

# JONATHAN DAVIS

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## Booms & Busts Report

If you have any queries over any of the issues raised call me or email by clicking [here.](#)

There is now little (or no) doubt that we have entered a major economic recession, caused by huge government-created inflation, due to actions over many years, and then, even more so in 2020 and 2021.

Add on higher and higher and higher costs of borrowing, on huge debts, you have an explosive mixture.

**The inflation is simply the result of many, many years (a generation indeed) of maladministration by the globalist politicians.**

Due to more than a decade of Net Zero nonsense, QE and Zero Interest Rates governments are, inevitably, going to produce enormous imbalances, which will result in a blow up of Equities, Property, Employment, Bonds and the Economy.

I have talked about them, repeatedly, kicking the can down the line, since late 2008, when they bailed everyone out. And everyone decided how clever they all were. When, in fact, eventually, the chickens would come home to roost.

The chickens are clucking wildly.

This is a huge Booms & Busts Report. Seriously, you may wish to take it in in parts.

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### **In this edition of The Booms & Busts Report**

- **How did we get where we are?**
- **Recent examples of me in the Media**
- **What's been falling (crashing) and what's the Outlook?**
- **What's not been falling (or crashing)?**
- **What's the outlook for standard '60/40' portfolios (that, likely, your wealth adviser / portfolio manager has you in?)**
- **China and Emerging Markets**
- **How are JD WM clients' portfolios doing?**

What creates inflation?

“Inflation is always and everywhere a monetary phenomenon.”

**Milton Friedman**, Money Mischief: Episodes in Monetary History (Prize in **Economic Sciences** in Memory of Alfred **Nobel** - 1976)

So, it must be the central banks, printing trillions and trillions\*, that has created our inflation then?

\* Have you yet got how biiiiiig a trillion is? Once you have, multiply it by several 10s for the money printing / handouts, mainly, to the 'top' 1%.

Friedman was one of the finest communicators of the 20th Century as to why we (desperately) need free markets. (If only!) Watch any of his interviews and you can't help to feel engaged and enthused.

However, he and all the Austrian economists have been quite wrong as to why we have inflation. If it were down to central banks and their printing, why did we have no inflation in the 2010s, with vast QE, repeatedly? Sure, we had asset price inflation - stocks, bonds and property. We had no retail inflation nor energy inflation.

So why do we have inflation now?

**Because governments create inflation** (deliberately), not central banks.

In 2020 and 2021, globally, they gave vast amounts - primarily to the 'top' 1% - for doing nothing, literally. In the UK, we had Furlough payments for not doing any work. For producing nothing. Zero economic activity.

Small companies could borrow - effectively no questions asked - £50k at an extremely low interest rate. (And if the loan went bad the banks were fully compensated.) Money creation for no fundamental reason.

Never mind the vast financing large companies received.

On top, hundreds of billions, in the UK alone, went into a recording system and into locking us up which annihilated the economy.

They shut down the global economy and handed over vast amounts of funny money.

Add to all this money creation (fiscal, not central bank monetary), since Kyoto in 1997, up to the terrifying Glasgow COP 2021, they stopped oil, gas, coal and nuclear power companies from producing energy, in effect. And they've done that all 2022 - as supply has been lower than demand and prices have absolutely soared.

**You. Could. Not. Make. It. Up.**

European and UK energy prices are soaring because of climate idiocy. Since the 1997 Kyoto Protocol, Europe and UK have been destroying their fossil fuel-powered infrastructure and making themselves dependent on Putin. The entirely foreseeable Ukraine war - due to NATO East European expansion, that they vowed to Gorbachev they would never do - "distorted" nothing.

Additionally, the Glasgow COP26 and the ridiculous (malevolent actually) Net Zero goals, mean that more countries around the world are now competing for gas, which pushes up demand and pushes up price.

So the UK politicians' drive to hit Net Zero - without an adequate energy security policy - is much behind the soaring energy costs.

Reducing coal use, over the past 40 years, reducing nuclear output, and reducing North Sea Gas has left us severely exposed.

In 2004, the UK produced 99% of its own Gas needs. We have 1,000 years of Gas under the ground and in the North Sea. A 1,000 years.

You want to know what percentage of **our Gas need** that we produced in 2021?

43%.

We imported over a half of our Gas need.

We have 1,000 years of Gas.

To buy that gas, we need to sell Pounds. And they blame 'the markets' for why Sterling just falls and falls, and imports inflation.

**Again, you. Could. Not. Make. It. Up.**

So, for a generation, there has been little new energy created.

...thus, when we need energy it wasn't there, in sufficient volume.

To add to that malevolence (against the people and businesses), they stopped Russian Oil and Gas coming into Europe.

(The reality is some of it is sold to China and China is sending it to Europe (thank goodness!). The politicians know full well. In the process, the price of Gas rises 10 fold...).

Government stimulus and Energy restrictions are just two major reasons why we now have huge costs of living and of doing business.

If you're not in business, you may not know that, for example, bakers, pubs, factories etc are being demanded **up to 500% energy cost increases**. They're deliberately putting them out of business. Ask yourself: why?

The politicians' response is not what should be obvious i.e. end the Russian sanctions and get the energy flowing, reducing the price and factories can get moving again.

Instead, they subsidise energy. It's politically attractive.

Politicians always and for ever only care for the next election.

Subsidies are of course yet another fiscal money creation / more debt. It doesn't support the power companies to produce more energy. So they don't produce more.

Subsidising energy and other goods **will** lead to rationing, shortages, and ultimately state determination of the distribution of scarce goods.

***"and ultimately state determination of the distribution of scarce goods."***

Huge energy costs will be with us for as long as you can imagine, globally.

NB Please be clear. The UK “Energy Cap” of £2,500, being widely reported, is based on UK household average annual consumption of electricity and gas - family of four in a three-bedroomed house. The actual cap is **per unit**. £0.34 / kWh for electricity and £0.10 / kWh for gas.

Use more than the average energy and you will pay more than £2,500.

**In the UK**, to be fair, Truss (and Rees-Mogg, Business Secretary) has said they will open up the North Sea and allow gas companies to start to get the 1,000 years of gas out from under Great Britain, and will build new nuclear power stations. I hope it's all true. If so, the UK, by the next decade, will be independent for energy, for the first time in decades.

So why didn't they do it a decade or decades ago?

Energy and food independence would strengthen the UK tremendously, and help the people fantastically. But there will be nothing new produced for many years. You can't suddenly build a platform.

In the long term that ought to be good for Sterling. That, in turn, should alleviate long term inflation.

