

International Investor

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Inside International Investor

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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 | 90% | Bullish | Bullish | Bullish | Bullish | +3.3% | +10.3% | -2.0% | 6,393.72 |
| Austria | 54% | Bullish | Bearish | Bullish | Neutral | +0.8% | -0.4% | -15.5% | 2,934.88 |
| Belgium | 53% | Bullish | Bearish | Bullish | Bullish | -1.3% | +2.9% | -11.6% | 3,457.47 |
| Canada | 67% | Bullish | Bullish | Neutral | Bullish | +2.6% | +10.1% | -2.4% | 16,230.96 |
| Denmark | 57% | Bullish | Bullish | Neutral | Bearish | +0.9% | +6.5% | -1.5% | 988.75 |
| Finland | 50% | Bullish | Bearish | Neutral | Bullish | -4.1% | +2.5% | -14.3% | 9,118.88 |
| France | 65% | Bullish | Bullish | Neutral | Neutral | +3.1% | +10.0% | -6.6% | 4,153.75 |
| Germany | 65% | Bullish | Neutral | Neutral | Bullish | +6.1% | +11.2% | -9.0% | 12,045.38 |
| Ireland | 63% | Bullish | Neutral | Neutral | Bullish | +2.5% | +10.9% | -16.4% | 6,178.39 |
| Italy | 66% | Bullish | Neutral | Bullish | Bullish | -0.2% | +7.8% | -8.7% | 22,297.16 |
| Japan | 48% | Bullish | Bearish | Neutral | Neutral | +2.1% | +0.4% | -6.8% | 20,884.71 |
| Netherlands | 62% | Bullish | Bullish | Neutral | Bullish | +4.7% | +8.7% | -5.2% | 550.24 |
| New Zealand | 59% | Neutral | Bearish | Bullish | Bullish | -2.6% | -1.8% | -7.9% | 1,681.22 |
| Norway | 58% | Bullish | Neutral | Neutral | Neutral | +0.9% | +0.3% | -10.8% | 970.29 |
| Spain | 66% | Bullish | Neutral | Bullish | Neutral | +2.2% | +4.7% | -9.0% | 931.11 |
| Sweden | 59% | Bullish | Neutral | Neutral | Neutral | +4.4% | +8.8% | -2.5% | 1,066.76 |
| Switzerland | 68% | Bullish | Bullish | Neutral | Neutral | +7.3% | +11.9% | +14.3% | 9,749.13 |
| Un. Kingdom | 60% | Bullish | Neutral | Neutral | Bullish | +1.0% | +8.3% | -9.3% | 7,331.94 |
| USA | 48% | Neutral | Bullish | Bearish | Bearish | +4.7% | +9.1% | +3.4% | 2,873.34 |
| Argentina | 45% | Bullish | Bearish | Bearish | Bullish | -12.2% | -16.6% | -43.4% | 31,537.88 |
| Brazil | 77% | Bullish | Bullish | Bullish | Neutral | +2.3% | +11.9% | +28.2% | 97,821.26 |
| Czech Rep. | 56% | Bullish | Neutral | Neutral | Neutral | -0.1% | +1.4% | -5.7% | 1,049.65 |
| Chile | 55% | Bullish | Bearish | Bullish | Neutral | -8.5% | -5.0% | -17.9% | 25,241.13 |
| China | 55% | Bullish | Bearish | Bullish | Bullish | -7.4% | +8.0% | -14.5% | 2,827.80 |
| Greece | 76% | Neutral | Bullish | Bullish | Neutral | +18.2% | +25.3% | +1.8% | 815.97 |
| Egypt | 61% | Bullish | Neutral | Bullish | Bullish | -3.8% | +19.0% | -7.8% | 13,787.80 |
| Hong Kong | 44% | Bullish | Bearish | Bearish | Neutral | -4.4% | +3.1% | -12.8% | 26,965.28 |
| Hungary | 40% | Bearish | Neutral | Neutral | Bearish | +1.5% | +5.4% | +7.8% | 41,159.57 |
| India | 70% | Bearish | Bullish | Bullish | Bullish | +9.0% | +14.3% | +8.8% | 39,615.90 |
| Indonesia | 45% | Bullish | Neutral | Bearish | Neutral | -4.1% | +2.9% | +1.0% | 6,209.12 |
| Israel | 52% | Bearish | Bullish | Neutral | Neutral | +3.1% | +3.5% | +2.9% | 1,430.84 |
| Korea | 52% | Bullish | Bearish | Bullish | Bullish | -6.9% | -4.9% | -23.2% | 2,072.33 |
| Malaysia | 51% | Bullish | Bearish | Bullish | Bearish | -3.3% | -1.5% | -10.9% | 1,649.33 |
| Mexico | 44% | Bullish | Bearish | Bearish | Bullish | +3.4% | +7.2% | -2.5% | 43,291.33 |
| Philippines | 86% | Neutral | Bullish | Bullish | Bullish | +3.1% | +8.8% | +5.1% | 7,983.98 |
| Poland | 53% | Neutral | Neutral | Bullish | Bearish | +0.9% | +1.5% | -3.5% | 58,852.53 |
| Portugal | 83% | Bullish | Bullish | Bullish | Bullish | +5.1% | +11.7% | -5.7% | 3,175.15 |
| Russia | 72% | Bullish | Bullish | Neutral | Bearish | +15.2% | +17.4% | +12.0% | 1,325.95 |
| Singapore | 58% | Bullish | Bearish | Neutral | Bullish | -1.2% | +2.3% | -9.7% | 3,166.29 |
| Sth Africa | 75% | Bullish | Bullish | Bullish | Bullish | +1.1% | +8.0% | -12.7% | 58,099.84 |
| Taiwan | 67% | Bullish | Neutral | Bullish | Neutral | +0.1% | +4.5% | -11.2% | 10,409.20 |
| Thailand | 49% | Bullish | Neutral | Neutral | Bearish | +3.0% | +5.3% | -1.6% | 1,653.50 |
| Turkey | 45% | Bullish | Bearish | Bearish | Bullish | -13.8% | -9.0% | -24.9% | 93,809.09 |
| Venezuela | 60% | Bearish | Bullish | Neutral | Bullish | +60.5% | +1934.6% | +38849.8% | 15,791.62 |

