and procyclical exporter currencies. The Bank of England in particular is striking a relatively hawkish note, with upgrades to growth forecasts at its April meeting and an acknowledgment that the next move in rates will be up. It also eased its pace of asset purchases and is unlikely to extend the current program, which expires at year-end. Meanwhile, the Bank of Canada announced in April that it will start tapering asset purchases, and we expect these to be reduced progressively to zero this year.

Commodities

We believe the most important drivers to support higher commodity prices are the global economic recovery and acceleration in the reopening phase. We expect broadly diversified commodity indexes to deliver mid- to high-single-digit total returns (including roll gains of more than 3%) over the next six to 12 months. At a sector level, the backdrop is most supportive of energy and base metal prices. By contrast, we expect improving global growth and higher real interest rates to weigh on gold prices.

Volatility

We think investors should use periods of elevated volatility to build long-term exposure. Investors could, for example, phase into the market by setting a monthly schedule to invest and accelerate their phasing in if the market drops further. Similar results can be achieved through structured strategies. For investors who can use options, selling out-of-the-money puts is a strategy that can generate income, while pre-committing the seller to buy the market at lower levels.

1. First, although it might feel uncomfortable, the highest returns tend to come from investing when volatility is elevated, not when it is subdued. Since 1990, returns in the six months following days when the VIX index closes higher than 20 have averaged 6.7%. The comparable return following days when the

VIX index closes under 20 is 5.1%. Warren Buffett's mantra to "be greedy when others are fearful" bears out in this analysis.

1. Second, waiting for a correction has proven to be a costly strategy over time. An investor who invested USD 100 in the S&P 500 in 1960 and simply held onto their investment would now have USD 43,132. An investor who employed a "buy the dips" strategy of buying in 1960, selling at new all-time highs, and waiting for a 10% correction before buying back, would be around 80 times less wealthy, with a portfolio worth just USD 534.

2. Finally, investors waiting for risks to recede could end up being on hold for a long time, as new concerns invariably arise. Although certain events may warrant a change in strategy, we don't believe the particular set of challenges making headlines today, including inflation fears, geopolitical risk in the Middle East, and COVID-19 variants, are yet sufficient to warrant a more cautious stance.

Risks we're watching

Inflation fears. The market narrative in recent weeks has been driven by inflation fears, resulting from higher-than-expected US CPI data, rising commodity and food prices, and signs of labor constraints. Inflation does not have a direct short-term impact on stocks. But higher bond yields can prompt concerns about valuations, and as such we think the bond market reaction is most important.

In our view, markets should be able to absorb higher yields provided that: 1) US 10-year yields remain below 2.25% (currently 1.66%); 2) the pace of increase remains below 75bps within three months (yields are up just 26bps since February); and 3) economic growth remains strong. We think the recent uptick in inflation will prove short-lived, given it is largely driven by factors related to the pandemic, and note that the Fed has reiterated its commitment to loose policy. Our base case is for 2% yield by year-end.

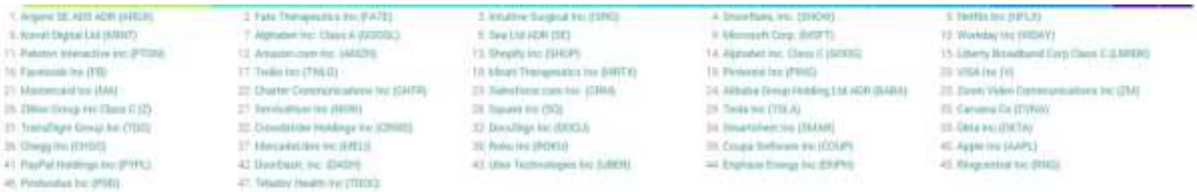
Geopolitical risk. The resurgence of Israeli-Palestinian tensions has put a spotlight on geopolitical risk in the region. As yet, despite the human tragedies created by the escalation, we do not expect the conflict to have a major impact on global financial markets. Geopolitical crises historically— from the Cuban Missile Crisis in the 1960s to 9/11—have tended to produce only a fleeting effect on global markets, as most events do not tend to leave long-lasting impacts that trigger a persistent change in economic growth. In the case of the current conflict, provided it does not draw in other Arab nations and impact crude oil supplies—a tail risk, in our view—its wider financial market implications are likely to remain minor.

