

International Investor

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Inside International Investor

Stockmarkets still generally *fairly valued*
to *under-valued* 2, 4, 5

World Stockmarket Valuations 4, 5
World Stockmarket Capitalisations 7

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World Stockmarket Forecasts

Stockmarket	One-Year Forecast	Fundamental Indicators	Technical Indicators	Monetary Indicators	Economic Indicators	Historical Performance (in US\$)			Share Index
						3 mths	6 mths	12 mths	
Australia _____	59%	Bullish	Neutral	Neutral	Neutral	-1.8%	+2.2%	+7.7%	6,007.44
Austria _____	56%	Bullish	Bearish	Bullish	Bearish	-8.2%	+0.5%	+9.6%	3,349.23
Belgium _____	43%	Bullish	Bearish	Bullish	Bearish	-9.6%	-6.4%	+0.4%	3,770.97
Canada _____	58%	Bullish	Bullish	Neutral	Neutral	+3.0%	-0.0%	+9.0%	16,202.69
Denmark _____	52%	Bullish	Bearish	Bullish	Bullish	-7.7%	-4.5%	+0.8%	963.73
Finland _____	74%	Bullish	Bullish	Bullish	Neutral	-1.1%	+9.0%	+9.0%	10,263.22
France _____	64%	Bullish	Bullish	Bullish	Bearish	-1.7%	+1.2%	+8.2%	4,289.23
Germany _____	61%	Bullish	Neutral	Bullish	Bearish	-1.2%	-3.1%	+4.6%	12,766.55
Ireland _____	66%	Bullish	Bullish	Bullish	Neutral	+1.0%	+0.7%	+6.9%	7,127.60
Italy _____	51%	Bullish	Bearish	Bullish	Bearish	-10.1%	-6.4%	+5.9%	23,553.67
Japan _____	67%	Bullish	Bullish	Bullish	Neutral	+3.1%	+3.0%	+14.2%	22,694.50
Netherlands _____	71%	Bullish	Bullish	Bullish	Bearish	-0.4%	+2.2%	+11.5%	560.03
New Zealand _____	65%	Bullish	Bullish	Neutral	Bullish	+0.2%	+6.7%	+6.0%	1,729.68
Norway _____	79%	Bullish	Bullish	Neutral	Bullish	+7.1%	+19.5%	+37.8%	1,016.05
Spain _____	47%	Bullish	Bearish	Bullish	Bearish	-4.3%	-5.4%	-6.2%	987.17
Sweden _____	61%	Bullish	Neutral	Neutral	Bearish	-2.5%	+0.1%	+0.8%	1,013.92
Switzerland _____	50%	Bullish	Bearish	Bullish	Bearish	-8.0%	-8.0%	-5.4%	8,512.06
Un. Kingdom _____	71%	Bullish	Bullish	Neutral	Bullish	+2.8%	+4.0%	+7.3%	7,681.07
USA _____	51%	Bearish	Bullish	Neutral	Bearish	-0.3%	+4.8%	+14.3%	2,779.03
Argentina _____	38%	Bullish	Neutral	Bearish	Bearish	-24.2%	-20.0%	-8.2%	31,444.08
Brazil _____	48%	Bullish	Bearish	Bullish	Bearish	-25.8%	-10.9%	+4.3%	72,942.07
Czech Rep. _____	55%	Bullish	Neutral	Neutral	Bearish	-9.3%	+0.6%	+14.2%	1,077.37
Chile _____	54%	Neutral	Neutral	Bullish	Bearish	-5.3%	+18.1%	+21.1%	27,937.27
China _____	36%	Bearish	Bearish	Bullish	Neutral	-8.4%	-3.7%	+3.0%	3,067.15
Greece _____	28%	Bearish	Bearish	Bearish	Bearish	-10.1%	+4.2%	+3.8%	773.06
Egypt _____	55%	Neutral	Neutral	Neutral	Neutral	-4.6%	+11.2%	+18.5%	15,923.66
Hong Kong _____	55%	Bullish	Bullish	Neutral	Bearish	-0.2%	+7.5%	+18.2%	30,958.21
Hungary _____	41%	Neutral	Bearish	Bullish	Bearish	-10.9%	-5.7%	+5.0%	36,738.31
India _____	49%	Bearish	Bullish	Neutral	Bearish	+2.4%	+1.8%	+7.9%	35,443.67
Indonesia _____	40%	Bullish	Bearish	Bearish	Bullish	-7.7%	-3.2%	+0.9%	5,993.63
Israel _____	76%	Bullish	Bullish	Bullish	Bearish	-0.2%	+4.2%	+6.4%	1,388.14
Korea _____	52%	Bullish	Neutral	Bearish	Neutral	-1.2%	+1.2%	+7.9%	2,451.58
Malaysia _____	49%	Bullish	Neutral	Neutral	Neutral	-5.4%	+5.9%	+6.4%	1,778.32
Mexico _____	44%	Bullish	Bearish	Bearish	Bullish	-13.3%	-10.0%	-16.3%	45,939.54
Philippines _____	31%	Neutral	Bearish	Neutral	Bearish	-9.1%	-11.1%	-9.2%	7,740.74
Poland _____	38%	Neutral	Bearish	Bullish	Bearish	-10.3%	-7.2%	-0.8%	59,015.21
Portugal _____	86%	Bullish	Bullish	Bullish	Bullish	+4.4%	+9.4%	+16.3%	3,248.73
Russia _____	50%	Bullish	Bearish	Bullish	Bearish	-17.0%	-4.9%	+2.6%	1,142.90
Singapore _____	49%	Bullish	Neutral	Neutral	Bearish	-2.8%	+1.6%	+9.5%	3,436.37
Sth Africa _____	62%	Bullish	Neutral	Bullish	Bullish	-8.0%	+4.8%	+10.6%	58,223.72
Taiwan _____	76%	Bullish	Bullish	Bullish	Bearish	+0.7%	+8.0%	+10.3%	11,156.42
Thailand _____	41%	Bullish	Neutral	Neutral	Bearish	-5.2%	+2.8%	+16.9%	1,722.04
Turkey _____	34%	Bullish	Bearish	Bearish	Neutral	-30.1%	-23.8%	-23.4%	95,875.71
Venezuela _____	62%	Bearish	Bullish	Neutral	Bullish	+691.8%	+3036.8%	+43801.0%	40,543.53

