►On Target

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Bitcoin and the New World of Cryptocurrencies

Bitcoin was the first, eight years ago. Now there are more than a thousand "cryptocurrencies," as they're called, with a combined market value of more than $180 billion, growing at lightning speed.

What are cryptocurrencies?

They are money-substitutes, like gold. Except that they have no physical substance. They are digital credits in giant electronic ledgers. They can be used to transact business, legal or illegal, and to act as a store of value. They operate outside the banking system and of control by any government.

They are a new kind of money, a child of the digital age.

As well as using them to buy or sell anything, you can invest in them or speculate in them, as you can in any tradeable asset.

Their value volatility is extreme. Which means there is a very high risk of sudden loss, but also the chance of enormous capital gains. In its first transactions eight years ago Bitcoin traded at a value of 30 US cents; by early this month, the value of a single "coin" reached $7,882.

It's easy to buy and sell Bitcoins. You download readily-available software from a Bitcoin network on your computer or smartphone, creating a "wallet" to hold your personal information. You receive two unique alphanumeric keys, one public and one private, which acts as your signature.

Your identity remains anonymous – though not to the exchange handling your transactions. 99Bitcoins says: "Nearly every exchange... is subject to money laundering regulations, making it necessary for customers to prove their identities by providing scans of their government IDs, bank statements and utility bills.

"Unless you can fake these types of documents, the exchange will know exactly who you are and will retain these records indefinitely. You'll be associated with all incoming and outgoing Bitcoin transactions on your exchange account, which can indicate your ownership of any addresses related to those transactions."

Others may know your identity. For example merchants you deal with, payment processors, Internet server administrators. It is more difficult to link transactions and holdings of "coins" to specific persons, but it's clear that such information is not as completely secret as it's sometimes made out to be.

Once you have registered with an exchange and received your "wallet," you can interact with others through the exchange to buy or sell, number to number.

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There is no intermediary. Your identity is intended to remain anonymous.

Your public key is used to interact with the exchange to have any transaction confirmed and linked to you in the "blockchain," the giant electronic ledger that contains the history of every transaction made. You can trade with anyone in the world for a minimal processing fee.

Based on the vast diversity offered by the Internet and by complex mathematics, cryptocurrencies are beyond the control of governments. Which means they endanger the hugely expensive and intrusive regulatory system imposed on banks and their clients worldwide to control money laundering, financing of terrorism, tax evasion, and many other kinds of financial crime.

Governments have started to awaken to the implications, and to fight back. China, the leader in this, has ordered its banks to stop lending money to buy cryptocurrencies. This is a war that has only just begun.

On the other hand, Bitcoin and its cousins are also praiseworthy pioneers.

Bitcoin operates on the basis of a maths-based transactions system called Blockchain that is attracting the attention of reputable financial institutions and other large businesses. Tom Coghill, commercial director of RM Assets, says the "distributed ledger technology" on which it's based "is set to transform how the world does business."

Governments, financial institutions and other businesses are slowly coming to terms with cryptocurrencies and seeing their positive potentials as well as their negatives. In Japan hundreds of retailers and service providers, including some large ones, now accept them in payment. Many of the biggest exchanges are backed by major banks and venture capital funds. CME Group plans to offer futures on Bitcoin. Cyber Capital has applied in the Netherlands for a licence to launch a Bitcoin mutual fund.

JPMorgan Chase's chief exec Jamie Dimon, however, publicly describes Bitcoin as a "fraud" mostly used by drug dealers, murderers and other miscreants.

The pros and cons of using, or investing in them

Should you make use of a cryptocurrency, invest in one, or speculate in them? Jim Rickards presents an excellent analysis in his newsletter *Strategic Intelligence*. (He uses Bitcoin as a generic for all other cryptocurrencies such as Ether, Dash, Dogecoin, Blackcoin, Cryptocarbon, Syscoin).

Here are some of the points he makes...

► Bitcoins are created according to a mathematical algorithm. Mathematicians and engineers using computers are invited to solve a maths problem involving record-keeping and proof-of-work. In return the computer operators, known as 'miners', receive a reward in the form of new unspent Bitcoins.

The record-keeping and proof-of-work are kept in a ledger housed on a decentralized and distributed network. New Bitcoin transactions are added to the ledger in 'blocks' and the ledger itself is called the 'Blockchain'. The distributed nature of the ledger means the Blockchain rests on thousands of individual

servers. If any server were destroyed, the Blockchain would still exist in easily-verifiable form on the other servers in the network.

