FINANCIAL CRISIS

No move on the housing market

ACTIVITY REMAINS FLAT, FIGURES SHOW

THE property market in Scotland has remained flat over the last month, new figures revealed today.

The Royal Institution of Chartered Surveyors (RICS) UK housing market survey also said 26% of surveyors reported house prices slipping.

It said the analysis for July showed many potential vendors appeared to be reluctant to enter the market because they were unwilling to accept reduced selling prices.

RICS also found 9% of surveyors said prices had risen while 61% said they had stayed the same.

The monthly survey discovered an 8% increase in surveyors who predicted prices to decrease rather than increase over the next three months.

But the number of properties being sold was expected to rise with 5% more respondents predicting sales to go up rather than fall over the coming three months.

Graeme Hartley, RICS Scotland director, said: "Chartered surveyors in Scotland expect buyers to return once the holiday period comes to an end but sellers need to price their property realistically to attract these buyers."

NEGATIVE

New figures also revealed 827,000 households were in negative equity in the first quarter of 2011.

The fall in the housing market since its pre-credit crunch peak means 7% of mortgaged households would owe money if they sold at current prices, according to research carried out by the Council of Mortgage Lenders (CML).

The latest figure is only slightly less than the 900,000 who were in that position the last time the body carried out similar research, in April 2009, which was immediately after house prices saw some of their steepest falls.

But the CML said that the number of households in negative equity is far lower than in the early 1990s when the number of households was estimated to peak at 1.6million.

Negative equity means homeowners would be left owing money if they sold at current market values, and it freezes up the housing market because many cannot afford to move.

Homes in Northern Ireland, Yorkshire and Humberside and north-east England are more likely to be in negative equity than the rest of the country.

HEAD OFF ON THAT HOLIDAY AND LEAVE OTHERS TO WORRY ABOUT YET ANOTHER MELTDOWN, SAYS EXPERT

Take long-term view and ignore the noise, investors told

COMMENT
GORDON WILSON

Here we go again. Stock markets around the world are said to be in "meltdown" – whatever that means – and the pundits would have us all rush out, sell shares and speculate on gold, which is at a record high price.

But what does all this renewed volatility mean for investors saving money in pensions, individual savings accounts and other long-term savings plans?

And what does it mean for the speculator?

Investors have seen this before in 1974, 1987, 1999, 2001, 2003 and 2008. Stock markets falling sharply is nothing new – the people who tend to lose are those who take a very short-term view and sell out, typically missing the recovery which follows.

Most investors will have a long-term plan and will understand that investments do not go up in a straight line.

Unexpected events come along from time to time and knock plans off course, but this is part of investing.

Risk and return are related – if you are seeking higher returns, then you should be prepared for the down periods too.

The winners, as always, will be those who buy shares at lower prices now for the long term or simply hold their nerve and stay invested.

Most investors will have built-in protection in their pensions and investments through good-quality fixed-interest securities as well – a strong foundation is critical at times like this.

Investing in fixed interest as well as shares serves to provide some security to you during periods when shares are in difficulty.

Share portfolios are also likely to be widely diversified geographically and in perhaps hundreds or thousands of different types of company to further spread the risk.

I have dealt over the years with many individuals who have taken the decision to sell out either because they have felt prices were too high or Armageddon was round the corner.

The idea of course was to buy back in when prices represented good value again and profit from selling high and buying low.

The trouble is that, without exception, they are still not invested and can't decide when the right time to invest again is.

For speculators who try to predict the direction of markets and individual shares in an attempt to make short-term money, this will be a very difficult time.

My advice is to focus on your longer-term plan and ignore what is short-term "noise".

Let your advisers worry about what is happening in world investment markets and take such anxiety out of your hands.

How will this worldwide turmoil affect anyone going on holiday? I think it just serves to remind us that life's too short to be worrying about short-term share values – go on holiday, enjoy the sunshine and don't give your pensions or investments a moment's thought because two weeks in the life of your financial plan means very little.

As for currency movements due to the financial volatility, this isn't something you can control, influence or predict so don't spend time worrying about it – the price you pay for things on your holiday will be what they are, whether you worry or not.

● Gordon Wilson is managing director of Carbon Financial Partners, which has offices in Aberdeen, Perth and Edinburgh

Sell, sell, sell as terrified traders hit panic button in record FTSE week

£210BILLION WIPED OFF SHARE PRICES IN JUST SEVEN SESSIONS AT THE LONDON STOCK EXCHANGE

BY GRAEME EVANS

A record slump for the FTSE 100 Index was confirmed last night after a further bloodbath in the financial markets.

