

# 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.



## **Japanese Tariffs, US Can Kicking Economy & Chinese Banks**

### **Japanese tariffs**

When writing about the frustration of the Japanese premier Abe-san's at being able to implement reforms, I thought it timely to do some more digging. It would seem that he is up against some very intransigent attitudes from anti-reformers in his own party who will be doing their very level best to make life unpleasant for him.

The Trans Pacific Partnership trade deal has been designed to lower trade barriers and to increase trade across that particular ocean. However, for the Japanese establishment, this means addressing some core attitudes which some would seem to regard as interference in the very culture of the nation. The fact that you get politicians referring to certain product areas as 'sacred territory' gives you a hint of what some of the attitudes might be. This sacred list includes rice, wheat, dairy products, sugar, pork and beef - or basically farming! To my astonishment, I have seen figures showing tariff barriers of 700% on some rice into Japan.

The premier has to be careful here. Earlier in the year, he publicly promised to protect the agricultural subsidies, whilst at the same time offering a 92% drop in items covered by tariffs with the US. He seems to be trying to please all parties - which is going to be an interesting trick to complete, and certainly may run into some significant resistance when addressing that protected 'sacred territory'.

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### **US Can Kicking**

Last week, sadly, did not see a resolution to the US Budget issues, but rather merely a delaying tactic to kick the presumably now nearly crushed can even further down Route 66. A default could have been disastrous, but a weak delaying action over the issues for the next few months will achieve little.

In fact it could cause more difficulties. As the days go by, the US political administration will lose even more credibility both domestically and internationally until a clear resolution can be laid out. This will weigh on the US Dollar and certainly not encourage purchasers of US debt. We must watch the yields to see how sensitive they might be.

This also comes at a time when the US recovery, whilst still in place, has been showing signs of strain. The effect of further economic intransigence will only give an excuse for corporates to hold back from investment if they cannot have confidence in the management of the economy. The key word is of course confidence - such lack of clear economic decisions won't help.

Figures regarding the number of mortgage applications and house builders have already been rattled, and remember they have been recovering from a crash, the likes of which they have not seen since the Depression. This has been one of the key areas of encouragement in the recovery - thus seeing these figures rolling over is not a positive sign.

Investment management, asset allocation and currency decisions are likely to be unenthusiastic towards the US until they can start to see some movement in the political intransigence.

### **Chinese visits - learning to trade - new banking - new power capability**

Osborne & Boris have been banging the drum in China for Briton - and quite right too. What is a shame is that we still seem to be so far behind the likes of Germany in a strategy to ensure that we are not just flag waving, but ensuring that we understand what overseas markets want - and then supplying them. Such visits make for good photocalls for the UK press, but are a flash in the pan for China. We need to see a concentrated focus on our export strategy, from demand through to financial execution.

We are still regarded as amongst the world leaders in legal and accounting services and, despite recent events, our financial services industry is still highly regarded for its innovations and standards.

However, the other half of the George & Boris combo was to attract Chinese banks into the UK in greater strength. We must remember that a good proportion of our banking capacity disappeared after the financial cataclysm, and won't be returning any time soon.

The opportunity, therefore, to attract Chinese banks into the UK is to be welcomed - both as new competitors but also as investors. We still need more capacity and they still need greater depth of external experience and knowledge. This will be good for investment as well as for our expertise in personal finance for them.

Now just add our invitation to the Chinese to invest in (and own) our nuclear power capacity. This will no doubt be dressed up as a new power generation strategy, which in my view we still do not have. Last year on the key date of 12/12/12 we reached peak power usage with nothing in reserve - this year we have less power capacity and if we and when we have power peaks this winter we will effectively be seeing 'brown outs' and cuts in supply. So please regard the comments from our politicians with due suspicion.

Angela Knight, the new Chief Executive of Energy UK, the trade association for the energy industry has already been highlighting this with sadly little visible reaction from the Government. In the meantime, we will have more dependence on gas from Russia, and then nuclear power with Chinese money - what shall we do for our warmth? Well we can go fracking mad, but perhaps it's time to rush out and boost the sales of Harris Tweed - oh no - we have exported it to China.

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### **And finally... a rather odd sign of the times....**

It would appear that Leslie Grange, 32, has now been a sign language interpreter for deaf viewers some seven years. However, in a recent statement she cited 'personal difficulties - particularly a crushing professional boredom' as to why she had started deviating from what was actually being reported, giving deaf viewers an often 'wildly different version of events'.

"Questions started to be raised around the time of the Japanese earthquake when several viewers emailed us to complain about our reports of radioactive zombies sighted near the nuclear reactor. We dismissed them as some sort of organised hoax."

"However, when there were similar numbers getting in touch to ask if Rebekah Brooks was really in trouble for raping a monkey, and why the BBC was claiming that, as a special summer treat, the Prime Minister had told the nation's teenagers they didn't have to pay for anything anymore, we realised something was wrong."

"I would like to apologise to everyone in the deaf community," Grange told reporters today, "though when I had Cameron tell Obama "your statesmen-like profile leaves my xxxx plump" - well, frankly I don't think that is so very far from the truth."

I don't think I need say anything else.

Have a good week.

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