**However, until it takes place, years from now, if it does, the UK is as fragile as everywhere else.**

And it won't produce any energy until, at the very least, 2030.

If the politicians actually acted for our interests, over the last 20 years, they would have spent far LESS than the £100 to £150 Bns of these subsidies on four new nuclear plants. They would NOW be producing at least 50% of our energy needs, sustainably and entirely reliably. And we would be the second strongest economy on the planet.

Politicians don't act for our interests.

German politicians are preparing to close their cheapest and most productive energy source, three enormous nuclear reactors, after closing three in December 2021.

These reactors make electricity for millions of people at approx. 1/10th the cost of the coal and gas Germany's replacing them with.

**You. Could. Not. Make. It. Up.**

In the meanwhile, until we get more energy in the 2030s, they will subsidise energy, food etc. And this will, in turn, still be super inflationary as they will continue to decimate Pound Sterling. Thus, it will hurt the bottom 90%, economically, for many years.

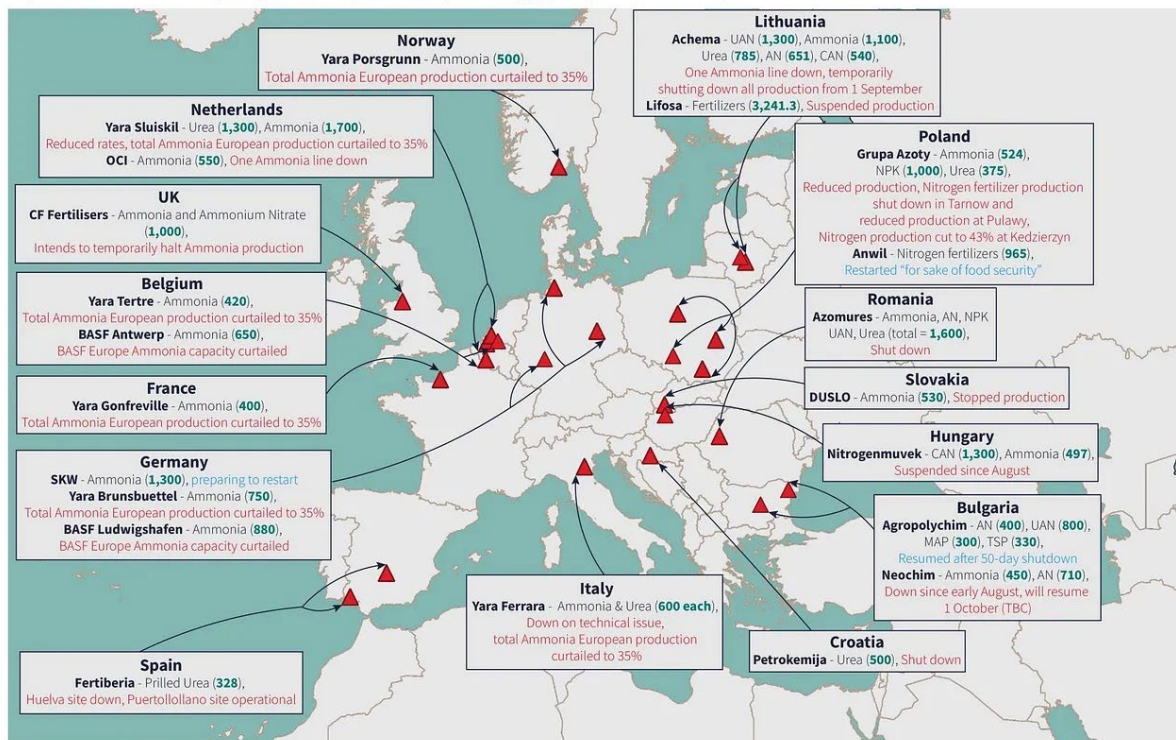
Because of the sanctions - which hurt the people of the EU and UK, not Russia! - and because of the price of Gas, **there has been a 50% reduction in Ammonia production in Europe**. Ammonia is used to manufacture fertiliser. Crops are not being grown as they were.

Expect food shortages...

## European Ammonia for fertiliser production plummeted

### Soaring gas prices hit Europe fertilizers

Capacities in '000 tonnes/year put next to product impacted in **green**, updated on 16 September 2022



SOURCE: ICIS, Natural Earth

On top, farmers are being paid to stop producing meat and instead grow alternatives. (Yes, really!) Or to leave farming.

Expect meat shortages...

Food prices to continue rising and rising, for many years.

## Food Inflation

## Global food production and prices

S&P Global Worldwide PMI Index, 50 = no change



Source: S&P Global, JPMorgan.

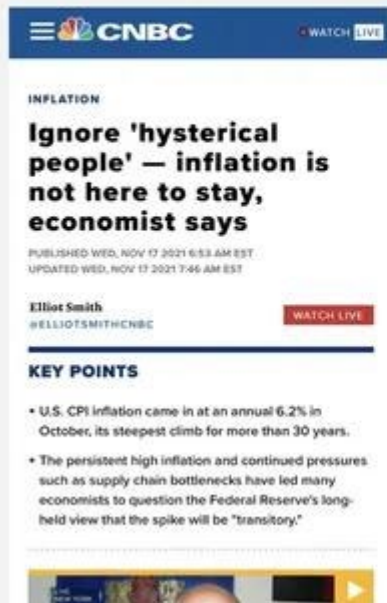
Not only are food prices soaring (above 50 is rising) but food PRODUCTION is actually FALLING.

By the way, in 2020 and through 2021, when I was screaming big inflation was on its way, nobody else was, because it was Politically Incorrect.

Here's a perfect depiction of what was said in the media and where we are now.

