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Leaders in Wealth Management

Chartered Financial Planners

Booms and Busts Report

To comment on any of the points raised here or to ask a query just click [here.]()

We publish these reports on Economics, Markets and Financial Planning six times a year. We produce detailed updates, for clients only, more frequently.

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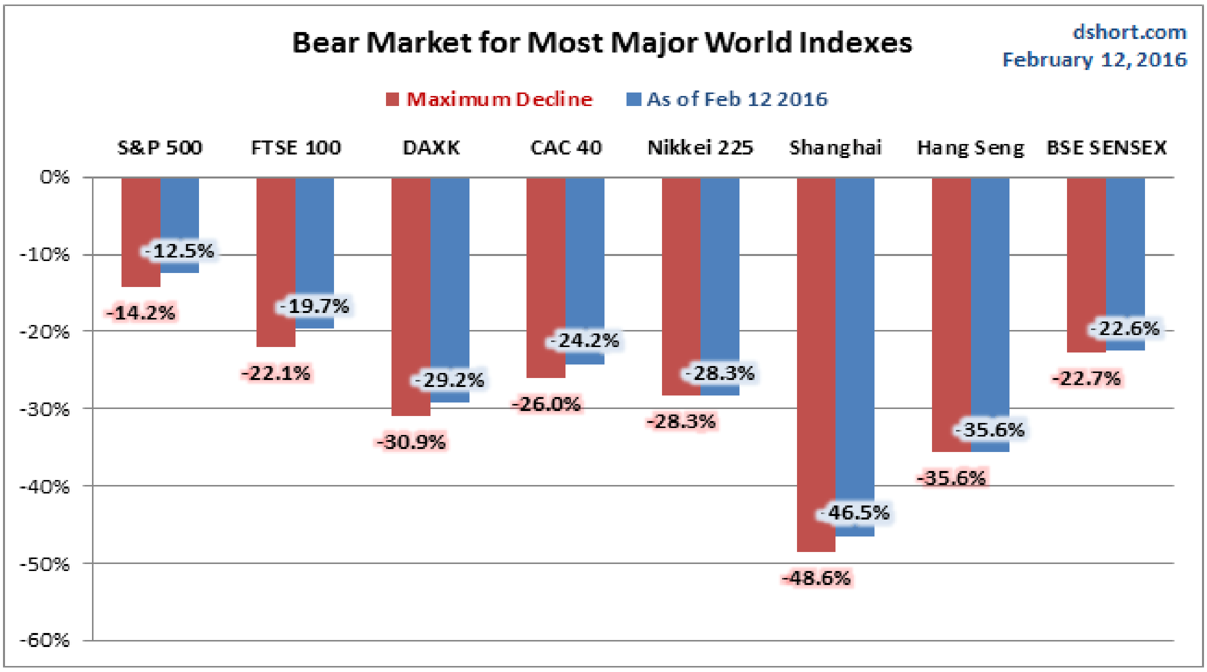
At the end of 2016, I wrote again of impending economic slowdown. I have been writing of poor value in major stock markets for a long time and of excellent value in Government Bonds, especially US Treasuries.

So, if you are in the UK are you seeing any of this?

No?

Well, how about a 22% crash in the FTSE from last May to last week? Or the other major markets:

To last week, all major markets have been heavily down. (NB. The US market would have been down some 20% had it not been for 4 particularly high value companies, holding up the index. Most shares in the US are down heavily as elsewhere.)



How about Corporate Bonds crashing all over the place?
How about commercial property shares down by a quarter?
How about **Prime** Central London house prices down as much as 14% in some areas over the last year?
How about the price of oil down to multi decade lows? (Economic strength?)

The above you may or not know of but they have happened. And, likely, the first three materially detrimentally affected your pension and investment portfolios.

And what about the following facts:

Figures, released in January, showed that UK manufacturing had slowed again in December.

BP announced plans to cut 4,000 jobs.
Tata Steel closed its Port Talbot steelworks with the loss of another 1,000 jobs.
Just yesterday, Daimler announced 1250 job losses at their truck plants.
etc
These were all relatively high paying manufacturing jobs, not low paid McJobs. Manufacturing jobs also have other jobs supporting.

