

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.



Darker Nights but some Brighter Lights

So the clocks change, the evenings draw in earlier and the first Autumn storm hits the country – so nothing new then? Well this year at least we have had some improving GDP figures which are clearly marking that we are seeing quite a robust recovery.

I had the pleasure of sharing a studio with Christopher Nieper, of David Nieper, the designer and manufacturer of clothing for women. He told the story of the collapse of textile manufacturing in the 70's and 80's in his area around Derbyshire, but that now he is seeing significant signs of improvement in demand both domestically and in exports. It was encouraging to hear such tangible developments and especially in an industry sector which many assumed had effectively died out in the UK. Add to this some of the shirt and other garment innovations and start-ups we are seeing, (and I can think of two in London in shirts and tailoring) and we are definitely seeing a positive trend. We can manufacture clothing here cost effectively, and we can compete with China when it comes to the quality of our product.

This, with the growth of business set ups, is certainly positive and all the more remarkable considering the state of our banking system.

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Carney care

Of course the obtuse point is that as a result of such good news, there is an increasing chance that the eventual interest rate rise might be brought further forward than had been previously 'guided' by the Governor of the Bank of England. Now he is very unlikely to take any precipitative action which might scare the markets, and he will certainly not try and undermine the fragile confidence that is slowly building, but we can definitely see in some of the terms being used that we are being softened up for a potential move if there is any threat of overheating.

Now it seems that he is inferring that things might change if circumstances alter ahead of his previous expectations. Certainly a sensible move but, given the skittish nature of investment markets, any fear that there could be a change could create an unpleasant Autumnal market squall.

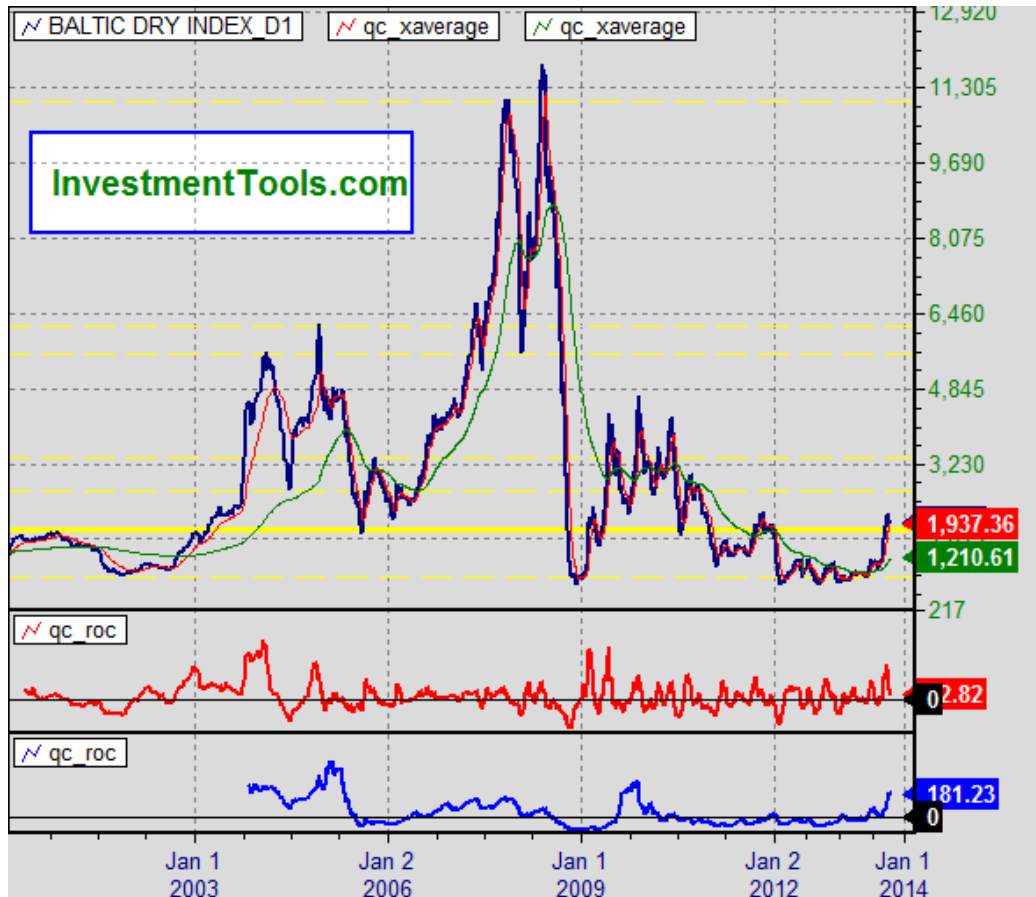
Our main equity markets have been moving in a generally positive way over the past few weeks, and certainly confidence for investors has been rising. It is at times like this that I fear any complacency. When expectations are so positive, disappointments can have a disproportionate effect. No, it's nothing to do with Halloween, but markets can get spooked and at this time of year, such irrational moves are not unknown. Care, then, for investors to ensure that they can use such erratic movements to their advantage, and if we do see a sudden fall back, then such moments can bring some interesting opportunities to light.

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Another indicator?

A useful indicator of economic success is of course transport. A swift glance at one of the leading shipping freight indicators gives you quite a dramatic image as to what has been happening internationally. From a zenith in 2009, you can see how this has tumbled but most recently has been climbing again out of some miserable lows.

The world's freight trade is still weak but improving. However, the particular issue for the shipping industry is still the overcapacity, as new builds laid down during the boom times now wait like hollowed out shells awaiting a rise in demand.



Closer to home, it has been interesting to see the figures from Eurotunnel. It seems from last week's figures that freight coming through the Tunnel into the UK is rising strongly (although of course it would be preferable to see more exporting the other way). Apparently imports seem to be coming from Germany and Eastern Europe and concentrate on industrial spare parts and fresh goods. The numbers of freight trains in the first nine months were up 11%, with 2000 trains running through so far.

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And finally... Argentine scientists tap cow 'burps' for natural gas

Argentine scientists have found a way to transform the gas created by the bovine digestive system into fuel; an innovation that could curb greenhouse gases that cause global warming.

Using a system of valves and pumps, the experimental technique developed by Argentina's National Institute of Agricultural Technology (INTA) channels the digestive gases from bovine stomach cavities through a tube and into a tank.

The gases - which otherwise are commonly known as burps, or 'eruptos' in Spanish - are then processed to separate methane from other gases such as carbon dioxide. Methane is the main component of natural gas, used to fuel everything from cars to power plants.

"Once you get it compressed, it's the same as having natural gas," said Guillermo Berra, head of INTA's animal physiology group.

"As an energy source it is not very practical at the moment, but if you look ahead to 2050 when fossil fuel reserves are going to be in trouble, it is an alternative," he told Reuters.

Each head of cattle emits between 250 and 300 litres of pure methane a day, enough energy to keep a refrigerator running for 24 hours.

Argentina is one of the world's top beef exporters, with around 51 million heads of cattle. Gases emitted from those animals account for 30% of the country's total greenhouse gas emissions, according to INTA, with methane having 23 times the global warming effect as carbon dioxide.

Presumably we will now have cows with attached tubes and gas tanks with large no smoking signs branded on them to avoid the deeply unpleasant issue of exploding bovines.

Have a good week.

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