One Year Forecasts predict the probability that a stock-market will rise over the next year. Investors should seek to invest in markets with forecasts of 60-100%, while avoiding markets with forecasts of 0-40%. Bullish = Favourable. Bearish = Unfavourable.

World Stockmarket Outlook

If you have read any stockmarket reports - or looked on the internet - recently or at any time over the last 7-8 years then a fairly general consensus has been that stock prices trade at a high valuation. It is also a popular view that stock prices are artificially propped up by (1) Quantitative Easing, (2) insiders manipulating prices through excessive on-market stock repurchases and/or (3) the Trump tax cuts (which will boost economic activity, lift after-tax corporate profits and encourage large firms to repatriate tax-advantaged cash hoards held overseas - perhaps to finance more of those manipulative share repurchases?).

“PermaBears” have therefore been predicting the “stockmarket crash of 2012 2013 2014 2015 2016 2017 2018”. Although, to be fair, this has been going on almost half a century! Your Editor was once a young teenager and grew up reading (in disbelief!) the reports of the SuperBears during the 1970's. That was the time of the 1972/73 and 1977/78 stockmarket crashes, economic stagnation and hyperinflation. By comparison the *Global Financial Crisis* was a relaxing Sunday picnic! The SuperBears of the 1970's have been PermaBears ever since! They have been consistent (and wrong) over the last 45 years, with just a few stockmarket dips every decade or so. Amazingly, investors still buy this stuff!

[Interestingly, 22% of Americans believe the world will end during their lifetime. 10% that it will happen in the next year. I feel so guilty. Successful stockmarket investment is like taking candy from a baby when everyone else seems to suffer from irrational beliefs and misperceptions.]

