

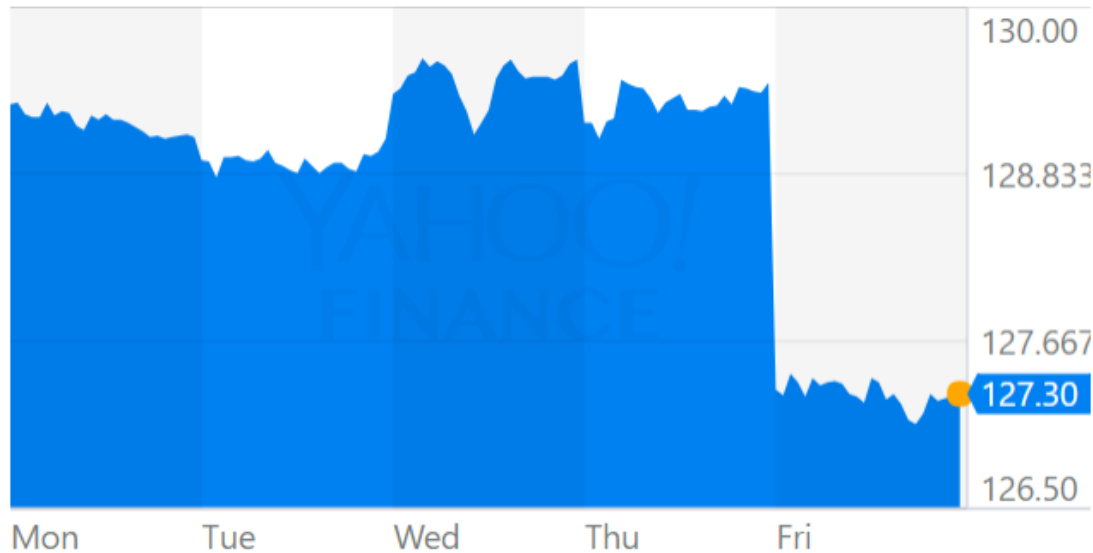
# The wrong hung parliament

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Well, what do you make of that?

A hung parliament and no is quite sure why, how or what really happened.

One thing's for sure. The pound wasn't happy, falling 2.5%:



Source: Yahoo Finance

It's difficult to make sense of what happened, let alone what the aftermath means for you. Let's take stock of what was noteworthy and then try and make sense of it.

Hung parliaments and weak majorities are usually a good thing. They slow down politicians and restrict them to policies that are less controversial. But this election is an exception. And not just because [Brexit](#) is on the horizon.

We got the wrong sort of hung parliament

The election saw a huge strengthening of the two major parties and a hung parliament in the same vote. Has that happened before? Surely a strengthening of major parties would usually come with a more decisive victory. After all, the reverse is true. Gains by smaller parties increase the likelihood of a hung parliament.

If you take a look at the dramatic surge of the Labour Party in the polling data, you have to conclude that something very big happened early April. Since then, it's made steady gains. The key date is the day the election was called. From that point on, Labour surged from 25% to almost 37% based on an average of ten polls. In the end, it extended its share of the vote to 40% – 5% better than Tony Blair in 2005.

Was the key decision of the campaign calling an election in the first place?

Maybe. But the Conservative share of polls only tumbled from May, the month, when the other May released her manifesto. That was a well publicised shemozzle.

There must be dozens of alternative theories for what happened out there.

Another interesting possibility is ideology. Jeremy Corbyn was big on ideology while May kept quiet and staked out a more pragmatic and mixed approach. This is odd in the wake of the Brexit referendum, when ideology and symbolism drove the country to a remarkable vote.

May's failure to properly debate with her opponents seemed to work on everyone but Corbyn. Or perhaps it was simply her bizarre policies that sunk the campaign.

And what happened to the anti-Brexit protest vote? Surely the minor parties should've done very well on that. Especially since Labour decided to accept Brexit. This was the Lib Dems' big opportunity! Instead they evaporated.

