

# 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.



## WHAT HAPPENS WHEN THE RATES RISE IN THE US?

### So when will rates rise?

Ms Yellen is going to be in no rush. As I mentioned last week, Janet had decided to ditch patience as a descriptive term, but her equally cosy and cuddly terms have still meant that she is not going to be bullied or rushed into forcing a rate move. The market last week had pencilled in June as a probable date but even since those few days it would seem that it has already slipped back to September.

One of the areas of concern that gets less coverage is not just the effect on the US economy but rather those other nations around the world with borrowings denominated in US\$. Now these have already been affected by the rising Dollar especially against many weaker emerging market currencies and further pressure with a rate rise will only exacerbate this. Some may recall the debts of the South American countries in the 1980's where American bankers had been going south with bags full of \$ lending packages, only to see them turn toxic as the lending currency soared and the domestic ones failed. Such a crisis brought another banking problem for the UK when it turned out that the wonderfully dull British bank, the Midland, had got itself into huge difficulties after going on an American adventure and buying the less than reliable Crocker Bank in California. It was these South American failed loans that broke that bank and eventually led to the rescue of the once respected Midland by HSBC. You may recall it was the Midland that introduced the very successful First Direct Bank, but sadly got few of the plaudits as it failed.

So may we be seeing the same with the US rate rise? Well one would like to think that this has already been well telegraphed, but won't stop some of the borrowing nations getting into difficulties - especially if they are amongst the weaker commodity exporting nations that are currently suffering from low demand and lower prices.

(Simon Jack presenter of the BBC Radio 4 Today programme business section beautifully described the comments and actions of the Fed as "moonwalking" her way through interest rate policy - in that she is seemingly still moving forward and closer to putting up rates whilst still going backwards, first to June and now maybe September. Michael Jackson lives - well at least in the mind of the Fed.)

As for those with oil as an export, they will be looking with some hopeful relief to the twitch and price rise in crude oil as the Saudis announced their military action against Shia forces in Yemen. What that indicated is still how sensitive the price is to geopolitical actions. This lower price has been disastrous for some of the more obvious producers, but it was interesting to see how swiftly the effect had whipped through the economy of Aberdeen as confidence levels have led to, not just job cuts, but a withdrawal of certain investment plans. From boom to gloom, these economies are going to have to learn to live with a thinner, coarser cloth than before.

### Election - Starter's orders. Any facts?

Well of course it has already started, but the childish catcalling and mudslinging I find very tedious. What I do and try and hang onto though are the occasional facts flying by so that I can get some idea of what is really happening. I loved the figure that Andrew Neil, at a Spectator event we sponsored last week, came out with. He has seen that the SNP had put in their budgets the potential for several generous millions of North Sea revenue to finance their

somewhat ambitious plans, when in fact the Treasury had come out with a figure closer to a mere £700,000. Economic planning of that type surely will bankrupt the nation. So we must watch for these outlandish claims.

The two figures I can attest to though are the number of new companies setting up last year; over 500,000, which has been an astonishing change from, say, two decades ago, and also the numbers of new jobs being created. Of course a good proportion of the new companies are single person lifestyle businesses and others are consultancies (unemployed bankers) but actually a good number are growing valuable SMEs which, despite a high mortality rate, still lead to a good number of vibrant operations building for the future and adding to our GDP.

The other area of jobs has also been remarkable. The worry five years ago was that many would get washed out of the public sector and there wouldn't be enough jobs in the private sector to soak them up. Well the figures for 2010 show strongly to the contrary. It would seem that as the public sector shrank by 900,000 jobs, the private sector added 2.5 million jobs. Take this a little further and then look at the total employment picture and you will find that there are now 30.9 million in work, which is a record number for the UK. Apparently that is an employment ratio of 73.3% - the highest in our history.

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**And finally...**fed up waiting for the AA or RAC? Now what you need is an elephant to come and help you out - or even a couple of them.



When an 18-wheeler truck became stranded by the side of a Louisiana road, two elephants inside came to the rescue. Sheriff's deputies in Natchitoches Parish received a call about a stuck truck. Upon arriving on the scene, they saw two elephants preventing the vehicle from overturning.

The truck's driver, also an elephant trainer, walked the elephants out of the cargo compartment and directed them to help prop up the vehicle. Leaning side-by-side, the elephants pushed with their weight against the truck, the sheriff's photos showed.

The truck was carrying three elephants from Florida. After a stop in New Orleans, they were on their way to a circus near Dallas.

After summoning aid to right the truck, the driver walked the elephants back onto the truck, using spoken commands, Moran said. The elephants were unharmed and continued on their way.

Well as I can't get even one elephant in my Morris Traveller this is of little benefit to me.

Have a good week.

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