



## Monthly Newsletter – November 2023

The stock market in the USA had a good year and has recovered the 17% loss of 2021 but behind the S&P500 index rise is the fact that it has been largely driven by just 7 companies. The largest companies dominate that index and are now making up about 29% of the index, while the remaining 493 companies comprise the rest. Passive index tracking strategies are so popular that investors are buyers of Apple Inc, Microsoft, Amazon etc and now also in the top 7 is Nvidia the darling of the AI craze, no matter the valuation. Apple the largest has a 30 price earning ratio (pe) while Amazon is on a nose bleeding pe of 77. A mid range pe is 20. The more expensive they become the more people buy. In the UK meanwhile the FT100 was flat for the year and in Hong Kong the market is down -17%. Asset allocation is clearly the key.

While stock markets were mixed the bond markets settled down after a poor 2022. This has made them much more attractive, with decent yields, especially if there is a global recession next year. That is the key question for 2024. Will the higher interest rates, put up by the central banks over the last eighteen months to slow inflation, produce the so called "soft landing" without causing a recession?

Of course, it is impossible to know the future so it is important to know what you wish to achieve with your savings. Let's have a Christmas quiz! The door bell rings and the gentleman at your door says your have won the Lotto. You have the choice of one of two prizes. The first option is one million pounds in cash now and the second choice is one hundred thousand pounds per year for the rest of your life. Which would you choose?

I can hear people say that the choice would depend on how old is the winner. The younger would go for the income while the older would take the cash now. OK, but if investing is to provide for your future security, to pay accommodation, food and a comfortable lifestyle then surely the income option is obvious. Why take the investment risk when the government will guarantee you an income for life. Yes, some will say but with one million cash you have the chance to make bigger gains investing in exciting shares, property or a start up business. All true, but in times past the idea of capital wealth and gains was unimportant. In the plays of Oscar Wilde at the end of the 19th century when the question of marriage came up and the wealth of the prospective partner questioned, it was always a question of income.

Of course inflation particularly during the 1970s destroyed the attraction of a fixed income and for a generation who have good pensions, either from the State or a company, then investment income is not so important to ensure food is on the table every day. But as we move into a new era, ask yourself this Christmas. Would you take the cash or the security of an income for life?

I wish you a lovely Christmas time.

Tim

11 December 2023