**Media on inflation (November 2021 and September 2022)**

## How it started



## How it's going

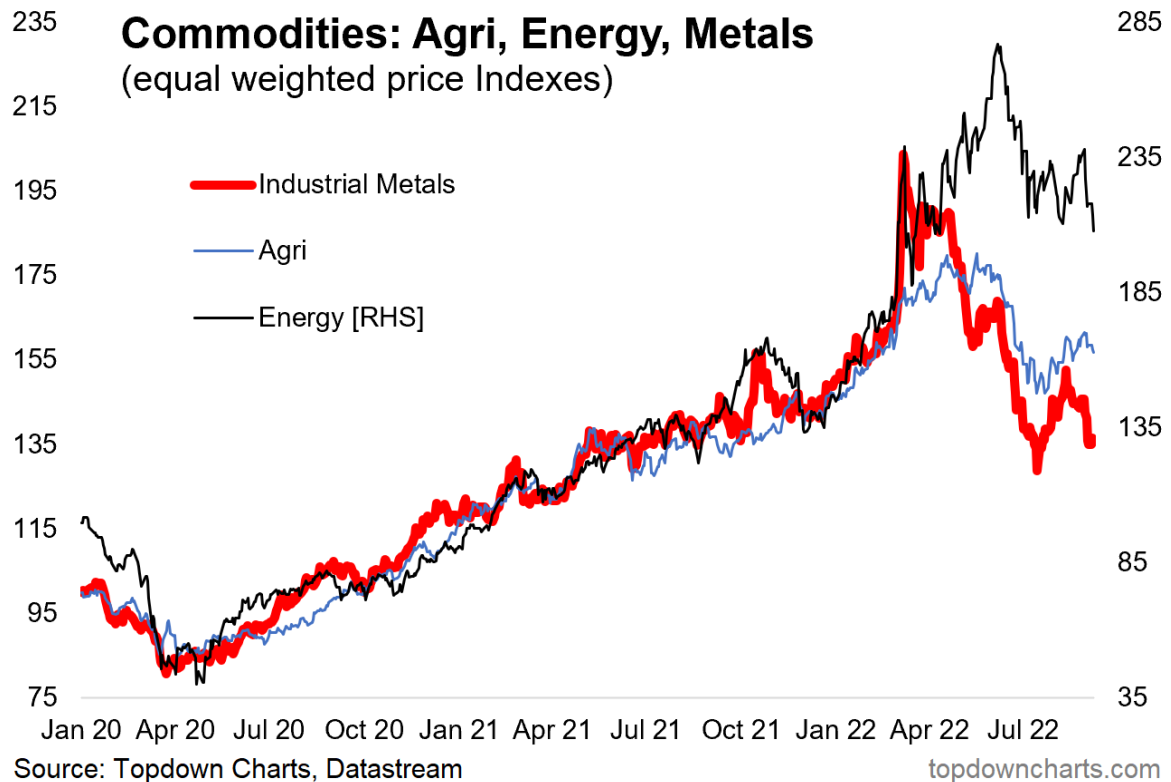


The prices of energy are generally set globally. After nearly two years of a soaring global Oil price, it got up to around \$130/barrel some six months ago. (...whereupon we reduced our exposure to Energy companies. We have been out, entirely, since the late Spring.)

And oil is back around \$80. It could even go the \$50s, as the West goes into **major economic recession**. That is reducing the inflation rate, as the statisticians will show. We ought to see again £1.60 / litre at the pump. Or lower. That's 20% off what we were seeing a couple of months ago.

Most commodities have been plummeting in price, over months. Hence, we are in economic recession and inflation will fall, for some months. Expect an inflation rate, next year, of 5%, compared to some 10% now.

## Deflation in Commodities, last c 6 months



However, it will be YEARS before new oil and gas come onstream (unless the sanctions end).

Post recession, with new stimulus and no new energy production, expect energy costs to soar once more. From late 2023 or early 2024. Within a few years, after the falls, expect a soaring to \$150 to \$200 oil ie £2.50 / £3 a litre or more at the pumps (unless the government reduces vast pump taxes - fat chance!).

The headlines, last week, have been that **The Pound has Got Pounded!** (HAHA) because of the Mini Budget. And, remarkably, most folk believe this nonsense.

Practically every currency on the planet has plummeted Vs the US\$ in 2022. The issue is not the dire state of the UK economy - and it is dire - but instead the global money flows - everywhere - into the US\$.

That Sterling fell post the Mini Budget was merely a continuation of what had been going on all year. Rightly so. Why would you hold onto an asset that 'tomorrow' would be less valuable? And the same for Euro, Yuan, Yen et al.

And, as for, "we used to have a strong Pound and Liz Truss has messed it up..." Oh please.

### **Historical exchange rates: US\$ Vs Sterling:**

- US Civil War: \$10 to £1
- WW1: \$3.66
- WW2: \$3.25
- 1949 £ devaluation: \$2.80
- 1967 Balance of Payments crisis: \$2.40 ("The Pound in your pocket will be unchanged...")
- Early 1970s Oil crisis: \$1.58
- 1985 Plaza currencies Accord: \$1.05
- 1992 Exchange Rate Mechanism: \$2.00 (shadowing German Mark) pre bust out of ERM (I DREAM of \$2 Sterling - the bottom 90% would be much more prosperous!)
- 2008 Great Financial Crash: \$1.35
- Today: \$1.12

Sterling has been hated for literally centuries because, like, for example, Italy and so many others, we are an entirely maladministered country. We could be great but we are merely Britain.

## UK Government Debt to GDP

From 30% to over 100% of GDP in just over a decade.

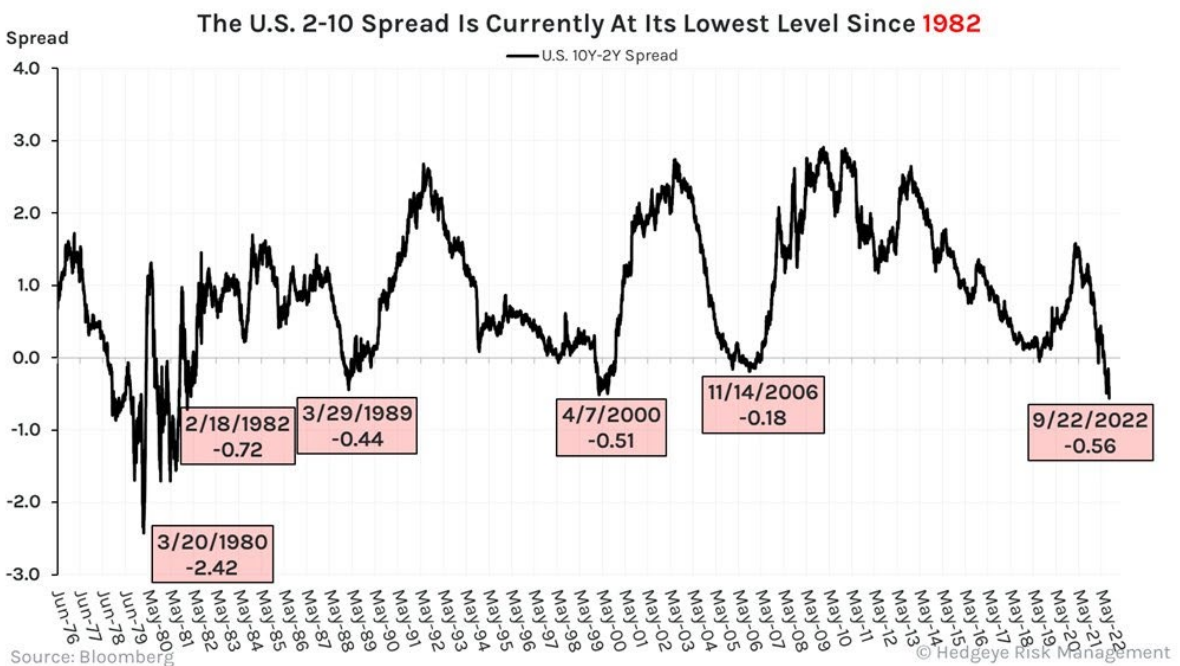
Public debt rises above the size of the UK economy

Public sector net debt as a % of GDP



Conservative government. Not conservative. Socialist. Obviously.

