

Stand and deliver

It is a truism that successful investment is as much about the avoidance of land mines as it is about finding treasures. I have probably worded that poorly, as it is that very search for treasure that tends to unearth the booby traps. The more boring an investment strategy seems, the more likely it is that it will succeed.

For as long as I have been working in this great industry, people have argued over the respective merits of 'investment' and 'speculation'. I had hoped to illustrate quite how long I have been working by looking up some interesting and informative facts about the year. Captain Google's headlines tell me that it was characterised by: the explosion at Chernobyl, the Challenger Space Shuttle disaster and the start of the Oprah Winfrey show. We should move on.

People tend to become very uppity when arguing about investment and speculation. This is largely unfair; in a Venn diagram, the two circles are not mutually exclusive and have a large, grey overlap. There is one fad, however, that lies both fairly and squarely in the latter camp. Last week, we held two small seminars in Exeter. At the second of these, I was taken aback slightly to receive a round of applause for venturing the fact that Hawksmoor has never invested into 'crypto assets'.

It would be luddite to exclude the future possibility, but much has to change before these have a place on our menu. The proliferation of things called 'coins' has prompted greed and criminality. It is one of the greatest evolutionary conundrums of homo sapiens that whilst we are genetically built for survival, we are also irresistibly tempted by gambling. And gambling is exactly what one does when buying a digital currency. It is a bet that you will find what 'investors' call a greater fool: someone who will pay you even more for your wallet full of moths than you shelled out in the first place.

To have a genuine worth, an asset must produce either a flow of cash, or have a utility. Or at least, the promise of one or the other. Digital coins, most notably bitcoin, do quite the opposite. They are a means of transferring cash from those operating the so-called mines to the electricity suppliers for their banks of megacomputers. The fact that something is very costly to make should not, per se, give that thing value.

Having allegedly been designed for infinite transparency, ownership of these digital coins instead provides near perfect anonymity. It is a perfect recipe for the unregulated, the unscrupulous and the criminal to make hay from the unwary. I am probably being harsh here, as it seems that even the very wary can still fall foul of ransomware attacks, as anyone with overseas deliveries involving Royal Mail will be able to testify.

It may well be the case that the prices of digital coins rises during 2023. Over recent months, these have tended to behave as over-excited indicators of the markets' overall confidence. So if markets as a whole continue to recover their poise, then crypto assets may well fare quite well. The trouble is that they are actually worth nothing: they have almost no utility and

have not even the faintest promise of providing cash flows. They are land mines that we are very happy to let go by.

Back in the physical world, the US earnings season is trundling along to no great effect. One potential banana skin – Netflix's quarterly update last week – happily passed without incident. This week, the reading-glasses are focussed on Microsoft, Tesla and Visa, on Tuesday, Wednesday and Thursday respectively. We finished last week with a warning from the UK business, Spirent Communications. Spirent, which tests telephone equipment, has reported that its customers have started to rein back spending on 5G upgrades. It may be that this is a specific issue, or it could be an indication that cautious companies are cutting back on their capital development projects. If it is the latter, then this is not the last warning that the earnings season will deliver.

Finally, well done to everyone who knew the opening lines to Year of the Cat. We have a change for today: there is only one word spoken in Mel Brook's Silent Movie – by whom?

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