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ECONOMIC OUTLOOK

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WELCOME

Welcome to the final newsletter for 2017.

It is hard to believe another year is almost over but we hope it was a good one for you.

This issue, as always, has a variety of articles which I hope will be of interest to you and your business.

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Dr. Constantin Gurdgiev

LEARNING FROM THE LAST CRISIS

Recent months have seen a steady and growing flow of institutional investors', and market analysts', and researchers' warnings about the medium-term sustainability of the financial assets prices. Both, the IMF and the Bank for International Settlements (BIS) have documented evidence on the buildup of systemic imbalances across the financial markets, from bonds to stocks to structured financial instruments. And the Claudio Borio-led research team at the BIS have shown time and again that systemic financial crises are increasing both in frequency and severity.

By all measures, the financial markets are over-pricing forward expectations and underpricing risk. Various estimates suggest that globally some $20 trillion worth of government and private debt traded in the markets is currently priced at a gross underestimate of risks implied by the path of the monetary policies and borrowers' debt carry capacity. The stock markets are showing signs of excessive concentration and share prices are on fire: even as past buybacks and current accounting standards continue to inflate earnings, S&P 500 median price-to-revenue ratio is hitting all time highs of c. 250 percent, compared to the dot.com bubble peak of 170 percent and pre-GFC bubble high of 180 percent. U.S. stock market valuation is currently running at just over 135 percent of GDP – the second highest reading in history after 152 percent mark hit at the peak of dot.com bubble and well above 110 percent peak before the GFC collapse.

All signs to-date are that the longer the bull market continues to run, the sharper the upcoming crisis will be. Which brings us to the point of what lessons from the last decade of crises, crashes and recovery should the investors rely upon in preparing for the next crisis.

MARKETS ARE ABOUT RISK - MARKET CRISES ARE ABOUT VUCA

The first lesson is about the difference between normal risk and the VUCA (volatile, uncertain, complex and ambiguous) environment.

While investment is a risky business on a good day, in crises, traditional risks are amplified by rapidly evolving price and trading cost volatility, broad markets uncertainty, systems and networks complexity, and loss ambiguity. Behaviourally, this means that investors' reaction to crashes and longer term crises is unpredictable and investment portfolios values during these periods cannot be assessed with any degree of accuracy. Events that no one could predict in advance, such as large scale sell-offs, massive widening in bid-ask spreads (cost of trading), reversals of historically reliable correlations between asset classes, and failures of traditional hedging and safe haven assets to absorb risks can become the order of the days, weeks, months, even years. In other words, markets crises cannot be weathered without a prior preparation and constant vigilance. Passive investment is not an option, and active management comes at a ballooning cost.

One important corollary of this is that during markets crashes, quality of professional advice available to the investors often deteriorates. Recent academic studies have shown that during the Global Financial Crisis (GFC) and the Great Recession, analysts' forecasts had extremely low predictive power, leaving retail investors with advice that was poorer in quality and leading to costlier trading and investment mistakes. Ratings agencies and banks are virtually useless and highly conflicted when it comes to predicting the crises and supporting investors during the systemic markets corrections.

Investor response to this reality should involve doing your homework early, in advance of the crash, and securing a good trusted adviser that you work with in normal times as a sounding board for your trading and investment ideas during the crisis.

CASH IS A KING - IN ANY CRASH

Financial risk is a function of three things: the price at which you enter the investment, the timing of exiting the allocation and the round-trip cost of trading. This means that for those with staying power (unlevered and longer-term investors), crises are the time when asset prices undershoot their fundamental values, effectively de-risking asset returns. In other words, crises are the time to buy. Counter-intuitively, the time when market-measured risks are at their highest is the time when investment risk is at its lowest.

However, the uncertainty factor – covering the future direction of the markets post-crisis – increases the risk of entry and exits (cost of trading) and the risk of short-term negative returns. An investor buying into a falling market simply does not know how long and how far the market can fall from the point of their purchase. Which means that to benefit from the sharp market corrections, investors should rely on cash when buying at the market lows. This, in turn, means that investors should consider booking profits before the crisis, when liquidity is still available and the trading costs are lower.

The problem is that, as the GFC has taught us well, traditional financial markets risk models are utterly useless in predicting major market crises timing, duration and depth. Sensing build ups of financial imbalances, understanding inherent risks in assets that are being bid up in the run up to the crisis, and tracking the herds of investors sloshing liquidity from one fad to the next requires subjective, human analysis based on data. So timing crises is more in the domain of arts and less in the domain of hard mathematics.

Having cash in hand when the crisis hits is also about fighting personal greed. Too often, as was the case with many investors pre-2008, a run up to the bear markets involves mis-allocation of cash to higher yield instruments. Much of cash management involves chasing higher returns by trading liquidity for marginal returns (few basis points paid out by the banks on termed deposits). Greed, as a motivator for action, looms larger when market valuations are at their highest. However, to have ready funds to invest in distressed assets requires holding assets that are not subject to liquidity squeezes and do not lose value when markets tank. Which means you have to fight your own behavioural biases and stay away from chasing small gains in the money markets in order to have cash in hand.

