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MELLON ON THE MARKETS

By Jim Mellon

Time to stay snug as a gold bug!



What to write about this month? Victor Hill has already – and brilliantly – covered Catalonia, and I have banged on about Longevity long enough (pun intended). But the latest book (*Juvenescence*) is now out – at last – and the launch party for journos, collaborators as well as friends and family, at the Oxford and Cambridge Club in London last week – with the wonderful Aubrey de Grey in attendance – went well and in a suitably jolly (bibulous!) and juvenescent manner. From MI, Swen, Evil, Leo and Amanda were there. We are putting a great team together.

Markets continue to defy gravity, notwithstanding all of the evident (at least to old market grizzlies like me, Bill Blain and Evil Knievil) pointers that there is more froth than a tired old Starbucks latte in global markets.

In the last month, I really thought gold would break out from a well-travelled range, and it hasn't – at least, not yet. But I still think it will, as will silver and all of the others metals complex. So remain patient – gold et al are climbing the proverbial wall of worry – and winter is coming! So stay snug as a (gold) bug with your yellow metal stuffed at the bottom of the bed.

Japan remains the fundamental top performer and macro pick, and the land of the rising index is another must have for the Master Investor portfolio. Indeed, if the yen weakens, it seems to do even better, and I really think that if you haven't got any Japanese exposure, you better get your buying boots on now. I see 25,000 on the Nikkei in about a year's time – and among major markets, there is no upside available like that one.

In fact, there is quite a lot of downside, and as I keep on saying (and am now being proven at least a little bit right), a lot of that is concentrated in the FAANG stocks in the US which are now as over-owned as hula hoops in the 1950s and pet rocks in the 1970s – with similar prospects for long-term endurance.

So, a gold-tilted portfolio, leavened with Japan and short FAANGs, seems appropriate. If you are into bond trading, the short side is working quite well as yields are rising almost everywhere. The stats may not reveal it, but I am convinced that inflation is taking off. Go into a London pub, order a glass of wine or a pint of beer and tell me that there isn't inflation – there is. It's just insidious and less visible than it used to be.

Also, the pitchforks are coming out – the gig economy workers, egged on by men like Jeremy Corbyn and decked out in Maoist hats, are asking for more – and they'll

get it. I think that despite automation, which is now becoming the bore subject du jour (but which is important nonetheless), we need to recognise that labour conditions are tightening and inflation will result.

At the same time as inflation is on the rise, our glorious government talks of modest tax giveaways, but actually does what all governments have been doing for years – devising ways of extracting more money from the citizenry to redistribute as it sees fit. If I had any position of influence, I would urge the British government to raise minimum wages dramatically, and slash in work benefits. This would have the effect of making people in low paid jobs want to work longer than the 16 hours that many of them work in order to qualify for government (read: *taxpayer*) handouts and would start to redistribute some of the money from fat cat corporations to individuals.

Does that sound Corbynite? In a way, yes, but if we (i.e. we conservatives and libertarians) don't do something now, capitalism, in the tooth-and-claw way he describes it, will be doing the destructive work for him. I can think of nothing worse than having unreconstructed Momentum (that is, *downwards* momentum) types in charge of the finances.

I am heartened to see that Mrs Merkel didn't entirely get her own way in Germany, and also that things aren't going as smoothly for M. Macron as his Jupiterian inclinations would like. It's good to see the smug Europhiles get a bloody nose, as they turn their eyes to the disaster unfolding in Spain.

On Europe, we ain't seen nothing yet. There will undoubtedly be a time when we can short the euro with impunity, but it isn't today. Too big a current account surplus, too many challenges for the principal competing forex options, and a bit premature for the crashing out of Italy. But gosh, there will be money to be made!

We have more or less completed the seed round for Juvenescence (the company) and will have two of the top dogs, Greg and Dec, present at the next Master Investor show, in March next year. The round has been fully subscribed by a small number of professional investors. If you have no other reason to come, please do so just to meet these guys. It is a compelling story and a must follow for every serious investor.

Turning away from the filthy lucre for just a second, and towards health in general, it is now proven that doing word puzzles are a big promoter of avoiding dementia. My girlfriend and I are addicted to Word Storm (no financial interest, hand on heart!) and do it every day. The only dementia we are likely to get is from the ultra-competitive fashion that we go about playing it! For fear of getting into trouble, I am not commenting on our scores!

The reason I bring this up is because we are literally in the dog days of summer for many markets. VIX (volatility measure) is at a very low point, everyone is complacent and something somewhere will break. Trade with caution, and notwithstanding the low returns, cash isn't too bad to hold.

As a final aside, **Avation (LON:AVAP)**, a long-term exhibitor at the Master Investor Show, produced another amazing set of results. This is a really good company and

my retirement account (which I intend to draw on in around 2100) is stuffed with them.

Happy hunting!

Jim Mellon

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