



# Things that make you go hmmm

## A World Of Pure Imagination

"A totem is an object that is used to test if oneself is in one's own reality and not in another person's dream. A totem has a distinct weight, balance, or feel in the real world, but in a dream of someone who does not know it well, the characteristics of the totem will very likely be off.

In order to protect its integrity, only the totem's owner should ever handle it. In that way, the owner is able to tell whether or not they are in someone else's dream.

In the owner's own dream world, the totem will feel correct."

– Inception Wiki

"We'll begin  
With a spin  
Traveling in  
The world of my creation  
What we'll see  
Will defy  
Explanation"

– (A World of) Pure Imagination

"Little surprises around every corner,  
but nothing dangerous. So don't be  
alarmed"

– Willy Wonka

"Come with me  
And you'll be  
In a world of  
Pure imagination  
Take a look  
And you'll see  
Into your imagination..."

– (A World of) Pure Imagination

"An elegant solution for  
keeping track of reality"

– Ariadne, Inception

"Bubbles, bubbles everywhere,  
but not a drop to drink. - yet"

– Willy Wonka

"The suspense is terrible...  
I hope it'll last"

– Willy Wonka

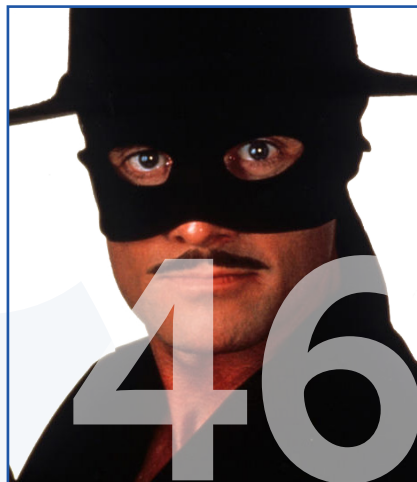
"A little nonsense now and then is  
relished by the wisest men"

– Willy Wonka

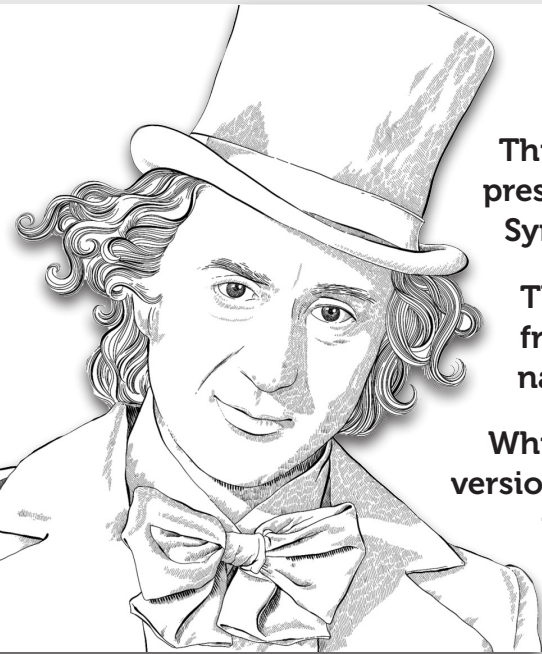
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# THINGS THAT MAKE YOU GO HMMM...



## A WORLD OF PURE IMAGINATION

**This week's *Things That Make You Go Hmmm...* is built around the presentation I gave this past week at the Sprott Natural Resources Symposium in Vancouver.**

**The conference was superbly run with some excellent presentations from the likes of Jim Rickards, Rick Rule and David Stockman to name but three amongst many.**

**While you'll miss out on some of the musical elements in this written version, I will be recording a video version so watch out for that in the next few weeks.**

**So, without further ado, come with me... to a World of Pure Imagination:**

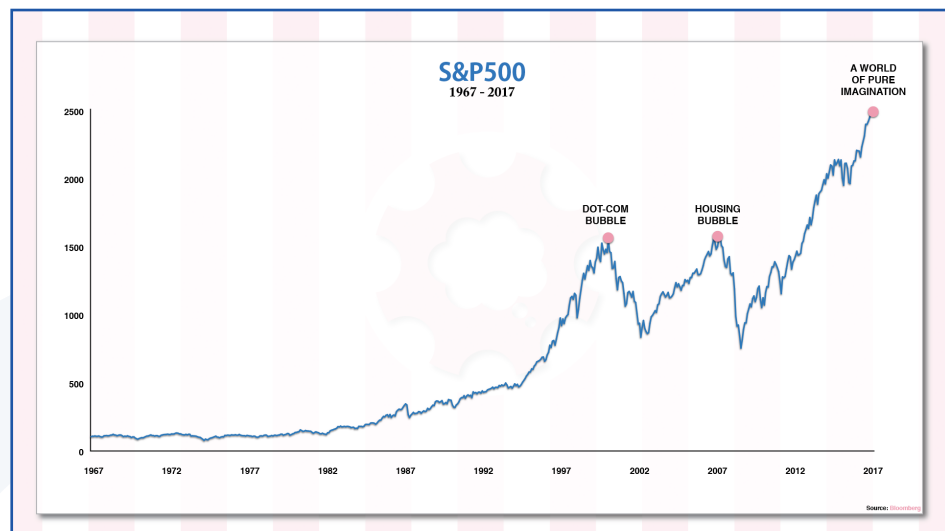
Whenever I speak at a resources conference like this one, I am always something of an outlier because I tend to look at commodities in general and precious metals in particular from outside the industry and, as you'll see, I'm not about to break that habit here today.

The series of charts you will find at the top of the next page are a representation of the World of Pure Imagination in which we find ourselves in the post-Credit Crisis, post-QE environment.

We'll revisit a few of those charts later in this presentation, but I ended my opening sequence deliberately with this one; the S&P500, because it's as simple and as clear a representation of what I want to talk to you about today as anything I can find.

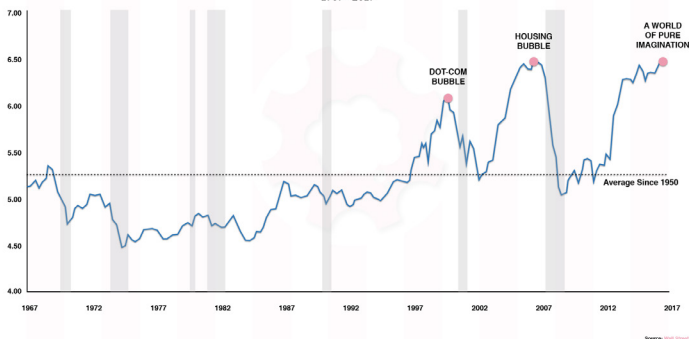
As you can see, we are so far beyond the dot-com bubble and the housing bubble as to be almost inconceivable, and yet there are still those who would argue that we are *not* currently in *another* bubble.

What I find incredible is that everybody who looks at this chart today, in 2017, *knows* that 2000 and 2008 were gigantic bubbles but still, they argue, this time is different.





NET-WORTH-TO-DISPOSABLE-INCOME RATIO  
1967 - 2017



STOCK MARKET CAP TO GDP  
1971 - 2017



FINANCIAL ASSETS-TO-DISPOSABLE INCOME  
1970 - 2016



S&P500 MEDIAN PRICE-TO-REVENUE  
1986 - 2017



Folks, this time is NEVER different.

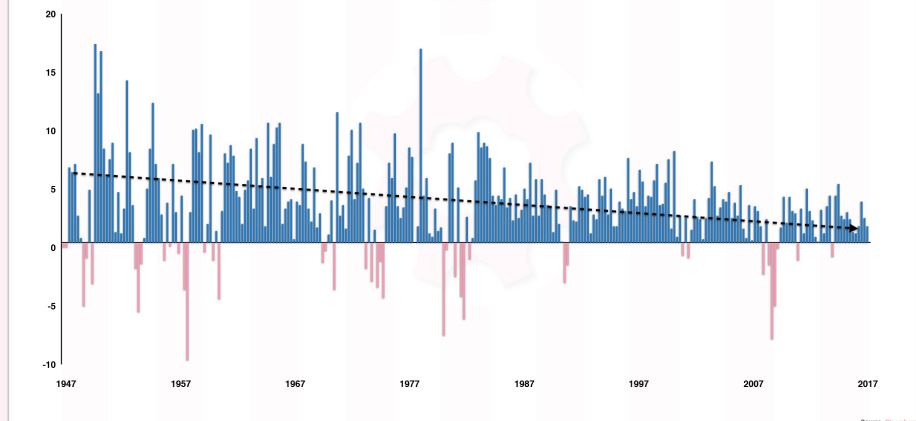
OK... so if you want to split hairs, the *trajectory* is slightly different to both previous episodes (in that it is steeper) and the *length* of this particular bubble is different (in that it has endured far longer) but aren't those two factors generally a big part of what makes a bubble a bubble?

Never mind. Let's leave that for now and get back to basics.

Equity markets supposedly reflect the strength of economic growth, but even a cursory glance at U.S. GDP tells a very simple, very clear story.

However, while the trend is obvious in this chart, if we break GDP performance down into decades, the problem becomes irrefutable.

U.S. GDP (QoQ %)  
1947 - 2017





We have just lived through an entire *decade* of growth which has seen less than half the expansion of any of the preceding *six* – and that most recent decade included *everything* which has naturally been pulled forward by almost 10 *years* of zero percent interest rates.

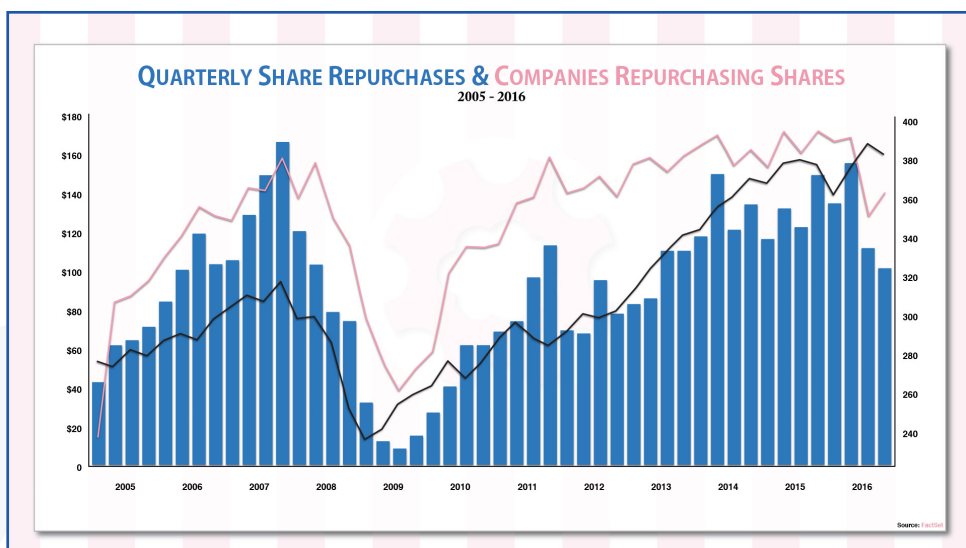
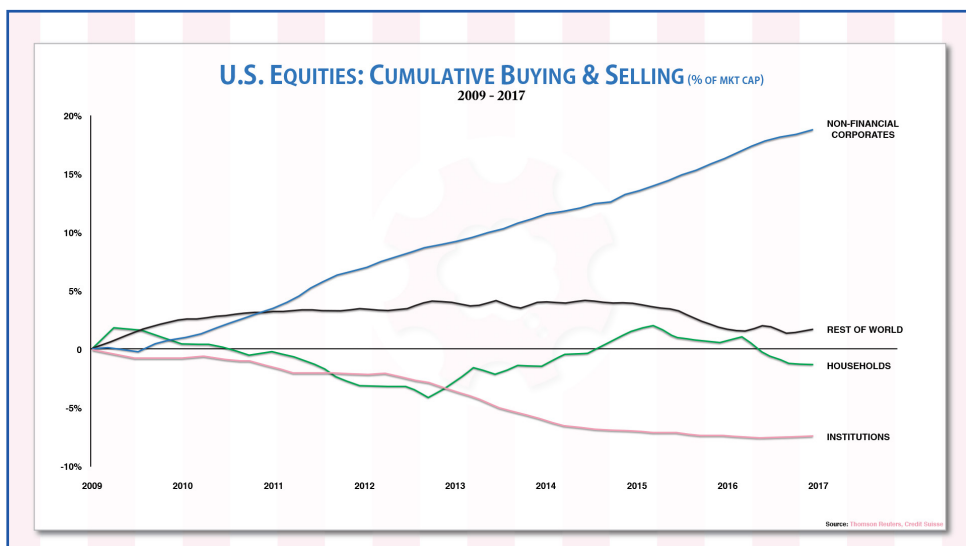
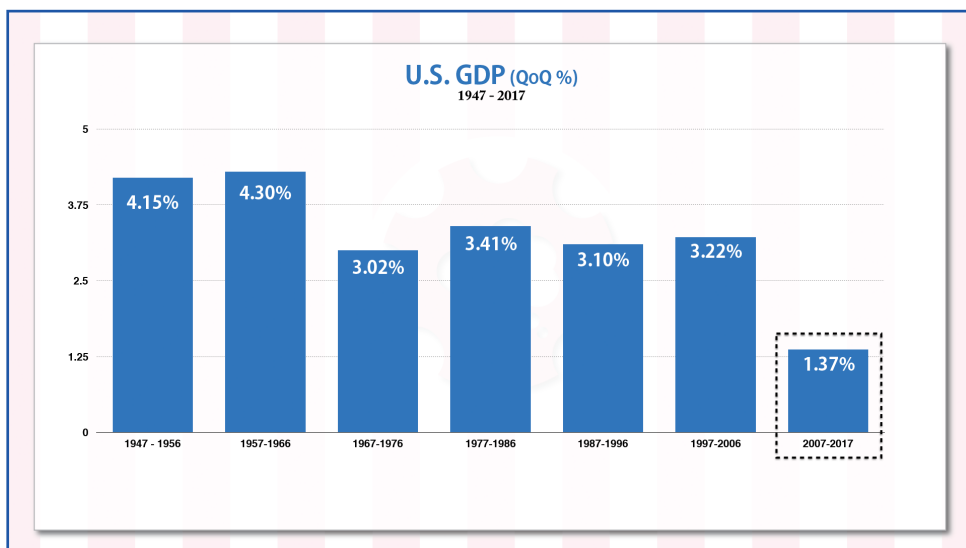
As you can see in the second chart, by far the biggest driving force behind the strength in equity markets over that period has been companies buying back their own shares – using suppressed interest rates to borrow billions of dollars and using the proceeds to buy their shares back and inflate the price.

The third chart shows three things; firstly, the black line is a quarterly chart of the S&P500 between 2005 and today.

The blue bars show the amount of buybacks in billions of dollars over that period which, as you can see, peaked at around \$170 billion in 2007 right before the crash, and which reached \$160 billion again in 2016.

Lastly, the pink line is the number of companies during that period who have been buying back their own shares.

At its peak in 2015, that number reached a little shy of 400 – higher even than it was in 2007.



Buybacks have naturally started to fall over the last twelve months as interest rates have begun to rise, as has the number of companies borrowing to buy back their equity and boost their performance.

As rates continue to climb higher, the biggest pillar of the market's rise is slowly being eaten away.

Watch that closely folks.

As go buybacks, so goes the market.

But this is just the very tip of the iceberg as far as the World of Pure Imagination goes, so what I want to do is walk you through some of the absurdity in the hopes of helping you see things for what they are and, along the way, hopefully, by the time I'm done, highlight gold's place in this unfamiliar landscape.

And I'm gonna begin with the only place TO begin; debt, or credit if you prefer.

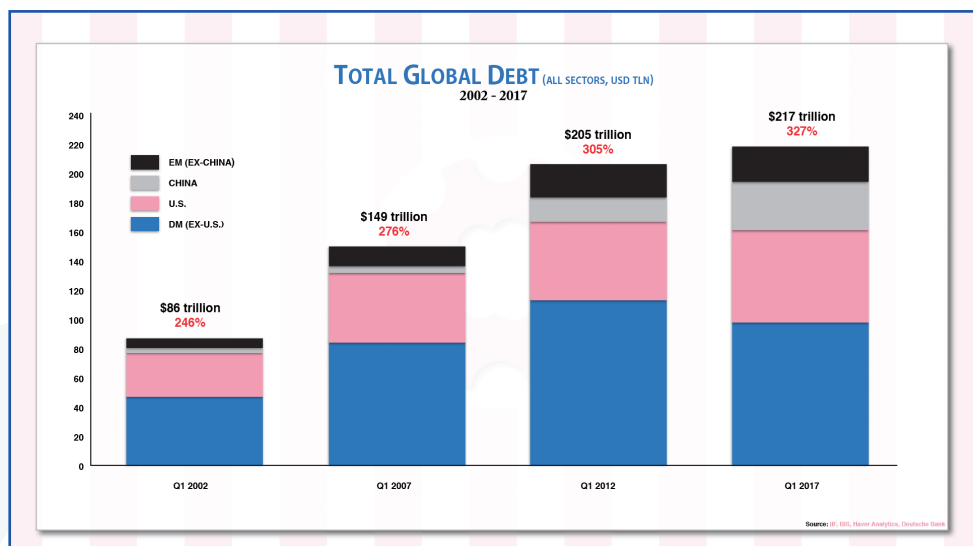
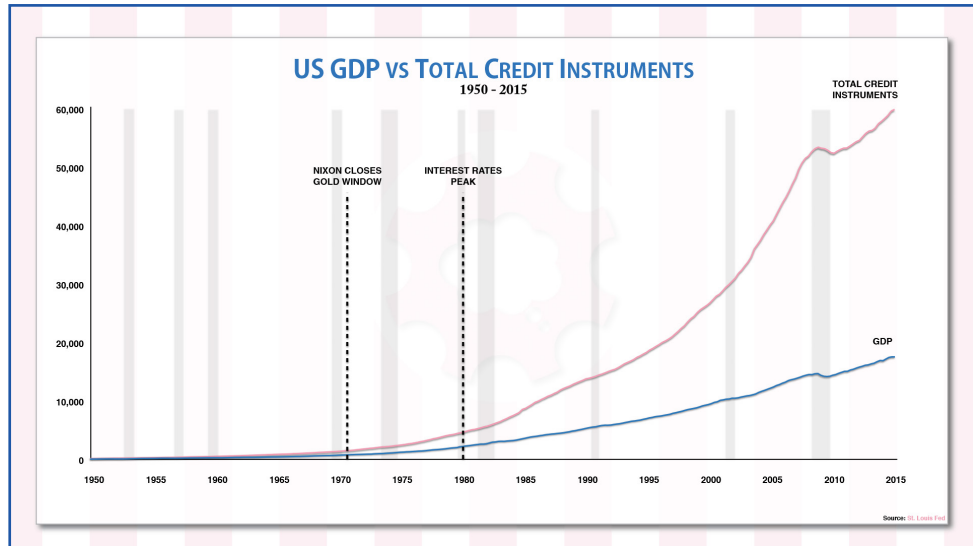
Either way, it's a liability, and this chart has graced almost every presentation I've ever given because it's the foundation for the World of Pure Imagination; the disparity between growth and credit.

As you can see, since Nixon ended the gold standard and accelerating as interest rates began their 35-year journey to the zero bound, these two lines have diverged at an ever-increasing rate.

It's been the growing distance between those two lines which has driven the elevation in both equity and asset prices for 30 years but, once 2008 came along, we entered the so-called age of deleveraging and austerity.

This is what that looks like.

Yes, since the credit crisis ushered in that whole 'deleveraging' thing, total global debt has increased from \$149 trillion, or 276% of GDP, to \$217 trillion or 327% of GDP.

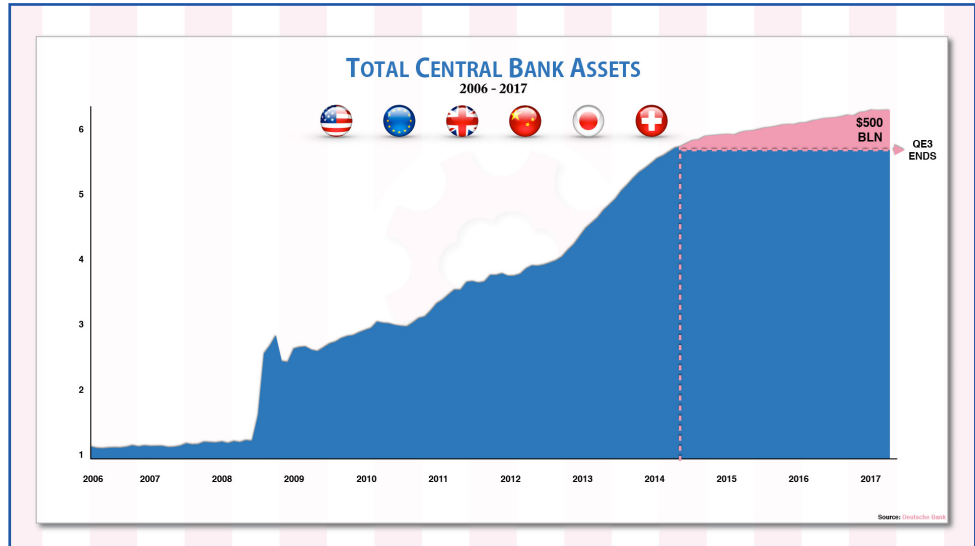


That's a 45% increase for those of you keeping score.

