

Who goes there ?

27th September 2021

“China says all crypto-related transactions are illegal

*Crypto currencies can't be circulated, PBoC says in statement

*Planning agency says crackdown important to meet carbon goals”

- Bloomberg headlines covering Clownworld from 24th September 2021.

Two science fiction classics have a bearing on our current political and economic predicament. The earlier of the two is John W Campbell Jr.'s *Who Goes There ?*, a 1938 novella that would be made into films in the guise of *The Thing* in 1951, 1982 and 2011. The second is Jack Finney's 1954 novel *The Body Snatchers*, which similarly would make its way onto the silver screen in the form of *Invasion of the Body Snatchers* in 1956, in 1978, and again in 1993 and 2007. Good ideas have a tendency to be refreshed (that is to say, stolen) by subsequent generations.

The premise of *Who Goes There ?* is that a team of scientists in Antarctica stumbles upon a crashed alien spaceship and its frozen pilot. Said pilot, having been thawed out, turns out to be a shape-shifting entity that can imitate any animal form it likes, including that of man. Having debated whether thawing out an alien is a good idea in the first place, the scientists then set to wondering how they can possibly distinguish between their original selves and those among their number that *The Thing* might already have imitated. What happens next ? To paraphrase company man Burke from a third wildly successful sci-fi film franchise (*Aliens*), “there are problems and.. a few deaths are involved.”

Unlike the Campbell novella, *The Body Snatchers*, from the outset, was explicitly labelled by the critics as political metaphor. Mill Valley, California also experiences the arrival of an extra-terrestrial presence, in the form of seeds drifting earthwards from space. Cultivated in pods, the seeds replace sleeping people with perfect physical duplicates, but incapable of human emotion or feeling. A little like mainstream media journalists, then. Many 1950s reviewers were quick to see some obvious parallels between the pod people and the Communist threat.

In the wake of the Brexit referendum, the (first) election of Donald Trump as US President, and now Covid, as in *Who Goes There ? / The Thing* and *Invasion of the Body Snatchers*, it is becoming increasingly difficult to know who to trust. Media entities, political parties and individuals that previously stood for something give every appearance of having been replaced by a duplicate from another world.

Happily, pockets of common sense abound. Financial analyst [Doug Noland](#), for example, highlights the current shocking complacency over China Evergrande, a financial La Palma volcano if ever there was one:

Of course Beijing has everything under control. Talk had it that Beijing was orchestrating a restructuring, one that would ensure Evergrande suppliers get paid and construction resumes on hundreds of thousands of apartments owed to buyers who have put down large deposits. Offshore bond holders will take big haircuts, but officials will ensure Evergrande doesn't drag down the banks or Chinese economy. The more markets rallied, the louder the bulls scoffed at the notion of Evergrande impacting systemic stability.

And Wednesday from Chair Powell: "In terms of the [Evergrande] implications for us, there's not a lot of direct United States exposure. The big Chinese banks are not tremendously exposed, but, you know, you would worry that it would affect global financial conditions through confidence channels and that kind of thing."

The possibility of a bursting Chinese Bubble has pressured global yields lower, despite surging inflationary pressures. Beijing appears committed to reining in Credit and speculative excess, creating a precarious situation for China's financial and economic systems grossly inflated from years of Credit excess (especially the past two years!). However, if Beijing gets cold feet and resorts again to reflationary measures – bonds have good reason to fear the type of massive monetary inflation necessary to hold China Bubble collapse at bay. Massive monetary inflation in an environment of already powerful inflationary forces should be unnerving to bond markets and us all.

Insurance, insurance, insurance.. The politics of Covid have become so dreadfully debauched, and the future political (and therefore economic) outlook so uncertain, one hesitates even to renew a monthly travelcard. Which is one **huge** reason for maintaining an interest in genuine geographic diversity (among equity investments, and not merely FTSE-related holdings) and in genuine asset class diversity (by avoiding bond exposure altogether) whilst seeking highly cash-generative, unindebted, market listed opportunities in the real assets and precious metals space. We prefer not to dwell overmuch on either cash or naked fiat currency exposure. We would observe that while admittedly out of favour with investors, many commodities companies are now outrageously cheap, and therefore particularly attractive to us. We continue to see significant merit in diversification by way of systematic trend-following funds, which offer the potential for the generation of outsized positive returns even and especially in sustained bear markets.

As to the politics of 2021, it is now abundantly clear that when you open Pandora's Box, you get overwhelmed by evils. Or, as Bertolt Brecht put it,

Wouldn't it be simpler if the government
Dissolved the people and
Elected another ?

One would like to think that sanity might prevail. But on current evidence, expecting sanity from the tainted political and mainstream media class of 2021 seems like a pretty tall order. We play the hand we're dealt. We will continue to invest on a globally unconstrained basis, and seek genuine diversification and capital preservation – in real terms – wherever we can locate it.

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