

Alpesh Patel's March & April Newsletter

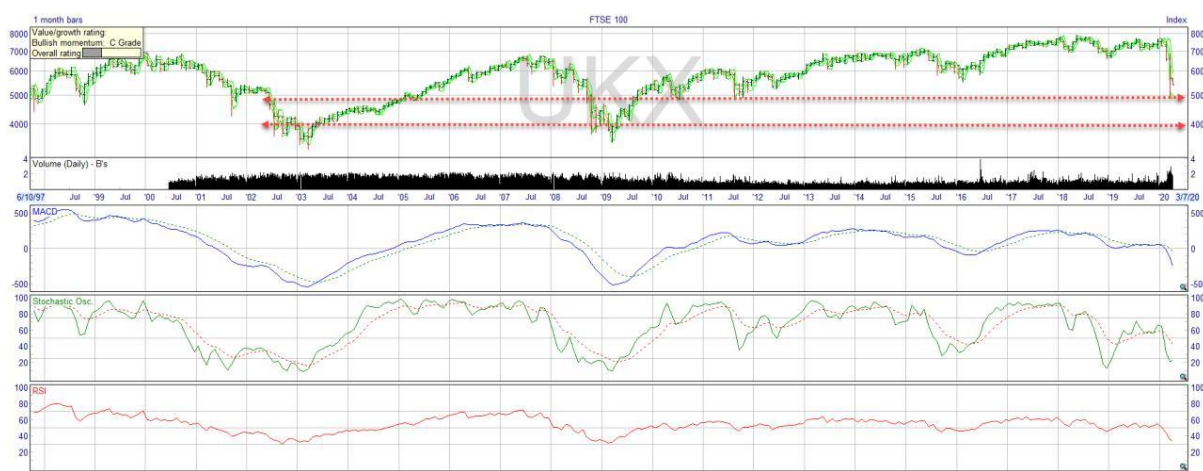
Exclusively for ShareScope Alpesh Patel Special Edition Subscribers



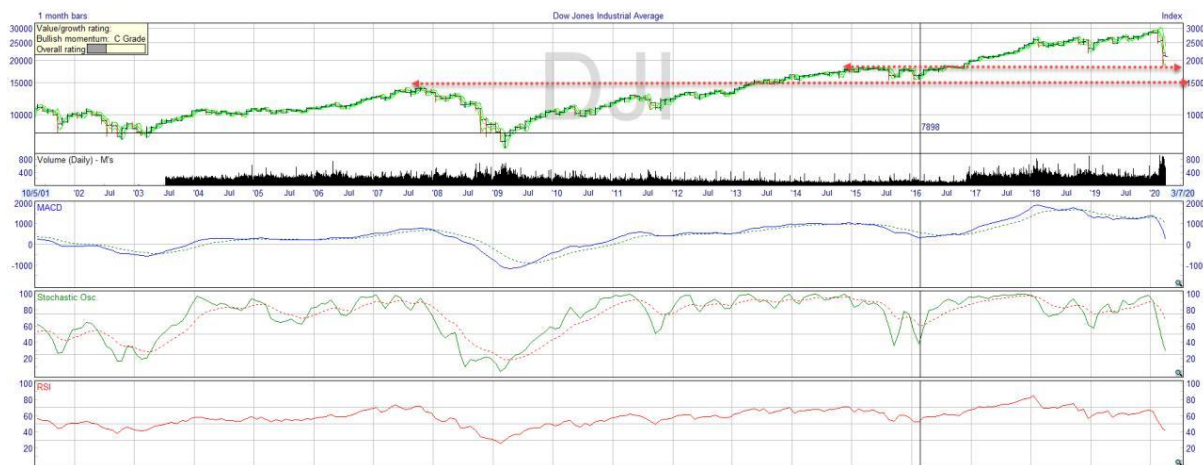
08 April 2020

Overview

Welcome to this bumper edition newsletter which will include the latest insights from me and Goldman Sachs among others.



Have we got to the bottom? See above. I think 40% yes, 60% no.



Goldman Sachs say event driven market falls from peak to trough last longer on average than the present peak to trough has, suggesting further falls are likely.

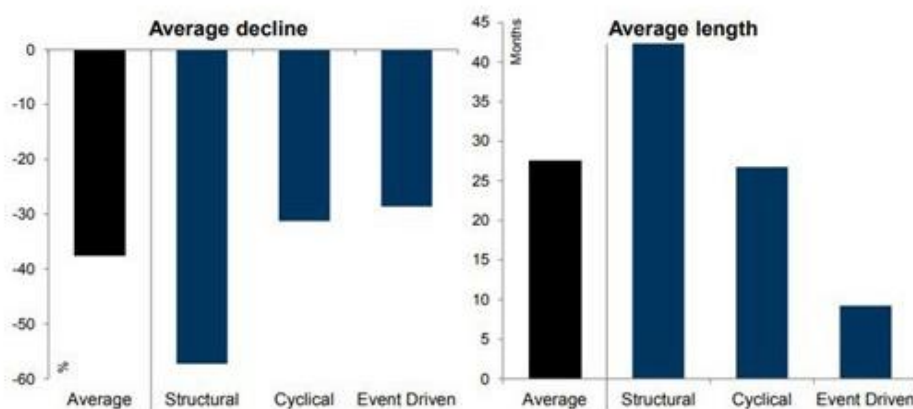


Consumer and Investment Management Division

SARS-Coronavirus-2 / COVID-19: An Update on Developments in Europe

March 26, 2020

Investment Strategy Group



Source: Goldman Sachs Global Investment Research

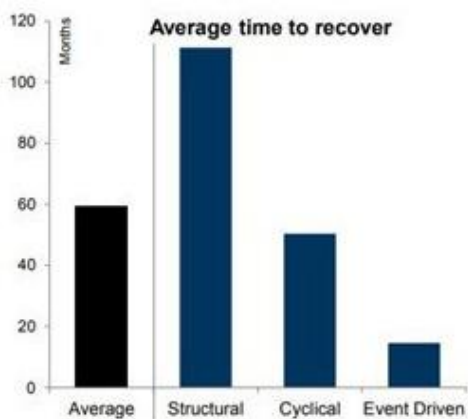


Exhibit 6: US bear markets tend to start with a fall, then bounce within a few months, before the dramatic final fall