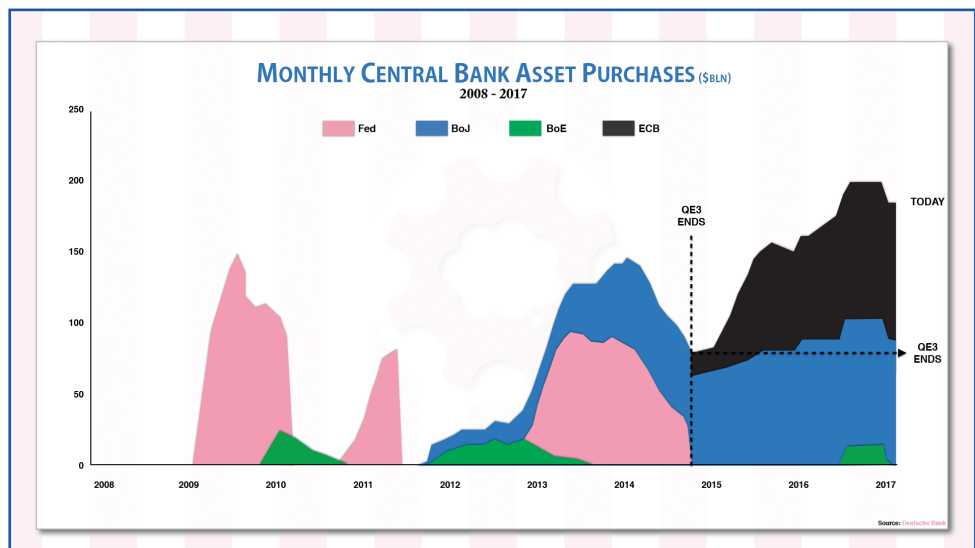
And, as you can see, the two main culprits are China and the U.S.

The narrative, however has been that, since the end of QE3 in 2014, central banks have pulled back on their stimulus efforts as economies have slowly returned to growth – an inspiring story to be sure, but perhaps not quite the whole truth.

The pink dotted line shows where QE3 ended and, as you can plainly see, since then, the balance sheets of the Big 6 central banks have continued to expand, adding another half a trillion dollars in assets to their already bloated balance sheets.



The second chart shows how, at the precise moment the Fed scaled back QE3 to zero, the ECB picked up the baton and, along with the dependable lunatics at the BoJ, ensured that monthly purchases reached never-before seen levels as total coordinated central bank stimulus more than doubled once QE3 was wound back.



But here's the thing...what if... what if the 'aberration' that is zero interest rate policy is nothing of the sort?

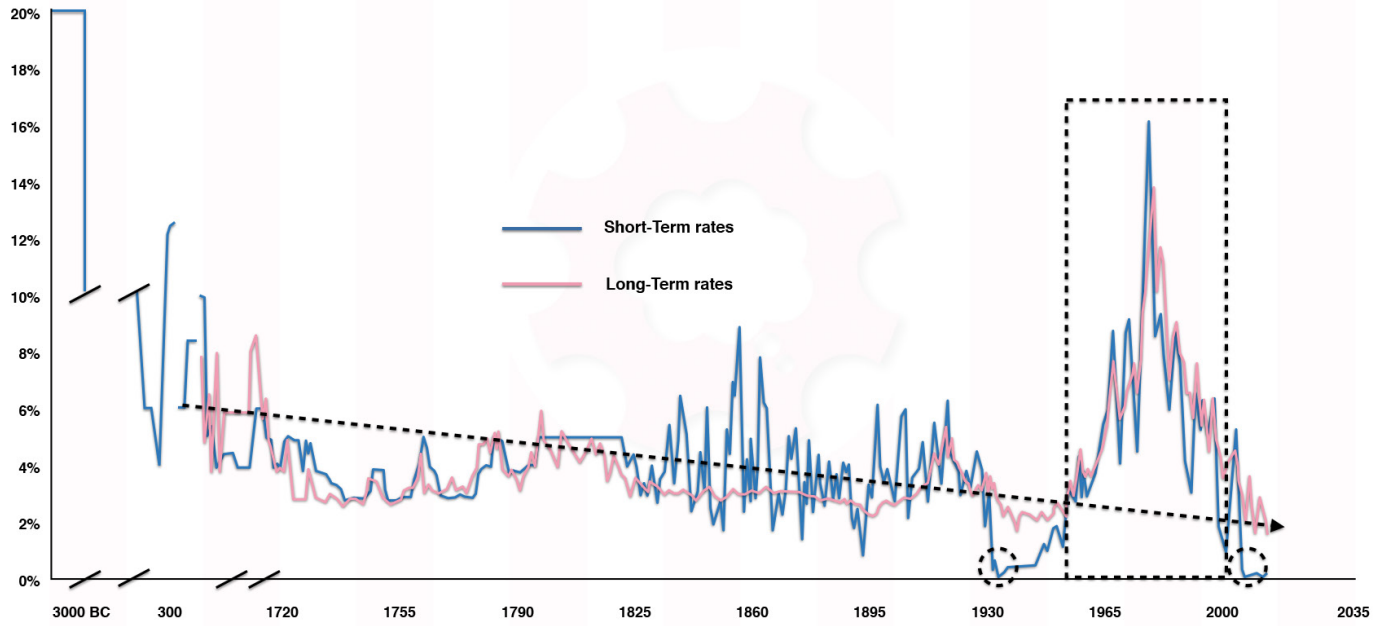
What if the HIGH rates of the 1970s were the aberration?

The chart at the top of the following page, showing 5,000 years of interest rates, demonstrates that the cost of borrowing money has been trending steadily *lower* for millennia with the one notable exception being the inflationary period of the 1970s.



## LONG-TERM INTEREST RATES

3000 BC - 2017



Source: BofA Merrill Lynch Global Investment Strategy, BoE, Global Financial Data, Homer & Sylia 'A History of Interest Rates'

The talk, since central banks put their shoulders behind the wheel in 2009, has been of “historically low interest rates” and “once in 5,000 years” events but, as you can see, the only true outlier in this 5,000 year chart were the *high* rates of the 1970s and 1980s.

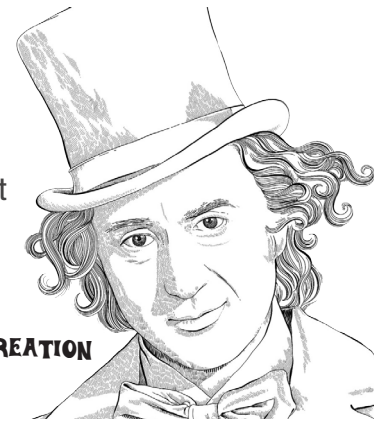
And, while contrary to popular wisdom, we **HAVE** been here before (the dotted circle to the left of the spike in rates), it was immediately prior to the one true aberration in 5,000 years of interest rate history.

Mankind *needs* access to credit to be able to fuel economic growth and that buildup of credit saw its apogee in 1930 when the central bank reaction to the Great Depression saw short-term rates plummet to the zero bound briefly as the edifice of leverage upon which the blowoff of the Roaring 20s was founded, collapsed.

The reaction? Well of course an extreme swing of the pendulum in the opposite direction.

We are back there again, only this time, the fuel that central banks have added to a possible inflationary fire through their trillions of dollars of asset purchases, threatens to be the root cause of a similar, but likely far more damaging outcome.

So... with that as a rather lengthy preamble, let's get into the madness, shall we?



What you are about to see *will* defy explanation but, when sanity returns (as it inevitably must), this will all be seen for what it was.

This first chart is self-explanatory (as a lot of them will be) but, from a long-term perspective, you can clearly see the credit cycle boom and bust of the 1920s and 30s amidst a generally stable credit-to-GDP ratio.

**WE'LL BEGIN, WITH A SPIN  
TRAVELING IN A WORLD OF MY CREATION  
WHAT WE'LL SEE  
WILL DEFY EXPLANATION**

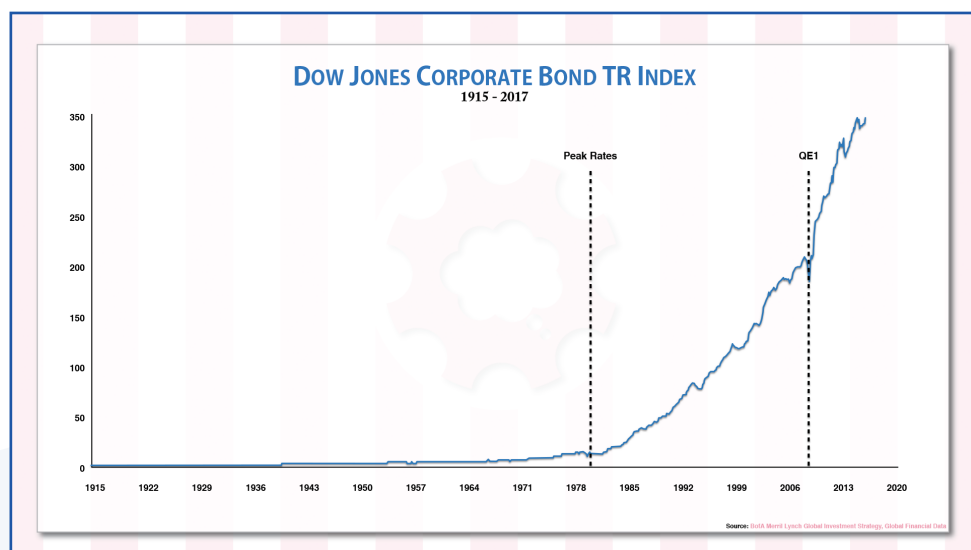
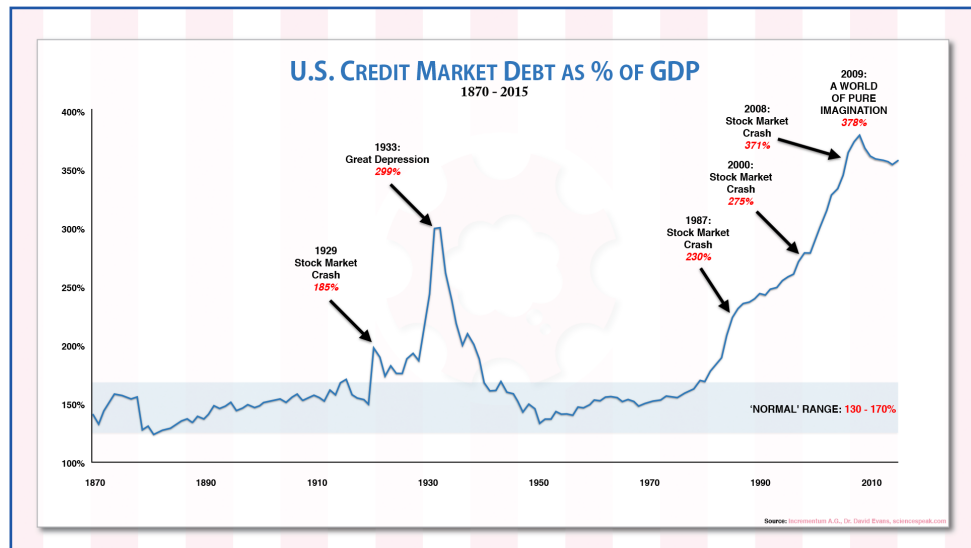
That ended, of course, once the anchor to gold was removed in 1971 and you can see how the 'bust' half of the cycle was subsequently watered down by the application of increasing amounts of credit thereafter.

Now, clear though the *long-term* picture is, if we bring things up to date, you can see just how extreme this World of Pure Imagination has become today.

Corporate bond prices, which became unanchored after rates peaked in 1980, have, since QE began, taken a turn for the vertical (as evidenced by this chart showing the Dow Jones TR Corporate Bond Index).

Meanwhile, if you turn the page, you'll see a familiar chart showing how the U.S. government has become the proud owner of over a trillion dollars of student loans.

In fact, the federal government's share of total consumer credit has risen five-fold since 2009 and the implementation of those asset purchases in the shape of Quantitative Easing (as shown by the chart, overleaf).



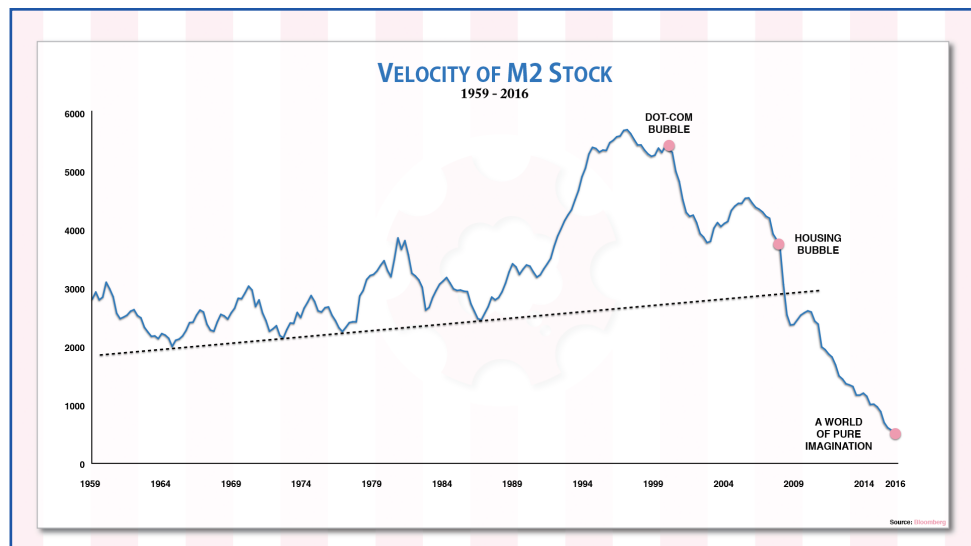
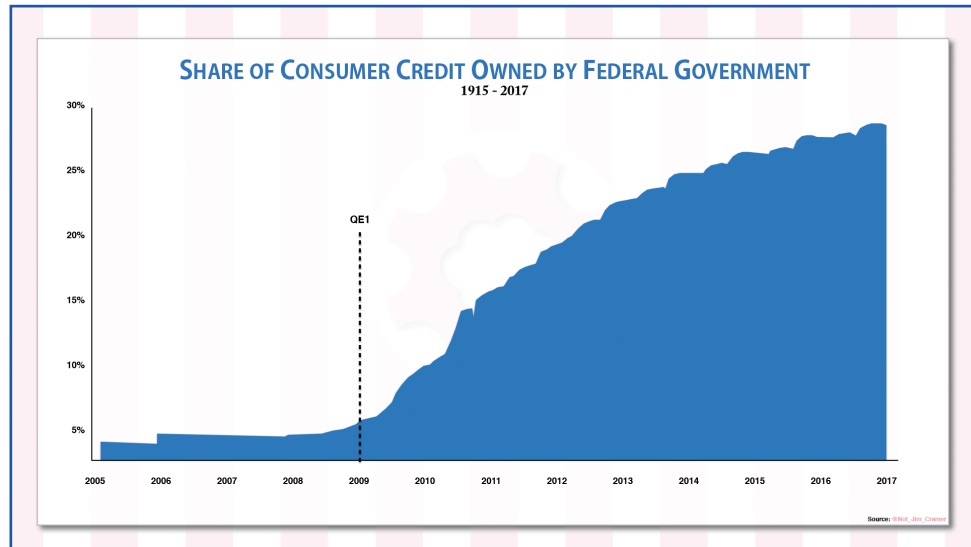
Meanwhile, the velocity of money has plummeted in a way that, for the time being at least, hampers central bank efforts to get the economy functioning normally again after the Credit Crisis (and by 'normally' I mean being largely driven by people spending money they don't have on things they don't need).

People are hoarding cash instead of spending it and that is a problem.

Instead of central bank frivolity inspiring strong economic growth, what has happened, as we've already seen, is that both equity and asset prices have reached levels which, by any objective measure, imply a bubble the likes of which we've never seen before – certainly not on such a broad basis.

The counter argument for such things is usually to lay a lot of the blame on 'inflation' over time so below is the inflation-adjusted S&P500 (pink line) and, as you can see, this time, thanks to all that inflation the Fed has been singularly unsuccessful in generating, using inflation as a part of the rationale for the stock market's rise is not an option.

The broad stock market is in a place it shouldn't be and it *wouldn't* be were it not for central bank stimulus and the trillions in valuation increases enabled by cheap access to credit.

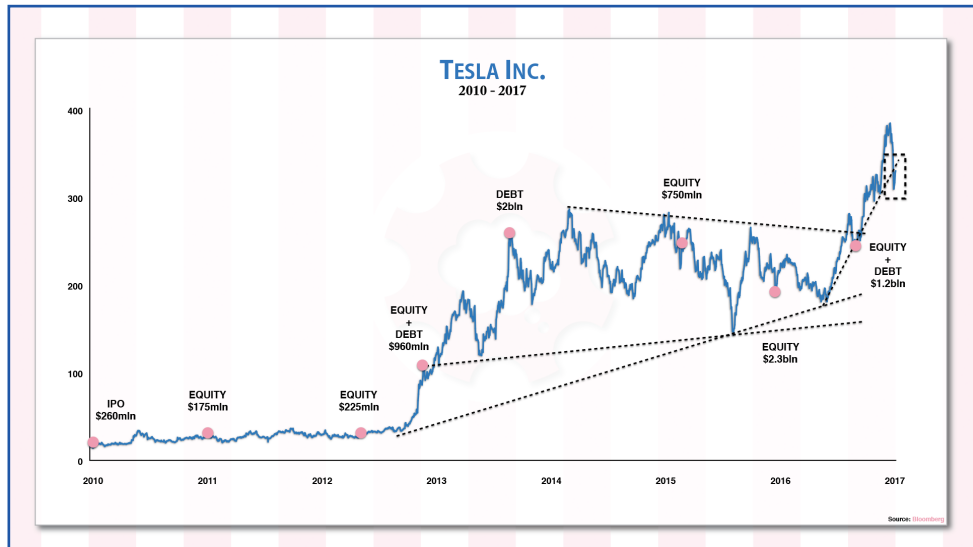




Unfortunately, though the chart is quite clear, people are caught up in the madness of a stock market bubble and, as always, they make excuses and explain why this time is different.

That madness – borne of zero interest rates – is everywhere.

You see it in stocks like Tesla, for example, which has become a market darling, soaring 2,000% and, I might add, accessing capital markets every step of the way with regular debt and equity issuance totaling over \$6 billion (to say nothing of the \$4.9bln in government subsidies).



But I don't want to upset any Teslarians out there, so let's focus on the stock and not the company.

Lately, Tesla has come under some pressure for a number of reasons but let's look simply at the company's *valuation* for any signs of Pure Imagination.

In 2010, Tesla was the first American car company to IPO since Ford Motor Company in 1956.

By the end of June 2017, Ford had a market cap of \$44bln versus Tesla's valuation of \$62 bln.

In 2016, Ford sold 6.6 million cars worldwide while Tesla sold a mere 76,000.

Revenues for the two companies are in completely different zip codes, and Ford will even pay you a 5% dividend (something you'd think, in a world reaching into some brave places for yield, investors would find hard to resist).



At current valuations, each car Ford sells around the world is valued at a little over \$6,000 while each Tesla sold is supposedly 'worth' a whopping \$815,000 to the company's market cap.

Luckily, Tesla has its first 'mass market model' almost ready to launch and this sleek, stylish beauty is keeping the believers' hopes alive... for now.

**(Mazda have asked me to make perfectly clear that the car shown, right, is a Tesla Model 3 and NOT a Mazda 3. Thank you.)**



However, given all that I've just laid out around the two companies, a look at the share prices of the two stocks is a classic example of what happens in bubbles.

The 'sexy' stock attracts all the attention and investors completely lose interest in solid but 'boring' stocks that do the same thing, only better.

