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CHURCHILL & PARTNERS  
INDEPENDENT FINANCIAL SERVICES



## GOLD: STILL WORTH ITS WEIGHT?

**The case for gold:** Gold is an asset that traditionally is favoured in times of volatility as a safe haven against other sectors when the markets are unstable. However, although proven to be one of the few assets that prospered when the markets plummeted, gold can also hold its own in times of buoyancy. The value of this precious metal is driven by a wider range of factors that can counteract one another, resulting in more stability for the asset. Firstly, gold reaches further across a greater geographic spectrum, including a strong position in the prospering emerging markets. During recession, gold was buffered from the impact more than other commodities in the western market cycle, because of this demand from other less affected regions.



Furthermore, the physical nature of this commodity increases its strength. Because gold is practically indestructible and is frequently recycled,

all of the metal that has ever been mined is still in existence. This makes the asset less vulnerable to supply stocks because demand can usually be met by utilising scrap supplies.

Gold is almost completely uncorrelated to the market patterns of other traditional assets, and not as closely associated to the movements of the commodity sector as a whole, than one might expect. Making this a great asset to have in a portfolio of investments, securing a degree of constancy amongst other more risky contributors.

Gold is however closely related to the dollar, with values inversely hedging one another. Considering the currency volatility of late and the likelihood that this is expected to continue only makes gold more attractive to investors, not to mention a safe hedge against the unpredictable changes in inflation. Investing and trading in gold couldn't be easier, with its high degree of liquidity, and round the clock trading capacity. Furthermore, investment options are numerous from bullion to mining equities or gold based funds. So if you're looking for an insurance policy to add to your portfolio, with the view for long term stability and consistent returns, look for the shiny yellow metal we all know and love! Castlestone Management in particular offer the [Aliquot Gold Bullion fund](#). For more information or to arrange an investment please contact your IFA or go to [www.churchillandpartners.com/funds.asp](http://www.churchillandpartners.com/funds.asp).

## WHAT AFFECT WILL THE NEW COALITION GOVERNMENT HAVE ON THE ECONOMY?

**The last few weeks in politics have seen some shock changes to the British Government.** Gordon Brown's 'bigot' blunder, and the election resulting in a hung parliament have led to his resignation both as PM and as Labour leader. Left in his place heading the British government, is a coalition between once rivals, Tory David Cameron as Prime Minister and Lib Dem leader Nick Clegg in close succession as deputy. How is this new political dynamic expected to affect the frail state of the British Economy that Labour has left behind? The main contrast in the Labour vs. Lib Dem / Tory political stance is centred around the vast deficit Britain has incurred. Had Labour continued in power their plan was to allow the economy to recover somewhat from the recent recession before attempting to tackle the debt. However, the new cabinet have already made it clear that action to reduce the deficit will be taken almost immediately with an emergency budget plan to be announced this summer. Lib-Con have already agreed a 5% ministerial pay cut, with further plans to come to drastically cut spending across the public sector. Services are expected to suffer as a result. The new government are going to have to make some hard and unpopular choices to tackle Britain's fiscal problems.

Sterling has suffered much volatility over the past few weeks as the hung parliament raised concerns of uncertainty and instability. The question now is not who will govern, but how? Now that the new government has been fully established, volatility is expected to settle down. However any cracks that may start appearing in the strength or legitimacy of the coalition could potentially cause further sterling weakness. One advantage of a weak pound is that it could attract more investment from overseas and assist in making exports cheaper, therefore helping to boost the UK economy. The Government and The Bank of England may well be keen to see sterling remain weak, for now at least. The British economy is set for dramatic change. The new Government has a challenging 5 years ahead of them and the bond between the Liberal Democrats and the Conservatives has a lot to prove. This needs to be a coalition that is built to last.



For more market and economy news please go to [www.churchillandpartners.com/market-news.asp](http://www.churchillandpartners.com/market-news.asp)

## SAFEGUARD AGAINST INFLATION

**Saving and investing is not just a great way to potentially increase the value of your surplus income over a long term period, it is becoming a necessity to safeguard your future against the affects of inflation.**

As the cost of everyday items is rising steeply every year, money is becoming more and more devalued. With prices going up and up, we can only shudder in horror as we anticipate how expensive things are likely to be when we eventually get to retire or the kids go off to university. School fees have been reported by the Telegraph (UK 2005– 2009) to have risen 8 % per annum, and medical costs (UK) are up approx 10 % per annum. The UK is particularly affected at the moment as inflation rates are almost double that of most of Europe. The need to put provisions in place to prepare for the future is evermore vital. Investing in real asset sectors has always been considered a safe hedge against inflation, the logic of such is self explanatory. If the price of items like gasoline, food and other real assets is on the



up then investing in companies and funds that own these is a good defence against inflation in the long term. For more information contact your IFA directly or email [enquiries@churchillandpartners.com](mailto:enquiries@churchillandpartners.com)

### MARKETS UPDATE- Close 28/05/10

	Current	Previous (28-04-10)	Movement %
FTSE 	5,198.19	5,586.61	-6.95
DOW 	10,136.63	11,045.27	-8.23
CAC 	3,515.06	3,780.00	-7.00
SMI 	6,321.92	6,576.39	-3.87
DAX 	5,946.18	6,084.34	-2.27
NIKKEI 	9,762.98	10,924.79	-10.63

For the very latest market info  
[www.churchillandpartners.com/market-news.asp](http://www.churchillandpartners.com/market-news.asp)

### CURRENCY EXCHANGE RATES- 01/06/10

CHF- USD\$: 0.85899	CHF- GBPE: 0.59359
CHF-EUR€: 0.70234	EUR€- USD\$: 1.22303
USD\$-GBPE: 0.69103	EUR€- GBPE: 0.84515

[www.churchillandpartners.com/currency-converter.asp](http://www.churchillandpartners.com/currency-converter.asp)

For more information or to arrange an appointment with one of our independent financial advisors contacts us on:

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