Look at the next chart. It shows the **US Treasury yields of 10 years Vs 2 years**, over nearly the last five decades.



When the 10 year rate falls faster than the two year rate, the line falls, and vice versa.

The technicalities are immaterial.

What is evident is that **every time** the 10 year rate goes below the 2 year rate, for a lengthy period, **there is a huge global recession**. The 10 year is way below the 2 year and it's settling in there for the economic (and seasonal) Winter.

And the level is lower than going into 2008...

Still believe we aren't in deep recession?

### **Me in the Media, recently**

Click on the images to watch/listen to the pieces (23 and 28 September 2022).

### **GB News with Mark Dolan (23 Sep 22)**



**BBC Three Counties Radio (Beds, Herts and Bucks) with Roberto Perrone  
(28 Sep 22)**

THREE COUNTIES  
RADIO

**Roberto Perrone**



**Have you looked at your investment/pension etc portfolios recently?** Perhaps you are too scared to do so.

This year, so far, typical UK portfolios are down 10 to 20%\*, while inflation has been around 10%...

... which means that the **purchasing power** of, I guesstimate, 98% of UK portfolios have fallen some 20 to 30%. IN LESS THAN ONE YEAR. Now extrapolate that for the next decade, during which I forecast average annual inflation to be at least 8% pa.

\* Below, you can see how the JD WM Typical Portfolio has performed this year. We have positive returns YTD, in a year of 'carnage'.

### **Do the calculation.**

£100,000 at the beginning of this year.

We've had some 10% inflation this year. How much goods and services can you now buy with £100k (or, actually, £90k)?

How much goods and services will you be able to buy in 2031 even if your £100k is still there?

THAT is what I have been banging on about for years. The problem is the bulk of folk had forgotten about inflation. (We had had little of it for, literally, decades.)

**Well, now you have been reminded of inflation and of its destructive power, for your future financial security and comfort in retirement, you MUST take action to meet the enormous inflation challenge AND you must win!**

### **What assets have fallen, materially, this year, hurting your portfolio? And their Outlooks?**

Well, practically everything.

**Shares** are dead in the water. They are in full collapse mode.

US shares are down some 30%. Expect 25 - 50% further down.

The top companies' index in the UK - The FT SE 100 - has fallen 11%, from the highs. UK portfolios have performed better than US portfolios this year because UK portfolios, naturally, have a higher exposure to the UK top 100.

So, why has the FTSE gone down much less than the S&P?

Although the likes of Shell, BP, GlaxoSmithKline et al (the 'Large Caps') are UK-based, they are global companies. Their earnings have actually been increased, due to weakness of the Pound, when translated back into Sterling.

However, your portfolios have still lost a lot of money this year (maybe several years of past growth...) because you also have sizeable exposures to the next 250 companies' index (the 'Mid Caps') which has fallen by a third so far this year.

**Corporate Bonds** essentially the same.

Government Bonds - see below Commercial Property, Commodities and Cryptos.

**Property** companies down nearly 40% this year. Probably further to go down, with the general stock market.

**Commodities** ... including Oil (down from \$130 to under \$80): indicating full blown all out economic recession. They still have further to go down. Oil I can see around \$60. Gold sub \$1500. Silver around \$10. Copper to \$2 and so on.

BUT commodities normally smell the move from bust to boom first. Will you take advantage? The advantage you NEED to meet the inflation challenge.

Energy, generally, has already come down far, from the enormous peak, some months ago. Look at German Energy costs.

## German energy price chart



**Bitcoin, Ethereum and other Cryptos** have collapsed. In the case of The Big Daddy, BTC, it's plummeted from \$65k to, currently, \$19k. My analysis tells me that if it fails at \$17k it's going to around \$4k. So, below \$17k get the Hell out.

**Government Bonds** have collapsed since Q2 2020. Since then, UK Gilts and US Treasuries are down around 40%. (NB UK/EU/Japanese investors in US Treasuries have seen their losses MUCH reduced due to the soaring of the US\$.)

The Outlook probably cleared last week.

The Bank of England reopened the spigots and have restarted UNLIMITED QE.

I repeat: Unlimited Quantitative Easing.

### Unlimited.

What this means is that we are no longer - not that we have been for decades - in anything remotely like a free market. We are now in an economy where the State has assumed the role of setting prices. In other words, as we have been moving rapidly towards it, it is now confirmed we reside in a Socialist (aka Marxist aka Communist aka Fascist) economy.

What does the State setting prices mean otherwise, if not Marxist?

The politicians decided they did not want, just yet, another 2008 Lehmans / AIG moment because that is what would have happened last week.

Many of you will be delighted they took this action. Be careful what you wish for. Did you ever live in North Korea, China, Soviet Union, Turkey, Argentina, Germany, Italy, Spain, for example, during Communism / Fascism?

For the markets, what they did last week, was target long term interest rates. I have been saying this was coming. I have talked often of Financial Repression. We are now, fully, in it, like the late 40s to the late 70s.

They will do whatever it takes (!) to keep long rates down to relatively low levels, for many, many years.

To which you cheer.

THIS WILL FUEL INFLATION yet more and more!

I repeat, the bottom 90% of the population will be annihilated, economically. (Add to that there will be the usual ramifications on freedom etc of extreme Socialism.)

So, the UK 10 year rate was stopped from rising much above 4.5% last week.

4.5% is likely about the highest we will see for 10+ years. As the Bank buys unlimited Gilts from the market, the price of Gilts ought to rise and, so, the interest rate ought to fall. Add to the recession we are now in, and that I expect inflation to fall, hence I expect long term interest rates to fall, over the next year or so.

Falling rates >> Rising Gilts prices.

We should see the cycles of falling and rising long rates, every few years, in a horizontal fashion, over the next decade.