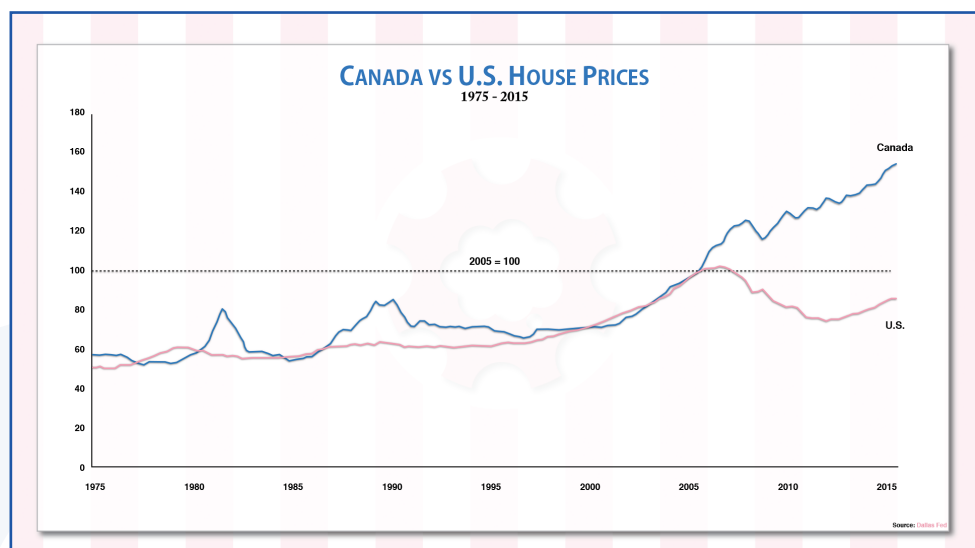
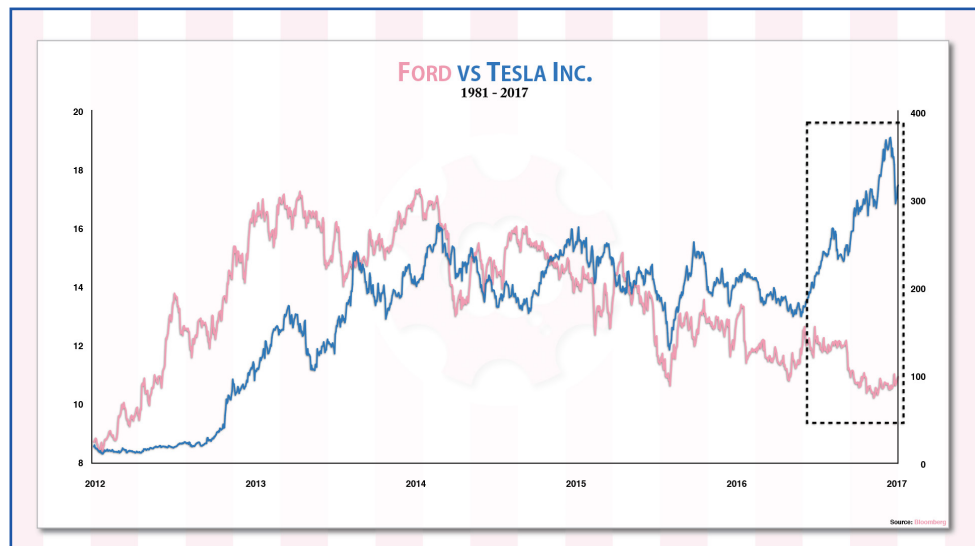
In a World of Pure Imagination, it's naturally all about dreams – not reality.

But it's not just U.S. stocks and bonds feeling the full force of the bubble-blowing.

Meanwhile, in Canada, as many of you are well aware, housing valuations are doing the bubble dance as new house prices – despite a brief downturn in 2008 – rocket into their own World of Pure Imagination.

When compared to U.S. valuations, the extent of the lunacy becomes too obvious to ignore... and yet...and yet, if you think, in a World of Pure Imagination, that valuations matter, then you're wrong.

They don't – as activity in the red-hot housing market in Vancouver demonstrates beyond dispute (see chart, overleaf).



Vancouver prices have once again made a new all-time high and the pace of the appreciation since 2013 is impressive.

However, if we divide the price of a new house in Vancouver by gold, something interesting happens – house prices are lower than they have been at any time in the last 35 years.

Now, one of the main criticisms leveled at gold is that it doesn't 'do' anything. It doesn't earn interest, it doesn't pay a dividend yada, yada, yada.

But here's the thing...it's not *supposed* to.

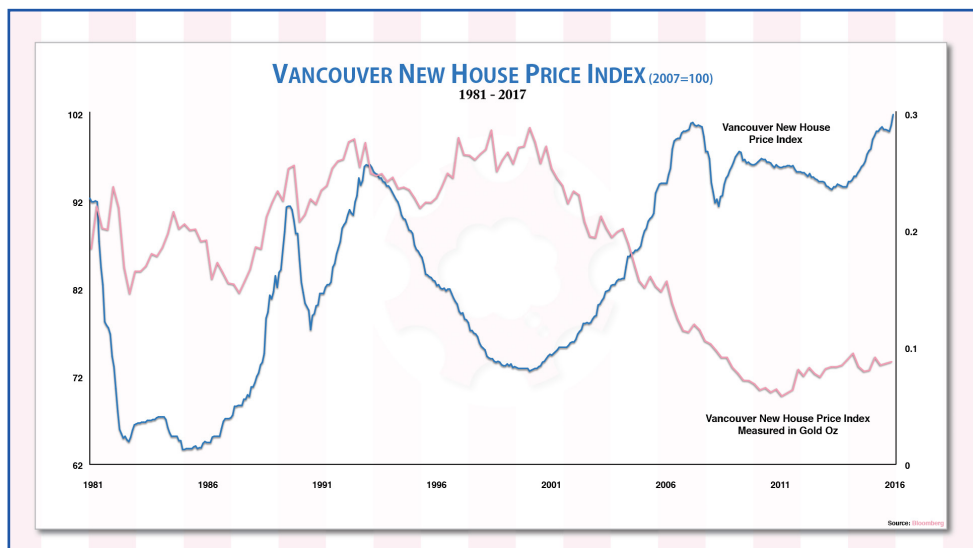
If you'd put away the equivalent ounces of gold required to buy that waterfront spread in 2001, then today, with house prices at levels which would make them unaffordable to you in cash terms, you would only need to use around half of your gold stash to buy that house today.

The rest of your gold you could maybe blow on a couple of Teslas, should you so desire.

But, no matter how crazy Vancouver house prices may have become, no conversation about this World of Pure Imagination is complete without a trip south of the border – not the Canadian border, the U.S. border – to Argentina; a country which, having finally been granted access to capital markets again after a fifteen-year time out on the naughty step for bad behaviour, and just a year after finally settling a very noisy \$100bn sovereign default which occurred in 2001 (and snatched the crown as the largest in history), recently raised \$2.75bn through the issuance of a 100-year bond paying 8%.

You want the poster child for the World of Pure Imagination?

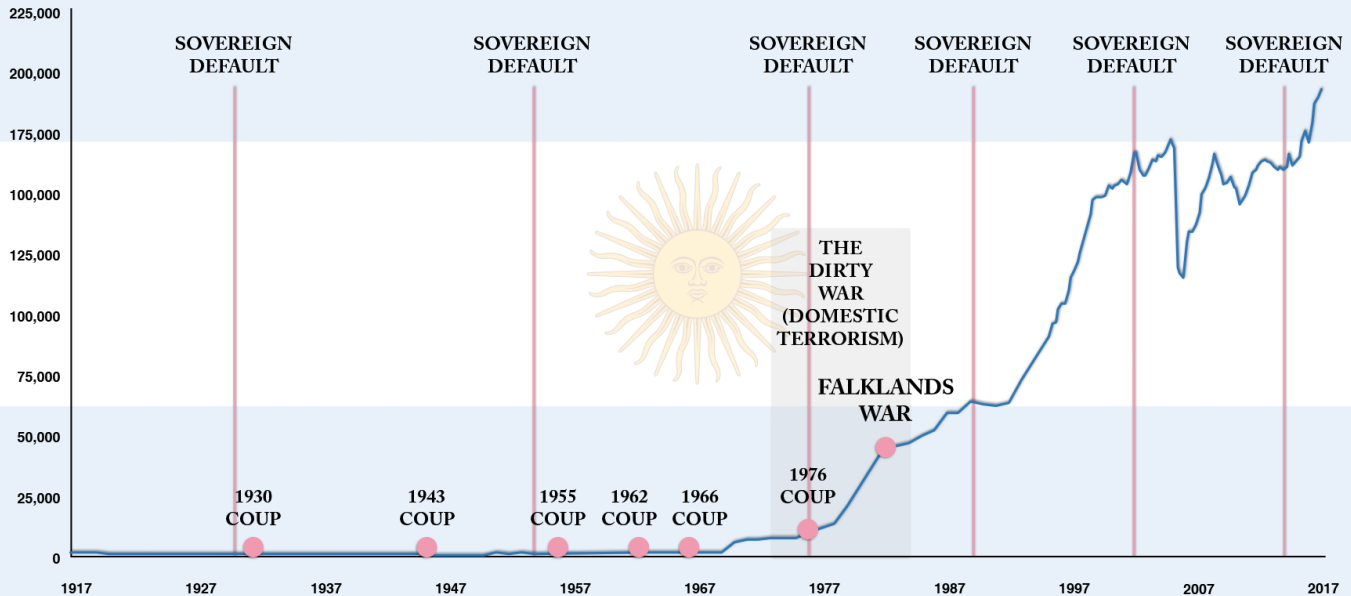
You'll find it on the next page.





## ARGENTINA EXTERNAL DEBT (\$MLN)

1917 - 2017



Yes, in the *LAST* 100 years, Argentina has had no fewer than 6 sovereign defaults (including the biggest in history), 6 military coups, one extended period of domestic terrorism as well as a war with the UK and yet, the promise of investors being able to potentially recoup their investment through interest payments in 12 years *and* make some capital gains was enough for the bond issue to be three times oversubscribed.

Of course, that all assumes bond markets continue to make new highs oh... and that Argentina suffers no coups, no defaults and no wars – which given the country's history over just the past century is something of a stretch.

And it's not that investors *shouldn't* buy Argentine debt – it's just that the appropriate interest rate to compensate for the risk associated with lending Argentina money for a century would, outside a World of Pure Imagination be well into double digits.

And, as the most recent default made only too apparent, when things come apart in Argentina, they come apart quickly.

On the next page you'll find a timeline of the most recent default and you'll see that it took just 23 days to go from '*fears rising over a possible devaluation*' to a full default and just 37 days until the peso had lost 75% of its value.

## ARGENTINA: 2001 DEFAULT

NOVEMBER 30, 2001	<ul style="list-style-type: none"> <li>• <u>Fears rise over possible devaluation</u></li> <li>• Overnight interest rates rise sharply</li> <li>• Spreads between US Treasuries and Argentine govt bonds increase to 5,000 bps</li> <li>• A bank run begins.</li> </ul>
DECEMBER 1, 2001	<ul style="list-style-type: none"> <li>• Minister of Economy announces a freeze on bank deposits ('Corralito')</li> <li>• U.S. dollar convertibility no longer possible</li> <li>• Argentines have no access to their savings</li> <li>• Civil unrest escalates</li> </ul>
DECEMBER 5, 2001	<ul style="list-style-type: none"> <li>• IMF announces it will cut off its support (\$22bln since 2000)</li> <li>• This means that Argentina loses access to its last source of foreign capital</li> <li>• 24 people die in subsequent riots</li> </ul>
DECEMBER 23, 2001	<ul style="list-style-type: none"> <li>• <u>President Saá announces the default on USD 93bn of Argentina's sovereign debt</u></li> </ul>
JANUARY 6, 2002	<ul style="list-style-type: none"> <li>• Law of Public Emergency and Reform of the Exchange Rate Regime marks the end of USD Convertibility Plan</li> <li>• Peso is devalued from 1 peso per Dollar to 1.4 peso per Dollar.</li> </ul>

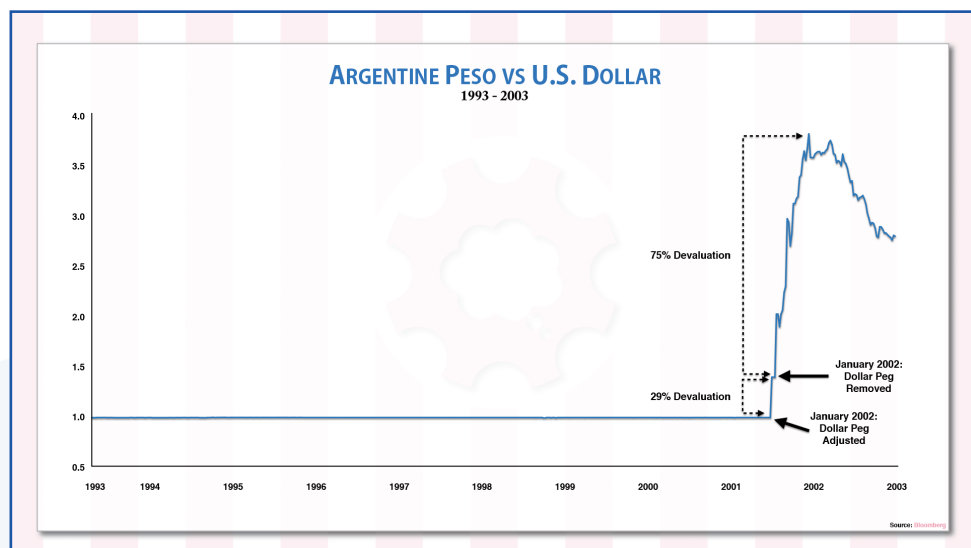
Here's what this looks like on a chart and, on a chart, you can see much more clearly the speed at which these things happen.

The peso was first devalued 29% and then, a matter of a few days later, another 75%. Boom.

Since that devaluation in 2001? Well things have gone from bad to worse.

The chart at the top of the next page shows the value of the peso from the default in 2001 to today and as you can see, with the Peso (which had been pegged 1:1 to the dollar) now at 17.5, this is what the 2001 move looks like on a longer-term chart.

If we go back 75 years (still less than the duration of the most recent bond issue), the volatility of the Argentine currency can be seen in all its wacky glory...



...particularly when you realise that this chart is on a log scale.

The dotted rectangle shows the 2001 devaluation again.

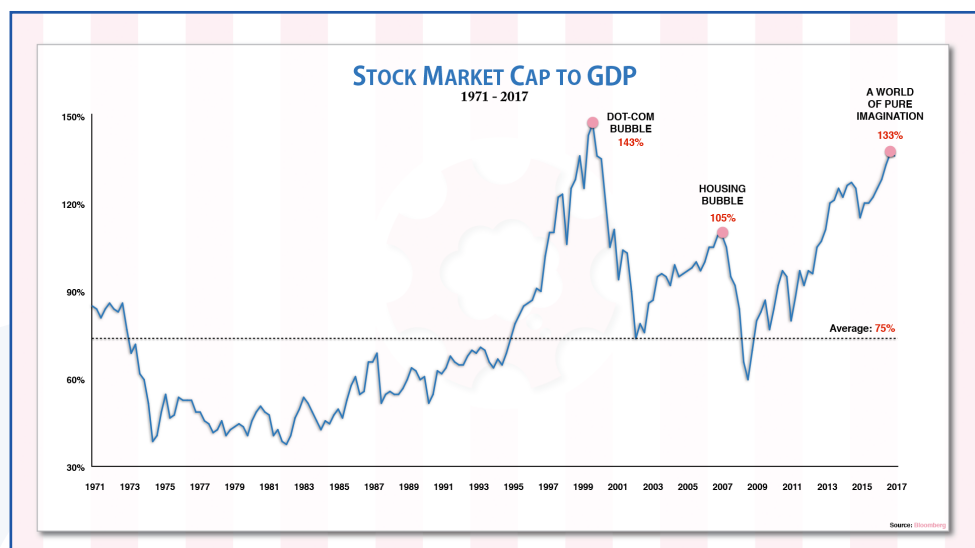
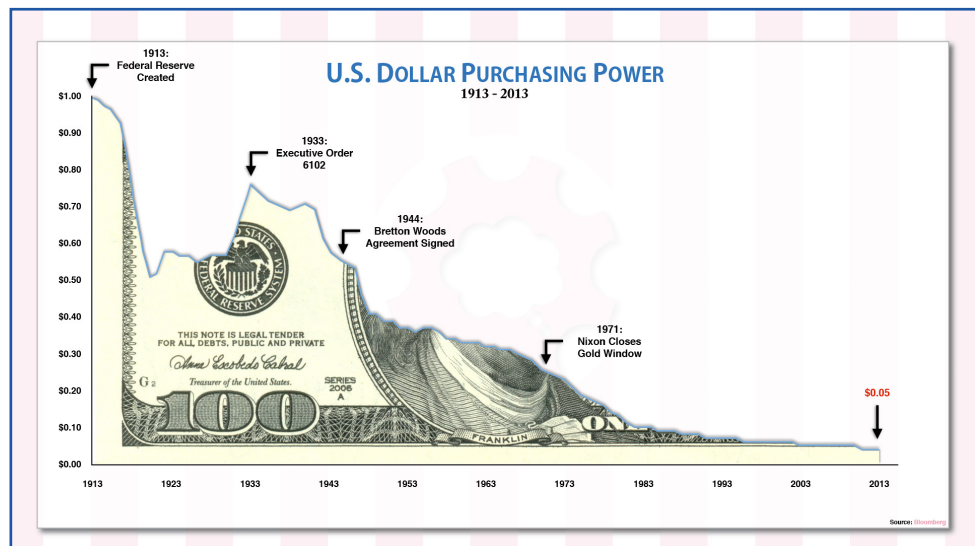
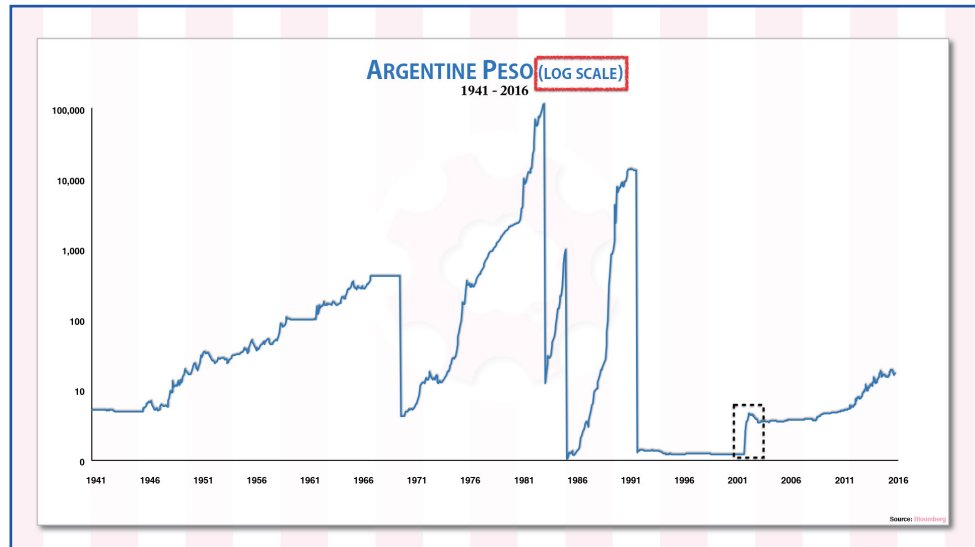
Now, in order to bypass any currency risk, the recent 100-year bonds are denominated in dollars (after all, who in their right minds would accept pesos?) so, at the end of your 100 years, your principal will be repaid in good old greenbacks.

Except, as you can see, had you bought a U.S. dollar-denominated Argentine government bond 100 years ago, the return of your principal (making the generous assumption of no coups, defaults, conflicts or currency crises in the interim) would, today, buy you about 5% of what it would have when you entrusted it to the Argentine government.

Which is nice.

But, while it's the poster child for the World of Pure Imagination, let's leave Argentinian government debt and get back to territory with which we are all a good deal more familiar.

Back in 2001, Warren Buffet called the Stock Market Cap-to-GDP ratio "...probably the best single measure of where valuations stand at any given moment" and it is certainly a superb and reliable indicator of likely 10-year future returns.



