



26 November 2019

## Overview

This will be a bumper issue with the best bits from what Goldman Sachs and UBS Wealth are telling their most important clients.

Sorry for the delay – as you will note from the personal section below I have basically been around the world!

# Year Ahead 2020

UBS House View

Global  
Chief Investment Office GWM  
Investment Research

EQUITY RESEARCH | 17 July 2019 | 12:55AM BST



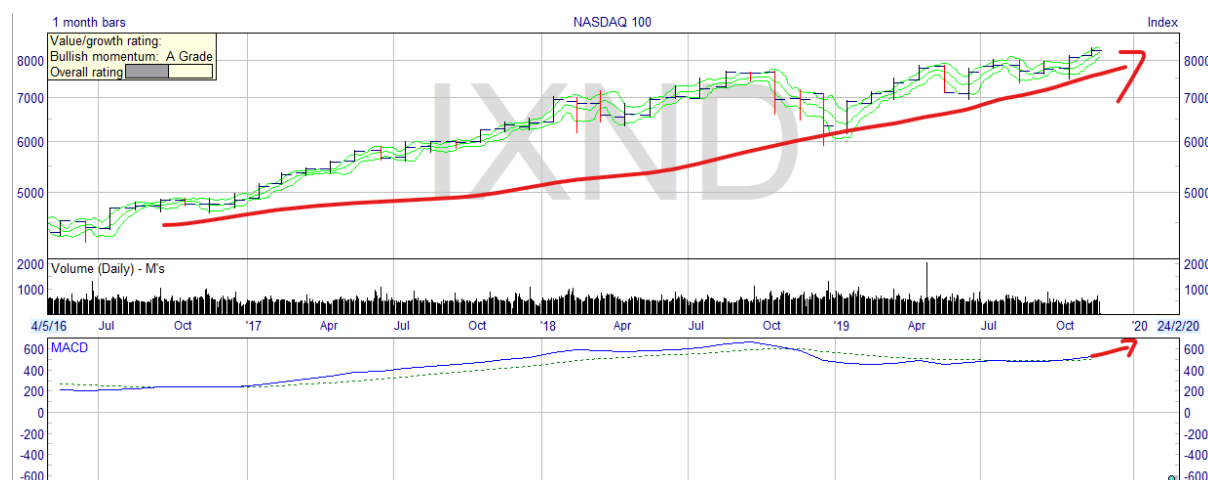
## The European Conviction List



Our best and brightest ideas

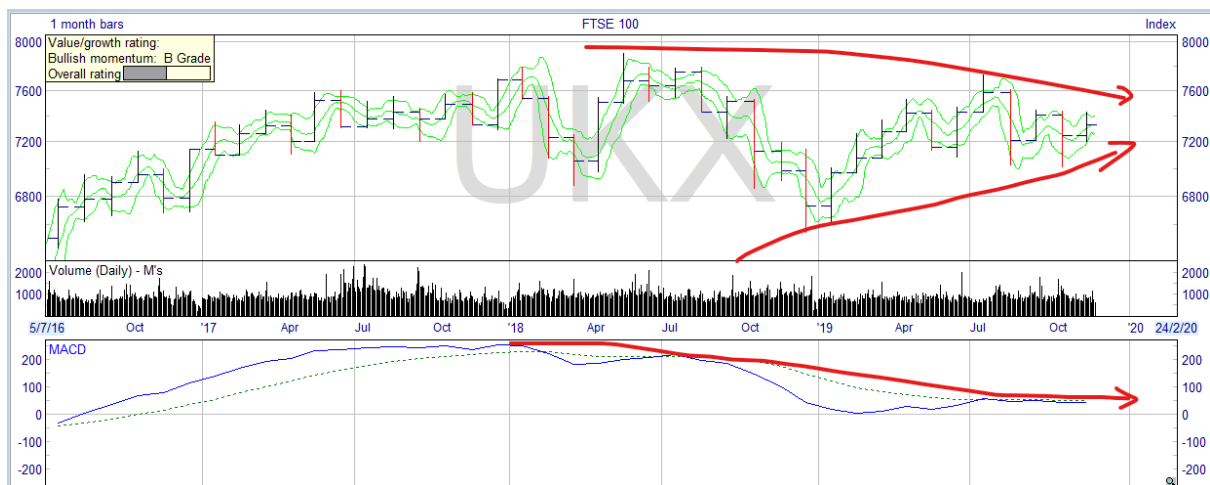
So, you don't have to wait between newsletters, I am going to make available to Sharescope APSE users my private mobile app for communicating my market thoughts. It's free via this app on Telegram: <https://t.me/pipspredator>

