

International Investor

Issue No. 300

www.stockmarket.co.nz

December 7, 2020

Inside International Investor

Dividend Yields indicate stockmarkets are expensive and the need for caution 2

World Stockmarket Valuations 4, 5

World Stockmarket Capitalisations 6

Founder: James R Cornell (B.Com.)

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	84%	Bearish	Bullish	Bullish	Bullish	+14.2%	+18.1%	+7.7%	6,613.06
Austria	50%	Bearish	Bullish	Neutral	Bearish	+22.7%	+14.8%	-7.4%	2,656.62
Belgium	63%	Neutral	Bullish	Neutral	Neutral	+15.3%	+13.0%	+4.0%	3,726.86
Canada	80%	Neutral	Bullish	Bullish	Neutral	+10.4%	+16.0%	+6.8%	17,520.97
Denmark	62%	Bearish	Bullish	Bullish	Neutral	+9.0%	+19.8%	+34.2%	1,371.48
Finland	69%	Neutral	Bullish	Neutral	Bullish	+10.4%	+18.7%	+24.4%	10,693.99
France	61%	Bearish	Bullish	Bullish	Bearish	+15.8%	+16.3%	+5.4%	4,350.81
Germany	65%	Neutral	Bullish	Neutral	Neutral	+6.0%	+11.1%	+10.8%	13,298.96
Ireland	69%	Bearish	Bullish	Neutral	Bullish	+22.3%	+26.8%	+16.0%	7,513.11
Italy	59%	Bearish	Bullish	Bullish	Bearish	+16.3%	+17.5%	+4.1%	24,085.19
Japan	68%	Bearish	Bullish	Bullish	Neutral	+17.6%	+23.1%	+19.4%	26,751.24
Netherlands	59%	Bearish	Bullish	Bullish	Bearish	+16.7%	+15.4%	+12.1%	615.67
New Zealand	82%	Bearish	Bullish	Bullish	Bullish	+13.8%	+25.6%	+7.1%	1,802.31
Norway	72%	Neutral	Bullish	Bullish	Neutral	+11.0%	+14.6%	+4.5%	1,009.37
Spain	63%	Neutral	Bullish	Bullish	Neutral	+23.4%	+14.5%	-2.8%	829.75
Sweden	69%	Bearish	Bullish	Bullish	Neutral	+13.3%	+22.2%	+28.8%	1,365.52
Switzerland	58%	Neutral	Bullish	Bearish	Neutral	+4.6%	+9.8%	+10.0%	10,364.50
Un. Kingdom	72%	Neutral	Bullish	Bullish	Neutral	+14.3%	+7.2%	-7.4%	6,550.23
USA	73%	Bearish	Bullish	Bullish	Neutral	+7.9%	+15.8%	+17.6%	3,699.12
Argentina	58%	Bearish	Bullish	Neutral	Bullish	+10.7%	+2.3%	+9.8%	54,730.38
Brazil	64%	Neutral	Bullish	Bullish	Neutral	+15.5%	+15.7%	-17.8%	113,750.20
Czech Rep.	74%	Bullish	Bullish	Bullish	Neutral	+10.4%	+9.6%	+8.2%	972.54
Chile	66%	Bullish	Bullish	Bullish	Bullish	+12.4%	+6.7%	-7.1%	20,933.36
China	58%	Bearish	Bullish	Bullish	Bearish	+7.5%	+27.4%	+27.4%	3,444.58
Greece	83%	Bullish	Bullish	Bullish	Bullish	+25.7%	+23.3%	-1.4%	784.95
Egypt	64%	Bullish	Bearish	Bullish	Neutral	-0.7%	+7.5%	-16.7%	11,015.01
Hong Kong	75%	Neutral	Bullish	Bullish	Bullish	+8.7%	+8.3%	+2.3%	26,835.92
Hungary	70%	Bullish	Bullish	Bullish	Neutral	+15.7%	+6.2%	-10.3%	39,227.87
India	66%	Bearish	Bullish	Bullish	Neutral	+16.7%	+34.6%	+7.7%	45,079.55
Indonesia	81%	Bullish	Bullish	Bullish	Bullish	+15.9%	+15.7%	-6.9%	5,810.48
Israel	65%	Bearish	Bullish	Bullish	Neutral	+12.5%	+12.3%	-0.8%	1,494.41
Korea	64%	Bearish	Bullish	Neutral	Bullish	+26.4%	+38.8%	+43.6%	2,731.45
Malaysia	68%	Bearish	Bullish	Bullish	Bearish	+9.3%	+9.6%	+5.9%	1,621.85
Mexico	76%	Neutral	Bullish	Bullish	Neutral	+30.6%	+22.3%	+1.6%	43,646.03
Philippines	83%	Bearish	Bullish	Bullish	Bullish	+24.6%	+14.2%	-3.5%	7,134.56
Poland	66%	Bearish	Bullish	Bullish	Neutral	+11.8%	+14.4%	+3.6%	55,304.72
Portugal	74%	Bullish	Bullish	Bullish	Neutral	+14.9%	+14.3%	+15.3%	3,478.62
Russia	88%	Bullish	Bullish	Bullish	Bullish	+13.0%	-2.2%	-19.5%	1,357.39
Singapore	79%	Bullish	Bullish	Bullish	Bullish	+16.1%	+8.1%	-9.1%	2,839.89
Sth Africa	79%	Neutral	Bullish	Bullish	Bullish	+20.4%	+20.4%	+3.3%	59,419.37
Taiwan	62%	Neutral	Bullish	Bullish	Bearish	+16.4%	+29.5%	+31.3%	14,132.44
Thailand	73%	Bullish	Bullish	Bullish	Neutral	+14.9%	+5.3%	-6.5%	1,449.83
Turkey	48%	Bearish	Bullish	Neutral	Bearish	+16.9%	+5.0%	-9.5%	133,087.00
Venezuela	77%	Bullish	Bullish	Bearish	Bullish	+163.7%	+299.7%	+1838.8%	1,376,478.00