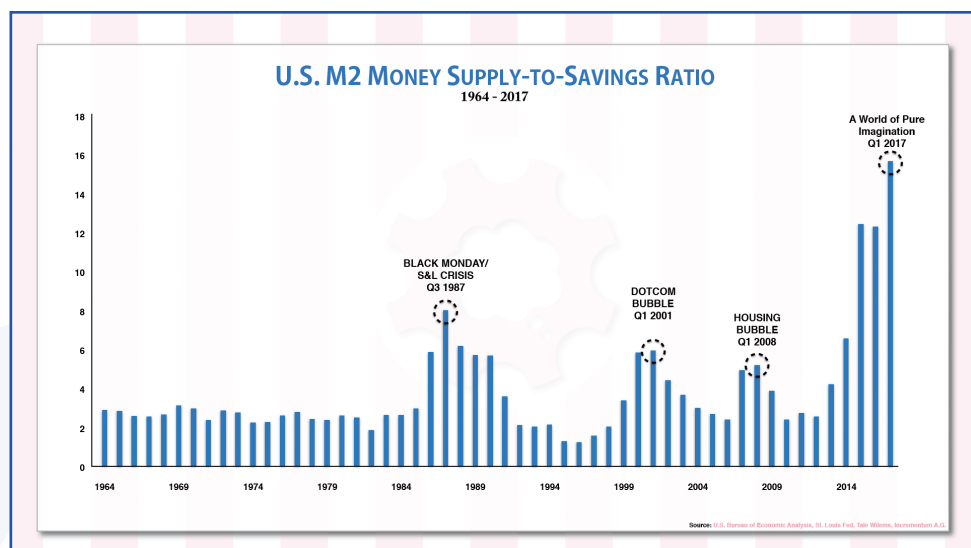
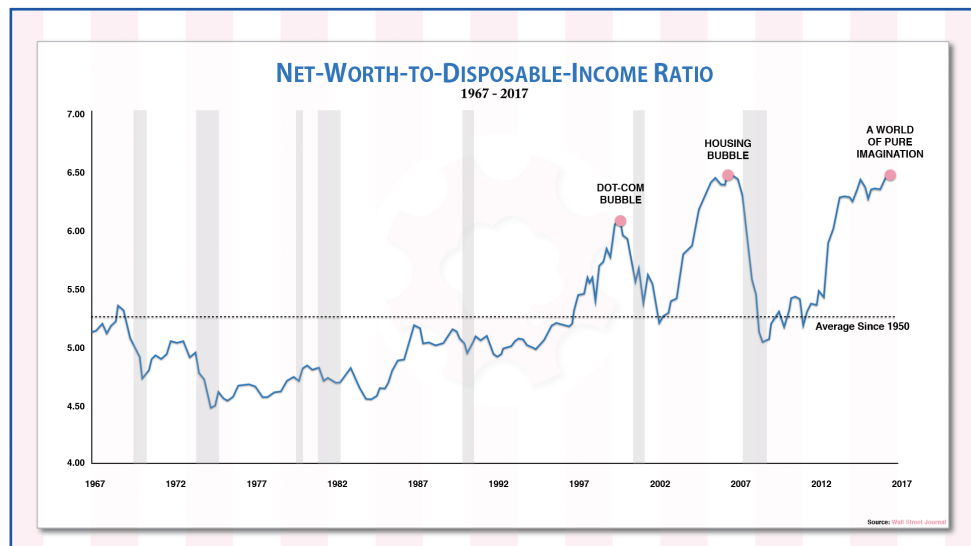
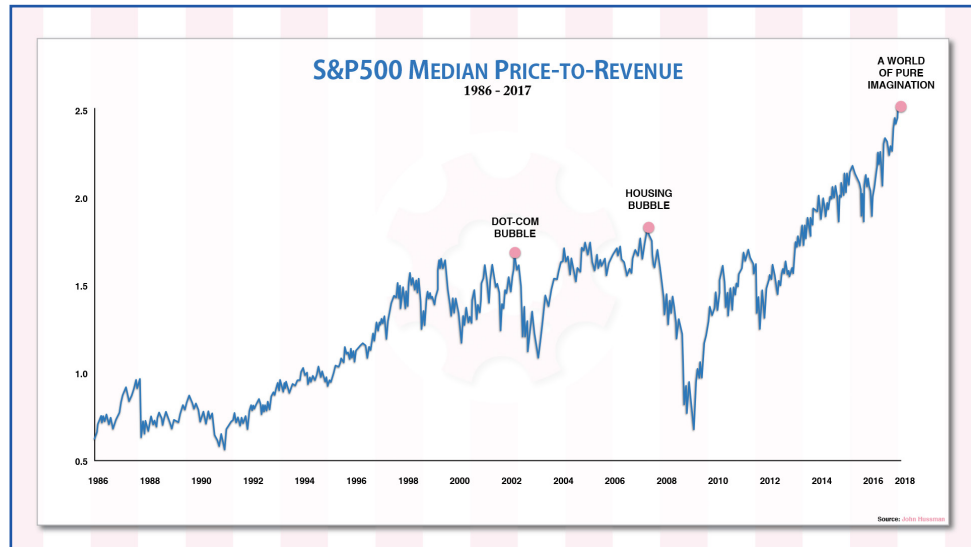


Having looked at the chart, however, you'll have to make up your own minds about what colour warning light you may think this particular indicator is flashing today I'm afraid because Uncle Wally has been noticeably quiet about it lately.

John Hussman, meanwhile, prefers to look at the median price-to-revenue ratio of the S&P500 and *this* particular chart actually makes me feel dizzy every time I look at it.

Elsewhere, the net worth-to-disposable income (a great barometer of asset price inflation) is at or above levels which have previously led to sharp corrections in asset prices...

... and liquidity, in the form of the M2 money supply-to-savings ratio is so far elevated that it puts every other pre-crash period for the last 50 years to shame.



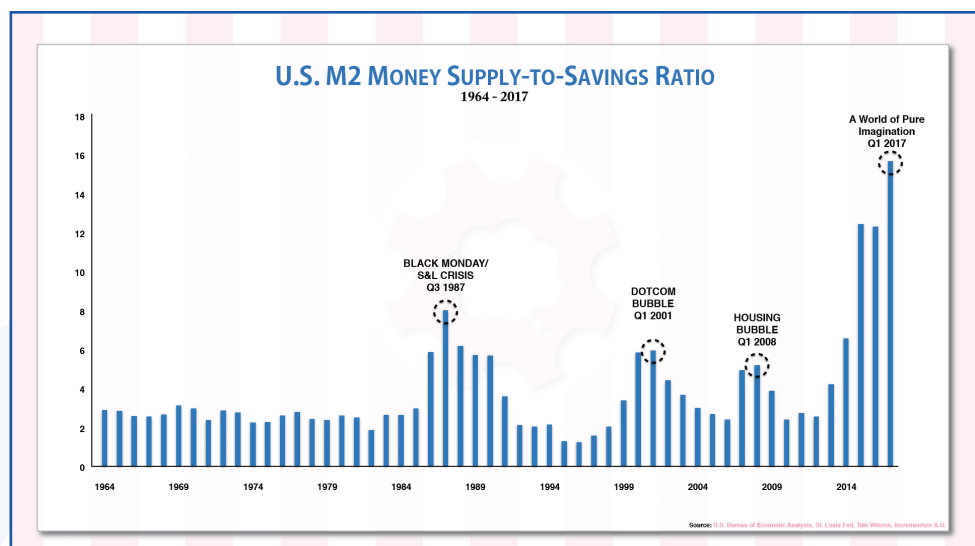
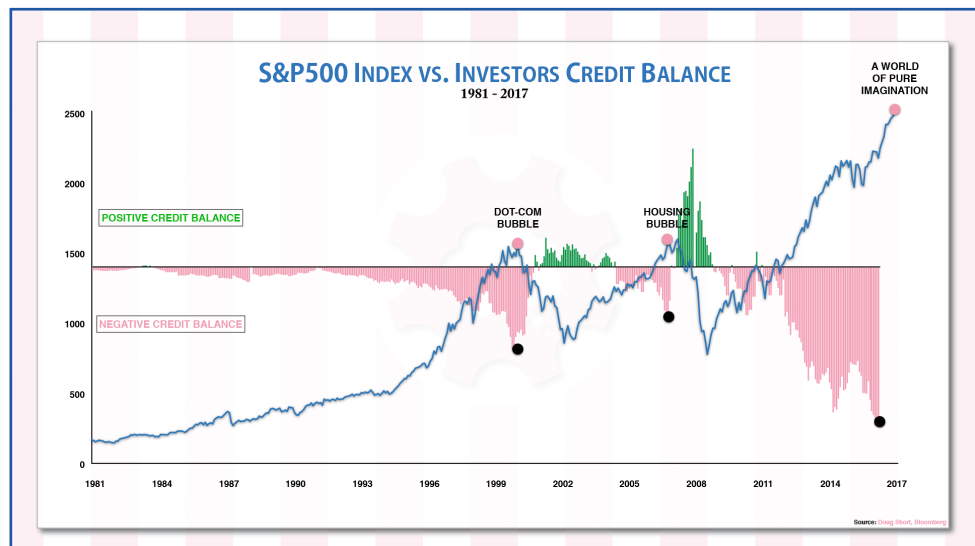
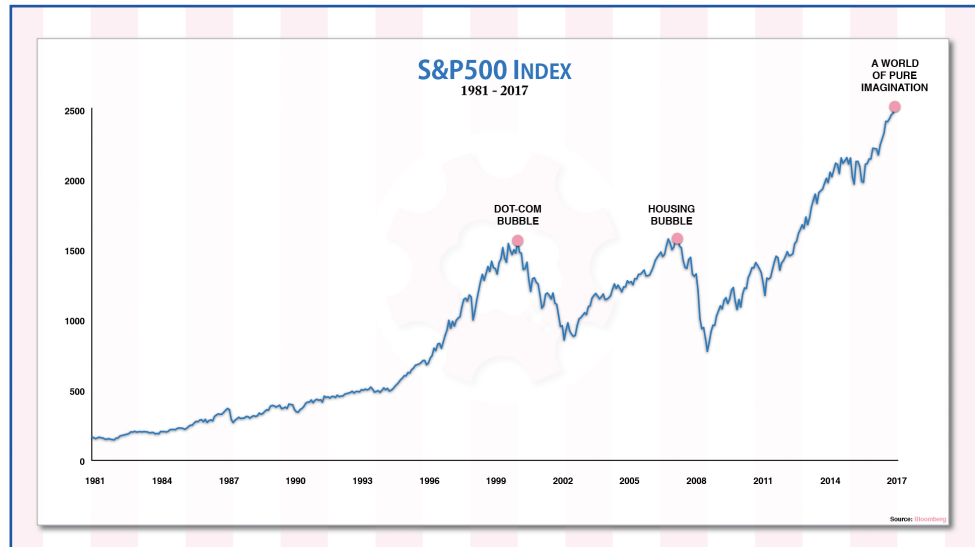
And all of this brings us back, once again to *this* chart.

And the *reason* this chart is so important and the *reason* why this time around the problems are of a higher magnitude are *crucial* to understand.

Due to the prolonged period of artificially low interest rates, more money has poured into stock markets chasing returns that would traditionally have been earned through bond portfolios and the majority of that money has come from Baby Boomers on the cusp of retirement – precisely when they *SHOULD* be *selling* their equities and buying bonds for their retirement

Enthusiasm for stocks has led to a familiar explosion in margin lending – and I say ‘familiar’ because, of course, it’s happened before and, even without the second chart, right, I know you’d all be able to guess when; yes, 2000 and 2007 – although this time, once again, the extent to which margin lending has increased is of a magnitude far in excess of those two prior periods.

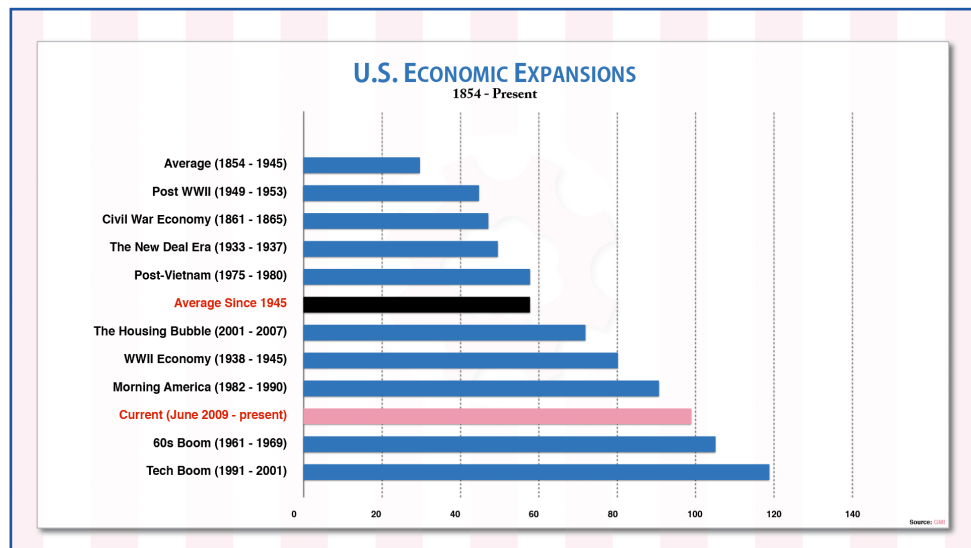
The reason why these excesses in the stock market and the fact that the largest generation ever to retire has most of their money in equities just as they are about to end their working lives are so important this time around is that...



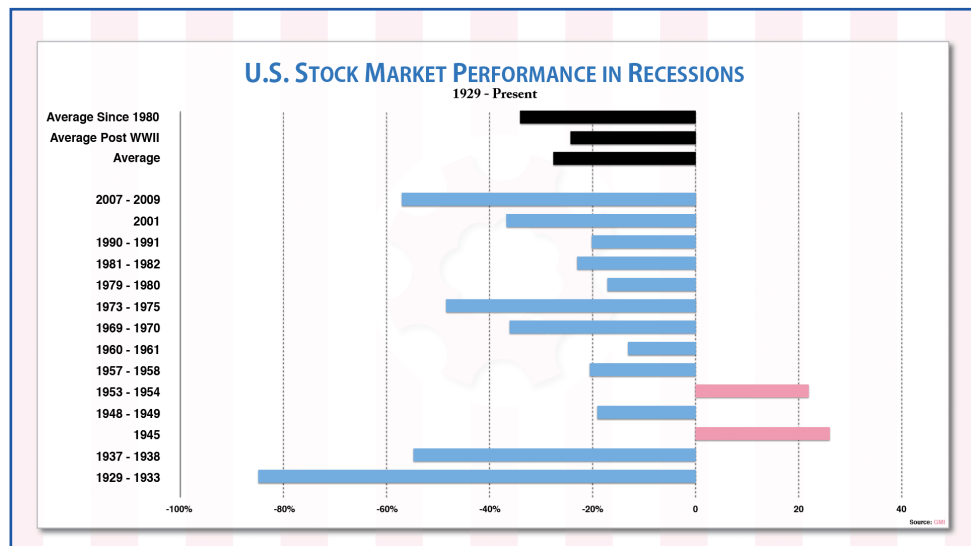
...the current 'expansion' in the U.S. is now both the weakest AND the third-longest in history.

It's already some four YEARS longer than the post-war average.

Now, while that doesn't necessarily mean it's definitely about to end, what it *does* mean is that we're closer to its end than its beginning and, in a normal, run-of-the-mill recession, very bad things tend to happen to stock markets.

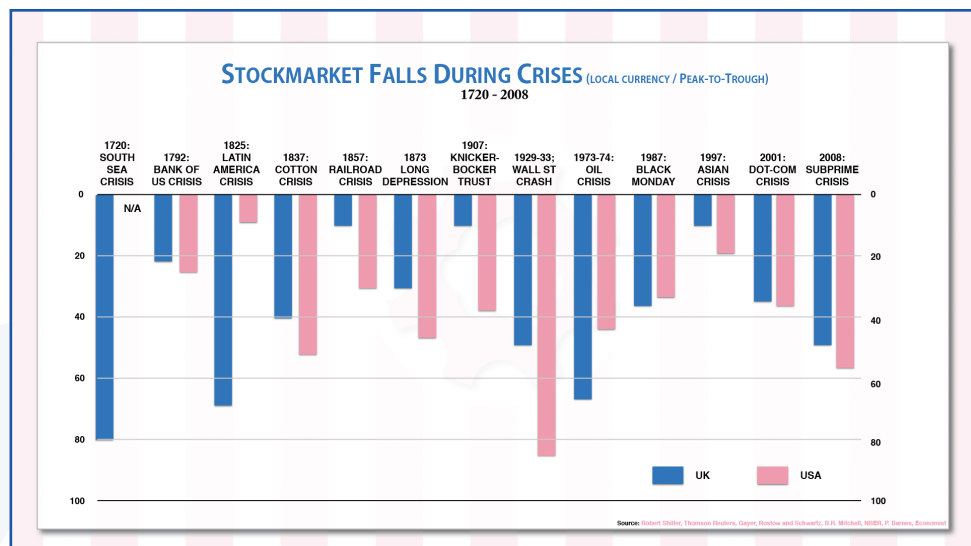


As you can see here, the average drawdown since 1980 has been 35% – and that's just a regular business cycle recession.



In crises, things get much uglier, much faster as the chart at the bottom of the page demonstrates.

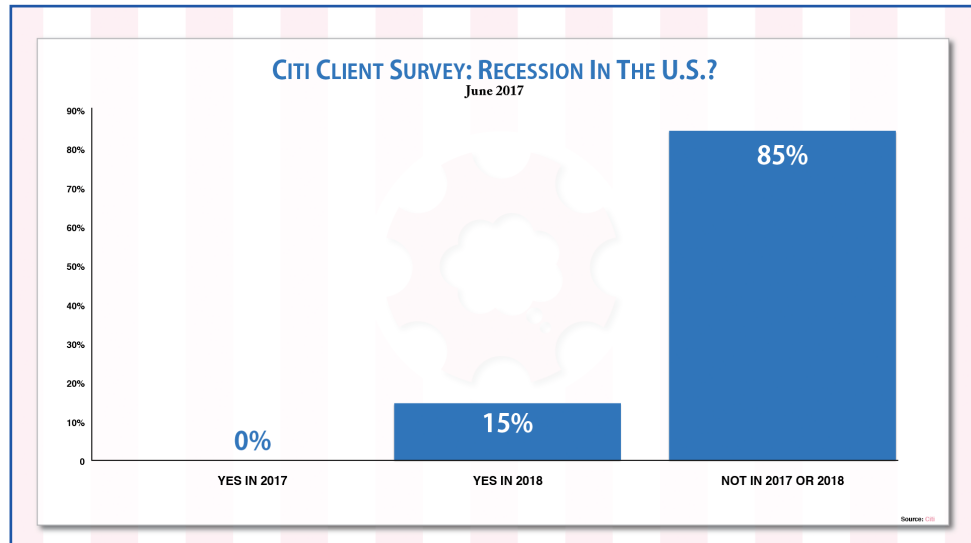
So, given the elevated level of equity markets and what is unquestionably an extremely extended economic expansion, the results of a recent survey of Citi clients is nothing short of breathtaking.



None of their surveyed clients believes the U.S will enter recession in 2017 and fully 85% of them feel we will also sail through 2018 without one.

Just 15% of those surveyed thought there was even a chance of a recession in the next 18 months.

That, ladies and gentlemen, is hubris writ large...



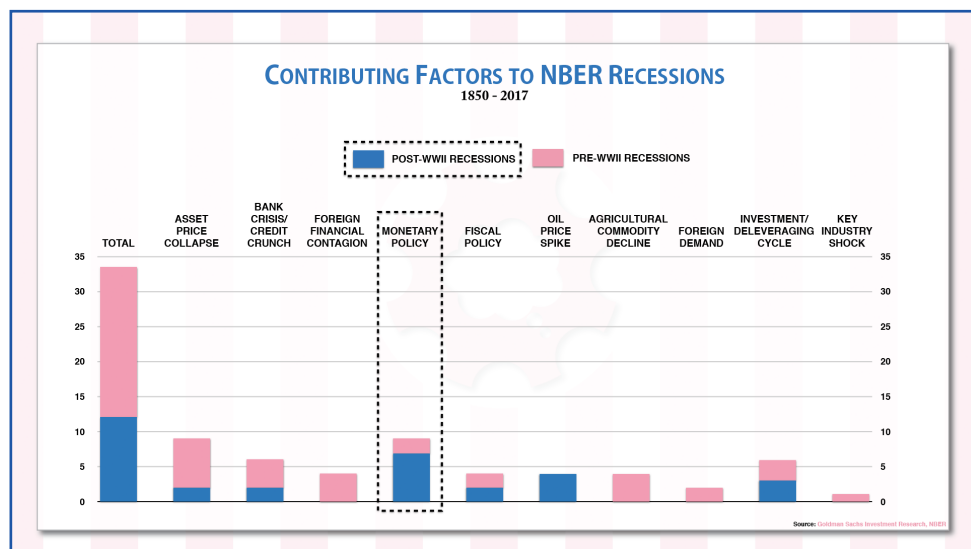
...particularly when we take a look at the contributing factors to recessions dating back to before the U.S. Civil War.

When we do that...we find that, post WWII, by far the biggest cause of recession has been monetary policy and, given that the Fed has never (to my knowledge) triggered a recession by a series of rate *cuts*, the fact that they are now in the early stages of a well-advertised (and doggedly maintained) hiking cycle means it is just a matter of time before they tip an already fragile economy into recession.

Again.

...and we've seen what happens when those recessions inevitably come around.