While this “over-valued, inflated stock prices” is a widely held *perception*, we have been reporting a different *reality* with our quarterly *World Stockmarket Valuations* data and charts. Even though stock prices are up strongly since 2009, valuations during this period have generally remained near historical lows.

Stockmarkets may fluctuate and dip on every financial crisis of the day (e.g. Interest rates! Italy! Trump tweets!) but shares offer good value and are therefore more likely to climb further in value (i.e. reflecting the growth in corporate profits) than to crash from levels incorrectly considered to be over-valued!

I can hear you asking “Where do you source your data? How can *everyone else* be wrong?”. The answer to the first question is a global supplier of index data information and reports.

As to the second part of the question, you will just have to ask everyone else. Of course, the one thing we have learnt about stockmarket investment is that when *everyone* believes something then *everyone* is usually wrong! Any *widely held belief* will be fully reflected in current stock prices, so a predicted future based on those beliefs will be wrong.

We would also point out that (1) average Price/Earnings ratio and Dividend Yield data is not widely available, other than directly from the index reports. Also historical data - except for the S&P 500 index - is, to the best of our knowledge, not published on *any*

databases! We have data on 43 markets, going back 24 years (or longer) and can compare *current* valuations with *historical* valuations only as we have been collecting and saving this data every month over the last quarter of a century.

Other people probably have less comprehensive data and perhaps assume “over-valuation” owing to a rise in the share index rather than a rise in actual valuations?

So, contrary to what everyone else seemed to have been expecting, over the last 7-8 years valuation statistics have generally been telling us that stock prices were near historical lows and therefore most likely to trend upwards.

To aid visual analysis of the historical Dividend Yield charts (on Pages 4 and 5) we have added a 10-year average, plus bands 25% higher and 20% lower which may approximately show the potential extremes of under-valuation and over-valuation.

Looking at the United States chart shows low yields and possible over-valuation in 2010 and early 2011 - although an alternative explanation is that stock prices were recovering from the *Global Financial Crisis* faster than dividend payouts (which suffer from a small delay as final dividends are declared *after* the end of a financial year). From 2014-2016 yields were above average historical levels - showing that stock prices offered good value and were undervalued. Prices approached an *extreme of undervaluation* in 2016! The rally in 2017 took US yields below historical levels showing that stock prices were (at last) a little over-valued.

United Kingdom yields tell the same story.

Yields in Japan, Canada, Switzerland, Taiwan and Korea are above their historical averages and at or near historical highs . . . which suggests *extreme of undervaluation!*

Australian and German yields indicate *fair values* for those markets.

The low yield in China suggests that this market could be over-valued, with yields in India showing the stockmarket may be a little expensive.

Of course, no one indicator is ever perfect in all places, all of the time. Average Yields can be less reliable in volatile emerging markets and in smaller countries where the performance of a small number of companies can dominate the average and the market index.

Nevertheless, the widely held belief that stock prices have been very over-valued for the last 7-8 years is not supported by facts. From 2015 to 2016, yields indicated that *most stockmarkets were actually under-valued* and these markets subsequently rallied strongly in 2017.

Today, the major stockmarkets trade near *fair valuations*, perhaps a *little* expensive. Some other markets may trade near *extremes of under-valuation*.

The popular *doom and gloom* that the stockmarket is about to crash within the next years will always be with us . . . we just don't see current facts to support this belief.

Valuation statistics continue to tell us that stocks are generally somewhere between *fairly valued* to *undervalued*. Remain fully invested in shares.

Recommended International Investment Funds

Name Change

Fidelity Japanese Values plc has changed its name to **Fidelity Japan Trust plc**. All other details, including the stock code, FVJ, remain unchanged.

Aberdeen Asian Loan Stock

Our **Aberdeen Asian Smaller Companies Loan Stock 2019** has been converted to ordinary shares, with 8.3 notes converting to one ordinary share.