I gave a talk at King's College, London ThinkTank on the global macro economy and I was bullish. This image shows one reason why:

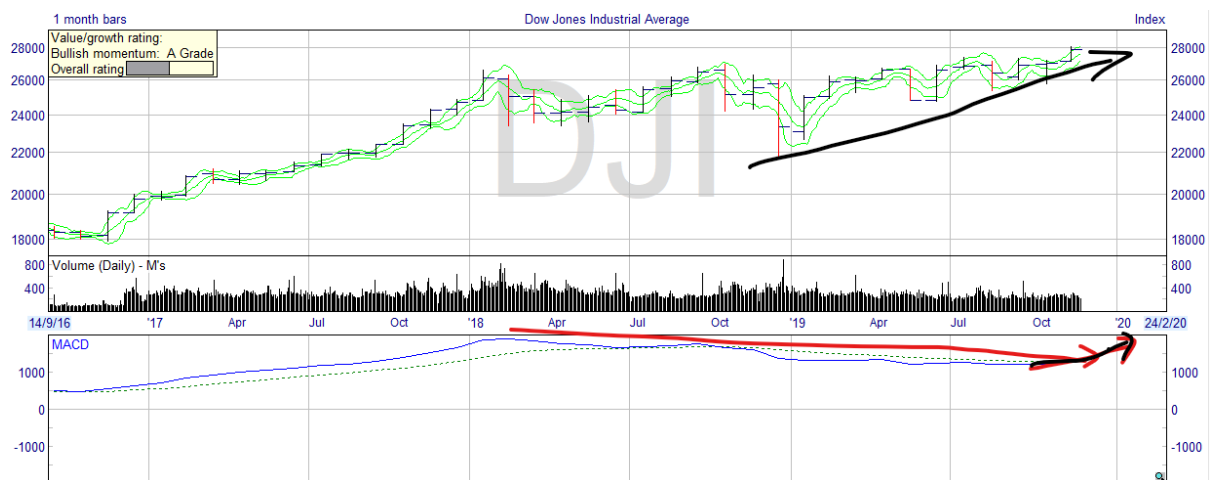


No.	Name	Price% 3 months ago
1	I - Russian Trading System Index	▲ 13.47
2	I - DAX Xetra (Germany)	▲ 12.06
3	I - Nikkei 225	▲ 12.05
4	I - S&P BSE 100 Index (Mumbai)	▲ 10.77
5	I - CAC 40 (Paris)	▲ 9.37
6	I - Euronext 100	▲ 7.52
7	I - Bovespa Stock Index (Brazil)	▲ 7.49
8	I - FTSE 250 Index - Total Return	▲ 7.46
9	I - FTSE All-World Index - Europe ex UK	▲ 7.36
10	I - NASDAQ 100	▲ 7.33
11	I - FTSE All-World	▲ 6.79
12	I - FTSE 250	▲ 6.67
13	I - S&P 500	▲ 6.41
14	I - Dow Jones Industrial Average	▲ 6.18
15	I - Swiss Market Index	▲ 5.75
16	I - FTSE China 50 Index	▲ 4.69
17	I - FTSE 350 Index - Total Return	▲ 4.26
18	I - FTSE 100 Index - Total Return	▲ 3.63
19	I - FTSE 350	▲ 3.42
20	I - FTSE 100	▲ 2.79
21	I - Hang Seng (Hong Kong)	▲ 2.10
22	I - CSI 300 Index (Shanghai)	▲ 1.49
23	I - SSE Composite Index (Shanghai)	▲ 0.06

Of course, FTSE is a worry – sideways, with negative technical. Hard Brexit would be a fall in the Pound, so the index rising, and a soft Brexit leading to a relief rally. So again, my senses tell me to be bullish.



