

Investors wimp out of calling the market bottom



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IT'S OFFICIAL, investors are wimps. They want governments to put a floor under economic demise, and therefore their investments. Maybe "wimp" is too strong a word,

and "want" implies some kind of choice in the matter, but they're certainly happy to follow government money. As long as markets remain addicted to government support, equities are going to find it tough to make headway.

What was clear at the end of last week was that markets will continue to be nervous and risk averse until we know just how bad things are going to get for the global economy. Equity markets like to look through the cycle and forecast better times ahead. Investors really want to say "This is the bottom, now let's move on," but with the collapse of the US auto bailout package we got another reminder that this is not going to be easy. Calling "the turn" is still the investment prize and it remains elusive.

Some investors are ready to take a punt on equities. But it seems you have to have a tough

skin (and potentially deep pockets) to be saying "Things have got as bad as they're going to get, so I'm buying." If you want to feel optimistic, then you could argue that equities have reached a narrow range after the volatility of October. But as long as that range includes 500 point swings on the FTSE 100, then I'm happy to remain a wimp!

Risk aversion is not just stalking equity markets today. It's raised its ugly head again in the currency markets too. Every time equity markets take flight we see buying in two currency areas: the dollar and the yen.

The yen's climb is a long-term story of historic interest-rate differentials and the so-called carry-trade. As for the dollar, it's fascinating that when investors get nervous about global and US growth, the dollar still gets a boost. Of course we all know the greenback is still seen as a safe haven

play, a relatively less risky store of value. But I am always surprised at its Teflon qualities in the face of gloomy indicators for the US economy.

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