



SIRA VIEWS

Market Update by Nigel Purchase

As seemed likely towards the end of last year, the US has entered a recession. The chart below shows a reliable indicator of overall economic activity in the US – the ISM (Institute of Supply Management) survey. The manufacturing survey has been running since before the Second World War, and has reliably indicated all major recessions and most minor downturns in the economy since then. Over the last 10 years, the ISM people have also been asking non-manufacturing businesses about the economy. Our indicator below is a combination of the manufacturing and non-manufacturing indices, and the data have been seasonally and extreme adjusted by Sira Group where required. (If you would like to know the maths behind these processes, please contact me!)



We are many months from the end of the US recession. The decline in house prices and the sharp rise in credit standards applied by US banks will constrain US consumer spending until house prices stop falling, which is unlikely to be soon because of the substantial backlog of unsold houses. The US consumer has been a strong driver of US – and world – growth. At the same time, evidence is mounting that Europe and Japan are also on the brink of recession. Meanwhile, the BRIC countries (Brazil, Russia, India and China) show no signs of slowing, so far, and this will limit the world slowdown. All the same, even if economic growth merely slows, profits are likely to slide, and uncertainty about growth and interest rates will continue. Moreover, the ‘fundamental’ picture is confirmed by ‘technical’ indicators which suggest that the markets, here and in the US, have further downside.

As ever, we will aim to minimize losses in falling markets and generate excess returns in rising markets. Thus we will adjust cash positions and the shares we hold to protect client assets in these difficult times. If you would like to discuss your holdings or our market view, please feel free to contact us.

The information provided in this presentation is general information only and should not be acted upon by individuals looking to use the information without first seeking professional advice. Any financial advice should be tailored to your specific circumstances and take into consideration your needs, time frames and risk profile, therefore this information does not constitute personal financial advice and should not be relied upon as such.

Special points of interest:

- *US moving into recession*
- *Markets remain fragile*

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