

From the Sunday Times

# Crunch offers up a golden opportunity

By William Kay

**Published: January 20, 2008**

IT HAS been a terrible week for anyone who needs to sell shares – but the FTSE 100's drop below 6,000 has been great news for would-be buyers.

Every fall brings the nadir nearer, when the biggest profits can start to be made. But the Footsie will have to do more than dip a nervous toe below 6,000. It will have to settle there and plumb fresh depths.

The big question is whether this year's company and economic news will be bad enough to take the index below 5,000. That would be 2,000 points down from the all-time high of 6,930, reached in December 1999.

A 2,000-point fall would be 28% off the high, around the norm for a bear market and therefore very much on the cards.

My hunch is that now it is becoming acceptable, almost fashionable, to declare losses, write off billions of pounds and slash dividends, a lot more companies will grab the opportunity to do so.

The more they write off now without attracting too much criticism, the more they can add back later to make their recovery look all the rosier. So expect some blood-chillingly grim confessions, especially from banks, builders and retailers.

Very occasionally, as in 2003, a metaphorical bell rings to tell investors to start buying. But you cannot rely on that. However, you won't go far wrong if you start buying from current levels down to the bottom and back again, as some fund managers are.

A portfolio of shares in solid companies, assembled over the next year or so, will look pretty smart by 2015. Marks & Spencer directors knew what they were doing when they snapped up the shares at just over 400p after the recent gloomy trading update.

The price has dipped since then and will probably go lower, but they are still good value.

I am much less sure where the gold price will be by 2015. I have been tipping gold since it was \$295 an ounce, and it could easily top \$1,000.

But, as the lurch back from the near-\$900 record shows, it is going to be a heart-stopping ride.

By all means buy an ounce or two with money you can afford to lose, but don't bet your house on it. That never was sensible, and there are worrying signs of fever setting in, which can make the canniest investor lose

perspective. And perspective is going to be this year's must-have accessory.

### **Plain sailing**

DANCING girls, stilt-walkers and a 30ft-high puppet may have inspired the money-no-object sailing set to spend like there's no tomorrow, but first-time buyers in need of a loan were rare at the Collins Stewart London Boat Show, which ends at the Excel Centre in Docklands today.

And although gin palaces might be outselling dinghies, the wealthy have again demonstrated their ability to hold on to their money in the face of ever more determined efforts to fleece them.

Peers, an international nonprofit talking shop for the rich, has formed a London branch. At the recent inaugural meeting, founder Francis Claessens said: "Banks charge whatever they can get away with, but we are uniquely placed to do something about it."

Members can exchange information about the best and worst banks, wealth managers and financial advisers. It's a simple idea that already works in several other countries from Belgium to America, and I'd like to see it go beyond the well-off. Thousands of people have recognised the benefit of belonging to investment clubs, not just to learn about the stock market but also to swap more general money tips.

Why not set up money clubs that have nothing to do with investing, to let people in on the inside track in a social setting? It could achieve as much as a formal financial-education course.

I was pleased to see Dick Harryvan, head of ING Direct, remarking resentfully that "in the UK there are a lot of rate tarts", using the finance industry's snootily dismissive phrase to describe anyone who makes their savings sweat instead of passively accepting whatever they are given.

That is why ING has been given a bloody nose since it landed here from the Netherlands with its standard lie that its instant-access account would always pay the most.

It doesn't, billions of pounds have walked away as a result, and ING has had to have a rethink.

Good, but having a regular forum to discuss such ideas over a pint or a coffee would prompt even more savers to smack the banks and avoid the little crook operating from a corner shop.

### **Mind the gap**

STUDENTS love to do the opposite of their predecessors. The flower-power 1960s generation was replaced by the austere late 1970s punk crop. Now, according to Abbey Mortgages, the gap-year tradition is disappearing in favour of saving to buy a house or car.

Abbey reckons this is a consequence of high prices making it tougher to get on the housing ladder. I disagree. It is merely a periodic swing of the pendulum, in this case from carefree to sensible. But when enough graduates have moaned about missing the chance to go round the world, the next batch of school-leavers will throw caution to the wind.

I'm with the gap-year crowd: you are much more likely to challenge what your lecturers try to tell you after a spell away. And you might just find an idyllic foreign spot, stay put and never get into debt.