Transactions and Blockchain identification are encrypted using a standard 256-bit public-private key system on the Blockchain. Transfers cannot be authorized without the private key held by the individual owner.

[The] algorithm makes each block of Bitcoins harder to "mine" than previous blocks because the Blockchain grows and the number of trial-and-error type inputs required to complete the proof-of-work grows exponentially. Over 200 quintillion inputs are now needed to create a new block.

The Blockchain's private, encrypted and decentralized nature means that no individual or entity is 'in charge' of it. Unlike other forms of money issued and run by governments, Bitcoin is only controlled by the mathematical algorithm.

Scarcity ensures value driven by demand

[Rickards doesn't say so, what this means is that whereas there are no limits on the amount of additional fiat currency a central bank chooses to "print," and even the world's gold stocks expand through mining, the pool of Bitcoins can only grow very slowly, and at an ever-slowing rate. Its rarity is guaranteed, so its value will be driven almost entirely by demand].

► It serves no purpose to assess Bitcoin on 'intrinsic value'. Bitcoin doesn't have any – and nor does any other form of money… The price of something is what a willing buyer will pay a willing seller…

Bitcoin has utility to some people. It's easy and cheap to make payments [with it]. It offers anonymity to those who value it (including criminals and terrorists]. It's useful in evading capital controls for those trapped in closed systems such as Cuba, North Korea or China. It can also be a lifesaver for refugees who are vulnerable to assault and confiscation as they flee from country to country.

Yet much of the price action in Bitcoin comes from the utility of a 'get rich quick' or 'something for nothing' mentality. [Its] rise can only be explained by greed. That's bad news for Bitcoin because the one recurring lesson from speculative markets is that greed can turn to fear overnight.

Once greed changes to fear, Bitcoin at $200 or lower (about where it was when the most recent hyperbolic stage began) seems likely in the next two years.

► [A] question sometimes asked is: 'Are Bitcoin's gains real?' What's the possibility that some if not all of the Bitcoin market is an elaborate fraud?

Mainstream media reporting on Bitcoin gains comes from websites that are either Bitcoin exchanges, Bitcoin online facilities that match buyers and sellers directly, or news aggregators that themselves rely on data feeds from the Bitcoin exchanges and facilities.

In order to deal, you have to register with the exchange or the facility… It's like buying or selling a share. Yet there are important differences. Bitcoin exchanges/facilities are either loosely regulated or completely unregulated. Some have been given licences by banking or business regulators in certain jurisdictions, but those usually relate to money-laundering.

There are no testing requirements for registered representatives, no background checks for operators, no minimum-capital requirements, no insurance for customer losses, no segregation requirements for customer funds. None of the customer protections that have evolved in stock and commodities exchanges over the past 80 years is in place. It's the Wild West, and *caveat emptor* is the law of the land.

This doesn't mean every exchange or facility is a fraud or financially unsound. Some are highly reputable and operate in good faith. But some are frauds, and others are financially unsound even if not intentional frauds.

There's no way to tell from the outside if you're giving personal information and access to your bank accounts to honest intermediaries, or criminal gangs.

► There are other serious potential problems… [such as] an exchange or facility operated as a Ponzi scheme.

This would be simple to execute, especially in the current Bitcoin frenzy. One way would be to set up an online exchange in a lightly-regulated, tax-free offshore jurisdiction, then design an attractive, user-friendly, professional-looking website.

You could build-out exchange software and apps so that real Bitcoin deals could take place. You could run the exchange for months with actual buys and sells, reporting prices to legitimate Bitcoin price exchange sites. The exchange could then create false Bitcoin credits and steal the cash.

When these frauds are revealed (they always are), there'll be a general loss of confidence in all exchanges, good or bad. It's one of many potential catastrophes that could burst the Bitcoin bubble.

Blockchain technology has a bright future

► One point of confusion for many new to the scene is the distinction between Bitcoin (and other cryptocurrencies) and the Blockchain.

Bitcoin is a digital-ledger-recorded store of value. The Blockchain is the mathematical algorithm through which the ledger is maintained. If Bitcoin is like a dollar, the Blockchain resembles the banking system that supports it.

Bitcoin may or may not have a bright future. Blockchain almost certainly does… A more widely-accepted title is "distributed ledger technology" (DLT), which also allows for improvements and variations from the original Blockchain process.

In fact much of the money pouring into this sector now isn't buying Bitcoins but is launching new technology platforms that can perform DLT in a wide variety of applications. Using DLT you can not only record and track ownership of currencies such as the original Bitcoin, but also of financial assets such as stocks, bonds and property.

