



Investment Commentary by Roger Nightingale

If done, 'twere well it were done quickly.

MacBeth was a man of action; he grabbed the crown when he could.

And MacCameron? Might he miss his opportunity?

2nd July 2010

Five years hence is better than never.

In the immediate aftermath of the McChrystal sacking, David Cameron pledged his on-going support for the struggle in Afghanistan. It was not to last for long, though. A week later, in Canada for the G8 meeting, he said he wanted British troops home within five years.

But now would be best of all!

His latest position is the correct one, of course. At best, the conflict is pointless; at worst, it's counterproductive. The terrorist threat isn't being contained, but intensified. The war was launched by a US President in a fit of emotional pique and has been backed by successive British Prime Ministers for reasons of loyalty rather than logic.

Politically, it's a *lose-lose* situation.

But why wait five years? If it's right to do it, it's right to do it straight away. What does the rest of the Cabinet think? Clegg and Cable, for instance? What, more importantly, is the view of Middle England? Probably suspicious: people are prepared to make sacrifices, but only for honourable causes!

And, economically, it's not much better.

The economics news, meanwhile, has continued to deteriorate. Last week, growth seemed everywhere to be faltering. At no stage, and in no country, had it become self-sustaining. The outlook was not good, therefore. And the cycle was due to turn down in the closing months of 2011. In the period thereafter, a severe recession was possible.

Pesky banks are threatening us with disaster once again.

Commercial banks were once again at the epicentre of the issue. They were teetering on the brink of the oblivion to which they should have been consigned a couple of years ago. This time, hopefully, there'd be no reprieve; taxpayers resolutely refusing to bail out the delinquents a second time.

In Europe, the frailty may be systemic.

In Europe, it's not just the "usual suspects" that are said to be in trouble. There are worrying rumours also about a number of "elite" institutions. Perhaps that explains the alacrity with which the authorities in Brussels and Frankfurt have published the (predictably favourable) results of their "stress tests." Investors have been left unimpressed, of course. PR from the Commission and ECB is regarded as counter-indicative.

Less so, in the US. But the economy doesn't look good.

The picture's not much better in the US. Suddenly Obama is worried. The economy's losing traction and he's being blamed. That doubtless explains his dementia over BP. It accounts also for his criticism of countries that are cutting their public spending. He'd always wanted to play Roosevelt, but fears now that he's auditioning for Harding!

Nor does it in China. The bigger they are, etc.

China too may be in difficulty. Officials in Beijing are whistling to keep up their spirits, and many financial analysts are similarly pretending not to see the danger signals. But the reality is dire. Growth recovered strongly in 2009 and early 2010, but only because of huge public expenditure programmes. The private sector didn't take off; it didn't develop any momentum of its own. Accordingly, now that the spending projects have been completed, there's a risk of overall activity sagging.

Hold on to your hats and to your stocks: the latter aren't overvalued.

What will Governments do? Some may re-activate a new spending stimulus, but most will merely keep credit expansive (no interest rate hikes for a couple of years) and hope for the best. It's all very gloomy. Investors are losing their nerve, but valuations are not unattractive. They'll likely recover.

The facts and opinions contained within this newsletter have been provided by Roger Nightingale; Buckles Investment Services do not take any responsibility for the contents.

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