VALUATIONS ARE WIDOW-MAKERS

Investors tend to see the latest traded price of a security as its market value. This is false for a number of reasons. One is the low transparency of today's market prices: with over-proliferation of over-the-counter venues for trading in financial instruments, quoted market price is just one signal of value. Another is the decreasing informational content of executed trades during sharp market downshifts, when unquoted liquidity risk matters more than quoted prices. The third is the dynamics of prices going into the market peak period, when investors' exuberance pushes prices away from fundamentals-justified values. Last, but not least, quoted prices ignore trading costs that tend to blow up at the time of markets corrections on the sell side of transactions and at the times of markets inflation on the buy side.

Skepticism about informational signals contained in ticker prices is warranted at the times of markets exuberance. Contrarian view is in order when markets hit the breaks.

RISK MANAGEMENT AT THE TIME OF TURBULENCE

Investment allocation is one half of the portfolio management exercise. Risk mitigation is the other.

The first principle of risk management is the stop-loss rule. Behavioural psychology generates biases that skew our decision-making toward erroneous choices, and overcoming these requires serious effort on behalf of an investor. One key set of biases involves the endowment effect and the status quo bias. Jointly, these imply that faced with rapidly escalating VUCA environment, investors prefer staying the previous course to a course of quickly realising early losses. The greater the losses sustained in the downward market to-date, the stronger is the propensity to do nothing. In the end, investors over-hold their long positions and end up magnifying market-induced losses. Thus, the conservative view of one's portfolio is the best position for entering a financial crisis: when you feel that the markets have turned or are about to turn for a sustained downward correction, sell to book either profits or to minimise losses. Being conservative and risk-conscious helps to maintain a longer-term focus on your investment objectives.

The second principle applies to the times of market panics. In terms of hedging, keep in mind that risk hedges and safe havens are only good when entered prior to the crisis onset. Once the crisis is in full swing, you will not be able to either roll over or increase your hedges.

The third principle that should not be overlooked is that only commitment to a flexible, measured and diversification-focused investment approach can provide a long-term offset to the deeper uncertainty that sweeps the markets at the times of panic selling. Portfolio rebuilding opportunities presented by sell-offs are generally dispersed across a range of sectors and instruments, asset classes and geographies. Staying with pre-crisis allocation strategies can be a costly proposition, subject to severe familiarity bias and base rate neglect errors. The former refers to the fact that investors miss new opportunities because we fool ourselves into believing that we 'know well' specific sectors or assets, irrespective of the underlying realities of the market. The latter means that we often assign pre-crisis probabilities of success to assets we are familiar with, irrespective of the changes that the crisis might bring around.

The same applies to managing cost of rebuilding your portfolio during the crisis. Volumes of evidence show that in all markets, when prices fall, volumes of assets available for sale rise, and numbers of buyers shrink. This results in lower cost of trades for the buyers. The converse happens when markets turn to the upside, when cost of buying rises relative to selling. Hence, buying into the falling market can be more advantageous than waiting for the market to bottom out. Of course, this also means that having bought into the falling market you will need to be ready to endure a period during which your portfolio value will continue to decline alongside the market. The key to surviving through this is: avoid leverage and do not gamble away that cash which may be needed to cover your normal expenses and legal liabilities.

LEVERAGE RISK

Which brings us to another lesson that must be learned from the last decade: stay away from leverage and beware of all hidden forms leverage can take. For institutional investors, this means closely matching duration of their portfolio assets to maturity profile of their borrowings. And this holds for normal times. In markets nearing correction, duration of portfolio holdings can be a tricky matter. This means that institutional investors should constantly monitor their debt exposures and stress test their assets against both liquidity risks and potential liabilities-related risks. For retail investors, the rule is avoid leverage at all costs. When a broker or a banker comes knocking with offers of margin accounts and loans for investment purposes – do not open the door.

Beyond direct debt, you should pay attention to assets you're invested in. Many instruments sold today to a range of clients are built on leverage. While purchasing these does not expose you to direct debt, your returns are still subject to leverage risk held by the fund you are buying into. At times of extreme markets uncertainty, leveraged assets lose their liquidity and their value collapses much faster than for their unlevered counterparts.

Leverage is both, the fuel of the crisis and often the cause of it. Excessively lax lending standards create vulnerabilities in the financial system by raising debt loads across the economy and by lending to customers without any resilience to even minor risks. This holds for corporates and households alike. But the same lax standards also push asset valuations beyond their fundamentally-justified values, creating asset price bubbles.

The faster the lending bubble inflates and the longer this inflation continues, the greater will be the eventual collapse. Leverage risk excesses, in this case, will invariably result in the breakdown in historically-established correlations between assets returns, as witnessed in 2008-2009.

