



# Investment View

Volume 2 Issue 47

A Personal Investment View for Thoughtful Investors

July 2010



**Stuart Bryant**  
Chairman - Certified Financial Planner  
[stuart@sdb.co.uk](mailto:stuart@sdb.co.uk)

**Jo Watt**  
Director - Certified Financial Planner  
[jo@sdb.co.uk](mailto:jo@sdb.co.uk)



## Back to the Future!

It is most unlike us to pay much attention to the short term – particularly where short-term volatility is often driven by market sentiment and seasonality. However, we find ourselves looking back to early-mid April 2010, when this particular Bull market came to an end.



It is interesting to note how sentiment has driven some markets further than others. For example: since the peak in mid-April 2010, our India fund has dropped only *circa* 1% when compared to our China fund, which has dropped approximately 5%.

We have avoided placing new monies into the UK and it is interesting to note the *FTSE 100* is about 9% off its mid-April 2010 peak, with the *S&P 500* also being approximately 9% off its mid-April 2010 peak.

The question we find ourselves asking is: are we seeing the end of the Wall Street leash, insomuch as economies in Asia (perhaps better represented by the *MSCI Asia Index*, but excluding Japan) have regressed about 4% of their April 2010 value. To complete the research: we have seen the *FTSE Eurotop 100* drop about 8% since its peak.

Clearly, the Asian countries are showing far more resilience to this current worldwide market reversal which was, possibly, fuelled purely by the problems in Greece and, latterly, by Spain. In other words: sovereign debt has driven the current market *malaise*. However, the amount of negative commentary emanating from America has driven many Americans to move back into cash and into the US Dollar, as a safe haven. This has had the



### Receiving Investment View

If you would like us to notify a friend, colleague or relative when this newsletter is available on our Website, please send us their E-mail address or, if you no longer wish to receive this newsletter, please E-mail [sue@sdb.co.uk](mailto:sue@sdb.co.uk).

Website: [www.sdb.co.uk](http://www.sdb.co.uk) — Telephone: 01782 712233  
Bryant House, Silverdale Road, Wolstanton,  
Newcastle-under-Lyme, Staffordshire ST5 8BQ.

effect of strengthening the US Dollar, albeit short term, whilst we have also seen the strengthening of Sterling and a general weakening of the Euro.

These short-term trends will not necessarily have any serious effect on long term performance, even though many commentators are suggesting we are heading for a further recession and, possibly, a period of deflation. This is quite possible. However, at this stage, we still believe the Asian/ Emerging South American markets' story is far more plausible and the potential for longer-term inflation is far greater than the concerns for a short-term deflation.



The UK Government have recently announced they will allow Final Salary Schemes (and indeed pension schemes in general) to link annual increases to the *Consumer Price Index*, rather than the *Retail Price Index*, which unfortunately is a much weaker and less representative index. This will have an effect on index-linked investments and we have seen some fairly sharp reduction in long-dated gilts. However, the shorter-dated index-linked

stock is proving to be very resilient and the benchmark *1.25% 2017 Index-Linked Treasury Gilt* is approximately 5.8% up (excluding index-linked dividends) over the past twelve months, confirming the concerns for long-term inflation far outweigh those for short-term deflation.



In the UK, we anticipate the summer will remain very difficult - possibly, into late Autumn - as markets adjust to the plans of the new government and investors decide whether they are happier in equity markets or cash.

**SDB Strategic Planners Ltd is authorised and regulated by the Financial Services Authority.  
SDB Strategic Planners Ltd, Bryant House, Silverdale Road, Wolstanton, Newcastle-under-Lyme,  
Staffordshire ST5 8BQ. Telephone: 01782 712233 - Registered in England & Wales No. 1849083**

This document is for general consideration only and we cannot accept any responsibility for any action taken or refrained from being taken as a result of the information contained in it. The Financial Services Authority does not regulate general taxation or trust advice. E&OE.