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# MELLON ON THE MARKETS

By Jim Mellon

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I'm writing this on American Airlines flight from LAX to London; and the amazing thing is, I will be sending it by email from the plane to the Editor of this magazine in about an hour or so. There has been internet on US domestic planes for a while, but only recently has it become possible for us to remain connected for trans-Atlantic trips. *Fast Forward* in action!

The reason for my trip to the US was to attend the Milken Institute Global Conference. Mike Milken is the world's foremost expert on credit, has made a fortune, and now devotes himself to philanthropy. He is a true renaissance man, and has a particular interest in biomedical research and the impact of medicine on economic development. If he was a British citizen he would be Earl Milken by now.

From around the world, people gather to network, listen to speakers, largely in panel format, and to learn about new technologies, trends and geopolitical flashpoints. It seems that the whole US Senate and House of Representatives is in attendance, along with just about every heavy hitter in finance, politics and technology.

I was seriously impressed, and without giving away anything I shouldn't, I will reveal a few takeaways in this article.

My own panel consisted of Roger Wicker, a US senator; Paul Wolfowitz, the ex-head of the World Bank; Howard Shore, a fellow Eurosceptic and a renowned UK based investor; Peter Beyer, a member of the German Parliament (and also a new drinking buddy in Berlin); and a skilled moderator in the form of broadcaster Ross Westgate.

Our subject was "The Forces Shaping Europe" – a theme of endless commentary on our side of the pond, but of lesser interest to Americans, other than in terms of how it affects global (and US) security. Senator Wicker and Paul Wolfowitz leant on the side of Remain, but regarded Brexit as a much less important issue than migration, the failure of most European countries to improve their own defences, and most importantly the destabilising and pernicious effect of Putin's policies, particularly in Ukraine. They warned that something had to be done to bolster Ukraine's economy, or disaster was sure to follow.

Howard and I argued, in different ways, for Brexit, and Peter, as one might expect, for the integrity of the European Union.

I have expounded enough on the subject of the European crisis – and crisis it is – so will cover other subjects here, with one exception, and that is refugees and migration. I was fortunate enough to meet David Miliband, the leader in waiting, one imagines, of the Labour party. For now, David is the head of a large agency that helps refugees, the International Rescue Organisation. He's a charming chap, and sat on a panel with my tutor from yesteryear, Oxford Professor Sir Paul Collier, to whom I listened. The refugee crisis will only get worse, until the cause of it – conflict and displacement – is solved. Meantime, 60 million people (about 13 per cent of Europe's population) are displaced. Despite the common view that the West "caused" the crisis in Syria, David argued that it is a home-grown war, with another commentator pointing to climate change as being an important proximate cause.

This is interesting, as I saw Al Gore expound on the subject of climate change with fluency and a raft of alarming statistics. The reason why Syria is at war is that 1.5 million people moved to the cities from rural areas, due to a lengthy drought, and those migrants upset the long-standing forces that had held the fractious tribal politics of the country together. I was somewhat sceptical of climate change before I went to this conference – but came away pretty convinced. I guess that's the power of this event – it changes minds and shapes opinions.

Back to migration, and again, my mind has been changed. Frau Merkel made a huge mistake by letting all comers in last summer, and Germany is now facing problems of integration, selection and possible infiltration by bad actors.

But the general principle of being generous is a good one, and I do think that we in the UK should be doing more. In particular, my own home, the Isle of Man, which suffers from an ageing population and too few people, might consider taking some.

Much more needs to be done to help Lebanon and Jordan, both of which have vast amounts of migrants displaced from Syria. Most of these people genuinely want to go back home, but in the meantime, they need jobs, and they need dignity. The majority of migrants don't live in camps, but in the general community, and I was shocked to learn that the average duration of a refugee's exile is about 17 years. There is a strong case for a pan European solution (and I don't mean an EU solution!) to this remarkably awful situation. Without it, more and more of them will turn, though underemployment, boredom and misguided religious fervour, to Isis and its like. Then we will reap the wind.

Technology and biomedical stuff was heavily featured at the Conference, and Mike Milken pointed out that in the first four million years of man's existence, we added 11 years to life expectancy, from 20 years at birth, to 31 years. Yet, thanks to sanitation and medical advances, we have added 40 more in the past 115 years. Ray Kurzweil has said that he expects us to add one year of life expectancy for every year of life starting in about 15 years – and I agree with him. So, hang on in there, because the future is bright – and its loooong!

Several leading scientists spoke, and I was deeply impressed by the efforts of Lifecode and Craig Venter (father of the Genome project). They have produced the first synthetic living organism, and are now commercially exploiting this, as they can produce just about anything at a molecular level, from scratch, including fuels, food, and biodegradable materials.

I also watched Elizabeth Blackburn talk about telomeres, the little cap ends of your DNA, and vital to life extension. This is a fascinating subject on which my team and I are doing more research. Then there was nuclear fusion, bone printing using stem cells and 3D printing, early stage cancer diagnostics, and artificial intelligence – and the list goes on.

I am speaking in the Isle of Man later this month on technology, and I must say I came away from Milken totally enthused on its acceleration. Al Chalabi and I might do *Even Faster Forward* as a sequel this summer!

Regarding investments, some real superstars were there. People managing vast amounts of money spoke of their strategies in a zero or negative interest rate world. That was my theme at Master Investor 2016, and it was interesting to hear what people like Kyle Bass (who is well known to be a super bear on China) had to say. The fact is that pension schemes are still thinking about 7% returns as the base case for their projections. Talk about pipe dreams. This is a serious problem and one that will affect pensioners or future retirees around the world.

The old order of finance is being upended, and governments just don't have the wherewithal to look after their ageing populations. That's why we have to invest carefully and collaboratively. I loved Master Investor 2016 – I loved the energy and the friendly but serious way in which investors and companies engaged. All my slides are available at <http://masterinvestor.co.uk/show/2016-show/> and my talk and that of all other participants are now available on the website of this magazine.

**Next month, I'll come back with some more specific investment recommendations.**

**Happy Hunting!!**

**Jim Mellon**

**Mid Atlantic on American Airlines!**

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