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Market comment 17th December 2013 - a personal view of Brian Tora

Clearly I spoke too soon when I referred to the positive effect that Christmas can have on shares. Markets have been somewhat subdued since children started opening their advent calendars, although not every day is a down day. Last week did in fact see the major markets shed between 1.5% and 2% - not a massive amount, but equally not what we have come to expect in the run up to Christmas. Nervousness clearly abounds in investment circles.

Not that there has been much in the way of adverse comment to unsettle investor sentiment. Indeed, if anything, the reverse is true. For a start, Ireland looks to be in a position to leave the lifeboat launched to save those over-indebted nations within the European single currency zone. Even Portugal has been making more encouraging noises recently, though poor old Greece looks destined to have to live with austerity for some while yet. But the Eurozone has remained intact, something that barely looked possible as this year commenced.

Moreover, inflation seems to be behaving itself – something I did not feel possible under the weight of so much money printing. The most recent figures showed the Consumer Price Index falling to a four year low. Still, with Christmas just over the horizon - and this my last contribution to the investment debate before we arrive in 2014 - it seems a better time to look forward, rather than back. It is what the New Year may have in store for us that is doubtless weighing on the minds of investors right now.

Much of the talk in professional investment circles centres around tapering – not the easiest topic for those unused to financial jargon to relate to. Tapering refers to the US Federal Reserve Bank's stated aim to reduce the amount of money it has been pumping into the American economy. Reduce, note, not withdraw completely. This massive financial experiment, which goes by the name of quantitative easing, has been the means whereby the recession brought about by the credit crunch, which started more than six years ago, was staved off.

But the worry is what might happen when this support is withdrawn. The main concern seems to be that emerging markets will suffer unduly, adding to the woes they are already experiencing as global growth continues to slow. Arguably such concerns are largely priced in, following indifferent recent performance, but the lack of clarity over the Fed's actual intentions provides a good excuse to steer clear.

Next year will looks likely to be one of change, as the developed world tries to replace artificial stimulus, in the form of monetary easing, with more lasting measures to ensure job creation and economic wellbeing. At least in the short term it is the developed markets that appear most capable of making the running, but 2014 will be a year to watch the actions of governments closely. Let us hope that we all enjoy a Happy Christmas and as prosperous a New Year as circumstances will allow.

Brian Tora, who is a respected writer and broadcaster on investment issues, is a consultant to JM Finn & Co. Brian has enjoyed a long and distinguished career in the City. Any opinions expressed are his own and should not be construed as advice from JM Finn & Co. A version of this article may appear elsewhere in the press.

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