Start 1 st peak	1 st Drop		Bounce		Subsequent drop	
	# Months from 1 st peak	% down from 1 st peak	# Months from 1 st peak	% up from bottom	# Months from 1 st peak	% down from 1 st peak
Dec-61	1.6	-7%	3.0	5%	6.4	-28%
Feb-66	1.1	-7%	2.3	6%	7.9	-22%
Nov-68	3.5	-10%	5.4	8%	17.8	-36%
Jan-73	7.3	-16%	9.0	11%	20.7	-48%
Sep-76	1.6	-8%	3.3	9%	17.4	-19%
Nov-80	2.8	-10%	3.8	8%	20.4	-27%
Aug-87*	0.9	-8%	1.3	6%	3.3	-34%
Jun-90*	0.7	-4%	1.4	5%	4.2	-20%
Jul-98**	-	-	-	-	1.5	-19%
Mar-00	0.7	-11%	5.3	12%	30.5	-49%
Jul-07*	0.9	-9%	2.7	11%	19.6	-56%
Apr-11	1.5	-7%	2.3	7%	5.1	-19%
Median	1.5	-8%	3.0	8%	12.6	-28%
Average	2.1	-9%	3.6	8%	12.9	-32%

* This first peak is not our official 'start date' for the bear market (see Exhibit 3)

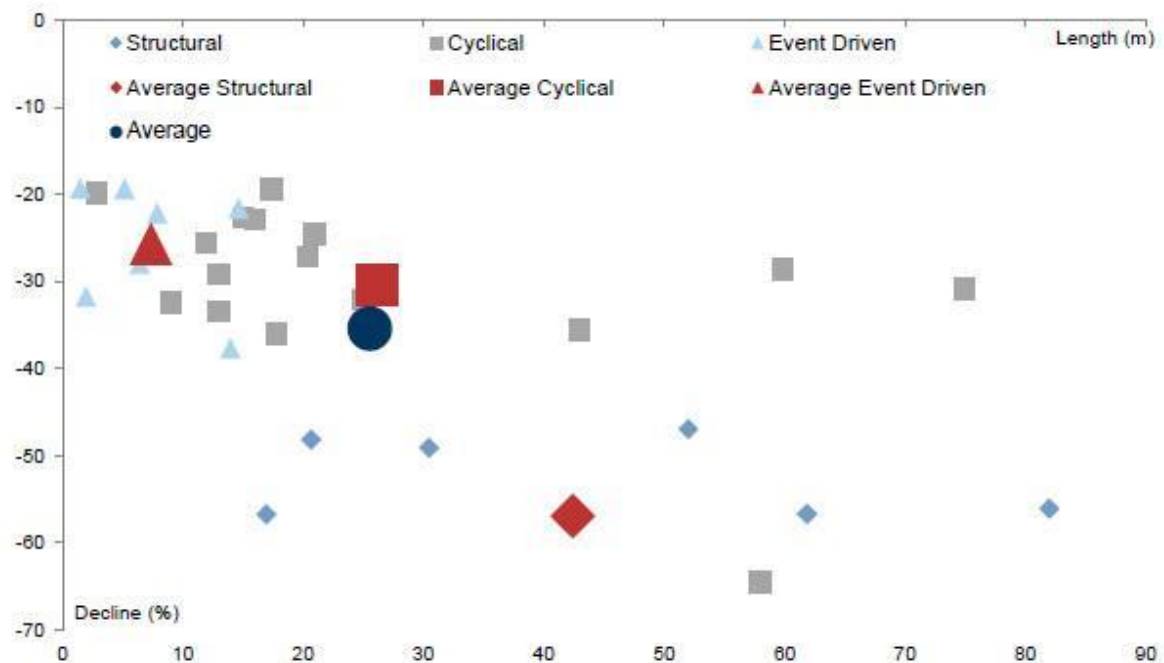
** There was no bear market bounce during the 1998 bear market

Source: Bloomberg, Goldman Sachs Global Investment Research

Wall Street's 2020 Outlook

Firm	Strategist	2020 S&P Target
Bank of America Merrill Lynch	Savita Subramanian	2600
Barclays	Maneesh Deshpande	3000
BMO	Brian Belski	Suspended
BTIG	Julian Emanuel	3000
Canaccord Genuity	Tony Dwyer	Suspended
CFRA	Sam Stovall	3435
Citigroup	Tobias Levkovich	2700
Credit Suisse	Jonathan Golub	2700
Deutsche Bank	Binky Chadha	3250
Goldman Sachs	David Kostin	3000
JPMorgan Chase	Dubravko Lakos-Bujas	3400
Morgan Stanley	Mike Wilson	2700
Oppenheimer	John Stoltzfus	Suspended
RBC	Lori Calvasina	2750
UBS	Francois Trahan	2850
Wells Fargo Investment Institute	Darrell Cronk	2760

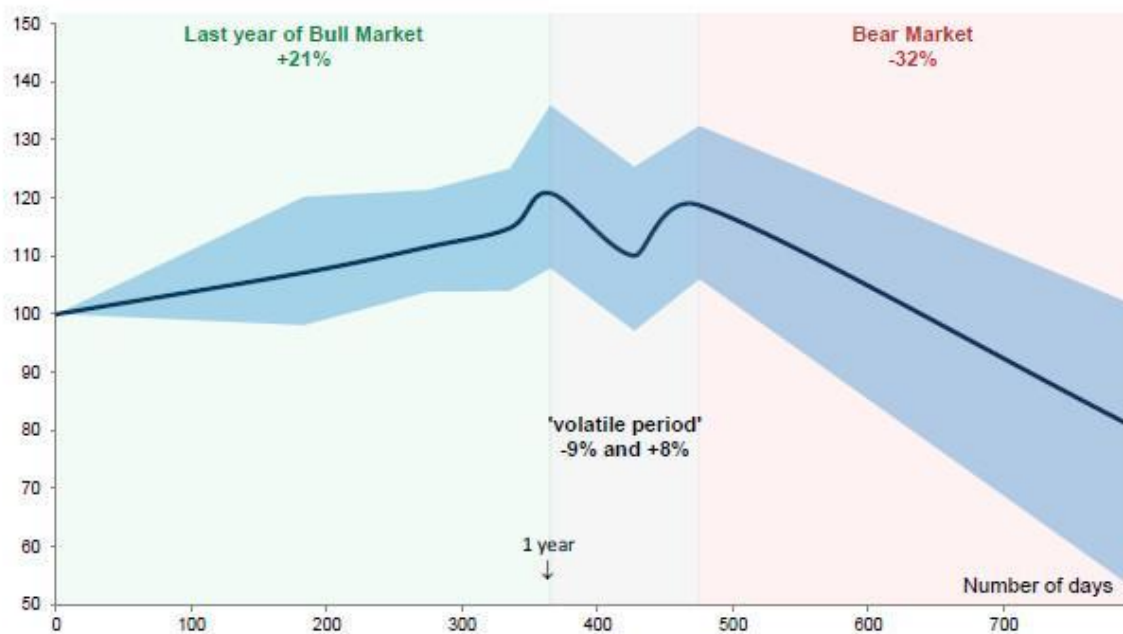
Exhibit 20: Structural bear markets tend to be deeper, longer...
US bear markets since the 1800s