The company reports that £18.3 million of notes were converted to 2,207,850 ordinary shares and £12.0 million converted to the new 2025 notes (i.e. redeemed at £1.2722 per £1.00 old note and re-invested in a total of £15.2 million new notes).

The company also raised £18.3 million from the placement of the 2025 notes and £3.5 million from a public offer.

The new notes have the option to convert to ordinary shares in 2025 at 1465 pence. That is a 20% premium to current net asset value but a 38.7% premium to market value - which we considered too high to be attractive.

Fund Report

JPMorgan European Smaller Companies Trust plc lifted net assets 14.4% for the year to 31 March 2018, ahead of its benchmark index which rose 10.0%. The share price rose 21.6% as the discount narrowed.

A final dividend of 5.5 pence (payable on 18 July, ex-dividend 14 June) will lift the annual dividend 42.6% to 6.7 pence. That is about a 1.6% yield. The fund's objective is to "maximise capital growth" so it does not specifically aim for any particular level of dividend income.

(Continued on Page 6)

Current Advice	Investment Fund	EPIC Code	Initial Recommendation --- Date ---	Offer Price		Prem/ Disc to Net Assets	Recent Price		Gain or Loss %
				Foreign	NZ Cents		Bid-Offer or Last Sale	NZ Cents	
European									
HOLD	Fidelity European Values plc	FEV	13/05/03	46.4p	129.1	-11%	221.5p	422.1	+227
BUY	JPM European Smaller Cos	JESC	15/01/02	45.3p	153.2	-10%	421.0p	802.4	+424
United Kingdom									
BUY	Aberforth Smaller Cos Trt plc	ASL	15/07/03	375.5p	1042.0	-11%	1422.0p	2710.1	+160
Asian Regional									
BUY	Aberdeen Asian Small Coys	AAS	09/09/03	89.2p	247.8	-15%	1062.5p	2025.0	+717
HOLD	HSBC Asian Fund	*	10/11/98	34.4p	106.3		143.6p	273.7	+157
HOLD	Janus Hnd Asia Pac Capital	*	08/08/00	342.2p	1122.6		1157.0p	2205.1	+96
BUY	Scot Oriental Smaller Coy	SST	11/11/03	121.9p	330.5	-14%	1007.5p	1920.1	+481
China									
HOLD	Janus Hnd China Opportunities	*	09/07/07	548.9p	1410.4		1566.0p	2984.6	+112
India									
BUY	India Capital Growth plc	IGC	07/11/16	80.5p	137.6	-16%	95.0p	181.1	+32
HOLD	Stewart Ivory Indian Sub-Cont	*	13/12/10	209.2p	442.0		497.18p	947.6	+114
Japan									
BUY	Baillie Gifford Shin Nippon plc	BGS	11/01/94	31.2p	88.1	+2%	188.0p	358.3	+307
BUY	Fidelity Japan Trust plc	FJV	10/01/06	126.0p	322.7	-10%	160.0p	304.9	-6
HOLD	Invesco Perp Japan Small Coys	*	13/07/99	61.3p	182.3		144.4p	275.2	+51
Korea									
HOLD	Baring Korea Trust	*	12/04/94	81.1p	209.4		400.1p	762.5	+264
International									
HOLD	Aberdeen Emerging Markets	*	13/08/91	61.7p	184.0		691.11p	1317.2	+616
BUY	Herald Investment Trust	HRI	12/10/04	310.8p	820.1	-10%	1365.0p	2601.5	+217

* United Kingdom based Unit Trust

The average Gains/Losses of all current investments from initial recommendation is +248.1%. This is equal to an average annual rate of +15.7%, based upon the length of time each position has been held. The average annual rate of gain of ALL recommendations (both the 16 current and 49 closed out) is +13.8%.

Other Shares

"Clean" unit prices are: HSBC Asian Fund 164.5 pence, Janus Henderson Asia Pacific Capital 1287 pence, Janus Henderson China Opportunities 224.7 pence, Stewart Investors Indian Sub-Continent 251.13 pence, Invesco Perpetual Japanese Smaller Companies 443.44 pence, Baring Korea 400.1 pence and Aberdeen Emerging Markets 760.4 pence.