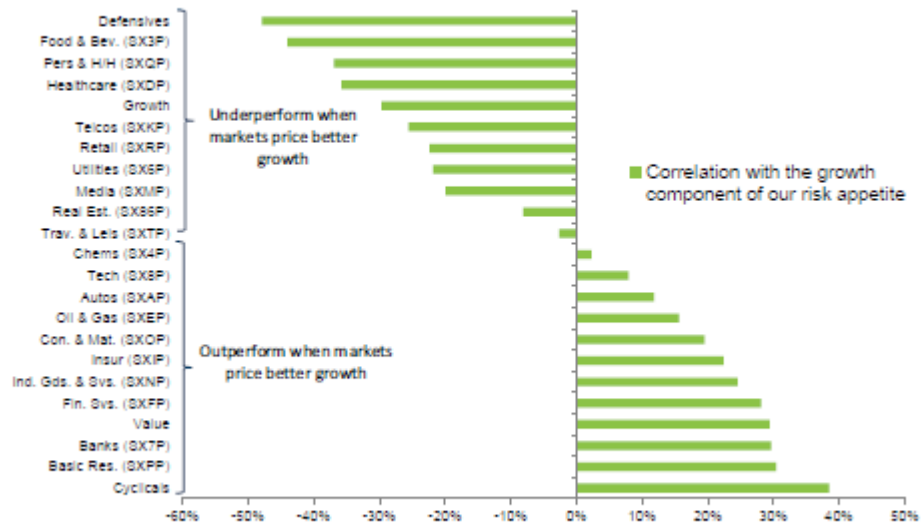
As for the Americans – sure with impeachment, and everything else we should be seeing a sharp fall. But I am following the trend.



Being Bullish, I am not going for defensives yet.

**Exhibit 19: Growth and Defensive sectors are the most negatively correlated with growth, while Cyclical and Value are the most positively correlated**

Correlations since 2007 based on weekly performance vs. SXXP in EUR



Source: Datastream, Goldman Sachs Global Investment Research

## Equities

For UK and US – here are my highest ranking stocks. There are more in the UK, I suspect because of Brexit – ie it's overlooked!

### A selection of our Best and Brightest UK Ideas

GS 12m PT

Company Name (*denotes on CL)	Sector	Sub-sector	Upside to PT
Melrose*	Industrials	Machinery	35.2%
Rolls-Royce*	Industrials	Aerospace & Defence	87.3%
Equiniti*	Business Services, Transport & Travel	Business Services	48.2%
Ascential Plc*	TMT	Media	37.1%
Anglo American Plc*	Basic Resources & Energy	Mining	38.7%
BP Plc*	Basic Resources & Energy	Oil	60.2%
Fresnillo Plc*	Basic Resources & Energy	Mining	51.3%
Tullow Oil Plc*	Basic Resources & Energy	Oil E and P	92.3%
Aviva Plc*	Financials	Insurance	37.4%
Standard Chartered*	Financials	Banks	58.3%
Bunzl	Business Services, Transport & Travel	Business Services	30.2%
Ferguson Plc	Business Services, Transport & Travel	Business Services	28.5%
BT Group	TMT	Telecoms	43.7%
WPP Plc	TMT	Media	25.7%
Next	Consumer	General Retail	20.8%
Tesco	Consumer	Food Retail	27.3%
HSBC	Financials	Banks	48.6%
Royal Bank of Scotland	Financials	Banks	78.1%
Persimmon Plc	Financials	Home Builders	31.5%
Taylor Wimpey Plc	Financials	Home Builders	20.3%
Standard Life Aberdeen Plc	Financials	Insurance	20.0%

All pricing in this note as of last close Aug 7, 2019, except WPP as of last close Aug 8, 2019.

