



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.

Butcher or Surgeon – and how much collateral damage?

It's obviously still too early to say whether Osborne's budget has been a success or not, and sadly of course we will never know until its effects are well under way. As certain highly respected commentators have mentioned, cutting too deep into the economic body could injure some vital organs and cause further unintended damage, but too little and firm confidence in the control of the economy will ebb away. However, whatever your view, politically he really had no choice but to get as much of the dire news out of the way as swiftly as possible, even if the effects are for most still illusory. Be assured that 25% cuts in departmental budgets will be very significant and quite considerable job losses are inevitable, not just within the state sector itself but also in those closely related private sector areas as well. This will stretch from the local newspaper and sweetie shop through to the ubiquitous consultants that seem to pepper our civil service. This will be our economic collateral damage.

Of course there are a range of ring-fenced areas which are apparently sacrosanct, but I don't think they should be too complacent – fences have knot holes. Whether Education or NHS, both will find that they come under greater pressure - especially from the vague and ill defined term 'front line services'.

Of course much has been left to other committees and quangos to report back. These are a very helpful device to delay any announcement and to blame someone else – especially if they are led by a well known member of the Opposition who may have held some middling ministerial rank – a good wheeze that one.

But just in case we should forget – the debt continues to rise and the most recent calculation is that it is growing at a rate of £5,000 per second. This is from the 'national debt clock' on the website www.debtbombshell.com, which rather graphically shows the current total debt (as of the time of writing Friday 25th June) is an eye watering £914,352,000,000.00. They also say the interest paid for 2010 will be in the region of £42.9 billion - which translates as a mere £117,534,246.58 per day in interest. I will cover the 58p.

Yes we must learn to live within our means. Will it succeed? The answer is probably yes, albeit with some considerable collateral damage. However, there is also that wonderful British mitigating item which the boy Chancellor and his red headed partner the Beaker look-alike, will be secretly banking on – a bit of old fashioned British inflation. It knocked billions off for John Major, and was probably the most significant contributor to that regime's recovery from their 8% deficit. Obviously we have a far larger amount to address but nonetheless it could have similar effects this time, even at levels of inflation at 3.5%.

Meanwhile the G20 group of nations is meeting in Toronto as I write. I hope by the time you read this that this essential meeting has come to a constructive conclusion. However, what I suspect will come out will be the differences between the Obama administration continuing to argue for further economic stimulation to ensure that the recovery does not fizzle out, as opposed to the likes of the Germans and British focusing on deficit cutting and debt reduction.

If there is one key focus to look for, it is any mention of the G20's commitment not to raise trade barriers through to 2013 – we don't want to see any repeat of the old US Smoot Hawley Act in 1930 which condemned the world to falling trade as a result of trade barriers.

And finally..... Sacramento, California. The California Legislature is considering a bill that would allow the state to begin researching the use of electronic license plates for vehicles. The move is intended as a money maker for a state facing a \$19 billion deficit.

The device would mimic a standard license plate when the vehicle is in motion but would switch to digital ads or other messages when it is stopped for more than four seconds, whether in traffic or at a red light. The license plate number would remain visible at all times in some section of the screen.

In emergencies, the plates could be used to broadcast Amber Alerts or traffic information.

It is envisioned the license plates could not only be just another advertising venue, but also as a way to display personalised messages - broadcasting the driver's allegiance to a sports team, for example. Or presumably just for sending offensive messages to the car behind?

Have a good week.

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