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MELLON ON THE MARKETS

By Jim Mellon

Juvenescence, Bill Gates and the markets



It's been a month since the Master Investor Show, and it's been a busy one. Markets have basically gone nowhere, except for the post-Macron relief rally which, if you ask me, will soon peter out. I've been busy getting the *Juvenescence* book done, and I think I am now about 70% of the way there. It's a tough, but worthwhile, subject; and though it's behind schedule, we will all have so much more of it because of longevity. A month's delay is but a blink of the eye!

The book will showcase three portfolios for those interested in investing in the area of longevity, each tailored to different risk appetites. With nearly one fifth of US GDP devoted to healthcare, most of it spent in the last two years of people's lives, something has to be found to reduce the burden of disease in the elderly.

Two thirds of all deaths are the result of cardiovascular disease, neurodegenerative disease, diabetes and cancer; there is good news in abundance for three of these, and somewhat halting and disappointing progress in the area of dementia.

Nonetheless, it is really important that more money and scientific and public policy resources are devoted to the fundamental aspects of ageing if the world isn't going to be overburdened by huge numbers of old and illderly people.

The champions of ageing research – people like David Sinclair of Harvard, Aubrey de Grey of the SENS foundation, Nir Barzilai of Albert Einstein University, and Alex Zhakoronkov of Insilco – are really leading a new tidal wave of innovation. We have started to place our bets and I am super excited to be sharing the results of our studies with you in the next couple of months.

I was invited to a breakfast recently at which Bill Gates spoke. The man is a marvel, considering he has transitioned from one of the iconic entrepreneurs of the past century, to being part of a husband-and-wife team that has literally saved millions of lives.

He makes a very valid point that if we want to avoid an African-originated pandemic hitting the rich world, we must continue to sponsor the improvement of basic health in that continent. Gates puts particular emphasis on vaccination, maternal and infant health, and sanitation. He also says that a pandemic out of Africa would make bird flu look like a picnic, and that Western nations should do everything to help avert it.

The population projections for Africa are really scary, suggesting that by 2050 Africa could have 2 billion people (double today's number), and possibly 4 billion by 2100.

The only way, according to Gates, to get those figures down is to improve people's basic health so that they don't feel they have to have so many children.

I have written before about how the developmental models of say, Vietnam and China, reliant on the manufacture of low cost goods, doesn't apply to Africa and that it's tough to see what they can do to bootstrap themselves. Gates believes that services are the key to their economic future, but in all honesty, I think he is being too sanguine.

But his basic premise that developmental aid is worthwhile, notwithstanding the stories about waste and corruption, is a correct one. Helping people at source is a lot better than having millions of them becoming displaced migrants, swamping public services and humanitarian efforts.

Gates was also interesting on the subject of automation. He thinks that 10 to 20 years is the window we have to get used to the replacement of manual and low pay jobs by machines. He is also convinced that jobs such as teaching, care giving, and public service will be the replacements for the jobs lost to machines.

Gates is an advocate of taxing robots and machines as if they were human labour inputs – a notion that makes sense to me, as money to pay for social welfare has to come from somewhere. He also makes a valid point that a universal basic wage is just a new term for taxation, and has no obvious merit.

I managed to shake his hand, but not to tell him the story that, 30 years ago, as a young fund manager in San Francisco, I met him, and indeed sat behind him on a flight from Palm Springs to SFO. The unique feature of that particular flight was that he was sitting next to Steve Jobs. I wish I could have heard what they were saying, but the plane was noisy and I didn't have the cojones to introduce myself to them!

Another lost opportunity – the two leading protagonists of the technological age in a rare moment of harmony! As far as markets are concerned, I think it's more of the same. Rotation, drift, lots of waffle and hard-to-make money times.

I have noticed that some of the big biotech companies have become very cheap, with low price to earnings ratios and good dividend yields in some cases. I think **GSK (LON:GSK)** in the UK falls into that category as it refreshes its portfolio. I like **Amgen (NASDAQ:AMGN)** in the US, as well as **Novartis (VTX:NOVN)** of Switzerland. And of course, **Gilead (NASDAQ:GILD)**, which doesn't have a yield but is dirt cheap. **Abbvie (NYSE:ABBV)** is super cheap as well, and Humira, its anti-TNF biologic, continues to be the world's bestselling drug.

Gold is a must for every portfolio as is silver. When there is a market-positive event, such as Macron's win in the first round of the French presidential election, it backs off, but it quickly recovers.

I don't think monetary policy will turn tight any time soon, and excess liquidity and the push for higher wages in the gig economy will keep inflation bubbling. All good for the precious metals complex.

Meantime, I am off to the Isle of Man for a few days of hard writing. Then it's back to the US to attend and speak at the Milken Conference in LA, where I am joined by my colleague, Dr Greg Bailey.

Earlier this month I was fortunate enough to meet John Mauldin and Patrick Cox of Mauldin Economics and we discussed longevity in a hotel in Florida. They, ranking among the best global thinkers, are equally excited for the opportunities in the longevity science industry, and that's got to be a good thing.

Happy Hunting!

Jim Mellon

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