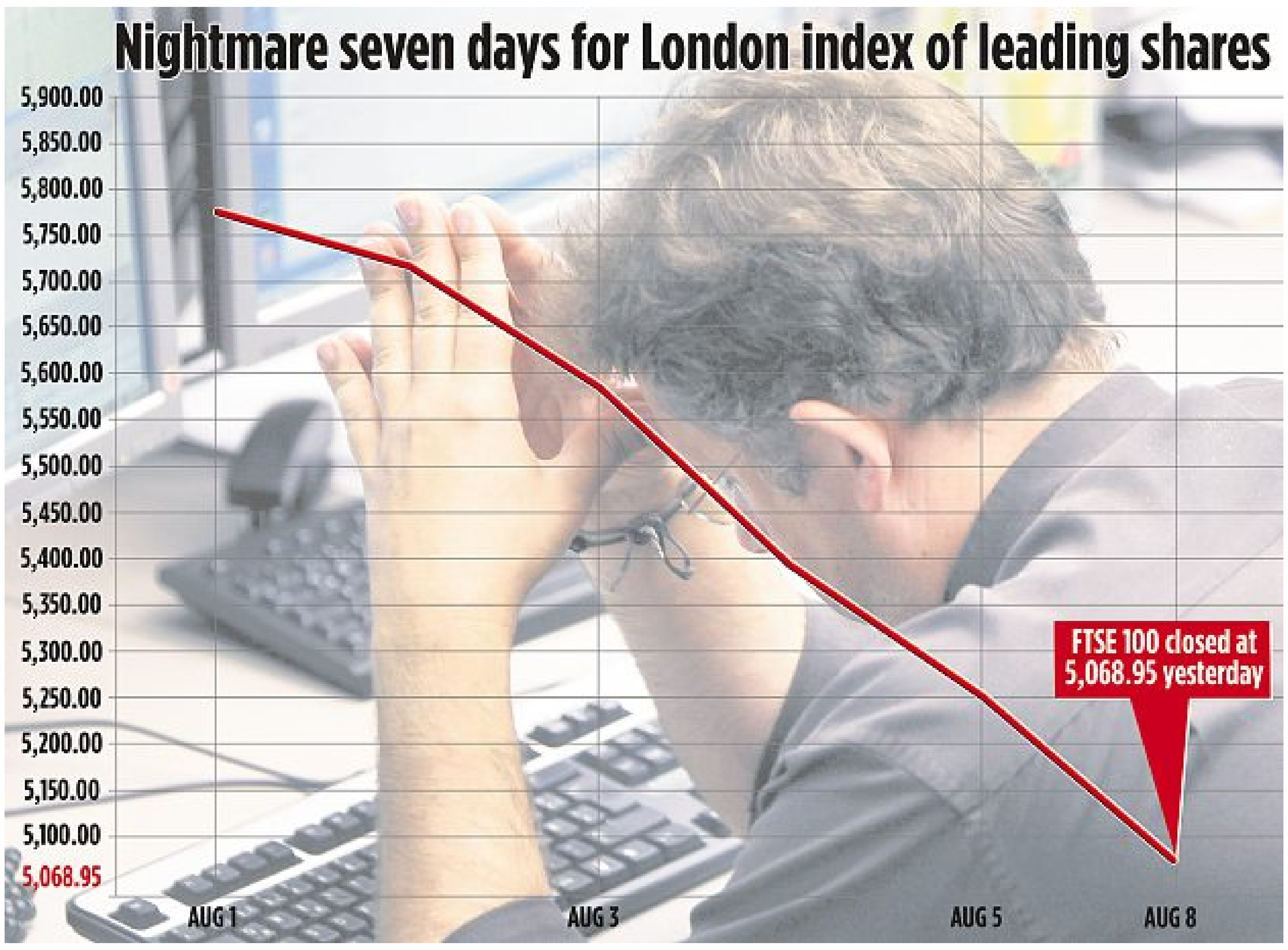
The index of leading shares slumped another 3.4%, or 178 points, to close at a year-low of 5068.95 – the first time in its 27-year history that it has suffered falls of more than 100 points for four sessions in a row. The panic-selling intensified after the opening of US markets as traders on Wall Street got their first chance to react to Standard & Poor's (S&P's) historic decision to cut the country's AAA credit rating.