World Stockmarket Valuations

Country	Dividend Yield	Price/Earn. Ratio
Australia	4.2	16.0
Austria	2.7	12.6
Belgium	3.6	18.9
Canada	2.9	18.8
Denmark	2.4	19.0
Finland	3.8	25.1
France	3.2	16.1
Germany	2.9	15.8
Ireland	1.8	18.3
Italy	4.0	13.6
Japan	2.0	14.8
Netherlands	2.7	18.4
New Zealand	3.9	22.5
Norway	4.0	17.2
Spain	4.2	14.1
Sweden	3.8	16.2
Switzerland	3.3	22.0
Un. Kingdom	3.8	17.5
USA	1.8	24.1
Argentina	1.8	19.2
Brazil	3.5	16.3
Czech Rep.	6.6	13.0

Country	Dividend Yield	Price/Earn. Ratio
Chile	2.6	19.0
China	1.8	15.7
Greece	1.3	27.5
Egypt	2.1	16.5
Hong Kong	2.7	12.9
Hungary	2.3	9.9
India	1.2	24.7
Indonesia	2.6	16.4
Israel	2.1	14.6
Korea	1.9	9.9
Malaysia	3.0	16.6
Mexico	2.6	19.2
Philippines	1.6	17.8
Poland	2.1	11.2
Portugal	4.3	19.9
Russia	5.0	7.7
Singapore	3.8	17.9
Sth Africa	2.9	20.3
Taiwan	3.6	15.0
Thailand	2.9	16.3
Turkey	4.5	8.0