Source: Goldman Sachs Global Investment Research

### Exhibit 2: ...while UK equities are trading at a significant discount to global equities

UK vs World 12-m forward P/E Premium/Discount

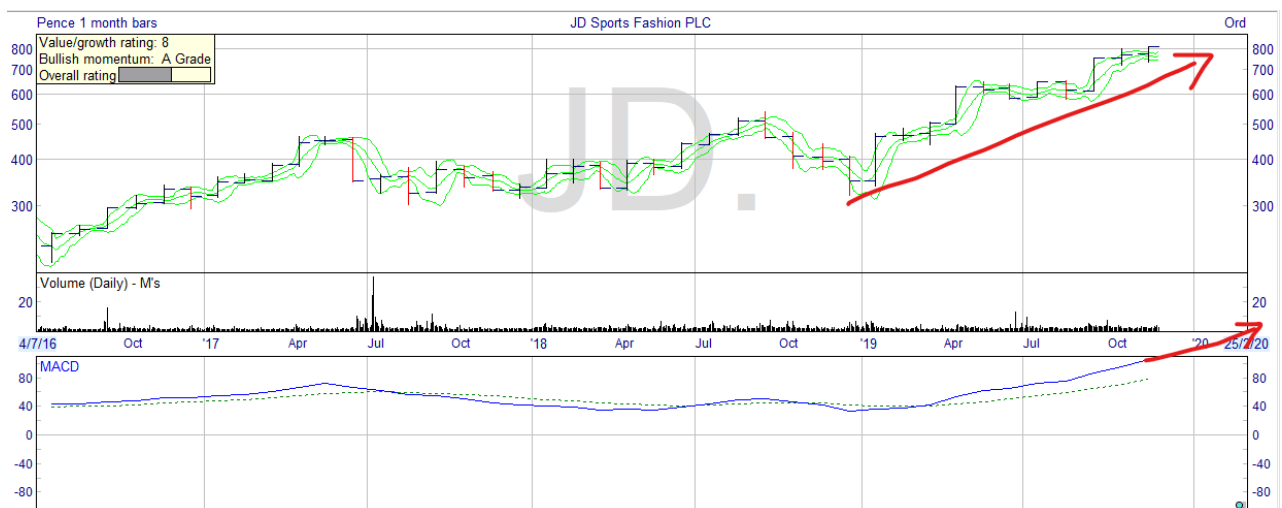
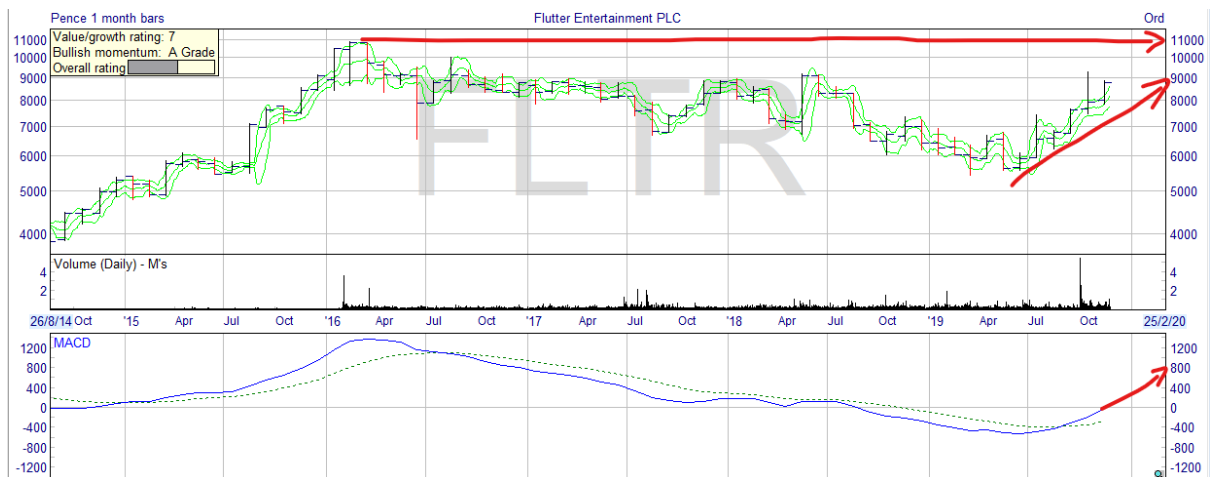
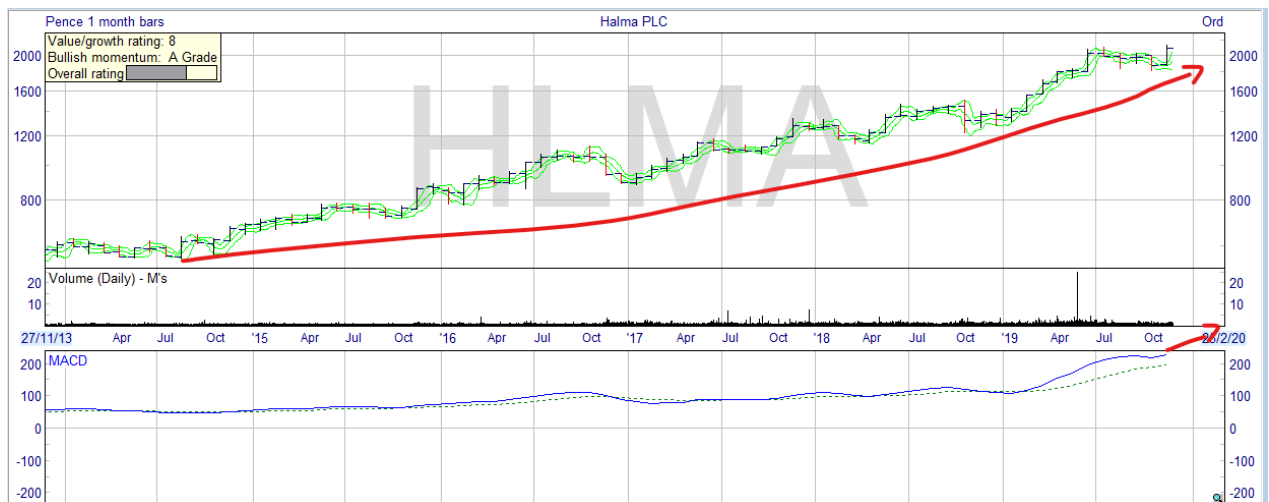


