

IT'S LOOKING BRIGHTER

THERE'S ONLY ONE QUESTION WE ALL WANT ANSWERED AS WE KICK OFF THE NEW YEAR: WILL 2011 BE ANY BETTER THAN 2010? WE PUT THE POINT TO THE GUEST EDITOR OF OUR BUSINESS SECTION THIS MONTH **KAREN VIDLER**, MD OF INDEPENDENT FINANCIAL ADVISERS **AV TRINITY** IN TUNBRIDGE WELLS, WHO HAS 20 YEARS EXPERIENCE IN ADVISING ON INVESTMENTS



Technically, we have been out of recession now for longer than we were in it, although it doesn't seem like it to many of us. Continuing fear of a 'double dip' has made sure this doesn't feel like a bounce!

But we should remember the stock market reflects where we are going; not where we have been and is typically six to 12 months ahead of the economy. We've seen a strong run on the UK market into the end of 2010, so indications are the economy will be rosier as 2011 comes to a close.

Whilst the weakness of Sterling has made any trip outside the UK ridiculously expensive, it has favoured our exporters, making our goods cheaper. However, we have been slow to

recognise the importance of new markets such as China and Latin America. Instead we have focussed on our traditional trading partners of Europe and the US where, frankly, consumers have 'battened down the hatches' when it comes to spending.

Growth in the emerging economies of the world is set to continue, so a weak pound will help, but the Euro is likely to weaken further; which will present competition in exports.

It is now clear the Bank Stress test wasn't stressful enough! Only a handful failed and Ireland's banks all passed! So continued fragility on European Bond markets is set to continue with the ubiquitous 'hair cut' threatening- although Mrs Merkel has very strong views on this.

The fact is bond prices are likely to come under pressure for the first half of 2011, and the Eurozone will be a very mixed bag of economic performance, placing further strain on the Euro and its viability as a single currency.

Spain will be the focus; any bail-out there will have to be on commercial, but affordable, terms. Germany's Angela Merkel has steered their economy into a strong position and is determined to see that better performing economies in Europe do not pay a high price for reckless fiscal management in Spain, Ireland, Portugal and Greece.

So, the outlook for equities for 2011 looks quite good in the UK, many companies will increase their dividends, and BP are likely to recommence paying theirs. Unemployment should flatten in the UK, rather than decrease significantly, but this will boost investor and consumer confidence.

2011 is unlikely to be a great year; but it looks brighter than 2010. Interest rates are unlikely to rise until 2012, but until the banking system, or more specifically, lending, improves-house prices will continue to drift.