TAM INTERNATIONAL INVESTMENT NOTE

Osborne sets the record straight...

***"I should think it hardly possible to state the opposite of the truth with more precision"* – Winston Churchill**

They say economists add a decimal point to show they have a sense of humour and so maybe they had a hand in the UK Chancellor of the Exchequer, George Osborne's forecast that, within two years, the UK would face a recession and a minus 3.6% contraction in GDP. Given this precision, it's surprising that the figure has already been withdrawn, along with Project Fear, and that we should instead raise our eyes to the sunlit uplands befitting the world's fifth largest economy.

From the moment George Osborne set foot in No.11 Downing Street six years ago, he must've been mindful of the adage that one can be a good chancellor or a popular chancellor, but not both. What he was thinking when he unleashed his threat of a punishment budget before the referendum is anyone's guess but, at that moment, he was neither. The electorate don't like threats and, as we know, politicians don't like apologising, which may partly explain Osborne's absence from Thursday evening although nobody would doubt for a second he has a lot to do in the wake of the Leave result. It was left to Business Secretary, Sajid Javid to play the fall guy and field questions from Andrew Marr on the Sunday morning show who opened with the delightful question "You worked very closely with George Osborne. When are we going to get the punishment budget?"

The rest of the interview was similarly brutal and one wonders whether Sajid Javid's experience in a senior post at Deutsche Bank, admirable though it is when so few MPs have ever had a job outside politics, was really the optimal skill set to field so many overtly political questions so soon after the result. Of course, Mr. Javid would presumably have known that George Osborne was going to break cover soon and even went so far as to drop hints that the Remain camp were about to row back on a series of doom and gloom forecasts, which is exactly what happened on Monday.

George Osborne's comments were suitably reassuring and interspersed with the compulsory sentimental comments about the UK being open for business, not turning our backs on European friends and fighting with everything he has to keep Britain an open and tolerant economy.

Now, of course, for those interested in politics, this is all jolly interesting. But, as investors, we shouldn't hang on every word of politicians. It's not like they've done us any favours lately. But prosperity is the long term by-product of stable democracies and at the moment the UK is anything but. The UK is without a fully functioning government and, almost unbelievably, an opposition in tatters. Another Scottish referendum is being bandied about and even a second referendum on the EU itself, since it is only now dawning that only the UK parliament that can action Article 50 by voting through the House of Commons. It would be extraordinary if MPs voted against the will of the people, even though 70% of MPs voted to Remain. But these are extraordinary times. As we said only last week, Boris Johnson was always at heart a Europhile. Should he become the new Prime Minister, would he, could he, agree to a rejection of the referendum in exchange for an emergency brake on free movement of people?

This is far from over, which leads to uncertainty, a word featuring in almost every article related to Brexit, and markets hate uncertainty. Uncertainty is what drives investors to buy Gilts until even their 10-year yield is less than 1%. It leads to indiscriminate selling of shares and their worst 2-day losing streak since 2008. It is what drives Sterling to a 31 year low and for S&P and Fitch to cut the UK's credit rating from AAA rating to AA.

It is natural for markets to exhibit some caution when there is so much going on and too many questions that are simply too difficult to answer. And in addition to this we have the US presidential election to get through, not to mention 5 other general elections across Europe in the next 18 months.

However, it is becoming clear to us that there are opportunities starting to open up. We currently have as much cash in TAM client portfolios as we have ever had but have not made any significant changes to portfolios since Friday morning. However, we stand ready to invest should the opportunity outweigh the risk and will keep you updated on progress.

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