Jacques Bossuyt

Tel : (+352) 621.21.55.07
e-mail : jacques.bossuyt@pt.lu

CONSEQUENT INVESTING CONCEPT

Market views, Asset- and Style Allocation, Fund Selection.

This Newsletter is the continuation of my reports of the fund of equity funds **Patrimonium Diamond** that I managed according to my CONSEQUENT INVESTING CONCEPT and that has been rewarded with **5 stars by Morningstar on a 10 year period.**

2016, February 7.

Newsletter

Some thoughts about Europe

I was at a congress last week where I heard from several speakers the same story that I hear since several months now : slowdown in China and the emerging markets, end of QE, the US on the brink of a recession, so **Europe offers the best opportunities for investors,** especially as the oil price and the Euro are low...

Every time someone says that Europe is the best place to invest, I am pleased because I am an European (a Flemish European though), but if it comes to investing my own money there, I am less pleased.

Let's talk about some topics of today.

The China & EM slowdown : Europe is more exposed to these regions than the US, thus will suffer more.

Are the US really on the brink of a recession ? Core inflation (ex food & energy) is nearly twice as high than in Europe. US unemployment is half of the European one. US Median weekly wage rose 3.3% in 2015, which means that the decline in unemployment is paying off for workers. Did anyone hear about wages rising in Europe except in Germany ?

The Russian sanctions (imposed by the US & friends). Who was doing business with Russia ? Who is suffering now ? Not the far away US, but stupid Europe.

War in Syria and Libya (imposed by US & friends). Who has all the trouble with jihad and refugees now ? Not the far away US, but stupid Europe again.

Low oil price is good for Europe. I agree on this one, but how long will this last ? An orchestrated (guess by who) socio-religious war in Saudi Arabia could be enough to make the oil price explode again, bring Europe on it's knees and make the US shale industry profitable again.

The US stopped QE, but Europe has Draghi who can still do "whatever it takes" again and again. Since the start of QE by the ECB in March 2015, the Euro is still at the same level : from March first, the single currency went from 1.120 down to 1.050 up to 1.162 down to 1.057 and up to 1.116 today. Meanwhile, the Stoxx Europe 600 is 17% lower. The S&P500 lost only 11% over that period and was less volatile. Look at what happened in Japan when the BOJ introduced negative interest rates on 29/1 to drive the Yen lower and the Nikkei higher. Today the Yen is higher, 0.58% against the EUR and 3.67% against the USD. The Nikkei is 3.98% lower. Haruhiko Kuroda seems to have problem, so has Mario Draghi I'm afraid.

Do you really believe that Europe is the place to invest today ?

I will end this letter with an excerpt of the latest quarterly letter from Jeremy Grantham (GMO), one of the most respected value-investors :

"In a world in which most things continue to work well, or at least well enough, the U.S. has the advantage of simply being more entrepreneurial. More of us risk starting new enterprises than do others in developed countries.

Keynes famously made the point that almost no one, looking at the 10% survival rate of new enterprises, would take the risk in cold blood. He argued that the recklessness brought by a surge of animal spirits was necessary to lead entrepreneurs to believe that they would be the exceptions. And Americans apparently have more animal spirits than most. In the U.S., much more than in Europe and elsewhere, it is also okay to have failed. Some visible scars are taken as proof that you have played the game hard. Our culture is more forgiving. You can even be associated with several bankruptcies and still be a strong-running candidate for President! How unlikely that would be anywhere else. And if three times more of us charge at the Internet, medical research, or social enterprises than in other countries, then we do not have to be better. The laws of averages will guarantee, given even average competence, that when the smoke of battle clears we will have more of the Amazons, Facebooks, and Coca-Colas, for that matter, than they do. And we might indeed be a little better. Over half of the world's top 100 brands are American, even though we are only 20% of the world's GDP, and that ratio has been looking strong in the last 20 years as new great brands appear. Seven of the strongest seventeen global brands have their U.S. founders still living, without including Apple, the number one brand, as a sad near miss. What a remarkable testimonial to the recent vigor of American entrepreneurial spirit this is".

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