COVID-19 challenges. Vaccinations continue to be rolled out at an impressive pace in Europe and North America, contributing to reductions in new infections. However, ongoing struggles to contain the virus globally risk the emergence of new variants. Yet none of the new variants identified so far appear to be sufficiently more virulent or vaccine-resistant to materially delay reopening of major economies. Furthermore, a growing body of evidence supports the efficacy of existing vaccines against the virus and its variants. Just 0.01% of fully vaccinated people in the US are known to have caught the virus, according to data from the Centers for Disease Control and Prevention. New data from Qatar shows Pfizer's vaccine reduced infection with the South African variant by 75%, and offered 100% protection against severe disease and death.

Investment ideas

Equities

Above from UBS Wealth Management

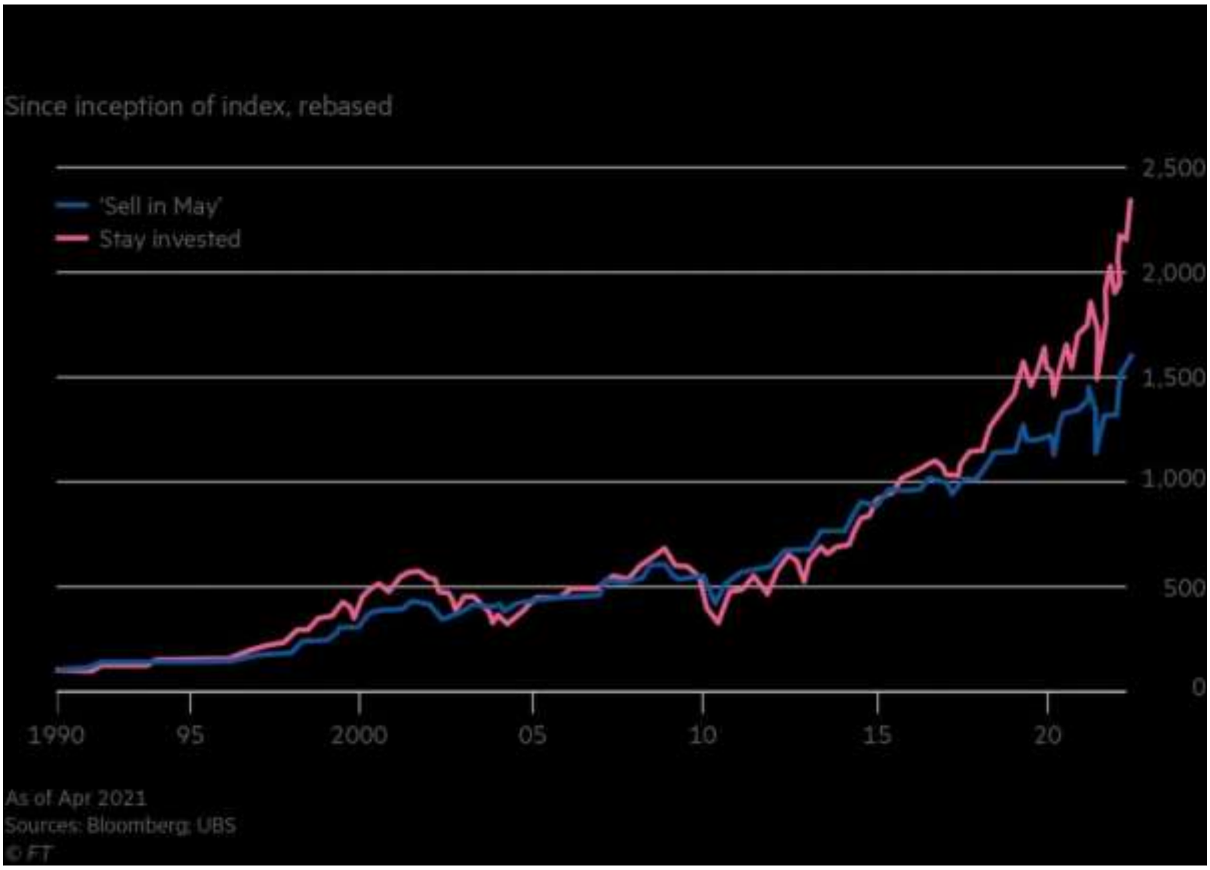


Most popular stocks among 150 hedge funds analysed (SEC 13(f) filings). I own Fate (outside GIP strategy), did have Netflix, Alphabet, Msft, Amzn, Alphabet, Visa, FB, MA, did have ZM, Sq, NOW, AAPL, PYPL from that list - and others of course listed previously on this channel. Sorry I should clarify, I did used to have Netflix and Zoom. The others I still have.