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

In the short term, stockmarkets are driven by *changes* in economic activity (and *changes in expectations* of changes in economic activity).

For investors with a short term investment horizon (i.e. day traders) these changes in sentiment and expectations are the only thing of importance. Company profitability and valuations (i.e. Dividend Yields and Price/Earnings ratios) are totally irrelevant.

For investors with a longer investment horizon (i.e. 3-5 years) current valuations become the most important indicator of future returns. Daily changes in sentiment and expectations are just random background noise.

In reality, investors exist in a more complex, non-linear environment with conflicting indicators and multiple time-frames.

Our *World Stockmarket Valuations* (see pages 4-5) show many stockmarkets trading at low valuations - for example, the United Kingdom, Japan, Canada, South Korea - and most others trading at or above historical averages. If you are a long term investor (i.e. 3-5 years or longer) then this is all you need to know. Buy and Hold shares and forget about them until your next annual (or five-yearly?) review.

Day traders would argue this valuation data is totally irrelevant - and, *for their investment horizon*, would be totally correct!

In the shorter to medium term we are concerned about continued weakening economic activity. The United States economy is relatively sound (in a relatively unsound world!), but economic growth is *slowing* and this will impact corporate profits and stock prices over the next 3-9 months. Companies will blame this on “trade wars” and/or “tariffs”, but regardless of those factors the economic cycle is slowing.

European economic growth remains weak and faces long term *unfavourable* demographic factors. The working age population - and the number of people in the peak spending 35-55 age group - will decline by around 1% per annum every year for the next 20 years. This decline in both workers and consumers is a negative input to future economic growth. A reducing population and tax base is also unfavourable for governments seeking to reduce budget deficits and national debt levels.

Economic growth is also slowing in China - along with other economic problems. Over recent decades, China produced large trade surpluses, which built up its foreign exchange reserves, which in turn allowed the central bank to expand domestic money supply and finance economic activity (e.g. allowing the building of empty cities). Economic growth, however, has required a *faster* rate of growth (although initially from a smaller base) in imports of raw materials, especially oil, which has depleted that trade surplus. Many Chinese have become rich enough to travel overseas, with these tourists further depleting trade surpluses and foreign exchange reserves.

In recent years, China's foreign exchange reserves have been falling . . . to a level where, in the very near future, China *may* have difficulty paying for imports! More importantly, there is very limited potential for China to further increase domestic money supply to boost its slowing economy.

The Chinese GDP is about US\$13 trillion while bank loans and other debt is around US\$48 trillion.

By comparison, the US economy is about US\$20 trillion with total debt levels of about \$25 trillion.

