

Here's Why JP Morgan's CEO Hates Bitcoin...

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I've just seen the news of another terror attack in London. I hope this letter finds you and your loved ones safe.

"A large income is the best recipe for happiness I ever heard of..."

"You intend to be very rich?"

"To be sure. Do not you? Do not we all?"

"I cannot intend anything which must be so completely beyond my power to command... My intentions are only not to be poor."

Mansfield Park, Jane Austen

If money is the best recipe for happiness, then surely the [Bank of England](#) (BoE) is an eternal well of euphoria. The BoE certainly sees itself as a positive force in the world – [just take a look at this friendly infographic](#) detailing how the BoE helps you by creating money out of thin air and stuffing it into the economy financial markets.

In a world where politicians and [central bankers command market forces](#) and redistribute wealth, where inflation is high and yet interest rates are abysmal, the desire to be wealthy is replaced by the fear of being made poor.

Yesterday, the BoE announced no change to interest rates, or its [quantitative easing](#) programme. The bank rate will remain slack at 0.25%, and the BoE's stock of government bonds will remain at £435 billion. The BoE's stock of debt from companies which "make a material contribution to the UK" will remain at £10 billion. As the bonds mature, the bank will buy more, with money summoned from the ether.

Meanwhile, consumer price inflation has hit 2.9%, and is expected to pass 3% in October. Overall, this is fantastic news... for debtors. Governments and companies can borrow at ridiculously low interest rates, and then watch the weight of their debt float away, as Mark Carney ties helium balloons to it.

This is bad news for every else. With inflation easily exceeding the hopeless interest rates banks offer to their customers, the purchasing power of the everyman and woman is slowly being crushed. In such an environment, one turns to [gold](#) to protect wealth. But gold was hammered down yesterday, with a troy ounce costing roughly £988 at the time of writing – why?

Because Carney and co are apparently considering raising rates in the future. The prospect of higher rates... *sometime*, pushed the pound higher against the dollar and gold.

Colour me sceptical

Carney was jawboning about rate hikes in the pipeline in 2014, and we're still waiting.

I realised today that the BoE hasn't raised rates for more than a decade – can you remember what you were doing in July 2007? I sure can't. I'll believe a rate hike when I see it – all I see on the horizon right now is the price of a Freddo going up.

But have no fear every, because alongside its [monetary policy](#) statements, the BoE released the new Jane Austen £10 note yesterday. I always thought "*Capital %26 Conflict*" sounded like an Austen novel – It wouldn't look out of place on a bookshelf beside *Pride and Prejudice*, or *Sense and Sensibility*. A billion of the polymer notes have been printed – that's 1,000,000,000 portraits of Jane Austen, all staring blindly in bank vaults, waiting to line our pockets and purses.

Ironically, the quote on the new tenner is as insincere as the jawboning of central bankers:

"I declare after all that there is no enjoyment like reading!" is said by an Austen character not because she likes reading, but because she is trying to gain the affection of a man who does.

Speaking of jawboning...

"You can't have a business where people can invent a currency out of thin air and think the people buying it are really smart. It's worse than tulip bulbs, OK?"

Jamie Dimon, CEO of JP Morgan on bitcoin

Arguably, you [could say the same about fiat currency](#). But in fairness, Dimon was speaking about how governments wouldn't allow a stateless currency to compete with their own. With Chinese whispers of a crackdown on [bitcoin](#) exchanges, his statements shouldn't be dismissed out of hand. One Chinese bitcoin exchange has already announced it will be suspending trading, and the price of bitcoin has now fallen from the \$5,000 mark to around \$3,100 at the time of writing.

However, like with Carney's prophecies of a rate hike, we are seeing a lot of words, but little action. I believe the Chinese situation may actually be a North Korea story. Let me explain.

[Neither the US nor China want North Korea](#) to have nukes. North Korea is facing numerous economic sanctions from both countries that lock it out of the global monetary system, who hope that if enough pain is applied, North Korea will abandon its nuclear ambitions.

Immunity to sanctions

Unable to get its hands on foreign fiat currencies, North Korea has turned to cryptocurrencies – stateless, they are immune to economic sanctions. North Korean hackers have been [stealing crypto from South Korean exchanges](#) to keep the cash coming, and there's little the US and China can do to stop it.

However, shutting down bitcoin exchanges (or spreading rumours that they will) causes the price to fall. If bitcoin is worth less, the North Koreans will have less purchasing power, which effectively works as another economic sanction against North Korea. All the stories of China about to shut down exchanges could just be another effort to stop North Korea getting nukes.

Or maybe the Chinese government are just fed up of bitcoin. Time will tell.

North Korea certainly isn't fed up of launching missiles – it fired another over Japan at 10pm last night.

Have a great weekend, and stay safe out there.

Until next time,

Boaz Shoshan
Capital %26 Conflict