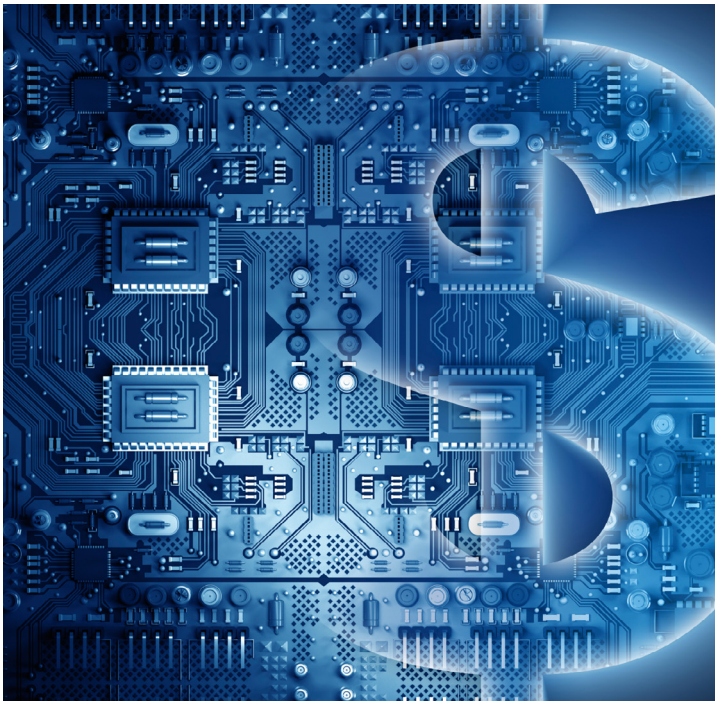
Final point worth stressing when it comes to leverage risk is that investor-own degree of leverage is, in part, a function of their disposable income and their non-investment liabilities. In this context, a smart investor will never face a market crisis with significant exposures to future expected tax liabilities. Getting your house in order before the crisis, and being prepared to cover these liabilities without the need to rely on selling assets into a falling market (incurring losses and higher costs of such trading) can be extremely important.

BEWARE OF INNOVATION, DISRUPTION AND TECH

As a fintech investor and adviser, I enjoy the excitement of working with innovative companies. As an investment markets analyst and researcher, I see financial innovation as a major risk.

The GFC, and indeed the entire history of crises before then, taught us that financial innovation can be extremely dangerous for the investors. New technologies and products in finance are the unknown unknowns when it comes to their performance in the downturns. They also submit to no established or testable hedging. Being long innovative products and technologies means you can neither control their downsides, nor can you account for their impact on your portfolio.

Beyond this, many innovative products are focused primarily on securing higher leverage, hidden behind fancy labels and structuring formulas. Mortgages Backed Securities and other ABS Products c. 2007-2008 are the case in point. So going into a crisis, investors should not hold any serious exposure to the financial innovation or financial services sector more broadly, with exception, perhaps of financial utilities: insurance companies with established, non-financial lines of business.



GOVERNMENTS AND REGULATORS: PREPARE FOR THE NEXT 'SOFT LANDING' CALL

The above points bring us to the financial markets regulators' and Government's role in the crises. While all of these entities claim to hold investor interests at heart, none of their claims are worth a single penny when it comes to the financial crises. The Italian banks rescue this year shows that all the new resolution mechanisms designed to deal with the future banking crises are nothing more than paper tigers.

The governments will respond to the next crisis in exactly the same way they responded to the previous one: pumping more cash into the markets and re-inflating debt assets first, followed by equities. This means that timing-wise, public assets are more likely to show earlier recovery than private assets. An investor can and should be ready to capture this upside, even though the uncertainty about the extent and timing of supports is now higher due to a long period of aggressive monetary expansion that we are still going through.

In the meantime, neither the regulators, nor the governments will be of any use in helping investors avoid the upcoming GFC 2.0. With them, rating agencies, and a host of industry lobbying and advisory bodies will also stay silent on the building risks threatening the system. So when regulators and governments start talking about the next 'soft landing' – run for the hills, go cash and sit back for the next opportunity to buy into the falling prices.

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Born in Moscow, Russian, Dr. Gurdgiev was educated in the University of California, Los Angeles, University of Chicago, John Hopkins University and Trinity College, Dublin.

Eir Price Hike Marginalises Older, Loyal and Vulnerable Customers

A year after its last price hike, telecoms giant Eir announced another price hike, which will affect their long-standing customers for the third consecutive year. Only those who recently signed up for a package will be able to escape the newly increased rates, while older people will be charged higher tariffs.

Packages affected will include business and voice customers voice services, broadband bundles and standalone broadband. That means that approximately 500,000 customers will be paying increased rates, of up to €84 per year, based on monthly fees alone.

New higher rates will be phased in starting with monthly charges increasing from between €3-€7, and call costs increasing by 33%. There will also be an increase in call rates that fall outside of voice plan allowances.

An Eir spokesman confirmed that new customers will not be affected by the increased rates, and neither will mobile users and New Fibre To The Home (FTTH) customers.

Michael Kilcoyne, the Consumers Association's Deputy Chairman, accused the telecom giant of singling out vulnerable, older customers, as this hike will not affect consumers who recently switched to Eir but rather those who are less likely to switch to a different provider, many of whom are older customers who are already vulnerable due to the loss of their telephone allowance. He called on the company to reconsider this hike, and urged them to offer a loyalty discount instead.

A spokesperson for Eir denied that the price hike exploited older, loyal customers, and insisted that the company's triple and quad-play pricing remained the best value on the market for TV and mobile bundles. There is a silver lining though, as in a letter to their customers, Eir gave clients the opportunity to opt out of contracts early.

Switcher.ie's Eoin Clarke said that price increases were becoming an annual occurrence in the TV and broadband market, despite the fact that ComReg has ranked Ireland as one of the most expensive Western countries in terms of broadband pricing.

Last year, thousands of homeowners using Eir saw broadband and call costs increasing, with some prices reaching almost €100 a year.

The most recent price hike from Eir follows increased phone, TV and broadband prices from Virgin, Sky and Vodafone.

MANAGE YOUR CHRISTMAS FINANCES IN 5 SIMPLE STEPS

The end of each year with all the celebrations and Christmas shopping can place significant strain on your finances. It's easy to spend a little extra here and indulge in a luxury there, and before you know it, it can be hard to make ends meet.

