LISTEDRESERVE
MoneyBits

The four horse persons

There was an AFR sponsored talkathon last week. Four fund managers were asked if they were 25 years old today, where they would invest in for the next 10 years.[1]

Manager	Investing Approach	Key Points
Fleur Wright	Quality Equities	Long-term investing, stock picker's market, power of compounding
Christopher Joye	Cash & High-Grade Bonds, then Load up on Risk	Global economy rewiring, wait for recession to clear, start with cash
Vimal Gor	Buy Everything (Digital Assets, Big-Cap Equities, Tech Equities, Bonds)	Central banks cutting rates, bullish on bonds, digital assets, AI concerns
Ashley Glover	Index Tracker Fund (Dollar Cost Averaging)	Avoid shorting the market, long-term investing, focus on fundamentals and macroeconomic indicators

Interesting how prominent the bond talk is. I'd hardly call it a stock-pickers market at these valuations either and under no circumstances could I recommend bonds to anyone.

Much as I don't like Chris No-Joye, I rather agree with him. Appetite for risk is the thing; you have to take risk, particularly when you are 25. If you are under 30 reading this I'd suggest you simply go for it. Older cohorts are more cautious naturally and particularly so in markets like today.

Looking at the labour market and the demographic trends, at 25 (AI or not), you will at a certain level of competence always be able to get a job. Vimal Gore suggests 'buy everything'; which is another way of saying *take risk.* Not stupid risk, but some. You have both time to recover if it goes wrong and time to enjoy it when it goes right.

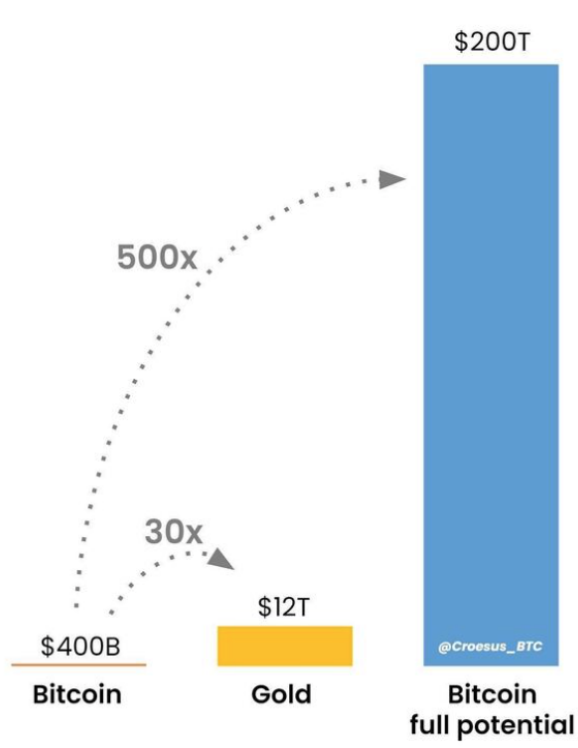
Tickets to the 'AFR Alpha' were about $1000. They say bonds; equities; everything. This completely free newsletter says bitcoin will outperform everything in the table over the decade in question. It appears not once in the article and it didn't appear on the conference agenda.

You won't find your Alpha in the AFR, because if you could, they wouldn't have any journalists.

1 As a matter of interest I pasted the entire article into GPT4 and asked it to tabulate a summary for me. If you read the original article you will see how well it did.

The case is clear

The most common question, of course, is what do you think is going to happen to the price?



The correct answer is, I do not know.

The longer answer is that humans have sought, since the beginning of time, to store their wealth in any way they can. They used shells[1] and other base metals including gold. Scarcity is sought after and it always will be.

Now the digital age is upon us the most provably scarce thing is bitcoin. I think that is *obvious.* Over time, I think it will become *increasingly obvious* and maddeningly so. We will simply not believe that we didn't buy more of the stuff.

