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Chartered Financial Planners

Economics and Wealth Management Update

To comment on any of the points raised here or to ask a query just click ***jdavis@jonathandaviswm.com*****.**

This is our regular (every other month) report on Economics, Markets and Financial Planning, freely available to all on our mailing list. As opposed to reports we do for clients only.

It's the annual precursor to Wimbledon at Queen's, so it must be Summer. Like the unicorn, I'll believe it when I see it.

I'll also believe in Greece's exit from the Euro when I see that happening. Millions of words and pages have been written and millions of hours of broadcasts have been filled talking about Will they won't they? What would happen if? If not? Why it must? Must not? Who's to blame? Who will pay?

Well, I've been tweeting regularly that it's all **immaterial**. It really doesn't matter to your wealth whatever happens to Greece, whatever the broadcasters and journalists and City marketers want you to believe.

If Greece stays in the Euro the investments will be clear. If Greece leaves the Euro the investments will be clear.

Whatever the issue the pundits and commentators will make up a story as to what "it" means.

That's their job. To fill space on white (or pink) pages or air time. To make up stories and have you believe that this or that happened *because* this or that happened.

Sometimes they are right and sometimes they are wrong. But rarely does it matter to investments. And it doesn't in the case of Greece. Greece - as an "it" - was on the front cover of The Economist 5 YEARS ago. Has it affected much? No.

All that is assuming your portfolios are such that they can go with what happens 'out there'.

Our portfolios are not set up for if Inflation or Deflation happens, Growth or Recession, Greek exit or stay etc. They are moving according to what we SEE is happening as opposed to what MAY or MAY NOT happen because of this or that.

Rarely, do we make investment recommendations based on "We (or they) think" or "In our opinion". Normally, recommendations are based on what the markets are actually doing or indicating they are setting up to do.

For what it's worth, we would be surprised to see Greece leave the Euro.

If it did it wouldn't have much of an effect on its Government and its economy, in time - there would be pluses and minuses. However, it is estimated Germany and France (banks) would lose €160 Billions.

Thus, we can see 160 Billions reasons why Greece will not leave.

On verra. However, whatever happens, we will take appropriate action. But not based on what MAY or MAY NOT happen because s/he said it MAY.

The next paragraph is dedicated to Eric Morecambe:

Incidentally, we gather Greece is shutting its humous and taramasalata factories. It looks as if it's a double dip recession...

... On that note...Half way through the year and this evening has the regular meeting of the US Federal Reserve - who will decide on the US Base Rate. Like the UK, it's been at all time lows for over 6 years. That all time low is 0.25%.

The markets have their consensus view on when interest rates will rise.

Since February there has been a groundswell of opinion amongst bankers, economists and, of course, the newspapers and broadcast media that rates 'have to rise' long term. Inflation has to return as the oil price is no longer crashing etc.

To us this is par for the course. Every so often, over the last 3+ DECADES of falling interest rates, rates have risen for a while, sentiment moves to where it is now (ie sell Government Bonds!), investors sell DIS/DEflation protecting assets, namely Government Bonds, and the bankers buy them cheaply off those selling.

What has happened to interest rates and what is the outlook? ***Link to the First Section, below.***

Clue to outlook: we are heavily invested in Government Bonds which a) receive c 3% annual interest and b) make or lose if Government Borrowing rates fall or rise.

Link to the Second section, below, where we look at the stats of the housing market and prices and consider their outlooks

We remind all readers to bear in mind the following fact about the future:
The next time there is a Recession in the West the Central Bankers will not be able to slash Base Rates. They're already at or near rock bottom.
Thus, the next Recession, as far as we can tell, will turn Depressionary.
What will that do to property prices?

If you do not agree, please tell us what the policymakers can do to restart the economy next time?

Doubtless they'll bail the banks out again, with borrowed money (from our children). Indeed, it is increasingly likely they will effect Bank Bail Ins.

What are they?

It's possible you have forgotten what happened in Cyprus only in the Summer of 2013. When the banking industry destroyed the Cypriot economy and the banks could not be bailed out as the amounts were so ridiculously large, the Government and the Central Bank just confiscated depositors' funds.

