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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.

Learning to Sell Austerity

We all know the bad news is coming. The budget of 22nd of June is unlikely to be pleasant either reading or listening for any of us. However the new government has for the moment the brief period before the halo of honeymoon popularity fades all too quickly. Already, apart from the backfiring joke from the previous 1st Secretary of the Treasury that there was no cash left, the blame is inevitably being cast at the previous lot. Well that is to be expected and is understandable, but merely blaming someone else is not going to solve the problem.

Now is the time for some forceful leadership to inspire the nation. The coalition government will soon learn that public memories are short and that the deficit is now their problem, their responsibility and they will be loaded with the blame.

Time for some effective imagination and even marketing of what has to be the worst product you can think of – paying back the debt. There is an interesting model that we can see in Canada where in a previous financial disaster they chose mostly to cut costs rather than raise taxes, but these very unpopular measures were on the whole accepted by the people as being a necessary evil that they should all bear for that time.

So, some marketing ideas for the Era of Austerity?

- We don't have to have a War Bond, but an 'Austerity Bond' to pull in public savings for the national debt. A bit cheesy maybe and also its size would be a mere nibble out of the truckle of debt, but that is not the real point. The effect of marketing to all to help save the country passes a strong message out of the importance and urgency of the problem and the need for the country to pull together. Such a bond could have some additional features of a tax bonus in five and ten years especially if transferred into a pension or long term savings vehicle.
- A Refundable Time Tax - A payment according to wealth and/or income for a limited period of years of, say, a 3 or 5 year period, with an automatic enshrined end date and even a potential claw back. Although a tax, it would thus have a clause for a gradual repayment maybe by way of increased allowances in the years after the 'age of austerity'. Again this could be enhanced if put into a pension or tax wrapper.
- Communication - Clear measurement of the target amount – in numbers and graphics – to clearly get the message across and thereafter a clear message on the progress to date. Yes again a bit corny and potentially seen as no more than the ubiquitous 'church thermometer', but a clear way of not only showing the problem but more importantly showing the country the progress being made.

The message of pulling together and motivation to all participate is not an easy one – but for a new government relying on goodwill and others' blame will soon land them in trouble.

Last week the world seemed to get a bit more scary. From Mrs Merkel's internationally castigated moves against 'naked short selling' which worried the markets (without necessarily taking into account her domestic issues and audience), to worries over the LIBOR spreads as well as headlines of the imminent demise of the Euro, all these acted to scare investors away. Certainly there have been some nasty jolts as recent peaks have been knocked off certain equity markets, but have the Euro fears really been enough to stop the economic global recovery or even become reason of further global economic contagion? The answer is - unlikely. For example, 70% of the Eurozone economy is made up of just 3 countries – France, Germany and Italy, and unless we are anticipating their economies being derailed then much of the Euro fear may well have been overdone.

Is there a need for reform? Of course - and this may well be the trigger for such moves. Could some weaker countries adjust to an internal 'Euro-Lite' with a domestic 'Lewes Pound' until they are more stable? Possibly. But none of these issues mean the end of the currency.

The panic over the Euro's value and the shouting headlines seem at odds with reality as we are merely seeing a return to a level of some four years ago before the period of significant US\$ weakness, and frankly a weaker Euro will be a welcome boon to the German exporters.

So as ever following the line that you sell when others are complacent and buy when others are fearful, I would urge you to look at the strengths and opportunities in certain Eurozone nations. Take for example all those apparently dull old German industrial infrastructure giants – Siemens, BASF etc. These often ignored beasts are the strength of the German economy in exporting high calibre and value goods to the rest of the world and especially in the field of power generation and infrastructure building.

For investors wishing to invest in Germany's leading companies there is the iShares DAX ETF, which covers the largest 30 listed companies in Germany or the db x-trackers DJ STOXX 600 Industrial Goods ETF which invests in the leading European industrial companies throughout Europe, including many of the exporters mentioned above as well as leading exporters like ABB, the Swiss/Swedish heavy engineer and Zodiac of France, the aerospace company. As always, it's the broad and global diversification in a portfolio that is so important and that is what we focus on here at 7IM. It just shows that even in nervous markets you can identify value, especially when others are looking the opposite direction.

This week watch out for the UK GDP figures on Tuesday which will give the new administration some idea as to how our economy is growing or slipping back. On the same day the US consumer confidence data will be available and hopefully negate some of last week's more negative views. Another figure some may not be familiar with is the US Case/Shiller housing data. The housing figures gave us the first sign of the problems that occurred – these figures may show us whether the underlying issue of US housing valuations are slowly improving.

Also look out on Thursday for the US GDP numbers and the well respected University of Michigan confidence figures on Friday.

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And finally..... Are you fed up with vending machines which just give you the usual dull choice of warm drinks and stale chocolate bars? Well here is a new alternative that could really brighten up your time hanging around in railway stations.

An Abu Dhabi hotel is offering guests the chance to change their cash into gold using a vending machine that dispenses 24-carat bars and custom-engraved coins.

"The function of the machine is quite easy," German entrepreneur Thomas Geissler said of his "Gold to Go" machine, which currently takes cash only. "You put cash in -- or later on credit cards -- and you take your gold out."



Ex Oriente Lux / AP

Installed recently, the ATM-style machine is open for business at the Emirates Palace Hotel. Every 10 minutes, the machine updates its prices to reflect the changing value of gold - currently more than \$1,230 per ounce, and dispenses small gold bars weighing up to 10 grams each.

A marvellous idea but one that might have certain security drawbacks in the shadier areas of Waterloo station. Still the idea of getting a small gold bar out in the evening to stroke or comfort you all the way home could really cheer you up on a miserable November evening.

Have good week.

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