The general feeling amongst Treasury professionals for 2012 is one of resignation; resignation of the fact that we are entering into a new year that will more than likely be increasingly akin to those years that have gone before. The misplaced optimism that may have been evident in the preceding years since the start of the credit crunch (and subsequent sovereign debt crisis) is gone, as all participants in the market are now punch drunk with the negative sentiment and information coming out of the Eurozone and wider global landscape. Indeed, the most frustrating thing for the treasury sector is that the biggest factor impacting their performance is probably totally outside of their control.

The powers that be have continually displayed an unwillingness to grasp the nettle, to the extent that the garden is now overrun with 'Urtica dioica', with copious stinging hairs that could potentially deliver a whole lot of pain for the global economy. There is a sense that there is a plan and framework being developed for the medium to long-term sustainability of the Euro, but that the immediate threats are being allowed to fester and undermine the whole single-currency project. The can has been kicked down the road, which is all well and good, until you run out of road. It is against this backdrop of global uncertainty that the treasury sector must participate in 2012.

Ultimately, the success of the treasury sector will be judged and measured by its reaction to the events unfolding around it. Now is the time for treasury professionals to ensure that they are planning adequately for all possibilities. In summary, they should be preparing for the worst, but hoping for the best. The old saying of 'What you reap is what you sow' will never be truer than in the forthcoming months. Treasury professionals will find that their ability to adapt to the changing outlook is determined by the quality of the more 'housekeeping' aspects of their role. Relationship management will be to the fore, as the expectation is that credit availability will continue to be in shorter supply. The principle of 'go early, go long' in respect of the refinancing of maturing debt is one that should be adhered to; liquidity is the lifeblood of any company, and it is the responsibility of treasury to provide this; by going early the requirement can be filled, and by going long it can be filled for maximum required tenor. Many companies may be left bewildered by a bank's willingness to extend credit or not, but it goes without saying that in times of consternation the banks themselves are in a state of flux as they try to assess their obligations and capital limits, and therefore the treasurer shouldn't have all their eggs in one basket. This crisis will likely have the effect of a more 'US-style' balance sheet for many companies in Ireland, as their sources of funding will move away from the traditional bank heavy model to one that involves a more diverse range of credit providers, comprised of banks, equity and bonds of various kinds.

For those who are on the other side of the spectrum (i.e. 'long' cash) the main concern for them will be the security of their investment; finding a sufficiently diverse and safe range of investment tools will be an ongoing challenge.

Even seemingly vanilla issues, like cash management, which is in many ways taken for granted, will be important, as it is the fundamental tool in ensuring timely and rapid movement of funds.

There is no doubt that this crisis is far from over, and the impact and repercussions of it will be felt for a long time after it has subsided.  The treasury sector is central to the 'real economy' implications of the crisis.  This year promises much in the way of volatility in foreign exchange and interest rate markets, in addition to credit exposure/counterparty management remaining to the fore of the treasury professionals mind.  In addition to this we are seeing the seasonal/cyclical factors coming into play – as I write, the US Presidential election is kicking off in earnest with the Iowa caucuses, and this will loom large over the markets up to November.  However, the expectation is that this story, amongst others will remain in the shadows of the Eurozone crisis for the whole of the year.

2012 will no doubt be a busy one for the treasury community, lawyers, bankers, tax advisors etc.; it is of course an Olympic year, and a leap year – most people would possibly wish that they could 'leap' past it, into 2013, when the optimistic amongst us would hope that the worst is behind us.

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