

A closer look at the *Daily Market Update*

In the masthead of each market update, we insert the date for easy reference (Point 1). In this first section, called 'Market Behaviour' (Point 2), we share with you 'What we like / liked' and 'What we don't like / didn't like'.

What you'll also find in this part of the update are links to charts (Point 3), providing you with the opportunity to further your investment education.



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Daily Market Update

POWERED BY ISACO

Tuesday 19th May 2020

Market Behaviour



Stephen Sutherland
ISACO's Lead Investor and
Chief Investment Strategist

Collectively, yesterday's index and stock action were positive.

The NASDAQ Composite gained 2.44% ([Point A](#)) in above average volume ([Point B](#)). This suggest institutional investors were buying.

Leading stocks action was neutral. The NASDAQ Composite closed up; however, an equal number of leading equities fell in heavy volume compared to those that gained in heavy volume. When this type of activity occurs on a day the NASDAQ gains, we class the behaviour as a bearish divergence.

What we like / liked

- Just after the March 23rd bottom, we saw follow-throughs on key indexes, sectors and stocks.
- University of Oxford scientists and major drug giant Pfizer are confident they can get their jab for the incurable virus rolled out to use by autumn. Also in the race for a coronavirus vaccine, the first results in humans showed Moderna's vaccine candidate led to antibody responses in a handful of healthy volunteers.
- Governments and central banks have enacted aggressive fiscal and monetary stimulus measures to counteract the disruption caused by Covid-19.
- Strong relative strength in technology indexes, some leading sectors and some leading stocks.
- The current 'confirmed' rally on the NASDAQ Composite is eight weeks old - so far so good.

What we didn't like / don't like

- Fastest 20% (bear market) drop in history. Market technicals are a mess and with the indexes dropping so much and so quickly, they are going to need a lot of time to mend and heal.

4

Our thoughts

The market is once again at a crunch point. After yesterday's surge in equity prices, it has taken the markets back to their April 29th levels which currently is an area of tough resistance. It would be extremely constructive if we can see over the coming days / weeks, all the major US indexes, sectors and stocks breaking through this resistance and staying above it. This would also be a big positive if we continue to see strength returning to European and Asian equities.

Next, we give our latest thoughts (Point 4). This is very useful because it tells you exactly how we are feeling about the current market environment.

In this particular edition, we were sitting in approximately 50% cash and this is why we had a quick link (Point 5) to our thoughts on getting that parked cash back into the market. Under this was a 'Summary' (Point 6) section, giving a time friendly snapshot of our current thinking.

5

[Our thoughts on getting cash back in the market](#)

Summary

6

So far so good. We are impressed with some of the recent action, however we are still far away from deploying any of our parked cash back into equities.

From here, the market has a lot of work to do and its still unclear whether all is well. As more behaviour and information filters through, it will start to become clear what the markets ultimate aims are.

Index	Change	Volume Change	Volume Compared to its Average	Type of Day
NASDAQ	+2.44%	+2.4%	Above average	Professional accumulation
S&P 500	+3.15%	-13.1%	Below average	Gain in tame volume
S&P 600	+7.21%	-2.0%	Above average	Professional accumulation
DJIA	+3.85%	-13.1%	Below average	Gain in tame volume

7

Next, we display a table (Point 7) that shows price and volume changes on the four US market indexes we follow. We also report how the volume on each index compared to its average and our opinion of what type of day it was.

Below the indexes you'll find a section called 'Leading Stocks Behaviour' (Point 8). When we analyse leading stocks, we look very carefully at how each leader has acted for the day and calculate what percentage of the leading stocks acted healthy versus unhealthy. Ideally, we like to see 80% of the leaders acting healthy.

Leading Stocks Behaviour

Leading Stocks Acting Healthy

50%

Leading Stocks Acting Unhealthy

50%

Leaders performed so so. 50% of leaders acted healthy versus ones that acted unhealthy.

8

Our Portfolio

9

On Wednesday March 25th 2020, we made a change in our portfolio.

10

[Click here](#) for a full explanation for our reasons and rationale behind the switch.

11

The table below shows the funds we currently own:

Name of Fund Owned	Date Purchased*	Price Paid*	Gain/Loss %**	ISIN Number	Portfolio Weighting***
CLASSIFIED	March 2nd 2019	£3.59	+24.7%	CLASSIFIED	11.2%
CLASSIFIED	February 17th 2017	£1.59	+37.7%	CLASSIFIED	10.2%
CLASSIFIED	January 17th 2017	£14.57	+86.6%	CLASSIFIED	10.1%
CLASSIFIED	February 9th 2017	£4.66	+34.7%	CLASSIFIED	7.3%
CLASSIFIED	May 10th 2016	£15.99	+87.4%	CLASSIFIED	7.2%
CLASSIFIED	November 24th 2015	£24.69	+65.7%	CLASSIFIED	6.7%
Product Cash***** / SIPP Bank Account	N/A	N/A	N/A	N/A	47.3%

* Date Purchased and Price Paid refers to the initial purchase of the fund.

** Gain/Loss % is calculated from initial purchase NAV price to present date NAV price.

*** Reading taken April 30th 2020.

**** Formerly known as Henderson China Opportunities Fund I Acc.

***** Formerly known as Henderson Global Technology I Acc. Henderson China Opportunities Fund I Acc.

***** On Fidelity, Product Cash has replaced the ISA Cash Park facility.

12

Our view on which way the market is heading is this: we have a neutral outlook in the short-term and a bullish outlook in the long-term.

If any words or phrases in today's edition seem unfamiliar or puzzling, [discover their meaning](#).

13

In the next section called 'Our Portfolio' (Point 9) we start by reminding you 'when' we made the last switch in our portfolio, together with an explanation of 'why' we made the switch (Point 10).

Below this, we offer a link to a full breakdown of our investment portfolio (Point 11) and then a table that shows the funds we currently own, the price we purchased them, the date purchased, the current gain/loss%, the fund's unique ISIN number, and the fund's weighting in our portfolio.

Under the table we state our view on where we believe the market is going to head in the shorter term and the longer term (either bullish, bearish or neutral) (Point 12). There is also a useful link to a glossary in this section (Point 13), just in case any of the words or phrases contained in the update seem unfamiliar or puzzling.

For help and support, please mail your requirements, your questions, your comments and of course your successes to our [client support team](#) or alternatively you can call on [0800 170 7750](tel:08001707750) and we'll gladly help.

Yours sincerely,

Stephen Sutherland
ISACO's Lead Investor
and Chief Investment Strategist

Follow us on:



Each update ends with a 'Help and Support' section (Point 14) that gives you the opportunity to speak to us by either email or phone at any given time, should you have a question, comment or concern.

Underneath each update is our disclaimer, which is self-explanatory and required for FCA (Financial Conduct Authority) compliance (Point 15).

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