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# Monthly Newsletter

'Crisis? What Crisis?'

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Crisis? What Crisis? - These three words helped bring down Jim Callaghan the former UK Prime Minister and his Labour Party in 1979, although the words never crossed his lips. The words were created by a Sun journalist!!

Still, at the time the UK did seem in crisis - inflation was rising into double digits, while unemployment in 1978 at 5%, burst higher to reach a peak of 18% just two years later. Unions had the power across the country. The image associated with the end of the 1970's Labour government, is that of rubbish in the streets and bodies in the mortuary left unburied.

Ask people in the UK how the country is today, and the answer will often be ... "we are in crisis". Yet today inflation is below 3%, unemployment is at 50 years lows, inequality is declining (from high levels), and the government deficit - the economic preoccupation of the last decade - has hit a 17-year low. There is plenty wrong with Britain...but crisis?

Well, as the success of The Sun's made up quote suggests, it is often the story rather than the facts that are most relevant. The story didn't just explain the fact, it became the fact!!

The spread of stories, and the confidence or lack of it they bring, can be modelled in terms of an epidemic. These models talk in terms of 'Infection Rates' (an estimate of the rate of progress of the disease from one individual to another) and 'Removal Rates' (a measure at the speed with which people lose their contagion). In the Internet Age, story Infection Rates have exploded while Removal Rates have declined. In short, the story has a bigger impact and hangs around for longer, resulting in a feeling of living in a world of constant crisis.

Traditional norms as to what constitutes a crisis appear to have been changed by the virility of these story epidemics. Low interest rates, something that used to inspire business confidence, have been surpassed in power by the story. The result of recent unremittingly downbeat stories in the UK is surely reflected in the low valuation of much of the UK stock market. The FTSE 100 share index has a dividend yield of 5.1% while UK Government Bonds yield just 1%. We really live in pessimistic times.

The parallels of the UK economy today to 1979 are at best tenuous. But the political situation is somewhat similar. Callaghan, a weak leader, led a minority government. Pessimism abounded. To change confidence and indeed the valuation of the UK stock market, the UK needs a new Chief Storyteller (a position currently titled Prime Minister). The need for this has been expressed by electorates in other countries. The success of Italian comic, Beppe Grillo, and the election to Presidency of the Ukraine of Volodymyr Zelenskiy - an actor who played the part of the President in a TV series - should be no surprise. This may be called the rise of populism but really just reflects the hunger for a confident storyteller. Now if only Jamie Oliver would stand for Prime Minister...

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