

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.



NEWS FOR SAGA LOUTS

I was at the ABTA conference this week and I was fascinated to see just how the travel industry is changing. As a rather cynical consumer I was very encouraged to see how much imagination is now being applied to providing a far more tailored range of holiday services. Personally I was particularly enthusiastic that they were targeting those of my age who were referred to as the 'Saga Lout' generation, those in their late fifties and early sixties who were still wanting to behave badly (well only quite badly) whilst still having fun on their holidays. Now don't get me wrong we will not be trashing the place, but equally we are not going to be rolling around in a squeaky wheelchair.

I first heard the term when travelling with some chums on Eurostar and after a long lunch we were in a jolly mood but possibly a bit loud for some - in fact too loud for a young man who even had earphones on, who complained that he could not work as we were making too much noise and were just a bunch of Saga Louts - well if the cap fits! I will wear it with pride.

Meanwhile back at the ABTA conference, it was fascinating to talk with many of the delegates about how they will manage their futures as the digital age is potentially "disintermediating" ('bypassing' in English) them into history. And the answer? Well I was pleased to hear that it was service, and human personal service tailored to the client; avoiding those hideous IVR telephone choice systems, and not using mass market call centres were two areas highlighted. They all agreed that it should be about focusing on being able to offer professional advice and experience for the would-be traveller, tailored to a specific age group. And in the case of the 'Saga Louts', they are a group who are quite capable of using online services but they also want to be able to speak to someone - a cry of frustration goes up from many who are infuriated by geeks telling us that it's all straight forward and just do it all online as it is intuitive. Intuitive - that's rubbish, it's just an excuse to not have any instructions.

So well done ABTA on steering yourselves into this new digital world in a personalised and tailored manner. The travel industry is not just of great value to our economy, but also important to ensure that we all have that vital ingredient for the success of our finances - confidence. After all if we are feeling confident, we will book a bigger and better holiday: and if we have a good holiday we come back with an air of greater confidence to face the rest of the year.

Of course the great growth for this industry is going to be the older baby boomers as they work their way through an increasingly creaky retirement - so they will need us Saga Louts after all.

UK Banks - splitting and ring fencing

There's one thing that is certain, the next financial crisis will not be the same as the last one. However, that should not stop any prudent moves by the appropriately named PRA (Prudential Regulatory Authority) to put in place controls to further strengthen the system to try and prevent any recurrence. Their actions last week in strengthening capital requirement levels were perfectly understandable, but they do have to tread a careful line between discipline and departure. If however, the rules are deemed to be too restrictive then they will act as a disincentive for further investment in UK banks and encourage any new investment to go elsewhere. At the same time we still want to ensure that the new range of challenger banks are allowed and encouraged to bring in new capacity as well as more competition.

With this development, the question of splitting banks' investment banking arms away from the commercial banking areas should also be addressed. The merger of these two quite separate functions should never have been allowed, although I admit there are some areas which could survive in either camp, such as foreign exchange trading. To me history shows us a clear difference between the two and that is primarily a cultural one. One serves its clients primarily; the other serves itself to a greater extent. The Americans passed the Glass Steagall act in 1933 precisely to separate the two activities, after some similar dysfunctional behaviour by the banks of the day. Of course the most recent disasters can be traced back directly to its repeal under President Clinton in 1999, when the head of the Fed, Alan Greenspan said he had been assured by the investment banks that "they would act far more responsibly this time" - and the rest is history, and a painful history at that.

African Infrastructure

Whilst the UK fuffs around with its pathetic infrastructure planning for airports, trains and a woeful lack of power capacity, it's good to see that Ethiopia has just opened 34 km of light railway, funded not unexpectedly by the Chinese, such a development will prove vital in supporting its current annual economic growth rate of over 10%.

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And finally...A man with a soft white beard who prides himself on being an advocate for young children has been elected as a city councilman in North Pole, Alaska. The rosy-cheeked 68-year-old candidate, who happens to be named Santa Claus, won a three-year term in the community of about 2,200 residents.

"My thanks to everyone who voted for me ... and all who supported my campaign," Claus wrote on Facebook. "I'll do my best for all!"

Mr Claus legally changed his name from Thomas Patrick O'Connor about a decade ago while living in Nevada. In an interview with Reuters, Claus said that calling state lawmakers and saying: "This is Santa Claus from the North Pole," either got their attention or a quick, though temporary, rejection."

Have a good week.

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