And the economy too. As rates fall we go into recession. As rates rise we come out of recession. Rinse, repeat every few years well into the 2030s (as I explained to Mark Dolan of GB News, above).

**Rising unemployment.**

**Falling house prices - probably nominally; almost certainly Vs incomes.**

**NB Share indices and Bonds doing nothing, net, for 10+ years.**

**During sustainably higher inflation.**

**No net economic growth for a decade or more.**

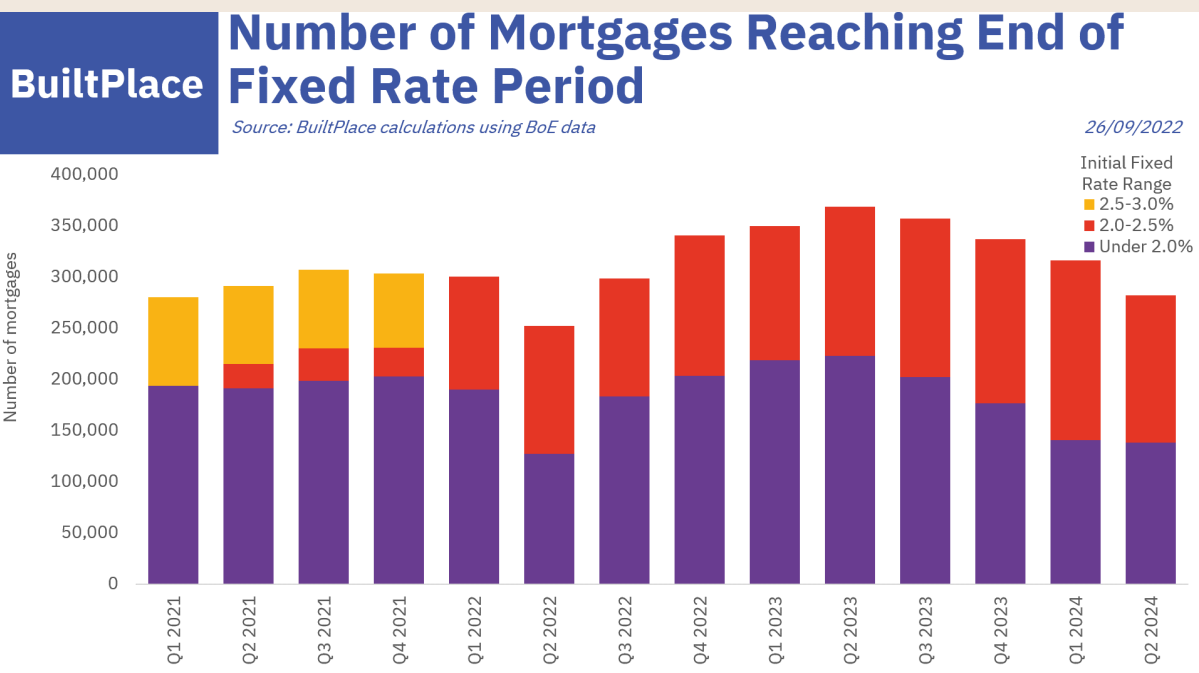
**Chicken or Egg?**

Please show me a country that has strengthened their economy, their currency and/or controlled inflation through Fiscal Stimulus?

I'd wager Zimbabweans, Venezuelans and Turks are kicking themselves right now. All they had to do to stop hyperinflation was print more money... 😊

**Everybody loves to read about House Prices.**

"You can't lose wiv pwoperdee...!"...



In the UK, the number of fixed rate mortgages ending, over the next year, is soaring.

In Q2 2021, a peak of fixed rate mortgages started, due to a peak in buying, due to the Stamp Duty Tax lever being pulled. Those fixed rate mortgages end in Q2 2023.

**When they refix or go to Variable, they will find their mortgage rates rise from 1 - 2% to 4 - 6%!!!** After having maxed out on how much they could borrow.

There will be millions of fixed rate mortgages ending between 2023 and 2026, that borrowers will be SHOCKED to realise were 1 to 2% and will be 4 to 6%. A HUGE increase in monthly payments. In the UK alone.

In Australia, Canada and the UK, over 70% of mortgages are short term (5 years or less) fixed rates.

Many will tough it out. Tighten their belts and spend far less elsewhere (economy toast, long term). Bank of Mum and Dad will step in.

Many will have no option but to sell and trade down (reduce their debt) or move back in with the parents.

Many two and three homeowners will reduce their exposure.

Buy To letters will try to reduce their exposures.

In a nutshell, supply will rise above demand, for years. It will take years. It will be slow and gradual. It will be like an oil tanker reversing. It takes ages. The psyche is, of course, '*you can't lose with property*'. Eventually, the people will realise and - too late - they will try to sell.

It appears that the great 50 year boom for residential property prices **has ended**. (Not, is ending.)

There ought to be falls in prices over the next year, and we should expect little price growth, other than for short periods, over the next 10+ years. If any. (Vs average 8%+ inflation for many years.)

Of course, the bureaucrats and the politicians will do whatever they can to bail themselves out. That is a given. However, given the backdrop, what could they possibly do now?

I can see wholesale State / Local Authority buying of residential properties, at high prices\*, 'to help' the market. (Back to widescale Council Housing.)

#onverra

\* More debt held by the State, backed up by assets going nowhere, at best. More downward pressure on the Pound, for a long time to come.

All of these government policies and initiatives 'to help' are nothing of the sort. It's always about buying votes and to Hell with the longer term future.

On 27 March 2020, coming out of the early 2020 markets crash and Lock Up (aka imprisonment) recession, I wrote in the Booms & Busts Report, the following:

*"Property will no longer be a store, never mind a grower, of wealth. Residential? Not with higher and higher interest rates."*

*"PROPERTY IS TOAST, with a coming era of inflation and rising interest rates. How do you think property was so incredibly cheap in the 70s? Interest rates had gone from 3%, in the 60s, to 20%, 10 years later. It's just maths. GET OUT OF EXCESS PROPERTY, BEFORE THEY START TO RAISE INTEREST RATES, FOR THE NEXT 10 YEARS. THAT MEANS BUY-TO-LET AND PROPERTIES THAT YOU LIVE IN, THAT ARE TOO BIG FOR YOU - THAT YOU BELIEVE WILL PAY FOR YOUR RETIREMENT. If you stay in them, to retirement, they will not (even close) achieve your objectives."*

