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MELLON ON THE MARKETS

By Jim Mellon

Discovering the next money mountain

Another Master Investor done! A huge crowd, impressive companies, great speakers and an engaged audience. Well done Swen and team!

I must say I always feel wrung out afterwards, as it takes weeks to prepare my speech and develop my theme. Luckily, this year, I think we are onto a new *money fountain* centred on the New Age of Longevity – or *Juvenescence*, the title of our new book.

I am writing this from the Babraham Institute at Cambridge, where I am attending a conference on the Ageing Cell with my colleague Anthony Chow. We are the only ones in the audience without PhDs, and it's quite hard to follow – but very worthwhile. We also got to have a drink with our friend Aubrey de Grey, the rock star of the anti-ageing space and someone everyone should watch online – and also contribute to his SENS foundation.

The information I am getting here at Cambridge will allow me to fit all the pieces of the book into place, and I intend to do that over the next ten days or so, with a publication date sometime late May.

I am super excited to be moderating the ageing panel at the upcoming Milken Institute conference in LA in May, the world's most prestigious forum of its type.

I am always really looking forward to meeting the famous John Mauldin and Patrick Cox in Florida later in April, where we are going to drill down into the longevity space and come up with some ideas.

All in all, this is shaping up to be a busy year, and I am really positive about the returns we can make in the best anti-ageing companies.

All will be revealed in the book, but in the meantime I want to talk about the more prosaic business of making money in 2017.

The return of inflation

I am absolutely convinced that gold and silver are necessary in the current environment. As regular readers know, the precious metals "complex", as it is known, is normally only a small part of my portfolio, more for insurance and diversification.

Last year, I turned bullish on the prospects for inflation – which favours precious metals – and today, that inflation is seeping in everywhere. Even in moribund Europe, and in nothing-seems-to-work Japan, inflation is creeping in.

I actually don't think this inflation is price driven (goods), in a canonical sense – I think it is the result of some improvement in monetary velocity, coupled with a recognition that the workers at the lower end of the pay scale need(/deserve/are due/won't work without) more money. The share of wages in developed countries has been falling for years, and I suspect that is reversing, as full or close to full employment is reached in many countries.

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In the UK, labour participation rates are high, and unemployment is low, and we are seeing the beginnings of "revolt" against the excess profits of corporations at the expense of workers' wages. In the US, labour participation has been declining, but unemployment in a true sense is low, and the same pressures are emerging. It's the same in Germany and Japan. And Chinese wages are rising at a rate that is eroding the country's competitiveness.

The so-called gig economy sounds fun, but it really isn't if most of your income is consumed by rent, there is no prospect of saving, and your employment is non-contractual and perilous.

So, even though oil prices are falling, and food prices are mostly under control, wages are now improving and that is where inflationary pressures are emerging.

Central banks are always behind the curve on this, and although the Fed is tightening, the BOJ and BOE are still pursuing excessively loose monetary policies, and as for the ECB, well it really doesn't know *what* it is doing. Plus *ça* change.

So, in inflationary circumstances, you get inflation. I like Amanda Van Dyke's Peterhouse Gold Fund, and I like ETFs, I like **Condor Gold (LON:CNR)** in London, and **Hecla Mining (NYSE:HL)** in Canada. Do your research here and it should work out.

Gold should go to at least US $1,800 per oz. this cycle, and silver to US$30.

What to buy and what not to buy

Meanwhile, most markets (with the exception of Japan and Korea) are priced to perfection. Japan is overall at 14 times earnings, and that's about half the US, with better growth prospects especially since US earnings are fundamentally overstated by inadequate depreciation and corporate buybacks. So I'd load up on Japan, and I like **Hitachi (TYO:6501)** and **Sony (TYO:6758)** among the bigger companies, and in Korea, **Samsung Electronics (KRX:005930)** is a buy.

I turned negative on **Alphabet (NASDAQ:GOOGL)** a couple of months ago, and I think it is a screaming sell. Advertisers are deserting it, because of YouTube issues, and they are wasting money at an enormous rate on moon shots to nowhere. When corporate hubris sets in, head for the exits.

It's the same story with **Facebook (NASDAQ:FB)** and **Snap (NYSE:SNAP)** – both frivolous, both transient and both overvalued.
Amazon (NAZDAQ:AMZN) is a hard one, but it requires perfect execution to make its current valuation one worth considering so it too is a sell.

If we can identify some anti-ageing companies that have high potential, they will surely have a much bigger market for their products than any internet "platform". And watch out for those platforms being increasingly regulated. Their glory days are over.

In currencies, I'd buy the Polish zloty against the Euro, the Malaysian Ringgit against the USD, and the Mexican Peso against the USD. Exotic but likely to be profitable.

Meantime, I'm back to book writing. Six days in Austria, head down, coffee jug at my side. It's hard work this Juvenescence!

Happy hunting!

Jim Mellon

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