Source: Datastream, Goldman Sachs Global Investment Research

## 03 List: FTSE 350 - All sectors - Alpesh Table (Linked)

No.	Name	Alpesh value/ growth rating	Price% 3 months ago
1	Countryside Properties PLC	9	26.59
2	DS Smith PLC	9	14.74
3	Greencore Group PLC	9	16.88
4	Persimmon PLC	9	32.26
5	4imprint Group PLC	8	4.53
6	Anglo American PLC	8	22.46
7	Ashtead Group PLC	8	6.85
8	Aveva Group PLC	8	15.79
9	Bellway PLC	8	16.66
10	Bodycote PLC	8	24.57
11	Bovis Homes Group PLC	8	15.70
12	ConvaTec Group PLC	8	6.27
13	Diploma PLC	8	17.50
14	Experian PLC	8	-0.55
15	Ferguson PLC	8	10.09
16	Future PLC	8	32.15
17	Games Workshop Group PLC	8	30.81
18	Genus PLC	8	15.47
19	GlaxoSmithKline PLC	8	2.26
20	Grainger PLC	8	13.28
21	Halma PLC	8	4.74
22	Howden Joinery Group PLC	8	14.86
23	Ibstock PLC	8	19.21
24	IMI PLC	8	14.08
25	International Consolidated Airlines Group SA	8	32.10
26	ITV PLC	8	20.50
27	JD Sports Fashion PLC	8	27.35
28	Legal & General Group PLC	8	26.03
29	Marshalls PLC	8	8.86
30	Mitchells & Butlers PLC	8	31.18
31	Oxford Instruments PLC	8	17.74
32	Polymetal International PLC	8	4.51
33	Polypipe Group PLC	8	23.24
34	Redrow PLC	8	16.61
35	Restaurant Group (The) PLC	8	-1.68
36	Rightmove PLC	8	19.43
37	Rotork PLC	8	4.51
38	Safestore Holdings PLC	8	11.38
39	Smiths Group PLC	8	3.66
40	Softcat PLC	8	17.27
41	Spirent Communications PLC	8	20.60
42	Standard Life Aberdeen PLC	8	27.73

Some of them in detail below:

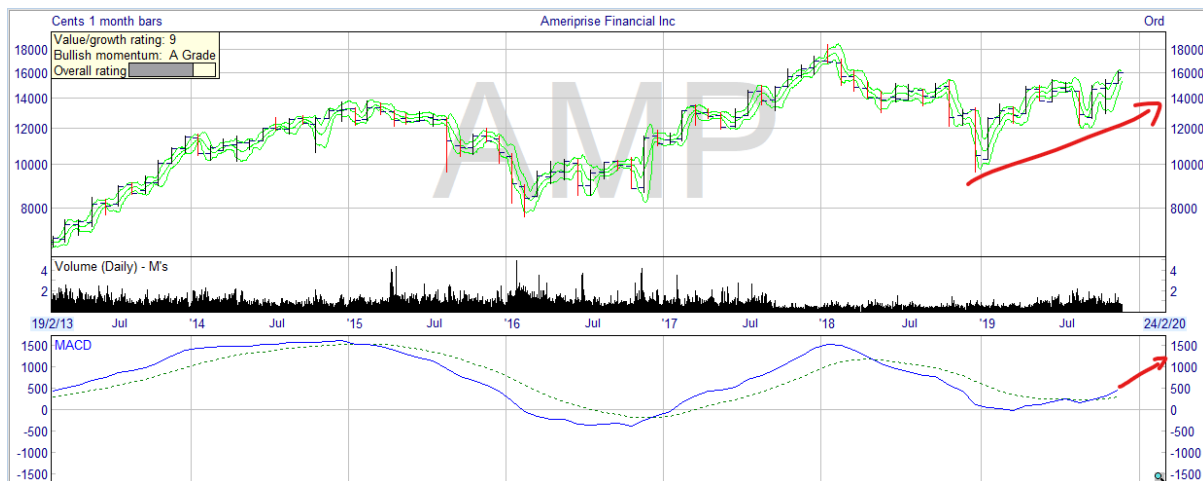


Remember the scoring is done based on a 'AI' neural network algo weighing valuations, growth, income based on academic research I have done and that others have done on what has worked in a century of stock investing.