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

Long term readers of this newsletter will know that we consider Average Dividend Yields an important indicator of current stockmarket valuations and future returns.

Yields soared far above historical levels in the 2008/9 *Global Financial Crisis* - indicating that share prices were at an extreme of under-valuation. At that time, of course, shares were unpopular and being dumped by most investors while our simple Dividend Yield indicator was signalling an outstanding buying opportunity.

Dividend Yields soared above historical levels in March this year. Again, most investors were dumping shares, while the Dividend Yield indicator signalled an important buying opportunity.

Today most stockmarkets are at or near new all-time highs. Investors are optimistic and generally buying shares. Money printing will likely continue to drive financial asset values higher and Covid-19 vaccines are just around the corner. Investors anticipate a return to the “normal” blue sky utopia which presumably includes rapid economic growth!

In reality, the widespread roll-out of vaccines necessary to stop the pandemic is probably still 6-9 months away. Investors also have short memories as that pre-Covid-19 economic utopia really wasn't that great.

The future will be less attractive, with deglobalisation *slowing* economic growth and the local duplication of production, resulting in the loss of economies of scale and requiring additional capital investment in duplicate facilities will (1) lower corporate profits and/or (2) at least lower the *return on capital* (i.e. on the larger capital investment required).

There may be a Covid-19 free utopia somewhere in the future, but it will probably not be an economic utopia.

Greater economic activity and a removal of travel restrictions will increase the demand for energy, which will boost the currently depressed Energy sector. This may be the safest and best “recovery” investment.

But what is our Dividend Yield indicator telling us today? Again it is signalling that the popular, currently optimistic view is not justified. On most stockmarkets the Average Dividend Yield is near historical lows, indicating that share prices are generally expensive and over-priced. See Page 4-5.

This is a situation requiring caution, not a time for aggressive buying!

Summary and Recommendation

Money printing will probably continue to inflate financial asset prices, but shares are already expensive and most investors are overly optimistic.

We believe caution is warranted, so continue to hold a sizeable 25-30% cash reserve and 25-30% of the portfolio in counter cyclical sectors (i.e. Gold Mining, Utilities and Energy).

