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Market values were fluid last year as money sloshed around looking for advantage, but over the full 12 month span changes were unremarkable.

Important things are happening, all dramatic and stressful, but with some positive elements.

Power has been moving away from authoritarian hands in Tunisia, Egypt, Libya, Iraq and Syria but into what? A spectrum of attitudes is out there which have not yet settled into coherent, shared ideologies. One hopes that opinion leaders will emerge to suppress primitive religionists but reports of persecution of Christians and the underlying agenda of The Muslim Brotherhood are disquieting. There may be room for surprises. Could it be that political suppression and fanaticism are being resisted among the educated and younger generations because they have cell phones and communication immunizes against brainwashing?

Meanwhile, the probability of violent action between the US and Iran is rising and we are being pushed hard in the Gulf of Hormuz. What would be the likely succession of events in the event of an Iranian act of war? One would expect an overwhelming US naval and air response accompanied by the destruction of Iranian atom bomb factories by Israel. Would the people rise against the mullahs as they did in 2009? The defanging of Iran would be met by relief from fear and quiet applause and a relaxation of stress internationally. Can you imagine the flow of investment capital to a Middle East suddenly becoming receptive to modern times?

And, what if the pacification of Iran was matched by the end of another bogeyman: North Korea? The deterioration of North Korea might make it reasonable for China to adopt the failing nation, as if a province. That could avoid migration driven by starvation and other risks when a society with a big army collapses into chaos.

Simultaneously, Europe is in a late stage of its own romance with socialism. It is fascinating to watch the slow motion collision of the unaffordable into the brick wall of reality. Overextended member nations are no longer able to borrow excessively to support social spending and will have to cut programs to what they can afford and are willing to pay. But their voters still seem unwilling to accept shrinkage in pensions, extended retirement and government services.

The likely behavior of government committees is to appear as though they are nearing a solution resting on Germany's financial strength while preserving the sovereignty of the debtor nations. This preserves the problem and their jobs and keeps the continent in a depressed state with lots of wild cards in play. Perhaps too much to expect would be a real solution: a European constitution which correlates sovereignty with self reliance and discourages parasitism. Alternatively, much of the impoverished southern tier of countries may drift into becoming a source of low cost labor and cheap real estate for the summertime vacations of more prosperous populations in the nations surrounding them.

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The list of socialism's failures continues to grow: East Germany, Soviet Union, North Korea, Cuba and, soon, Venezuela, and may be expanded to include two or three ex Euro members but the US is still eminently salvageable assuming a decisive return to smaller government, free market competition and lower taxes. This would have to be accompanied by generous, enlightened private support for those who require charity but excludes those who merely seek it. Solving this conundrum will require a decision as to the difference, if any, between my responsibility to me and my responsibility to you.

Another positive element is the election this November. Each of us would prefer a strong probable winner about whom we were also enthusiastic, but none is that. Probability logic points to Romney based on estimated marketability in a general election.

Part of the political drift is the spreading realization that an economy really does thrive in freedom and gets bogged down by taxation and pervasive controls. Just in time, too, because it has been chilling to watch our society adapt itself to interacting with large central government bureaus which make decisions for our defense, health, education, nutrition, banking and finance, autos, mining, energy and communications.

And as government workers are unionized and labor power gets intertwined within the government structure, a strong symbiotic relationship is formed which will further their mutual interests in a destructive, parasitic relationship with the host, which is the rest of us. A previous time when labor power and business power were so bound to the government was 1930s Europe. Then it was called fascism.

We are learning as we go, and impressive progress is evident if an appropriately long perspective is employed. The persistent breeze at our back comes from the human desire to do better and the intelligence to figure things out by trial and error. Failures are being understood and strategies modified. Plenty of success is visible. The blossoming economies of India, China, Indonesia, Brazil and Russia will be followed by economic growth in the Middle East, and various parts of Africa, Asia and South America. The following generations, armed with technology and good information about what works, ought to make it work well.

We feel good about investment values in stocks, inflation protected bonds, and early real estate. Treasuries and gold are somewhat overpriced except under certain dire circumstances which are not impossible but very unlikely.

Sincerely,

John May