United States Dividend Yield



United Kingdom Dividend Yield



Japan Dividend Yield



Canada Dividend Yield



France Dividend Yield



China Dividend Yield

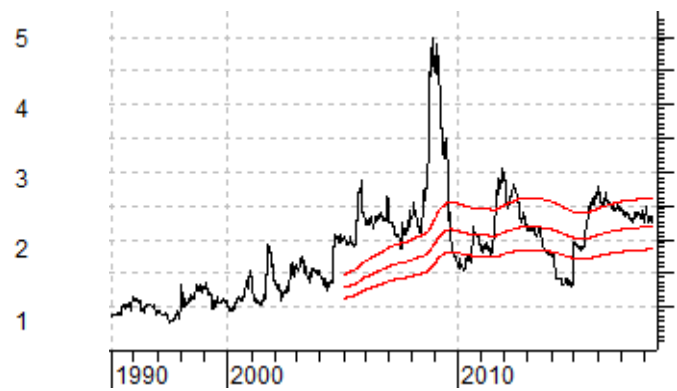


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Switzerland Dividend Yield

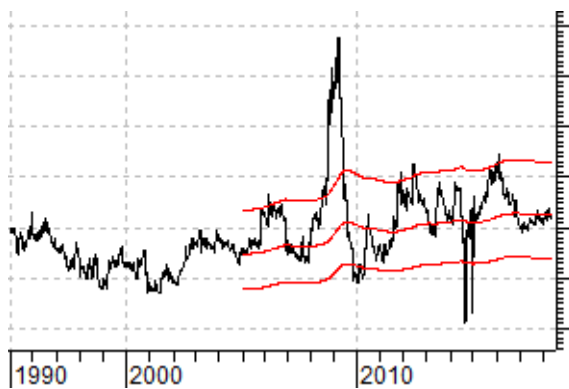


Taiwan Dividend Yield

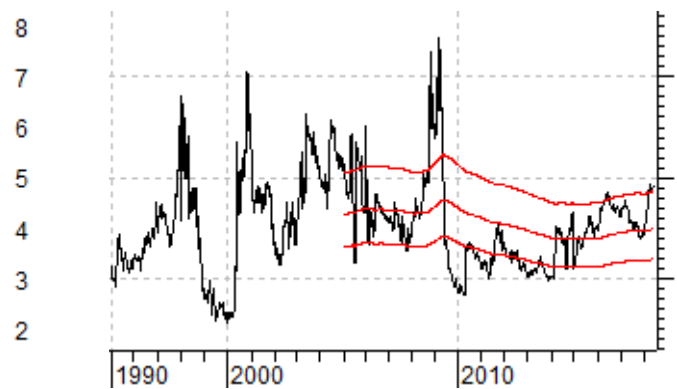


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Australia Dividend Yield



South Korea Dividend Yield

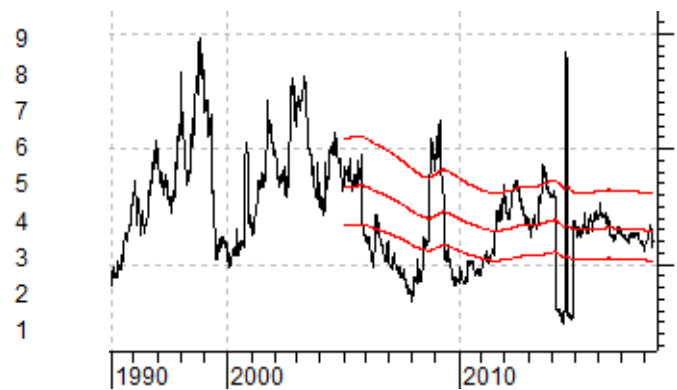


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Germany Dividend Yield



India Dividend Yield



3
2
1

Recommended Funds

(Continued from Page 3)

The Fund Manager compares the current situation to 2005 (i.e. half way through the 2003-2007 rally) and expects “very strong double digit earnings growth to continue both this year and next”.

JPMorgan European Smaller Companies



Share Split

As reported in April, **Baillie Gifford Shin Nippon plc** has split each of its old shares into five new shares.

Share Repurchases and Issues

Fidelity European Values plc made two on-market

share repurchases over the last four weeks, acquiring 400,000 shares for £884,980.

Aberforth Smaller Companies bought back 342,907 shares for £4,841,624 in three transactions.

Aberdeen Asia Smaller Companies repurchased 52,500 shares in five trades to return £4,556,531 to investors.

Scottish Oriental Smaller Companies made nine on-market share repurchases to acquire 228,502 shares and return £2,294,858 to investors.

Baillie Gifford Shin Nippon issued and sold 2,475,000 (post-split) new shares in five transactions to raise £4,810,875 in new cash for investment in Japan.

Baillie Gifford Shin Nippon



Recommended Funds

Geographic Portfolio Spread

Fund Name	Size (Mil)	Leverage (%debt)	Top 10 Hldgs (%)	Portfolio invested in (%):												
				Cash	HK	Australia	Malay	Taiwan	Korea	Sing.	Thail'd	Phil.	China	India	Indo	
Aberdeen Asian Sm Coy	£474	9	29.5	0.9	13.6	1.7	14.1	1.6	0.9	11.3	16.0	6.3	0.2	13.9	Indo 8.4	
Baring Korea	£118	Nil	46.1	3.3					96.7							
India Capital Growth	£121	Nil	39.1	3.7										96.3		
Stewart Indian Sub-Cont	£267	Nil	50.7	10.7										75.4	Bangladesh 7.5%	
Janus Hend China Opps	£1330	Nil	51.6	1.5	59.4										US 16.0	
HSBC Asian Fund	£39	Nil	44.6	0.9	13.5		2.7	13.6	15.3	5.9	0.7	1.0	14.4		Cayman 20.4	
Janus Hend Asian Pac Cap	£211	Nil	43.2	1.2	9.0	5.1		17.7	10.3	4.2	1.9	2.5	23.8	18.5	Vietnam 2.0	
Scottish Oriental Sm Coys	£354	Nil	29.2	3.6	4.8		2.3	12.4	2.2	5.5	2.4	10.2	10.1	28.1	Indo 8.5	
				Cash USA UK Europe Japan Other												
Aberforth Small Cos Trust	£1446	Nil	25.2												100.0	
Baillie Gifford Shin Nippon	£478	12	26.7	1.1											98.9	
Fidelity European Values	£1003	11	36.0												100.0	
Fidelity Japan Values plc	£225	16	41.5												100.0	
Herald Investment Trust	£978	Nil	17.1	10.4	21.2	58.1	5.5	4.8								
JPMorgan Euro Small Coys	£809	8	24.0	4.8											95.2	
Invesco Perp Japan Small	£84	Nil	39.9	4.0											96.0	
				Cash Brazil HK China India Mexico Korea Phil. Taiwan Indonesia												
Aberdeen E/Markets	£1500	Nil	39.1	0.9	11.8	5.6	20.4	14.2	5.2	9.7	3.9	4.7	4.8			

