

press release

15 December 2010

2011 – The year ahead

Gavin Oldham, Chief Executive of The Share Centre, takes a look at the year ahead and makes his predictions for 2011.

“2011 will be the first for 12 years during which the FTSE 100 breaks into new ground, finishing the year at or above 6750. As businesses look forward to a leaner, more efficient post credit-crunch world, investment and earnings will rise on the back of continued low interest rates. However, the year will not be without serious volatility, particularly due to successive crises in the Eurozone leading ultimately to some disorderly restructuring.

“Currencies, inflation and the standard of living (real GDP per capita) will be the defining economic influences of the year. The UK could be caught in the middle of a weakening euro and strengthening dollar, which is a difficult combination for exporters. If Eurozone finance ministers could devise a subset of economic conditions to alleviate competitive dislocation within the euro this could avoid the worst effects of it reaching parity with the dollar (Capital Economics prediction). However, the UK market performed well in the 1980s with a strengthening pound and we think it may repeat this experience.

“A strong pound should also keep price inflation at bay, which is just as well as tax rises and higher unemployment will inevitably impact the standard of living. The retail and leisure sectors will therefore have another bad year.

“BP should make a good recovery once its dividend is reinstated and small explorers are likely to do well, but other oil and commodity stocks are less likely to perform. Meanwhile the service sector and mid/small caps will continue to do well on the back of potential merger and acquisitions activity: we

favour Carillion, Centrica, Prudential and CPP. Our two favoured stocks for 2011 are Experian and, as our shortest term high risk play, Churchill Mining.

“Banking is likely to spend much of the year held down by fear of Eurozone defaults but once these are resolved with some controlled restructuring investors will look ahead to increasing earnings and restored dividends. We expect Lloyds Banking Group to be the first of the government-supported banks to be ready for a part flotation in 2012.

“Gilts will continue to drift downwards in 2011 as investors look ahead to higher interest rates. Retail property will continue to fall, but commercial property is likely to see some value recovery.

“We expect the best performing overseas market to be Germany.”

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The Share Centre was established in 1990 to provide value-for-money share services for private investors. Its range of services includes buying and selling shares (by Internet, telephone and post) and a comprehensive share administration and safe custody service. Tax-efficient investment 'wrappers' including ISAs, CTFs and SIPP's are also available.

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