Another theory that keeps popping up is all about Ukip. Its voters didn't turn to the Tories as expected. Although I've yet to see any evidence of this, it does explain a part of what happened.

The latest news is that May's cabinet is going to have to give concessions to both the hard and soft Brexit camps if she wants to remain in power. Brexiteer Michael Gove is in the cabinet and the Northern Irish Democratic Unionist Party is part of the coalition too.

Good luck keeping everyone happy, Theresa.

### **Better than the bitcoin bubble**

More than 300% gains in less than three months is nothing to laugh at. But is [bitcoin](#) in a bubble? The exponentially soaring price chart certainly suggests it is. Just when \$2,000 still seemed remarkable, the bitcoin price topped \$3,000.

But there are more important signs than the price. Some good, some bad.

And don't forget there are far more promising cryptocurrencies than bitcoin. If you think you've missed out on the boom, you're wrong. There's an entire asset class of different types of bitcoins set to follow with [their own exponential gains](#). Some are largely undiscovered, making them cheap.

But for now, bitcoin holds centre stage. And there are some interesting developments on that stage.

After the People's Bank of China implemented a crackdown in January, the volume of bitcoin to money trading crashed from over US\$10 billion to under US\$1 billion a day. Although bitcoin is still very popular in China, it's now regulated and carries fees when you convert to or from yuan.

The Chinese policies had the side-effect of equalising the share of trading with other currencies. US dollar and Japanese yen trading now make up around 40% of the bitcoin trading volume each. Before 2017 the Chinese yuan dominated the market with around 70% of volume. A more equal share is more stable.

The euro still only makes up a tiny 7% of bitcoin trading, the same as the Korean won. Imagine what another financial crisis in Europe would do to the bitcoin price...

Speaking of the won, something called the Asian premium evaporated over the last few months. This is great news for the credibility of bitcoin as a functioning system.

### **The end of the Asian premium**

In a perfect market, the price of something shouldn't vary between different locations. At least not more than the cost of transport, which bitcoin doesn't have.

But in practice the bitcoin price varied wildly between different countries. In Korea, it was far more expensive than in the US. In China, far cheaper. This should raise major alarm bells as it simply should not happen if bitcoin really does work the way it claims to. So what's going on?

As I've explained, bitcoin's weakness is in the bitcoin exchanges, not in bitcoin itself. Transferring your home currency into bitcoin and back again leaves you with all the disadvantages of money, not bitcoin, because you're using money, not just bitcoin. Transfers of money, even into bitcoin, are still controlled by the government if you do them using banks and bitcoin exchanges. Bitcoin exchanges are controlled by the government, as they handle money, not just bitcoin.

This also means that criticising bitcoin for the weaknesses of the exchanges is a mistake. It's the government-dominated financial transactions system that's weak, not bitcoin. A pure bitcoin exchange does have the advantages bitcoin claims to have.

Because of all this, a bitcoin at a Chinese exchange is not worth a bitcoin at a US one or Korean one. Those exchanges are regulated and controlled differently, now including Chinese government fees. That's why the price could differ wildly between the two. But this difference – the Asian premium – is slowly disappearing. And that's a great sign the market is becoming more stable.

But is bitcoin in a bubble? Have you missed the opportunity to make outrageous profits?

It's difficult to argue bitcoin is in a bubble given it's still barely used. Daily volume is still very low. There is still a huge amount of potential.

But that doesn't change the price is going parabolic, which is unsustainable. The fat lady hasn't sung yet.

But Sam Volkerling has. Over at *Revolutionary Tech Investor*, Sam has focused on the *other* cryptocurrencies. Some are even better than bitcoin and remain undiscovered. It's an [outrageous opportunity](#) to get in before they go global too.

Until next time,

Nick Hubble,  
*Capital %26 Conflict*