

Politicians look for trouble, invariably find it, usually misdiagnose it, and unfailingly exacerbate it.

Ernest Benn, referring to the Brits in the early twentieth century, but applicable to nearly everyone, nearly everywhere.

Never overestimate the attention span of a mass television audience.

It was always unrealistic to have expected that a party political debate, choreographed for television, would amount to much. It didn't. The leaders stated their positions and went through the motions of disagreeing with each other, but failed to impress most of those who were watching. Will the second and third of the events get substantial audiences? Probably not. People were drawn to the first for its novelty value. They'll not be so easily attracted in future.

The leaders' debate was dreary politics and poor television.

The big issues were hardly discussed. Nothing on the scandal of the Middle Eastern wars. Nothing on the outrage of the European Constitution. Attention was focused instead on Education, Health and Transport—areas which have been chronically disappointing whoever's been in power, whatever the budget. Did television executives think this was the way to interest the public? Did politicians suppose that their failings in the past would be forgotten, their reputation in the future restored? Of course not. Did they care? Unlikely; it was a game. All participants, governed and governing, knew the rules. All abided by them. But professionals were better at it than amateurs.

The anti-vote for the others was so strong that the Lib-Dems won.

The "exit polls" unanimously declared Nick Clegg the winner. But that may have been more a reflection of negatives felt for the others than positives for him. It's possible that knowing so little about the chap was his big advantage. Perhaps if today's equivalent of Screaming Lord Sutch were to have participated, he'd have been preferred to Clegg.

Economics is easier to understand.

Economies, like voters, pay little attention to politics. The former march to a fairly regular cyclical beat. Currently, about a year and a third from the last trough, activity is rising fairly rapidly. Things are improving moderately in the old developed world, but are doing so rapidly in the new developing one. China produced a provisional estimate of growth, well into double-digits, for the first quarter of the current year. Singapore looks to have done even better. Hong Kong, Korea and Taiwan aren't far behind.

Ancient regime countries are not faring well.

Many commodity producers have also come up with good numbers. Latin America, Australia and Canada have prospered in conditions of improving terms-of-trade, and all have been able to loosen credit without weakening currencies. So long as raw material prices stay high, their prospects remain favourable.

Europe is worst placed.

It's the US, Japan and, most particularly, the EU that are lagging. These countries fell quickly in the downturn and have risen slowly in the recovery. They're finding that slightly superior technology no longer compensates for drastically higher social costs. Their medium term future is not good: an anaemic upturn in the next fifteen months and another potentially devastating downturn thereafter.

Its prosperity under severe threat.

As things currently stand, incomes are going to be squeezed and employment cut. What society has to decide, what the politicians should therefore have been talking about, is how the pain might optimally be spread. They haven't been. It's not just in the UK that such issues have been avoided; it's everywhere. There's a pretence that public sector incompetence can be countenanced, that social objectives still outrank economics ones.

And politicians are making things worse.

Europe is probably worst placed. Politicians refuse to acknowledge that things have gone wrong. They think that a new legislative tweak here and a new fiscal extravagance there can restore the old magic (that's not been in evidence since the seventies!). Greece's tribulations are put down, not to inappropriate priorities, but to lack of hedge fund regulation! Nobody recommends that monetary union be abandoned, dirigisme curtailed, commissioners impeached. Instead, the powers-that-be see these things as *solutions* to the problem, not *causes* of it.

Economics clouds are gathering. The storm may be only fifteen months away.

The next year or so may be survivable, but the period after summer 2011 will be difficult. As the cycle peaks and activity retreats, the costs of indulgence are likely to become insupportable. Jobs will be cut, wages squeezed. Taxes will plummet and fiscal deficits soar. Countries that have not made provision in the relatively favourable period beforehand will be horribly exposed afterwards.

Domestic equities are all right in the near term; something safer later on.

Securities markets next year may be vulnerable. But, in the *happy-clappy* months immediately ahead, advances will probably continue. Easy money, low inflation and rising profits will favour equities. The trick is to know when to switch from high-betas to low-ones; from high-risk economies to low-risk-ones. Rule of thumb: geared positions for not much longer than the next six months; Singapore-type economies from next spring onwards.

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