

I cannot remain silent against the loud SOS's made by UK fund management types, to the Chancer in No11, to 'Save Our Stock Market'.

Now of course I know that decades ago UK tax changes denied FTSE listed equities 'the breaks' that had hitherto favoured the asset class. I am also perfectly aware of the roll public equity 'can' play in making a nation's corporates & wider economy more 'liquid'. Yet, please give me a break over the pretence the UK stock market would have avoided crashing into de-equitisation, had ONLY the tax breaks been kept on.

In reality there are a raft of reasons for the flight of UK listed equities into the hands of companies listed overseas, PE firms & indeed UHNWs & SW Funds. And whilst some of the factors absolve UK professional equity investor types, there are elements, they are most certainly culpable. Yet typically when City types plaintively demand a return to tax breaks to revive the UK stock market, THEIR 'negligence' towards the UK's de-equitisation is concealed.

Whilst I will consider where UK equity investors are very much liable for a narrowing in their market, I will also briefly cover the reasons where they are blameless. Before I do either, I want to clear up a few misconceptions.

We must not confuse the size & moves in the UK stock market with the quantum or health of the real economy; the FTSE100 less a barometer of GDP as the cable rate, to which I will return. Relatedly, we must not assume a UK firm LOST from the FTSE, has failed. For in most cases delistees have not only continued to exist, but flourish HERE; as exemplified by ARM. Neither must we conflate or correlate the LEVEL of say the FTSE350, ONLY WITH EQUITY DEBTH. Moreover, it is not essential that nascent UK businesses are sown as FTSE FLEDGLINGS, for them to bloom. With this said let's turn to macro factors 'taking out' many listed UK stocks.

One thing giving UK script a pounding has been an extremely weak sterling. For the reality is that this has made our equities 'cheaper to outsiders'. Moreover, in a twist of irony, rather than a 'pound on its back', creating inflation, that would otherwise have driven their nominal earnings growth, firms that earn largely in sterling had for a long time seen their EPS's slowed by lowly inflation. Also before, & so much more since the GFC, the UK was confronted with cheap debt carried in from all corners, carrying out its equities.

Anyway, so much for some of the forces beyond the control of UK fund managers, now to their complicity.

At no point has the FTSE seen a constitute 'stolen', in the conventional sense of a night-time breaking & entry or armed robbery by balaclava wearing career blaggers. In all cases, the underlyingly valuable loot was carried out in broad daylight & in plain sight of the peerless City peelers. In fact, firms were carried out of the FTSE because carpetbaggers cheaply 'paid off the authorities'. Which authorities you may ask? Well, the very UK fund management types now so loudly calling on The Chancer, to Save Our Stock Market.

Table 1: Forecasts for a new normal monetary future - higher YES, alarmingly so, NO

Metric	Q4 '98 - Q4 '07 average (%)	Q4 '08 - Q1 '22 average (%)	Now	'25 - '29 forecasts (%)
UK Base rate	4.9	0.5	4.75	3.50 - 4.50
US Fed rate	3.6	0.6	4.50	5.00 - 6.00
UK Real Interest rate	3.3	-1.7	2.70	0.00 - 2.50
US Real Interest rate	1.0	-1.3	2.15	0.00 - 2.75
5 Year Gilt yield	4.9	1.2	4.51	3.00 - 3.50
10 Year Gilt yield	4.8	1.9	4.80	3.25 - 3.75
5 Year Treasury yield	4.4	1.5	4.61	5.00 - 6.00
10 Year Treasury yield	4.8	2.3	4.79	5.50 - 6.50
UK Fixed rate mortgage	5.7	3.2	4.82	4.00 - 4.50
UK House prices, yoy	12.9	3.0	3.30	2.00 - 5.50
UK CPI	1.6	2.3	2.50	3.00 - 4.25
UK Goods CPI	-0.1	1.7	0.70	2.00 - 4.00
UK Services CPI	3.7	2.9	4.40	4.00 - 5.50
UK Rent CPI	2.9	1.2	7.60	3.50 - 5.50
US CPI	2.7	1.9	2.75	4.00 - 5.50
UK Real GDP growth yoy	2.0	1.9	1.00	1.80 - 2.10
UK Implied Deflator GDP yoy	4.3	2.2	3.20	3.00 - 3.30
UK Nominal GDP growth yoy	6.4	4.0	4.00	4.80 - 5.40
UK Wage growth	4.3	2.3	6.33	3.50 - 5.50
US Wage growth	3.1	3.0	3.80	4.25 - 5.75
UK Unemployment	5.3	5.9	4.30	4.00 - 4.50
\$/£	1.69	1.46	1.22	1.60 - 1.70
€/£	1.52	1.19	1.19	1.30 - 1.40
UK Construction wage inflation	4.8	2.0	7.97	3.30 - 4.70
UK Construction materials cost inflation:				
New housing		3.5	1.32	(1.80) - 1.20
CRE/Infra		3.9	-1.16	(2.80) - 0.20
Repair and Maintenance		3.8	0.66	(1.90) - 1.10
All Work		3.7	0.00	(2.30) - 0.70

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