PROPERTYSHARE
MARKETECONOMICS

PSE Member Update #53

2021 Year in Review

December 29, 2021

By Cathryn Stacey

As we wind down 2021, we've taken the opportunity to review what has been an interesting and unusual year.

But not unexpected. History shows that years ending in **1** tend to be volatile and/or recessionary from an economic perspective with much disruption.

However, they set the stage for much of the rest of the decade. 2021 was no different. It seems appropriate then to look back at some of the Property Sharemarket Economics (PSE) exclusive member updates.

This will be a succinct summary of how we've fared with our forecasts, our read of happenings globally and suggested market movements.

The 2021 Road Map did conclude with this:

We've found the preparation of 2021 a little harder to do this year.

Starting off at all time new highs for 2021, whilst certainly not a first, is not the most common pattern. Though with monetary conditions the easiest they've ever been is history, should we be all that surprised.

The market in 1991 began close to new highs. So too in 1971. Notably, the 1961 Dow (60 years ago) broke into all time new highs during that year.

So the 60-year patterns continues to be helpful to us.

The 2021 Road Map was a rather large body of work that was released to PSE Members on the 4th January and 7th January. It also included:

- The Seasonal dates
- The 10 year DJI Forecast

Phil and Akhil are currently preparing the 2022 Roadmap which will be published in January. They will do an analysis of the 2021 forecast in this report.

If you noted the 22 February #GANN email update Phil reiterates the Road Map with an early May top for the US Dow Jones Index.

Here's what he said:

> *If the Dow is higher at this time, perhaps March 21 may mark mid-way, price-wise, between 29 Jan and a possible early May top.*

Indeed, the March 21 range did mark a top. We calculated a suggested top of 35156 in the April 6 email update.

In the end the market made a top on 10 May just 60 odd points shy of the forecast at 35019.

What the different indexes did after that will be analysed in the 2022 Road Map.

Still on February, I note Phil talking about Hertz, Tesla and the Vatican in this email update. The focus was around *what not to do when investing*.

Like short Tesla.

Mentioning Tesla and Hertz back in February, does Phil have some kind of telepathic ability?

You may have heard about the Hertz/Tesla deal announced in late October? Just a small order of say 100,000 electric vehicles (EV). Here's Hertz's weekly chart below. I have shown via the blue arrow when the announcement was made:

Source: Property Sharemarket Economics, TradingView

And Tesla's weekly chart is found below.

Source: Property Sharemarket Economics, TradingView

It was reported that the order would take Tesla to a trillion dollar company.

Note the stock building up into October and November and after the announcement the trend changed.

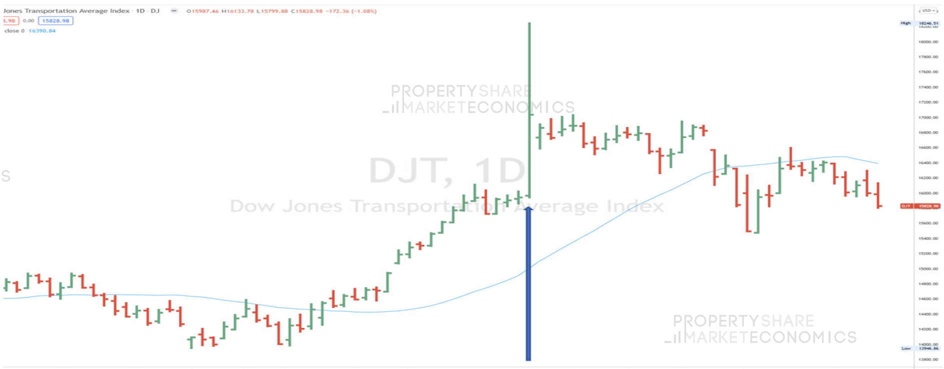
These are the days, it seems, where markets provide more drama than Hollywood.

As on November 2, Elon Musk tweets that [1]*'no contract had been signed with Hertz'*. Here's Hertz stock after that.

Source: Property Sharemarket Economics, TradingView

1 Hertz confirmed the order was made.

And look at what the news did to the Dow Jones Transportation Index (DJT) below. Akhil refers to the DJT a number of times in his updates.



Source: Property Sharemarket Economics, TradingView

February also saw the analysis of Akhil's Gold Forecasts, with an update for 2021.