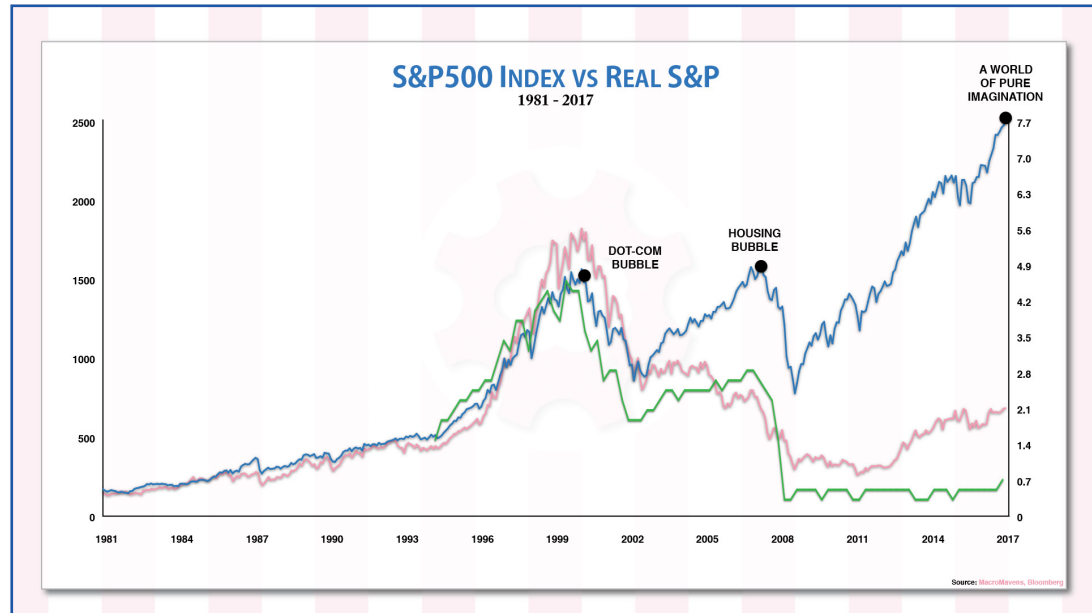
But what does all this mean for markets and, specifically, gold?





Well, if we take ourselves back to that chart of the S&P and remind ourselves of how egregiously overvalued it is, there are a couple of additional lines to add which will help us to get a true sense of what has been going on here.

Firstly, we add in the S&P deflated by the Fed's balance sheet (green line) to get a rough sense of what's happened to the equity market absent the stimulus applied by the central bank since 2008.

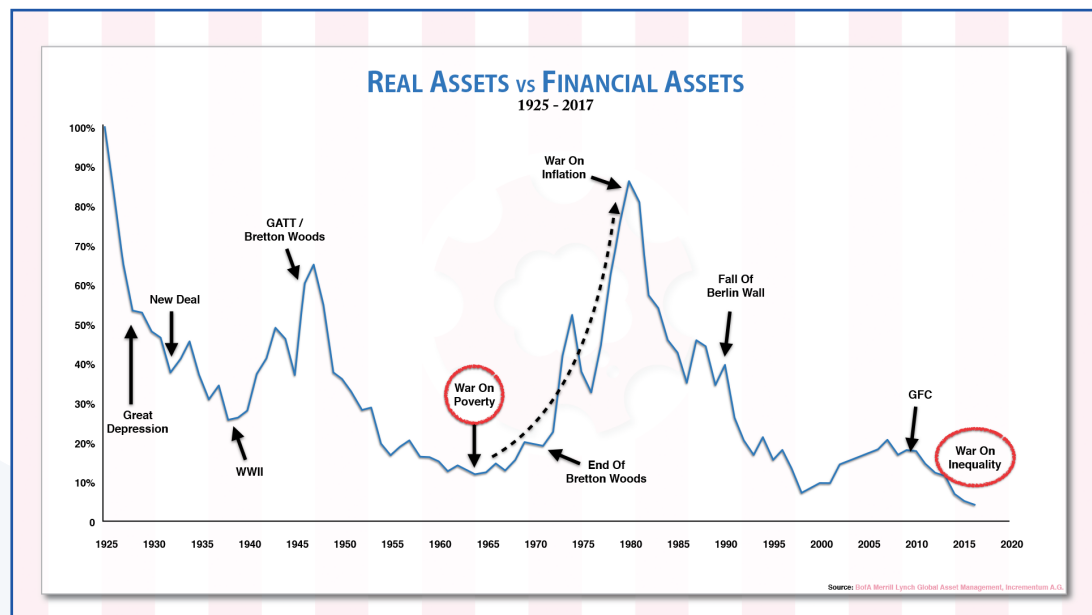


As you can see, if we divide the S&P by the expanded level of assets owned by the Federal Reserve, we get a sense of the real, QE-adjusted level of the index.

However, it's the next line that is most important.

When we add in the 'real' S&P500 – which we get by dividing the index by gold, just like we did in the Vancouver housing market example earlier on – what we find is that, since the Credit Crisis, the price of the S&P in ounces of gold is significantly lower than its two previous bubble highs.

This phenomenon not only applies to gold, but is part of a broader relationship between financial assets and Real Assets as you can clearly see in this chart:



Because of the generational decline in interest rates, financial assets have become significantly overvalued in relation to real assets since the inflation spike in the 1970s pushed real assets to their highs.

Since then declining rates have given financial assets the upper hand but at extremes like these, a reversion to the mean becomes more and more likely.

In the 1960s, the *War on Poverty* (which was an attempt trying to lift the living standards of millions – a project which, while well-intentioned of course, predictably and inevitably cost billions) ended up sparking rampant inflation.

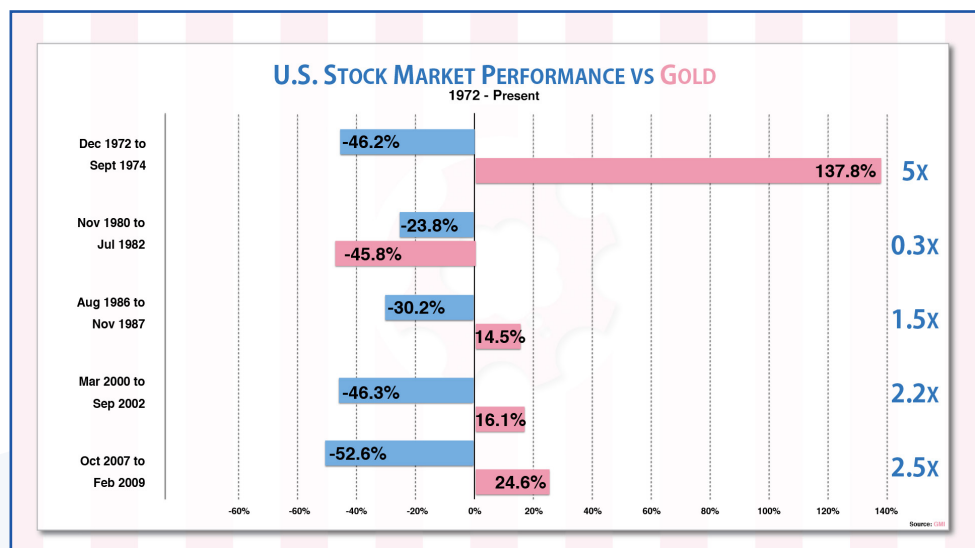
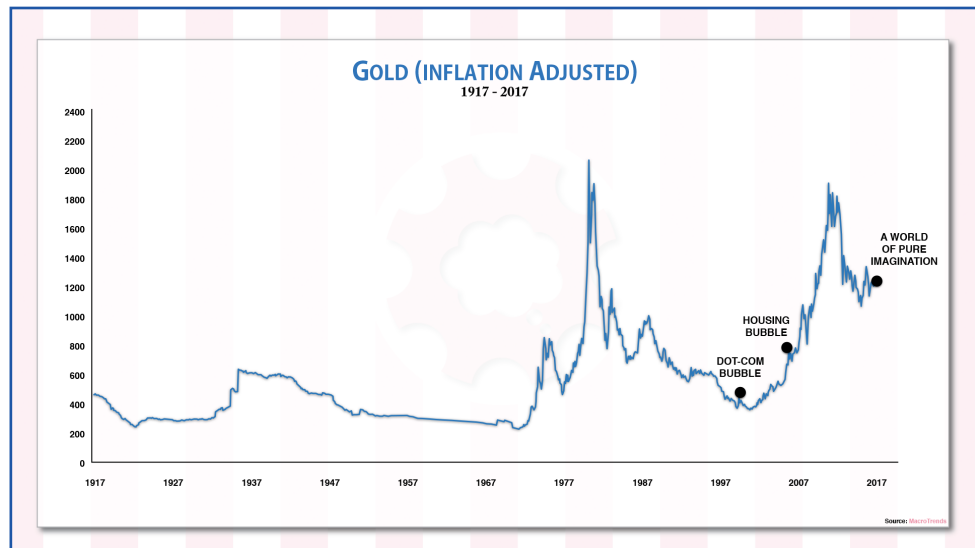
Today's '*War on Inequality*' stems from a similar political motivation and will use a similar set of tools.

Only the outcome is, as yet, undetermined.

Having looked at so many charts which show assets like bonds, stocks and housing at all-time highs, it's refreshing to find a chart which looks completely different and an inflation-adjusted chart of gold over the last century demonstrates that gold most definitely *isn't* in any kind of a bubble.

In fact, in contrast to equity market performance in stock market crashes and corrections, gold historically has done what it's supposed to do in market dislocations (with the notable exception of 1980-1982 during which it corrected by 45%, but only after having run 450% during the inflation spike of the 1970s).

But this slide shows exactly WHY you hold gold.



Look at the column of numbers on the right hand side of the chart.

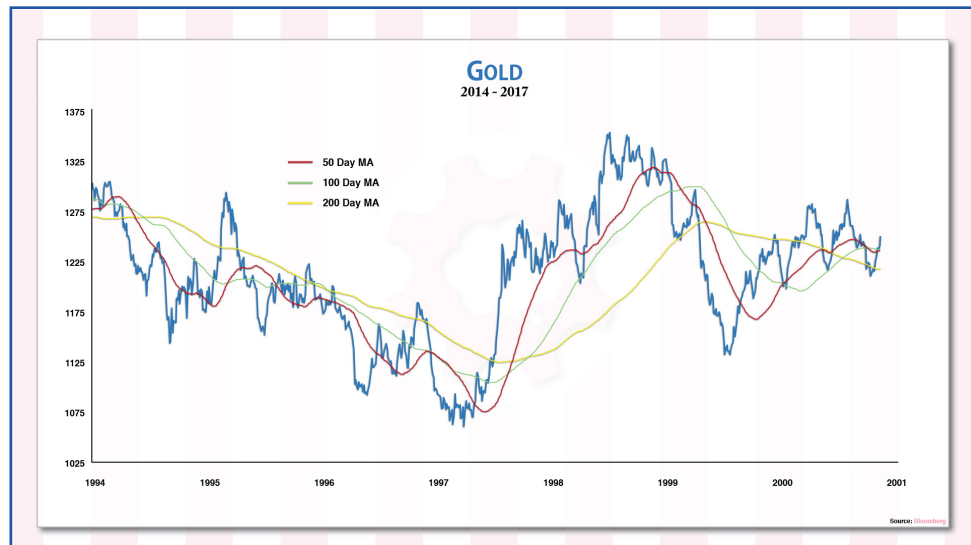
If we ignore price and look at the *purchasing power* of gold before and after each of those episodes, we get a much better sense of what gold is *supposed* to do for those who hold it.

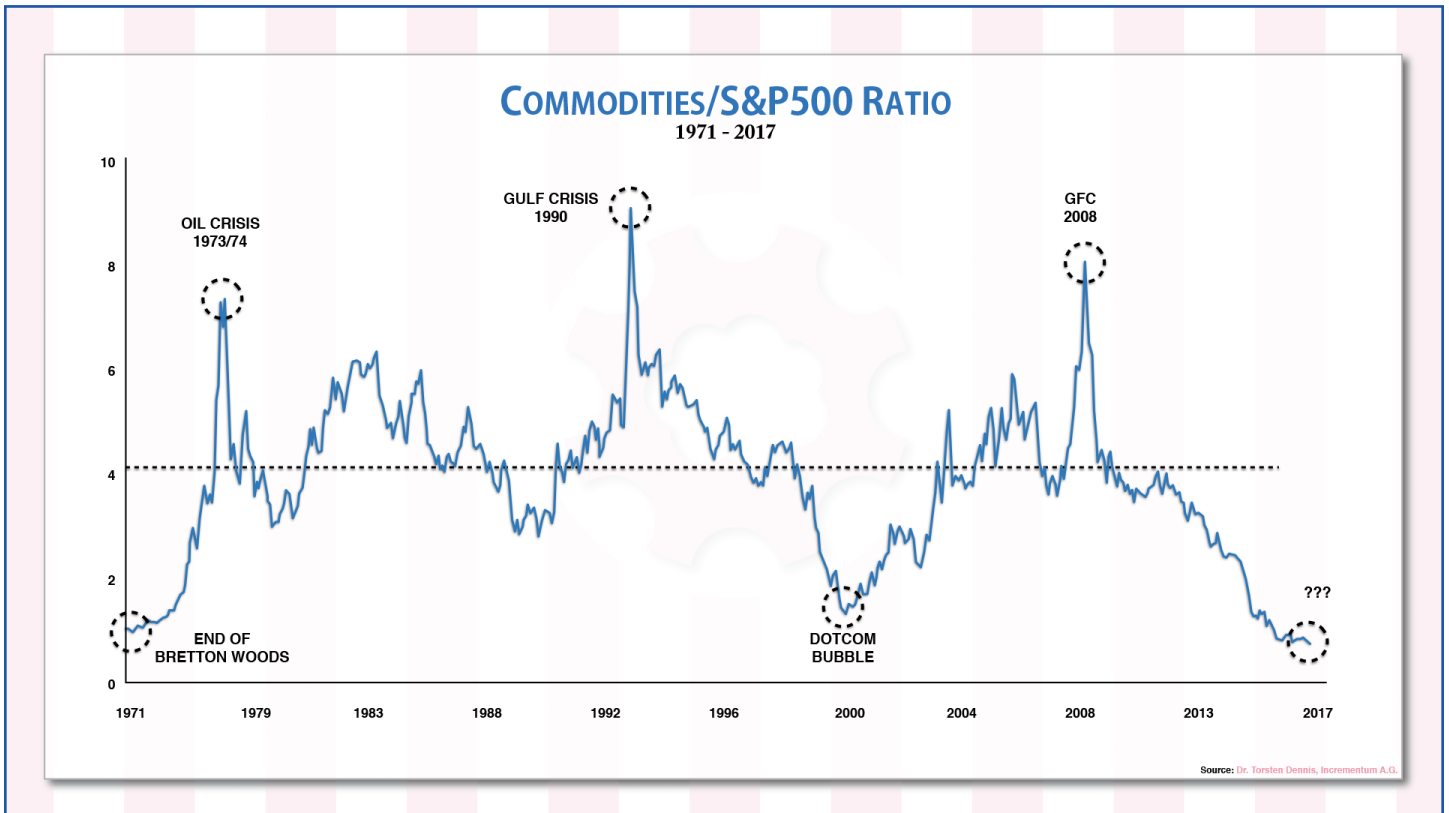
After the 1972 - 1974 bear market in equities, gold's purchasing power had increased by 5x and, with the exception of that 1980 - 1982 decline, each of the other recession-driven bear markets saw gold's purchasing power increase dramatically after.

Simple. Clean. Effective.

On a technical basis, things are beginning to look interesting as, after three years of putting in lower lows, gold caught a bid in 2016 and put in a series of higher lows (chart, top) – right up until that wedge pattern broke and, while gold is still not out of the woods, it has finally closed above all three major moving averages – something you can see more clearly in the bottom chart which shows the last 12 months.

And, as the chart on the next page demonstrates, with commodities hitting all-time lows against the S&P500 in our World of Pure Imagination, we find ourselves at relative extremes as equities are bid up to almost magical levels against the commodity complex.



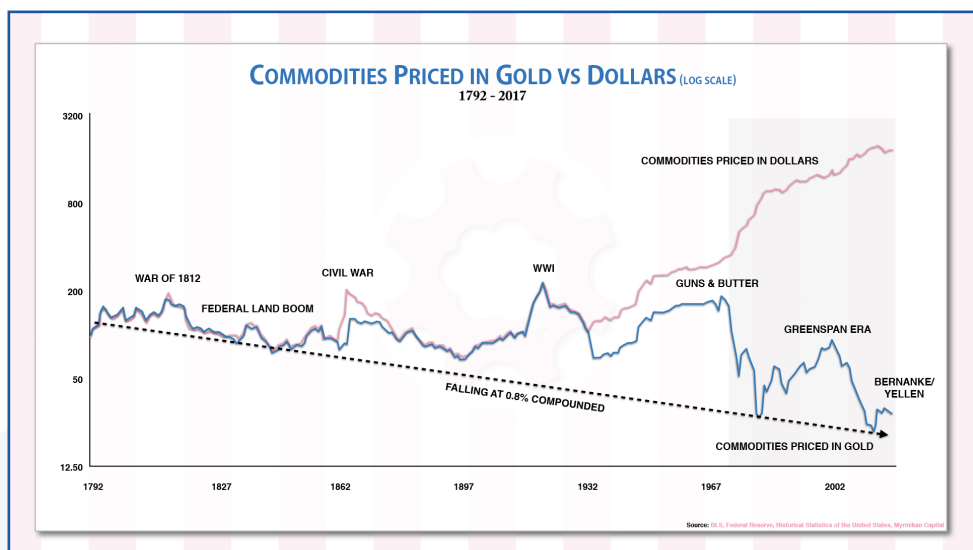


Perfect territory for the patient contrarian investor.

Gold is on sale and for some reason, people run out of the store.

Taking that commodity complex back over 200 years, we find that, perhaps unsurprisingly, along with houses in Vancouver and U.S. equities, commodities, when priced in gold have been steadily falling (despite the best efforts of various central bankers and governments) at just under 1% a year compounded – which is just about what they *should* do against a currency as stable as gold.

Meanwhile, when priced in dollars (pink line), those same commodities have gone on their merry way to where we find them today – significantly higher.





Now, there are many other factors which affect the likely future path of gold including rapidly increasing central bank purchases, flights to safety and, potentially most importantly, the emerging dynamic of China and Russia pricing oil in gold and circumventing the petrodollar system (which was the subject of my last presentation Get it. Got it? Good - *TTMYGH Dec 11 2016*) but we don't have time to go into those today.

The advent of cryptocurrencies may also play a big part in gold's future but it's far too early to understand what their effect may turn out to be...yet.

The important thing to understand is this:

I'm pretty sure everybody reading this can recite the reasons why gold became money 6000 years ago:

Gold is:

**Scarce, fungible, divisible, durable and portable.**

And of all those things, it's gold's durability which is by far the most important.

Gold lasts.

Gold lasts because it is a noble metal and the key property of a noble metal is that it's inert.

When something is inert, it doesn't react to anything.

It is unmoving, motionless, immobile, inanimate, still, stationary.

Static.

Gold doesn't DO anything.

That is gold's purest beauty.

Here's something I know none of you will have noticed.

I have mentioned the word 'price' 17 times in this presentation but not once did I use that word in conjunction with gold.

When talking about gold, people get fixated on the price but I believe, whilst that is ok when speculating, in investment terms, it's completely the wrong way to look at it.

If you own gold, it does nothing... and neither should you.

**in·ert**

i' nɜrt/

adj.

1: lacking the ability or strength to move

2: lacking vigor

3: chemically inactive

unmoving, motionless, immobile,  
inanimate, still, stationary, static

Over 200 years, as the last chart showed you, commodities have depreciated against gold by 0.8% a year. Over *thousands of years* gold has maintained its absolute purchasing power better than anything mankind has conjured up out of thin air and, assuming they make it to the full 100-year term, when those century-long Argentinian bonds are due, gold – unlike the dollars bondholders will receive by way of return of principle – will still purchase then at least that which it does today.

In a World of Pure Imagination it is important to keep your eye on something you know is real lest you become convinced that the madness all around you represents reality.

Now, like all good movies set in Worlds of Pure Imagination, I'm going to throw in a twist at the end and, at the risk of mixing my movie metaphors, I am going to take you from Willy Wonka's World of Pure Imagination to another, mind-bending world created by Christopher Nolan in his amazing movie *Inception*.



In *that* movie, the protagonists intentionally immerse themselves in a World of Pure Imagination but, in order to maintain their grip on reality, each of them makes sure to take one thing from the real world with them – a totem which anchored them to reality and which, whenever they felt they were losing their grip, they could hold, knowing exactly how it would feel in their hand.