We'd like to help you avoid over-indulging and feeling that horrible pinch of post-Christmas spending remorse once the new year rolls around. Here are our five top tips for managing your Christmas finances.

1 PLANS AND PRIORITIES

Planning and prioritising can help you get through the year-end without blowing all your savings. By adding a little extra to your weekly shop in the weeks leading up to Christmas spreads out the additional expense of the season.

But remember, you have to meet all your household bills and monthly commitments before you start buying gifts. That way, you will start the new year on a clean slate, rather than with with the pressure of financial obligations.

2 STAY ON BUDGET

One of the major obstacles of year-end financial management, is the fact that we all get caught up in the festive cheer, which limits our resistance to the little things we want to buy.

The best way to avoid being caught up in the moment and spend money you later regret, is to create a budget and stick to it. Budget an amount of spending per person and visually keep track of your spending to help avoid impulse buying. Knowing how much you have spent is the best way to deter you from overspending.

3 SHOP AROUND

You can save a lot of money by doing your research and shopping around for the best deals before you splurge. Try to avoid trawling through shops around Christmas time, as you will be tempted to buy whatever you see first in order to 'get it done' so that you can escape from the crowds.

Instead, visit price comparison sites to help you find better deals and trim time off your shopping trips. Two good sites on which to research your options, include shopmania.ie and compareireland.ie.

Sometimes, you may be lucky to get a good deal online, which will save you from spending time in the crowded shops and provided you don't browse the 'deals' pages, should prevent impulse buying.

4 SPREAD OUT THE SPENDING

By buying small food items over the course of the next few weeks, you will not feel the grocery bill as much as you would during Christmas week.

Be sure to use all your loyalty cards whenever you shop, as that will help you earn some nice coupons and vouchers when the new new year rolls around.

5 AVOID CREDIT

As much as possible, avoid using credit cards for Christmas spending. Cash will help you manage your finances more effectively, and it will be easier to avoid purchases you cannot afford. Additionally, there won't be a nasty credit card bill waiting for you in January. Spending cash rather than credit cards usually helps prevent overspending.

Avoid withdrawing cash from your credit card, because the fees and interest rates are high. It will also have a negative impact on your ability to obtain a mortgage in future, as lenders frown upon that habit.

Parental Leave:

GETTING TO THE HEART OF EQUALITY

A recent study by Hays Ireland, entitled Hays Ireland's Gender Diversity Report 2017, has highlighted an inequality with regards to parental leave and perceived entitlements. More than fifty percent of employees do not feel that fathers in their organisation make use of their full allocation of parental leave and most of them feel that fathers are concerned about the negative impact it would have on their finances if they were to take their full leave entitlement. A sizable portion of respondents thought that fathers might be afraid that employers will question their commitment to their careers.

The 250 male and female respondents who were surveyed work in technical and specialist roles in Ireland.

Twenty-six percent of respondents said that they view parental leave as a benefit that was exclusive to mothers. Irish employment law provides 18 weeks of parental leave per child for both fathers and mothers until the child's eighth birthday.

Additionally, nearly sixty percent of employees felt that there was an equal opportunity imbalance at the organisation where they worked. Three out of four respondents felt that they are able to progress their careers and promote their skills in the workplace, while one out of three females felt that equally capable men had better career opportunities than their female counterparts.

Close to 60% of men thought that their female colleagues received equal pay and rewards, while more than 80% of females disagreed.

Fifty four percent of respondents agreed that prioritising inclusion programmes that help foster diversity and innovation is an important key in combating gender inequality in today's modern workplace. Such programmes have been shown to create a more positive culture and boost morale.

Another Hays Ireland report found that 29% of individuals consider the diversity policy of a company before they apply for a job. However, 30% of male and 20% of female employees are unaware as to whether their organisation has a diversity policy. Sixty percent of respondents did agree that senior management should better communicate in order to raise awareness about diversity programmes.

Nearly all respondents to the recent survey believe that inclusion and diversity include flexible working options, such as remote working and flexi-time. They feel that it benefits both employees and the company alike, and nearly half of them believe that it allows for women to be better presented in senior management roles.

Yet, both men and women felt that flexible working options might harm their prospects for career advancement. Gender disparity became evident when respondents were asked whether flexible working options were career limiting for women, as 75% of women and nearly 60% of men agreed that it was. When asked if flexible working options would be career limiting for men, 64% of men and 54% of women agreed.

Organisations' approaches to gender equality seems to dissatisfy workers, which indicates some room for improvement. While every employee plays a role in working together to create a diverse and inclusive workplace, it is ultimately senior management's responsibility to create and execute suitable programmes.

Based on the findings of the survey, employees seek that guidance from their seniors. Even remote- or flexi-workers seek that ethos which allows for meaningful career advancement that lies at the core of a successfully executed diversity programme. Stereotypes that suggest that only women seek flexible working options, or that earning potential and professional development are undone by this kind of ethos.

By creating a culture of diversity and inclusion, new parents experience peace of mind, which encourages them to take the leave their families need them to take, and it ultimately makes the organisation more attractive to potential employees.

ORGANISATIONS THAT SEEK TO IMPROVE THEIR INCLUSION AND DIVERSITY PROGRAMMES CAN USE THE FOLLOWING STEPS:

1. Appoint a dedicated 'diversity officer' in your company. This person should take ownership of the company's diversity programme and work as a champion to oversee its success.
2. Be sure to promote your company's inclusion programme to your existing staff and also to new employees.
3. Ensure that employees' fears regarding flexible working harming their prospects of career advancement are allayed.
4. Create a clear workflow for your company's plans for professional development.

