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OCTOBER 2003

	<u>1/1/97</u>	<u>1/1/98</u>	<u>1/1/99</u>	<u>1/1/00</u>	<u>1/1/01</u>	<u>1/1/02</u>	<u>5/10/02</u>	<u>1/1/03</u>	<u>5/4/03</u>	<u>1/7/03</u>	<u>5/10/03</u>
FTSE 100	4118	5136	5882	6930	6222	5217	3814	3940	3814	4031	4274
FTSE All Share	2014	2411	2674	3242	2983	2524	1833	1894	1824	1971	2111
Nasdaq (US)	1280	1580	2192	4131	2470	1950	1140	1335	1384	1623	1881
Dow Jones (US)	6448	7915	9181	11452	10786	10022	7529	8342	8277	8985	9572
Nikkei Dow (Japan)	19361	15256	13842	18934	13785	10543	9028	8579	8074	9083	10709

<u>Reasonable Yield</u> <u>FTSE 100 Equities</u>	<u>Growth FTSE 100</u> <u>Equities</u>	<u>Stocks Outside</u> <u>FTSE 100</u>	<u>Companies</u> <u>With Local</u> <u>Connections</u>	<u>Overseas</u>
HSBC	Assoc. British Foods	London Stock Exchange	GWR	Nestlé
Barclays	Reckitt Benckiser	Jardine Lloyd Thompson	Porvair	Pfizer
Scottish & Southern	Amersham	Johnston Press		Exxon Mobil
Legal & General Group	Unilever	Cobham		Carlsberg
Shell Transport & Trading	Bunzl	Hammerson		
Land Securities Group	Tesco			
BOC Group	Royal Bank of Scotland			
Rexam	Johnson Matthey			
Kelda Group	Smith & Nephew			
BAA	Yell Group			

NO NEWS IS GOOD NEWS

When the weekend headlines are full of: Lord Lucan's look alike; James Hewitt's letters; a statement to the effect that you can no longer fail (F) 'A' levels; and the "sexed up dossier" has absolutely nothing to do with "Calendar Girls"; then one knows that the Journalistic World is desperate for news. Even Mr Bush and Mr Blair have been deafening by their silence (and not a single holiday snap of Cherie's bikini, thank goodness). NO NEWS IS GOOD NEWS.

The majority of the British supported the "toppling of Saddam" at that time. The mission has been accomplished, no weapons of mass destruction have been found and, if the only inevitable serious repercussion is the Hutton enquiry into poor Dr Kelly's death, then this must all be GOOD NEWS – it could have been so much worse. This is now history; lets move forward.

Where does this leave us?

1) **Politics**

The Pendulum for New Labour has swung. Mr Blair has lost his “street cred” and Alastair Campbell’s “spin” has been exposed. Mr Blair’s “abuse of power”, by ignoring The House of Lords on the Hunting Bill and ignoring Dr Blix’s comments regarding “weapons of mass destruction” could lead to his own political downfall.

Gordon Brown’s new policy of SPEND, SPEND, SPEND has run out of money already – we all knew this would happen, except the Chancellor.

Brent East has said “No” to New Labour, and yet where is the Opposition? Though these Chronicles are “apolitical”, I am prepared to say that the left wing Charles Kennedy and the Liberal Democrats would be a financial and economic disaster for UK Stock Markets.

Therefore, for the time being, the “political status quo” remains – though the “balance of power” is steadily but surely becoming more balanced. This must be GOOD NEWS.

2) **Interest Rates / Inflation / Currency**

These have all retained the status quo since 1st July 2003:

	<u>1st July 2003</u>	<u>5th October 2003</u>
UK Base Rate	3.75%	3.5%
US Base Rate	1.0%	1.0%
European Base Rate	2.0%	2.0%
Inflation	2.8%	2.9%
The Euro	70p	70p
The US Dollar	\$1.65	\$1.66

NO NEWS ON ALL FRONTS IS GOOD NEWS.

3) **The Euro**

Sweden has said “No” to the “the Euro”.

We therefore believe that all “red herrings” on the Euro can safely be ignored for several years.

Interestingly, one farmer client from Goderstone has won “the Barratt & Cooke pen” for explaining the new European Common Agricultural Policy (I am more confused than when we started). But, not one client wrote in with an explanation on any of the 5 economic tests required to enter “the Euro” – that says it all.

4) Stock Markets

In the July Newsletter, I stated:

“I am absolutely convinced that when leading UK Equities yield more income NET than Gilts yield GROSS, then UK Equities must be much too low and that the Bond bubble is about to burst – we shall see”.

At last the World is beginning to appreciate the real value of Equities.

I am now asked by investors, in the office, on the Golf course, and at dinner parties:

“Have Stock Markets gone too high?”

The most significant point in this question, is the question. I thought the nation had forgotten equities, but not a bit of it, they just didn't like to mention them a few months ago. World sentiment has changed, Equities is no longer a “rude word”.

My answer is “the statement above”, and I am quite convinced that quality international Equities are still too low while the FTSE100 stands around 4274.

Tesco reported exceptional figures recently and this time, I make no apologies for most clients holding this “core stock” (it doesn't take rocket science to hold Tesco, but it is still sensible to do so).

There is about to be major takeover and merger activity in the Equity Markets. Smaller companies have already been taken over:

Selfridges
Wilson Connolly
Chubb
Waste Recycling

But the heavyweights are “like greyhounds straining in the slips”:

Debenhams
Safeway
Carlton/Granada.

This takeover / merger / corporate action activity is bound to have a positive effect on Equity Markets.