“The Inception Wiki page had this to say about the totem:

***“A Totem is an object that is used to test if oneself is in one’s own reality and not in another person’s dream.*”**

***A totem has a distinct weight, balance, or feel in the real world, but in a dream of someone who does not know it well, the characteristics of the totem will very likely be off...In order to protect its integrity, only the totem's owner should ever handle it. In that way, the owner is able to tell whether or not they are in someone else's dream.***

***In the owner's own dream world, the totem will feel correct."***

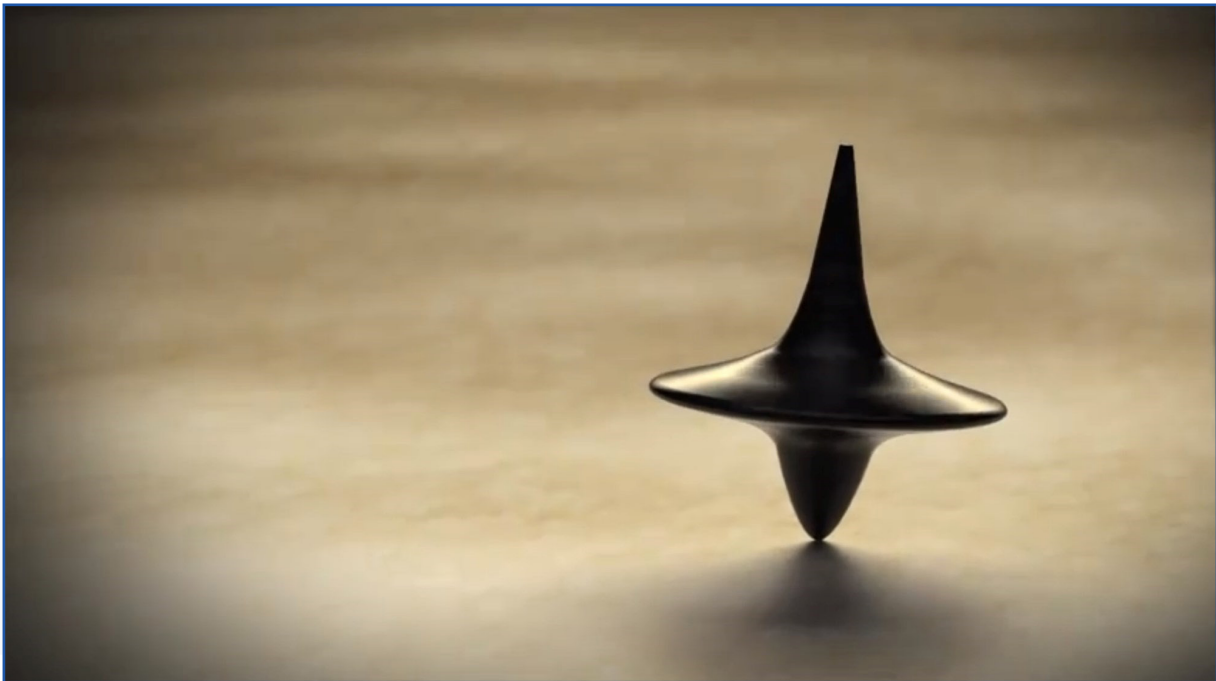
As Ariadne, one of the two main female characters so concisely put it, the totem is:

***"...an elegant solution for keeping track of reality"***

The story of *Willy Wonka And The Chocolate Factory* began when Gene Wilder's character chose a golden ticket by which to promise the lucky winner untold riches after a ride through a World of Pure Imagination.

The story of *Inception* revolved around men and women who deliberately plunged themselves into imaginary worlds, but each of them took *one thing* with them they *knew* would anchor them, and bring them back to reality.

So what did Leonardo Di Caprio's lead character, Cobb, choose for *his* totem? For the one thing that he *knew* he could trust to anchor him to reality in a World of Pure Imagination?



The same thing I choose...Gold.

Thank you very much for listening.



**O**K... so after another lengthy but chart-heavy introduction, it's time to get to this week's fun and games and we begin with a story from the New York Times which tells me that I am right to despair about the future of humanity.

It appears that people are hiring their own videographers to follow them around 24/7 and create their own reality shows. That's bad enough, but to add insult to injury, it seems hundreds of thousands of people are tuning in and encouraging this behaviour.

Somebody, please, make it stop.

Away from that (and changing the subject completely from hopeless narcissists) we journey to Spain to hear how Cristiano Ronaldo's tax avoidance tricks are ruining things for the entire football industry and we have a cavalcade of the unusual and the downright scary including debt-collecting Zorros in Spain, too-skinny pigs in the USA and an army of the dead who are targeting HBO.

In other news, assurances that things are getting better in Greece are debunked... by Greeks, Iran and China grow even cosier and Uber comes under yet more pressure – this time in Southeast Asia.

The good folks at Evergreen Gavekal explain why the Eurozone is now so far behind the U.S. that it's in front and, talking of the fine, upstanding Burghers of Brussels, we hear how they are drawing up plans to prevent future bank runs. Hint: those plans involve making sure you can't get your money until they've had a crack at it first.

You've been warned.

In our charts section, we look at the ongoing War on Cash, Britain's JAM (Just About Managing) economy and, in timely fashion given the subject of this week's *Things That Make You Go Hmmm...*, my friend Dave Collum offers a table containing a few price differentials over the last 44 years.

Lastly, we have the chance to hear from two of my favourite people – Dr. Pippa Malmgren and William White – and get a glimpse at a terrifying potential future thanks to advances in facial recognition software.

Along with geopolitics and the dollar, Pippa offers her thoughts on cryptocurrencies and, as usual, she chooses to explore an unfamiliar angle while Bill White talks with Jesse Felder about the undesired side effects of experimental monetary policy and its possible end games.

Due to my travel schedule, I will be taking a break on the next publishing cycle so I'll see you back here in late-August.

**UNTIL NEXT TIME...**



## KEEPING UP, ON CAMERA, IS NO LONGER JUST FOR THE KARDASHIANS: NY TIMES

**T**his spring, John Henry, a 24-year-old entrepreneur and the founder of a Harlem-based nonprofit, had a very strange first date. The woman he had taken to a SoHo restaurant seemed to know a suspicious amount about the places he'd been in recent weeks and the conversations he'd had. This, Mr. Henry slowly realized, was a byproduct of his recent decision to have a videographer film large swaths of his daily life: his work, travels, lunches and even subway commutes, which Mr. Henry had then posted on Facebook and Instagram.

"It removed so much of the humanity of the conversation, because my life is just a big piece of content now," he said. "There was literally no element of surprise."

Digital self-promotion has gone to a new extreme. Perhaps taking a cue from Beyoncé, who has famously recorded almost every single moment of her waking life, Mr. Henry is one of a small but growing number of entrepreneurs who have turned their lives into do-it-yourself reality shows. They pay videographers, editors and producers thousands of dollars a month to shadow them and create content for their social media platforms. They "star" as part motivational speaker, part life coach, as they dispense advice and speak enthusiastically about the hustle. They are earnest to a fault; you'll find no melodrama here (or even much drama).

But people are watching, sometimes in the hundreds of thousands. "The reach is incredible," Mr. Henry said. "It's mind-blowing to me that a regular person can reach a quarter of a million people a month if they put the work in."

Despite the self-promotional nature of this phenomenon, most of these workaday video protagonists claim altruistic reasons for putting their lives under the microscope.

"I wanted to step up as a role model," said Gerard Adams, 32, a founder of the website Elite Daily who calls himself the "Millennial Mentor," a title he has trademarked. "I had to overcome a lot of failure and challenges." Three videographers take turns filming Mr. Adams at his New Jersey-based business incubator, at the gym, and with his family and friends.

Patrick Bet-David, 38, the chief executive of an insurance company, said he wanted "people to see that you can have a wife and kids, and work out, and stay healthy and manage a business. You can pull it off."

Just over a third of Mr. Bet-David's life is captured on camera for his YouTube channel, Valuetainment. He was interviewed for this article over the phone at a restaurant in Dallas, where he was having lunch.

As usual, his director of film production, Paul Escarcega, was there, too. Mr. Escarcega used two different cameras — one stationary, one hand-held — to shoot the call. (Of course, the audio only picked up Mr. Bet-David's side of the conversation.)

"You never know when you could be having a conversation that naturally leads to something that brings value to somebody watching," Mr. Bet-David said. "You try to catch all the moments."

Cy Wakeman, 52, the chief executive of a human resources and leadership development company called Reality-Based Leadership, which teaches employees how to "ditch the drama," is convinced there are professional benefits of having a video team follow her around Omaha, where she lives, to conferences across the country and on vacations to places like Tulum, Mexico.

"If people are distracted at work on their phones, I want to be their distraction," Ms. Wakeman said.

Ms. Wakeman said that her company had received significantly more business since a video team began following her in February, and that there had been a bump in preorders for her coming book, "No Ego: How Leaders Can Cut the Cost of Workplace Drama, End Entitlement, and Drive Big Results."

Daily rates can range from \$300 to \$500, said Mr. Hamwey, who also produces content for Mr. Henry. Credit Joshua Bright for The New York Times

"It's no longer just about promoting their company," said Karen North, director of digital social media and clinical professor of communication at the Annenberg School for Communication and Journalism at the University of Southern California. "It's about promoting themselves as the star of their company."

Dr. North said the psychological strategy was quite clever. "The real sea change of digital is that it makes everything personal," she said, adding that individuals like Ms. Wakeman could "talk to you through Instagram, Twitter, Snapchat, and you feel as if they're talking to you personally." And if they engage with even a few people in the comments or retweet what their followers say, Dr. North said that "every individual feels validated..."

## GREEK DEBT CRISIS; 'PEOPLE CAN'T SEE ANY LIGHT AT THE END OF ANY TUNNEL': *UK GUARDIAN*

**"The** worst is clearly behind us." Panaghiota Mourtidou pondered the words with a gravity unusual for the jovial volunteer. Even now, several days after the Greek prime minister, Alexis Tsipras, saw fit to use the phrase, she still feels somewhat bewildered. "Politicians clearly have no idea of the reality on the ground," she said. "If they did, they wouldn't make such pronouncements because, really, it couldn't be worse."

It is four years since the Guardian met Mourtidou packing food boxes at the Solidarity Club which she and other concerned citizens were running out of the local branch of Tsipras's then radical Syriza party. At the time, the leftist was an ardent fan of the only political force she truly believed could pull Greece from the depths of financial collapse.

Tsipras's promise to stamp out austerity, his raised fist and fiery rhetoric appealed to her sense of justice. In the summer of 2013 – almost 18 months before assuming power – he was “our big hope, the big promise of better days”

But the politician's volte-face, his enactment of some of the most gruelling budget cuts and tax rises since Greece's great economic crisis began, has driven a wedge through any optimism she may have had.

Today, the Solidarity Club operates not out of the party's local premises but a former grocery store up the road. Mourtidou now finds herself struggling with sentiments that veer between disappointment and rage.

“Tell me, how can anyone survive on a basic wage of €490 (£438) and still pay all the taxes they have passed?” she asks, stacking rice, pasta and pulses destined for the needy she encounters daily.

“There are 51 families who depend on us, and a lot of them feel desperate. OK, Greece has escaped bankruptcy, it has even dipped its toes in the markets again but, so what if its people have been left bankrupt in the process?”

With its brightly coloured furniture, open doors and do-good William James motto, the Solidarity Club is testimony to the endurance of Greeks under duress. Eight years on, the country's debt drama, its brutal internal deflation to avert euro exit and austerity-driven downturn, have decimated districts like this.

For the Solidarity Club stands not in one of Athens' poorer suburbs – areas where citizens have long lived on, or beneath, the bread line – but in Koukaki, the neighbourhood favoured by those who want to be close to the Acropolis but can't afford to reside on, or off, the boulevard that surrounds it.

It is in Koukaki that Chryssa Christodoulaki and her husband, Anestis, have lived for close to 50 years.

Until the outbreak of the crisis when she was compelled by crippling taxes to close her salon, the French-trained hairdresser had paid into a pension fund for almost 45 years – contributions that yielded a decent income before budget cuts whittled it away. “At first it was a fairly good pension at €1,750 a month,” she recalled.

“Then it was cut to €1,430 a month and now its €960 a month,” she sighed. “Anestis has suffered, too. All his life he worked in a private company only to see his own pension cut considerably.”

The language of progress undone does not come naturally. In the wake of military dictatorship – and 43 years of peaceful democratic rule – life had only got better. Now the couple are no longer sure if they belong to the middle class. Hopes of spending their latter years in Crete have been dashed; so, too, have plans of a work-free retirement.

“We talk about it often,” says the 68-year-old, who has private clients to make ends meet. “The middle class has certain comforts. We’ve become poorer and have adult children who can’t find work, who don’t want to go abroad and who rely on us. That’s the worst. An entire generation who have only known crisis, who may never be able to find work or have a family and future.”

Athens, like most urban centres, has been hardest hit by a crisis that has seen the country’s economic output contract by a devastating 26%. A study by the DiaNeosis thinktank found that 15% of the population, or 1,647,703 people, in 2015 earned below the extreme poverty threshold. In 2009 that number did not exceed 2.2%. The net wealth of Greek households fell by a precipitous 40% in the same period, according to the Bank of Greece. Unemployment, austerity’s most pernicious effect, hovers around 22%, by far the highest in the EU, despite a 5% drop in the last two years.

Although the worst is over in terms of fiscal adjustment, few believe Greece will be able to escape a fourth bailout even if Athens regains market access when its current EU-IMF sponsored programme ends in August next year.

“It is very difficult to see the country being able to make a clean exit [from international stewardship] and raise the sort of money it needs to refinance its debt,” said Kyriakos Pierrakakis, director of research at DiaNeosis. “It will almost certainly need a new financial credit line, a bailout light, and that will come with new conditions.”

In such circumstances, faith in government claims that the country has turned the corner – based as much on last week’s market foray as completion of a landmark compliance review and disbursement of €8.5bn in bailout funds – is in short supply.

“Greeks can’t see any light at the end of any tunnel,” said Christodoulaki, shaking her head in disbelief. “They won’t believe anything at this point until they see it for real in front of their eyes.”

Across town in the communist party stronghold of Kaisariani, municipal authorities are already preparing for winter. In the giant 1960s concrete town hall, the social services department has lined up fundraising events, including concerts and theatre performances, to finance food donations that local stores and supermarkets can no longer afford to make. “Needs have grown exponentially,” said Marilena Christodoulou, her office wall adorned with the slogan “poverty is not a crime”..



## THE HOUSE IS BURNING; RONALDO'S TAX TRICKS HIT THE ENTIRE FOOTBALL INDUSTRY; DER SPIEGEL

**F**ootball players with Real Madrid have a pretty good idea about where the best place to live in Madrid is: The La Finca luxury residential complex in the northwestern part of the Spanish city. The development, a 30-minute drive from the training grounds, consists of virtually identical, bunker-like luxury homes with landscaped gardens and pools. There is tight security at the entrance to the community, and there are small parks and ponds. The development is relatively shuttered from the outside world, except for those residents who jog on a path along the perimeter.

Real Madrid stars Gareth Bale and Toni Kroos live in La Finca. Cristiano Ronaldo has been a resident for eight years, and his agent Jorge Mendes also owns a house there. The two men, who are good friends, met when Ronaldo was still an up-and-coming talent with Sporting Lisbon.

Mendes owned a popular nightclub at the time, which gave him access to many professional football players. Ronaldo was looking for an agent. They formed a relationship and, in the coming years, conquered the world with football. One man shot the goals while the other handled the money. Today, neither man knows what to do with all his millions. When Mendes was married in the northern Portuguese city of Porto two years ago, Ronaldo, his best man, gave him a Greek island as a wedding gift.

But now their journey could come to an end.

The La Finca luxury development is in the town of Pozuelo de Alarcón, where the Ronaldo tax case will be heard in court on July 31, at 11 a.m. After the hearing, Judge Mónica Gómez Ferrer will decide whether the striker should go on trial. Spanish authorities accuse Ronaldo of evading 14.7 million euros (\$17.1 million) in tax payments from 2011 to 2014. The top player could potentially face prison time if the case goes to trial.

The place where Ronaldo's future will be decided stands in absurd contrast to the colorful life of the four-time winner of the Ballon d'Or, awarded annually to the world's best male player. The court building is next to a highway, the room where the hearing will take place is less than 30 square meters (about 300 square feet) and Ronaldo will have to sit on wooden chairs without cushions.

Ronaldo's reputation is on the line in Pozuelo de Alarcón, as is that of the entire world of professional football. Lionel Messi and Neymar were already convicted of tax evasion. Is a third superstar next? It would mark a turning point if he was. What will people think of a sport whose biggest idol is lining his pockets at society's expense?

DER SPIEGEL exposed Ronaldo's tax tricks last December. Clubs and football media barely acknowledged the report, which was based on documents from the whistleblower platform Football Leaks. When Ronaldo was officially under investigation by the public prosecutor's office seven months later, they pretended to be surprised and feigned incredulity. Why him? Could it be possible?

Yes, it could!

Football ceased being the world's favorite pastime quite some time ago. In its most-extreme form, the world of professional football, the sport has become its own sector of the economy. The value added in the German national league, the Bundesliga, exceeds 8 billion euros (\$9.3 billion), and 53,000 people make a living, directly or indirectly, through professional football.

An entertainment industry that involves such large sums of money ought to be subject to greater scrutiny, and yet it isn't. Instead, a swamp has emerged in which dubious agents are able to go about their business undisturbed.

The players benefit from the system, as their salaries keep going up and up. Cristiano Ronaldo was the greatest beneficiary in recent years. He is one of the world's highest paid athletes, earning about 40 million euros a year at Real Madrid. There are several luxury cars parked in his garage at La Finca, and he owns a private jet.

But all of this was apparently not enough for him. There is no other way to explain why Ronaldo agreed to a tax savings model years ago to ensure he would have a few more millions for himself.

This is how the construct worked: Two Irish companies, MIM and Polaris, collected the revenues from advertising and image rights. Mendes and Ronaldo were part owners of Polaris. The money was then transferred to an offshore company in the British Virgin Islands with a Swiss bank account. In the end, Ronaldo paid only 6 million euros in taxes on a total of about 150 million euros. The public prosecutor's office in Madrid views this construct as a "conscious and deliberate violation by the accused of his tax obligations in Spain."

Through his attorneys, Ronaldo stated that he had not intentionally evaded paying taxes. If the case against him is allowed to go forward, the trial will also revolve around two questions: Who devised the offshore construct? And what did Ronaldo know?

Ronaldo likes to invite friends and family members to parties at his house in La Finca, where guests play football in the yard. His agent, Mendes, sometimes makes an appearance. He isn't much of a football player, but he spends most of his time on the phone, anyway. Mendes is a workaholic and he always has several mobile phones with him, sometimes using them simultaneously. His agency, Gestifute, represents more than a dozen world-class players, and now the agent behaves like a star himself.

Four weeks ago, when Mendes was summoned to testify in court in Pozuelo de Alarcón in the case against professional player Radamel Falcao, he arrived in a black, chauffeured limousine. Mendes is an impulsive man, but when the judge began peppering him with questions, he became increasingly restless in his seat.

His agency, Gestifute, has its offices in Ulysses House, an expensive office complex in Dublin. Polaris and MIM, the two companies that have played a key role in the offshore construct, have their registered offices on the same floor. One of the managing directors of Polaris and Gestifute is Mendes' nephew Luis Correia. Another one, Irish national Andy Quinn, represents all three companies at Ulysses House. As a shareholder, Mendes has collected a total of 6 million euros in dividends from Polaris.

Several Mendes players were summoned to appear at the court in Pozuelo de Alarcón in recent months. Colombian striker Radamel Falcao was questioned, and he has since paid the Spanish tax authorities 8.2 million euros. Portugal player Pepe has paid 1.8 million euros, Ángel Di María 1.3 million euros, Fabio Coentrão 1.3 million euros and Ricardo Carvalho 500,000 euros. The tax authorities' investigations of other players are still underway...

## IRAN-CHINA H1 TRADE UP 31% TO \$18 BILLION: *FINANCIAL TRIBUNE*

**C**hina has traditionally been Iran's biggest trading partner. The Joint Comprehensive Plan of Action, the official name of the nuclear deal Iran signed with world powers, including China, in 2015, gave a further boost to bilateral economic relations.

Bilateral trade grew 31% during the first half of 2017 compared with last year's corresponding period to reach \$18 billion, Iran-China Chamber of Commerce cited data from Chinese customs department.

According to the report, China's exports to Iran saw a 23% year-on-year increase during the period, rising from \$7.2 billion to \$8.8 billion.

Iran's exports to China rose from \$6.5 billion to \$9.2 billion, registering a year-on-year increase of 40%. Oil was the main commodity exported by the Islamic Republic to the Republic of China.

China is the top importer of Iranian oil and non-oil commodities.

Iran exported 14.8 million tons of non-oil commodities worth \$3.61 billion to China during the six-month period, up by 4.2 million tons in volume and \$970 million in value YOY.

Last fiscal year (March 2016-17), China imported 37.7 million tons of Iranian goods worth \$8.17 billion, up 9.1% compared with the year before and exported \$10.73 billion worth of commodities in return.

Since Iran's overall non-oil foreign trade stood at \$87 billion, trade with China accounted for more than one-fifth (21.72%) of Iran's total commercial exchanges with other countries last year.

Latest statistics on Iran's foreign trade provided by the Islamic Republic of Iran Customs Administration show Iran exported \$2.84 billion worth of non-oil goods to China and its imports reached \$3.49 billion during the four months of the current Iranian year (started March 21).

