

Market comment 18th August 2014 - a personal view of Brian Tora

Just as the weather took a turn for the worse after a prolonged period of exceptionally summery conditions, so markets succumbed to the worsening situation in the Middle East. Shares have slid lower, rather than collapsed, with a 1.7% fall in the FTSE 100 Share Index during a single week bringing it back below 6600. Not so very long ago it was flirting with 6900, just a few points away from the all time high.

As it happens, a better tone to markets in America at the end of a difficult week helped Asian shares off to a good start, reflected in a recovery in early trading in London as the second full week in August got underway. Sentiment was helped by some encouraging news on the employment front, with a survey from accountancy firm BDO suggesting firms are hiring at the fastest rate for 16 years. Job creation, too, is improving, though there are no signs yet of any significant uplift in wage inflation.

There will be much to take into account in the days ahead, with the Bank of England's inflation report due and several major companies reporting. The Council of Mortgage Lenders were able to point to a continuing rise in loans granted to first time buyers, suggesting the recent toughening of lending criteria has not had the impact on the housing market many feared. We will also have preliminary figures for economic growth in the second quarter here, though these are often

subsequently revised. Still, it should provide confirmation that we remain on the mend, with the economy now back at pre-financial crisis levels.

But behind all this better economic news the situation in Ukraine, Gaza, Syria and now Iraq continues to give cause for concern. Indeed, the boss of Britain's largest fund management group, Aberdeen Asset Management, has been quoted as saying that he does not believe investors are fully taking into account the potential upsets these geopolitical issues could create. At the very least, these problems are likely to act as a brake on further market progress.

Perhaps it is just as well that it is the middle of the summer holidays and activity is muted. Much will depend on whether these global hotspots can be cooled. Given the length of time unresolved issues in the Middle East have continued, we should, perhaps, not be overconfident. Still, we can at least hope for some favourable resolution in some of the world's troubled regions at some stage.

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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