# The correction we were waiting for...

The US markets finally got the correction we have been expecting, based on the good employment numbers and hence, the interpretation that these bullish employment signs will lead to wage inflation and rising interest rates. Dow Jones was down 666 points on Friday night alone.

The interest rate rise will no doubt be true in due course but the interest rates are still very low. The market will absorb these rate increases, and continue their bullish upside, if not on Monday in the USA.

The correction may very well over shoot in the short term with assistance from professionals shorting the market and margin calls, creating buying opportunities. So if you have been watching any specific stocks, now may be the time to consider an entry if our market overshoots.

I do not expect our market to respond as savagely, as our market has not risen to the same extent as the USA market, but we will never the less have a healthy correction.

The Dow chart below shows you the US market pull back over the last 4 trading days, which could easily go lower.

Our ASX 200, below chart, was starting to look like breaking upwards but could now pull back to 6000 or lower in the short term.


**As always in the markets............** Good News is bad news and Bad News is good news. In this case global markets are improving, confidence is returning, and bullish good news in the USA spells bad news for an interest rate rise in due course. Yet everyone has known this for a long time. The recent large tax cut for Corporations and individuals in the USA has generated unexpected $1,000-$3,000 bonuses and/or increased wages to employees across America, including increases to US GDP, is adding further confidence across the board.

Comex Gold sold off some $11 to US$1,337 as I write, with however a commensurate reduction in the A$ to 79c.  Australian Gold price is around A$1,685 per ounce still allowing very good margins for Australian producers.

Gold continues its volatile life style driven by Bond Interest rate yields and the US$, which determines the future profitability of companies earnings and the cost to hold Gold, which does not generate an income. Inflation is Gold's friend and until interest rates rise to an unacceptable level for the Stock Markets and Property Markets to deal with, Gold will continue to be a great asset. Gold will strengthen while North Korea, China, Russia and Iran continue to test their Ideology and Strength and against the World.

China, India, Russia and other countries continue to buy Gold for the very same reason normal investors should also own Gold or Gold stocks.

The Chinese New Year of the Dog starting on 16th February, continuing for 1 to 3 weeks, may very well have a muted effect on gold and other commodities being bought during this period as hundreds of millions of Chinese travel around China and the World to catch up with family, exchanging red envelopes with cash in them. Not in India, their currency exchange and an unchanged precious metals import tax has driven a new surge in their buying for their annual Gem and Jewelry Export Promotion in Mumbai.

There are some stocks in the Mining Services area that were starting to look good as Australia's exploration and mining improve, such as Ausdrill (ASL), and any pull back in this stock is probably worth an entry size investment.

The banks were showing signs of pushing upwards and breaking through the moving averages, bank followers who are not concerned about Royal Commissions etc should look for entry levels on any pullback. CBA goes ex Dividend this month and the others in May

Wesfarmers another old favorite is due for a dividend this month and is trading on 17 times past earnings, paying the equivalent of 5% yield plus franking credits.  It is also looking good on the charts and is showing signs of a break upwards, so any pull back is a buy. Although it has made some profit downgrade comments which would could add to the buying opportunity when compounded with our pull back.

Ramsay Healthcare is also showing signs of breaking upwards. It only distributes about 55% of earnings and the yield is therefore low at 2% but is also due for a dividend in March.

Soul Pattinson is worth a watch and has a back to back shareholding with Brickworks. Pays an ever increasing dividend around 3% fully franked and only distributes about 40% of its earnings, hence the low yield. Is due for a dividend in April and is breaking upwards on the charts.

There are others across the sectors but it will be Cherry picking time.

Be controlled and keep the bigger picture in mind if the correction is overdone.



## AS ALWAYS: