JUSTIN'S COMMENTARY

SEVEN Investment Management

Justin Urquhart Stewart 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 30 years whilst in corporate banking and stockbroking, and has developed a unique understanding of the market's roles and benefits for the private investor.

AND THE WINNER WAS… (and Hitler's Ball)

Now everything can change before the end of the year, but we can certainly see the main patterns as to what has happened to stock market indices around the globe. When the year began it was, of course, all doom and gloom for anything to do with the Eurozone. From failing economies to a real fear that the Euro might see its first departure with the Greek drama, the Eurozone was a place that few thought was going to be an attractive area for investment. Yet twelve months later some of the most unlikely Eurozone countries saw double digit returns on their national indices. Portugal, Ireland and Italy, all founder members of the PIGS acronym (which put together the economic basket cases of the Eurozone - the others being Spain and Greece) saw positive returns, with Ireland returning a spanking 32%.

Meanwhile the leading Eurozone markets of Germany and France both saw very creditable returns of around 7%. This highlighted that vital change in sentiment from a year ago when the Euro economic block was seen by many as being mired in the 'Slough of Despond' when in fact a recovery was already underway.

However, just compare that with our own FTSE100 which (at the time of writing) has lost 7.5% for the year to date. This sadly reflects the makeup of this very global index which has a significant preponderance of commodity related stocks from mining to oil, which of course have been very heavily hit by the falling commodity prices. Look a little beyond this though to the FTSE250 and we can see a better performance here at +6.6%, not because it is especially British, but because it has far less commodity weighting in it.

As for America, well in Dollar terms it has been a pretty lacklustre time with a loss of 3% on the Dow Jones and -1.8% on the S&P500. However for UK investors, this would have been a little better as the Dollar strengthened against the Pound. Elsewhere in the Americas one could have got very excited about a 38% return in Argentina, until that is you translated that away from the Argentinian Peso into any other currency, thus reflecting the weakness of that economy and its currency.

Looking further East we can see that the somewhat erratic Chinese indices have provided positive if somewhat frightening returns as the Shanghai A shares index shot up like a rocket and came down like a stick but still managed to give one of the best global returns at 13%. However, this is still a somewhat false market with stocks often controlled by the state, very opaque accounting and investors who seem better suited to a gambling den or an afternoon horse racing in Happy Valley.

Elsewhere in Asia, Japan was still positive at around 8% but many of the other regional markets are still suffering from the nerves that ran through the market in the third quarter of 2015. Having said that, these declines have been more due to fears about Dollar strength, than genuine company weakness; Korean companies increased earnings by 24% this year!

So what can we make of this fading year? Well as ever the clear rule of diversification across the world is vital, as well as not necessarily accepting the 'received and given' view, as things can change very quickly. Also 2015 underlined the need for currency management as well. Good returns can often be obliterated by currency swings which can be far more erratic than stocks.

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This, of course, has just been the equity markets, and we should not forget the other asset classes which make up a well balanced portfolio. From bonds to commodities, from property to private equity, all have their place in a well-structured portfolio. We will have to look at these other asset classes another time and not just before Christmas.

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And finally...time now for a very special Christmas Ball. A Ball that we can all sing to, and a Ball which we will probably all agree, was probably one too many.

Apparently a medical document has turned up that purports to show that Adolf Hitler did indeed only have one testicle. Recent reports in the German media have suggested there is some truth after all to a popular British song that says the dictator had "only got one ball".

There has long been speculation that Hitler was missing one testicle, with rumours circulating that he lost it during the Battle of the Somme in the First World War. Easily done in all that mud.

However, a medical record has appeared from the time when Hitler was detained in the Landsberg Prison after the failed Munich Beer Hall Putsch in 1923. It shows he suffered from "right-side cryptorchidism" - a condition where a testicle fails to descend into the scrotum - apparently.

The doctor's notes were thought to have been missing for years, but reappeared at an auction in 2010, at which point they were seized by the authorities. "The experienced medical officer immediately recognized the condition!" quoted historian Peter Fleischmann, who has studied the record.

The next vital question to be answered is whether the other one is actually in the Albert Hall, and of course we don't have to concern ourselves with Herr Goebbels.

I hope you have a wonderful Christmas and here is to a prosperous New Year for us all.

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