Source: Bloomberg, Goldman Sachs Global Investment Research

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

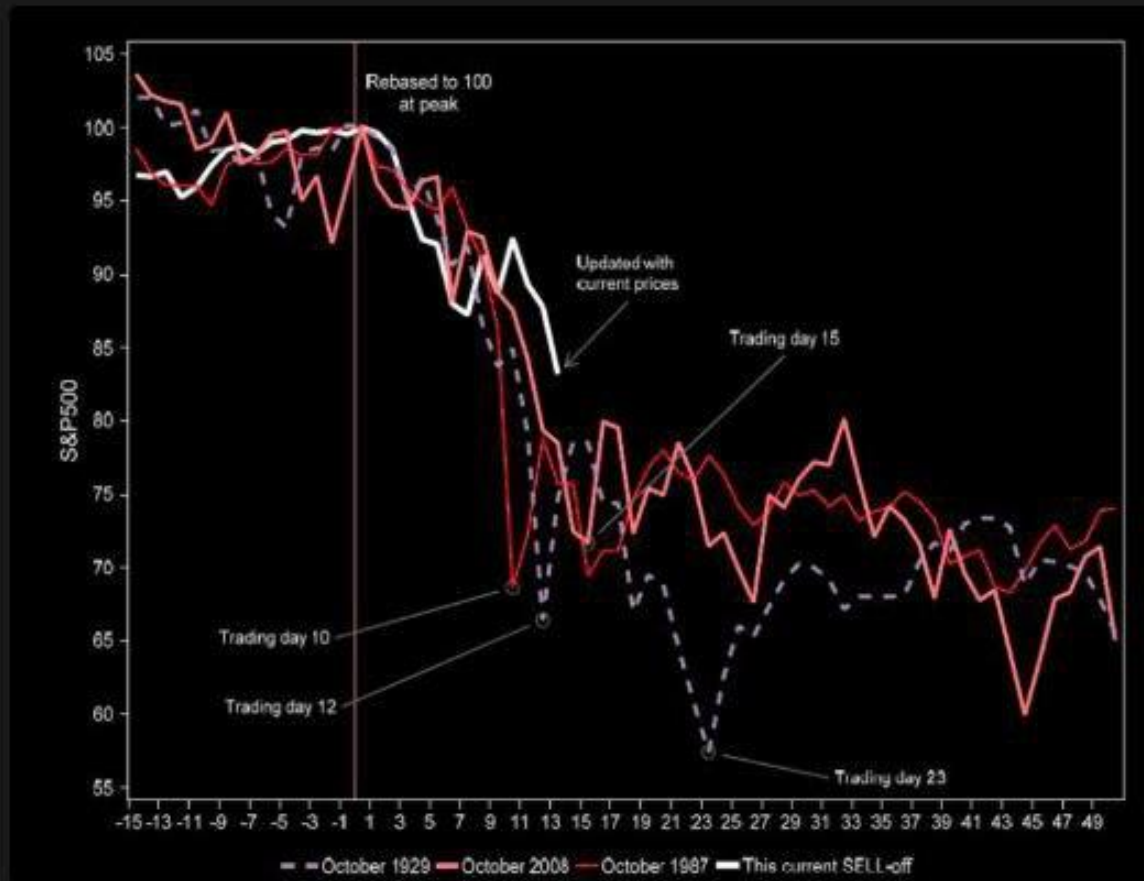
Average returns and length of the S&P one year before and during a bear market (ex 1998)



Source: Bloomberg, Goldman Sachs Global Investment Research

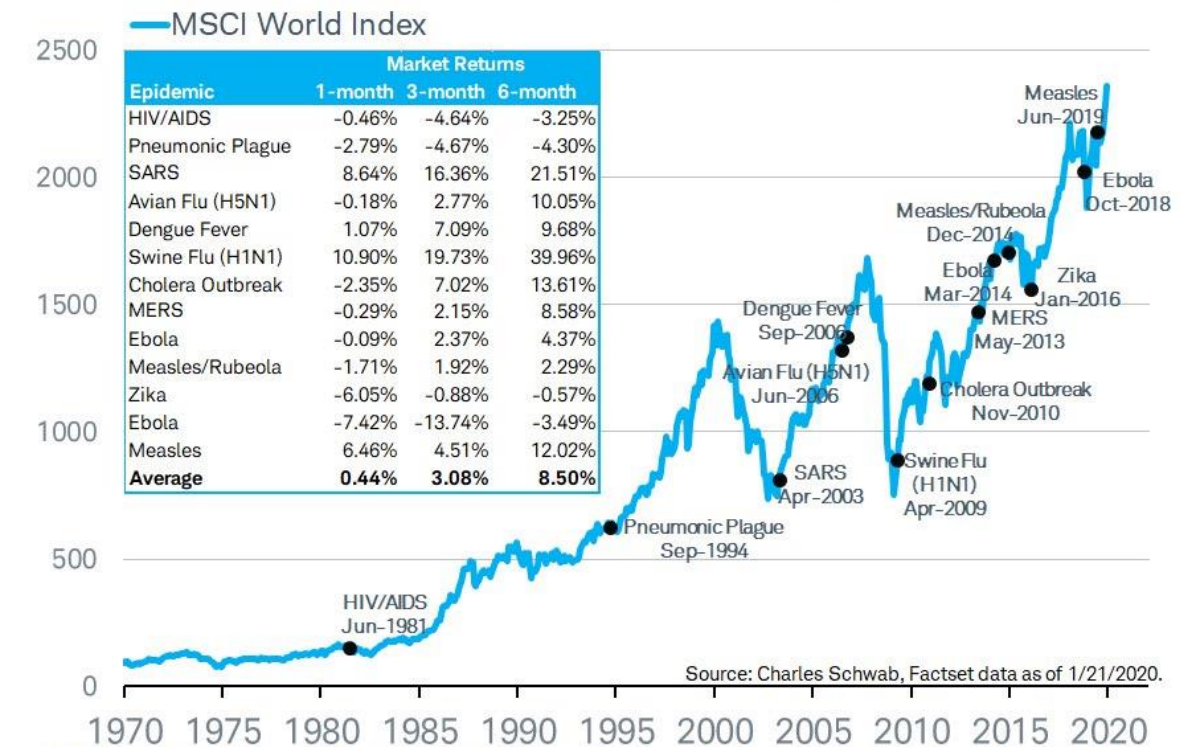
This sell-off maps well against crashes of 1929, 1987 and 2008....

