



MELLON ON THE MARKETS

May 2015

By Jim Mellon

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Well, another year, and another Master Investor. This year was particularly special, as we had 3800 people through the door, and a huge amount of publicity. Over the years, I've made new friends at the show and it's always great to welcome them back.

My slides will be linked to this article (see below), so I won't go into too much detail, as the presentation itself will soon be on the magazine's website. The magazine is now the format for all of the various publications produced under the Ancien Regime, and we are investing heavily in content. Its objective is to get away from the rant rag tone of other people's 'work', and to genuinely provide balanced comment and analysis.

We won't ever get everything – or even close to everything – right, but our guiding principles are, firstly, to do our best, and secondly, to eat our own cooking wherever possible.

I am truly grateful for so many people coming to make this by far the biggest show for investors in the UK and I guarantee you that on 23rd April 2016 we will have some spectacular stuff for you to see and hear.



As I said in my speech – one based largely on the **Fast Forward book** – **this is the best time ever to be alive, and the mundanity of everyday life and its struggles should be seen in that context**. Sure, the droning sound of economic forecasts, the hunt for yield and return in a triple zero (growth, interest rates and productivity) world may seem tedious and grinding, but quite soon, we will live in a different type of world.

Meantime, we have to eat, so I am going to reiterate some of my key trades. I have closed out the **Euro short** that has served us so well in the past year; I have gone short **Apple** (notwithstanding great results in the first quarter); and I am heavily short the **Swiss Franc** against the Euro. I like **Hewlett Packard** for recovery; I have recently recommended **HSBC**, but it is close to target now; and amongst smaller companies, I like **Portage Therapeutics** in Canada, in which I have a key interest, as well as **Synergy Pharma** in the US.

All negative yield bonds are shorts, and I would lighten up on gilts and US Treasuries with immediate effect.

I am certain that **US interest rates** are going to rise soon, and as a result I would be very wary of the overall US market. Meantime, I remain long the **Nikkei**, for a further 10-15 % from this point. Japan is transforming itself quite quickly and I wouldn't worry too much about all the blather on demographics and stasis. The fact is, Mr and Mrs Mikimoto are chasing yield and return, they have huge savings, inadequate pensions, and they are replaying the stock mania of the 1980s.

In the precious metals complex, I plump for **silver**; it is a leveraged way of dealing with tail risk and as such provides good insurance. I won't follow Merryn Somerset Webb into the Chinese markets, though she may be right; it seems too much of a pass the parcel game to me.

In the past six weeks, I have made four speeches and am delighted now to go to Spain (preceded by a quick trip to Kiev, which I will report on) and take some time off. Of course, I will still be keeping in touch both with you and the wider world, but at least my voice gets a rest. The link to my slides follows below, and you can look at the key themes at your leisure.

Robotics (**Fanuc and Kuka**) and life sciences are my favourite areas.

Happy Hunting!!

Jim Mellon

[Click HERE to view the slides from Jim's presentation at Master Investor 2015](#)

[Click HERE to follow Jim's trades on twitter](#)

What Jim read this month

“Tech titans’ latest project: Defy death”

From *The Washington Post* - <http://www.washingtonpost.com/sf/national/2015/04/04/tech-titans-latest-project-defy-death/>

Jim is a firm believer in the rise of human life-expectancy, but maybe he has set his sights even further... Forget the Fountain of Youth, the Picture of Dorian Gray, or the Holy Grail, the search for immortality is over, today’s tech titan billionaires now believe they can create it using technology and data.

“The biggest question for pension planning: how long until you die?”

From *The Sunday Times* - <http://www.telegraph.co.uk/finance/personalfinance/pensions/11508255/The-biggest-question-for-pension-planning-how-long-until-you-die.html>

Until the tech titans crack eternal life, this is something we all need to consider at some point. Our life expectancy has been at the heart of many financial transactions over the decades, but with longevity the norm, the whole system is being revised. The article looks at some interesting solutions and Jim’s book *Fast Forward* is quoted as an ‘upbeat’ outlook on things.

“The innovators: build and launch your own satellite ... for £20,000”

From *The Guardian* - <http://www.theguardian.com/business/2015/apr/05/build-and-launch-your-own-satellite-for-20000-pounds>

This article from *The Guardian* takes a look at 25 year old founder of the PocketQube Shop, Tom Walkinshaw, who is looking to open up the next generation of space technology to amateur innovators by selling satellites the size of smartphones, for the comparatively accessible sum of £20,000.

“The Secrets of Unicorn Companies”

From *Medium.com* - <https://medium.com/backchannel/here-are-the-secrets-of-unicorn-companies-c8951b99215b>

Salim Ismail explores the secrets of Unicorn companies (companies that soar to a \$1billion valuation and beyond) and the 100 most scalable organisations. Ismail theorises that Unicorns share a unique scaling structure which allows them to prosper exponentially, identifying and implementing that structure is the key to \$1billion success.

“A cryptocurrency fit for Wall Street”

From *The Financial Times* - <http://www.ft.com/cms/s/0/95c52c04-de0a-11e4-8d14-00144feab7de.html#axzz3YVKH9V2I>

Gillian Tett looks at the latest chapter in the bitcoin saga. Wall Street financiers are now looking beyond retail payments and donations, so far the mainstay of cryptocurrency, to wholesale financial transactions and back-office markets settlements.

Out of the Ashes: Can civilisation reboot without fossil fuels?

From *Aeon Magazine* - <http://ow.ly/M9Ywo>

Lewis Dartnell, UK Space Agency research fellow at the University of Leicester, discusses themes explored in his latest book *The Knowledge: How to Rebuild Our World From Scratch* (2014). He looks at how the world will cope when we run out of fossil fuels, and surprisingly, it's not all doom and gloom.