"Iran-China trade has been developing since JCPOA. China is not only Iran's biggest trade partner now but also one of the major investors in our country," Iran's Ambassador to China Ali Asghar Khaji told IRNA, referring to China National Petroleum Corporation's 30% share in the \$4.8b-contract involving Iran, France and China to develop Phase 11 of the giant South Pars Gas Field.

Last week, China signed a contract with Iran to finance the electrification of a 926-km railroad from Tehran to the northeastern city of Mashhad in Khorasan Razavi Province with a \$1.5 billion loan. This was the first foreign financing in an Iranian project post JCPOA.

As per the agreement signed between the two sides in Tehran on Tuesday, the guarantee for the loan, which is to be granted by Exim Bank of China, will be provided by Iran's Bank of Industry and Mine. The electrification project will be carried out by China National Machinery Import and Export Corporation, otherwise known as CMC. The project is expected to take four years to complete.

"China Exim Bank has financed 26 projects in Iran to date," Sun Ping, vice president of Exim Bank of China, was quoted as saying by IRNA on the sidelines of the signing ceremony for the financing deal in Tehran, adding that \$8.5 billion worth of loans have so far been granted by the bank to fund Iranian projects.

Tehran-Mashhad railroad is a strand of the so-called New Silk Road—a 3,200-kilometer railroad project that ultimately sees Urumqi, the capital of China's western Xinjiang Province linked to the Iranian capital Tehran, connecting Kazakhstan, Kyrgyzstan, Uzbekistan and Turkmenistan along the way. The idea was first proposed by chief engineer of China Railway Corporation He Huawu in late 2015, just before international sanctions imposed on Iran over its nuclear program were lifted in January 2016.

From Tehran, the grand project will join Iran's east-west network leading to Turkey and eastern Europe. It could also open a way to Europe via a developing rail route from southern Iranian ports to Azerbaijan and Europe.

The so-called Belt and Road initiative—a mega project that seeks to connect Asia, Europe, the Middle East and Africa—put forward in October 2013 by Chinese President Xi Jinping, includes several corridors through land and sea, including the New Silk Road rail route.

Khaji believes Iran-China ties are stronger than ever in all fields and the sides are in complete accord regarding bilateral, regional and international issues.

A Chinese delegation is scheduled to visit Iran to attend the inaugural ceremony of the second presidential term of Hassan Rouhani on August 5.

In May, IRNA reported that Iran's trade with China registered a 70% growth under the government of President Hassan Rouhani, rising from \$45 billion during the administration of former president, Mahmoud Ahmadinejad, to over \$76 billion (from August 2013 when Rouhani took office to the time the report was published)...

## GAME OF THRONES FACES TV'S ARMY OF THE DEAD: *BLOOMBERG*

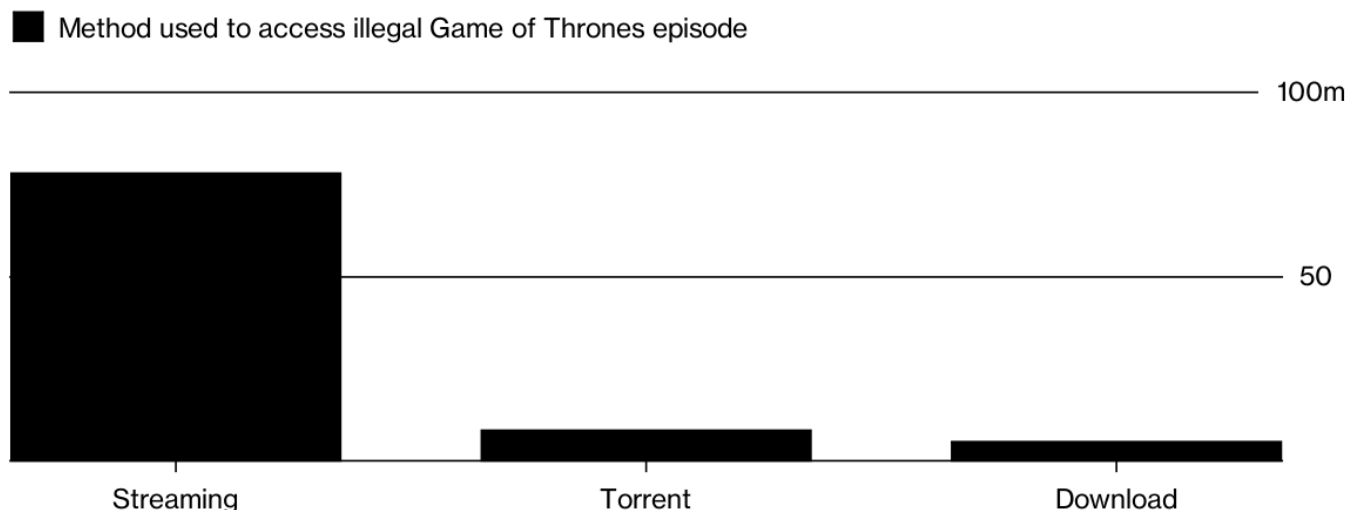
**I**n Westeros, you have to be ruthless, conniving or hard as nails to win the Iron Throne. Ideally all three if you want to hold onto it. Unlike real-life royals, a docile acceptance of one's lot in life doesn't really work.

Yet enlightened resignation is the best response right now for companies facing rampant piracy of their television shows. Just as retailers have learned to live with a certain amount of theft, the creators of mega-hit TV shows and the buyers of broadcast rights may just need to consider piracy as a cost of doing business in the internet era.

Consider Game of Thrones, which has just been crowned the most pirated show ever.

### Game of Clones

The season 7 premiere of Game of Thrones was watched illegally 91 million times globally



Source: MUSO, anti-piracy technology company



The season seven premiere last week was downloaded or watched illegally 15 million times in the U.S. and 6.3 million times in the U.K, according to anti-piracy technology company MUSO. If those numbers are real, 1 the Game of Thrones U.S. audience was almost double the 16.1 million reported by HBO.

This is obviously bad for HBO, which spends \$6 million per episode. All those computer-generated White Walkers cost money and the company deserves to make a solid return on its investment. It's also bad for distributors like Sky Plc in the U.K. and Orange SA in France which pay tens of millions a year for HBO rights.

Sky reported U.K. ratings for the premiere of 2.8 million viewers, which should rise to 4 million once a week of catch-up viewing is added. MUSO reckons 6.25 million Brits ripped off the episode. Anyone illegally downloading or streaming Game of Thrones has one less reason to buy a monthly subscription from the Rupert Murdoch-backed company.

So yeah, piracy's hurting the TV business. But other industries cope with theft and counterfeits. U.S. stores lost some \$48.9 billion of sales last year, 1.4 percent of the total, to "retail shrink," according to the National Retail Federation. In Europe, the makers of cosmetics and personal care products lose almost 8 percent of sales to fakes, says the European Union Intellectual Property Office.

It's probably best for the TV industry to do what it can to tackle bigger stuff such as the streaming tech suppliers. But going after individuals online is pretty much a waste of time. As that astute strategist Tywin Lannister might say, it isn't smart for TV bosses to go to war with an invisible enemy whose size they cannot measure.

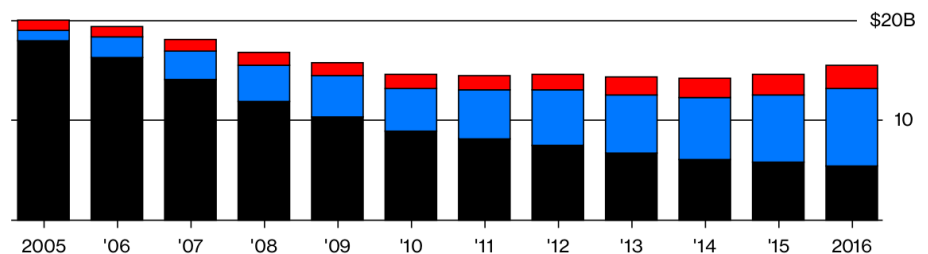
The music industry made this mistake in the 1990s, when it sued individuals over stealing music and fought an ultimately fruitless battle against sharing sites like Napster. None of that revived music sales. Only the arrival of Spotify, Apple Music and other legal streamers restored growth.

So music's lesson is that you're better off worrying about those who are willing to pay and creating great products for them. That might mean cheaper, more flexible prices to attract younger people. Take HBO Now, a web service that lets U.S. customers skip expensive cable packages. Its growth has offset losses of traditional subscribers, helping HBO revenue expand 4.9 percent to \$5.9 billion last year.

### Spreading Like Wildfire

Streaming services helped the music industry return to growth in 2015 after more than a decade of decline

■ Physical ■ Digital ■ Performance rights



Source: IFPI, a trade association for the international recording industry

Of course, the impact of piracy can be alarming. Sky has spent billions on TV rights for English Premier League soccer, but viewing figures are falling. Some of that might be down to illegal streaming, though it's tough to quantify. Action has been taken against pub landlords for showing unauthorized matches.

More interesting, though, has been Sky's nimble attempts to make its product more compelling (and cheaper) for those tempted by illicit viewing. It sells daily, weekly and monthly sport passes via its Now TV web service. And fans of a single sport can now sign up for a channel showing only that sport. Petrolheads can pay 18 pounds a month for Sky's Formula One channel.

There's an ongoing debate in Game of Thrones about whether it's better to rule through fear or by winning the people's hearts: Cersei Lannister's worldview versus that of Jon Snow. If TV producers and distributors really want to thrive as technology upends their business, the Snow approach seems shrewder...

## UBER UNDER PRESSURE IN SOUTHEAST ASIA

*THE INNOVATION ENTERPRISE*

**U**ber has replaced the word Taxi in the public vernacular in a startlingly short period of time. Since launching in 2010, the US-based lift-sharing service has grown its network over 160,000 drivers across 58 countries, and now deals with about 12 bookings every second. Obviously, a company of this size that has experienced such fast growth will have made enemies along the way - regulators and traditional taxi services are at the front of this queue. There is also now a growing cabal of competitors operating in different regions, including Lyft in the US, Didi Kuaidi in China), Ola in India, and Grab in South-East Asia

Grab, which launched in 2012, is giving Uber particular cause to be looking over its shoulder. They have grown from a fleet of 30 taxis to overseeing over 111,000 drivers in 22 cities across six countries, and have 11 bookings every second. It has also now hired its first CFO, Linda Hoglund, who arrives from Singapore-based video streaming startup, HOOQ.

The move stands in stark contrast to Uber, which has gone without a CFO since Brent Callinicos vacated the post in March 2015. Grab's most recent funding round was a \$350 million Series E, with investors including Didi Kuaidi. These sums may look paltry next to those taken in by Uber, but in the context of the region, they are huge. Grab's decision to hire a CFO also seems to indicate that they may be considering an IPO. A CFO is often one of the last major hires a company makes before going public. Under Sarbanes-Oxley, companies are required to have a CEO, a chief accounting officer, and a CFO before they can launch an IPO, and it is sensible that they be in the role for more than a year. Hoglund has 20 years experience at multinational companies, and would be strong choice to oversee such a move. But how likely is it?

Southeast Asia holds some 618 million people - that's 168 people per square kilometer. There's also 190 million people in the middle class, which will grow to 400 by 2020, and it is largely a mobile-first region. According to data from Ericsson, smartphone penetration in Malaysia and Singapore - considered by Grab CEO Anthony Tan as proxies for Southeast Asia - are 140% and 152%, respectively.

Unlike other regional Uber-rivals, Grab entered the market as a challenger rather than the first mover. In order to gain the upper hand and exploit the sizable market, it has utilized all the local knowledge available to them and been sympathetic to local customs. For example, Grab understood that many taxi drivers struggled to use smartphones, and they spoke with the drivers to understand how to fix this. The company also liaised with several mobile manufacturers and service providers to help subsidize Internet and smartphones for the drivers. Another example of GrabTaxi's localization strategies would be how it accepts payment. Uber requires card payment, but such a method is not usually the primary method in Southeast Asia, so GrabTaxi accepts cash.

This local knowledge has also meant that they can get along better with regulators than Uber, whose bulldozer approach has made them a number of enemies. In Vietnam they are the only legal ride-hailing app, and in Thailand they were able to launch with the the governor of Phuket's support, while their competitor was kicked out. This could be the difference moving forward. Uber's aggression has not made them any friends, and they may find themselves hindered by this as competitors enter the market who have a more amenable outlook. Uber's apathy towards appointing a CFO seems to represent their contempt for regulations, while the appointment of Hoglund could give Grab a further advantage as they expand within the region, and possibly beyond...

## AMERICA HAS A BACON PROBLEM; OUR PIGS AREN'T FAT ENOUGH: *WSJ*

**T**he day Aaron Foster finally got the full allotment of pork carcasses he'd ordered for his butcher shop in Brooklyn, the anxiety he'd felt during five long months of waiting melted away.

"These pigs had red, red, red meat," says the 35-year-old shop owner, "and amazing, thick back fat."

For decades, hog farmers have been breeding animals to produce a leaner, pinker, lower-fat variety of meat that would calm their customers' fears of clogged arteries. Lately, however, the strategy has run into an obstacle few people saw coming: a legion of foodies who think skinny pigs make for dry, bland meat.

The growing clamor for greasy bacon, sausages stuffed with supple lard, and pork chops oozing with deep, scrumptious, oleaginous flab is so strong, in fact, that a problem has developed. America has a shortage of flabby pigs.

After deciding to search for a new local source of pork chops in December, Mr. Foster had to patiently woo an upstate New York farmer just to get his hooks on a single portly Ossabaw Island hog. “He sent us a pig. Then two pigs,” Mr. Foster says of the courtship. “It was ‘Let’s feel this out.’”

Finally, in May, the farmer agreed Mr. Foster was worthy of the four a week he wanted. The regular supply “has been a huge, huge weight off my mind,” he says.

“People are taking a good hard look at their pork chops,” says farmer Mike Yezzi, 49, whose Flying Pigs Farm supplies Mr. Foster, “and realizing there’s no way to cook this pork chop and not wind up without it being tough.”

More back fat is what discriminating pork lovers want, inches of it, along with redder meat. And thick, greasy bacon, and more supple lard in sausages. That’s the attraction of meat from fatty “heritage” breeds that can be hard to come by.

Penn TenEyck, a restaurant owner in tony Dataw Island, S.C., two years ago wanted to add pork chops to his menu but says “99% of the time they are dry.”

He found the breed of his desire—huge Tamworth hogs—at a farm an hour from Charleston. But “they had more chefs than hogs,” says Mr. TenEyck, 33. “To get in the doors was a little bit of a struggle.”

He persuaded another chef to put in a good word with the farmer, Marc Fillion. Then he kept showing up at the local farmers market to chat up the farmer. After six months of Mr. TenEyck’s wooing, Mr. Fillion agreed to sell him a pig.

Mr. TenEyck’s restaurant now trims the fat before serving \$25 pork chops, using the lard in chicken pâté. “You get that nuttiness, that creamy flavor,” he says. “The fat cap on these things is like an inch and a half.”

Mr. Fillion, 61, began raising Tamworths—nicknamed “bacon pigs”—at the urging of a local chef. “What really surprised me was when we started getting calls from chefs that were not in Charleston,” he says. “These chefs were in Columbia, Atlanta, Charlotte.”

For millennia, farmers bred pigs to be fat, prized partly for the lard used for meals and lubricants. Then synthetic oils and competition from leaner meats had many American hog farmers avoiding the fattiest breeds.

By 2000, the number of stubby-legged Berkshire pigs registered in the National Swine Registry had dramatically declined. Some lardier hogs have gone extinct, says the Livestock Conservancy, a nonprofit that aims to conserve endangered farm-animal breeds.

The pork industry created a better-quality meat by breeding leaner hogs, says Steve Meyer, an economist who analyzes pork markets at Express Markets Inc., a Fort Wayne, Ind., research firm.

With the rise of low-carb high-protein diets, fatty bacon made a comeback. Elite chefs began to cook with oilier pork chops and sausages.

Fattier cuts are now consistently pricing above leaner cuts. Pork bellies, used to make bacon, are so popular their prices have risen around 80% this year...

## EU EXPLORES ACCOUNT FREEZES TO PREVENT RUNS AT FAILING BANKS: *REUTERS*

**E**uropean Union states are considering measures which would allow them to temporarily stop people withdrawing money from their accounts to prevent bank runs, an EU document reviewed by Reuters revealed.

The move is aimed at helping rescue lenders that are deemed failing or likely to fail, but critics say it could hit confidence and might even hasten withdrawals at the first rumors of a bank being in trouble.

The proposal, which has been in the works since the beginning of this year, comes less than two months after a run on deposits at Banco Popular contributed to the collapse of the Spanish lender.

It also come amid a bitter wrangle among European countries over how to deal with troubled banks, roughly a decade after a financial crash that required the European Central Bank to print billions of euros to prevent a prolonged economic slump.

Giving supervisors the power to temporarily block bank accounts at ailing lenders is “a feasible option,” a paper prepared by the Estonian presidency of the EU said, acknowledging that member states were divided on the issue.

EU countries which already allow a moratorium on bank payouts in insolvency procedures at national level, like Germany, support the measure, officials said.

“The desire is to prevent a bank run, so that when a bank is in a critical situation it is not pushed over the edge,” a person familiar with German government’s thinking said.

To cover for savers’ immediate financial needs, the Estonian paper, dated July 10, recommended the introduction of a mechanism that could allow depositors to withdraw “at least a limited amount of funds.”

Banks, though, say it would discourage saving.

“We strongly believe that this would incentivize depositors to run from a bank at an early stage,” Charlie Bannister of the Association for Financial Markets in Europe (AFME), a banking lobby group, said.



The Estonian proposal was discussed by EU envoys on July 13 but no decision was made, an EU official said. Discussions were due to continue in September. Approval of EU lawmakers would be required for any final decision.

The plan, if agreed, would contrast with legislative proposals made by the European Commission in November that aimed to strengthen supervisors' powers to suspend withdrawals, but excluded from the moratorium insured depositors, which under EU rules are those below 100,000 euros (\$117,000).

Under the plan discussed by EU states, pay-outs could be suspended for five working days and the block could be extended to a maximum of 20 days in exceptional circumstances, the Estonian document said.

Existing EU rules allow a two-day suspension of some payouts by failing banks, but the moratorium does not include deposits.

The Commission, which declined to comment on the discussion, had previously excluded insured deposits from the scope of the moratorium tool fearing it "may have a negative impact on market confidence," according to a press release published in November.

Many states supported a suspension of payouts only during the so-called resolution of a failing bank - the process which imposes losses on lenders' investors and possibly also uninsured depositors, while preserving the continuity of the banking activities, the document said.

Most countries opposed bolder plans for an early moratorium...

## THE EUROZONE IS NOW SO FAR BEHIND THE US, IT'S IN FRONT: *EVERGREEN GAVEKAL*

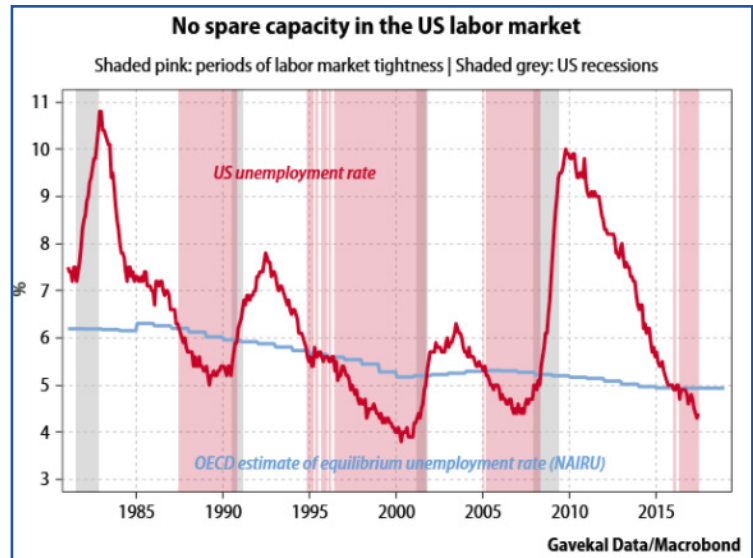
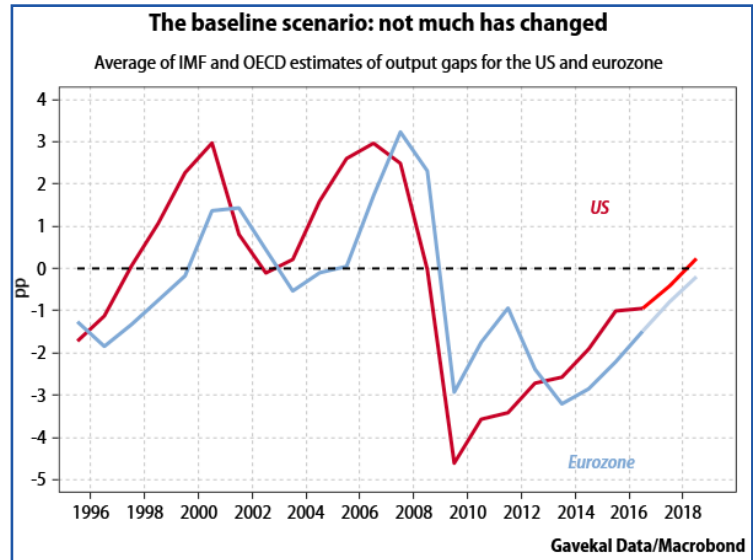
**A**mong the many tricky tasks facing investors is to determine the relative positions of the US and eurozone economies in their respective business cycles. Over the preceding two cycles—the ones that peaked in 2000/01 and 2005/06—the two economies moved broadly in phase, with the eurozone lagging the US by around one year. Estimates from the International Monetary Fund and OECD suggest that that relative position is largely unchanged, with the eurozone trailing the US by one to two years. However, there are good reasons to believe that this time around the eurozone's lag is much longer—perhaps four to five years— and that the world's two biggest economies are now moving out of phase.

