

Market comment 13th January 2015 - A Choppy Year Ahead?

There is an old stock market saying which I have doubtless referred to before. As goes January, so goes the rest of the year, it says. If the start of this New Year is anything to go by, we could be in for a bumpy ride. Volatility has returned to equity markets in spades, driven by more uncertainty over the future of the European single currency zone, growing doubts over global economic growth and continuing geopolitical concerns in a variety of areas.

As it happened, shares have recovered much of earlier falls, though sentiment remains fragile. Let's face it, there is plenty to worry about still. The fall in the price of oil is adding to investors worries. While overall this might reasonably be considered a plus as it takes pressure off consumers and hopefully puts some spending capability in their hands, cheaper fuel costs should not be considered as pure unalloyed joy.

For a start, our own offshore oil industry is suffering hugely, with leading figures demanding tax cuts if it is to survive at all. Then there is the devastating effect it is having on Russia, where oil makes up around half of the country's revenue. With sanctions still in place over Russia's Ukrainian excursions, the economy there is in a bad way, which could encourage president Putin to take even more drastic measures. The recent failure of peace talks there does not augur well.

Then, of course, there are the reasons behind the falling oil price. While much of the decline can be laid at Saudi Arabia's door as it attempts to discourage expensive producers, such as the burgeoning shale oil industry, demand really isn't there at present, largely because China's economy is visibly slowing. Indeed, economic indicators are looking sluggish around the globe. 2015 is looking as though it

could turn out to be quite a difficult year.

Yet, as shares fall, so buyers do emerge, suggesting some appetite for risk remains. For the humble private investor this is beginning to look like a year when a little more care than usual might be in order. In the end threats and opportunities are bound to arise. And the future is, as ever, impossible to predict with any degree of certainty. While I am dubious that the crop of bullish forecasts for the coming year are based on little more than hope, the reality is that things might well turn out to be better than this disappointing start suggests.

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