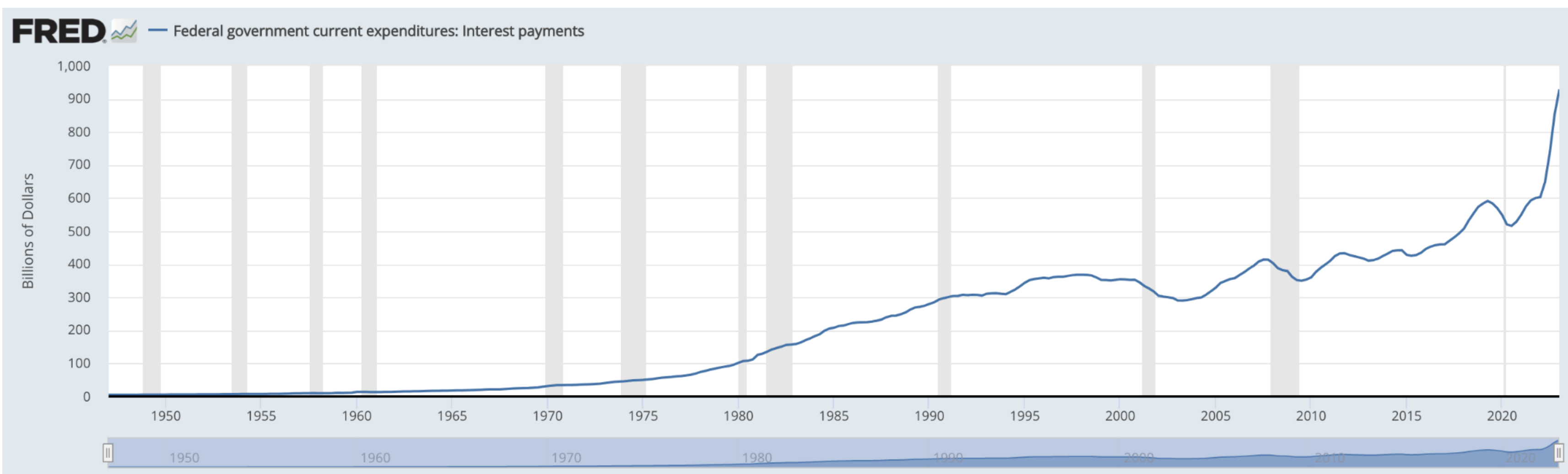
So the chart with its 30x to overtake gold does not seem unreasonable to me over the next decade. The 'full potential bit'? Who knows.

The elevator pitch is this:

World going fully digital: world will demand scarcest digital thing: that's bitcoin.

1 From the Nakamoto Institute. Nick Szabo's paper Shelling Out: The Origins of Money.

US maturity profile



US interest expenses are now approaching $1 trillion; exceeding defence spending. The bigger issue is the amount of debt rolling in the next 18 months that will be refinanced at 3.5% and more. The $1 trillion expense is going nowhere but upward and the rate, as you can see, is accelerating.

The excitement over this will grow in the coming weeks as the US is forced to increase its pretend debt ceiling. Here's Janet doing her bit for US borrowing warning of a "debt ceiling catastrophe". Grandpa Joe has been out on the autocue too, suggesting veterans will starve to death if the ceiling doesn't rise.


President Biden @POTUS · May 3

MAGA House Republicans have laid out two options for **us:**

Cut spending – from veterans to food programs – by 22 percent.