► Ethereum [said to be a "smarter" app than Bitcoin] is the preferred platform for initial coin offerings (ICOs), used to raise seed capital for developers creating new apps that use smart contracts. In an ICO, investors receive a 'coin' or token that entitles them to the early use of the new app, and sometimes other related benefits.

ICOs have raised billions of dollars in the past few years. [They] are relatively easy to launch. ICOs have been compared to IPOs (initial public offerings) – traditionally used to raise money for new firms.

But there are significant differences. [In the US], IPOs offer securities required to be registered with the US Securities & Exchange Commission and subject to strict disclosure requirements, intermediation by a broker-dealer, and legal liability for material misrepresentation. ICOs are completely unregulated, provided the 'coins' or tokens are not 'securities' as defined at law. [China has just banned them].

► Governments don't like competition, especially when it comes to money. [They] know they cannot stop Blockchain, in fact they don't want to. What they want is to control it using regulation, taxation, investigation and ultimately more coercive powers.

Blockchain depends on critical infrastructure, including servers, telecommunications networks, the banking system and the power grid, all of which are subject to government control.

Big Brother is coming to the Blockchain. Bitcoin buyers have been warned.

Should you invest in Bitcoin?

Rickards says: "I don't own it or recommend it to investors… If you want to own some… that's up to you. But *caveat emptor*!" My own view is that cryptocurrencies should not be treated as money or investment assets, but as assets for speculating in. They offer big opportunities for short-term gain, but are extremely high risk.

Japanese Shares: Strong Earnings Growth

Although its stock-market is soaring, Japan is "under-owned" in global portfolios, argues David Rosenberg, chief strategist at Gluskin Sheff in New York. It's "a great turnaround story." The 30-year secular downtrend has been broken over the past couple of months, but it's one of the few markets that isn't trading expensively relative to its historical price/earnings ratio.

Leo Lewis of the *FT* reports that corporate earnings, domestic economic growth and structural support from the government combine to make its market attractive, with Shinzo Abe's election victory giving him a new mandate, at least until the 2020 Olympics.

The "most startling transformation" of recent years is the way Japan's companies have become radically different ones. After a record stint of outbound mergers and acquisitions, the overall earnings of the big listed companies are now "59 per cent derived outside Japan: about half of that is exports, the other from offshore production or business, the Japanese megabanks, with loan books tilted to the US and ASEAN, leading the charge."

FullerTreacyMoney's Eoin Treacy says it's important to note that Japan is one of the few countries running simultaneously easy monetary and fiscal policies.

However, CLSA's Christopher Wood argues that Japan's monetary policy – the central bank continues to buy enormous quantities of government bonds to keep interest rates at "around zero" as key to its unrealistic target of pushing up inflation to 2 per cent – is "ridiculous," and a negative factor.

Without it, there would be a clear case for Japanese shares to outperform. They are enjoying the biggest increase in earnings growth this year of any of the world's major stock markets, yet they're far cheaper than Wall Street's.

Early results for the third quarter showed net profits for the first half of the current financial year up 38 per cent. By contrast, industrial profits in China are 23 per cent ahead so far this year; earnings growth forecasts are for only 10 per cent in the US, 13 per cent in Europe.

"The MSCI Japan Index now trades on 15.1x 12-month forward earnings, or an 18 per cent discount to the MSCI USA Index's 18.4x," Wood reports. "It is also a major structural positive that earnings growth is increasingly coming from domestic-focused [rather than export-focused] corporates." That means shares generally are less dependent on favourable moves in the yen-dollar exchange rate.

The worsening labour shortage should lead sooner or later to accelerating wages, boosting consumption.

"This dynamic has already been evident for some time in the case of temporary workers. But to the longstanding frustration of both the Abe government and the Bank of Japan, wage rises for permanent employees have remained minimal, primarily because the trade unions have been more concerned about keeping their employees 'permanent', since such permanent full-time staff, on average, still earn 1.8 [times] the hourly wage for part-time workers."

Companies have been keeping a tight grip on pay increases – one reason why listed firms are enjoying record profits and sitting on record amounts of cash, even allowing for the effect of increasing share buybacks.

There is a long-term trend for Japanese companies to be more generous with their dividend payouts to shareholders. Back in 2004 the payout ratio (dividends as a proportion of earnings) for the Topix index was only 17 per cent. Now it's up to 30 per cent.