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

No.	Name	Alpesh value/ growth rating	Price% 3 months ago
1	AES Corp	9 ▲	23.88
2	Ameriprise Financial Inc	9 ▲	24.28
3	Anthem Inc	9 ▲	11.81
4	Arconic Inc	9 ▲	21.81
5	Bristol Myers Squibb Co	9 ▲	17.93
6	Broadcom Inc	9 ▲	9.49
7	Hartford Financial Services Group Inc	9 ▲	3.55
8	HCA Healthcare Inc	9 ▲	13.89
9	Lockheed Martin Corp	9 ▲	1.25
10	McKesson Corp	9 ▲	3.28
11	Merck & Co Inc	9 ▼	-1.49
12	QUALCOMM Inc	9 ▲	10.03

A typical example:

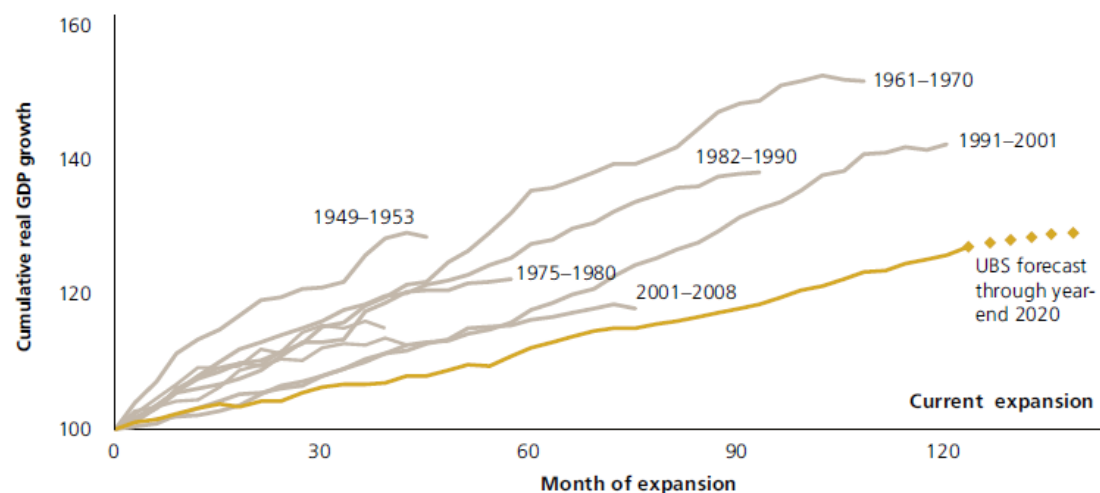




One reason I am not worried about duration of the bull expansion is that it has been slow.

## The current expansion has been long, but slow

Cumulative real GDP growth of US postwar expansions



Source: UBS, St. Louis Federal Reserve, as of 1 October 2019

But check out scenarios and the UBS advice:

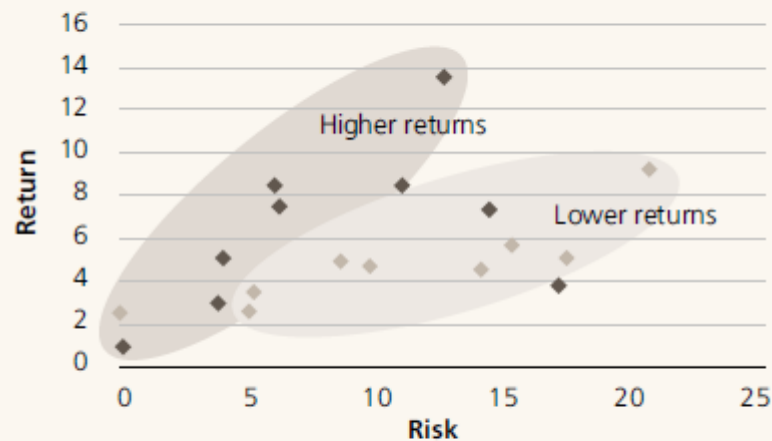
Scenario	"Choice" outcomes	Probability	Potential market impact over 6m
Growth boost	Trade deal / coordinated stimulus	10%–15%	– S&P 500 total return: 5%–10% – US 10-year yield: 3.0%–3.5% – EURUSD: 1.20–1.30
Stable growth	Limited deal / fiscal stimulus	50%–55%	– S&P 500 total return: 0%–5% – US 10-year yield: 1.75%–2.25% – EURUSD: 1.15–1.20
Slowdown	No deal / monetary stimulus	25%–30%	– S&P 500 total return: –10% to –15% – US 10-year yield: 0.75%–1.25% – EURUSD: 1.10–1.15
Recession	Trade escalation/ monetary stimulus	10%–15%	– S&P 500 total return: –25% to –35% – US 10-year yield: 0.25%–0.75% – EURUSD: 1.05–1.10

Source: UBS

Looking forward, welcome to the brave new world where you will need to take more risk.

