

Politicians make strange bedfellows, but they all talk the same bunk.

Edgar Shoaff—greater self-love hath no man than this, that he surrender his principles for political advantage.

Pollsters are not like economists and meteorologists . . .

So the opinion pollsters were right! Not us. We'd imagined that, in the privacy of the ballot booth, Labour's natural voters would withdraw their support. They didn't. The Prime Minister might have been widely disliked, but so were the alternates.

. . . they sometimes get things right!

The big loser was Cameron. Expectations of him had been high, but they were unfulfilled. Trying to appeal to the community as a whole, he'd irritated the party faithful. He was now vulnerable. If he were to fail to make amends in the end-game, he'd become an ex-leader.

Brown won the electoral contest; Cameron lost it.

The big winner was Brown. Expectations of him had been low, but were exceeded. The Labour party's losses in Middle England were substantial but not catastrophic. Its gains in Scotland and Wales, meanwhile, were significant.

What follows now doesn't bear thinking about.

What happens now? There'll be closed-door wheeling-and-dealing amongst the parties in an attempt to secure a Parliamentary majority. There are two basic solutions: Labour and LibDem, UDP and Green; or Tory and UDP, SNP and Plaid Cymru. Some of these constitute strange bedfellows, but that'll not be a constraint. There'll be another election, probably under new rules, within a year.

There'll be an unholy alliance.

Could Clegg bring himself to prop up a party that the electorate had rejected? Of course he could. If he were to be offered a leading Cabinet position in the immediate future (possibly Prime Minister) and the prospect later on of Proportional Representation, he'd jump at it. Brown might then quit—his footnote in the history books no longer wholly disparaging.

Brown and Cameron ought both to retire.

Could Cameron bring himself to do a deal with the Nationalists in Scotland, Wales and Ireland? Of course he could. The Union hasn't been a Union for a generation or more. Let the people have what they say they want. Let them have more powers in their own Assemblies (possibly full nationhood) and let them have correspondingly fewer representatives in Westminster (possibly none). If Cameron could free England from its peripheral encumbrances, he too might then quit—his place in the party rehabilitated and that in constitutional history similarly elevated.

Economics are going to be horrible.

But the near term outlook for the economy is unlikely to be favourable. Any negotiation, whether conducted by Brown or Cameron, will involve the payment of huge bribes. And it's the English taxpayer who'll have to foot the bill. There'll be no attempt to contain the deficit, none to rein in the public sector. Finances will deteriorate for six months, possibly a year.

London, the Athens of the North?

Investors will take fright. They'd been assuming a rapid return to orthodoxy. Now, they'll see the UK as another Greece. Bond yields will rise and sterling fall. Later on, inflation could become a problem again. If resources continue to be taken from the productive elements of society and given to the unproductive ones, price rises will quicken worryingly.

World growth is beginning to lose momentum.

Elsewhere in the world, there are the first signs of moderating growth. Some 70% of data items are still upbeat, but that compares with a 75% reading three months ago. Look at the numbers from the US and China: still excellent, but noticeably less so than previously. In Europe, of course, they weren't strong then, and they certainly aren't now.

Another credit crunch on the horizon?

Everywhere, but particularly in Europe, there's an anxiety that there'll be another leg to the credit crisis. What we saw in 2008 was an unwinding of private sector extravagance. What lies ahead is the denouement of something comparable in the public sector.

More bank failures?

Governments that tried to ameliorate the one with an intensification of the other were bound to fail. Commercial banks that borrowed money from taxpayers to invest in other countries' Treasury issues may have to write off a second mountain of debt. Another tranche of banks may yet bite the dust: this time, hopefully, not bailed out by delinquent Finance Ministers!

No credit availability?

There is fear and loathing in the bond markets. Cash rich investors don't trust borrowers. Effective interest rates are therefore rising despite central bankers' accommodative money policies. That'll slow economics growth and undermine tax collections. Treasuries will have to seek to borrow more, and may be refused. Catch-22!

And dimwits in charge!

London is not well placed. Its economy is fragile; its politics worse. Brown and Darling didn't understand the problem they faced; nor do Cameron and Osborne. The country has one advantage only: it's not in the euro. Long may it be so.

Contact us . . . For further information about Pointon York's SIPP products and services, call Natalie Oliver on 01858 419 371 or visit the corporate website at www.sippolutions.com. Alternatively, contact Roger Nightingale, by telephone, on 01858 419 300; by e-mail at rnightingale@sippolutions.com, or browse his web site at www.rogernightingale.com.

Disclaimer: This document reflects the opinions of Roger Nightingale, not those of Pointon York SIPP Solutions. It is for private information only. Pointon York is not soliciting any action based upon it.

Whilst information contained in Roger Nightingale's articles is based on sources believed to be reliable, neither the accuracy nor the completeness can be guaranteed. Any judgments articulated are Roger Nightingale's as at the date appearing on the material. They are subject to change without notice and might not be followed with a specific ad-hoc document.

This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. It is for the general information of clients of Pointon York SIPP Solutions. It is intended for investment professionals only. It is not for public distribution.