Investors fear that the move by S&P will batter already-weakening consumer confidence and hurt economic growth in the United States and beyond.

Wall Street's dive washed away earlier hopes of a rally after the European Central Bank intervened in the markets for debt-laden Italian and Spanish bonds, helping to reduce borrowing costs in both countries.

Louise Cooper, an analyst at BGC Partners, said: "Equity markets are just dropping through the floor. Normally you would expect to see some kind of relief rally as bottom fishers come in looking for a bargain, but people are just terrified."

The London market lost 10% of its value last week as nearly £150billion was slashed from the value of the UK's 100 biggest companies in its worst period of trading since the autumn of 2008.



PRAYING FOR A MIRACLE: A trader in reflective mood as the bloodbath continued on the world's markets yesterday

The continued market turmoil has been bad news for millions of savers, who will have seen their pension funds hit dramatically.

Meanwhile, the safer haven of gold pushed to a new record high above $1,700 an ounce yesterday. With oil prices off by more than $3 a barrel, supermarkets Asda and Morrisons offered some relief for motorists by cutting the price of petrol. Yesterday's fall wiped another £46billion off the value of the FTSE 100 Index, taking the overall amount lost in the last seven sessions to £210billion.

The decline of more than 800 points represents a fall of 13.7%.

Eurozone central bankers had earlier taken emergency action to shore up Italy and Spain to fend off further turmoil. At the end of a weekend of frantic activity, European Central Bank president Jean-Claude Trichet announced plans for a bond-purchase programme aimed at driving down the interest yields which threaten their shaky budgets. Finance ministers from the world's major economies also vowed to take "all necessary measures" to support financial stability and growth. Chancellor George Osborne urged eurozone countries and institutions to deliver on their promises to restore financial stability, but warned that far wider "decisive, co-ordinated action" will be needed for a permanent solution. Experts have suggested the latest stock market falls and gloomy outlook could spark a renewed round of quantitative easing by the Bank of England, while Deputy Prime Minister Nick Clegg hinted that the government could cut business taxes to drive growth. He said: "There's a whole raft of things we are doing, and we will do more as we develop our growth review to stimulate growth in the British economy."

Wall Street's slump has reflected growing fears that the US economy is heading for a double-dip recession, which have been building ever since the shock downward revision of growth in the first quarter of 2011 to just 0.4%.

That prompted economists to slash their growth estimates for the year.

Barclays Capital now expects the US economy to grow by 1.7% against a previous forecast of 2.5%, while JP Morgan's reduction was even more severe than that dire prediction. S&P also still has a negative stance on US debt, even after the recent downgrade, with a chance of another rating cut if there is further deterioration in the economic outlook.

The Federal Reserve was due to meet, but with interest rates already at nearly zero it faces calls to restart the quantitative easing programme that finished in June to help boost the US economy.

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Fuel prices set for cuts as cost of oil tumbles

PETROL prices look set to fall from near-record levels after market turmoil and global recession fears caused a big drop in the cost of oil.

Asda has said it will cut prices by up to 2p a litre at its filling stations from today, with other supermarkets likely to follow suit. Standard & Poor's decision to lower the US credit rating – a blow to confidence that could hurt economic growth and demand for oil – yesterday resulted in Brent crude falling 3% to $105 dollars a barrel.

Despite the recent slump in oil prices, the AA said the average cost of unleaded petrol on Sunday stood at around 136.5p a litre.

The last round of cuts came in June when oil prices tumbled due to the opening of emergency reserves by the International Energy Agency. AA head of public affairs Paul Watters described Asda's decision to cut prices as particularly welcome, although he warned that stock market speculators could quickly drive the price of oil back up.

Growing fears for pensions among financial turmoil

PEOPLE nearing retirement were facing increased uncertainty yesterday amid the stock market turmoil that has wiped trillions off global share prices.

The pension funds of 8million Britons are invested in money-purchase or defined-contribution schemes, in which the size of their annual pension is usually linked to the performance of the stock markets.

The FTSE 100 has fallen by more than 10% in a week, directly affecting many such schemes.

Laith Khalaf, pensions manager at Hargreaves Lansdown, said: "Those close to retirement have greater cause for concern, though they may have been sheltered to some extent by de-risking their pension investments."

"The problem for these people has been made more difficult by Britain's emergence as a safe haven for overseas bond investors in the recent upheaval.

"That has sent yields on UK Government bonds, or gilts, to their lowest level in decades."