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Market comment 10th December 2014 - a personal view of Brian Tora

With the end of the year fast approaching and efforts increasingly being diverted into matters festive, it seems an opportune moment to reflect on the past twelve months and consider what the New Year might have in store for investors. There is, after all, little in the way of hard news around at present, though a declining oil price and an imminent election in Japan will give investors something to ponder over.

While markets generally settled down as the nights grew longer, there have been a few difficult days recently. Indeed, it has been a year when trends have been hard to determine and changes of direction have occurred to confuse investors. A deteriorating global economic picture and continuing concerns in the world's trouble spots may have smothered earlier confidence, but have been insufficient to damage sentiment terminally. There is more than a little nervousness present, though.

Perhaps it is the clear co-operation between national leaders to regenerate economic progress that is keeping markets from succumbing to the indifferent news percolating through. Of course, the sheer volume of cash that has been pumped into the system by central banks may have helped sustain share values to some extent. With quantitative easing still present in many regions – and not yet fully consigned to history in America – it is still too early to determine what its withdrawal may mean for markets.

Certainly, there has been evidence in the past that printing money on such a scale leads either to inflation or helps to inflate asset bubbles. These bubbles burst when access to easy money is withdrawn, as was the case in the technology boom that collapsed in the early months of 2000 when cash injected into the system to stave off the so-called millennium bug was deemed no longer to be needed. But it is deflation, rather than inflation, that causes concern today, while asset valuations have yet to achieve bubble status, except maybe in London property.

So looking ahead to the New Year leads me to believe we may be in for more of the same for some little while. Even the prospect of an interest rate rise appears to be receding, with many now believing it will be 2016 before an increase is contemplated by the Bank of England. And there is a General Election next year. Perhaps it might be better to wait for the festive season to pass before making too many predictions.

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