Or they'll default on our national **debt.**

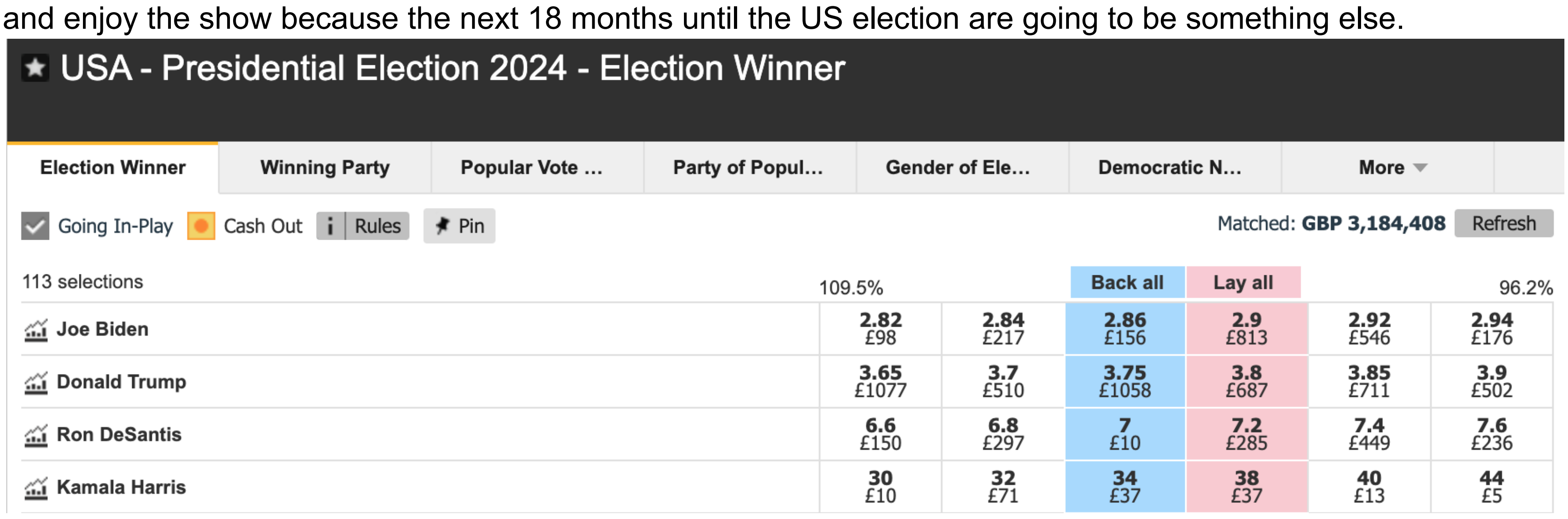
That's what holding the American economy hostage looks like.

We know exactly what will happen:

- the debt ceiling will increase (either after a long battle and a government shutdown or before, but it will increase);
- the US will not default. It's basically impossible to; they own the printer and if you hold their bonds, more fool you. (Please note, it is entirely within their gift to repay their whole national debt tomorrow. All of it.)
- the game will continue

