

# alpha+ capital management

October 8, 2014

My apology is extended for this summation of contemporary life:

We, the war weary public, have been confronted by videos in which humans cut off the heads of other humans, as well as child killing, mass executions, rape and dismemberment. This has been going on for a time but it is sinking in. Most of us now realize that these acts, proudly displayed on the internet, mean that they hate us and will commit any atrocity, and if they can do it within American borders, they will. If we can think of subways, theaters, schools, churches, and Sunday at the zoo as targets, so can they.

Somehow, that mindset is being created in thousands of young jihadists and any informed person who is not scared has to be missing a gene somewhere. In sum, we are in a war whether we admit it or not, and it no longer matters how the President explains governmental ineptness. The public has reduced the level of respect once accorded the administration. As it turns out, the strategy of "leading from behind" amounts to waiting for public outcry to shape policy.

We expect the wave of fear among Americans will harden into anger followed by resolve. The modest US air attacks on the Islamic State in Iraq and Syria will be ratcheted up until the public polls tell our leaders what to do next. If many thousands of American soldiers are to be sent to the Middle East, people in the street will have to demand it.

Simultaneously, we are monitoring the spread of Ebola and an emerging child killer called enterovirus D68 and it is natural to wonder whether they are natural phenomena or intentionally being introduced? And don't forget about Putin's Russia, intent on overpowering nearby nations? And what is to be the economic experience of Europe, suffering from burdensome welfare programs and reliance for much of its energy needs on its surly Russian supplier.

And, what is going on in China, being challenged politically in the streets of Hong Kong. Will the Chinese economy accelerate next year after the current slowing?

And, how will the US cope with indebtedness at the same time as the baby boom generation comes of age for Social Security, Medicare and Medicaid? What proportion will be financed by new tax levels and how much by debasing the currency?

Every owner of investment assets has a stake in the way these things evolve and if there were a better way of protecting saved capital than owning stocks, real estate, inflation protected bonds and precious metals, then we would like to know about it.

We are impressed by the underlying strength of the real estate and stock markets. Large money flows from less stable places are being invested here and is evidenced by the strength of the dollar in world markets. In addition to being a safe haven for capital, the US economy is growing, employment is increasing, corporations are in strong financial condition and stock values are within reasonable bounds, neither as cheap as during times of pessimism, nor as dear as when riding a wave of optimism.

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Another bullish factor is that economic performance is happening even with the impediment of an anti-business government. And, the election next month is expected to be the first really strong indication of a political power change. Imagine the economy when it sees political and economic sanity in the form of an approval to building the Keystone Pipeline, reduction of corporate taxes to world norms, getting ready to ship natural gas to Eastern Europe, guarding our southern border and a host of other no brainers. That condition may be on the way.

Gold has been languishing, probably because of its use as a convenient holding for very large positions against which very low interest rates are incurred, on the potential for an upward price move. The prospect of a tapering off of the Fed's extremely low interest rate strategy means the bet is becoming more expensive and that causes some holdings to get reduced. A different, longer term attitude toward gold is based on the expectation that US government financial practices and the cost of entitlement promises will result in a downtrend in the value of the currency, much the same as for the past hundred years. It seems a reasonable time to buy.

Best wishes for the future and don't forget to vote.

John May