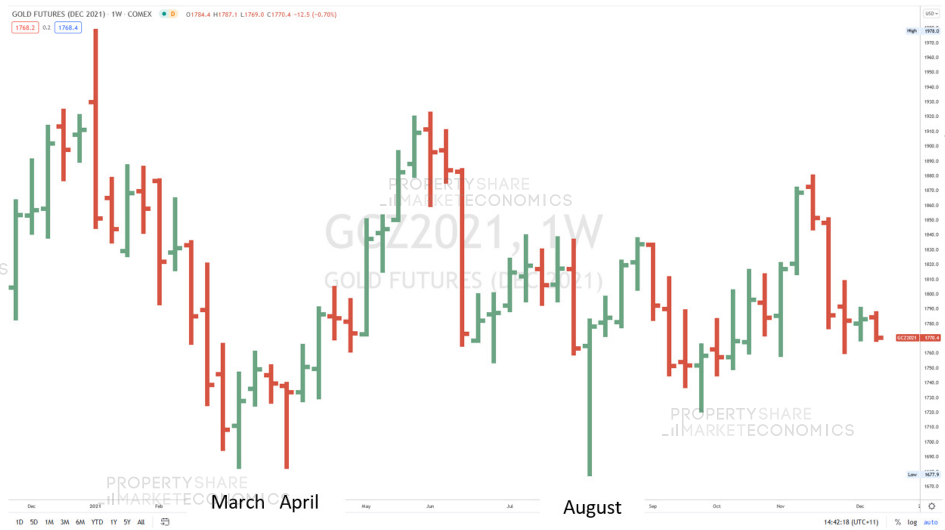
Updates #4 and #5 looked at the forecast originally made in 2019.

In the February 2021 update here, Akhil was expecting lows around March.

> *"I think we should get new lows in gold in this next month or two."*

As you can see in the below chart there was a double bottom in March and April.

The top that bounced off this double bottom was a lower high and not strong enough to turn the long term trend to the upside and gold again saw a slightly lower bottom in August.



Source: Property Sharemarket Economics, TradingView

We encourage you to refresh yourself on the forecast found here.

In looking at the chart in December it does not show that gold has yet turned it's trend to the upside.

We will provide a 2022 update in the new year, however at this stage there is nothing to suggest the forecast to be changed.

You may have noticed there's been a tear on property prices in many locations around the world.

In sub email #6 in **March** Akhil from a UK perspective said:

Furthermore, the government will announce another support scheme for first time buyers so that they can take out a 95 per cent loan on their first property purchase.

Something always comes along to support the real estate market, even while the burden falls on the more productive sectors of the economy. Nothing ever changes.

And so, on time you could say, The Guardian, on the 14th **December**, reported

"The Bank of England has announced plans to ease mortgage lending rules in a move that could help thousands of first-time buyers get on to the property ladder. The central bank said it wanted to remove a requirement that forces borrowers to be able to afford a three-percentage-point rise in

interest rates before they can be approved for a home loan."

Meanwhile in Australia the Australian Prudential Regulation Authority (APRA) in **October** increased the same requirement from 2.5% to 3%. Practically though, this has had very little effect as most lenders were already using 3% as their buffer.

A fellow [2]*PSE member* who's also a finance broker reported that when the increase occurred the drama around it, *"was a huge media beat up"*.

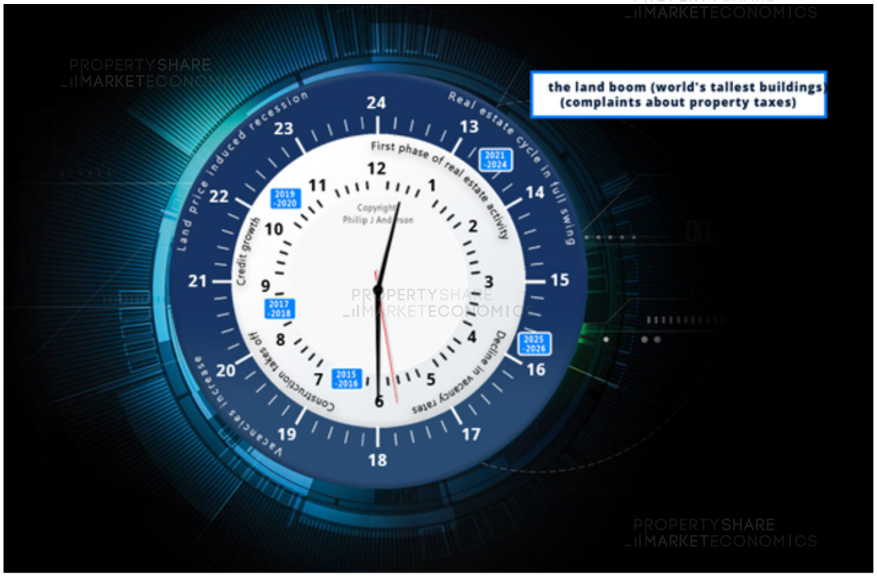
In fact, he said Australian banks have made it easier to get credit by allowing up front valuations and no bank statements to prove income and outgoings.