By creating an innovative and dynamic workflow that improves morale and by removing gender inequality obstacles in the workplace, you can improve your organisation's ability to attract and retain quality talent.

20,000 CONSUMERS URGED TO SWITCH AND SAVE ENERGY PROVIDERS

Thousands of consumers have been encouraged to switch energy providers.

Within days of expected energy price increases, a new campaign was launched to encourage consumers to switch energy and insurance providers to save on costs. This happened as a new energy provider Just Energy entered the market, which became the tenth Irish energy supplier.

From the beginning of November, SSE Airtricity customers will pay 5.6% more per unit of electricity. That means that the average consumer will pay €50 more per year for electricity.

Bord Gáis Energy customers will pay 5.9% more per unit of electricity and 3.4% more per unit of gas as of November. As such, the average consumer will pay €57 more per year for electricity and €25 for gas.

Experts have warned consumers to expect more price increases, after the last three years, in which we paid record-low wholesale prices, and we've even seen some minor price cuts.

In addition to the increases above, the levy on electricity bills - the Public Service Obligation (PSO) levy - also went up to €104,50 a year, which is a €25 increase.

The One Big Switch campaign hopes to entice thousands of people to join, in order to help negotiate reductions in energy as well as home and motor insurance for members through the power of combined buying power. The aim is to entice 20,000 members to join at onebigswitch.ie.

Oliver Tattan, co-founder of One Big Switch hopes to help consumers save up to €300 a year by switching from standard gas and electricity to discounted offerings.

In the last year, only 14% of consumers switched to a different energy provider. According to Tattan, a survey commissioned by Aviva found that approximately 1 million adults in Ireland - the second-most expensive country in the EU - are facing financial difficulty.

Although Ireland's economy has recovered somewhat, average earnings are increasing much slower than they did when employment was last as high as it is now. That means that we still have to save where possible, and saving on energy is a great way to do it. As such, Tattan and the One Big Switch campaign encourages people to shop around and hopes to create awareness around switching and unlocking offers that might help the Irish population.

Currently, One Big Switch has approximately 100, 000 members who use their combined buying power to negotiate discount offers on household bills.

According to Eoin Clarke from Switcher.ie, Just Energy offers competitive gas deals which could help the average gas customer save as much as €147 compared to standard gas tariffs.

A STAKE IN THE COMPANY MIGHT JUST BE THE PERFECT COMPENSATION

If you lack the funds to pay out large salaries, a share in the company may just sweeten the deal.

Equity compensation is a valuable form of compensation, especially when you work at a tech start-up, mainly because of the sense of ownership it gives employees, and the potential monetary value of the equity shares.

On Budget day, Paschal Donohoe (Minister for Finance, Public Expenditure and Reform) revealed plans to launch an employee share options scheme, the Key Employee Engagement Programme (KEEP), which was perceived as a small win for the SME and startup sector. KEEP is aimed at supporting small and medium enterprises in attracting and retaining key employees in the currently competitive labour market by providing advantageous tax treatment on share options. KEEP helps SMEs to provide key employees with financial incentives that are aligned with the success of the company.

Michael Noonan, Donahue's predecessor flagged the new share-based remuneration incentive at last year's Budget speech, and it is expected that KEEP will be formally introduced at the start of 2018.

Shares have been around for many years, particularly in large multinational organisations, but current taxation rules dictate that employees may be lumbered with sizable tax bills. Additionally, unless the taxman approves the share option scheme, income tax will be due on the discount the employee receives on acquisition of the shares. Employees will therefore have to pay the tax bill out of their own pocket, unless they sell some of the acquired shares.

The new scheme, however, will mean that the value of the benefit will not be subject to tax until the employee sells the shares. Shares will however still be taxed at the 33% capital gains tax rate. Budget submissions from business groups have sought to lower this to 20%.

An example from the Government proposed that an employee was given the option to buy 10,000 shares at €10,000 in 2018. The employee exercised the option in 2021, at which point the shares were worth €3 each. This would give the employee a €20,000 discount based on the shares' market value and s/he would not have to pay the income tax (approximately 40%) that would have been applicable previously.

Should the employee decide to sell the shares in three years' time at €4 per share, s/he would have to pay 33% capital gains tax on the €30,000 gain, which delivers a 15.75% tax saving on the initial discount.

While financially well-off employees tend to be happy and motivated, many highly experienced employees would gladly stray from their career paths to join a tech start-up that offers share options as part of their remuneration packages. Companies such as Facebook have turned many employees into millionaires by offering share options that attracted their highly valued initial talent.

California-based biotechnology giant Genetech rewards two thirds of their top performing employees with share options every year. Share options have been shown to be a powerful motivational tool to help tune wealth-driven employees into the long-term success of a company, as illustrated by the shining success of these and other Silicon Valley companies.

By giving employees shares, an employer can ensure that the employee aligns his or her financial interests with that of the company. When they own a stake of a company, employees will feel a stronger connection to the company, which is exactly what a company needs during the early stages.

However, experts caution companies not to give away too much ownership. Without proper planning, over-exuberant founders may give away too large a piece of the pie. A share based compensation scheme may therefore become a problem when founders decide to sell the company, as many buyers will only be interested if they can own all the stock in the company.