Don't get comfortable - stocks also bounced in 1929. And 1987, and 2008. A bottom won't be reached until investors lose all hope



Longview Economics

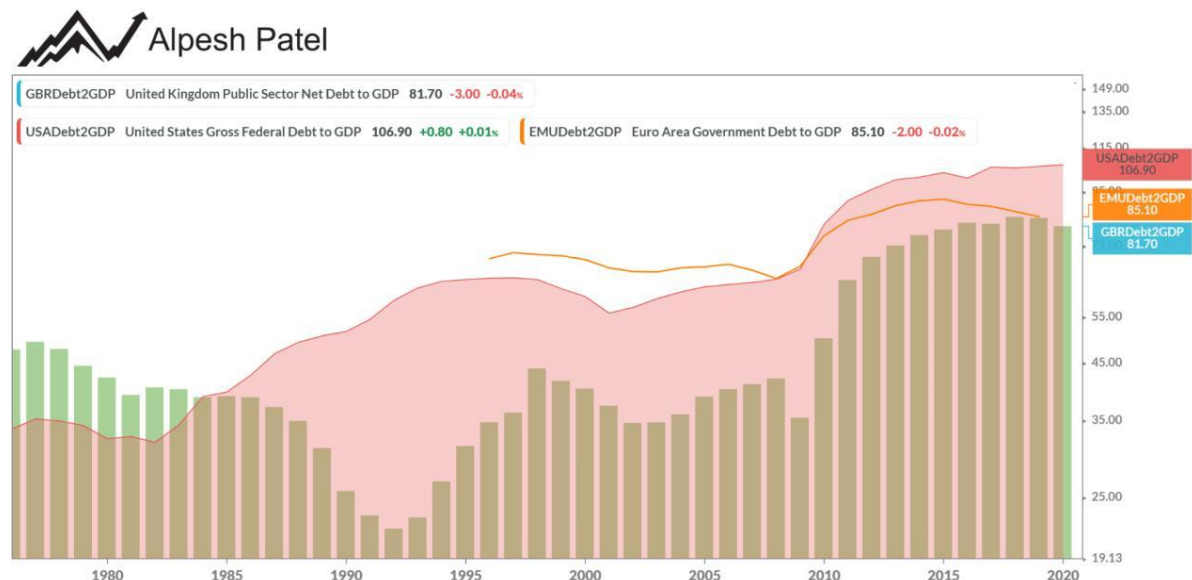
Immune: world epidemics and global stock market performance



The MSCI World Index captures large and mid cap representation across 23 Developed Markets countries. With 1,646 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. **Past performance is no guarantee of future results.**

And bear markets also rise before a further fall and again it lasts a while.

At least in terms of debt/GDP we started in an okay place compared to others:



Whilst the falls may make some lick their lips:

Fall	Return IF REVERTS TO WHERE IT WAS	
50%	DOUBLE YOUR MONEY	EG 50 TO 100
66%	TRIPLE YOUR MONEY	EG 33 TO 100
75%	4 X YOUR MONEY	EG 25 BACK TO 100
80%	5 X YOUR MONEY	EG 20 BACK TO 100
90%	10 X YOUR MONEY	EG 10 BACK TO 100

And so I did buy Shell and Wynn:



I work on the premise that I should be happy if the stocks take even 3 years to get to where they were 3 months ago – then will I be happy with the return? And how do I pick them?

1. CROCI > 10
2. Altman > 2.5 at least
3. Alpesh Rating 7,8,9

Ease the above and you may get more return, but also more risk too.

03 List: U.S. 500 - All sectors - Alpesh Table (Linked)

No.	Name	Price% 3 months ago	Alpesh value/ growth rating	CROCI (%)	Debt/ Mkt Cap.	Altman Z
1	ABIOMED Inc	▼ -17.21	4	25.2	0.000	36.3
2	Monster Beverage Corp	▼ -11.09	5	23.8	0.000	21.9
3	Intuitive Surgical Inc	▼ -31.33	5	14.9	0.000	21.4
4	Intuit Inc	▼ -14.49	5	55.6	0.007	18.4
5	NVIDIA Corp	▼ -11.63	4	31.0	0.021	17.8
6	Vertex Pharmaceuticals Inc	▼ -2.90	7	24.7	0.010	16.1
7	Copart Inc	▼ -25.26	5	12.7	0.026	14.9
8	IPG Photonics Corp	▼ -19.49	2	7.8	0.007	14.1
9	Fastenal Co	▼ -9.20	6	19.1	0.031	14.1
10	Skyworks Solutions Inc	▼ -37.78	4	21.2	0.000	13.3
11	Jack Henry & Associates Inc	▲ 8.81	5	15.8	0.000	12.3
12	Edwards Lifesciences Corp	▼ -26.51	5	17.9	0.019	11.8
13	Incyte Corp	▼ -26.63	6	24.4	0.004	11.7
14	Texas Instruments Inc	▼ -20.86	3	36.5	0.065	11.6
15	Regeneron Pharmaceuticals Inc	▲ 30.60	7	17.4	0.014	10.7
16	Adobe Inc	▼ -9.18	6	26.7	0.029	10.3
17	Ansys Inc	▼ -12.96	5	13.1	0.031	10.1
18	Hormel Foods Corp	▲ 8.55	5	9.0	0.010	10.0
19	Rollins Inc	▲ 12.18	5	25.5	0.041	9.85
20	IDEXX Laboratories Inc	▼ -18.95	5	23.6	0.061	9.85
21	T Rowe Price Group Inc	▼ -11.43	6	16.0	0.006	9.58
22	Cadence Design Systems Inc	▼ -22.10	5	28.8	0.028	9.40
23	Mastercard Inc	▼ -22.97	5	47.9	0.038	9.35
24	Public Storage Inc	▼ -8.83	4	13.5	0.057	9.33
25	Illumina Inc	▼ -35.68	4	13.0	0.061	9.24
26	Arista Networks Inc	▼ -11.52	5	31.2	0.006	8.93
27	Facebook Inc	▼ -27.43	4	20.1	0.032	8.75
28	Advanced Micro Devices Inc	▼ -7.52	6	8.6	0.016	8.75
29	Mettler Toledo International Inc	▼ -10.17	5	25.1	0.077	8.57
30	ResMed Inc	▼ -2.74	5	12.5	0.058	8.55
31	Expeditors International of Washington Inc	▼ -20.96	4	31.7	0.038	8.44
32	Garmin Ltd	▼ -26.43	5	12.1	0.004	8.22
33	Waters Corp	▼ -22.82	3	17.8	0.162	8.20
34	Align Technology Inc	▼ -46.53	5	41.1	0.005	8.17
35	Xilinx Inc	▼ -23.23	5	21.5	0.067	7.41
36	C.H. Robinson Worldwide Inc	▼ -16.59	3	24.3	0.178	7.16