On top, shoe retailer, Brantano, went into receivership with the potential loss of 2,000 jobs (McJobs).

Chinese exports down a massive 11% over the last year. Imports down a staggering 19%. (Both in US$ terms.) Global economic strength?

Taiwan exports down 13%. Imports down 12%. Taiwan is the major exporter of semiconductors in the World - computer chips.

South Korea exports down 19%. Imports down 20%. LG, Samsung, Kia, Hyundai.

I could go on but if any reader still thinks the global economy is strong or strengthening, please unsubscribe from the Booms and Busts Report because clearly no facts will ever get through those rose-tinted glasses.

In 2014, the UK grew by c 3%.
In 2015, the UK grew c 2%.

The Bank of England has just downgraded (yet again!) their forecast for 2016. Going into 2016 they had it at 2.5%. I was at sub 1.0% and I still am. And this informs investment recommendations.
It seems to me they are wildly overoptimistic and bordering on defrauding the British public into making wrong financial decisions.

Let us see who's closer at the end of the year - the vast swathes of tenured PhD economists at the Bank of England with index-linked Final Salary pensions or me (Twice Chartered and 2 Masters - none majoring in Economics)!

For this Report, my ***FOCUS is... on stock markets.*** Please click here to go to the piece. **Don't say you weren't warned. I had been warning of this, clearly. However, the question now is what happens from here?**
What did/should you do about it? What did/should your portfolio managers be doing? What are they now doing?

Does it meet the need of the real environment? If not, talk to me.

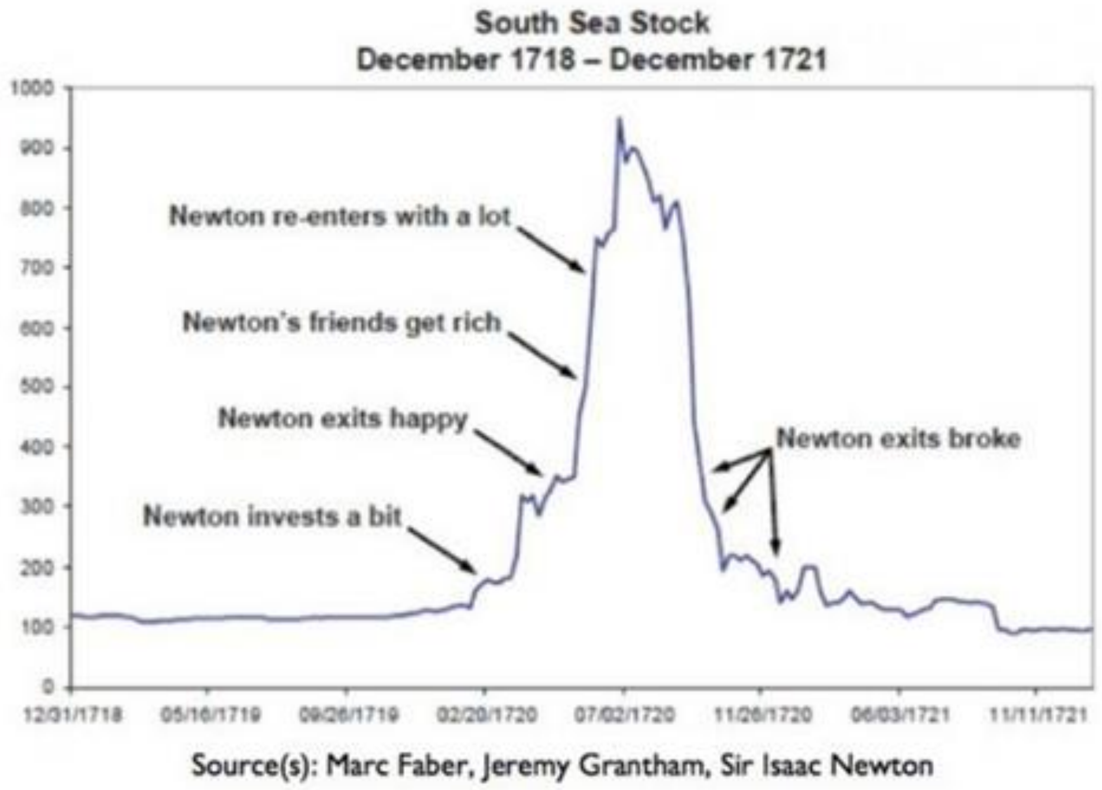
In this edition ***The Big Picture*** will look at what you should know, rather than what the mainstream media tells you, as well as, firstly, revisiting our Recession Watch. Click ***here***.

