

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.



The Lost Decade?

We will in all likelihood look back and see this period as the 'lost decade' for the UK, although I suspect we will not be alone. After all we had ten years of boom and thus, as is usual with such cycles, we shall have ten years of lean (as in meat – horse or otherwise). There are shades of the Old Testament about it, but hopefully we won't have Moses turning up soon (mind you he probably wouldn't qualify under the immigration rules anyway, unless it turns out that he was in fact Romanian).

However, the term 'lost decade' is somewhat pejorative, as it would seem to imply that little or nothing will occur and that is certainly not the case. In fact there is a lot going on but it just rarely seems to feel like it. We are fed GDP figures which seem to become less credible with every quarter and have political leaders who don't engender confidence or exude capability and credibility. The result is that we spend less, companies invest less, and there seems to be a national attitude of tired resignation, reflected and often underscored by a media happy to wallow in torrid tales or economic torpor. Oh dear, what a state we are in.

Actually I think this is twaddle. There is in fact a great deal of effort and resource being applied but little that seems to break into the national awareness. We have seen a rise in savings and are also seeing corporate cash positions looking healthier. However, neither are getting any real returns on the cash pool as real interest rates for any savings are negative. So here is an untapped reservoir of money waiting to be tapped into but wholly dependent on the key word to release their investment - which of course is confidence.

Now it may just be that we are starting to see a change. Some companies are now finding these chests of guilders somewhat of an embarrassment. You will recall Apple's rejection of the lawsuit from the hedge fund manager David Einhorn, in which he was trying to force the company to handover to its shareholders (or owners!) some of the \$137bn of cash. He accused the company of a "depression era mentality" - which of course was another 'lost decade'. There are many public companies sitting with large cash surpluses and the estimate for listed UK companies stands currently at around £800bn - that's more than the UK government's total annual expenditure.

Then there are the savings of the much put upon middle class. With low deposit interest rates, chaffing inflation and, for many, lower real value pay levels, it's not surprising that few are confident. For those with savings the period has been awful, unless they were willing to accept higher risks of other investments. However, would they? The answer I find is yes, but only if they were given the fortitude to do so - and this comes from the leadership.

With the Budget coming up next month, there is an opportunity for the Chancellor to provide such leadership and inspiration. However, to date I have not been impressed as the previous speeches seem to have been aimed at the opposite benches rather than the spending populous. Political pomposity should be replaced by practical purpose.

After the lost decade - the next bubble!

On a broader scale there is further cash and capital available. Some have been forecasting a super abundance of capital as the pains of restructuring the economies of the west and rebuilding the banking system, finally start to ease. The combination of corporate hoarding and the surpluses of the Asian and Middle Eastern nations will mean that there could well be a significant surplus of cash seeking investment opportunities. It is just at such times that overly optimistic private equity managers get starry eyed with too much cash chasing weaker and less sound deals. But then maybe that is for a period still to come.

And finally...

Would you like a knife and fork with that?

In a world first, a McDonald's franchise in Australia is offering full table service for its dine-in customers, complete with china plates, glassware and metal utensils in place of the more usual paper boxes and plastic.

Meals are also brought to the table by waiters and waitresses, and diners can daintily dab their lips with cloth napkins after eating.

"It's very popular," store manager Michelle Steain told Reuters of the five-week trial service. "Everyone seems to be loving it."

Glenn and Katia Dwarto, owners of the franchise in Warilla, some 100 km (62 miles) south of Sydney, sought permission for the idea after their habit of serving Mr Dwarto's parents with cutlery and plates caught the attention of other diners.

This is not the first time that the Dwartos, who have owned the store for 20 years, have pioneered innovations for the fast food chain.

Last year, they caught the attention of McDonald's head office in Chicago after creating an iPhone app that allows customers to place an order and pay in advance before they arrive in store.

Dining-in is the second world first for McDonald's Australia after it temporarily changed signs at selected stores across the country last month to "Macca's," the affectionate local nickname for the chain.

Excellent – the return of the knife and fork – it's just that we are now going to have to educate an entire generation on how to use them!

Have a good week.

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