Name	Price% 3 months ago ▲	Alpesh value/ growth rating	CROCI (%)	Debt/ Mkt Cap.	Altman Z
Norwegian Cruise Line Holdings Ltd	▼ -85.81	4	1.4	4.106	0.834
Ingersoll-Rand PLC	▼ -85.58	3	7.5	0.204	2.67
Royal Caribbean Cruises Ltd	▼ -82.49	6	2.9	2.513	1.03
Diamondback Energy Inc	▼ -82.13	4	(4.5)	2.181	0.581
Halliburton Co	▼ -80.79	5	4.4	2.738	2.25
Fluor Corp	▼ -80.78	5	(0.9)	3.543	3.20
Capri Holdings Ltd	▼ -80.55	4	11.3	2.284	2.41
Apache Corp	▼ -80.13	2	(0.5)	5.122	(0.479)
Carnival Corp	▼ -80.01	2	0.1	2.341	1.49
Alliance Data Systems Corp	▼ -79.55	5	5.4	9.707	1.23
Oneok Inc	▼ -79.20	6	(9.9)	2.006	1.00
MGM Resorts International	▼ -78.57	6	4.0	4.427	1.04
Devon Energy Corp	▼ -78.11	2	0.9	2.191	1.14
United Continental Holdings Inc	▼ -75.93	5	6.2	3.858	1.29
DXC Technology Co	▼ -75.27	5	3.5	3.138	0.994
Macerich Co	▼ -75.07	5	7.2	5.683	(0.0260)
TechnipFMC PLC	▼ -74.96	4	2.6	2.385	0.433
Marathon Oil Corp	▼ -74.25	2	1.0	2.001	1.14
Cimarex Energy Co	▼ -73.15	4	0.3	1.611	0.560
Occidental Petroleum Corp	▼ -72.72	4	1.1	4.236	0.599
Marathon Petroleum Corp	▼ -72.51	5	5.0	2.876	1.84
Darden Restaurants Inc	▼ -70.63	7	18.3	0.224	2.70
Ventas Inc	▼ -69.73	6	3.9	1.962	0.290
Schlumberger Ltd	▼ -69.62	5	7.3	0.915	0.840
Kohls Corp	▼ -69.39	4	7.3	2.512	1.96
Boeing Co (The)	▼ -69.21	2	(10.7)	0.475	1.35
Helmerich & Payne Inc	▼ -69.04	5	7.1	0.325	1.98
Simon Property Group Inc	▼ -69.02	5	11.3	1.798	0.489
Wynn Resorts Ltd	▼ -68.99	6	(1.4)	2.284	1.06

03 List: FTSE All-Share - All sectors - Alpesh Table (Linked)

No.	Name	Altman Z	Price% 2 trading days ago	Price% 3 months ago	CROCI (%)	Debt/ Capital	Cash (m)	Alpesh value/ growth rating	Net Gearing ex. (%)
1	Hollywood Bowl Group PLC	3.90	▼ -61.10	▼ -73.99	12.7	0.365	24.9	7	18.4
2	FirstGroup PLC	1.32	▼ -60.86	▼ -75.00	5.5	0.740	167.3	2	
3	Capital & Regional PLC	0.0211	▼ -58.97	▼ -73.20	3.1	0.583	90.5	2	105.0
4	Marston's PLC	0.406	▼ -57.18	▼ -82.67	2.5	0.716	37.6	5	284.5
5	Elementis PLC	1.22	▼ -52.96	▼ -85.26	6.9	0.524	103.9	6	
6	Cineworld Group PLC	0.748	▼ -51.63	▼ -90.42	8.7	0.764	140.6	6	
7	Go-Ahead Group (The) PLC	2.70	▼ -49.80	▼ -76.50	14.4	0.824	145.9	5	132.8
8	Restaurant Group (The) PLC	0.953	▼ -48.63	▼ -83.21	1.2	0.623	49.8	4	
9	The Gym Group PLC	1.04	▼ -46.51	▼ -70.40	-3.8	0.415	3.0	6	61.2
10	National Express Group PLC	0.849	▼ -45.56	▼ -72.03	9.2	0.754	478.3	7	
11	William Hill PLC	0.537	▼ -45.25	▼ -73.15	10.5	0.843	371.5	5	
12	Hyve Group PLC	0.826	▼ -39.31	▼ -75.80	4.9	0.513	33.0	6	
13	De La Rue PLC	1.28	▼ -39.26	▼ -59.12	-20.5	1.107	12.2	4	
14	Superdry PLC	2.97	▼ -38.75	▼ -79.69	3.4	0.490	35.6	4	0.0
15	Investec PLC	0.0783	▼ -38.20	▼ -58.49		0.919	5,706.6	6	813.9
16	Mitchells & Butlers PLC	0.952	▼ -38.01	▼ -68.48	5.0	0.602	133.0	5	83.8
17	Card Factory PLC	1.88	▼ -37.40	▼ -80.10	18.9	0.499	3.8	5	
18	Trainline PLC	1.51	▼ -36.60	▼ -55.87	7.3	0.665	94.5	4	
19	SSP Group PLC	2.09	▼ -36.25	▼ -68.22	10.2	0.808	233.3	7	
20	Rank Group (The) PLC	2.15	▼ -35.33	▼ -59.93	12.6	0.439	61.8	6	
21	Menzies (John) PLC	1.76	▼ -34.70	▼ -77.42	12.7	0.896	90.5	6	
22	Grafton Group PLC	2.28	▼ -34.66	▼ -49.42	10.4	0.527	348.8	5	88.7
23	Petra Diamonds Ltd	-0.341	▼ -34.55	▼ -82.65	4.1	0.757	71.7	1	224.4
24	McKay Securities PLC	0.922	▼ -34.48	▼ -36.43	3.0	0.374	4.4	3	52.5
25	Luceco PLC	2.52	▼ -34.21	▼ -49.15	9.1	0.667	4.2	4	179.9
26	IWG PLC	0.458	▼ -33.68	▼ -64.26	19.9	0.902	58.3	5	4,256.3
27	Pollen Street Secured Lenc	0.549	▼ -33.33	▼ -41.06		0.351	106.4	2	37.0
28	JD Sports Fashion PLC	5.23	▼ -33.22	▼ -58.31	17.0	0.528	251.2	6	0.0
29	International Consolidated	1.03	▼ -31.72	▼ -61.69	4.6	0.809	4,062.0	5	301.4
30	GVC Holdings PLC	0.497	▼ -31.19	▼ -62.99	5.4	0.595	390.1	6	
31	LSL Property Services PLC	2.48	▼ -31.17	▼ -38.41	13.0	0.526	0.0	3	
32	Amigo Holdings PLC	2.37	▼ -31.02	▼ -81.37	-12.7	0.675	15.2	6	188.8
33	M&G PLC	0.263	▼ -30.71	▼ -56.93	-2.2	0.977	6,046.0	5	49.2
34	Brown (N) Group PLC	1.89	▼ -30.65	▼ -81.81	-8.5	0.692	43.7	4	281.5
35	Speedy Hire PLC	2.51	▼ -30.65	▼ -42.05	19.5	0.500	11.5	7	51.8
36	Harworth Group PLC	2.73	▼ -30.08	▼ -34.40	-1.5	0.230	8.6	4	14.6
37	Porvair PLC	3.69	▼ -30.00	▼ -32.04	7.9	0.397	12.9	6	0.0
38	Spire Healthcare Group PLC	0.515	▼ -29.97	▼ -53.09	7.5	0.589	90.8	7	254.8
39	CQS New City High Yield Fu	2.99	▼ -29.88	▼ -41.92		0.114	5.8	1	9.5
40	Schroder European Real E	0.762	▼ -29.85	▼ -41.51		0.282	16.1	1	24.5
41	Photo-Me International PLC	3.24	▼ -29.63	▼ -42.06	13.3	0.474	84.6	4	0.0

