

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.



Making pensions sexy? No but at least interesting.

It has never been easy, but now it's going to be damn difficult. Auto enrolment is underway and is the precursor to compulsory pensions which, if our politicians had any strategic thinking, they would be introducing immediately. However, the potential client base for this is quite understandably suspicious and often quite hostile. This shouldn't be unexpected; after all, pensions don't have exactly have an enviable reputation.

From awful performance, poor governance, inappropriate charges and lack of flexibility, it is hardly surprising that so many are so disenchanted.

For most, this is one of the most important long term financial issues we should consider. However, taking my money today on a promise for a better tomorrow is not a statement that many would believe, especially if that was coming from an insurance or pension company, let alone a bank, stockbroker or investment manager.

Looking back at what happened in Australia is illustrative. When compulsory pension savings were introduced there, many had severe reservations, not least of which was that this was just another stealth tax. After all, politicians have an awful track record of raiding pension savings schemes. I am not just talking about the financially irresponsible politicians and blaggards of somewhere like Argentina where this is a regular action of their political scoundrels, but closer to home where our own then Chancellor Brown levied an extra multi billion cost onto what was then a highly regarded national pension system.

It took several years for the Australian citizen to appreciate that their savings were theirs, and visible, measurable and achieving something. However, to get to that stage it took the typically forthright Australian attitude to get the message across. My colleague Verona Smith (who of course was a mere stripling then) recalls the 'dog food' adverts, where viewers were shown what could happen to them as pensioners if they took no action - yes they would be reduced to only be able to afford dog food for dinner. Well that seemed to work - but we need to take this further and we can do so with good technology to show clearly what clients actually have, whether it is on track and enough, whether its providing the right returns at the right risk, and above give the clients the key word we all need for our finances and the economy – confidence. Confidence that their future as a result of their efforts and actions is secure and that it is not just a confidence trick!

Has Anyone Tried Selling the European Union?

From the original verve of joining the EU, the lack of enthusiasm amongst many has been quite understandable, with anything from tired indifference through to outright dislike and hostility. Considering that this is supposed to be the world's most successful trading bloc, it does a useless job of selling itself to its own inhabitants. Most seem to bemoan their current woes, which are numerous, but to those outside those trade walls, this looks like a mercantile Xanadu of comfort, wealth and security.

I can't think of anyone who would ever sign up to the idea that 'it's all fine and we can leave it as it is'. Everyone has a view as to what should be done to reform, improve and change what is already there. We of course tend to look at this as a domestic issue, as we are usually portrayed as (or portray ourselves as) those awkward Brits who don't want to join in with the others.

However we should take note of what others are saying as well. We tend to see France as the rock of the EU; after all, as a founder member, they have worked hard to focus on the reconstruction of Europe, but also (and less publicly quoted) the taming of Germany to try and prevent not just any recurrence of previous 'episodes' and to constrain its influence, power and action to at least co-ordinate - if not fully support - all France's actions.

France however, as opposed to her leaders, has never necessarily had the same level of enthusiasm for all European ideals. Yes of course there was the Common Agricultural Policy, which enabled the French to preserve their quaint agricultural idyll in aspic for an extended period, but other elements have had little such popularity.

From the racial tones of the Le Pen family, to trade protectionist policies, the nation can be very selective in its European enthusiasm. After all, you only have to go back to the Treaty of Maastricht referendum in 1992 (which was the conception of the Euro) where the French passed it only by a tiny minority. Then recall the very close vote against the draft European constitution in 2005. This is not a story of a ringing endorsement.

Most recently we have seen some petulance from President Hollande about the Commission on pension reform and that it should not 'dictate to France about its domestic policies'. This sounds like political handbags.

The result of all of this is that only some 41% of the French now seem to be in favour, not of the Euro, but the EU itself. That makes them far more negative than the Germans (at 60%) and even the stropky British at 43%!

The Union seems to have lost its 'mojo', with no inspirational leadership or goals, and certainly none that translate across the myriad of borders. Forming such a union was never going to be easy, after all it took nearly a century for the USA to achieve such a goal and that had to include a bloody civil war. Given that next year is the 100 anniversary of the start of the First World War, perhaps this is the time for the EU to press the reset button as to what we actually want to achieve. I fear, though, too many will be happy to commemorate the sepia photographs and not be brave enough to visualise forward to the next century. Merely by doing nothing on European structures will not mean that they stay as they are; the system will start to atrophy. That will just create greater resentment against an unaccountable European Commission, a disconnected European Parliament, and an edifice which lacks any clear goal, intention or vision.

Basically - reform or die.

Beyond the patronising caricatures!

Somehow we have never shed our patronising images of Africa. Wild, poor, corrupt and ungovernable - so that's an entire continent written off then. From the point of view of the British media that often struggles to see beyond the metropolitan M25, such generalisations seem all too common. Yes there are many shortcomings amongst the many nations of the continent, but Europe can hardly hold itself up as a perfect model of behaviour and standards where a Balkan genocide is still less than a generation away.

So time to cast aside the clichés and look at what has been really going on. Of course much of the African economy has been resource-based with primarily minerals and soft commodities. However what has been interesting is to see the underlying growth in some of the nations which, although poor, are seeing some significant changes. Countries like Uganda, Tanzania, Ethiopia and Mozambique and even war ravaged Rwanda, have all seen significant advances and growth of around 5% per annum in 1995-2010. Being able to do this consistently over this period is quite an achievement.

One of the most practical measures I have seen in any developing nation has been the consumption of beer and this, along with financial services and mobile phone usage, are good gauges of change. The development of the service sector is crucial as spending allows governments to utilise Sales or VAT taxes, which are a far more reliable form of tax than income taxes which are open to abuse.

Thus a wealthier economy produces greater tax revenue, which in turn means that governments don't need to fall back on printing valueless notes stoking an inflationary erosion of the country's economy. Both Tanzania and Uganda have seen significant reductions in inflation and thus have protected much value that would otherwise have been wasted.

Of course the spectre of political corruption is never too far away, but the creation of a more stable and valuable economy has to provide a greater opportunity for development in the future. "Kutokea Afrika"

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And finally... not the best headline on the run up to Christmas "Santa charged with groping co-worker."

A man who worked as a Santa Claus in a Massachusetts shopping mall has been ordered not to put the red suit back on until a court resolves a charge that he groped an adult co-worker over the weekend.

The prosecutor's office declined to comment on reports that the co-worker wore an elf costume as part of the job. Jones pleaded not guilty and was released on \$1,000 bail. A judge ordered him to stay away from the Mall, where he had worked, and not to seek work as a mall Santa until the charges are resolved.

Jones is due back in court on December 24, Christmas Eve.

Santa's and elves just don't work together.

Have a good week - and for those who did - I hope you had a great Thanksgiving.

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