BUSINESS BRIEFS

96% OF BUSINESSES ACROSS IRELAND ARE STABLE OR GROWING

In early November, InterTrade Ireland released their latest Business Monitor based on more than 750 business managers across the island of Ireland. It revealed that 39% of business in Ireland are in growth mode and an additional 57% are in a stable position.

Companies engaging in cross-border trading are faring well with half enjoying growth. However, this has not converted into a similar growth in employment with approximately 7% seeing employment levels increasing in the past three months. Almost 90% of businesses are at close to or at full capacity which may explain the lack of growth in recruitment despite a positive market background. Other difficulties faced by businesses include recruiting appropriate skills and increasing overhead and supply chain costs. 95% of businesses are still not actively planning for Brexit with 22% overall and 41% of cross border companies reporting that Brexit is having a negative impact on their business.

Strategy and Policy Director at InterTrade Ireland, Aidan Gough commented that whilst it is important for businesses to concentrate on the day-to-day running of their businesses, it is also important for them to look strategically at the possible implications of Brexit.

IRELAND 17th IN GLOBAL RANKING FOR EASE IN DOING BUSINESS

The World Bank's has placed Ireland in 17th position (of 190) - moving up one place since the last report - on the ease of doing business scale. In the Eurozone Ireland ranks 4th ahead of France and Germany and 7th in the European Union. Ireland has improved or maintained its ranking in comparison to the 189 countries in respect of 7 out of 10 indicators. Areas assessed in the report include starting a business, dealing with construction permits, property registration, contract enforcement and resolving insolvency and labour market regulation.

Minister for Finance Paschal Donohue commented that the improvement in ranking position is a positive reflection of the business environment for Irish SMEs and that while the report shows favourable conditions for entrepreneurship in Ireland there is always scope for improvement.

IRELAND MORE SUSCEPTIBLE TO EXTERNAL SHOCKS THAT OTHER EUROZONE ECONOMIES

A new research paper prepared by economists at the Central Bank has revealed that global economic shocks have a potentially greater impact on Ireland than on the US or other European economies. Furthermore, the Irish economy is more exposed to US interest rate tightening and sterling exchange rate depreciations. The research paper examined the effects of large global shocks on the Irish macroeconomy using the global vector auto-regression (GVAR) model, and considering the economic response to five distinct shocks using quarterly data from 1980 - 2016.

It found that Ireland is relatively more exposed to US interest rate tightening, noting that a shock increase of 25 basis points to the US short-term interest rate is estimated to see Irish GDP decline by -0.56% after eight quarters, with the loss estimated to be -0.6% and statistically significant in the long run.

The economy is also vulnerable to a shock depreciation in the sterling-dollar exchange rate, equivalent to a currency devaluation of 15%. This would see Irish output peak at an increase of 0.5% after two quarters, declining to baseline levels over the next eight quarters. However, Ireland was found to be relatively less exposed to a rise in global oil prices, while a reduction in Chinese output was found to be "moderately positive but insignificant" initially.

TECHNOLOGY COMPANY XILINX TO INVEST $40m IN IRISH HEADQUARTERS

In early November, the technology company, Xilinx, which set up in Dublin in 1995, announced plans to invest $40m (€34m) in an initiative to expand its research, development, and engineering operations at the company's EMEA headquarters in Dublin and Cork. As part of this expansion the company is recruiting 75 silicon and electronics engineering staff for its headquarters in Dublin and engineering centre in Cork. 25 more roles will open up across a range of disciplines, bringing total workforce to just over 400.

The new investment and recruitment will support the company's research, development and engineering work for advanced technologies and products including the application of artificial intelligence and machine learning in key strategic markets such Tánaiste and Minister for Business, Enterprise and Innovation, Frances Fitzgerald T.D. described the new investment and recruitment as a ''vote of confidence in Ireland and, in particular, in the attractive eco-system we have created for companies in the ICT sector''. The investment is being supported the the Irish government through IDA Ireland.

IRISH M&A DEALS GROW BUT VALUES FALL

The number of announced mergers and acquisitions (M&A) with Irish involvement has increased by 8.5% in 2017, though the sum of money involved in the deals has increased considerably. The figures reveal that to October 26th, 320 deals have been announced in comparison to 295 to the same period last year. However, the cumulative amount of money has fallen to $22.6bn from $51.1bn.

Sources within the industry have attributed the slowdown in part to a crackdown on so-called "inversion" deals by the US Treasury. These rules scuppered plans for Pfizer to merge with Allergan but the €25bn merger between Johnson Controls and Tyco - the largest monetary deal with Irish involvement last year - went ahead. The most lucrative deal on the list in 2017 is the €5.6bn acquisition of certain parts of Irish-based Medtronic by Cardinal Health. The largest deal involving an Irish-listed company is CRH's pending €2.9bn acquisition of US cement maker Ash Grove.

IRISH HOUSEHOLDS UPBEAT ABOUT ECONOMIC ENVIRONMENT

The latest Bank of Ireland Economic Pulse (conducted with 1,000 households and over 2,000 businesses) was released at the end of October. The Economic Pulse came in at 90.5 in October, which was up 1.7 on the previous month but 4.0 lower than the same time in 2016. The Consumer Pulse stood at 97.3 in October 2017, up 2.0 on September's reading and 4.4 on a year ago. Households were more positive about the economy and the outlook for unemployment in October, which helped the index recover some of the ground lost in September. Consumer assessment of their own financial situation changed little as was buying sentiment with more than a third (37%) considering it a good time to purchase big ticket items; up 1% on the September Figure.