It makes a degree of intuitive sense that the eurozone should have fallen further behind the US in its cycle. While the US has enjoyed a slow and steady recovery since 2010, the eurozone slumped back into a double dip recession in 2012-13.

But to get a clearer, more evidence-based, picture of where the two economies stand in their business cycles, we need to examine the extent of the output gap in each, and assess the trajectory of Federal Reserve and European Central Bank monetary policies.

The starting point for any analyst trying to work out where an economy is in its cycle is to look at the output gap. This measures the difference between actual and potential output. A negative output gap signals that there is slack in the economy—slack which tends to exert disinflationary pressure. In contrast, an output gap moving into positive territory signals that the economy is operating above its potential, a state of affairs which fuels accelerating inflation.

The chart above shows an average of the IMF and OECD estimates for the output gaps in each of the US and the eurozone. It suggests that the US output gap will close this year, while the output gap in the eurozone will close either in 2018 or 2019. If this view were correct, it would suggest (i) that the US economy still has some room to expand before it starts to overheat and (ii) that the eurozone is lagging the US by between one and two years. In other words, this baseline scenario derived from IMF and OECD estimates implies that the relative cyclical position of the US and eurozone economies is little different from that seen in the previous two cycles. We beg to differ.



**The US: Less than Meets the Eye** For several reasons, we suspect that the IMF and OECD measures of the US output gap are misleading, and that the US economy is probably already running above its potential.

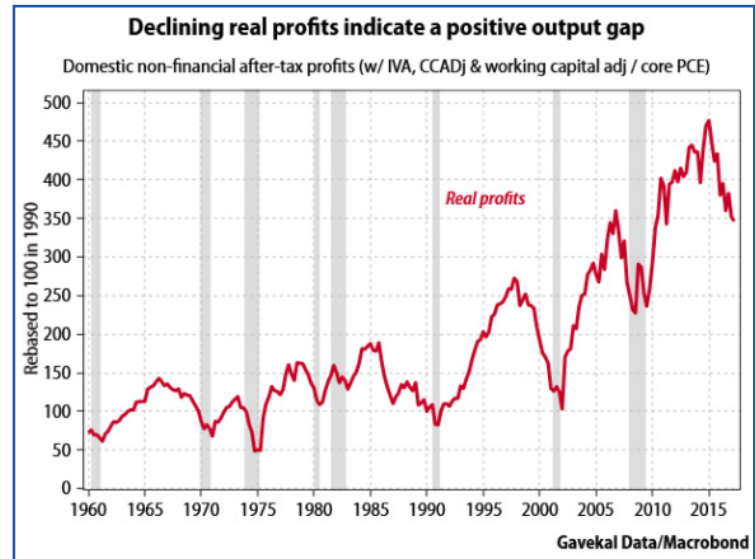
First, the unemployment rate has fallen sufficiently below the natural rate of unemployment to suggest that the US labor market is increasingly tight. The gradual slowdown in the growth of non-farm payrolls and emerging, albeit modest, wage pressures appear to bear this out.

It is true that the proportion of the working age population outside the labor force has grown in recent years, which could in theory provide a reservoir of spare labor for the economy. However, we doubt that many of these people intend to reenter the labor market, as they consist largely of well-to-do baby-boomers who have opted out of the rat race rather than of “discouraged” workers.

More importantly, assessing the business cycle through an Austrian school lens, falling real corporate profits in the US are partly a reflection of a positive output gap. The idea is that when inflation picks up as more and more resources are utilized, businesses tend to underestimate the increase in cost of replacing capital, which depresses real profits.

The Eurozone: Slack to Spare In the eurozone, in contrast, our contention is that the output gap remains deep in negative territory, mostly because of the large amount of slack in the labor market. Granted, unemployment rates have fallen throughout the single currency area as economies have returned to growth. From a peak of 12% in 2013, the headline eurozone-wide unemployment rate fell to 9.3% in May, the lowest in eight years. But the headline rate, calculated using International Labour Organization methodology, is a narrow measure of labor underutilization. Using broader measures of unemployment, which factor in discouraged workers and the underemployed, the rate of labor market underutilization in the eurozone rises from 9.3% to 18%.

This additional layer of slack in the eurozone labor market helps to explain the near-absence of wage pressures. At 1.5% year-on-year, job creation is now running in line with its pre-crisis average. But eurozone workers have yet to see this strength reflected in their pay packets. As the chart below shows, nominal wage growth has stabilized at around 1.3% year-on-year, not far off its lowest level since the introduction of the euro. It took the US economy almost eight years of growth to reabsorb the post-crisis slack in its labor market. Considering the eurozone only returned to growth at the end of 2013, it could potentially take another four to five years before nominal wage growth starts accelerating appreciably and adding to inflationary pressure...



## SPAIN HAS A DEBT PROBLEM AND SO NOW IT HAS A ZORRO PROBLEM: *WSJ*

**A**ntonio Sánchez recently came to a dispiriting conclusion about his professional future. Spain isn't big enough for two debt collectors who dress up like Zorro.

His troubles began one day in the Spanish city of Valladolid. Mr. Sánchez was at the wheel of the Zorro-branded car he would use to drop by unannounced—in full Zorro costume—to the homes and businesses of debtors he'd been hired to confront and to shame into paying up.

He pulled alongside another vehicle that, to his astonishment, also sported an image of the fictitious 19th-century masked crusader. "What's up, dude?" Mr. Sánchez recalls saying.

This chance meeting in Valladolid marks the moment Mr. Sánchez learned there was another company using masked Zorros to collect debts in Spain. "Neither of us knew about the other," he said.

The Zorros parted ways amicably that day after sharing a beer, but it was only a matter of time before these competing crusaders-for-hire would cross swords.

Chasing money in Spain is an expensive and slow process. So for decades, Spaniards have tried another way: humiliating debtors with attention-grabbing stunts. If somebody is being pursued by a man carrying a briefcase while dressed as a monk or a bullfighter, most Spaniards assume that person hasn't paid their bills.

Though Spain's economy is improving, there is still a lot of debt unpaid. In the first quarter of this year, 71% of money owed to companies was late for payment, according to the Spanish Confederation of Small and Medium Enterprises.

Because these costumed nuisance-makers get to keep between 20% and 60% of the money they collect from businesses and individuals, the spoils can be substantial. So substantial, in fact, that competing firms sometimes find themselves in court, too.

Last year, a company called El Zorro Cobro de Morosos took legal action against Mr. Sánchez's employer, El Zorro Cobrador—successfully claiming it holds exclusive rights to the use of Zorro in debt collecting because it had registered the brand and the logo with the Spanish Patents and Trademarks Office in 1994. The other Zorro firm said it registered a month later.

"They were using that name improperly," said an employee at El Zorro Cobro de Morosos, who declined to be named.

The story may not end there, however. The Zorro who laughs last laughs best—and that Zorro might be Zorro Productions Inc. of Berkeley, Calif. The firm owns the rights to Johnston McCulley's original character and leases the Zorro trademark for movies, jewelry, ice cream parlors, household décor and even robotic machinery. "They cannot do it," said John Gertz, the company's president and chief executive.

Mr. Gertz, who was baffled to learn about the Spanish Zorros, said he is now gathering more information about the matter. Using Zorro's likeness to hunt down debtors could hurt the character's reputation as a defender of the poor, he said.

The employee at El Zorro Cobro de Morosos said they've never sought to use the brand internationally.

Meanwhile, El Zorro Cobrador has rebranded to El Coyote Cobrador, or The Coyote Collector, mimicking a novel and comic-book character of the same name, itself inspired by Zorro. Mr. Sánchez and his five costumed colleagues at the Valencia-based firm are doing business as usual, but had to scrap their old uniforms that spelled "El Zorro" and order new, similar-looking ones.

The firm has also set up different companies that rent out other characters, including the Clown Collector and Roman Collection, where centurions show up. In the Basque Country, where there is a strong nationalist drive, it deploys a collector dressed in traditional regional attire. Different brands "allow us to be our own competition and gain market share," said the owner, who goes by Jesús Cano, a pseudonym he said he uses in business to protect himself.

Juan José de Diego, who runs a different company, was among the first to use a costume, donning the habit of a Franciscan monk to chase delinquent debtors some 30 years ago. Now his El Monasterio del Cobro, or The Monastery of Collection, employs 30 monks who chase increasingly high-profile targets. In his Madrid office, Mr. de Diego proudly displays stacks of newspapers and magazines that feature his monks' exploits.

"It's not a costume, it's a uniform: Just like doctors or policemen have a uniform, so do we," he said.

Mr. Cano has set his sights on foreign markets and recently launched Sherlock Debt Collectors in Britain. The firm had intended to chase debtors while dressed as the fictional British detective Sherlock Holmes but found that English courts treat such a pursuit as harassment, a crime punishable by five years in prison.

"They are a bunch of wimps," he said.

For now, when they travel abroad, his debt collectors limit themselves to handing out business cards to the debtor's family and friends, seeking to shame them in the eyes of loved ones...



# CHARTS THAT MAKE YOU GO HMMM...

**T**here is a global push by lawmakers to eliminate the use of physical cash around the world. This movement is often referred to as “The War on Cash,” and there are three major players involved:

## 1. The Initiators

Who?

*Governments, central banks.*

Why?

*The elimination of cash will make it easier to track all types of transactions – including those made by criminals.*

## 2. The Enemy

Who?

*Criminals, terrorists*

Why?

*Large denominations of bank notes make illegal transactions easier to perform, and increase anonymity.*

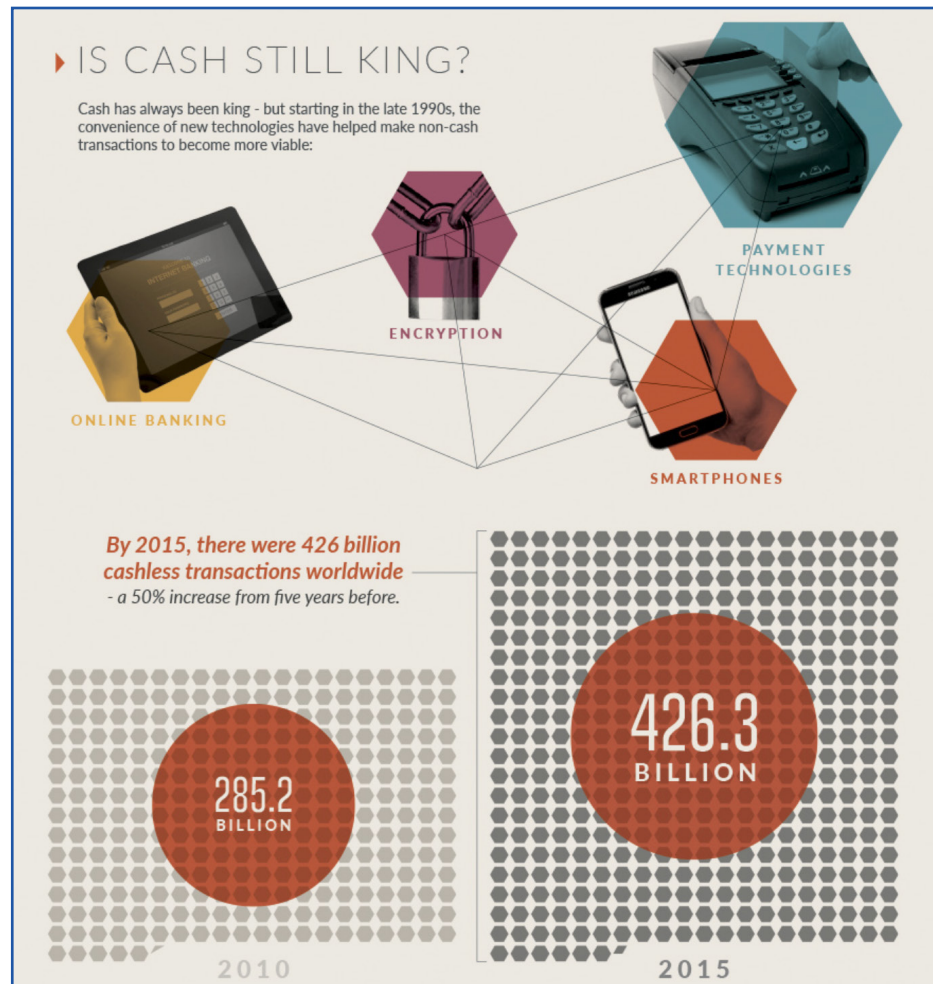
## 3. The Crossfire

Who?

*Citizens*

Why?

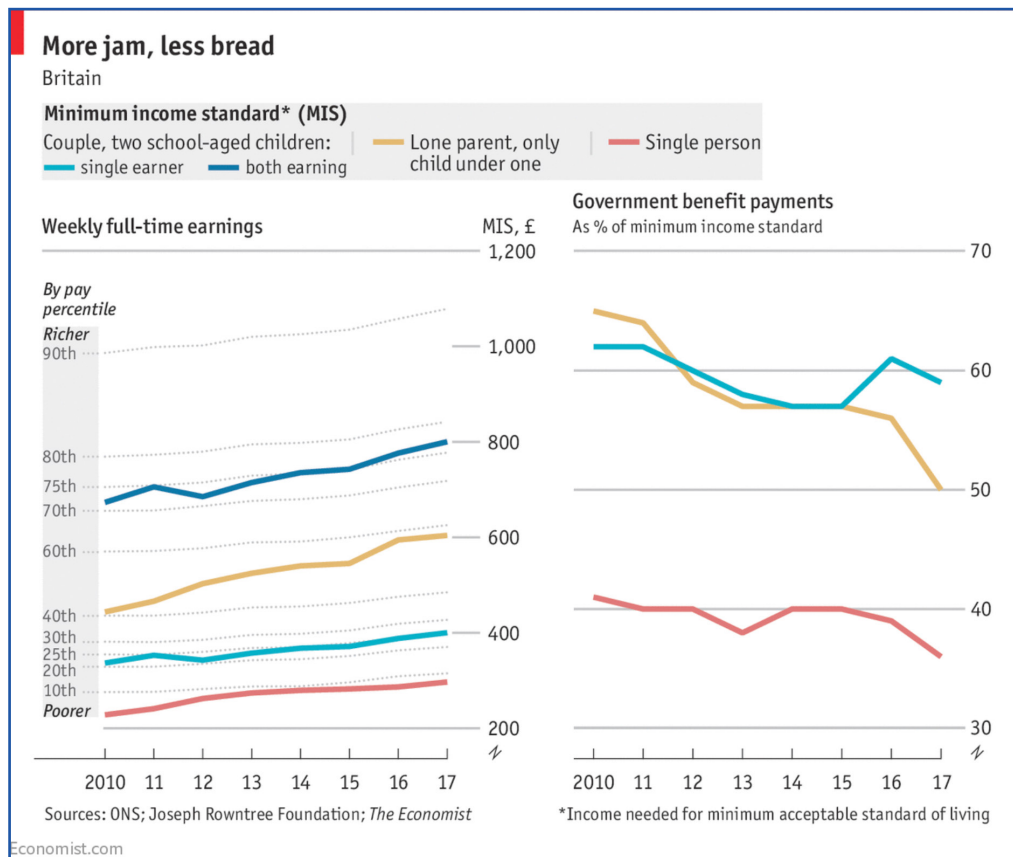
*The coercive elimination of physical cash will have potential repercussions on the economy and social liberties.*



Cash has always been king – but starting in the late 1990s, the convenience of new technologies have helped make non-cash transactions to become more viable.

By 2015, there were 426 billion cashless transactions worldwide – a 50% increase from five years before...

[LINK](#)



In her maiden speech as Britain's prime minister roughly a year ago, Theresa May addressed her remarks “directly” to families who were struggling, and pledged to do everything she could to help them. But their economic situation has not improved since then. In fact, people who are “just about managing,” or JAMs—a vaguely defined group of roughly 6m working-age households on low to middle incomes—are likely to be worse off than a year ago.

One way to gauge their situation is by comparison with the minimum income standard (MIS), a measure devised by the Joseph Rowntree Foundation, a think-tank, in conjunction with Loughborough University. It is based on focus groups made up of members of the British public and estimates the lowest socially acceptable standard of living in Britain for various types of family. Since 2010 the MIS for most family types has risen substantially, outstripping all gains from wage rises, tax cuts and benefits. Last year alone it jumped 4%.

All family types in the JAM group are worse off than they used to be in real terms. Singletons need to earn around £300 (\$388) a week. Eight years ago the comparable figure was less than £230, so the MIS for this group has risen 30%. Full-time earnings at the 10th percentile have increased by less than half, meaning more single people are seeing their earning power fall behind. A similar pattern is true for single parents...

[LINK](#)

	1973	2017	% change 1973 - 2017
<b>Pint of lager</b>	£0.14	£3.59	2464.3
<b>Loaf of Bread</b>	£0.11	£1.03	836.4
<b>Apples, per kg</b>	£0.28	£2.02	621.4
<b>Pint of milk</b>	£0.06	£0.43	616.7
<b>Sausages, per kg</b>	£0.58	£4.89	743.1
<b>Butter, per 250g</b>	£0.13	£1.46	1023.1
<b>Carrots, per kg</b>	£0.11	£0.65	490.9
<b>Sugar, per kg</b>	£0.11	£0.68	518.2
<b>Coffee, per 100g</b>	£0.28	£2.95	953.6
<b>Dozen eggs</b>	£0.33	£2.02	512.1
<b>Flour, per 1.5kg</b>	£0.15	£0.82	446.7
<b>Diesel, per litre</b>	£0.08	£1.18	1375.0
<b>Average detached house</b>	£16,980.00	£345,833.00	1936.7
<b>Gold troy ounce</b>	£34.00	£942.70	2672.6

**P**resented without comment – except to say thank you to [Dave Collum](#) for bringing this to my attention, and to point out the colour of lager...coincidence?

Possibly...

## WORDS THAT MAKE YOU GO HMMM...

**Jesse** Felder's podcast, [Super Investors and the Art of Worldly Wisdom](#) has fast become one of my favourites and this week's guest, William White, is one of the nicest people I've met on my Real Vision journey over the last few years.

Jesse's conversation with Bill is reassuring in that it provides hope that guys like Bill do walk amongst the halls of public finance...



[CLICK TO LISTEN](#)

**Dr.** Pippa Malmgren is not only a dear friend, but a brilliant observer of the world around her and this week we are privileged to hear her thoughts on cryptocurrencies, Texas post-Trump, the dollar and, of course, geopolitics.

This is an audio interview as opposed to a video so luckily there are no 2nd year film students desperately (and hopelessly) trying to justify anything to their professor...

[CLICK TO LISTEN](#)



**F**acial recognition software is a rapidly-growing sector as technology improves in leaps and bounds but what does the future hold?

This video offers what to me is a terrifying glimpse into one possible option as privacy vanishes and every move made by human beings is monitored by the State.

What better place to trial this technological advancement than China...

Science fact, not science fiction, but infinitely more scary in my opinion.

[CLICK TO WATCH](#)



## AND FINALLY...



[CLICK TO WATCH](#)

**B**ritain's Peter Kay is both brilliant and a true original and in this clip from one of his sell-out stand-up tours, he takes aim at misheard song lyrics.

The results are hilarious.

Enjoy...





Things that make you go  
**hmmm**

## About The Author

**M**uch to his chagrin, Grant Williams has reached 30 years in finance.

Over that period, he has held senior positions at a number of investment banks and brokers including Robert Fleming, UBS, Banc of America and Credit Suisse in locations as diverse as London, Tokyo, New York, Hong Kong, Sydney and Singapore.

From humble beginnings in 2009, *Things That Make You Go Hmmm...* has grown to become one of the most popular and widely-read financial publications in the world.

Grant is a senior advisor to Vulpes Investment Management in Singapore, an advisor to Matterhorn Asset Management in Switzerland and also one of the founders of *Real Vision Television*—an online, on-demand TV channel featuring in-depth interviews with the brightest minds in finance.

A regular speaker at investment conferences across the globe, Grant blends history and humour with keen financial insight to produce unique presentations which have been enthusiastically received by audiences wherever he has traveled.

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