*That 98% of folk cannot even IMAGINE house prices falling, sustainably, has always amused me. Cannot even imagine it. If that isn't a deeply ingrained bubble mentality, I don't know what is. Forget immigration, islands, 'demand' (whatever that has ever meant), the government won't allow house prices to fall (oh please).*

*Just remember one thing: RISING INFLATION/INTEREST RATES FOR 10-20 YEARS."*

*"The number of folk I know who believe they are geniuses because they have a Buy To Let or 2 or 3 or 4. They'll be bankrupt ..., assuming they have mortgages. Rents fall in a recession. As do house prices.*

*Oh, you think it will sort itself out ... after the recession?*

*THEY WON'T / CAN'T SLASH INTEREST RATES!*

*I tried to warn so many folk to reduce their property exposure. For years I said they will raise interest rates at some point, and not stop raising. No-one took the blindest bit of notice. What do I know? I must be biased. Selling something. Or a depressive. Strange little Scotsman. We're doomed...!*

*It's just maths.*

*I have been saying for years, the next time there will be a recession (I had no idea when that would be) the one thing that THEY CANNOT DO is slash interest rates... which is one of the things they ALWAYS did, in a recession."*

Do you think I covered it, two and a half years ago?

## What's not been crashing?

Yes, there have been the odd pockets of resilience.

Of course, the US\$ has soared against every currency (that I can see). Any foreigner investing in US assets, or the US\$, has done better even than US investors.

Also, Cash as an asset has 'only' lost Purchasing Power this year, not nominal value.

So, most folk will say '*Well, we need to be in Cash and forget investing.*'

Short term.

Not long term, during inflation!

NB. In 2016, many governments introduced rules for Bank BAILINs, not BAILOUTs. Cyprus was the template and it only affected some Russian mobsters, so they said.

So, large Depositors (above £85k per individual, per banking group) will not be protected. So, Cash perhaps not so good then...

What else has done well? ...

Well, there is no 'else'. I cannot see any other major asset classes or countries that have escaped the 2022 carnage.

(And yet, our clients are up this year... The fruits of a more tactical approach than **your** passive Buy and Hold approach. Your 60/40 approach.

No, selling Tesco and buying Sainsbury is not Active.

Selling Europe shares and buying UK shares is not Active.

Selling Energy stocks and buying Government Bonds is an example of Active.)

We have made few alterations to the portfolio this year. Active does not mean Daily or Weekly or Monthly. It means changing when it is appropriate, which may be 5 times in a year or none. Yet, those who call themselves Passive have probably made many more changes than that. (🤔)

Your 60/40 portfolio (or 70/30 or 50/50 etc) Equity / Bond portfolio is likely actually higher volatility (aka risk) than you believe.

Even if it is a 60/40 portfolio, some of the 40 (I'm going to guess a half) is Corporate Bonds. And these act more like shares than Government Bonds.

It seems to me that your 60/40, which you deem appropriate for you, is, in reality, more like 80/20... **Go and ask. What is the asset class make up of your portfolio between Shares and Corporate Bonds to Government Bonds?**

Next, ask (Tuesday!) how much you have lost this year, also the net return since, say, 1 January 2020?

Next, ask what are they doing about it?

This is the kicker. If the answer is, essentially, steady as she goes / no major change (press them on the materiality of whatever change they do 'advise'), then your portfolio outlook is still a LOT of pain i.e. losses to come. That is my conclusion from my analysis of markets and portfolios.

**If the Bank of England announcement and restarting of QE this week is anything to go by there could be a Lehman or Northern Rock right around the corner. Please don't get caught up in it. Preserve your capital if you can't make money from markets. There will be growth opportunities to come.**

There is a better way, for the short, medium and long terms. It costs nothing to discuss.

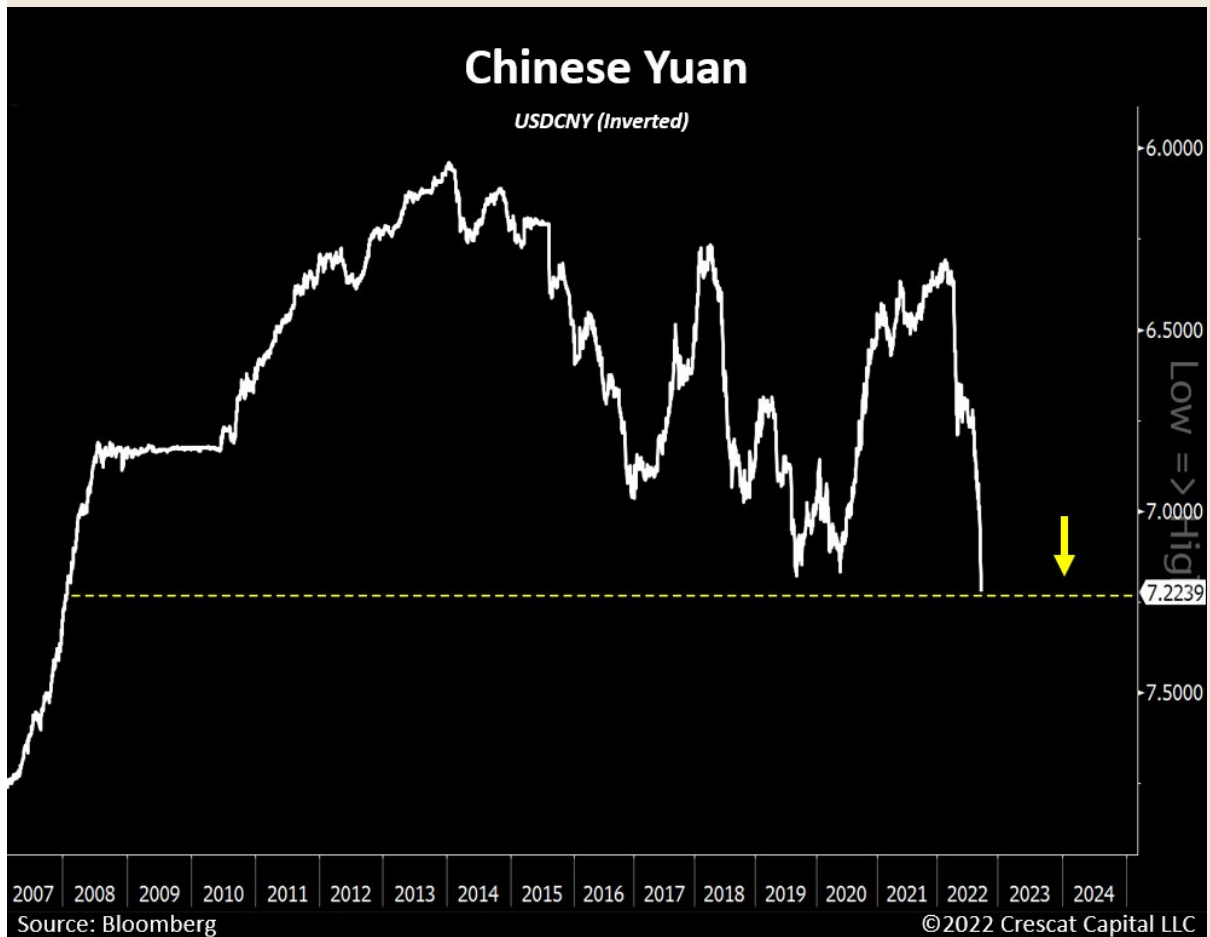
## China / Emerging Markets

As you know I have been strongly negative China (in effect Emerging Markets) for well over a year.