And in **November** the US Federal Government announced they will now back mortgage loans of nearly $1 million as the new ceiling loan limits for one-unit properties have increased by a whopping 150%.

Personally, I heard many people say the top of the property market has come in 2021. This is the beauty of understanding the repeating 18.6 year cycle. You get to see through the noise.

That's not to say it doesn't astound us when we do see governments around the world creating easier credit conditions.

On the 22nd March the PSE website updated the Real Estate clock to 12.30 pm. If you look at the website from a desk top computer and hover your arrow over the numbers, boxes pop up with further explanation of the cycle indicators. The cycle has now moved into the outer part of the clock, starting with *"the land boom..."*



2 Robert Field, Australian Finance Broker.

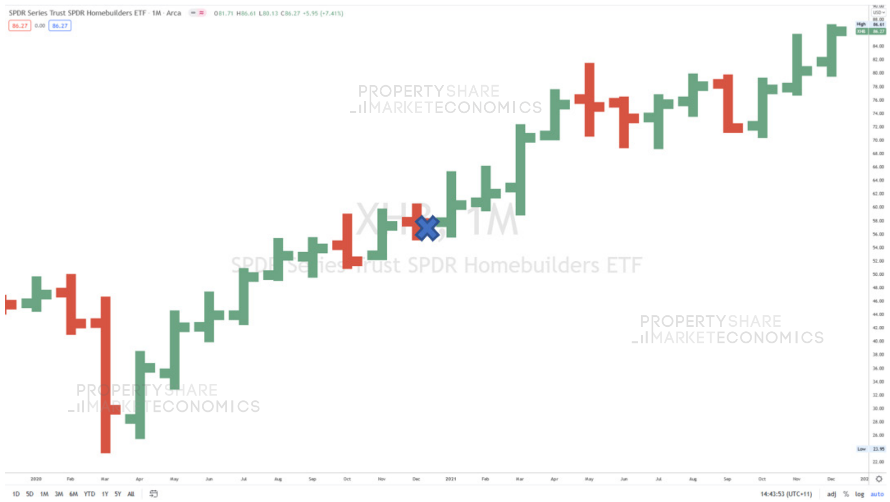
Our main cycle is the 18.6 year real estate cycle. Real Estate because US land values are the leading indicator of the broader economy. We have said all along that land values, in at least the western countries, would continue to see upward movements even through this mid cycle period.

Below I have 3 charts of property Exchange Traded Funds (ETFs) showing their upward trajectory since the March 2020 panic. I have used ETFs as a proxy for land values and indicated the 2021 year start.

UK Property IUKP ETF:

Australian Property VAP REIT ETF:

US Property ETF, XHB – Homebuilders ETF. As can be seen below, the US is leading the way.



To help you understand the power of Phil and Akhil's work, during the year we prepared an analysis of the 2016 – 2020 forecasts and how prescient some of the calls they have made.

Phil and Akhil don't tend to shout from the rooftops with bells on like some other forecasters. They are humble and one could say understated. It's why it was important to help you understand, as you are a current PSE member, what is possible for you, using these forecasts.

As I write this, just a day or so ago it was reported that Julian Assange, the Wiki-Leaks founder, is closer to being extradited from London to the US.

In email update #12 Phil reminds us that in 2006 and 2007 how Wiki-leaks revealed the extent to which some banks had gone to ensure their bad loan positions were **not being made public at the time**.

Phil goes on to reiterate that as we proceed into 2026, the information you really will need to hear will likely be actively suppressed.

Akhil then outlines his succinct **Markers of the unfolding real estate cycle** in this brilliant email update here.