Many people consider the US economy has too much debt. China is three times as leveraged.

Equity in the Chinese banking sector is about US\$2.6 trillion, while the **International Monetary Fund** conservatively estimates 7% of loans are “non-performing” and this would require a US\$3.5 trillion write off and significant recapitalisation of the Chinese banking sector.

Summary and Recommendation

There are some short term risks, so our portfolio has accumulated some more defensive, less economically sensitive equities (i.e. one US utilities fund, one US property fund, two global Gold mining funds and one global Energy fund). We have also maintained exposure to markets that offer good value (i.e. Japan, South Korea, United Kingdom) and markets that offer longer term growth, helped by population growth and rising consumer spending (i.e. South East Asia, India). We believe that is an appropriate spread for the current environment.

Recommended International Investment Funds

Fee Changes

India Capital Growth plc will lower its annual management fee from 1 July 2019 from 1.50% to 1.25%. Further “tiered reductions” in the rate “will be considered” when assets “grow significantly”.

Share Repurchases

Aberforth Smaller Companies Trust plc made four on-market share repurchases over the last month, acquiring a total of 102,500 shares for £1,283,121.

Aberdeen Standard Asia Focus repurchased 110,000 shares in 11 transactions for £1,138,595.

| 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 | | | | | | | | | |
| BUY | iShares S&P500 Utilities | IUSU | 13/08/18 | 422.3p | 819.4 | | 492.9p | 941.7 | +15 |
| BUY | iShares US Property Yield | IUSP | 13/08/18 | 2227.5p | 4322.7 | | 2367.5p | 4523.3 | +5 |
| United Kingdom | | | | | | | | | |
| BUY | Aberforth Smaller Cos Trt plc | ASL | 15/07/03 | 375.5p | 1042.0 | -9% | 1266.0p | 2418.8 | +132 |
| Gold Mining | | | | | | | | | |
| BUY | VanEck V. Gold Miners | GDGB | 14/01/19 | 1731.0p | 3253.8 | | 1888.0p | 3607.2 | +11 |
| BUY | VanEck V. Junior Gold Miners | GJGB | 14/01/19 | 2011.0p | 3780.1 | | 2034.0p | 3886.1 | +3 |
| Asian Regional | | | | | | | | | |
| BUY | Aberdeen Std Asia Focus | AAS | 09/09/03 | 89.2p | 247.8 | -12% | 1070.0p | 2044.3 | +725 |
| HOLD | Janus Hend Asia Pac Capital | * | 08/08/00 | 342.2p | 1122.6 | | 1102.0p | 2105.5 | +88 |
| HOLD | Scot Oriental Smaller Coy | SST | 11/11/03 | 121.9p | 330.5 | -12% | 1020.0p | 1948.8 | +490 |
| India | | | | | | | | | |
| BUY | India Capital Growth plc | IGC | 07/11/16 | 80.5p | 137.6 | -9% | 91.6p | 175.0 | +27 |
| HOLD | Stewart Ivory Indian Sub-Cont | * | 13/12/10 | 209.2p | 442.0 | | 509.13p | 972.7 | +120 |
| Japan | | | | | | | | | |
| HOLD | Baillie Gifford Shin Nippon plc | BGS | 11/01/94 | 31.2p | 88.1 | +6% | 179.2p | 342.4 | +289 |
| HOLD | Fidelity Japan Trust plc | FJV | 10/01/06 | 126.0p | 322.7 | -10% | 141.5p | 270.3 | -16 |
| HOLD | Invesco Perp Japan Small Coys | * | 13/07/99 | 61.3p | 182.3 | | 123.94p | 236.8 | +30 |
| Korea | | | | | | | | | |
| HOLD | Baring Korea Trust | * | 12/04/94 | 81.1p | 209.4 | | 305.4p | 583.5 | +179 |
| International | | | | | | | | | |
| HOLD | Herald Investment Trust | HRI | 12/10/04 | 310.8p | 820.1 | -11% | 1354.0p | 2586.9 | +215 |
| BUY | iShares Oil & Gas Exp & Prod | SPOG | 08/04/19 | 1287.0p | 2491.8 | | 1198.0p | 2288.9 | -8 |
| * United Kingdom based Unit Trust | | | | | | | | | |

The average Gains/Losses of all current investments from initial recommendation is +144.0%. This is equal to an average annual rate of +12.9%, 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 51 closed out) is +13.0%.