The 'No Jerks' Rule of Investing

Managers who are arrogant, rude, and selfish aren't just unpleasant to deal with. They're also bad at generating returns.

=




Dow Jones Industrial Average
DJI
▲64.75 ▲0.19%


NASDAQ 100
IXND
▲28.66 ▲0.21%


FTSE 100
UKX
▲2.94 ▲0.04%

This is Why Stocks Are Booming, But Can They Continue?

After the big banks posted their profits last week, many investors could relax. Earnings and revenues far exceeded estimates from investors' polls by Refinitiv. Despite their high prices, analysts like Mad Money's Jim Cramer are now suggesting that financial stocks are "dirt cheap."

While in the UK, the FTSE 100 rose through 7000 for the first time in over a year. Stock markets dropped wildly last year due to COVID-19 investor panic. But now, having bounced back strongly, stocks are looking like the safest place for money, with current banking interest rates offering returns of just 0.1%.

While still short of an all-time high of over 7500, year-over-year growth of 35% is astounding. Oil, pharmaceuticals, commodity extraction, have spurred most growth and the return of the high street and hospitality as pandemic restrictions relax.

However, US stocks are performing even stronger, with tech giants like Apple, Amazon, and Alphabet contributing to an 82% rise over the same period.

After a challenging 2020, investors and analysts are giddily proclaiming, the worst is over. However, on further inspections, things might not be so straightforward.

The Upsides

The lockdown road map has provided much-needed relief for the retail and parts of the hospitality sector in the UK. A successful vaccine rollout has led to a clear and defined pathway for UK life to return to normal. Additionally, investor sentiment seems high.

However, it's not just a return to normal that has prices on the rise. Interest rates on bonds, and talk of rising tax rates, have seen money flow into stocks.

Across the pond, Joe Biden's administration's commitment to a further $1.9bn stimulus and infrastructure investment package should keep the economy in good health. This, combined with the Federal Reserve's promise to keep interest rates low unless inflation goes over 2%, should create favourable conditions for investors. Cheap money and rapid growth are an investor's dream.

Of course, inflation is a growing concern for many investors; however, this could result in good news for the UK markets. Motley Fool's Malcolm Wheatly recently pointed out that falling bond and gilt prices suggest a sell-off is in progress.

If this indicates that inflation is coming, the same publication suggests that equities could become more attractive. Real businesses that can maintain their sales should be able to go with the flow of inflation, provided inflation doesn't get too high.

The data on how rising inflation affects overall stock markets are open to interpretation. However, as Kevin Godbold at the Motley Fool suggests, value stocks tend to perform best during high inflation.

If this theory holds, UK's value and cyclical businesses could become very interesting to foreign investment, leading Godbold to hint that we could be on the edge of a multi-year UK stock market boom.

The Downsides

Despite jubilance caused by the end of the lockdown, this has been a Y-shaped recovery for many. As retail and hospitality sectors make steady gains, it's worth remembering that airlines are still struggling. Easy Jet, British Airlines parent company IAG, RyanAir, and Jet 2 are all slightly depressed.

The UK's vaccine rollout success hasn't been replicated globally, so further travel restrictions are expected. Indeed, the pandemic may have altered consumer behaviours forever.

British holiday-goers may continue to embrace the staycation, while work from home and virtual work could continue to hit one of the sector's biggest earners: business travel.

Other downsides for investors to consider are related to new, mutant COVID strains. While vaccine rollout has been a success, it's not guaranteed to be effective with new variants. Stock price rises in the last year have an economic recovery baked in; any more surprises could hit hard.

Market Watch has sounded a note of scepticism about the global market recovery. While gains are high, they have noted that they have some way to go before the match past crash recoveries.