"EU regulators tell 11 countries to adopt Bank Bail-In rules"
News of this was not covered in the media despite the important risks and ramifications for depositors and savers throughout the EU and indeed internationally.

- Bail-in legislation aims at removing State responsibility when banks collapse
- Rules place burden on creditors – **among whom depositors are counted**
- Austria abolished bank deposit guarantee in April
- “Bail-in regimes” coming globally

Come the next economic shock, don't be surprised to see Bail Ins globally.
You have been warned. Not by Government or the 'news' media but by me.

Of course, we have strategies to ensure a future Banking crisis does not affect you and your large cash deposits.

In the Third Section, below, we consider issues of Planning around the retirement threshold. If you are at or approaching retirement, you should consider these issues.

Next, we'll look at a financial asset whose price has collapsed c 97%. What happens now? Most unsophisitcated investors would say - "Well, it's going bust, isn't it". They would be wrong.

A commodity - something you take from the ground or the planet or grow in the ground or the planet - cannot go bust. As far as we see, the outllook for the direction of the price of this commodity is Up. From 3p in the £??? ***Link to Section Four.***

The FTSE 100 is the most quoted investment index (apart from all the housing market indices put together) in the UK. It is, of course, the index of the top 100 listed public compoanies in the UK. If you listen to the news reports in the mornings, you would probably imagine it has been soaring, consistently, for years. If I had a Pound for every time someone said to me, a while back, the FTSE has just achieved an all time record level... Isn't it interesting how the media really does affect public perception?

The reality: ***in Section Five, below.***

We have two primary investment philosophies which inform our portfolio recommendations, namely:

1. That the West is in an era of Disinflation (surely not disputable) and may be heading towards long term Deflation

This radically alters thinking around investing from what did, undoubtedly, work for a long time. Property, Shares and Bonds. We have written of this before. See our website for past writings on the subject.

and

2. We continue to seek out quality assets at severely depressed prices, collapsed even. We have a natural aversion to assets which have already soared in price.

If you prefer to invest in assets or be invested in assets - such as property or Western shares - which ***have*** soared then you may wish to reconsider your strategies of ***preserving and growing*** your wealth.

What should YOU do to secure your wealth?

Speak to us before something happens, that nobody advised you could happen, and which detrimentally and materially affects your wealth.
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 me by clicking ***jdavis@jonathandaviswm.com***.

You can forward this newsletter to a friend ***here*** if there is any information you think would be beneficial to them.

Kind Regards

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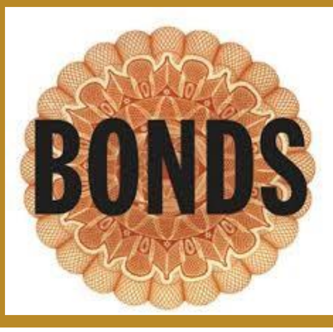
Chartered Financial Planner
Managing Director

If you're on Twitter, you can find me @J0nathanDavis where I frequently tweet about markets.

Read more below

Outlook for Interest Rates

What has happened to Interest Rates and what is the outlook? Down for 33 years and continuing down. Why not?



read more

What's happening in housing?

The number of sales in England and Wales fell 17% year on year.
The number of sales in London fell 24% year on year.
The number of London sales above £2m is down 34% year on year and 30% in England and Wales.

read more

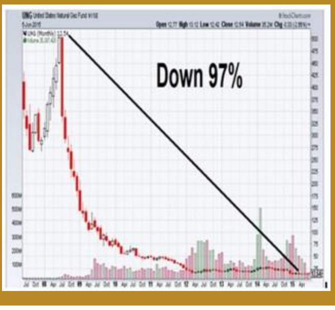
Planning around retirement

Making sure we’re prepared for retirement is about more than financial planning.

read more

Do what Alan Sugar does: buy quality, cheaply

Why would you not invest in this, with it already collapsed c 95%?



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The stock market only ever goes up...?

For the last 2 years, we **had high confidence the FTSE would not been a good place for investmemts.**

read more

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