

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.



LA "LESS THAN BELLE" FRANCE

It's easy to make simplistic comparisons, but this year I found a stark difference in attitude between what I saw in the French economy as opposed to that of Perfidious Albion on the other side of La Manche ('The Sleeve'). Naturally all citizens are usually quite cynical over their leaders and especially those who these days seem to be guided by their spin 'Meisters' in managing their media coverage. In France the leaders' media story was obviously going to be dominated by the centenary of the outbreak of the First World War, as well as the liberation of Provence and Paris. This provided a perfect platform for the President to look statesman - like and a natural leader for the nation.

Sadly though this was not the case. President Hollande is not a very charismatic man - although possibly his private life implies he may have some hidden attractions not obviously visible to the rest of us. From standing on the flight deck of the French aircraft carrier - at least they have got one and it even has planes on it! - the mighty if somewhat ageing (eventually commissioned five years late in 2001) Charles de Gaulle (was to have been called the Richelieu - a far better name), to unveiling various memorials to the fallen, I am afraid he did not cut much of a figure. If ever there was an impersonation of a bemused actuary trying to find a lost pencil, then this was it.

Meanwhile, the rest of the French cabinet, including the prime minister, were being despatched around the nation with no 'grande vacances' for them but rather endless television interviews trying to explain away the dire economic figures. Even the weather joined in, with window rattling thunderstorms and a cold mistral bringing the worst weather for most of the country in years heralding the latest domestic growth figures hitting zero% and the broader Eurozone still in a disinflationary spiral. Hollande is not popular.

The UK's picture though does stand in stark contrast with growth figures being revised upward, employment figures improving and the business start-up levels seeming far more confident than before. We may still be cynical over our leaders, but certainly the economic backdrop has been very different and, for much of the summer, even reflected by an improvement in our weather for a change.

However, as we are now in the dog days of the summer and the holidays end, we can wipe away the last of the sunscreen and start to look at what is next for the economy. The next month is going to be dominated by the emotion of the Scottish referendum, but leaving that aside it has been the rather tedious discussions around the eventual rise in interest rates that has dominated much of the commentary. Frankly the guesses over the timing of interest rates are a fairly useless conversation as the Governor has made it quite clear that they will go up when he thinks the economic indicators show that it would be prudent to do so. All we need to understand is that they are going up and that any move is likely to be quite small - even as low as 0.25%, but that the direction has now changed.

So what can we draw from this? Firstly anyone or anything that is affected by the rates will be impacted. Thus personal spending will be affected by those running higher debt levels; mortgage costs will rise and have a similar impact, and companies running debt will pay more. From this therefore we can probably deduce that there is unlikely to be an asset value crash as a result of a small rate rise, but there is every likelihood that there will be a brake being applied, at least for the moment, on certain key areas - especially around housing.

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Fractures rather than fracking.

I am pleased to see that at last the far more reliable and sustainable form of power generation is finally getting some more sensible coverage. The ballyhoo over hydraulic fracking is likely to continue, and the arguments over the cost effectiveness and consistency of windmills will rattle on.

However, geothermal power generated by using thermal springs, or water pumped into 'hot rocks' would appear to be far cleaner and less controversial than some of the cocktails of chemicals talked about with hydraulic fracking. This can be achieved in various ways. Firstly you can have thermal power being generated via a heat exchanger drilled down into the rock, or more controversially, by pumping water into fractures and forcing it through the rock under pressure. This has on occasion caused some seismic issues but as yet these seem to be quite small. No doubt this will be a greater source of controversy.

However, the cost arguments are compelling, with some figures showing that such thermal power adds capacity of 2-5 US cents per kilowatt hour, which compares favourably with 6-7 cents per kilowatt hour for natural gas. Add to this the issues of it being a steady and consistent source of power (unlike wind driven power), zero fuel costs and barely any greenhouse emissions - and the argument at first glance seems quite compelling.

For us in the UK there are some domestic areas we could look at for hot rocks, otherwise of course there is always that bubbling island in the north Atlantic called Iceland which has more thermal capacity than it knows what to do with.

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And finally...so why did the chicken cross the road?

Well if you were to ask police in Portland, Oregon, it would seem that they would have no idea either.

In an unusual release, the Portland Police Bureau said officers were dispatched this week to a report of a chicken crossing a rush-hour highway in the city's Linnton district after a caller said the bird was causing a traffic hazard.

In a statement entitled "Officers Unable to Determine Chicken's Intent," it said police were unable to locate the bird, but that animals in the roadway were no laughing matter. They also released audio of the tip-off, in which the caller assures a dispatcher that "this is actually not a prank call."

Police Spokesman Sergeant Pete Simpson said officers regularly tend to "duck crossings", and have been known to rescue ducklings from storm drains. But he said it was the first time they had received a serious call about a chicken trying to cross a road.

Officers will remain on the lookout for the bird, he said.

Have a good week.

Justin Urquhart Stewart
Director
Seven Investment Management
www.7im.co.uk