

Market comment 31 January 2012 - a personal view of Brian Tora

Although Europe remains very much at the forefront of investor thinking, it was the decision of RBS boss Stephen Hester to forego his bonus that grabbed the headlines as January drew to a close. Bank shares had a rough ride initially, though it was more the threat of a financial transaction tax being introduced in Europe than the prospect of bankers earning less that drove sentiment.

As it happens, we will be learning how the banks themselves have been faring soon. Early on the scene will be a sprinkling of European banks reporting, starting with Santander – now quite a powerful presence on our own high streets. Our own familiar names will be declaring their bosses pay packets, amongst other nuggets, once we get into February properly Mr Hester's rewards might look rather parsimonious in comparison with some of the rewards being handed out.

Shares in general gave back some of the progress they made during much of January, with Europe, again, not helping. The sands of time are running out for Greece and Portugal is looking tricky right now. While the signs are that some accommodation with private investors in Greek debt might be reached, it is clear the German proposal to hand over budgetary management to Europe is considered a step too far.

As the days lengthen and the year progresses, so we can expect a plethora of data and indicators. At the beginning of every month we receive a clutch of house price indicators and more than a few purchasing managers' indices. These are regarded as amongst the best medium to long term steers on how business is doing overall. They signalled the recent downturn. It will be interesting to see if they have more encouraging news for investors.

But it will be to the growing number of annual profit statements to which investors should pay most attention. While results will inevitably be mixed, there are strong indications that much of the corporate world has been involved in tidying themselves up, resulting in stronger balance sheets and leaner conditions, making them better able to withstand the cold winds of economic uncertainty. Full year results that come up to expectations may be just sufficient to reverse recent share price falls.

Brian Tora, who is a respected writer and broadcaster on investment issues, is a consultant to JM Finn & Co. Brian has enjoyed a long and distinguished career in the City. Any opinions expressed are his own and should not be construed as advice from JM Finn & Co.

A version of this article may appear elsewhere in the press.

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