



Quarterly Newsletter - Winter 2019/20

Lacomp plc is an independent investment management company providing portfolio management services to private investors worldwide.

Well, what a difference three months make!

Since our last newsletter the foundations have been laid for what could be a generational realignment of our political landscape. Several previous unknowns can now be ticked off: General Election? ✓; Stable government majority for a five-year term? ✓; Brexit Stage One? ✓; John Bercow finally gone? ✓! Furthermore, the Northern Ireland Assembly is at last sitting once more in Stormont after a three-year hiatus, a much-needed new start for the new year and new decade (or the last year of the old decade if you're a pedant).

Boris Johnson is cutting a very different figure these days, having moved on from winning a good majority amongst Conservative members last summer to winning his huge majority across the country (or that part of it below Hadrian's Wall, at least) in December. In the House there appears to be less of his usual buffoonery, bluff, and bluster. He seems to be brisker and more business-like – dare one say more of a statesman? He expects a similar “nose to the grindstone” attitude from his ministers, and with much to do to keep the support of those who have “lent him their votes”, that's no bad thing.

Corbyn and the extreme left are no longer a threat, at least for the next five years, and the field of candidates is narrowing. Although Clive Lewis – remember him? – fell by the wayside early and Jess Phillips dropped out this week, we still have quite a cast to replace him. Will whoever is elected be the one who next wins an election for Labour, or the one who merely forms a bridge between Corbyn and the *next* successful leader? Either way, we need a credible and able opposition leader to ensure that even when facing such a large Government majority, it is held to account, questioned and challenged at every step.

The Labour Party originally was formed out of the trade union movement to give working people their own political voice, and their influence through affiliated trade unions remains to this day.

Lisa Nandy has made it through to the final ballot, with the backing of the GMB (over 600,000 members) and NUM (though with only 750 members as recently as 2016, it is hardly the force it was in the early 1980s when the membership was in excess of 630,000). She is the least well-known of the four remaining candidates, is very talented and potentially a strong leader of the Parliamentary Labour Party in the House, but how would she do in the country? She *could* go down very well, particularly among voters who for this election turned their back on Labour, but much depends on how she would handle what many moderates in her party consider to be Momentum's poisonous influence.

Sir Keir Starmer is of course the “bookies' favourite” and also through to the next stage, with the backing of Unison, Usdaw (Union of Shop, Distributive and Allied Workers) as well as Labour's environmental campaign group Sera. Now considered by many to be an ultra-Remain moderate, the “acceptable face of Labour” who won't scare off the centre vote, he used to be quite the radical, having helped “man the barricades” at Wapping in 1986 and being one of the “editorial collective” who in the mid-1980s founded the journal *Socialist Alternatives*, which advocated a 35-hour working week and a “radical extension of common ownership over wealth and power”. Nevertheless, it would be dangerous to assume that the urbane and plausible-sounding Starmer is a “centrist Blair” for the 2020s.

Rebecca Long-Bailey (or “Wrong-Daily” as Private Eye and others have christened her) is closely allied to Shadow Chancellor John McDonnell. She is the darling of the hard left, a Corbyn/Momentum protégé and anointed by Unite’s own brontosaurus, Len McCluskey, as the “chosen one”. At the time of writing, she has secured backing only from BFAWU (the bakers’ union) but is expected to receive Unite’s nomination – McCluskey being its General Secretary.

First elected in 2015, she was on the front bench within four months as Shadow Chief Secretary to the Treasury and currently is Shadow Secretary of State for Business. However, she has failed to distance herself from Labour’s anti-Semitism and many will view her as having been Corbyn’s right-hand woman in the recent disastrous election: the factionalism of her campaign certainly doesn’t suggest she would be a unifying leader. Would she be a recipe for a Labour resurgence or the last nail in the coffin?