Additionally, they add that the sectors earmarked to benefit the most from relation — financials, materials, industrials, and energy — are still below pre-COVID levels.

Finally, the Nasdaq 100 tracker QQQ ETF reported an outflow of $2.5bn from the fund, its biggest since October. While this might not prove to be symbolic of broader withdrawals, it is a significant trend reversal.

Conclusion

The market or investor sentiment isn't something that is too easily predicted. Crashes happen, rally happens; the FTSE 100 could go far north of 7000 or get back down to 5000. The only way to ride this variance is to think long-term.

The sensible play is to fully invest in resilient companies with strong growth potential and cash flows. Therefore if the market trends downwards, which it inevitably will at some point, you know your portfolio won't fall as far, and it will bounce back quicker.

Most Effective Ways to Overcome Financial Ignorance

UK pension holders have a big problem. And no, it's not the collapse of another investment fund like Woodford Equity. The problem is one of financial ignorance when it comes to their pensions.

The State of UK Pensions

Last year, a survey by MoneyMagpie and PensionBee laid bare the issue. Its findings were astounding. 75% of UK adults don't know what they'll get from their pension fund upon retirement.

Additionally, 50% of UK citizens don't know how many pension pots they have. Finally, 45% say they will be relying on a state pension once they retire.

Frankly, this is irresponsible. But, should we be surprised? An article in the Financial Times recently declared that "we are living in the Golden Age of Ignorance." Sadly, they might have a point.

Despite education levels and the flow and access of information being at their highest, something is going wrong. But, while believing in COVID-19 conspiracy theories might only cost you credibility among peers, ignorance about your pension could leave you living in poverty in retirement.

Similarly, a survey of over 18m adults by the Pensions and Lifetime Savings Association (PLSA) found that 56% of respondents said they weren't confident they were saving enough for retirement.

Indeed, the PLSA feels that many people are sleepwalking into their 60s before waking up in horror when it's too late.

The Bleak Future for UK Retirees

Life expectancy in the United Kingdom is approximately 82 years. By the time this generation of workers gets around to retiring, it will be more like 86 or 87. Even when retirement is raised to 67, that means the best part of 20 years reliant on an insufficient pension.

A government pensions research study from 2020 outlined how many citizens are woefully unprepared for retirement. Many respondents interviewed for the report had no plan for when they stopped working. Indeed, some suggested they'll keep working into their 80s.

Studies like this just keep on coming. A 2019 survey by Aviva UK suggests 64% of workers over 45, i.e., 9 million people, have no idea what they'll need for a comfortable retirement. While over half that amount doesn't even know how much they've currently saved.

Auto enrolment scheme

Yet, one bright spot is the government's pension auto-enrolment scheme. While many are still just contributing the bare minimum, more than 60% of UK 25-54 years olds currently have a private pension.

However, the coronavirus crisis may have reduced that number. Research from Royal London suggests 40% of Millennials have stopped or reduced their pension contributions during the lockdown.

High rents, unaffordable housing, and the spectre of a pandemic-related recession mean that things look bleak for this generation of workers. And that is before figuring out how the government plans to pay back the pandemic rescue packages.

Additionally, as people begin to live longer, the ratio of taxpayers to retirees may spiral into a pensions crisis.

What Can Workers Do To Save for Retirement?

So, what should you do?

UK workers need to understand that it's never too late to start investing. Additionally, it's never too early. Workers need to aim for a level of personal responsibility about their retirement funds.

Financial literacy is a must.

People need to have a greater understanding of **what** they need for retirement. By understanding the actual costs of life post-work, they can better understand what they need to invest.

Investing in stocks and shares is an excellent way to save for a pension. Market returns and compounding can turn even modest regular savings into a pot of a reasonable size. Too much money is going to waste in low-yield ISAs and SIPPs.

The longer the average British worker ignores this, the further likelihood they will be plunged into poverty by retirement age.

How Can People Take Control

So, how can workers make the most of the money they can invest for retirement? It's simple: Learn the basics of investing.

We have a free campaign and resources available at www.campaignforamillion.com. Here, people can demystify the investment process and see through all the bluster.

From here, should they choose, they can learn to pick their own stocks. Leaving their pensions in the hands of investment fund managers is not an adequate strategy. These managers consistently deliver below-market results and charge exorbitant fees for the privilege.

