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Some things that bear watching are clarifying, such as war in the Middle East, European instability, US politics and the strategy by which a government tries to stimulate a sluggish economy by buying its national debt.

Foremost is the war in which Shia Arabs, financed and directed by Iran and Russia, are moving to occupy an expanse of territory comprising Syria, Iraq and Iran. Their first task is to suppress extremist Sunni warriors called ISIS who are in a frenzy of primitive religiosity focused on killing Christians. Reports say 700,000 Christians have fled from Syria and 1.2 million from Iraq. Help is coming from Egyptian and Nigerian forces with some air support by the US, but after ISIS is routed the territory probably will remain under the control of Iran and Russia.

The combined oil production of Russia, Iran and Iraq in 2013 was 17 million barrels per day, worth \$1.7 billion a day or \$620 billion a year (with oil @ \$100, half that at \$50). Imagine the danger implied by that and the world oil price games that could be played. Then, consider the plight of Saudi Arabia surrounded by Shia enemies who would be pleased to occupy their oil fields, adding 11.7 million barrels a day for a total of 28.7 billion. Then add another 8 million bpd at risk in Kuwait, the emirates and Qatar. A barrel here and a barrel there...pretty soon it adds up. The Saudis are moving toward nuclear defense as they cannot rely on America to protect them. One positive note is that they are using their own soldiers to defend the border with Yemen, now overrun by Shia forces.

Still another threat is from the increasingly warlike Putin of Russia making nuclear threats at those who may be alarmed that his plans may include the Baltic nations, Estonia, Latvia and Lithuania, following his recent taking of the Crimea and Eastern Ukraine. Scandinavia then becomes a front line.

The military capacity of belligerent nations is rising relative to ours. In America, sentiment is against war and the only way that attitude could change to combat-ready would be in response to major, fear inducing, aggressive acts upon us. Even the atrocities of Boko Haram and al Shabaab in Africa, executing every Christian they can find, bring mild response from our government. A possible response would be to train, equip and transport American volunteers to do the job.

Turning to Europe, financial stress is rising from social programs beyond their capacity to support. The resulting deficits are offset by borrowing, leading eventually to heavy taxation and national bankruptcy. A case in point is Greece, which may go into bankruptcy soon. Under such conditions, money has been flowing to the relative safety of America, some of which goes into stocks and real estate, accounting for part of the price buoyancy.

A negative aspect is that Europe, up to now a good customer, is gradually becoming impoverished. The Euro has declined by a third while the dollar has risen in world currency markets creating bargains in European vacations but suppressing demand for American goods.

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US politics raises two questions: why are there no prominent Democrat figures aside from Hillary? And, among the numerous prominent Republicans, will the selected candidate's core beliefs be agreeable to enough voters? One personal observation is that the market has priced in a Republican victory and would react negatively to a surprise Democrat win.

The US Federal Reserve has been on a long term buying program of US Treasury debt. By doing that, the financial structure has become laden with idle cash and interest rates have been driven close to zero, thereby depriving those who rely on bank deposits for their income and creating opportunities for hedge funds to game the system.

When the Federal Reserve buys back US bonds, it hopes that the forced reduction in interest rates will encourage capital spending. The original goal was more intrusive in that it was intended to cheapen the dollar in order to attract foreign buying of American goods. But as the thing unfolded, the attraction of American safety was stronger than the lure of American goods, so foreigners used their money to buy dollars instead of goods and the dollar went up. The game is catching on. Now, Japan is doing it with some success, and Europe is close behind. That way all the currencies involved get cheaper and nothing is achieved but inflation.

Our allocation of assets still favors stocks, real estate, inflation protected bonds and gold. The economy seems to be running in second gear but has good potential which could be unleashed by a new group of political officeholders who appreciate the restorative effects of lower taxation, balanced budgets and a rational restructuring of Social Security and Medicare.

Sincerely,

John May