Exclusive Bulletin 5th December 2011

Items this issue

1) ***Banks under pressure yields rise.***
2) ***Market to watch- Egypt.***
3) ***German Chancellor Angela Merkel has said Europe is working towards setting up a "fiscal union" in a bid to resolve the eurozone's debt crisis.***

Dear Clients

December opens with a rise in stock markets, grabbing back losses incurred over the previous weeks. Are we now getting used to the volatility in markets which may well become the norm as the debt crisis refuses to abate?

Fiscal union??

Does anybody actually believe, apart from Merkel and Sarkozy, that closer fiscal union is the key to solving the debt crisis? Surely not, the opposite is much more likely to be the answer.
Allowing a few weaker members, Greece & Portugal for example, to switch back to their old currencies would surely have the effect, in Greece say, of allowing a devalued currency to make Greece a more attractive destination for tourists, creating jobs, and giving a much needed boost to the economy. It would also improve the standing of the Euro as the weaker links are eliminated. The dual safety valves of currency fluctuation and interest rate changes are much needed in these weaker economies and totally denied by the straightjacket of the Euro.

See our attached Corporate bond rates.

As banks are downgraded by the various credit rating agencies in Europe, the effective yields from their corporate bonds have risen substantially, making a very tempting investment, particularly at a time when other income streams have diminished. Even some non banking institutions, many AA+ rated, have seen yields rise substantially.
A word of caution, some institutions may not be solvent, particularly those offering the highest rates, however it is difficult to believe any of the French, British or German banks would be left to flounder by their respective governments at this time.

Egypt

With elections being held and a population the size of Germany's, if peace fully returns, then this market must surely be one to watch in 2012. We will watch this carefully and recommend funds early in the new year.

Wishing all our clients and friends the Seasons Greetings and a Merry Christmas

Lee

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