

Market comment 29 November 2011 - a personal view of Brian Tora

The past few weeks have been far from comfortable. Nine consecutive days of falling markets brought the FTSE 100 Index down to close to 5100, a drop of around 8% during a difficult fortnight. While the magnitude of the decline was not excessive, it served to demonstrate how nervous investors had become.

It was the absence of buyers, rather than a rush of selling orders, that drove the market. Some last minute bargain hunting reversed the declines, but volumes remain thin. With the European debt crisis as yet unresolved and increasingly pessimistic forecasts of our likely economic performance emerging, it is little wonder investors are staying on the sidelines. The recently published minutes of the Bank of England committee charged with setting interest rates revealed little of consequence, while Chancellor George Osborne's Autumn Budget Statement revealed little that had not been flagged before and merely served to underscore how little room for manoeuvre he has. More worrying is the contention of the Office of Budget Responsibility that our economy is capable of doing little more than bump along the bottom for the foreseeable future. An injection of confidence is sorely needed.

There is little else to look forward to. Some encouraging consumer confidence statistics did, though, emerge from the US, with the best result since April 2003 being achieved. One swallow does not a summer make, but it does appear as though things have stopped getting worse over the other side of the Atlantic. With December upon us, there will also be the usual set of statistics, including house prices and

various Purchasing Managers Indices.

These are viewed as a good indication of how different segments of our economy are behaving. Expectations are for them to confirm a general slowing in economic activity, so the pressure remains on the government to produce some sort of a rabbit out of the hat to encourage business to spend and consumers to be less cautious.

Before we know it, Christmas will be here. This has been a tough year for investors, but with company profits generally holding up better than might have been feared, shares do not look expensive. Until the way ahead appears a little clearer, it is hard to see much progress being made, but it is worth remembering that December is often a good month for shares as professional managers rebalance their books ahead of the year end..

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.

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