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### NEW POSITIONS IN I.T.

Not surprisingly, the best jobs for people who read The Mail on Sunday can be found in The Mail on Sunday appointments pages. Just turn to the back of Financial Mail. Starts this week on page 43.



William  
**KAY**



The City  
Editor's  
Column

## No easy pickings on rocky road to 2016

I KNEW that the bull market could not last much longer when a young City trader insisted to me recently that there would never be another stock market crash.

But now Goldman Sachs, the powerful US securities group, has produced compelling research\* to suggest that in about 2016 we could suffer a bear market savage enough to rival 1974, when share prices hit their lowest since the Second World War.

That may seem a long way off, but remember that investors big and small try to anticipate events, including the future behaviour of the market. Prophecies of bull or bear markets can become self-fulfilling if greed or panic grip.

The basis of the Goldman claim is frighteningly simple: Demographics.

Just as the long bull market has been fuelled by the increase in the greying population saving for retirement, so it will be broken by the fall in the number of 40 to 60-year-olds.

The statistics are irrefutable. And the trend is irreversible. According to the US Census Bureau, this age group — known as prime savers — will hit a high point of 35.7% of the adult population in 2006.

It will then decline for the next 20 years. Goldman's figures are American, but the European situation is little different.

However, Richard Strauss and Jonathan Tukman, Goldman's researchers, have found an uncanny correlation between the movement of the New York and London stock markets and the rise or fall of the prime savers' percentage.

In the past 50 years that percentage fell at its fastest — half a per cent — in 1974. Last year its annual rise peaked at 0.8% and it has begun to fall again. The next time the fall will match the speed of 1974 will be in about 2016.

This trend has a simple link to share prices. Not only will there be fewer people buying shares to build nest-eggs, but those who saved in the boom years will be drawing down those savings and using them to live on.

So there will be a double impact on shares. The pension funds, insurance companies and other institutions, instead of being forced buyers, will become forced sellers on a growing scale. And that will in turn affect the appetite of other investors — for the worse.

That is why I believe that the trough will be reached before 2016.

There will not be a straight-line plunge in share prices. They will still be buoyed by rising profits, falling interest rates, takeover bids and other injections of good news.

Political events, too, will exert their influence for good or bad. So opportunities will abound. But there will be a far greater premium on selecting the right shares than has been the case in the long bull market of the past 23 years.

\* *Asset Management in the 21st Century: New Rules, New Game.*

A FASCINATING divergence is developing between retail bank shares and those of former building societies.

The likes of Lloyds TSB Group and National Westminster have been surging ahead, while Halifax, Abbey National and other former societies have been hesitating.

This suggests that the City is expecting British banks to follow the example of their American cousins and take their partners for a multi-billion pound merger square-dance.

We have seen three pairs of banks and a bank and an insurer announce deals across the Atlantic in a scramble to buy global reach and save costs.

So far the British have stayed on the sidelines, but the same logic applies to them — if they are permitted by Margaret Beckett, President of the Board of Trade.

The former societies, it seems, are not likely to be invited to this party.

### 'Bear market prophecies can be self-fulfilling if greed or panic grip'

OH dear, Tesco is going back down the diversification road again.

Having contained the losses on its growing personal finance operation to a mere £15 million for last year, chief executive Terry Leahy wants to put more emphasis on non-food sales in the stores. The logic is

understandable, if not exactly impeccable. Profit margins on food are tiny and the scope to raise prices is minimal.

So, take a successful retail formula and turn its immense firepower on to softer targets such as clothes and toys. This thinking has sometimes served Tesco well. It has developed a highly regarded line in wines, selling at up to £20 a bottle, but has tended to struggle in non-food.

For many years founder Sir Jack Cohen pinned his hopes on a range with the folksy title of Home 'n' Wear, but too many people still preferred to make a separate journey to Marks & Spencer rather than pick up a flimsy Tesco shirt with the groceries.

Tesco has come a long way since then, but it still has an uphill task to break the dominance of M&S and other mass-market clothing retailers such as Bhs and John Lewis Partnership.

Leahy will find that, however strong his buying power, he is taking on some lean, hungry and experienced rivals.

I do not doubt his resourcefulness, but in a year or two he may wish he had stuck to selling baked beans.

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