A decline in the value of the Yuan would, in the first instance, trigger a deflationary shock. It would make buying stuff from China so much cheaper. Happy days!

The Yuan has crashed this year and has been trending down for nearly a decade. And it has further (a lot further) down to go.

## Chinese Yuan



The first reaction of **investors** would be to consider the export competitiveness of China after its devaluation.

However, very quickly, tariffs will be imposed upon China to make sure that it cannot take market share in the global trading regime. As those who have read Janet Yellen's 'friend-shoring' speech will know, such a move by the Renmimbi / Yuan

would simply accelerate the relocation of productive capacity to countries that the developed world considers friends. The result is a massive capital expenditure boom to 'friend shore' and over time higher inflation levels in China itself, as the monetary floodgates are opened to reduce the country's very high debt-to-GDP levels.

Part of this initial adjustment would see A MARKED DECLINE IN COMMODITY PRICES and investors should therefore be cautious about investing in the commodity sector. What we are seeing.

However, for those of us who believe in higher levels of long-term inflation, we have to expect higher commodity prices in the long-term.

(Also, incidentally, even if global oil demand was to drop 30% by 2050 - due to the nonsense Net Zero - the world would STILL need to develop around **50 million extra barrels per day of new oil supply** over the next 30 years. This is four Saudi Arabia's worth of new production!!! You think that happens at \$60 a barrel?)

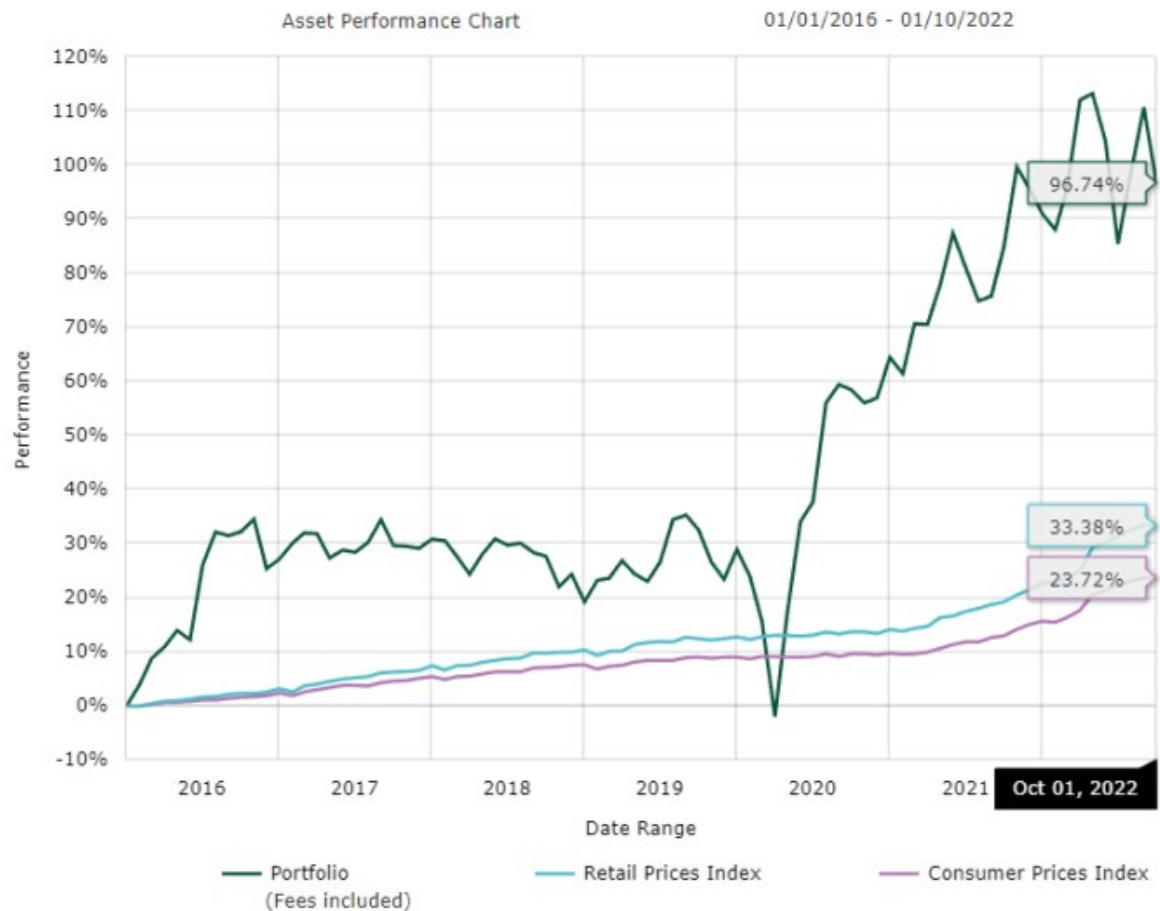
As the capital expenditure boom (in India, Mexico, for example) takes hold and the China reflation gathers pace, the price of commodities will begin a long rise after their initial decline.

The movement by China TO A FLEXIBLE EXCHANGE RATE, in due course - perhaps as soon as before the end of this year - will create a great buying opportunity for investors in commodities and other inflation opportunities.

Stay away from China / Hong Kong for investing.

Indeed, anything which normally goes negative against a rising US\$, stay away from.

## JD WM Clients' investment performance *(1 January 2016 to end of Q3 2022)*



### JD WM Typical Client (TC)\* portfolio performance

Since 1 January 2016, the TC is up ~96% net (Vs RPI of ~33% / CPI of ~23%).  
An annualised compound return of c 10.9% net Vs 4.4% pa RPI inflation.

At this point (as at 1 October), The TC is up 3.0% for the year-to-date.