By accessing video, webinars, and books, UK citizens can close the information gap between them and the privileged minority. A lack of financial literacy creates a huge opportunity cost and reinforces the poverty gap.

Investing in stocks carries risk. Understandably not every citizen will want or be able to do it. But at least they should understand the right questions they need to ask of their IFAs (Independent Financial Advisors) and about their pension funds.

Investing in an Expensive Market

Stock market analysts are worried. US stocks are at an all-time high, with many declaring that we are witnessing a bubble. Investing in an expensive market poses an interesting dilemma.

If the bubble bursts, losses will be sharp and dramatic. On the other hand, prices are rising, and gains are there for the taking.

JP Morgan Advise to Buy the Bubble

In a recent note, JP Morgan addressed this very problem. Their research into expensive markets provided some interesting analysis, namely that 80% of markets that crash severely eventually return to all-time highs.

The note suggested that while the dot-com boom eventually became delivered, specific markets like Japanese Nikkei have never recovered from their late 80s peak. As a result, they suggest that investors should buy, rather than avoid, bubbles.

The Return of Active Investing

When too many people passively invest, it can increase the prices of an already expensive market. Overbought index funds increase the cost of underlying stocks, decreasing market efficiency and allocating capital to the undeserving stocks.

Within index funds, well-performing stocks can drag the underperformers along with their momentum, resulting in overvalued shares.

In these times, active investing can triumph. When underperforming parts of the index are high, stock pickers can select underpriced equities that give more significant returns.

Are US Stocks Overvalued?

In the 12 years since the financial crisis, the US stock market has grown massively. The MSCI USA Index is up 641 per since March 9, 2009. By way of comparison, the MSCI World (excluding the USA) index increased by 246 per cent in the same timeframe. This pattern has continued since the pandemic.

By many metrics, such as the cyclically adjusted price-to-earnings, US stocks are overvalued. Much of the recent surge can be attributed to the economic stimulus from the US government and the Federal Reserve.

With many passive funds overexposed to stock that has grown with little relation to its earnings, the merits of active investment are clear.

Can Investors Time The Market?

Timing the market is tough. According to Duncan Lamont, Schroders' head of risk and analytics, shifting out of stocks is a losing strategy. He notes that an aversion to high-priced stocks would have kept most investors out of the market over the last decade.

Conclusion

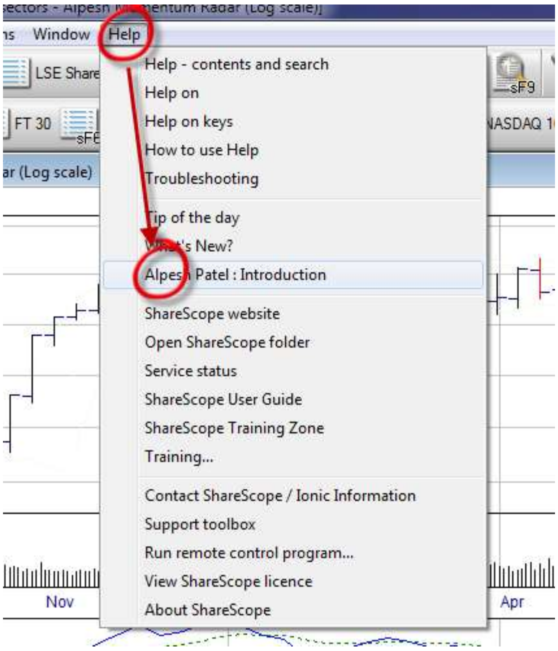
All of this has left many investors confused about how to proceed. The market is expensive and may yet crash, and with indexes seemingly overbought, the art of stock picking will return.

The inverse relationship with stock returns and earnings has traditionally spelt trouble in the past. Indeed, Warren Buffett warned that younger investors are in the process of learning some "very expensive lessons."

However, learning lessons about investing doesn't have to involve losing your retirement fund or other capital. The Campaign for a Million gives investors a chance to learn how to invest from award-winning hedge fund manager Alpesh Patel.

This free course teaches ordinary people to invest and includes instant market insights from the hedge fund desk to help investors stay updated.

Help Page



Personal

Download a free copy from www.campaignforamillion.com