Here are a few stocks to consider

If you are interested in investing in Japan now, some shares I currently favour are:

Tokai Carbon, a long-established company that has suddenly attracted attention because of its potential as a materials supplier to one of the world's new favourite industries, batteries.

Recruit Holdings, favoured by CLSA's Wood, is primarily engaged in the temporary staffing business. Its promotional media operation provides information relating to marriage, houses, travel, food, beauty and other daily consumption areas.

Shiseido is the global, mass-market provider of beauty products. Its share has risen 79 per cent this year with good earnings growth. Analysts expect the stock to outperform.

Open Door, a small company that provides travel-related services, with online search and comparisons of package tours, hotels and air tickets. Has been delivering outstanding earnings growth.

Taisei Corp. Another CLSA stock-pick, this civil engineering, construction and real estate development company has also been delivering excellent earnings growth, with all that Olympic Games work still to come.

If you would prefer to leave stock selection to a fund, consider Ireland-based **BNY Mellon Japan Small Cap Equity Focus**, which is available in four major currencies.

Fear and Wealth the Drivers for Gold

In a surprising development, the global investment bank that has been called "the establishment's favourite," Goldman Sachs, has come out in favour of precious metals, which it describes as "a relevant asset class in modern portfolios, despite their lack of [income] yield.

"By looking at each of the physical properties of an ideal long-term store of value... we can clearly see why previous metals were initially adopted, and why they remain relevant today."

The bank identifies two key drivers – fear and wealth. Fear of extremes in investment markets, wealth as rising incomes drive demand for the rare metals.

The good news for gold is that, "as economies grow, they tend to go through a rapid gold accumulation phase at around per-capita GDP of $20,000-30,000." China and other emerging economies "are set to grow to these income levels over the next few decades."

The ratio between household savings and the proportion directed into gold purchases has been broadly stable at around 1.7 per cent for almost 40 years. The real price of gold is positively correlated with savings – but negatively correlated with mine production and net central bank disposals.

Goldman Sachs emphasizes what those of us who invest in gold have long believed – that it has unique characteristics as an insurance policy (one of my relatives in Poland survived the war because she had gold to bribe a German guard), and as a long-term store of value. "Since Roman times, the real value of gold has remained more or less unchanged in the face of wars and political, social and technological shocks."

To deal with economic stress, governments usually seek to boost growth by "printing" money, which erodes its real value. Governments and their central banks lose credibility. The public fears currency debasement and switch their savings out of paper, into gold. Bitcoin and other cryptocurrencies are inadequate alternatives to gold as they lack most of the key characteristics of money and have additional risks such as extreme volatility.

Within the gold market, investors have become more aware of the risks in futures relative to those in physical. More than 95 per cent of trading is in unallocated "paper gold". Goldman Sachs says related fears have probably "tilted demand more in favour of physical gold, or physically-backed ETFs, as a hedge against black swan events."

If you prefer investing in the mining shares, Robin Andrews offers these buy recommendations: Canada-listed **Kinross** and **Centerra Gold**; the London-listed Russian producer **Petropavlosk** ("slowly paying off huge loans, when it has finished this poor swan could fly"); **Centamin**, which mines in Egypt but is a London favourite; and two London-listed Latin American producers, **Leogold** and **Orosur.**

A final interesting fact… According to the World Gold Council, German investors have become the world's biggest buyers of gold -- coins, bars and ETCs ("paper gold") – on a per capita basis. In this year's third quarter the amount of bullion held by the German-listed AUM fund hit an all-time high of 252 tonnes, worth almost €10 billion.

It's suggested that Germans' renewed interest in the yellow metal has been triggered by the cut in European interest rates, the fall in yields of Bunds (German government bonds) into negative territory, and banks' starting to charge customers for holding their cash.

Property in China: Looking Better

Real estate has long been the favourite investment of China's investors, who find unattractive the alternatives as a home for their massive personal savings; but the bête noire of foreigners, scared off by "ghost cities."

Despite the dire prophesies about a bubble about to burst, the markets have experienced only mild corrections, except in a few cities. Larry Wu, Macquarie Securities' Hong Kong-based economist, says the housing sector "has become the Bermuda Triangle for economic forecasters – so many smart people have made wrong predictions about it." Short-sellers betting against major developers have been devastated.

Realities increasingly favour the optimists:

► Housing prices and construction starts are picking up, boosted by government policy. Banks are being encouraged to make mortgage loans, which now account for 38 per cent of all new loans. Local governments are buying 18 per cent of all new residential floor space as they seek to provide affordable housing.

