



Investment Commentary by Roger Nightingale

War is a cowardly escape from the problems of Peace.

Thomas Mann—and there is always more cowardice
in the system than courage!

29th January 2010

In the sixties, the Viet
Cong were poorly
equipped, but
thoroughly determined.

Forty-two years ago, on 21st January 1968, the “Tet Offensive” began. Viet Cong forces launched attacks on all major cities in South Vietnam. Militarily, the insurgency was insignificant; but, psychologically, it was the beginning of the end. Although Allied troops re-established physical control within a couple of weeks, they could not re-establish mental serenity. Many who’d previously thought a US victory inevitable started afterwards to ponder the possibility of defeat.

The Taliban today are
much the same. They
may lose battles but
not the war.

Is there a parallel here with the Taliban’s attacks on Kabul? Perhaps so. There’d previously been a presumption that the insurgents merely controlled the countryside; that the cities were secure. Apparently not. Even in the capital, the influence of the Americans and their Allies is limited; that of the Opposition significant.

The Tet Offensive
changed the American
mindset. Likewise the
Attack on Kabul?

If events forty-two years ago were crucial in changing American attitudes to the war in Vietnam (and to the Presidential Election ten months later), might not the attacks on Kabul do something similar to perceptions of the war in Afghanistan (and to the Congressional elections ten months hence)? Arguably, the parallels go further: Lyndon Johnson was destroyed by a war he’d inherited from a delinquent predecessor; Barack Obama may risk a similar fate for similar reasons. The Democrats loss of a Senate seat (in Massachusetts) was a telling blow. It speaks volumes of the public’s disenchantment with their President and presages further Congressional setbacks this autumn; possibly the loss of the White House in 2012.

The Brits come out of this episode rather badly.

How will these developments be interpreted in Britain? Thus far, there's been strong disapproval of the Middle Eastern conflicts, especially of those who promoted them, but sufficient loyalty to the Principle of the Transatlantic Alliance not to want to rock the boat. Things may be changing, though. The Chilcot Inquiry has unearthed a rich seam of revulsion to Blair and his henchmen. It's not just to be found in the Labour Party, but in the Civil Service and the Judiciary as well. There are many scores yet to be settled.

Blair was a monster; Cameron is aiming to be a fool.

Worryingly, Cameron seems not to have noticed. The poor chap's track record in misreading public opinion remains unblemished: he failed to understand the electorate's disapproval of the European Constitution; its contempt for miscreant bankers; and its suspicions about Blair's wars. The Tories may win the election, but, if the past is any guide to the future, they'll not put right the country's wrongs.

Economics activity, meanwhile, is faltering; Europe in the van.

The world economy is another cause for concern. The anaemic (inventory-based) recovery in the old industrial world seems to have run its course. Activity is subsiding again. Europe, its currency over-valued and its workers over-compensated, is particularly vulnerable. If the ECB were to be daft enough to raise interest rates, it'd plunge the region, possibly the world, into a second stage of recession.

But equity valuations will probably rise for another twelve months.

That being so, the securities markets are likely to perform well! Companies' sales will disappoint, but their profits, driven by moderating wages, will advance. Set in the context of negligible interest rates and continuingly generous liquidity, the indices will rise. The magic may not last forever, but there's a good chance it'll see out 2010.

The facts and opinions contained within this newsletter have been provided by Roger Nightingale; Buckles Investment Services do not take any responsibility for the contents.

Issued by Buckles Investment Services Ltd. Authorised and Regulated by the Financial Services Authority
Buckles Investment Services Ltd. Derwen House, Ffordd Derwen, Rhyl.
Denbighshire LL18 2LS
Telephone 01745 345131 enquiries@buckles.ltd.uk www.buckles.ltd.uk