## To achieve the same return you will need to take more risk

Select asset classes, risk and return, in %



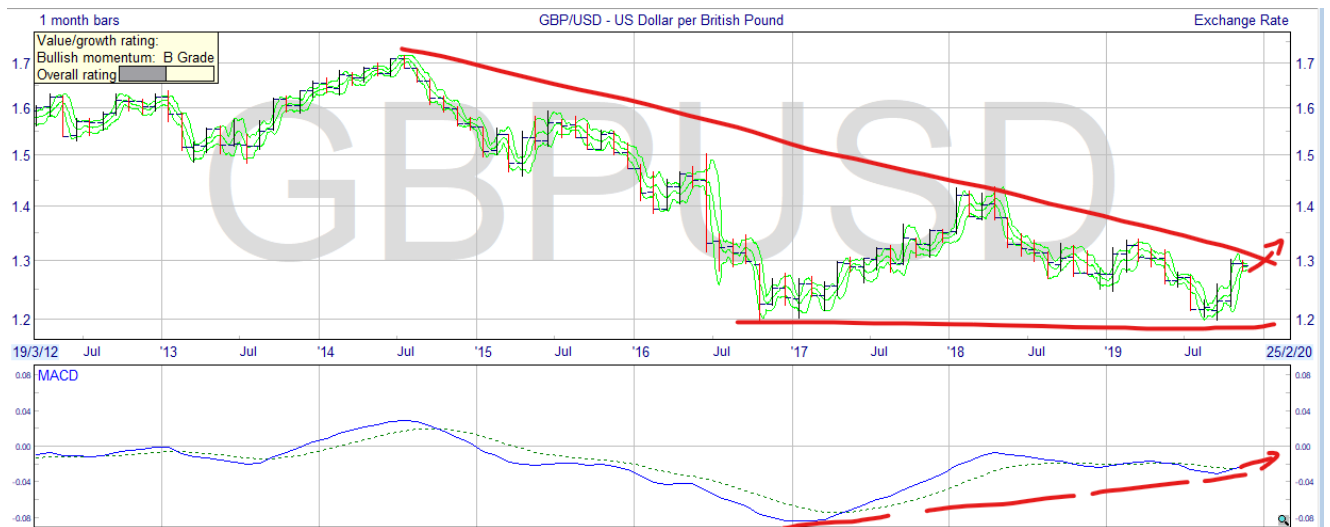
- ◆ Past 10 years
- ◆ Next 7 years

Note: Asset classes include USD cash, USD high grade bonds, USD high yield, EM sovereign bonds, US equities, EM equities (USD), Eurozone equities, Swiss equities, Hedge funds (USD)

Source: Bloomberg, UBS, as of 21 October 2019

## Forex

Traditional technical tells you GBP is going up:



No.	Name	Price% 2 weeks ago
1	GBP/CLP - Chilean Peso per British Pound	▲ 8.71%
2	USD/CLP - Chilean Peso per US Dollar	▲ 8.40%
3	USD/COP - Colombia Peso per US Dollar	▲ 3.31%
4	GBP/MXN - Mexican Peso per British Pound	▲ 2.26%
5	USD/MXN - Mexican Peso per US Dollar	▲ 1.96%
6	GBP/BRL - Brazilian Real per British Pound	▲ 1.86%
7	EUR/MXN - Mexican Peso per Euro	▲ 1.67%
8	USD/BRL - Brazilian Real per US Dollar	▲ 1.55%
9	GBP/PEN - Peru New Sol per British Pound	▲ 1.49%
10	GBP/MYR - Malaysian Ringgit per British Pound	▲ 1.46%

As you can see GBP and USD have been the most powerful recently.