And from these I picked up Natural Gas Bull 2x

1	Direxion Daily Natural Gas Related Bull 2X Shares	▲ 9,163.16	▲ 7,552.1	▲ 4,531.5
2	Direxion Daily S&P Oil & Gas Exploration & Production Bull 3X Shares	▲ 4,066.08	▲ 3,260.3	▲ 1,681.0
3	Direxion Daily Energy Bull 3x Shares	▲ 1,059.18	▲ 727.18	▲ 232.81

AMZ2^{2*}

Leverage Shares Plc 2X Amazon ETP
03/04/67 USD

LBRT^{1*}

WisdomTree Brent Crude Oil 2x
Daily Leveraged

AAP2^{2*}

Leverage Shares Plc 2X Apple ETP
03/04/67 USD

TROW^{1*}

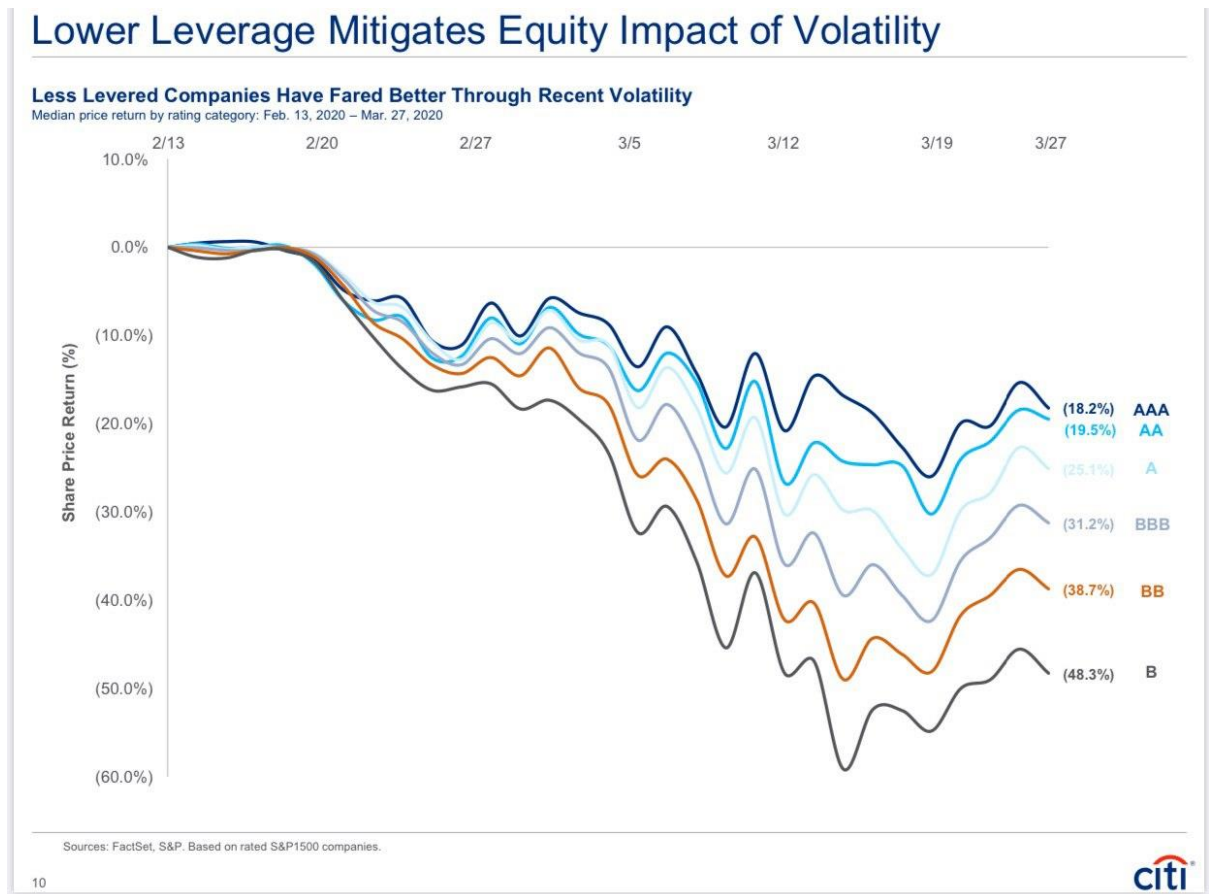
T. Rowe Price Group Inc Com
Stk USD0.20

LUK2¹

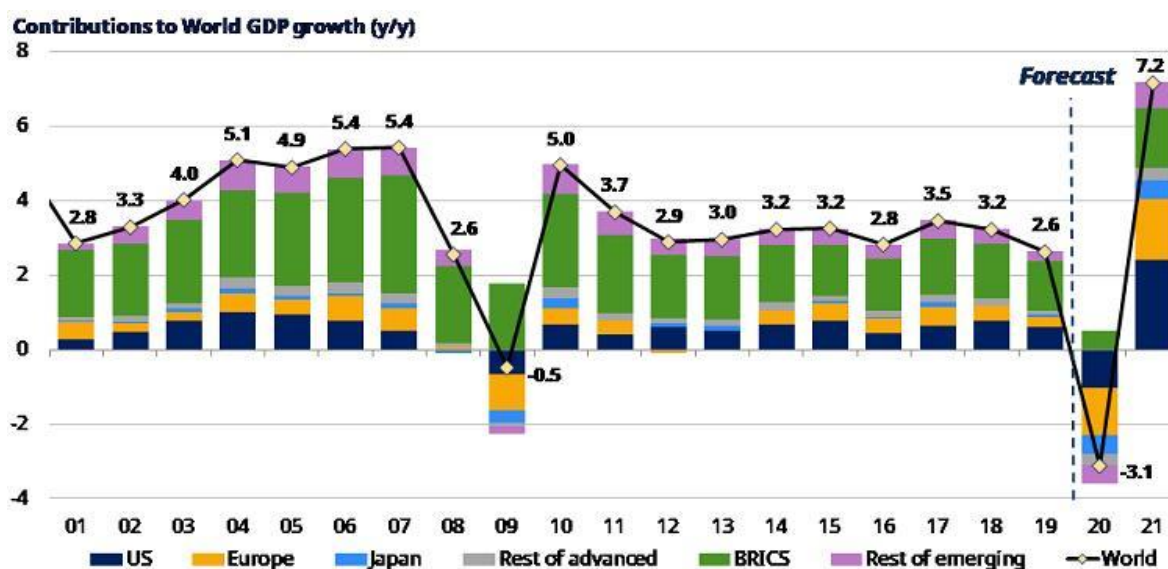
Legal & General UCITS ETF L&G
FTSE 100 Leveraged (2X) Fund

No.	Name	Alpesh value/ growth rating	CROCI (%)	Altman Z	Price% 3 months ago	Price% 5 trading days ago	Price% 2 trading days ago	Price% 2 weeks ago