Fidelity European Values plc now has 55% of its investments in three countries: France (28.1% of the portfolio), Switzerland (13.9%) and Germany (13.8%). It has smaller holdings in the United Kingdom (6.7%), Netherlands (6.2%), Spain (5.1%), Finland (4.9%), Belgium (4.8%), Norway (4.3%), Denmark (4.0%) and others (11.7%).

JPMorgan European Smaller Companies has its largest investments in France (17.2% of the portfolio), Netherlands (16.5%), Italy (13.1%), Switzerland (11.9%), Germany (11.6%), Sweden (9.0%), Belgium (4.0%), Denmark (3.7%) and Finland (2.3%).

World Stockmarket Capitalisations

Over the last three months the world stockmarket capitalisation fell US\$4,298 billion (or 5.1%) to US\$88,104 billion.

Country	Market Capitalisation (US\$ Billions)	Percentage of Total	Country	Market Capitalisation (US\$ Billions)	Percentage of Total
United States	33,514	38.04	Iran	102	0.12
China	8,570	9.73	Peru	102	0.12
Japan	6,288	7.14	Argentina	93	0.11
India	4,571	5.19	New Zealand	90	0.10
Hong Kong	4,443	5.04	Bangladesh	80	0.09
United Kingdom	2,663	3.02	Portugal	75	0.09
Germany	2,339	2.65	Luxembourg	71	0.08
Canada	2,246	2.55	Morocco	71	0.08
France	2,182	2.48	Greece	57	0.06
South Korea	1,841	2.09	Egypt	57	0.06
Switzerland	1,541	1.75	Kazakhstan	50	0.06
Nordic Exchanges ¹	1,524	1.73	Romania	42	0.05
Australia	1,442	1.64	Nigeria	41	0.05
Taiwan	1,191	1.35	Hungary	31	0.04
South Africa	1,165	1.32	Romania	26	0.03
Czech Republic	941	1.07	Jordan	26	0.03
Netherlands	930	1.06	Bahrain	21	0.02
Spain	919	1.04	Oman	20	0.02
Brazil	910	1.03	Sri Lanka	19	0.02
Singapore	795	0.90	Panama	17	0.02
Italy	753	0.85	Lebanon	11	0.01
Belgium	736	0.84	Mauritius	10	0.01
Russia	628	0.71	Tunisia	10	0.01
Thailand	576	0.65	Slovenia	7	0.01
Saudi Arabia	515	0.58	Bulgaria	5	0.01
Indonesia	480	0.54	Ukraine	5	0.01
Malaysia	470	0.53	Malta	5	0.01
Mexico	456	0.52	Palestine	4	0.00
Norway	317	0.36	Cyprus	4	0.00
Chile	307	0.35	Bermuda	4	0.00
Philippines	269	0.31	Bardados	3	0.00
UAE	247	0.28	Costa Rica	3	0.00
Turkey	206	0.23	Namibia	3	0.00
Israel	197	0.22	Papua New Guinea	2	0.00
Poland	187	0.21			
Austria	164	0.19			
Ireland	147	0.17			
Vietnam	137	0.16			
Qatar	130	0.15			
			TOTAL	\$88,104	100.00%

Note 1. Mainly Denmark, Sweden and Finland.

Next Issue:

The next issue of *International Investor* will be emailed in five weeks time on Monday July 16, 2018.

The print version will be delivered later that week, depending upon printing and postal delivery times.

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