

30 years on – what next?

Wednesday 14 October 1987: a fortnight before the first anniversary of the 'Big Bang', which allowed stockbrokers (agents) to merge with market-makers (principals). The stockmarket had enjoyed a five year bull run, including two major privatisations: the £3.9bn flotation of BT in 1984 and British Gas (£4.3bn) in late 1986. Margaret Thatcher had enjoyed a convincing victory over Labour in June (376 seats cf. Theresa May's 317 in June 2017), and all was well in the world.

I was running Barclayshare at that time (now Barclays Stockbrokers). We were about to launch our new Dealing services, delayed for a year by Nigel Lawson's introduction of the Personal Equity Plan in 1986.

He'd also been busy preparing the Government's stake in BP for sale: this was the day the Offer price was agreed with the underwriters: 330p against the then trading level of 350p, to raise £7.2bn.

The press conference for our service launch was set for Friday 16 October in 54 Lombard Street: all was now in place.

The first hint of something amiss was on Thursday 15, and entirely disconnected. BBC weather forecaster Michael Fish: "Earlier today a woman rang the BBC and said she heard there was a hurricane on the way ... don't worry, there isn't". The overnight blast that followed killed 18 people, the worst storm in the south-east for three centuries.

It took five hours for me to struggle into Lombard Street for the press conference, struggling past a huge Scots pine across our drive and the travel chaos, but I made it in time and our service launched as planned. Over that weekend it was clear up time: I also prepared for a major TV launch event on Monday 19 in a studio on the building site that was Canary Wharf.

I left early that morning, knowing that it would be a struggle through the debris and cancelled train services. Of course there were no mobiles, no iPad, nothing to indicate that the market might take its lead from the weather. So imagine my surprise on reaching the studio to be greeted by a panicked producer:

"Thank goodness you're here, you can tell us all about the market!"

"Market? What's happened?"

"It's 500 points down, there's blood all over the screens!"

"But I've come to launch a stockbroking service .."

Talk about a baptism of fire – and not just for me. Nigel Lawson decided that the underwriters should honour that Offer price of 330p. By then BP's market price was 262p, meaning that Goldman Sachs, Salomon Brothers, Morgan Stanley and Shearson Lehman suffered huge losses. Wood Gundy in Canada went bust.

"By malign coincidence, the world's largest ever share sale collided with the world's most dramatic stock-market crash" (*Nigel Lawson's memoirs of October 1987*)

But market crashes are like that: they just come out of nowhere. So are we likely to have a repeat performance this week with the markets paying deference to Hurricane Ophelia?

It's true that the stock market has enjoyed a bull run for much of the past seven years, but it's only recently recovered levels seen much further back. Yields are still well above interest rates, and earnings are satisfactory.

The UK property market, however, looks distinctly wobbly in comparison, with prices edging back and a considerable lack of liquidity. Meanwhile the Government's drive for more residential supply may well encounter reducing demand as

immigration falls back as a result of Brexit. Even the commercial market is being squeezed as developers push to convert offices into residential units.

But property market shake-outs generally take much longer to materialise than stock market crashes: so asked if there's a market hurricane coming, perhaps we might risk a Fish-style answer – 'don't worry, there isn't'.

Gavin Oldham

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