



Justin A. Urquhart Stewart

Justin is one of the most recognisable and trusted market commentators on television, radio, and in the press. Originally trained as a lawyer, he has observed the retail market industry for 20 years whilst at Barclays Stockbrokers and developed a unique understanding of the market's roles and benefits for the private investor.

Cocking a CNOOC?

At the time of writing this, the BP gusher appears to have been capped. If true and sustained, then in Churchillian terms this is "Not the end. It is not even the beginning of the end. But it is perhaps, the end of the beginning", because this is just the stopping of the core damage and nowhere near the stopping of the financial damage. It seems almost inevitable that the BP we know today won't be the same BP this time next year. From where we are and what we know today, BP is unlikely to go bust, unless this 'spill' becomes an unstoppable flow. However, it would seem to be far more likely that they will wish to demerge certain key assets before populist politicians seeking retribution decide to take precipitative action.

It is quite possible that BP thus seeks to find the best value way of finding new partners for its US operations or even selling it off altogether. At the moment names like ExxonMobil and Apache have been in the frame, however a more controversial but probably more valuable move would be to bring in the acquisitive Chinese oil giant CNOOC. Now would this cause a ripple of nerves amongst the political pigeons in the US if domestic oil fields could be transferred to another foreigner? As a 'strategic asset' would the US authorities block it as they previously did with the proposed CNOOC takeover of UnoCal the Californian based oil company? Yes, probably.

However, of course there would be a difference here as of course BP is a British registered company and thus what interference would be allowed? Nevertheless, given the previous somewhat predatory moves by US authorities into the corporate world, then this has to be quite a serious risk. In the core of the capitalist empire, direct state interference seems to be coming more acceptable.

So what can we see for the rest of the year – well for the global economy it can be best summed up as a 'growth deceleration' – still growing generally but at a lower level. From a level of 4.8% in the first half, this will likely pull back to a still respectable 3.8% in the second half. So yes a dip and a double dip, but not a recession. However, for many of the Western nations, it still looks like showing signs of being more of a slow grinding recovery but with the air and atmosphere of a depression.

The economic figures that are coming out of the US elsewhere and most recently in China last week seem to be pointing to a slow down but as yet to nothing worse. There have been some doom mongers that are predicting a dramatic crash in the People's Republic, but that is to not understand the nature of such a vast nation and the innate momentum of developing nations. Anything below 7% will feel like a recession in any case and a slowdown from their current racing pace to something slower is necessary to avoid bubbles bursting and is to be expected.

Goldman Sachs have been researching this area and comparing it with other historical 'slowdowns that are not recessions'. They have come to the conclusion that in most cases, not unsurprisingly, markets discount such fragile recoveries and slowdowns, and that in looking through the period of economic slowdown, enable equity prices to rise.

However, they cite three areas that could be the 'this time it's different' excuses. Firstly the exceptional financial and housing crises that have so eroded both economic and market confidence. Secondly the effect of governments' policies in terms of monetary policy - in that if they are all contracting too quickly, this will suck out financial strength and demand. And thirdly the degree to which the Chinese economy is actually slowing down.

As the months go by, whilst these issues may not be actually resolved they are being actioned and managed, and thus it would be their conjecture that markets have been 'tracking at the lower end of historical outcomes'. This then would be supportive for markets for the second half and provide greater confidence for a marginally overweight position in global equities.

How good to see the return of that delightful old City term of 'cold shouldering'. This rarely used phrase has all the resonance of school and 'being sent to Coventry'. However of course, it is there to act as a 'Mark of Cain' on unscrupulous City practitioners and basically says that you are not to be trusted.

The Takeover Panel first used this term in the 1970's as a method of informal punishment for an individual for not obeying the City's codes of gentlemanly conduct. Since then it has become a formal sanction but one which can prove very effective in a business community – it hurts far more than a fine – it's your reputation and your pride that are damaged. The fine may just hurt you; the sanction makes you an outcast and will quite rightly kill your City career.

However, with the anticipated changes to other regulatory bodies coming through, it is possible that other more effective forms of discipline might be introduced such as the 'knee in the groin' for insider trading and a good old fashioned 'head butt' for mis-selling. White collar crimes getting some black eyed discipline at last?

And finally..... Workmen painting white lines on a road left a gap for a dead badger because they said it was not their responsibility to move it.

The animal had been killed about a week before on the A338 near Downton, on the Hampshire-Wiltshire border.

Hampshire County Council said the workers did what they thought "was best" because it is the district council's job to remove carcasses.

The badger has now been removed and the painting will be completed on Friday.

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Perhaps I could achieve the same with the yellow lines outside my house. Any other road kill available?

Have a good week.

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