There will be a lot more to write home about in January.

There have been no corporate disasters between 1st July 2003 and 5th October 2003, and yet again,

NO NEWS IS GOOD NEWS

but there will be fun soon!

5) **Fixed Interest Markets**

We continue to be convinced that Interest Rates will rise over the next 2 years.

Small changes in interest rates are having little effect on industry (I do not understand the CBI calling for still lower interest rates), and yet higher interest rates will have a significant effect on the housing market, which is now “borrowed up to the eyeballs” with average house prices being 6 times earnings.

High house prices cannot be healthy, with first time buyers now unable to afford them, and home occupiers funding excessive expenditure out of “the Equity of their house”. Houses are meant to be a Home, not Equity!

Low interest rates “buy votes”, but this will not last forever. We can now forget the very low rates in Disney Land (sorry, Euro Land) following the Swedish Referendum.

6) **Overseas Markets**

All overseas markets are recovering as is the UK market:

US has recovered well, as the “good vibes” are much stronger in the US than the UK and it is right to continue to purchase quality US stocks.

Europe is at last recovering and the J O Hambro Continental Europe Fund continues to be one of the best European Funds.

Australia still looks too low on fundamentals.

Japan has recovered by 20%, but the banking and economic recovery will take many years to come through to fruition.

*Far East/
Emerging Markets* China and Hong Kong are beginning to take off, which could become another “High Tech Bubble”. However, for speculators it could be right to have a small investment in this part of the world, and for a widespread of investments, we recommend HSBC Chinese Equity Fund.

Other Emerging Markets we would leave well alone.

IN CONCLUSION

- 1) For safety and liquidity, have a proportion on deposit or Gilts.

But stay Short, or in Index-Linked (do not get carried away by Corporate Bonds, which did well last year but now there is only one way they can go).

- 2) For maximum income, investors can consider Preference Shares, but investors must appreciate the risks.

- 3) We are still convinced that all clients should have a very well balanced portfolio of top quality International Equities.

(Many of those investors who had the odd disaster in “new economy stocks” in 2000/2003, hold Tesco as well!).

NO NEWS HAS BEEN GOOD NEWS, but wait for the fun.

Corporate Actions

Since 1st July 2003, we have advised clients on:

Waste Recycling	Takeover
Chubb	Takeover
Selfridges	Takeover
Wilson Connolly	Takeover
Merivale Moore	Takeover
Kingfisher/Kesa	Demerger
Six Continents/Intercontinental Hotels Group/Mitchells & Butlers	Demerger
United Utilities	Rights
AWG	Reconstruction
Morgan Crucible 7.5% Convertible Preference Shares	Redemption

We are in the process of advising clients on:

Debenhams	Takeover
Safeway	Takeover
Granada/Carlton Communications	Merger
Royal & Sun Alliance	Rights

We will be writing regarding redemption:

	<u>Redemption Date</u>
12 ½ % Treasury Stock 2003/05	21/11/03
6 ½ % Treasury Stock 2003	07/12/03

Compliance

In accordance with our regulatory obligations, we are required to maintain up to date and accurate records regarding our clients. This is to ensure that the personal advice we give to all of our advisory clients and the actions we take on behalf of our discretionary clients is suitable and meets your investment objectives.

With this in mind we have recently commenced an exercise to update our database records and many of you will (if you have not already) receive a new client agreement form from us as part of the annual review process. We have completed the forms with the information that we currently hold, but will be asking you to update where necessary and fill in the gaps before signing and returning the forms for recording.

In addition and in order to meet the anti-Money Laundering Regulations, in common with other financial institutions, we are required to confirm the true identity of all of our customers. This may seem bizarre as many of you have been clients (and friends) for many years but unfortunately it is an unavoidable process.

If we have not seen documentary evidence for each of our clients, we will again be writing and requesting to see TWO pieces which will confirm this (ie a driving licence and utility bill).

Due to this Newsletter, and the World News, being so boring, I have taken the liberty of composing “A Personal View” on the topical Northern Bypass. Again, it has been heavily censored. It is meant to spur debate, and certainly not offend. I hope you enjoy reading it (though it has absolutely nothing to do with Stocks and Shares).

A PERSONAL VIEW

Writing this chronicle on a perfect Norfolk Autumn afternoon, with the steel blue sky, long shadows and the lingering warmth of summer making its farewell through clumps of heavy blackberries, I fail to comprehend why the leaders of Norfolk (most of whom read this chronicle) are unwontingly destroying the Golden Goose of Norfolk.

The civilised charm of Norwich and Norfolk is created by appalling communications to this close outreach of London and yet they wish to create a Northern Bypass, with spur roads to an International Airport.

Noise pollution, light pollution, people pollution, car pollution, seem light years away this afternoon. Tomorrow it will be reality, all in the name of ‘progress’.

I take the liberty to mis-quote a few lines from Sir Clough Williams-Ellis who sums it up so well:

“We fling out a brand new by-pass
when the first is a chockful street
and the glorious day isn’t far away
when Norwich and Newcastle meet
and all that remains of England
where the country used to be
is a road straight through a building estate
and a single specimen tree.”

Few readers will agree with me, but I am passionate about Norwich and Norfolk and I worry about watching our insular charm being destroyed before my very eyes.

And yet Charles Barratt will be the first to use the Northern Bypass, the first to use the airport and will benefit from the increased economic activity in Norfolk.

Where do I stand?

C W L Barratt
October 2003

ps I can deny all rumours that Charles Barratt has applied for a job as the next:
CHAIRMAN OF THE NEW YORK STOCK EXCHANGE.

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