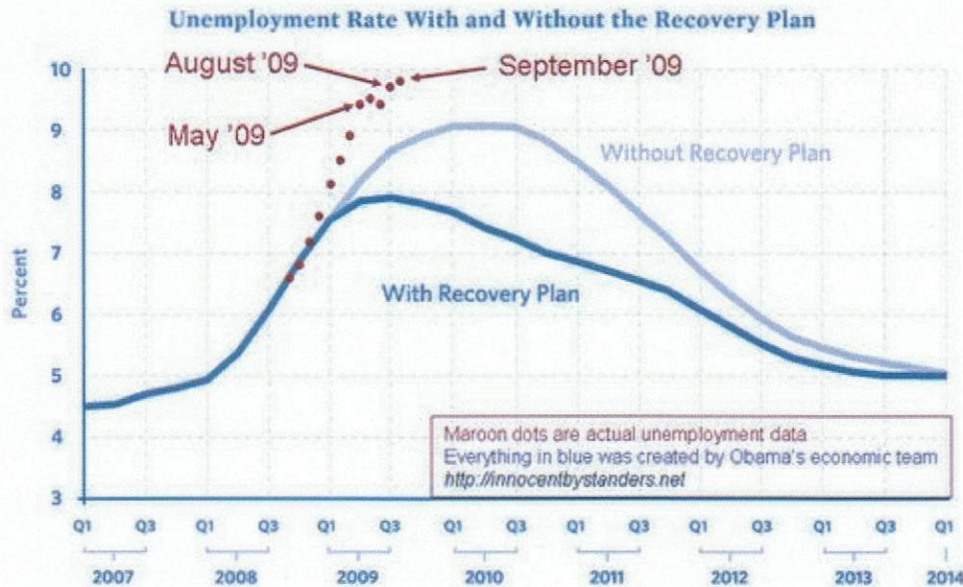


December 2009

We have pleasure in sending you the Winter 2009 edition of our Financial Bulletin, enclosed.

## US Unemployment (Chart produced October 2009)



The US jobs' numbers, which came out on 4 December 2009, were hailed as the start of the end of the recession, with the unemployment rate falling from 10.2% to **10.0%**. What they don't say includes:

- ❖ There are 9.28 million people working part time in the US who would rather work full time. Last year it was 7.3 million.
- ❖ There are 2.3 million (up from 1.92 m a year ago) who were not counted as unemployed (the 'Marginally Attached').
- ❖ There are 291,000 more NOT in the labour force.

The unemployment number fell by 325,000...

Real US unemployment, from the US Bureau of Labor Statistics, is actually **17.2%** and will likely continue rising to 2011. Recovery? Not even close.

## UK Housing Market

Some national economics' journalists (ask me and I'll tell you who) have been doing their best recently to get it wrong as usual. They're saying Buy-To-Let (BTL) is strong at this time (November 2009) because **gross lending** is up from the very low base of 2008 and showing the first rise in 2 years. Apparently, Cluttons (maybe they should be called Gluttons!) estate agents say that professionals such as accountants and doctors are buying property as investments. So when did accountants and doctors become investment experts? What they don't tell the hundreds of thousands (millions) of opinion formers who read the broadsheets' business sections is that the Council of Mortgage Lenders also reported the lowest BTL remortgaging in 2 years. Thus, all those hundreds

[www.ArmstrongDavis.com](http://www.ArmstrongDavis.com)

Correspondence: 5 Lakes Court, St Margaretsbury, Stanstead Abbots, Herts SG12 8ES

City: Token House, 12 Tokenhouse Yard, London EC2R 7AS

Tel: 0845 862 2919 (Head Office) | 020 7073 2919 (City) | Fax: 01920 870 551

Registered in England No. 05942730 Registered Office: The Granary, 39 Ball Street, Sawbridgeworth, Herts CM21 9EH  
Armstrong Davis Ltd is authorised and regulated by the Financial Services Authority

of thousands of BTL mortgages, taken out between 2005 and 2008 at ridiculously high Loan To Value percentages and on big discounts, cannot be remortgaged away from ultra low variable rates.

What's going to happen when mortgage rates rise further, as they have this year? (Not the Bank of England base rate but – due to the ongoing banking crisis – higher and higher mortgage rates actually charged.)

BTLers will hand the keys back, or they'll be repossessed as they cannot charge the rent they 'need'. So, on top of **expected falls in capital values** they will also lose on monthly income v outgoings. Some economics' writers have been the biggest apologists for Brown and the Labour government in the mass media and they have consistently said there is no major long term problem. It's all sorted. Move along, nothing to see here.

Well, they got it wrong about the banking collapse (essentially saying the problem is now nothing to worry about) and the property crash which started in 2007 (essentially saying there would be no crash right up to that point - and beyond!) and they continue to forecast through rose tinted glasses. **They preach money printing as the solution. Actually it's the problem.**



Note where bankrupt Iceland is, on the chart above. Didn't Gordon Brown say the UK is 'best placed' to weather the economic storms? How do you know a politician is not being straight with us?

We have the largest peacetime government debt in history. In the 70s, when Denis Healey went 'cap in hand' to the IMF as we were practically bankrupt, we were borrowing around 7.5% of national income. Within a few short years from now, our government has put in place, in our name, that we will owe more than our national income? (The Tories would have done the same had they been in power.) This as the tax take is falling due to higher unemployment and lower corporate profits. This as inevitably the global lenders slow down their purchases of government gilts thus raising our long term interest rates and mortgage rates. So, not only will we have to pay the hugely rising interest