

Tim Price: "Your Liberty is Under Threat"

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Today I'd like to share an interview with Tim Price, the editor of *London Investment Alert* and *The Price Report*. Tim has decades of experience working in finance, and is an award-winning asset manager. He's a constant source of knowledge for us here at Southbank Investment Research, so I thought I'd share a few pearls of his wisdom with you today.

Hello Tim. To start us off, what is the current biggest economic risk out there today?

Good morning Boaz. That's an excellent question. I think the biggest market risk is that the bond market vigilantes finally ride back into town and force interest rates higher, or that the central banks lose control of the bond market, which is largely the same thing.

We have been living with emergency rates for nearly ten years now, and it is beginning to feel a bit desperate. My thesis is that the primary problem facing all investors today is the massive burden of debt in the system. Just the "on balance sheet" debt of the US stands at nearly \$20 trillion, and the UK has a pretty impressive and fast-approaching £2 trillion of national debt. These are unthinkable large sums that can never possibly be paid back. And so they won't be.

The real question is: which of the limited options do we get in dealing with it?

Option one is generating enough economic growth to service the debt. This is unlikely, especially in the eurozone. Option two is default, which would immediately bankrupt the global pension fund and banking industries.

Option three is the one I think we will end up with, which also happens to be the option to which every heavily indebted government has resorted throughout all human history: an explicit policy of state-sanctioned inflationism. Quantitative easing (QE) and zero interest rate policy (Zirp) haven't yet delivered the goods (higher inflation), but give it time. The central banks have so much committed now that they are unlikely to abandon their disastrous experiment. So I think there is a particular merit to inflation hedges and crisis insurance.

Do you think markets are now hypersensitive to politics? If so, is there any hope of them becoming less so, or will this only get worse?

I think markets are as confused as the rest of us. Markets try and solve for probabilities and they crave certainty. None of the latter is on the table. That said, trying to parse the macro-economics in a world of QE and Zirp is just as difficult. So I think the primary emphasis for every investor has to be: avoid conspicuous overvaluation, and favour compelling bottom-up value.

Do you see the state getting any smaller in the future?

This is a huge issue. Take Brexit, for example. I hoped, as an ardent Leaver, that Brexit would offer the UK a once-in-a-lifetime opportunity to shrink the state. There are now some doubts as to whether we'll even attain Brexit to begin with. In any case, I believe in small government and the smaller the better. Do I think we'll achieve that? I don't know, but we can at least hope.

Where do you see the pound going in the future?

Sterling feels fairly priced to me now after the Brexit devaluation, so I wouldn't be betting against it. I think the US dollar remains the "last man standing" in currency terms as the US markets are so deep and liquid – the currency that feels vulnerable to me is the euro. The news flow is currently all one way – but I think the benefits of Brexit will ultimately swing back against the EU.

Is there any hope for a return to sound money?

The market, through cryptocurrencies, is clearly working through all the various options. I happen to believe that this "predicament" of too much debt, too low interest rates and too much state intervention in markets will end badly. Once the dust clears, assuming it does, then the time will be ripe for politicians and investors of all stripes to rediscover the merits of sound money. But the experience of getting there may prove *extraordinarily* painful. The mess of 2008 has not even been resolved yet. The central banks now have no dry powder with which to fight the next battles.

Do you see individual liberty under threat?

Yes, absolutely. The “war on cash” theme is a perfect example of the way in which the rights of the individual are being slowly eroded by venal governments and their overly biddable central banking agents. Government should have nothing to do with money, but today it sits on the scales of finance, distorting the most important price there is, the price of money itself: interest rates.

What’s the outlook for oil and commodities?

No strong feelings about oil but I would, if forced, expect prices to be lower rather than higher in the light of a secular rebalancing in favour of alternative energies. This includes natural gas and solar.

I sense that the world economy is recovering and I think commodities, having suffered a terrible few years, will stabilise from here. Given the threats still out there in relation to the vast oversupply of global debt, I continue to believe that everyone should have some exposure to precious metals as a hedge against financial crisis and potentially messy inflation.

What do you make of cryptocurrencies?

As a libertarian, I like the idea of having a choice in currencies. I don’t claim to understand the in-depth technicalities of bitcoin and Ethereum and the like, but I endorse the idea of giving people a choice beyond bankrupt fiat currencies.

What are your thoughts on the growth of passively managed, low cost exchange-traded funds (ETFs)? And dare I say it, thoughts on leveraged ETFs?

I understand the attraction of low cost funds. I do not understand why investors are willing to support undiscerning and indiscriminate investment vehicles at the top of the stock and bond market – when these markets are at their most expensive levels in history. I think ETFs are a fly in search of a windshield, and leveraged ETFs are more of the same. The time for passive is when markets are cheap. When they are hilariously expensive, it’s time for discernment and principled active management.

What is your opinion on gearing, or leverage generally?

Avoid, unless you have an iron constitution.

What was your finest investment decision?

To abandon “the City” and work for myself, and so become completely independent of vested interests in the banking and financial system.

What was your worst investment decision?

Not to go fully independent of “the system” far sooner in my career.

Thanks Tim.

Tim’s latest issue of *London Investment Alert* goes into the origins of the Bank of England, and how the world has been in the grip of central bankers ever since. [To read it, click here.](#)

I wish you all a great weekend!

Until next time,

Boaz Shoshan
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