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Simon Lewis: Hello, and welcome to our first financial market commentary of 2019. It's set to be an eventful year for investors, and there'll be a lot of volatility along the way. In fact, I think investors will be hoping that they've got an umbrella, like the lady that you might recognize from our boardroom. What do we think is going to impact on financial markets this year? Well, there are a number of themes that are swirling around and creating very negative sentiment. Nevertheless, the encouraging thing is that there are some bright rays of sunshine on the horizon.

Let's start with the negative things. I've talked about US monetary policy quite a lot in the past. It remains, I think, the dominant theme. Cost of money is rising, and liquidity is being reduced because of the policies currently being pursued by the US Federal Reserve. Closer to home, we, of course, have the uncertainty, the fast or soap opera if you like of Brexit. We swing from one way to the other on a daily basis. Let's face it, getting a Brexit withdrawal agreement through Parliament was always going to be a challenge.

Parliament is divided because it's simply reflects the electorate which demonstrated that it is also divided and given the the narrowness of the vote. As we get closer to the deadline for the withdrawal agreement, I expect that pragmatism will prevail. On both sides of the negotiation, EU is talking pretty tough at the moment, but the reality is that the EU needs a relatively smooth transition in terms of the UK's exit, because the EU generally and the euros unspecifically, is suffering an economic slowdown.

The economy in France is stagnating, it looks like Germany has had import recession. After that, Germany is certainly in the sights of the Trump administration in terms of their huge trade surplus with the US. Things don't look good for Europe at the moment, and the last thing politicians there need is for the economy to be worse than it otherwise might be.

Moving on to China, financial markets are concerned about the rate of the slowdown in the Chinese economy. At the same time, there is an overflow of debt in China. Much of their economic expansion has been filled by that, much of which is not government debt but actually corporate debt. I think in the round, the key thing that should provide some reassurance is that the Chinese authorities retain the financial firepower to keep things on an even keel, should there be an upset in their debt markets.

Certainly, we need to be aware of what's happening in China and understand how their pathway is going to change as they migrate from a low cost, low skilled economy to a much higher cost, higher skilled economy with a much wealthier domestic consumer. Thinking about China and its relationship with the US. Well certainly, the trade dispute or trade war is a topical issue and has had quite a big effect financial market sentiment.

Again, it does pay for both sides to be pragmatic in the long term and whilst they'll talk tough, the reality I suspect is that a deal will be reached. Not least for the Chinese authorities to agree to be a little less aggressive in stealing US intellectual property.

One of the big factors in terms of that dynamic is what is happening to the large technology companies in the US, we think of the five biggest technology companies. I'm talking about Apple, Amazon, Alphabet which owns Google, Facebook, Microsoft. The aggregate value of just those five companies is something like a third greater than the GDP of the whole of the UK. They have enormous influence, and it's important that that influence is countered so that the UK economy is not disadvantaged. Whilst our politicians occupy themselves with debate in the fine detail of a withdrawal from the EU, important decisions that can help protect UK business are not being made.

Now, you could argue that the US should regulate those five technology businesses to control their influence and power, and if you look back into history, to the 1920s and standard oil, that's exactly what US authorities did, but this time is different because the US is engaged in a long term struggle for superpower status in the digital world. And that struggle, of course, is with China. I don't see them breaking up or reigning back the influence of those huge technology entities anytime soon, because they're more concerned about losing the race against China.

Back to the UK, our politicians should be focusing more of their effort, more of their time, on trying to protect UK industry. High Street is embattled. It started to die before our eyes. What we need is a level playing field. The reality is that if you're a retail premises, your costs are very high. You pay very high rates, high rents, cost of employment is high, taxes are high and therefore it's almost impossible to compete with a technology company that doesn't have to bear those huge costs.

To sum up, yes, of course, there are some storm clouds overhead, but I think if we looked at the horizon, we can anticipate better weather, things are going to improve in due course, and some of the negativity that currently persist will seem overdone when we look back with the benefit of hindsight.

For 2019 investors should expect a bumpy ride, but I think we'll need the umbrella a little less than currently anticipated. When we get to the end of the year, I'm very confident that those investors that persevere will be appropriately rewarded. That's all for this edition of our Market Bulletin. I look forward to giving you an update next month. In the meantime, take care. Goodbye.

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