For those of you interested in the stock market, Phil brings our attention to 'seasonal dates' as a representation of 'time' resistance levels.

And his discussion around 'overbalance' in relation to the May seasonal date and whether it was indeed the top for the year.

As we know, in hindsight, it was a top for some indexes but not for the DJI or Nasdaq. A look at the heavy weight of technology and *mega caps* in these indexes gives a clue as to why. More on this in the 2022 Road Map.

Two stand out updates from Akhil was his mid-year Road map update and a great piece on Central banks.

Noting their dilemma:

Withdrawing stimulus too slowly risks inflating real estate further… pulling back too hard risks unsettling markets and sending property prices lower, threatening the economy recovery from the Covid-19 pandemic.

So how do you make sense of something that's nonsensical?

Read this update and it will help you.

Our September update outlined the forecasted volatility relating to the 240 month anniversary of the US 9/11 attack. Not only volatility in the markets but also volatility relating to China. And the market action around the seasonal date of September 21.

One last thing Akhil reiterates, and Phil did back in his February update is *'don't fight the fed'*. They refer us to a great read called "it was a very good year" from Martin Fridson.

And remember how the world was heading into a collapse because of the Evergrande property development collapse in China?

No, not many people do. That's because it again was a 'media beat up'.

Akhil's October update articulates this succinctly.

Whither inflation?

Much of the talk this year, following the summer re-openings and the huge stimulus that governments around the world have put in place is about inflation. There is presently much concern about whether it is transitory (to use the Fed Chairman's words) or permanent.

Akhil's November update provides all you need to know about the big picture of inflation and the nearer term outlook.

Applying this information

This year we published a number of pieces to help you take advantage of this information.

First of all, [3]*The Book of Cycles*. It's where we've combined the 5 cycles we study and research into one chart, along with the forecasts for you.

We also published the Grand Cycle Investment Action Plan. This provides a suggested investment strategy through each phase of the full 18.6 year cycle.

We also devoted several updates to telling you how to take advantage of the second half of the cycle – the land boom – through the stock market, specifically using REITs.

Here is a handy introduction to Real Estate Investment Trusts (REITs).

We also developed a REIT watchlist.

This watchlist is designed for a longer term investment strategy this half of the cycle.

Below I've picked out three from the list. You can check out the charts yourself. But already they have demonstrated to be a quality stock pick.

- **Charter Hall Group, ASX**. At the time of writing this report, this REIT had decisively broken through the watch price of $19.80.
- **AEW REIT UK, LSE**. This REIT broke through the watch price of 109p and has since used that price as support.
- **ROIC, Retail Opportunity, NASDAQ**. Note the watch price is US$19. A current resistance level.

In due course we will also look at promising stocks in other sectors that should do well during the second half of the cycle (e.g. companies providing finance for real estate transactions, infrastructure, construction, housebuilding and the rest).

Do you love charts, data and analysis?

Then if you haven't checked out the PSE Indicators page now is the time.

3 For future reference this is where the Book of Cycles is housed on the PSE website.

Most indicators are bespoke to PSE and all exclusively available to PSE Members.

- Bubble Index
- Bliss Index
- Yield Curve
- Land Value
- Margin Lending
- Tax and Mortgage Freedom Day
- Art Sales & Luxury Goods
- Rule of 20
- Yield Gap

And I provide an update on US Indicators here. These include the Real Estate Investment Trusts, property values and one of the housing sentiment indexes for homebuilders.

I also follow three US construction companies and found some interesting timing and possible final end of cycle levels these stocks may achieve.

Finally, if you enjoy listening to Phil and Akhil they recorded a number of interviews, chats and the Meet and Greet session in the UK. Here's the links:

- Meet and Greet (do note there is a small fee to access the recordings of the day)
- Phil and Akhil chat
- A selection of podcasts

And there we have it. We've come to the end of 2021.

Do take some time to have a look at the reports, updates and research we've prepared for you.

And if you have any questions or suggestions, for the service in general, we encourage you to email in here.

Thank you sincerely again for being part of the PSE Membership for 2021.

And we look forward to preparing more prescient and informative forecasts and updates for you in 2022.

On behalf of the entire PSE Team we wish you and yours all the very best during this holiday season.

Best wishes,

Cathryn Stacey
And your *Property Sharemarket Economics* team.

Your Property Share Market Economics team is active on social media. Join us there to keep up with all the latest 18.6-year real estate cycle developments.