JONATHAN DAVIS WM

Leaders in Wealth Management

Chartered Financial Planners

Economics and Wealth Management Update

The stand-out investment success of 2014, arguably, was Government Bonds. US Treasuries rose some 25% from 1 January 2014 to the end of last month. Thus, they had one of their strongest runs in some 90 years! This is particularly interesting as - almost to a man and woman - wealth managers said, in late 2013, that Government Bonds would have big falls in 2014...

They're pulling back a little for now, almost inevitably, from one of the strongest rises since just after World War One.

However, while

- China continues to slow
- The US $ continues to rise
- The global economy remains in the doldrums
- Oil price remains low
- etc

Government Bonds should continue in their bull market. Are you invested in these?

What did WE say and do about Government Bonds, and specifically, US Treasuries? See the first article, below. (What did your investment adviser say about Government Bonds...?)

Big picture

It is clear we are in an era of DISinflation (falling inflation). We've been banging on about DISinflation, from historically very low levels, for as long as I can remember. Now everyone is talking about it...

In the 70s the West suffered from high inflation - SuperInflation as we call it, averaging 15-30% per annum rises in the costs of living, brought on by successive governments' policies.

By the 90s, due to technology and globalisation largely, annual inflation (and interest rates) had plummeted to the low single digits.

Now, with the ongoing fallout of the debt bubble - that we saw the first effect being the crash of 2008 - inflation is negligible and, indeed, in many countries actually negative AKA DEflation (falling prices).

We've been wondering if we might be moving to an era of DEflation (falling prices), also for a long time. And, here we are in early 2015 and 14 of the 34 OECD countries are actually in deflation. The UK will likely have falling prices later this year.

If you are investing as you have always invested then you are 'investing for inflation'. Thus, potentially, inappropriately.

Don't say you weren't warned. See the 2nd link.

What's another investment opportunity we are seeing (beyond US Government Bonds)?

It might surprise you but this stock market has fallen circa 90% since the peak in global stock markets at the end of 2007.

The potential is there to buy at c 10c on the €. 3rd link.

Everyone loves to read about the housing market - as 'everyone' is in the housing market. A couple of articles, this week, caught our eye pertaining to the top end markets in London and Singapore. One of them used the phrase "Prime London market in 'serious trouble'" in their headline. The other headline, from the New York Times, is "A High-End Property Collapse in Singapore". **So, is Prime in difficulty? See the 4th link.**

And by the way, the UK's ONS informed us this week that Greater London prices fell 2.3% since the recent peak in August 2014. We have been writing all year how Prime Central London has had a poor year in 2014 and it may be filtering out now to the rest of London.

And no, in our view, this all has little to do with the General Election in May and far more to do with global economic concerns.

In terms of portfolio management, our philosophy has essentially two strands which informs our recommendations:

1. That the West is in an era of Disinflation (surely not disputable) and may be heading towards Deflation and
2. We continue to seek out quality assets at severely depressed prices, collapsed even.

This latter shows we have a natural aversion to assets which have soared in price.

If you prefer to invest in assets which have soared (or be invested in these) then you may wish to reconsider your strategies of preserving and growing your wealth.

We have other thoughts that keep us alert to attacks on personal wealth and retirement security as well as investing opportunities, not generally discussed, which may be of interest to you.

What should YOU do to secure your or your clients' wealth? We urge you to speak to us.

Don't put it off till it's self-evidently too late.

Can you benefit potentially from our advice? We work for wealthy to very wealthy families (£300k to £25m of financial assets and/or high earners) and trusts. We work for clients all over the UK and indeed on three continents.

Our most important and most often repeated philosophy is (as seen widely on our website): "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 welcome your feedback and if you have any queries over any of the issues raised, do not hesitate to get in touch with us. You can forward this newsletter to a friend here if there is any information you think would be beneficial to them.

Kind Regards

Jonathan Davis **BA MBA FCII FPFS**
Chartered Financial Planner
Managing Director

Read more below

US Treasuries

We've been bullish on these for nearly 2 years and our clients were adding heavily to existing investments during 2014.

read more

Are you investing for Inflation or Deflation?

Traditional investment portfolios assume historically achieved rates of return on each part of portfolios eg shares will likely return X% pa over the long term etc. The problem is, doesn't this assume the same economic conditions for inflation and interest rates as we have HAD? Past tense!

read more

Possibly one of the great stock market stars of the next 5 years

What European stock market has absoliutely collapsed and is STILL c 90% down on its highs of 2007?

read more

High end property markets

Various articles and statistics caught our eye just this week which we share with you.

read more

Tel: 0845 862 2919
Email: enquiries@JonathanDavisWM.com
www.JonathanDavisWM.com
Alden, Yewlands, Hoddesdon EN11 8BT

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