

JUSTIN'S COMMENTARY

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.



BRITAIN ISN'T SO SHODDY EITHER

Well done Germany; it was a well deserved victory. After humbling Brazil, Germany has yet again shown its footballing prowess; whilst we have to take comfort from our own more exotic sports of cricket, croquet and curling. Now we have to hope that the Germans don't decide to take these up too seriously.

At times like this we seem to shrink to the rear and assume that they (that is anybody else) are better than us at most things and that we are not very good at anything. Of course this is tosh and it annoys me a great deal to have to push back against this negativity as there are many things we excel in, it's just that at present our current sporting prowess seems a little dented. Perhaps the Glasgow Commonwealth Games will turn this around.

Then when it comes to the economic comparisons, again we hear of German superiority in engineering, efficiency and running a decent train network. Well actually most of that I would have to agree with. However, on a broader economic view, it is time to rebut some of these financial clichés. For example take the value of our economies. The German economy is about 30% larger than the UK's, but then again so is its population at 84m as against 64m. Here though we have to then look at some of the data in a different way - not just the value but what you do with it! Or in plain English how much is spent through the economy - income and expenditure per head. When this is looked at, you will find that consistently the UK has been higher than Germany apart from the past couple of years when Germany has been just slightly ahead. This is likely to reverse again this year.

One key difference is of course the power of the British consumer. Generally what we earn we seem to spend, and sometimes too much - as we can see from some of the painful borrowing levels. The Germans also save more, which is a serious failing in the UK and this will be a difficulty for our longer term financial position. Such consumer spending is not seen as a great strength in Germany but the velocity of spending from our consumers has been a key element for our tax take from VAT. The downside is that because so many of our consumer goods are imported, our balance of payments in goods is usually substantially negative. Thus the simplistic answer is to export more and make more ourselves - easier said than done.

The other negative thrown out is that Germany has a great manufacturing base and we are just a service dominated economy. Yes this is true, but we should be careful how this is interpreted. The fact is that the UK has never had the manufacturing base of the size of Germany in modern days. We have to go back to 1870 to find any near parity - which of course is the year before Germany was formed (or rather forged together by Bismark). In fact our manufacturing base is growing but it is never going to be close to the German percentage. However, our somewhat maligned service sector is far more dominant. Many of our commentators seem almost to sneer at the very mention of this sector with the sort of implication that it consists mostly of food stackers in Tesco's. The reality is very different and of course there are key areas where we are seen as global leaders - or at least contenders - namely finance, legal and accounting services. This may sound not as dynamic as good old fashioned metal bashing but they are very valuable to our economy and earn us in exports over £55bn each year - significantly greater than Germany.

So congratulations to Germany for winning the World Cup and that is a great record to be proud of, but that is no excuse for us to feel any sense of inferiority, it just that our football may not be up to scratch for the time being.

Odd investment news

I love odd investment stories that shouldn't really surprise me but show the breadth of trade there is in the world. Firstly I see that an Icelandic geothermal company is to commence drilling in Ethiopia, which is anticipated to produce in its first phase over 500 megawatts of electricity in five years. Secondly I see that Latvia has agreed with Mongolia that it can use the Latvian ports for the exports of its goods to the rest of Europe. The fact that Mongolia is landlocked and on the other side of Russia is purely incidental, but nonetheless it will no doubt prove useful for the exports - whatever they might be.

Property prices - there is another country

Last week's house price inflation figures just underlined the yawning chasm of value that now divides London from the rest of the UK. The average annual house figure for the whole country showed a small rise from 9.9% in April to 10.5% in May. This however, is somewhat misleading as it masks the huge variances that have occurred across the nation.

There was of course only one area with double digit growth and which was so strong it effectively skews the national average significantly. With London at 20.1%, it dwarfs even its nearest competitor, the south east of England at 9.6% and with the rest spread within a range from roughly 4% to 8%. However, there was one further outlier and that was sadly to the downside, as we saw Northern Ireland fall by 0.7% which has added to the pain of the property crash which they have suffered primarily due to the banking and property fiasco south of the border. From top to bottom it has seen a collapse of over 60% - a figure which has been devastating for both consumer and business confidence. Although I should add that despite this, I find the entrepreneurial determination in the Province as being a sign of economic dynamism despite the property backdrop, and the feeling is that even this is now beginning to show some signs of recovery albeit at a somewhat moderate level.

However, for the moment we seem to be a nation with another country - London.

A warning from the Headmistress

Ms Yellen, the chair of the Fed, last week warned of "stretched valuations" in social media and bio tech stocks. Now whilst Fed chairpersons haven't always been good investment advisers, they certainly know a few more things than the rest of us. You may recall Alan Greenspan warned of some "irrational exuberance" in markets, but that was in 1996 and there was still another four years to go until he was finally proved right. So Ms Yellen may well be right, but exactly when none of us will know - but we have been warned.

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And finally...so what is the antithesis of gun control? No gun control - or give everyone a gun.

Well somebody has decided to do it! A Colorado restaurant has a little something extra on the menu. The restaurant is called "Shooters" not because it serves shots of alcohol, which it doesn't, but because it encourages everyone - from the waitresses to the customers - to carry guns when they come in.

The waitresses' pistols are "real and they're loaded, and we know what we're doing," says owner Lauren Boebert. The restaurant hosts gun safety classes necessary for customers to get concealed carry permits; dinner is included in the \$75 price.

Police Chief John Dyer says he has "no problem with it. And besides, they make a really good burger." The local sheriff supports it too: "I encourage people to get a concealed handgun permit," said Garfield County Sheriff Lou Vallario. "I think there's this misunderstanding that we can always be there. But I've got about one deputy per 1,000 people. People have the absolute constitutional right to protect themselves."

So just where is this restaurant located? Where else but in the town of Rifle, Colorado.

Have a good week.

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