How has your portfolio performed in recent months and years?

My readings suggest the bulk of UK managed portfolios are currently at -10 to -20%, year-to-date.

My readings also suggest the bulk of UK managed portfolios are showing around a **zero return** since 1 January 2020 or even negative. Since this date, inflation has grown and, indeed, soared. RPI, since 1 January 2020 stands at 18.8%. UK portfolios are not remotely closely keeping up with the costs of living.  
Ours are.

A Chartered Financial Planner, in another firm, told a leaving client (who came to us) that, to achieve higher returns (than the around 0% they'd made in some three years, with around 19% inflation i.e. major reduction in purchasing power) an investment strategy 'would have to be much riskier'. This is standard fayre from those who care for their fees more than their clients.

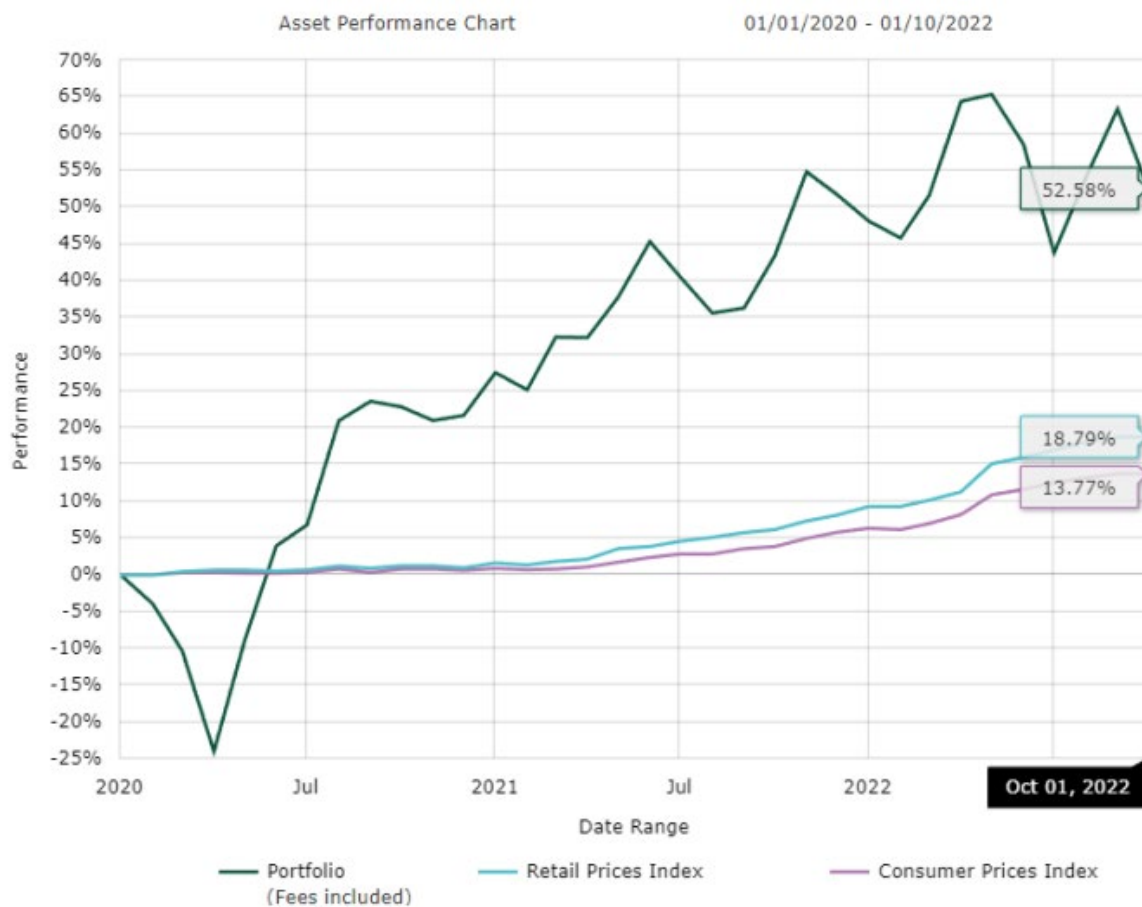
**As I see it, holding a 60/40 or 70/30 etc Equity/Bond portfolio, over the last few years and over the next decade or maybe two, actually does have high risk of huge loss of purchasing power, just like the '60s to early '80s.**

**And yet that is what 'everyone' holds, as advised by the bulk of wealth/financial advisers, Chartered Financial Planners, City portfolio/discretionary managers.**

**(Not our clients.)**

Do the above or below charts suggest to you heightened risk of capital loss (or even loss of purchasing power)?

## JD WM TC investment performance (1 January 2020 to end of Q3 2022)



Another prospective client said he assumed our fees were high (though he didn't actually look at what they are...!).

What I can say is they are similar to other quality firms - though we have been producing quality returns on investing.

They ARE higher compared to when you receive no advice i.e. you DIY and/or deal direct with pension/investment companies.

But we are not talking about baked beans stores or new cars dealers or estate agencies here.

We are talking about your retirement.

We are talking about your wealth meeting the huge inflation challenge.

Whatever our fees, the investment returns are always quoted net.

In any case, since 2001, I have quoted my fees, in writing, on a bespoke basis, BEFORE anyone decides to instruct my firm.

All is transparent.

It seems to me that, if typically managed portfolios (pensions, ISAs, Investment Bonds etc) do VERY badly this year i.e. -10 to -20%, clients of JD WM are still likely to see capital growth on our client portfolios.

**I ask again, what have your portfolios done in recent months and years? I suggest, strongly, you find out.**

**And why don't your wealth advisers / financial advisers put it on their website Homepage like we do?**

\* A 'Typical Client investment portfolio' of Jonathan Davis Wealth Management has a capital growth objective, accepts **potentially** high volatility<sup>^</sup>, and has an investment risk profile classed as Speculative.

<sup>^</sup> NB However, **Volatility does not mean down**. It means movement size... which can be down or up.

We are more positioned now, than for the last two years, expecting falling inflation - Disinflation. We remain positioned to take maximum advantage of the disinflationary conditions, that we expect will remain for at least a year.

We advise private clients, exclusively, nationally and internationally (ex-UK residents). I have limited space for new clients.

Some international folk, non-UK, subscribe to our Client Only Updates. I have unlimited space for subscribers to our Client Only Updates.

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 you.

I think most folk do not realise the sizeable risks and opportunities in investment markets.

They will. But will they have benefitted from correct actions taken?

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

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

**Nothing in this message should be considered as advice.**

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