And it is a game.

Don't complain, if it wasn't this game it would be another one where a political class of any wing simply tries to co-opt your value for their pet-cause. Invest accordingly, make it hard for them and easier for you. Then sit back and enjoy the show because the next 18 months until the US election are going to be something else.


USA - Presidential Election 2024 - Election Winner

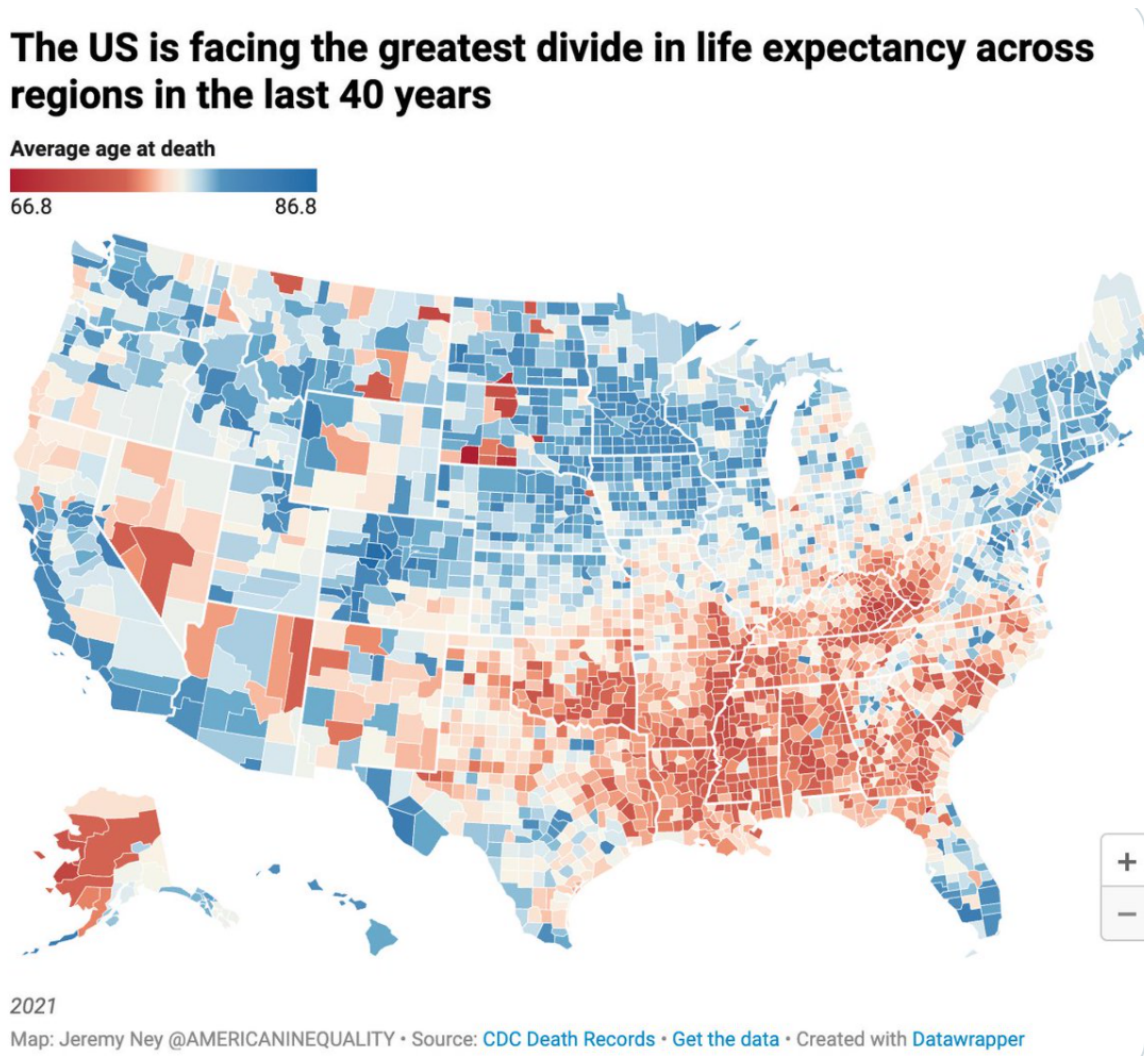
Election Winner | Winning Party | Popular Vote ... | Party of Popul... | Gender of Ele... | Democratic N... | More

