

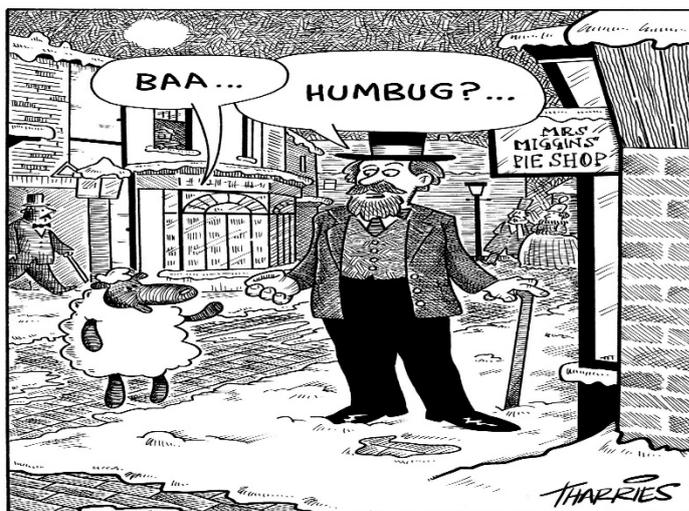


MVAM
MOLE VALLEY
ASSET MANAGEMENT

MVAM Newsletter

'Christmas Presents in Christmas Present?'

November 2018



Having offered the boiled sweet,
Dickens realised he'd struck
literary gold ...

CartoonStock.com

Tis the season to be jolly or so they say. The stock market however is in far from festive mood. The sharp decline in share prices since late September has been positively Scrooge like.

So as the stock market goes to bed for the last few nights of the year it might be worth wondering if, like Scrooge, the market was visited by the three ghosts. Dickens sent those ghosts to Scrooge to allow him to reflect and change the course of his life if he so wished. Could our visits help change our investment views?

The Ghost of Stock Markets Past

The ghost of stock markets past tells many different stories of crashes and panics. These catch the attention, we humans like bad news, and we are programmed to respond to it...run. However, away from these big events, the past tells us stock markets do well over the long term. It is the closest thing to a loaded dice when it comes to returns. The problem is the past brings no certainty of what's ahead.

The Ghost of Stock Markets Present

Scrooge's ghost showed him how he was damaging the lives of people around him through his greed. Having a Bah! Humbug! like figure, in the present day, Mr. Trump, has undoubtedly changed the landscape around which our second ghost takes us. The ghost of Stock Markets Present doesn't have a great story to tell at the moment, and don't we know it!

The Ghost of Stock Markets Future

The luxury of Scrooge's third ghost is he did know what was going to happen in the future. We don't. So really our third ghost is just the ghost of Christmas Present with our own biases thrust upon it. Those biases are influenced heavily by how our recent journey in the present has gone!! Our guessing ghost of Stock Markets Future therefore has only a gloomy story to tell.

Not a great picture then. So, when waking up in our bed this Christmas morning we should look to sell, runaway and hide?

Hold on a moment, let's take a breath, and reflect. If we've learned anything from Scrooge and this brief journey it is that we humans tend to get a bit carried away by what's happening today. We worry about the future rather than rejoice about it. And that clouds our judgement. In the clear light of day there are certainly things to worry about but the valuations of stock markets in the UK and Europe today (maybe not the US) suggest a lot of worry is in the price. The dividend yield on the FTSE100 is 5%. All this means to us is, that despite the gloom there are some Christmas presents in the Stock market of Christmas Present. One may however need a little patience to enjoy their unwrapping.....

Merry Christmas from the MVAM Team

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