

Is this sustainable?

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The last time the FTSE 100 index ended the year over 6,000 points and upbeat was 1999. Within months the tears began. Yesterday it was [6245](#). In 1999 it was around [6800](#).

I thought the 2000 crash was inevitable. I said why in the paper I co-wrote with Colin Hines and Alan Simpson for the New Economics Foundation called '[People's Pensions](#)'. This time there is a difference. In December 1999 the market p/e ratio was [30](#) (near enough). That was unsustainable. Now it is around [13](#). I thought that sustainable when I wrote 'People's Pensions'.

The difference though is simple. I happen to think the current market rises are also unsustainable. This time though I doubt that profits can be kept at this level. They've risen as a proportion of GDP, as I've [shown here](#). The difficulty is I can think of nothing that justifies this apart from financial engineering. And that can't be leveraged forever.

I doubt it will happen just yet, but I am of the view that the markets are over-heated and a downwards readjustment will follow. That makes me cautious. As an entrepreneur I like fundamental ability to make money, rather than deal making. This market seems solely based on the latter. I hope people who can't tell the difference won't get their fingers burnt, but suspect they will. And those that do won't be in the City. They'll be ordinary people, with ordinary pension funds managed by people who do deals. That's the real scandal of the UK financial services industry.