JONATHAN DAVIS
Wealth and Later Life Finance Advisers

Chartered Financial Planner

Booms & Busts Report

Given they leave out from the inflation indices the prices of goods and services that are going up, inflation is actually low...

Is your portfolio fully prepared for, indeed, benefitting from long term, rising inflation?

Few wealth managers / financial advisers are moving assets / advising investors to make the best out of this ERA of rising inflation.
They are not moving assets away from those that, historically, have performed badly in prolonged periods of rising inflation, namely, Bonds.

This is the Booms & Busts Report (November 2021). I send these free to subscribers, every two months. Forward to friends, family, clients and suggest to them to subscribe for future Reports at our site. ***Click this link***. *No* subscriber will be junk-mailed, nor their details sold.

If you decide the Booms & Busts Report is not for you, just click Unsubscribe at the foot.

In this edition of The Booms & Busts Report:

- **They say the NASDAQ 100 is insanely overpriced and stock markets are just about to collapse. Discuss.** 📈🚀
- **What happened in the Dotcom Bust from March 2000?** 📉🤦
- **Earnings and Inflation** 💰🤵
- **Me, recently, in the Media** 🤡📺

The NASDAQ 100 (NDX) is the index of the biggest - by market valuation - tech stocks in America eg Amazon, Microsoft, TESLA et al.

They are insanely overpriced, aren't they?

After all, how is it in any way reasonable and sustainable that, for example, one company eg Apple Inc has its shares valued at over $2,650 Billions??? That is materially higher than the size of the UK economy!

Here is the long term chart of the **NDX**.

Clearly, the amazing bull run, since the major crash of 2008, has been, well, amazing. From under an index level of 2,000 to, today, some 16,000.

Moreover, since the major crash of March 2020 - when stocks collapsed, over just four weeks - and the NDX fell 30% (The UK FTSE 100 fell 36%) the index, as you can see, has absolutely soared.

Now, cover the y-axis of numbers.

Compare the Dotcom Bubble of 1999, and the rise since end-March 2020.

Which one soared more, in percentage terms? (No peeking at the numbers!)

If you said the current one, then you would be ... wrong!

From October 1998 to March 2000 (18 months), the NDX soared 270%.

Since the low in March 2020 - just over 20 months - the NDX has risen 147% (to last week's high).

Quelle optical illusion.

Indeed, from September 1999 to just March 2000, the NDX soared 110%.

1999 is known as the Dotcom Bubble and, then, Bust.

It seems to me, we are likely to be in Dotcom Bubble Mark 2. The conditions appear to be similar. If so, and we will have confirmation soon, the NDX could quite easily double by Q1 or Q2 2022.

Are you heavily invested in the NASDAQ 100? We are.

What happened in the Dotcom Bust from March 2000?

The NASDAQ 100 then collapsed over 80%, over the next two and a half years. There was an economic recession. The Base Rate was slashed from 6% to just over 3%, over a few years (remember when we had interest rates higher than around 0%?).

I recall buying a two year old car*, in late 2002, for £10k.
22 months earlier, it had been £26k.

* Used it, daily, for nine excellent years.

If we are in Dotcom Bubble Mark 2, it stands to reason, we may well get Bust Mark 2, and a proper recession, like 2000 to end 2002. Or, given how they bail everyone out these days (with money from thin air...!) it is likely to be shorter than then. However, I am watching how the economy goes over the next few months like a hawk. it would not surprise me if, next year, we see a peak in stock prices and this presages a major recession, economically.

More information to follow as we know more.

Earnings and Inflation

As inflation has risen, for the last couple of years - as you know I had been saying it would and it will sustain for years, indeed decades, the US, this week, reported earnings growth, year-on-year, of 4.8%. Not bad you might think.

The problem is, OFFICIAL (ie fraudulent) US inflation now stands at 6.2%.

So, ***earnings are not keeping pace with the costs of living.***

This means that the average standard of living is falling.

OK, 1.4% is hardly The Titanic. However, what if the rate of earnings' increase is 1.4% lower than inflation for many years? What if it goes to 3% under inflation?

After 10 years, the average earner will have seen their Real - inflation-adjusted - Income fall 14% to 30% compared to their costs.

It will not surprise me at all if something exactly like this happens this decade. And the next.

Which means either people will have to tighten their belts ie reduce their standards of living or get the money from somewhere else.

This is where I come in. Are your investments materially outperforming inflation? Are you invested in assets which, historically, outperform inflation, materially?

Ours are.

Me on Liberty & Finance 20 November 2021

.

Click on the image of yours truly, to be taken directly to the interview.

We advise clients all over the UK and, indeed, on four continents.

“We advise you based on what we would do, were we in your shoes, given what we know."
Call me personally to see how we can help.

I think most folk do not realise, in big picture, the excellent opportunities as well as the risks in investment markets.
They will. But will they have benefited or lost out?

Follow me on Twitter @j0nathandavis where I frequently comment on markets and economics and where you will see day-to-day thinking, and sometimes big picture.

If you have any queries over any of the issues raised call me or email by clicking ***here***.

With kind regards

Jonathan Davis **BA MBA FCII FPFS EFP**
Wealth and Later Life Finance Adviser
Chartered, Financial Adviser and Economist

SOLLA
Society of Later Life Advisers
ACCREDITED

Chartered Financial Planner

JONATHAN DAVIS
Wealth and Later Life Finance Advisers

Share this:

0345 862 2919
jonathandaviswm.com
20 Glenwood, Broxbourne EN10 7LP

Please note that investments can fall as well as rise. And they do!

Nothing in this message should be considered as advice.
Jonathan Davis Wealth Management will, under no circumstance, be held liable for any action taken or not taken as a result of commentary herein, unless we have provided bespoke and specific advice, formally.

Registered in England No. 05942730 Registered Office: The White Cottage, 29 London Road, Sawbridgeworth CM21 9EH
Jonathan Davis Wealth Management Ltd is authorised and regulated by the Financial Conduct Authority.