1	Polymetal International PLC	9	8.9	3.23	▲ 15.44	▲ 4.55	▲ 6.16	▲ 19.80
2	Assura PLC	8	0.0	1.97	▲ 7.33	▲ 8.02	▲ 0.85	▲ 20.32
3	Hilton Food Group PLC	8	-12.5	4.90	▼ -2.53	▲ 15.38	▲ 5.47	▲ 34.83
4	Huntsworth PLC	8	12.0	1.50	▲ 30.84	▲ 1.91	▲ 0.47	▲ 6.50

Lower leveraged companies are ahead:



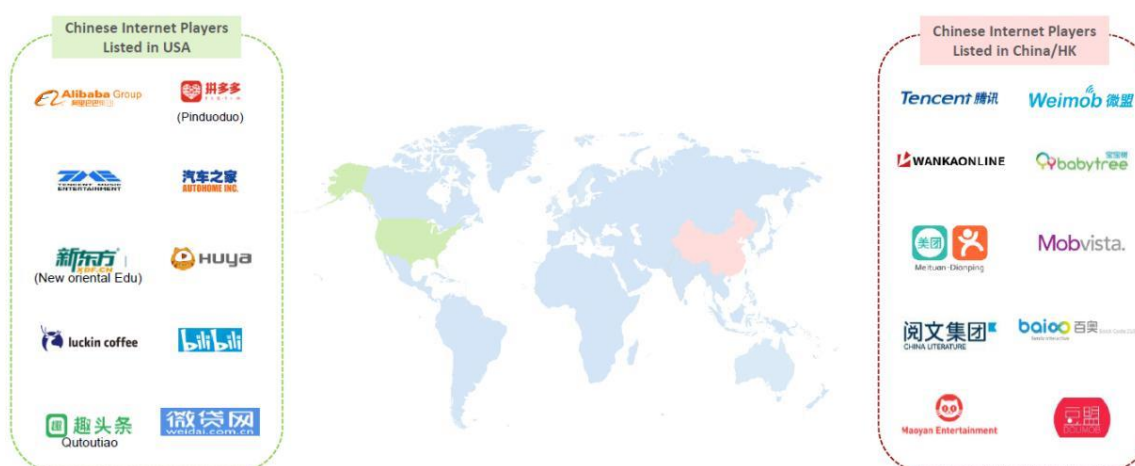
When we do get out of it all – I expect Cazenove are fairly correct:



You may also like Chinese companies given their market is fairly okay:



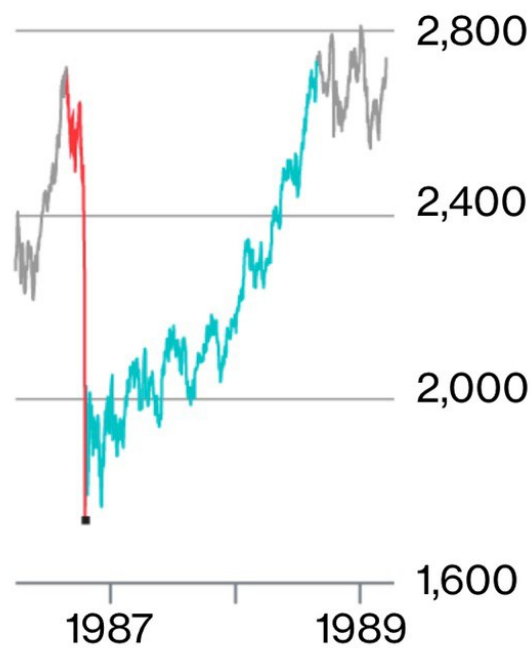
100+ Listed Chinese Internet Companies worth over US\$1.3tn



	Exchange	Total # of Listed	# of listed CH/HK	# of listed CH/HK Internet ⁽²⁾	Mcap of CH/HK Internet Players
1	China ⁽¹⁾	5,980	5,860	59	US\$560bn
2	NASDAQ	3,000	141	26	US\$240bn
3	NYSE	2,000	61	21	US\$570bn

So, how long will it all take?

