

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.



If you know the News, you probably saw that there was No News.

This past month should be remembered by all of us as a classic example of no new news driving the daily news - well at least in the financial world anyway. If I look back over my past few talks and my scribbles for the last six months, it's very clear to see that there are some fairly fundamental themes running along, all of which seem to take it in turns to grab a headline every so often.

So we have the Euro fears from a Greek potential exit, to the very future of the currency itself. Then alongside that the Euro zone economies, the worries about US interest rate rises and of course the ever running story of China's economic slowdown. I am sure you can add several others quite easily from Ukraine to ISIS and the oil price. So what was fascinating about the sudden bout of market fears in August was that there was no new news! Everything that suddenly became an excuse for fear and panic was everything that we knew the month before.

To this you can also add a certain laziness of reporting as the standard mantras of economic givens and measurements are trotted out again. My colleague Chris Darbyshire pointed to a lovely statistic that was grabbing the headlines, in that China's demand for oil had fallen by 43%, and thus here was a clear indicator of the slowdown in the Chinese economy. Ok so now let's strip out the price of the oil and the fact that it is priced in U.S. Dollars, and you get a rather different picture. In fact if you look at the volume demand from China for oil it was in fact up by some 8% - rather a different view from -43%.

To this we can add similar variations in data which shows that iron ore demand was roughly flat and certainly not at the -43% which has been widely quoted. So here we see then some very misleading headlines which allow the media and market commentators to wail and cry that "the end is nigh" and the global economy is seemingly doomed.

Well yes they are right to show that we have had a great bull run in equity markets after the financial crash, and yes post the financial surgery taken by many nations, we are now in a slower, lower world of economic growth. However, that is a long way from economic catastrophe as some have been heralding. Of course if we all turn into such financial zombies then it could become a self-fulfilling truth as the confidence is leached away, but we are nowhere near that for the moment.

What we have seen therefore is not a change in news, but rather something far stronger, and that is a change in sentiment. There was in August no new news of any size and merit, but there was a change in attitude, some would say a realisation that at last, for example, China was slowing down. Had they really not seen that before?

It was that old line that with the news the confidence for the investors was that the glass was half full and therefore positive. Three weeks into August and the same glass, with apparently the same amount of water was now seen as half empty and thus far more negative. That is of course not to mention the unfortunate Chinese private investors who I suspect now feel that their glasses are neither half full, nor empty, but rather somewhat seriously cracked.

So as we start in September (and we haven't had the St Leger Day races yet at Doncaster) the markets are twitchy. However that does not mean that the global economy is stopping and in fact global growth is still running at around 3% which is its long term average. But of course as we all know "global economy running at long term average" is a lousy headline.

Thus as investors we should be prepared for both a meteorological and financial stormy autumn. Why? Because it usually is. In my view this will throw up opportunities to buy assets at an autumn discount. Some are already saying that this is the end of the bull market and that we should be selling on the peaks and not buying on the dips. Well for me if companies are still giving reasonable outlooks, and economies showing relatively positive growth, then why would I not want to own assets which are in the longer term increasing in value and giving a nice steady compounding return.

Therefore listen to the shipping forecast and we can avoid the tempests of Iceland, Forth and Cromarty, and keep ourselves in safer waters. Not a very good analogy, but probably allows me to say that I probably know sweet Rockall.

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And finally...An anchor for Fox News Channel has sued Hasbro Inc for more than \$5 million over the company's sale of a plastic toy hamster that shares her name, and which she says resembles her.

In a complaint filed on Monday, Harris Faulkner, who joined Fox News in 2005, called it "demeaning and insulting" for Hasbro to portray her as a rodent with its Harris Faulkner hamster, and said the toy damages her credibility as a journalist.

Faulkner also said the hamster bears a "physical resemblance" to her through its complexion, eye shape and eye makeup design, and poses a choking hazard to small children.

"Harris Faulkner, the uniquely named, acclaimed veteran journalist and author, has worked for decades to establish and maintain her personal brand and laudable professional reputation," only to suffer "substantial commercial and emotional damages" from Hasbro's conduct, the complaint said.

Hasbro spokeswoman Julie Duffy on Wednesday said the Pawtucket, Rhode Island-based company normally does not discuss litigation.

I seem to remember Roland Rat was the saviour of a British television channel a few years back. Perhaps she should think again.

Have a good week.

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