► Of 70 cities in the official housing price survey, 29 experienced rises of 10 per cent or more in the three years to August; the same number also showed gains, but less than 10 per cent. Only a dozen had price falls.

► Some of the "ghost cities" – vast housing developments left empty as the demand they were built for never materialized – are slowly filling up. By August this year, inventories of unoccupied properties in the 80 biggest cities were at their lowest level in almost five years.

However, 32 per cent of families own as an investment a second home that is empty. The source of new demand for occupation – the flow of people from rural areas to cities – is easing off. Most young people have already left the villages.

► Although the risk from over-building remains, there is little risk from over-borrowing to finance it. Family debt remains very low by international standards, with household borrowing at 37 per cent of GDP, compared to 59 per cent in the Eurozone, 79 per cent in the US. And Chinese homebuyers use much more of their capital, take on much less debt. The average down-payment on new mortgage loans is 40 per cent.

Judging Cars by Lifecycle Emissions

It's a fallacy that electric cars are friendlier to the environment than traditional vehicles driven by internal combustion engines, according to a new study by the Massachusetts Institute of Technology.

The famous academic centre compared the"full environmental impact" over lifecycles, taking into account not only cars' emissions of carbon dioxide when in use, but also those arising from their manufacture, sourcing of rare-earth minerals needed for batteries, required generation of electricity for charging batteries, and recycling of components at end of life.

The MIT study shows that the lifecycle emissions assuming 270,000 kms travelled are 61,115 kg for a Tesla P100D, but only 51,891 for a smaller ICE car, the Mitsubishi Mirage.

Government regulators, Patrick McGee reports, treat all electric vehicles as being "equally green, regardless of whether they are big or small, produced efficiently or with great waste, or powered by electricity generated by solar energy or coal.

"As things stand, a small car like the Mirage could be illegal to drive in cities across Europe, the UK and China by 2030, as incoming bans on combustion-engine cars will pay no attention to fuel economy or efficiency of production."

Japanese Kickbacks for Paying Tax

Since 2008 Japan has been operating a local taxation system which is really weird. The "hometown tax" concession allows a city resident to pay a portion of his or her local taxes to a municipality in which he/she does NOT live.

It was introduced to allow people to give financial support to the areas – usually rural – from which they originate. Like a lot of good ideas, this one has had unintended consequences. Municipalities receiving the transfer payments reciprocate by sending gifts as thanks, often of local specialities. As a consequence, such transfers and thankyous now run into billions as councils compete to attract revenue.

Peter Jaeger, a foreigner living in a wealthy ward of Tokyo, gives this example of how it works: "I have just remitted $1,000 to ten small towns and villages around Japan. In return I've received a case of beer, three crates of sparkling water, half a kilo of prime Wagyu filet mignon, three kilos of oranges, three bottles of sake, a kilo of pickled plums, a kilo of water… and five kilos of dishwasher detergent."

Thousands of local governments vie for tax payments that residents will have to make in any case, in return for a dazzling array of backhanders.

Bonanza for the Elite

Almost half the tax cuts to be implemented as part of new French president Emmanuel Macron's "business-friendly" budget will go into the pockets of the richest 1 per cent of taxpayers. The hundred wealthiest families will save an average of €172.000 a year.

Ironically, France is the home of the world's leading economic theorist on inequality and advocate of how the rich ought to be taxed heavily to close the wealth gap, Thomas Piketty.

The tax reforms scrap the annual wealth levy except on real estate, gold, luxury boats and cars, and introduces a 30 per cent flat rate of tax on capital gains, dividends and interest.

The wealth levy is said to be one important reason by France has seen a net outflow of 60,000 millionaires since 2000. Macron's first budget is designed to lure back expatriates, attract foreign investors and revitalize the lagging economy. The finance ministry says that the tax breaks of €4½ billion should boost growth significantly and create 500,000 jobs.

Few Signs of a Bubble

Citibank reports that of 18 global factors that previously indicated investor excess, only three are flashing warning signals. In 2000, in the Dotcom bubble, 17 suggested unsustainable froth. In 2007, ahead of the financial crisis, 13 were telling investors to get out of the stock-market.

Now, things continue to look good. Flows into shares don't look especially frothy. Neither does investor sentiment. Measures of corporate bullishness remain subdued. Volumes of M&A, IPOs and capex are still conservative. There are no signs of an impending recession or of a collapse in corporate profits.