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	7.0	
Aberdeen Std Asian	£423	12	31.4	0.3	8.0		8.9	9.9	5.4	9.7	11.4	5.9	2.1	14.7	Indo	7.0	
India Capital Growth	£98	Nil	41.9	1.6										98.4			
Scottish Oriental Sm Coys	£301	Nil	30.0	5.1	6.6		1.2	4.2	1.8	1.2	0.8	12.6	9.7	36.3	Indo	15.1	
				Cash	USA	UK	Europe	Japan	Canada	Aust	Russia	China	Sth Afr	Sweden	Brazil		
Aberforth Small Cos Trust	£878	7	27.2			100.0											
Baillie Gifford Shin Nippon	£720	8	32.1	1.8				98.2									
Fidelity Japan Trust plc	£284	26	44.8	0.0				100.0									
Herald Investment Trust	£1300	Nil	18.8	9.1	24.2	49.2	7.4	10.1									
iShares Oil & Gas Exp	£70	Nil	64.0	0.4	53.8			2.3	15.2	10.8	8.9	5.9			1.6		
iShares S&P500 Utilities	£25	Nil	63.4		100.0												
VanEck Gold Miners	£513	Nil	58.8		16.9				45.0	14.7		3.5	4.2			6.5	
VanEck Junior Gold Miners	£268	Nil	43.0		3.2	1.6			46.8	20.9			7.4			4.0	

Recommended International Investment Funds

Volatile Share Movements

Many of our recommended funds have fluctuated widely over the last month, probably in response to Covid-19 vaccines and the potential impact on economic activity.

Our Gold Mining funds fell sharply, **VanEck Vectors Gold Miners** is down -17.0% and **VanEck Vectors Junior Gold Miners** fell -15.5% over the month. While temporarily out-of-favour with “risk-on” investors, we believe Gold Mining remains an attractive sector. “Buy”.

iShares Oil & Gas Exploration and Production rose +33.3% over the month . . . but from a very depressed low, so there is still good value here.

Aberforth Smaller Companies Trust jumped +38.8% over the last month! This was another very depressed sector - UK smaller companies shares - which also still offers good value.

Herald Investment Trust rose a further +18.1% over the last month, continuing its recent series of monthly new all-time highs.

Share Purchases and Sales

Aberdeen Standard Asia Focus made 10 on-market share repurchases over the last four weeks, acquiring a total of 110,000 of its own shares and returning £1,140,663 to investors.

Scottish Oriental Smaller Companies made three purchases to acquire 296,836 shares - at a 12% discount to net asset value - for £2,776,269.

Baillie Gifford Shin Nippon has issued and sold on-market a large quantity of new shares, at a 7-8% premium to net asset value. Over the last four weeks it sold 6,535,000 new shares, in 17 trades, to raise just under £17 million in new cash for investment in smaller Japanese shares.

Herald Investment Trust made one large on-market repurchase, acquiring 196,026 shares for £3,724,396.

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	
United States									
HOLD	iShares S&P500 Utilities	IUSU	13/08/18	422.3p	819.4		500.2p	954.0	+16
United Kingdom									
HOLD	Aberforth Smaller Cos Trt plc	ASL	15/07/03	375.5p	1042.0	-1%	1276.0p	2433.7	+134
Gold Mining									
BUY	VanEck V. Gold Miners	GDGB	14/01/19	1731.0p	3253.8		2775.0p	5292.8	+63
BUY	VanEck V. Junior Gold Miners	GJGB	14/01/19	2011.0p	3780.1		3236.0p	6172.0	+63
Asian Regional									
HOLD	Aberdeen Std Asia Focus	AAS	09/09/03	89.2p	247.8	-9%	1140.0p	2174.3	+777
HOLD	Scot Oriental Smaller Coy	SST	11/11/03	121.9p	330.5	-12%	980.0p	1869.2	+466
India									
BUY	India Capital Growth plc	IGC	07/11/16	80.5p	137.6	-16%	81.6p	155.6	+13
Japan									
HOLD	Baillie Gifford Shin Nippon plc	BGS	11/01/94	31.2p	88.1	+7%	264.0p	503.5	+472
HOLD	Fidelity Japan Trust plc	FJV	10/01/06	126.0p	322.7	-5%	222.0p	423.4	+31
International									
HOLD	Herald Investment Trust	HRI	12/10/04	310.8p	820.1	-1%	2150.0p	4100.7	+400
BUY	iShares Oil & Gas Exp & Prod	SPOG	08/04/19	1287.0p	2491.8		810.25p	1545.4	-38

* United Kingdom based Unit Trust

The average Gains/Losses of all current investments from initial recommendation is +217.9%. This is equal to an average annual rate of +19.7%, based upon the length of time each position has been held. The average annual rate of gain of ALL recommendations (both the 11 current and 70 closed out) is +13.3%.

World Stockmarket Valuations

Country	Dividend Yield	Price/Earn. Ratio
Australia	2.8	25.7
Austria	1.8	14.3
Belgium	2.4	24.9
Canada	2.9	26.9
Denmark	1.3	29.1
Finland	2.8	20.0
France	1.9	31.4
Germany	2.6	24.5
Ireland	1.2	40.0
Italy	2.3	28.3
Japan	2.1	24.9
Netherlands	1.2	25.5
New Zealand	1.8	54.7
Norway	2.8	33.9
Spain	3.4	16.5
Sweden	1.1	15.4
Switzerland	2.8	22.1
Un. Kingdom	3.0	18.1
USA	1.5	34.5
Argentina	0.4	98.7
Brazil	2.7	23.4
Czech Rep.	4.6	9.9

Country	Dividend Yield	Price/Earn. Ratio
Chile	3.7	15.7
China	1.6	19.5
Greece	4.2	17.2
Egypt	3.2	8.1
Hong Kong	2.6	15.4
Hungary	1.9	10.8
India	1.1	34.7
Indonesia	3.0	20.5
Israel	1.0	33.0
Korea	1.7	21.2
Malaysia	2.7	25.0
Mexico	2.1	24.5
Philippines	1.7	20.9
Poland	0.6	23.1
Portugal	4.5	32.2
Russia	6.2	12.1
Singapore	4.2	17.2
Sth Africa	2.1	19.9
Taiwan	2.9	20.6
Thailand	3.1	26.7
Turkey	1.3	11.6

United States Dividend Yields



United Kingdom Dividend Yields



Japan Dividend Yields



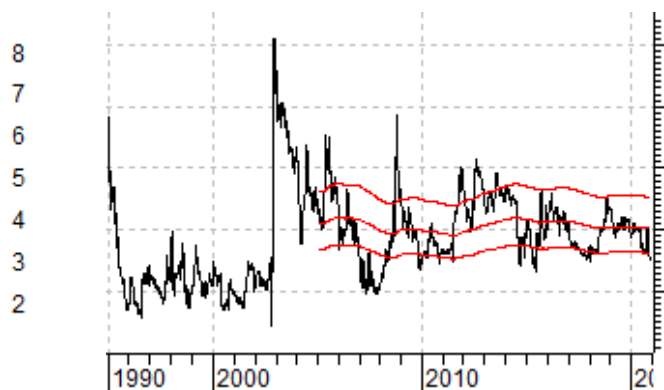
Canada Dividend Yields



France Dividend Yields



China Dividend Yields



Switzerland Dividend Yields



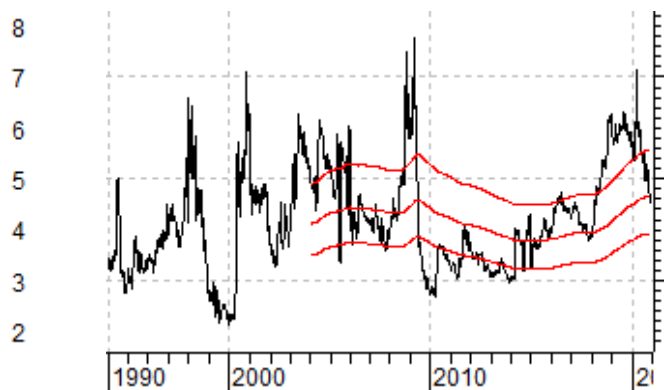
Taiwan Dividend Yields



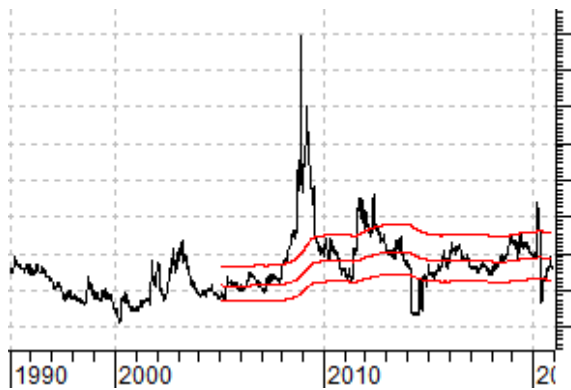
Australia Dividend Yields



South Korea Dividend Yields



Germany Dividend Yields



India Dividend Yields

