



# **MELLON ON THE MARKETS**

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By Jim Mellon

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Last night, I went to the Hilton in Park Lane, London, to listen to an interview conducted by Jon (yes, that's the way it is spelt – very liberal, trendy) Snow and Elon Musk.

Elon Musk, as readers know, is the polymath founder of PayPal, Tesla and SpaceX, and in his spare time came up with the idea of a Hyper Loop train service between San Francisco and Los Angeles, which would, if built, reduce travelling times between the two West Coast cities to just half an hour or so.

What Elon has in imagination and in his bank balance, he seems to lack in public persona, and the dullard questions asked by Jon (sic) Snow didn't help his cause.

What struck me, and my entrepreneurial female host, was just how laden with puppy-eyed men the whole event was. All eyes gazed adoringly at Elon, presumably in the hope that some of his magic would rub off onto them.

Trust me gents, it won't! People who hang around rich folks or successful entrepreneurs hoping that somehow, by osmosis, they will be dealt the same hand of cards, just don't get it.

There is no easy way to wealth (unless you inherit it or steal it), and **the universal characteristics of successful entrepreneurs are hard work, relentless knowledge gathering, and a strategic or scientific vision**. Oh, and super adaptability to a world that changes so fast that you can't even say *Schumpeterian Destruction* before the old is gone and the new is in.

That's why most of the be-suited fellows there last night will be automated or cost-cut out of their jobs in the next twenty years. Most readers of this missive will be familiar with *Fast Forward*, written last year by Al Chalabi and myself, which preceded a blizzard of "robots are coming" books, some of which had dire warnings attached.

The theme of *Fast Forward* is now so obvious, it's become almost boring – but nonetheless, it's true. Elon Musk is a rare example of a human being who is reinventing the term polymath, a curious hybrid being last seen in the 19<sup>th</sup> century with the likes of Alexander Humboldt of Berlin. These people can change on a dime, dream dreams greater than anyone else, and more importantly marshal the surrounding resources to get things done.

That was the treat in seeing Elon Musk; not to touch his coat, or worship at his temple, but to remind my host and myself of what it truly takes to be entrepreneurial and successful. And that meant getting up this morning at 5am, despite the cocktails and the wine, to get on the plane to Berlin!

And Berlin, dear reader, is where I am writing this missive. It's a city which I love, but something bad is happening. The migration crisis, and the ridiculously lax approach Angela Merkel took to it, is rocking the foundations of Europe's biggest economy, and of the whole European project.

Brexit is on the agenda, and Cameron's ridiculous posturing on his "renegotiations" (has anyone noticed how porky he is getting as he enjoys continental delicacies?) is not helping the IN cause. Nor is the ludicrous choice of leader for the IN campaign, the has-been, never-really-any-good, "forgetful" Lord Rose, formerly chief tailor at M&S.

Mind you, the OUT campaign needs to get its act together, too, and, somehow or other, merge. It is so stupid to be divided at a time like this!

As readers know, I am neutral on the Euro's value and have been for three months, having been an Ursus Magnus (a Gavekal expression for big bear – not a reference to that God-awful and interminable film, *The Revenant*) on it before.

I am close to getting to the point, though, where I feel a downward move may be on the cards again, as Signor Draghi might have to add to his QE arsenal in the near future. Whatever it takes – remember? Sadly, the Eurozone economies are still mired in the wallow, and inflation is a flicker at best.

I have said it before, and I'll say it again: the reason the Eurozone could explode is that BOTH Italy and France are bust. Take a look at Italian bank shares (Euro 230 billion shortfall in capital) this year if you don't believe me. As for France, that walking blancmange Hollande just goes from pathetic to worse, and France is rapidly heading to second-world status. So keep an eye on my [twitter account](#), because I think there may be serious money to be made by shorting the Euro (against the dollar, or maybe against the yen) in the near future.

Meanwhile, the US has come off the boil, which is unsurprising since it is still too expensive. But you may recall that I have been bearish on **Apple (NASDAQ:AAPL)** from about \$130 a share; I now think it's cheap, at less than 7x cash adjusted earnings, with next cash, and of course an eco-system of iTunes and services that provides a relatively secure annuity. I would buy AAPL here, at about \$93 a share.

Equally, I like **Gilead Sciences (NASDAQ:GILD)** once more, after biotech has fallen from grace. I see it at about 8x earnings, and I like its pipeline.

I am still a big bull of Japan, although that too was hit by China ructions and all the other stuff that has been afflicting the world's markets; but it is notable that Japan has been somewhat outperforming. I still expect over 22,000 on the Nikkei this year, and I still remain cautious on the US.

I noticed that **Amazon (NASDAQ:AMZN)** – one of the huge risers in the US last year – fell by 14% in aftermarket trading yesterday, after profit margins were revealed – yet again – to be wafer thin. Amazon is a corporation run for the benefit of consumers, and funded by gullible shareholders. Surely, it must be getting close to a short? 900x historic earnings! And yes, I've heard all the stuff about long-term investment blah...

Now, in my desire to be conformist and fit in with all the fine accountants and lawyers last night, I bid on auction items for the benefit of the Prince's Trust. I find myself the owner, as a result, of some luxury sheets, and a stay for three nights in a luxury hotel, available in most countries of the world. Any ideas?

**Happy Hunting!!**

**Jim Mellon**

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