Other Shares

“Clean” unit prices are: Janus Henderson Asia Pacific Capital 1236 pence, Stewart Investors Indian Sub-Continent 259.06 pence, Invesco Perpetual Japanese Smaller Companies 383.67 pence and Baring Korea 305.4 pence.

World Stockmarket Valuations

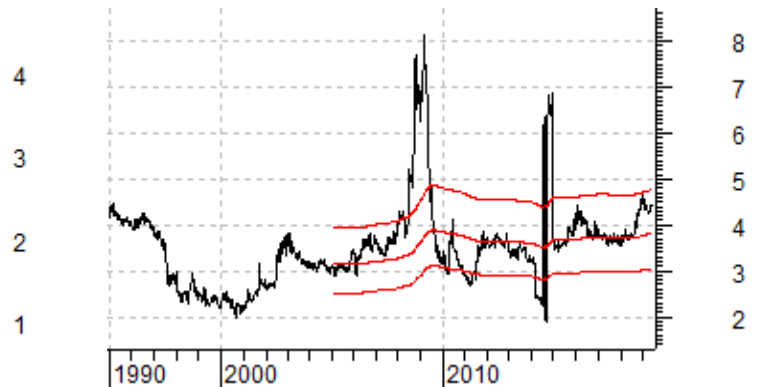
| Country | Dividend Yield | Price/Earn. Ratio |
|-------------|----------------|-------------------|
| Australia | 4.2 | 17.2 |
| Austria | 3.8 | 10.7 |
| Belgium | 3.1 | 19.2 |
| Canada | 3.1 | 17.5 |
| Denmark | 6.3 | 13.8 |
| Finland | 4.8 | 20.7 |
| France | 3.3 | 15.6 |
| Germany | 3.3 | 15.4 |
| Ireland | 2.2 | 16.5 |
| Italy | 4.4 | 11.5 |
| Japan | 2.5 | 12.9 |
| Netherlands | 2.8 | 18.3 |
| New Zealand | 3.3 | 21.5 |
| Norway | 4.4 | 13.9 |
| Spain | 4.4 | 12.6 |
| Sweden | 3.9 | 17.9 |
| Switzerland | 3.1 | 20.9 |
| Un. Kingdom | 4.4 | 13.6 |
| USA | 1.9 | 21.3 |
| Argentina | 2.9 | 24.8 |
| Brazil | 3.5 | 14.8 |
| Czech Rep. | 6.5 | 13.9 |

| Country | Dividend Yield | Price/Earn. Ratio |
|-------------|----------------|-------------------|
| Chile | 3.4 | 16.0 |
| China | 2.1 | 13.5 |
| Greece | 2.1 | 19.6 |
| Egypt | 3.0 | 11.9 |
| Hong Kong | 3.0 | 12.0 |
| Hungary | 1.9 | 10.1 |
| India | 1.3 | 24.6 |
| Indonesia | 2.6 | 16.2 |
| Israel | 1.5 | 15.9 |
| Korea | 2.5 | 9.5 |
| Malaysia | 3.2 | 19.0 |
| Mexico | 3.0 | 15.0 |
| Philippines | 1.7 | 18.5 |
| Poland | 2.6 | 12.7 |
| Portugal | 4.6 | 17.1 |
| Russia | 6.1 | 5.3 |
| Singapore | 4.3 | 12.9 |
| Sth Africa | 2.8 | 18.9 |
| Taiwan | 4.2 | 14.5 |
| Thailand | 3.0 | 17.4 |
| Turkey | 3.9 | 6.6 |