We next look at people's reactions to the throwing out of the proposed Care Act by the Government. People would rather empty their nests, financially, than pay for Care. This has major implications for inheritance expectations. Click ***here***.

Next, we look at three major personal finance changes this year:
1. Digital self assessment
2. Hike to Stamp Duty for 2nd or more home purchases
3. Company owners, paying themselves via dividends, may pay materially more tax
Click ***here.***

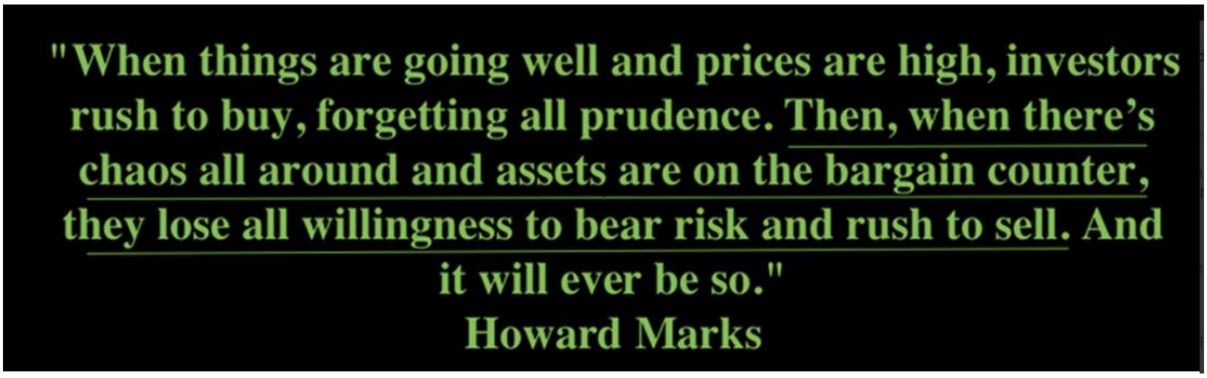
And finally... one of the most intelligent people, ever, was Sir Isaac Newton - founder of some strands of mathematics and a little thing called gravity*.
"I can calculate the motion of heavenly bodies, but not the madness of people." said Sir Isaac after going bankrupt in one of the first recorded financial scams, for whom no-one was prosecuted.

This is how he fared in one of the first recorded financial bubbles and busts, the South Sea Bubble, around 1720 (this is after all the Booms and Busts Report):



The problem is, that is largely still how people invest.

The investment industry is the only one where people rush into the 'store' when prices are high, and rush out when prices are crashing. Or to quote the great fund manager Howard Marks:



Better - the only thing to do - is to buy low. Yet, look at the most bought financial assets of the last year or two - shares, corporate bonds and residential property. At all time high prices. You really couldn't make it up. Those have been the opposite advice to our clients.

* On the subject of the state of our education system - I recall reading that a little boy, on hearing that Newton was the first to understand gravity, asked "Did we not have gravity before him, Miss?"

What should YOU do to secure your wealth?

Speak to us before something happens, that nobody (else) advised you could happen, and which detrimentally and materially affects your wealth and financial security.

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

Can you benefit potentially from our advice? We work for wealthy families (£300k to £15m 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.

If you wish to forward this to a friend click ***here***.

If you have any queries over any of the issues raised do not hesitate to get in touch with me by calling or emailing me by clicking here.

On Twitter I'm **@J0nathanDavis** where I frequently comment and retweet commentaries on markets and economics. I do recommend you 'follow' me.

Kind Regards

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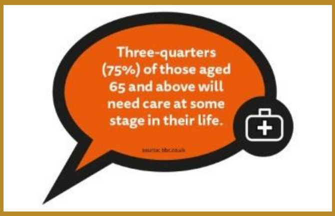

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Please note that investments can fall as well as rise. And they do!