And finally, Emily Thornberry, she of the infamous sneer at ‘White Van Man’ & England football flags in the 2014 Rochester by-election – surely her candidacy is mainly to retain a prominent shadow cabinet position? Thornberry has not as yet won the backing of any unions or affiliated bodies, and without those has only 3 CLPs (Constituency Labour Parties) of the 33 she needs to go through to the next stage. We regard her as being at best a very distant outsider in this race.

Interestingly, a Channel 4 News focus group of former Labour voters who voted Conservative last month described Jess Phillips as “too working class”, Starmer as “weak” and “corporate”, and Long-Bailey as a Corbyn “clone” and “angry”, but said they could see Emily Thornberry and Lisa Nandy winning back their votes more than any other contender ...

Be that as it may, whoever wins must acknowledge and address the reasons for Labour losing an estimated 800,000 Leave voters to the Conservatives because of Brexit, and some 300,000 who simply mistrusted Corbyn. A further 1.1 million Remain voters went to the LibDems, Greens and SNP. The result was Labour losing seemingly impregnable majorities in its heartlands. Labour once again won the youth vote, but it lost pretty much everywhere else including among 35-54-year-olds, which saw a 3% rise in the Tory vote share and an 11% drop for Labour.

Looking at the United Kingdom more widely, the risk of the Union breaking up is possibly overstated (the media have to be interested in something and Brexit is now less of a front-page issue) but maybe there is more chance of Northern Ireland and Ireland unifying than of Scotland leaving. After all, the Good Friday Agreement lays down the terms that need to be met for a Unification Poll to be held, while as Nicola Sturgeon knows all too well and is happy to exploit for domestic party political advantage, another Scottish independence referendum (or “IndyRef2”) requires Westminster’s consent for its legality, and Johnson has just said “Nae”.

For the last three years, Brexit machinations dominated every front page, every news bulletin. At least other news stories from home and abroad are now being covered by the media, while Laura Kuennsberg and Katya Adler are no longer the most frequently heard voices on the BBC. Indeed, one could *almost* be forgiven for not noticing that the Withdrawal Agreement Bill has been progressing through the Commons and House of Lords!

Kuennsberg did however return to the field of battle this week, blowing the dust off her Blog when the Lords passed five opposition amendments to the Bill. However, the games of ping-pong we have seen over the past few years between Lords and Commons were not to be repeated, the Government immediately reversing all five amendments with the Lords accepting defeat.

By 1st February, Boris Johnson will say he “Got Brexit Done” – we will be out of the EU, albeit under the terms of a limited duration transition agreement. We then move immediately to “Brexit Stage Two” to deal with our future relationship.

The negotiations over the next eleven months will feed plenty of alarmist headlines, as we have

already seen. We suspect though that the “real world” trade economics between two blocs who are so important to both may facilitate a somewhat easier negotiation than the political divorce proceedings over the last few years, whatever Michel Barnier and Ursula von der Leyen might say now.

Beware though of what may be sacrificed “for the greater good”: fishing waters for financial services? Farming freedoms for food standards? Border controls in exchange for our continuing demand for both skilled *and* unskilled workers?

Boris Johnson has lot of other plans here at home. We hear via his Chief Special Adviser Dominic Cummings that the Government and Civil Service are to be re-modelled. There’s more than a hint of “Yes Prime Minister” about it so far though, as readers of a certain age will recollect! Will the House of Lords be forced to move to York? Would the Foreign Office have a better appreciation of public sentiment were it moved to Bradford, Barnsley or Birmingham?

So much for the UK – what about the rest of the world?

We’re in a US Election year, although Trump has been campaigning since the day he was inaugurated in January 2017. Given everything that he has said, done, denied saying, denied doing, been recorded as saying and doing yet still being in denial, it is unbelievable for one to say with a straight face that it is very possible there will be “no change” come 4th November. An impeached President re-elected? What a thought!

Impeachment Part Two: it is one thing to be impeached by the Democrat majority House of Representatives, but to get a *two-thirds* majority in the Republican majority Senate? He may appear to be as guilty as heck, but it almost certainly won’t happen given the entrenched party-lines voting. All the Democrats can hope is that sufficient memory of these events will stick in the minds of enough floating voters in key States in ten months’ time to make a difference.

The Democrats – will they adopt a centrist or a “socialist” candidate? The field is gradually narrowing as candidates fall by the wayside. But are there lessons for them to learn from the British rejection of Corbyn’s hard left socialist manifesto? Would the US – even with a more politically active and aware younger generation and an increasingly mixed population – vote for a nakedly left-wing President?

Quite a lot of Barack Obama’s policies were what we in Britain would consider very centrist, even *right* of centre, but many of the Democrat candidates are so much further to the left that even Obama has expressed his own warnings about turning off certain segments of the electorate by not being “rooted in reality”.

In Europe, Chancellor Angela Merkel is a fading force, and Germany’s economy a shadow of its former strength. French President Emmanuel Macron has been coming to the fore, pressing his case to be Europe’s next main spokesman, but he is facing huge political problems at home. The long-running transport strikes may have been suspended as of 20th January, but which of his much-needed pension reforms will Macron have to cede to call the strikes off completely?

The “gilets jaunes” returned to the streets on Saturday amongst calls for “Revolution!” Macron has achieved many long overdue reforms but his LREM party (born during the campaign for the Presidency from his “En Marche” movement) is struggling to attract activists and supporters. Elections this year could prove pivotal, with Marine Le Pen’s “National Rally” party threatening to eclipse Macron.

Spain. Catalonia. And we thought relations were poor between Westminster & Hollywood! Could this be the year Spain moves further to disintegration? What would that do to the “European Project”? How could Brussels handle wealthy Catalonia breaking away from Spain yet remaining in the EU alongside much poorer Spain? Standing firm alongside Madrid the EU has made it clear that a split from Spain would instantly exclude Catalonia from the union, but would Catalonia even want to stay in

the EU? The view may not be held universally among Catalan independence parties but in 2017 former Catalan leader Carles Puigdemont described the EU as a "club of decadent and obsolescent countries" that was "controlled by a small few", suggesting that Catalonia should be allowed to vote on its exit from the EU.

As we enter the lunar Year of the Rat, China continues to have what Party HQ in Beijing might regard as its own "pest control" problems in Hong Kong.

Signing the new "Phase One" trade deal with the US on 15th January may ease some of the pressures on China's economy, but Trump and Xi Jinping will now dance the "Trade Talks Two Step" with the onset of the next phase of the negotiations. With Trump going for re-election at the same time, and both wanting a mutually acceptable and enduring final deal, Xi is likely to refrain from making overt provocative acts that might risk upsetting the negotiations.

However, Hong Kong's economy has been hit extremely hard over the last 6 months or so and is now in a deep recession. It is difficult to see the protestors winning any reforms, and China's new envoy, Luo Huining, will have Beijing's backing to act swiftly to restore law and order.

A fortnight ago, Taiwan overwhelmingly re-elected the pro-independence leaning President Tsai Ing-wen, but Beijing is likely to continue with its policy of applying diplomatic, information, military and economic pressures in order to isolate Taiwan and undermine her administration.

Finally, in the South China Seas, Chinese expansionist policies will continue to be a risky flashpoint and while regional interests (Vietnam, Indonesia, Malaysia, Philippines, and other ASEAN countries) push back against China, Beijing is likely to avoid provoking a US military response. Of course, that ultimately could depend on what side of the bed Trump gets out from on any particular day, or the views of whichever Fox News TV reporter he happens to hear...

Despite all the potential economic problems we are aware of, the markets have been incredibly resilient and positive last year. A recession of sorts is somewhat overdue, and we are happy to maintain our defensive stance in our portfolios. We see our job as not just riding the upward trends but also safeguarding against the downsides.

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