



FEATURE ARTICLE

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The Appeal of a Resilient Market

I have just returned from a two week holiday and my attention was immediately drawn to how resilient the UK market has been since the beginning of this year.

Over the last few months the problems and challenges have been considerable ranging from continued concern over European Sovereign debt - especially for the periphery so called "PIGS", to the terrible tragedy in Japan, continued unrest in North Africa and the Middle East and although now most probably delayed by the most recent GDP figures, the inevitability of higher interest rates at some point especially following the tightening that has been started in Europe.

The simple fact is that the UK market does not want to go down. Events since the beginning of the year have given every excuse for a major correction, but no matter what is thrown at the market almost everyone wants to treat a pull back in equities as a buying opportunity.

Now investors are invariably taught that the consensus is wrong and that you can't swim against the tide but I just feel that the UK market has tremendous potential from here even though we are faced with the old adage of "Sell in May and go away, return again St Ledger Day"

On the 14th December I wrote an article re forecasts for 2011 and said that "...UK equities have the potential to rally significantly. This is based in no small part on the fact that thanks to the restructuring that companies engaged in during the early stages of the recession corporate profits are up around 50% in 2010 and in my view this has not been fully reflected in share valuations, especially those paying good dividends." I still fully stand by that statement and indeed I would add to this that in my view the M&A cycle has hardly started yet which will be a further driver for the UK market in 2011.

From here (6000 for the FTSE 100) I am going to put my neck on the line and say that the upturn for UK equities has only just started and that the FTSE100 will finish at or above 6800 at the end of this year.



If you think I am right however don't just jump in with both feet – speak to a good IFA about your risk profile/aims and objectives and putting an appropriate balance of investments together (the UK market is only one of many investment opportunities that will make up a good portfolio) and also ask about the advantages of pound cost averaging.

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