Bank of Ireland say the business picture was mixed across the regions in October, whereas households around the country were more positive about the economic outlook though their assessment of their own financial prospects was little changed for the most part. This was despite the changes to social welfare payments and income taxes outlined in Budget 2018. House price and rent expectations were in firm positive territory in each of the four regions in October and up on the month in all apart from Connacht/Ulster.

FURTHER REDUCTIONS IN IRISH HOUSEHOLD DEBT

A new Central Bank report, focussing on the second half of the year, shows a further reduction in the balance of outstanding household debt to €142.7bn representing a 2.5 year-on-year decline and an almost 30% decline from the 3rd quarter 2008 peak (€203.7bn).

The household debt-to-disposable income ratio has also shown an improvement in the sustainability of household balance sheets, falling from 155.4% in the first quarter 2016 to 145.2% in the first quarter 2017, the lowest level since the third quarter 2004. The improvement is comprised an increase in disposable incomes, accounting for up to 6%, and a decrease in debt, accounting for up to 4%.

The data also shows that both approvals and drawdowns for new mortgages are experiencing strong growth according to the BPFI figures. New loan approvals totalled 11,872 accounting for €2.5bn in the second quarter 2017, increasing 25% yoy in volume and 32% yoy in value. New mortgage drawdowns stood at 8,000 in the second quarter 2017 accounting for €1.65bn, increasing 18% yoy and 28% yoy respectively. The flow of new mortgages is focused primarily on the First Time Buyer segment, accounting for 49.8% of new mortgages, while movers accounted for 30.7%, Residential Investment Loans accounted for 4.3%, while re-mortgages and top-ups accounted for 8.4% and 6.8% of new loans respectively. Goodbody Stockbrokers commented that whilst the level of household debt, in a European context, remains high, the latest Household Credit report shows further reductions in the size of household balance sheets with household debt becoming more sustainable and a mortgage market that is at its healthiest since before the crash.

PRACTICE MAKES PERFECT PLANNING SKILLS

Learning to manage your time can be quite a frustrating experience if you're new to it. However, with persistent practice, you can quickly develop this skill. Here's how you can use your natural mental strength and knowledge to improve your planning skills.

1 ACKNOWLEDGE YOUR STRENGTHS AND WEAKNESSES

Understanding your natural thinking style will help you learn what works best for you. The Benziger Thinking Styles Assessment provides a formal method for learning which part of your brain dominates. Alternatively, you can complete the self-assessment contained in Thriving in Mind.

2 EXPECT DIFFICULTY

But more importantly, accept that there may be difficulties. We may flounder, but it's important to accept that difficulty is just a part of the process. That way, you will be more willing to work through difficulties.

3 CONSIDER IT A PROCESS

Many of us go into a new project with an all-or-nothing mindset. We assume that unless we follow our plans to perfection, our efforts will be wasted. That's not the case, though. Learning is a process and every day progress or improvement should be the objective.

4 FIND A SYSTEM THAT WORKS

Arbitrary schedules and systems can ruin your creative and productive genius. Instead, find a process that works for you. Keep experimenting until you find the perfect fit for you.

5 MODEL SUCCESSFUL PEOPLE

Follow the advice of people who excel in organisation or possess advanced planning skills. Perhaps they have the ideal solutions to challenges that have been leaving you feeling overwhelmed.

6 TRY AGAIN

Have compassion towards yourself when you make mistakes or become frustrated by the planning process. Simply take distraction on the chin, refocus, and re-adjust your plans.

MEET THE TEAM

BREON MANNING

FINANCIAL ADVISOR

Breon has been in the financial services industry for 14 years. Throughout his career he has gained specialist knowledge in all areas of financial planning, investment monitoring, portfolio construction and management as well as annuities and protection planning.

Breon is a Qualified Financial Adviser (QFA) and a TMITI Registered Tax Consultant. He holds specialist Diplomas in Wealth Management (Institute of Bankers) and Pensions (LIA) and is a Fellow of the Life Insurance Association of Ireland (FLIA). Breon also holds the designation of Registered Stockbroker (not practising).

When Breon isn't hard at work he enjoys a round of golf, swims and goes spinning to keep fit. He is married to Katrina and is kept busy at home with 3 cats and mans' best friend Red.

MIKE SHEEHY

BUSINESS DEVELOPMENT

Mike has worked in the Financial Services and Property industry for the past 9 years. He gained his Bachelor of Business Studies degree in Economics and Finance through the University of Limerick before completing a Certificate in Auctioneering and Real Estate through IPAV and the Cork Institute of Technology.

He enjoys 7-a- side soccer, running and the very occasional round of golf. Favourite movies include Training Day, The Usual Suspects and Goodfellas.

When Mike isn't chasing around after he is two little girls they are watching their favourite movies Toy Story, Frozen and The Little Mermaid.

JEAN MANNING

FINANCIAL ADMINISTRATOR

Jean joined Manning Financial in 2013. She holds a BSc Honours Degree in Real Estate and a Certificate in Property Management and Valuations.

Jean intends to follow in her brother Breon's footsteps and become a Qualifed Financial Advisor.

When Jean isn't running the day to day office, she enjoys Spinning, TRX and Kettlebells. She also has a secret love of watching Darts.