"Some of the indicators are suggesting caution, most notably rising equity valuations and deteriorating company balance sheets," says Citi's chief global equity strategist Robert Buckland. "While these are undoubtedly worrying, we do not see enough signs of excess to suggest the next big bear market is imminent."

Capitalism's Classic Solution

Interest rates are so low, not simply because of central banks' easy-money policies, but "because there is too much capital," says Marc Chandler of brokers Brown Brother Harriman. Quantitative easing amounts to warehousing the surplus capital, but "this is not a permanent solution."

Less capital is required to achieve the same return. An example is the high margins of software companies. "Even in the defence sector," Eoin Treacy comments, "the collapsing price of drones, increasing reliance on cyber solutions and automation show the influence of the deflationary effects technology has on all areas of the economy.

“China’s Belt and Road initiative, the industrialization of Africa, and exploration of space, all represent relatively peaceful outlets for excess capital.

“War/revolution is of course the classic solution to this issue.”

A Low-Risk Strategy

A safer investment than any other, including fixed-income securities and real estate, are the shares of world-class companies operating on a global scale, argues the well-known Singaporean commentator Bernard Tan.

They provide full diversification, hedged, and with “all the macro-economic and challenges taken care of.” They will prove resilient, even in the face of another global financial crisis.

Tan gives as an example, 3M, a “deep” physics, chemistry and material science company. “With each passing year, 3M piles on more patents, a bigger library of chemicals and processes, more knowhow. All this knowledge is cumulative. The company is now 115 years old. All that accumulated intellectual property is practically unassailable… There will never be another company that can challenge 3M on most fronts simultaneously.”

Tailpieces

The key shortage: The “big daddy” of supply-side constraints on growth of the US economy is shortage of skilled labour, argues commentator John Dizard.

“It now appears that it is not easy to turn media studies graduates into IT department coders, even if the latter are paid three times as much as the former.

“At one time it seemed as if there was an unlimited supply of well-educated Indian software engineers, but no [longer]. And do not ask about pipeline welders… particularly sober ones who turn up on Monday.”

Cheap money: Governments are increasingly implementing “dodgy” policies to counter the adverse consequences of sustained ultra-low interest rates, argues *MoneyWeek*’s Merryn Somerset Webb.

“In the UK, for example, we have the ludicrous Help to Buy scheme designed to help people over-leverage to buy overpriced houses (caused by low interest rates); we have our pension freedom policy, a direct result of pensioner fury over low annuity rates (caused by low interest rates); and we might soon have unpleasant age-related taxes designed to reduce intergenerational inequality (caused by low interest rates). None of this is helpful.”

Averaging down: Buying more of a share you favour as, having fallen from the levels at which you previously bought, it’s now even better value – is a tactic against which many experts advise.

If, for example, a share price halves, it will subsequently need to double before you are back to square one. That isn’t readily done.

Rather than averaging down, it’s wiser to cut your losses by selling if a share falls below the stop-loss level you should set yourself, such as 10 per cent below your purchase cost.

Housing: Britain's shortage, which means prices have been driven so high that it's now almost impossible for first-time buyers to afford them, is due to lack of supply by the private sector, argues *The Spectator*. That is a consequence of a "broken market" produced by the problems of planning permission refusals, and local councils that are anti-development.

But instead of acting to remove those obstacles, the government is pouring money into state-subsidized mortgages, which add to demand and intensify the problem rather than relieving it.

Oil: Transportation uses about 63 million barrels a day of total supplies of 98 million, according to the International Energy Agency, the rest being used in industries such as plastics, to generate power, and to provide heating. In the US last year, 54 per cent of oil was refined into gasoline and 9 per cent into aviation fuel, with 23 per cent converted into diesel and home heating oil, 14 per cent into various industrial applications.

New ETFs: JPMorgan plans to offer two London-listed exchange-traded funds based on investment strategies developed by hedge funds… at much lower cost. Its Equity Long-Short ETF will take positions based on strategies such as value, quality and momentum, which historically have provided periods of strong investment performance. Its Managed Futures ETF will use technical pricing signals to invest in shares, bonds, currencies and commodities.

Investors got less: Fees, one-off charges and inflation reduced average annual investment fund returns in Europe by 29 per cent between 2013 and 2015, from 8.7 per cent to 6.2 per cent. Britain delivered the highest returns, averaging 13.8 per cent, but fees/charges/inflation also bit hard, reducing net returns to 10.4 per cent.

Wise words: *Much success can be attributed to inactivity. Most investors cannot resist the temptation to constantly buy and sell.* Warren Buffett.

Martin

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