## ETFs

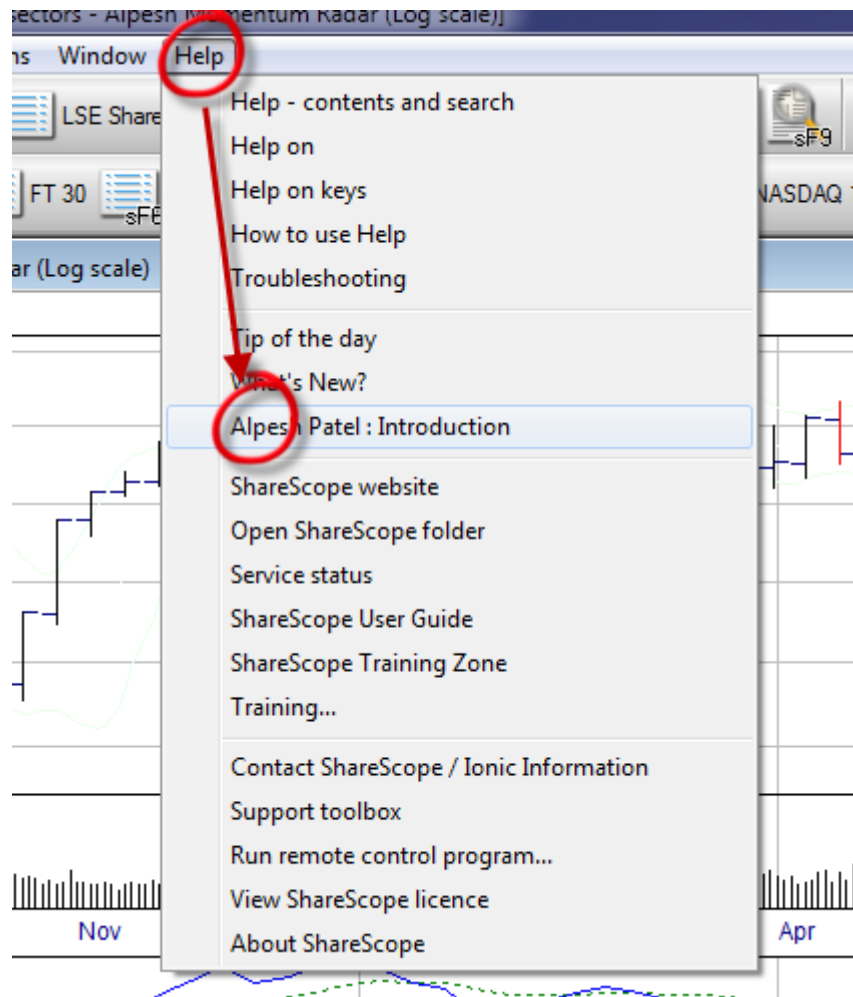
To get away from the Brexit risks, take a look at these Exchange Traded Funds.

03 List: Exchange traded funds (ETFs) - All sectors - Alpesh Table (Linked)		
No.	Name	Price% 2 weeks ago ▼
1	iShares NASDAQ 100 UCITS ETF	▲ 93.27
2	Xtrackers S&P 500 Swap UCITS ETF	▲ 90.66
3	Invesco Consumer Staples S&P US Select Sector UCITS	▲ 28.21
4	WisdomTree Nickel 3x Daily Short	▲ 23.84
5	SPDR MSCI Europe Technology UCITS ETF	▲ 22.75
6	WisdomTree Natural Gas 3x Daily Short	▲ 21.07
7	WisdomTree Coffee 3x Daily Leveraged	▲ 19.49
8	Xtrackers MSCI Russia Capped Swap UCITS ETF	▲ 19.31
9	Direxion Daily S&P Oil & Gas Exploration & Production	▲ 18.05
10	Lyxor STOXX Europe 600 Technology UCITS ETF	▲ 17.64

Tech clearly wins still but interestingly so does some of the broader indices for diversification.

## For Your Personal Perusal

Some interesting things you might like:



## Personal Thoughts

Another fantastic month. Travelling Asia and the Middle East talking about my Fintech ventures.

ThinkTank at King's College London where I spoke about the Global Economy.





I hosted the Women of Influence event raising £30,000 for United Nations Women:



Time for a weekend break in the Far East:









Climbed a mountain in the middle of the night to see the sunrise:



In Singapore for the Fintech Festival – 65,000 fintech people from the region







Peeps dancing to Bollywood in KL in Malaysia:





With my wife, where I spoke at this annual dinner:



Spoke at Reading Uni:



**RUIS**  
Reading University  
Investment Society

# 31/10/19 ALPESH PATEL EVENT

**DATE**  
October 31st  
6-8pm  
2019

**VENUE**  
ICMA Centre 150  
Whiteknights Campus,  
University of Reading

**REGISTRATION**  
FREE for  
RUIS Members,  
you can buy your  
membership on the  
RUSU website  
under Investment  
Society

**SOCIAL MEDIA**  
f /ReadingUniversity  
InvestmentSociety  
in [https://www.linkedin.com/  
company/ruinvestmets/](https://www.linkedin.com/company/ruinvestmets/)  
✉ [ru\\_investment@outlook.com](mailto:ru_investment@outlook.com)

✕

Reading University Investment Society

✕

Event in Turkey on tech:





## Meetings in Paris



Hosted this:

