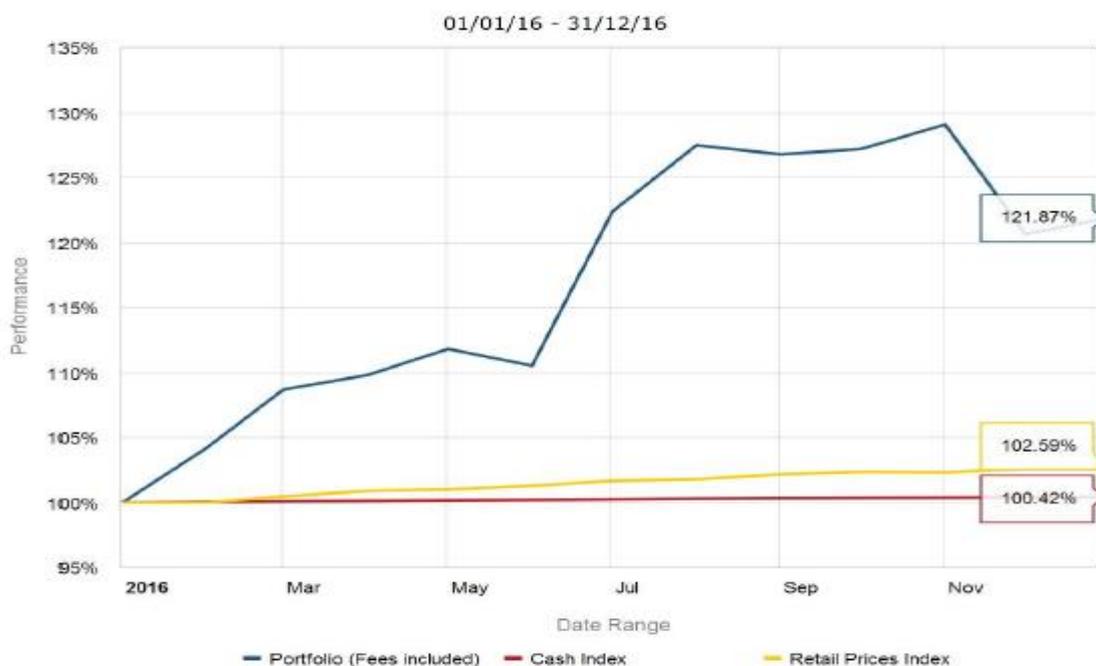


The following is how a typical client's portfolio performed in 2016, net.



The comparisons are against Cash and RPI.

With RPI rising some 2.6% last year we have been increasingly positioned for rising inflation. Indeed inflation should be higher again this year, in the first half, due to the near doubling in the oil price last year. I noticed, last week, the price at the pumps is up c 25% year on year. Wow!

Add to this that the US\$ has started to weaken. This could be the most important theme for months.

If this continues, global prices for commodities - basically anything grown or taken out of the ground - would likely continue to soar. Thus, inflation could well surprise to the upside this year.

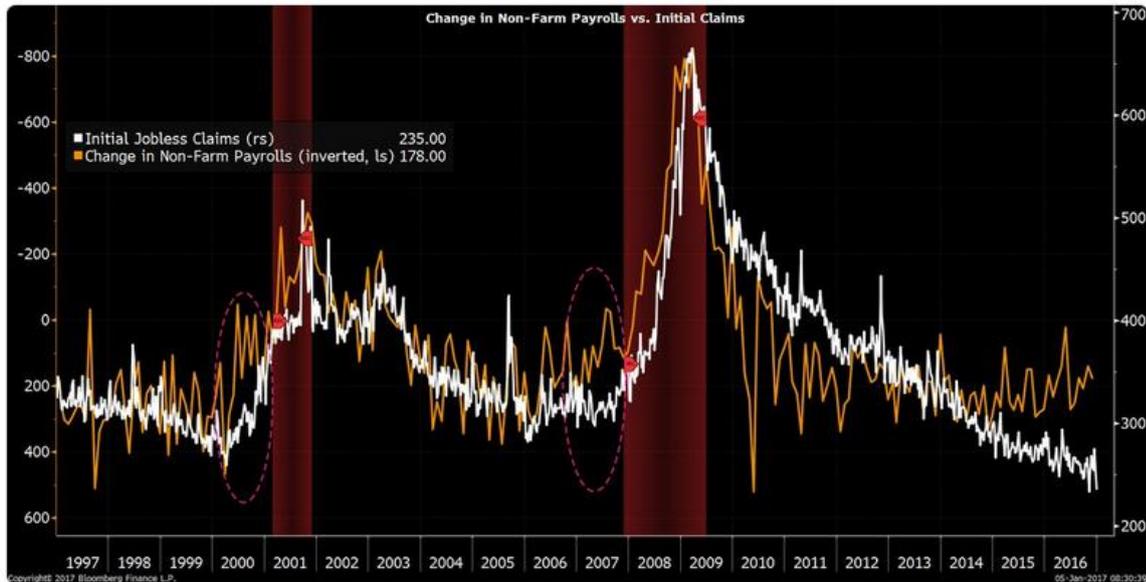
Is your portfolio positioned for this?

Does this mean the economy is finally shorn of the 2008 blues? Not in the slightest.

- The debt is even higher than 2008.
- Employment may be high but it is awash with part-timers and low paid. Thus, aggregate earnings have hardly risen in years.
- Look at these most interesting charts of the US economy. (Be under no doubt, whatever happens there affects us.)

(The below chart is a little complex and I shall explain underneath.)

Jobless Claims vs. Payrolls:



The red columns are when the US was in recession, namely 2001 and 2008-09.

The y-axes are in hundreds of thousands. So, 200 = 200,000.

The right hand y-axis (the white chart) is the number of monthly unemployment (Jobless) claims.

You will see it bottomed as the economy peaked in 2000 and again as the economy peaked in 2007. After those troughs in jobless claims, naturally, they rose and the US went into recession. Note the number of jobless claims is at a 20 year low... and may well be bottoming **right here**.

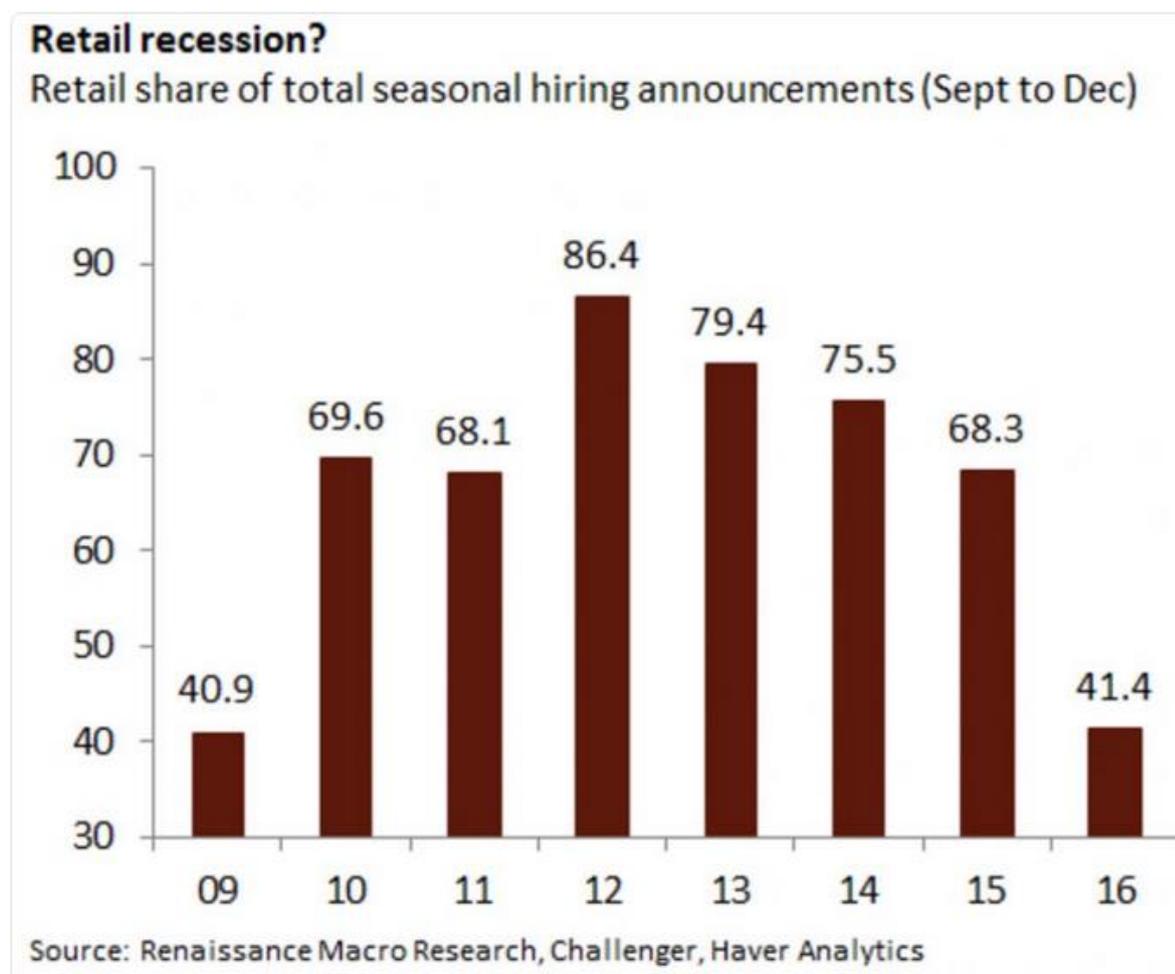
The left hand y-axis is the increase/decrease in the number of jobs found (Non-Farm(ing) Payrolls). To make the chart powerful they inverted this chart so the left hand axis is upside-down. So, as jobs found rose the line went down on the chart. Note, new jobs peaked as the economy peaked in 2000 and peaked again in 2005/06 perhaps a year or 18 months before the economic peak in late 2007.

New job (payrolls) numbers have been static to slightly falling since 2014/15... On top, while Obama/Clinton were trumpeting (did you see what I did there?) high jobs numbers in the Presidential Election, what nobody told you was a large proportion of those jobs are part time and/or low-paid/low-skill service delivery etc jobs.

The next chart is the percentage of new jobs created each September to December, for the last 8 years, in Retail v the entire economy.

If the consumer (70% of the economy) was strong, you would expect retailers to be bulking up for Thanksgiving (November) and Christmas, would you not?

Retail saw the consumer as weak as in the 2008/09 Recession. No wonder. A major proportion of those 'jobs' created (Non-Farm Payrolls) were low paid and/or part time.



2016 was awful for US retailers...

These are just a small sample of what I see that leads me to conclude that the US could be moving towards recession in the second half of this year. And that leads to the rest of the West, concurrently or very shortly afterwards.

To help us understand the US economy (and therefore the world economy) what I'll be looking for is a sizeable uptick in Jobless claims and a downtick in Payrolls (new jobs).

If this plays out, we will be aiming to move from 'inflationary' assets to those which do well in deflationary periods.

Talking of the US economy...

Just like BREXIT, everyone and his dog said if Trump wins we're going to Hell in a handcart.

Waiting.

Waiting.

Still waiting...

Do I believe Trump will be 'great' for the US economy? No. The US and global economies are so full of debt that nothing can avoid the inevitable pain in due course. (Clinton though would have been even a great deal worse. So thank goodness for small mercies.)

But whatever happens will have as much to do with Trump as whomever wins the Australian Open this week. Whatever happens is already baked in.

If anything, Obama and Clinton and all their finance and media buddies pulled the elastic even further to avoid Recession prior to the election. Of course, they still failed. But they left an even worse legacy to the new President.

In fact, if Trump is smart he SHOULD CREATE THE NEXT RECESSION. That way, he can do a major clear out of much of the bad stuff in the system and clear the way for sustained economic growth for the last 2 or 3 years of his (1st?) term.

In any case, just looking at the charts above, he has little to do with anything. Que sera...

Now, an astonishing fact of the last 100 years:

In every single instance at the end of a two-term Presidency, there has been a Recession. EVERY SINGLE TIME!

This means, on past experience, there is a 100% chance of Recession for the new President.

And that would have applied to Clinton too.

Of course, whatever happens, if bad, it will be blamed on Trump (or Brexit if this side of the pond). If good, it will be despite...

It seems to me, after 8 years of lacklustre growth, a multiple more of debt, practically zero interest rates - BUT RISING, higher costs of living, massive rise in low-paid jobs and self-employed and part-timers, we have the perfect conditions for A HUGE RECESSION. And that doesn't even account for problems in China...

That's the medium term accounted for. (Say, 2017 to 2019.)

What about longer term?

I have a clear way of looking at the long term:

EITHER we remain in economic Depression via very low inflation

[oh you don't think we are in Depression? Then how come we have had lacklustre growth for nearly a decade yet it costs practically nothing to borrow? This is EXACTLY the Japan experience from 1989 to date - 27 years!]

with low interest rates, massive debt, low growth then property and equity assets crash, unemployment soars etc

OR

in the next Recession, there will likely be Bank Bail INs (literally depositor confiscations)

[oh you don't think so? Then why did the G20 agree to them in 2014? Why did the Central Banks of Canada and England, ECB and Federal Reserve draw up rules over the last 2 years?]

and on top the governments and central banks will likely print so much money to hand to the failed banks that currencies will collapse. This would include the US Dollar which will usher in years of commodity and general price inflation, leading to inflation levels akin to the UK in the 1970s AKA Super Inflation. What follows sustained rising inflation? Rising interest rates. In a hugely indebted world...

In other words, either we have a Deflationary Depression or an Inflationary Depression.

If you see it differently, do please let me know because no-one with whom I have spoken has been able to counter this outlook.

What should YOU do to secure your wealth?

Speak to me before something happens, that nobody (else) advised you could happen, and which detrimentally and materially affects your wealth and financial security.

Don't put it off till it's self-evidently too late.

Can you benefit potentially from our advice?

We work for wealthy families (from £500k of financial assets) and/or high earners.
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.

Please note carefully the following important messages (and pass them on if you wish):

I believe most folk do not realise, in big picture, **the sheer gravity** of our economics and markets.

They will.

I think most folk do not realise, in big picture, **the amazing opportunities** in our markets.

They will.

Click [to forward to a friend](#).

If you have any queries over any of the issues raised do not hesitate to get in touch with me by calling or emailing me by clicking [I have a query](#). Please **DO NOT** click Reply.

On Twitter I'm [@JonathanDavis](#) where I frequently comment and link to important commentaries on markets and economics.

Kind Regards

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