has threatened to reintroduce sanctions on Iran unless Britain, France and Germany agree to renegotiate the Iranian nuclear deal by then.

Some oil bulls say Mr Trump's nomination of Mike Pompeo as secretary of state and his appointment of John Bolton as national security adviser—both Iran hawks—have made sanctions likelier. These could remove at least 500,000 barrels a day of Iranian oil from a market that is already looking tighter because OPEC and non-OPEC producers have restrained output. Abhishek Deshpande, head of oil research at J.P. Morgan, says such sanctions could raise average annual oil prices by about $10 a barrel (Brent crude has been trading near $75). Additional measures threatened against Venezuela if elections on May 20th are not free and fair could squeeze the market yet more.

But Bob McNally of Rapidan Energy Group, a consultancy, argues that the impact of higher petrol prices on American drivers may persuade Mr Trump to accept compromises on Iran and Venezuela. Nerves ahead of mid-term elections, he reckons, explain the president's first tweet aimed at OPEC. On April 20th Mr Trump blamed the cartel for "artificially very high" prices—although high prices are also a windfall for American shale producers.

OPEC ministers, disturbed by the tweet while at a birthday party in Jeddah for the organisation's secretary-general, Muhammad Barkindo, were not conciliatory. They claimed, however implausibly, that they were not trying to rig oil prices. But they should beware taking Mr Trump's ability to mess with the markets too lightly. With bullish bets on oil prices near record highs, it would not take much to trigger a sharp reversal. Just ask metals traders: the 800-pound gorilla can trash prices as well as push them up. ■

Buttonwood | Mind games

The right way for investors to use financial technology

TECHNOLOGY has transformed finance. Consumers bank and buy their insurance policies online. They use technology to manage their pensions and other investment portfolios. But can tech improve returns? Only if it is used wisely.

If it is cheaper to trade, then costs will take a smaller chunk out of long-term returns. Technology also allows fund managers to replicate stockmarket indices, giving investors access to broadly diversified equity portfolios for a fraction of a percentage point in annual fees.

But the ease and cheapness of trading, along with the vast range of options available, create a terrible temptation. Worldwide there are nearly 7,400 exchange-traded funds (ETFS) and related products. These funds are not used only by "buy and hold" investors. Nearly half of the top 20 traded securities on American markets, by value, are ETFS.

Just because you can trade does not mean you should. And just because there is a fund specialising in smaller Vietnamese companies, or one that bets on trends in volatility, does not mean you have to buy it. Men aged over 50 can go shirtless on sunny days or wear flip-flops. But that does not mean it is wise for them to do so.

Some professional investors make a virtue of incessant trading, with a holding period for shares of milliseconds rather than years. They can use computers to crunch data faster than anyone else and to exploit small differences in securities prices. This is a Darwinian business, in which everyone is incessantly improving their infrastructure and their algorithms to get an edge on the competition.

But by definition a majority of investors cannot beat the market, whether with frequent trading or any other strategy. Instead of chasing this chimera, ordinary investors should use technology

to correct for their innate flaws.

First of all, many people underestimate how much they need to save to meet their long-term needs. Some of this is down to the difficulties involved in the calculations, which require people to make assumptions about longevity, inflation and future investment returns. Another problem is the natural human inclination to spend money today rather than to save for a distant, and uncertain, future.

Either way, such short-sightedness creates a problem. Take Americans aged between 40 and 55. The median balance in their private pension plans is just $14,500. Low interest rates were adopted by central banks in the aftermath of the financial crisis in order to discourage people from saving, and to help revive the global economy. The paradox is that low interest rates mean that savers need a bigger pension pot on retirement. They must save more, not less.

Technology can help deal with this issue. A good statistical model can tell individuals what pension pot they will need at retirement; what investment return they can reasonably expect; and whether they are on track for the target. If they find they are falling short of their goal, investors can save more or adjust their planned retirement date. Just being aware of the scale of the task can make investors change their behaviour.

Secondly, technology can help investors choose a strategy that avoids incessant trading. It is easy for investors to fall into one of two traps: making an arbitrary selection of assets in their 20s and never changing it, or relentlessly fiddling with their portfolio. Too many people fall into the trap of enthusing over fashionable sectors or hot mutual funds. If a sector is in vogue, it has already risen in price, so it is quite likely to be expensive relative to its history. By the same token mutual funds become hot because of their past performance, but there is very little evidence of persistence in returns.

An automated system can impose discipline. One possible approach would involve setting up a strategic asset allocation: say 20% to domestic equities, 40% to international shares, 20% to inflation-linked bonds and 20% to corporate debt. The portfolio could be automatically rebalanced once a year, or if the asset allocation strayed a long way from the target in the meantime. Such an approach would have the merit of buying assets when they have fallen in price (and are cheap) and selling them when they are dear.

In short, investors should not treat technology as the equivalent of a "diet pill" that will help them to lose weight effortlessly and instantly. Instead, they should view it as a tool to encourage the behaviour (the investment equivalent of exercising more and eating less) that will lead to long-term success. Think of fintech as one of those step-counting apps, nagging you to financial fitness.

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