1987
"Black Monday"
-36%
2-month decline

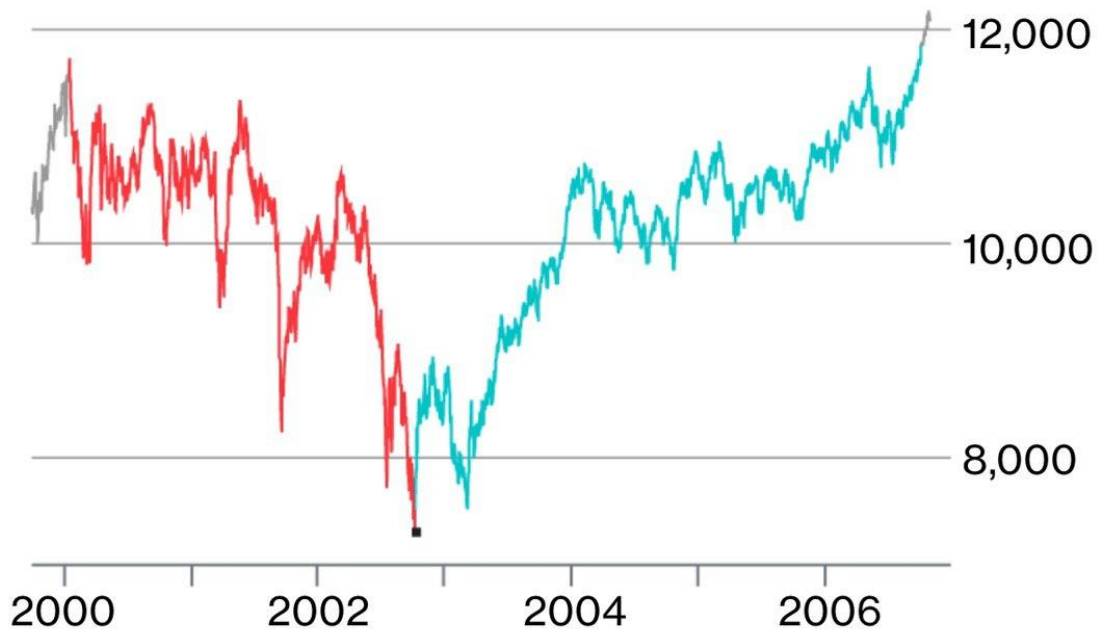


Months to recover
from bottom

22

2001-2002
Downturn following 9/11 attacks

-38%
33-month decline



Months to recover
from bottom

48

2007-2008
Financial crisis
-54%
17-month decline



Months to recover
from bottom

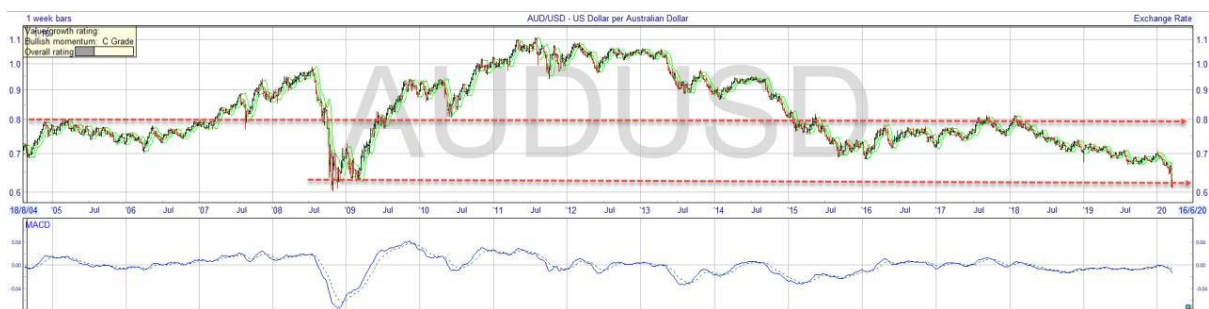
48

Source: Bloomberg Data

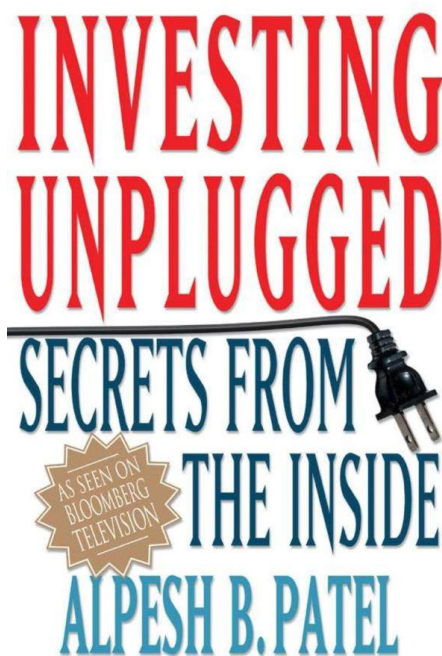
As for GBPUSD – this is the point I went long the ETF for the long term:



Speaking of Currency – this caught my eye too:

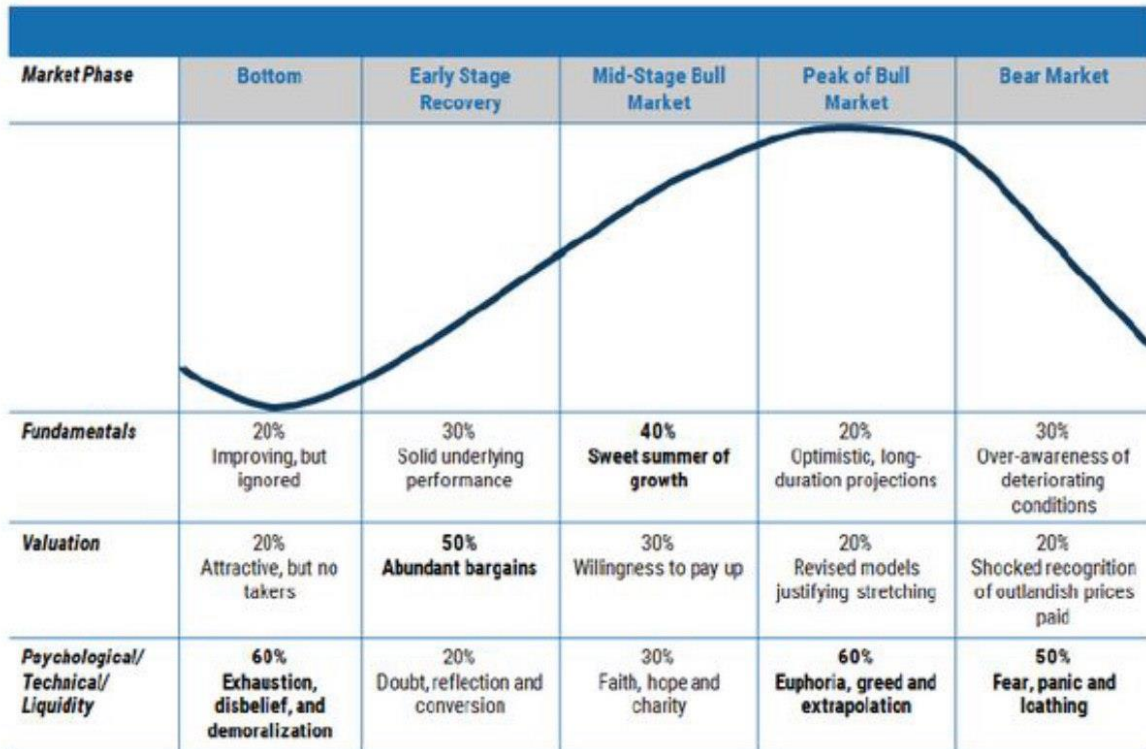


All APSE users can have a free copy of my book Investing Unplugged:



It's at www.trading-champions.com

Exhibit 3: The shifting drivers of a market cycle by David M. Darst



Source: Morgan Stanley Research, David M. Darst

How to play the global economic cycle

Merrill Lynch's investment clock

