

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.



GIVING IT ALL AWAY! HOW ABOUT MAKING IT!

Now I must remain politically neutral (apparently) but it is not difficult to pick out a consistent theme amongst most of the political leaders and that, of course, has been their spending plans. Frankly that is the easy stuff. Even I could come up with a list of things to spend money on, but I wouldn't dare call myself any form of political influencer. Looking at last week's panel session of the opposition leaders, I couldn't find any comment about actually how the wealth that was being handed out with such largesse, was actually going to be created.

It seems that most politicians seem to believe in the magic money tree that will provide the everlasting fruit of wealth forever and a day. As we know there isn't one and anything that is created is on the back of hard work carried out by the workers, of all levels of ownership and employment, in creating goods, services and assets of all types and making sure they are sold around the world.

Promises of giveaways and incentives are just electoral bribes no matter how they are dressed up, and I am afraid just goes to show the lack of proper business and work experience that most of our leaders actually have.

So perhaps for the latter stages of the campaign we could hear what is going to be done to encourage the wealth entrepreneurs to carry on their dynamic and vital effect on the UK economy. How about some sensible tax reform around NI and income tax, further business rate reform and of course some clear support for the alternative funding facilities that are fast developing? These not only need some careful regulation to protect the innocent investors from the rogues, but also to make available professional advice and support.

Let's make it before we promise to spend it. There's radical common sense for you!

The Hounslow flash crash

Well for the Hounslow tourist marketing department it has been a hell of a week. Hounslow has of course one of our greatest tourist sites (out of necessity though rather than choice) in the form of Heathrow Airport, but sadly as a town and district its reputation I suspect rarely goes far beyond the boundaries of what we used to call the Home Counties. Now as a result of the astonishing news regarding the Hounslow Flasher (financial, not personal, I should clarify) there is a new notoriety to this dormitory suburb of West London. The revelations and allegations that Mr Sarao may have caused the flash crash of 2010 has all the content of a financial episode of EastEnders without the loan enforcers.

The story will slowly unfold as we hear more of the facts come out, but to me the most concerning issue is not that the capitalist investment system was seen as being so fragile, but rather that its fragility was shown up not by some corporate incompetence, arrogance and greed, but by an individual trading from his mother's spare room in a semi-detached house in Hounslow. Good heavens it could at least have been an overpriced flat in Canary Wharf! This to me shows that the behemoth elephant of the markets can be so frightened by the mere sting of a flea on its backside. This does not bode well for the security of a financial system which could be so easily shaken. What if it was not one geek in a bedroom but rather organised crime, or even worse, organised terrorists? That is far more concerning than a flash crash which merely dented the egos of the markets. This though, despite the wishes of the good burghers of Hounslow, is unlikely to move the focus of financial trading away from the City and the Wharf, but at least will raise the interest as to actually what goes on behind all those net curtains in all those semis.

A note on the Nikkei

In popular terms it has been the Nikkei 225 index that has been the investment benchmark for Japan. For the industry it has been though the TOPIX Index which has been seen as a more effective measure, as it consists of 1,669 companies. Not only is this far broader but the make-up of the Nikkei, which although reviewed annually, seems to have a far more traditional make up of companies some of which date back to before WW2. This index has had an erratic track record with the average hitting its all-time high on 29 December 1989, during the peak of the Japanese asset price bubble, when it reached an intra-day high of 38,957.44 before closing at 38,915.87, having grown six fold during the decade. Subsequently it lost nearly all these gains, closing at 7,054.98 on March 10, 2009 - 81.9% below its peak twenty years earlier.

We are still nowhere near that peak yet but at least we can celebrate the fact that the Index has finally regained the 20,000 mark, which we haven't seen since March 2000.

Shopping News - for those planning some summer shopping this year - well whilst much of Asia seems very happy to rush to Bicester Shopping Outlet Village, in fact the cheapest place in Asia has just been announced as Malaysia where the Ringgit has fallen by 20% against the US\$ this year. The survey covered some basic items from accommodation to entertainment in centres like Singapore, Tokyo and Hong Kong, but it was Kuala Lumpur that came out at providing a 20% improvement in value for visitors. Beats Bicester anytime.

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And finally... Now here is a new business which would really benefit many of those trendy eco houses covered in grass roofs which are difficult to properly manage - a Goat Power company.

There was a delightful report in Reuters describing a herd of goats that lay basking in the sun, taking a nap break from their 24-hour job of chowing down on invasive plants and weeds. However here they were, behind a fence, on a warm April day not in Greece or Turkey but at Portland International airport, Oregon.

Soon though, the 40 Spanish and Kiko breed goats were busy back at work, using their hooves to hold down blackberry brambles and their nimble lips and sharp back teeth to cut away unwanted foliage. The airport took on the goats, watched over by a shepherdess and a protective brown llama named Monty, to clear a large patch of overgrown land just outside the airfield that is inaccessible to mowers.

The goats, owned by Portland company, the Goat Power LLC, are accustomed to travelling all over Oregon to clear weeds from vineyards, schools and private yards.

"This is our first airport," said shepherdess Briana Murphy as some of the goats, with names such as Moon and Chili, nuzzled her leg and begged for attention. If they are stuck at home eating hay, "they get really annoyed," she added. "They actually really like working."

The goats were scared of the planes at first, she said, but within days became used to the noise, hardly blinking when an F-15 fighter jet thundered overhead. They will apparently spend three weeks at the airport and clear 5 acres (2 hectares) of land - no tea breaks, no fuel, and no pay - just an occasional bask in the sun - easier than mowers and workers!

Additionally while they work, there is Monty the llama that keeps a watchful eye out for predators, ready to call out an alarm and able to kill a coyote with one kick.

Have a good week.

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P.S. Also, Happy Birthday to the eternal City - Rome - 2,768 last Tuesday.