

View from the Bridge

By Clive Hale

Christmas is coming!

an alternative look at the investment world

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It would make a change to write about something other than Europe, but with the world looking on at this dysfunctional continent, epitomised by having a German Pope and an Italian central banker, that is much easier said than done. America and China have been consistent in their message that the eurozone needs to sort itself out, and soon, but don't expect any handouts as they have enough problems of their own.

America is in election mode and with Republican candidates like Rick Perry and "Bunga Bunga" Cain you almost have to feel sorry for them. The only one of a sorry bunch with any understanding of the economic realities is Ron Paul yet the pro-establishment press have already written him off. The "free" press is becoming a bit of a joke; try watching the "Faux" News channel and you will see what I mean...

China, on the face of it, has few problems. Economic growth is slowing, but still forecast at circa 8% for 2012. They have a notoriously long view on most issues, but with Europe almost certainly headed for recession and the US frantically massaging the data to create a semblance of normality, they must be having some sleepless nights. To be asked to help bailout Europe so that Greek civil servants can get their pensions and banks can keep vaguely close to solvency just doesn't translate into Chinese.

The only logical way out of this global financial mess should be to take the medicine. If you can't pay the bills then you are bankrupt and your creditors have to take a write down. Of course once that starts the domino effect kicks in and the lights go out, but how does borrowing more make things any better, other than in the mind of a politician?

Maybe the Italians have stumbled on the answer. Replace politicians with "technocrats". The new cabinet will not include a single sitting member of their parliament. Sounds good until you realise that most of the new ministers are either ex-bankers or have very strong connections with that murky grey industry, which would suffer the most devastating loss of power should things go dark. Milan "OWS" is already up and running as the Italians quickly realise where this is all going.

Although it is highly unlikely to be the last chapter of this story, the odds are on Germany finding a way to allow the ECB to print. The markets will be euphoric and we can all enjoy Christmas, but remember the hangover starts as usual on January 2nd. At least the evenings will be getting lighter...

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