PATRICIA RADLEY

MARKETING COORDINATOR

Patricia is responsible for overseeing the implementation of the company's offline and online marketing strategies.

Patricia graduated with a PhD in Education from UC and also holds an MSc in Food Business, a BBs in Marketing and a Postgraduate Diploma in Digital Marketing. She is also a member of the Marketing Institute.

Patricia is a volunteer adult literacy tutor and enjoys reading, travelling and supports Manchester United.

MOLLY O'SHEA

MARKETING INTERN

Molly assists in all marketing activities in the company. A born and raised San Franciscan, Molly moved to Cork last January. She attended college in New York where he played NCAA Division 1 Volleyball for 5 years.

Molly received a BBA in Marketing and an MBA in Management with a Sports and Entertainment Certificate.

Molly loves to travel and experience new places as well as keeping fit.

RANGE OF SERVICES

PROTECTION

- Mortgage Protection
- Term Insurance
- Serious Illness
- Income Protection
- Life Cover with Tax Relief (Section 785)
- Group Income Protection
- Group Death in Service

PENSIONS

- Personal Pensions (for the Self Employed)
- PRSAs
- Executive Pensions (for company directors)
- Self-Administered Pensions
- Self-Directed Pensions
- Group Occupational Pension Schemes

SAVINGS & INVESTMENT

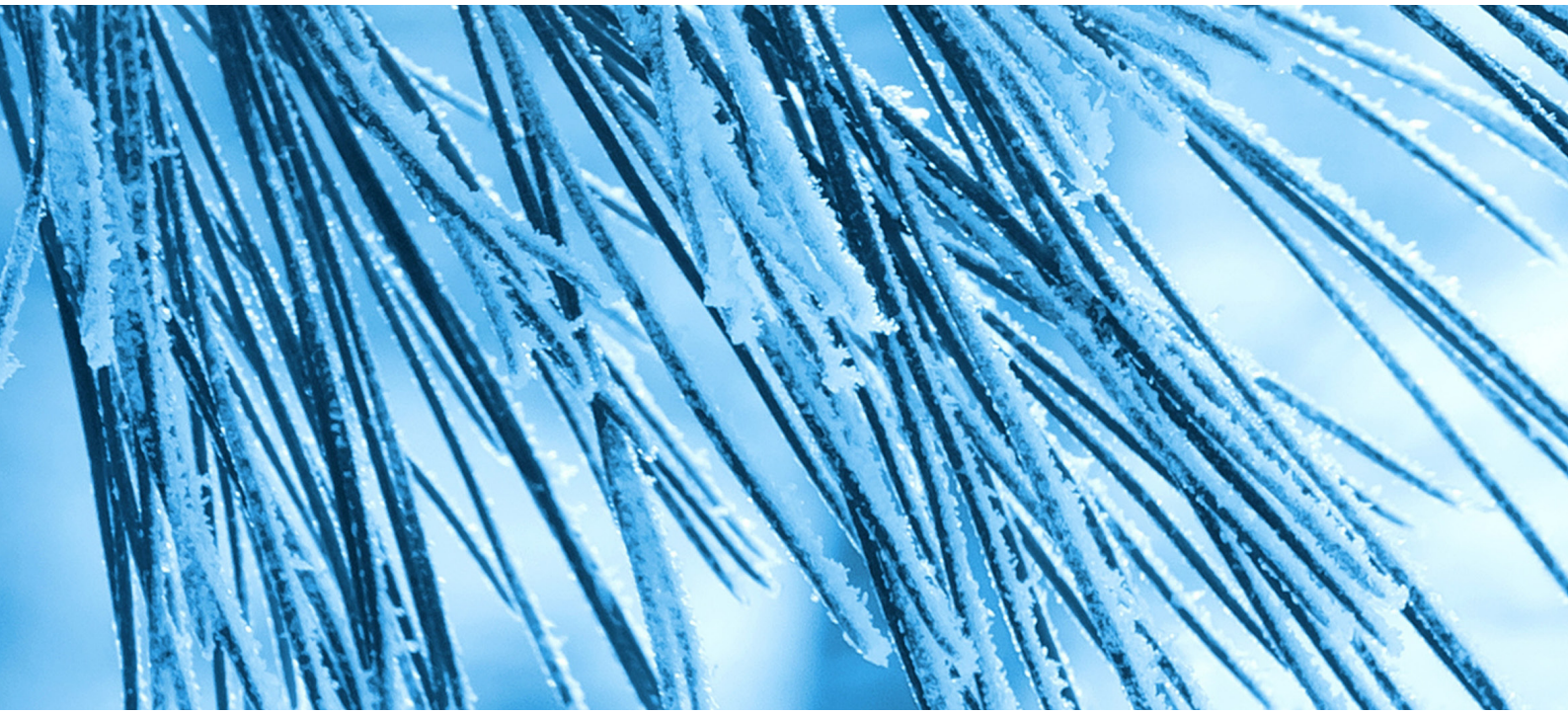
- Lump Sum Investments
- Bonds
- Structured Products
- Savings Plans

SPECIALIST ADVICE

- Business Protection
- Partnership Insurance
- Inheritance Tax Relief and Estate Planning
- GMS Services for GPs
- Financial Services for Cohabiting Couples
- Pension Adjustment Orders
- Employee Benefit Schemes

MORTGAGES

- First Time Buyers, Investors and Trading Up
- Access To Best Rates in the Market



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