United States Dividend Yields



United Kingdom Dividend Yields



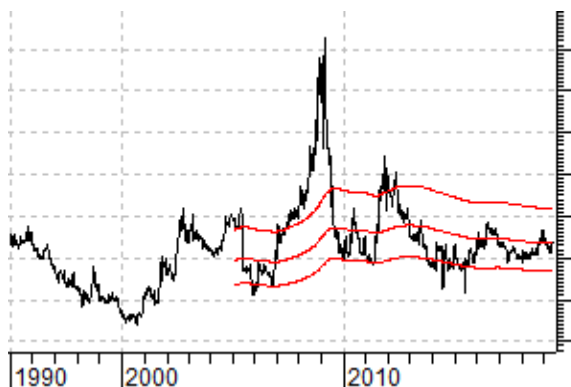
Japan Dividend Yields



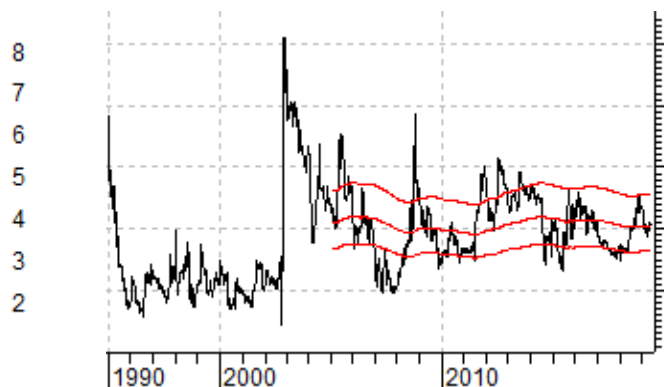
Canada Dividend Yields



France Dividend Yields



China Dividend Yields

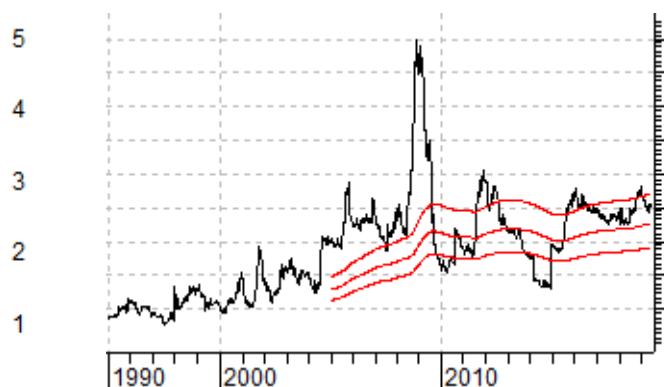


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Switzerland Dividend Yields

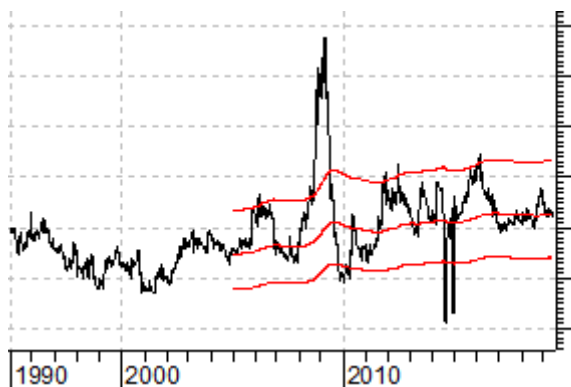


Taiwan Dividend Yields

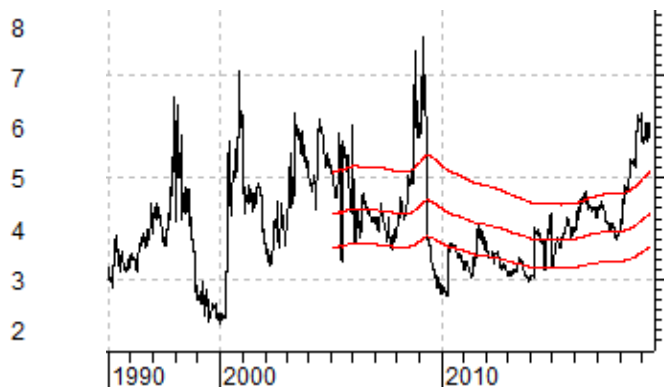


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Australia Dividend Yields

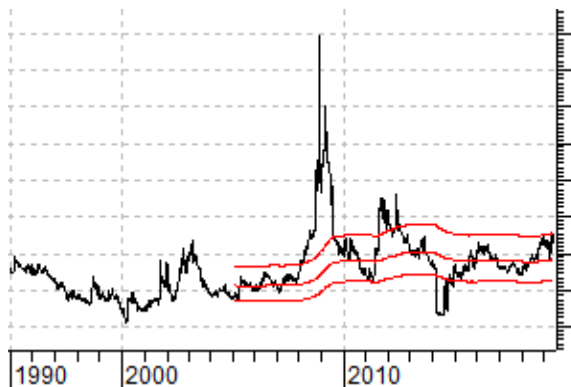


South Korea Dividend Yields

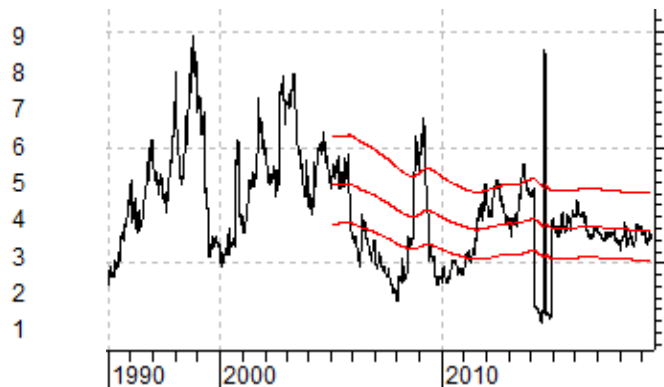


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Germany Dividend Yields



India Dividend Yields



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World Stockmarket Capitalisations

Over the last three months the world stockmarket capitalisation rose US\$4,875 billion (or 6.0%) to US\$86,665 billion.

| Country | Market Capitalisation (US\$ Billions) | Percentage of Total | Country | Market Capitalisation (US\$ Billions) | Percentage of Total |
|-------------------------------------|---------------------------------------|---------------------|------------------------|---------------------------------------|---------------------|
| United States | 34,246 | 39.52 | New Zealand | 95 | 0.11 |
| China | 8,629 | 9.96 | Bangladesh | 76 | 0.09 |
| Japan | 5,668 | 6.54 | Portugal | 68 | 0.08 |
| Hong Kong | 4,378 | 5.05 | Morocco | 59 | 0.07 |
| India | 4,343 | 5.01 | Luxembourg | 52 | 0.06 |
| United Kingdom | 2,294 | 2.65 | Egypt | 47 | 0.05 |
| Canada | 2,281 | 2.63 | Greece | 45 | 0.05 |
| France | 2,258 | 2.61 | Romania | 39 | 0.05 |
| Germany | 1,989 | 2.30 | Kazakhstan | 37 | 0.04 |
| Switzerland | 1,621 | 1.87 | Argentina | 36 | 0.04 |
| South Korea | 1,478 | 1.71 | Nigeria | 32 | 0.07 |
| Nordic Exchanges ¹ | 1,471 | 1.70 | Hungary | 31 | 0.04 |
| Australia | 1,409 | 1.63 | Romania | 23 | 0.03 |
| Taiwan | 1,175 | 1.36 | Bahrain | 23 | 0.03 |
| South Africa | 983 | 1.13 | Jordan | 21 | 0.02 |
| Brazil | 979 | 1.13 | Croatia | 21 | 0.02 |
| Czech Republic | 967 | 1.12 | Oman | 17 | 0.02 |
| Netherlands | 932 | 1.08 | Panama | 16 | 0.02 |
| Singapore | 863 | 1.00 | Sri Lanka | 14 | 0.02 |
| Spain | 790 | 0.91 | Jamaica | 12 | 0.01 |
| Belgium | 671 | 0.77 | Lebanon | 10 | 0.01 |
| Russia | 660 | 0.76 | Mauritius | 9 | 0.01 |
| Italy | 629 | 0.73 | Tunisia | 8 | 0.01 |
| Saudi Arabia | 584 | 0.67 | Slovenia | 8 | 0.01 |
| Thailand | 544 | 0.63 | Malta | 5 | 0.01 |
| Indonesia | 520 | 0.60 | Bulgaria | 5 | 0.01 |
| Malaysia | 434 | 0.50 | Ukraine | 4 | 0.00 |
| Mexico | 417 | 0.48 | Bardados | 4 | 0.00 |
| Norway | 299 | 0.35 | Botswana | 4 | 0.00 |
| Philippines | 283 | 0.33 | Cyprus | 4 | 0.00 |
| Chile | 258 | 0.30 | Palestine | 4 | 0.00 |
| UAE | 256 | 0.30 | Bermuda | 3 | 0.00 |
| Iran | 233 | 0.27 | Namibia | 3 | 0.00 |
| Israel | 213 | 0.25 | Costa Rica | 2 | 0.00 |
| Qatar | 162 | 0.19 | Papua New Guinea | 1 | 0.00 |
| Poland | 162 | 0.19 | | | |
| Vietnam | 147 | 0.17 | | | |
| Turkey | 137 | 0.16 | | | |
| Austria | 133 | 0.15 | | | |
| Colombia | 121 | 0.14 | | | |
| Ireland | 110 | 0.13 | | | |
| Peru | 100 | 0.12 | | | |
| | | | TOTAL | \$86,665 | 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 15, 2019.

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

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