Going In-Play | Cash Out | Rules | Pin | Matched: GBP 3,184,408 | Refresh

113 selections	109.5%		Back all	Lay all		96.2%
Joe Biden	2.82 £98	2.84 £217	2.86 £156	2.9 £813	2.92 £546	2.94 £176
Donald Trump	3.65 £1077	3.7 £510	3.75 £1058	3.8 £687	3.85 £711	3.9 £502
Ron DeSantis	6.6 £150	6.8 £297	7 £10	7.2 £285	7.4 £449	7.6 £236
Kamala Harris	30 £10	32 £71	34 £37	38 £37	40 £13	44 £5

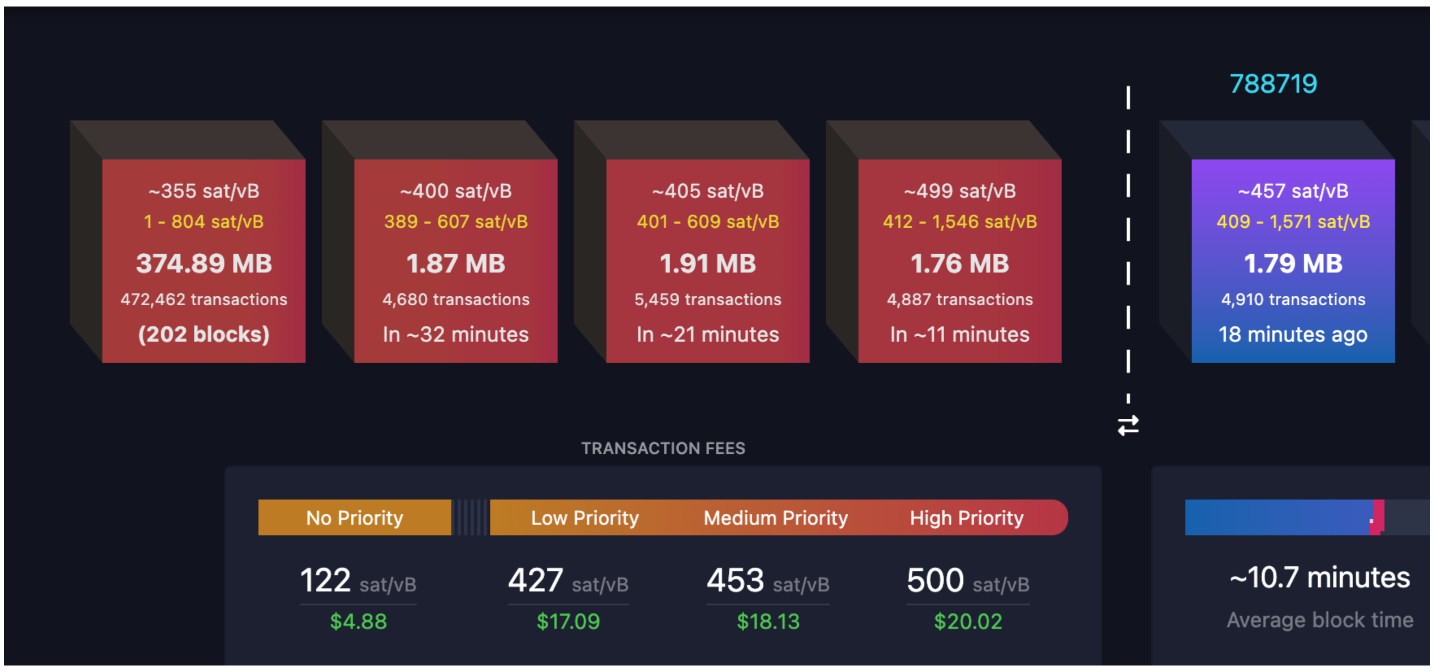
Biden is currently well in front in the betting with over $5 million matched already on Betfair. This will be the biggest betting market there has ever been by November 2024. Come the election, Biden will be 81 and Trump will be 78. The life expectancy of an American male is 77.

On matters of longevity. It makes a big difference where you live in the US. Perhaps the unexpected consequence of profligate spending in the wrong areas is revealed by this map. Life expectancy varies by 20 years depending on where you live. How much are 20 years worth to someone?

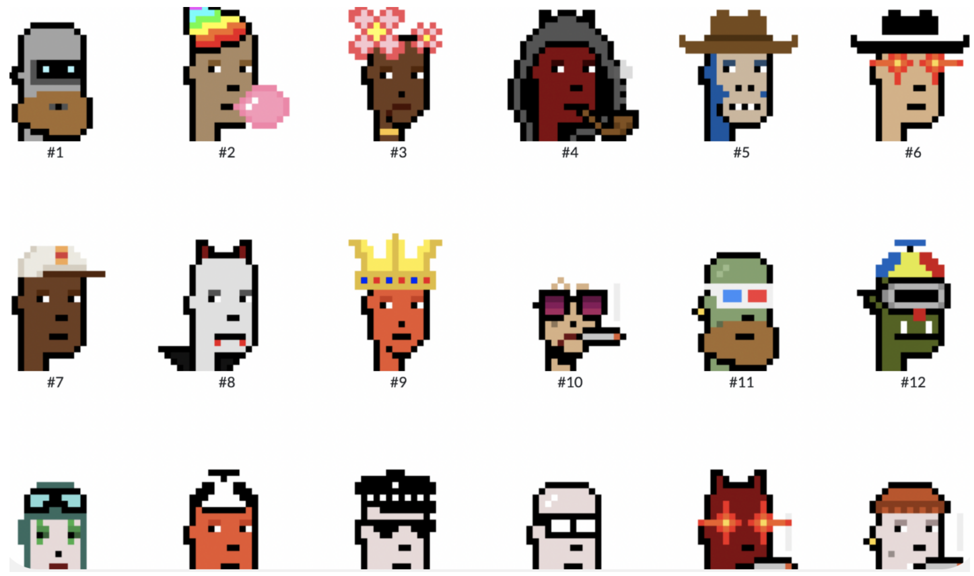


Bitcoin fees

Bitcoin has been very busy lately. The blockchain currently has nearly half a million transactions waiting to be processed and the fee per transaction has rocketed to $20. Why?



The majority of the activity is people putting what are known as ordinal inscriptions in the [bitcoin blockchain](). Some people would call them scammy jpegs; other people call them art. It matters not, whoever is doing it is paying their way. It's an open source ledger and you can do whatever you want. If you want to own a binary representation of a crypto-punk, good luck to you.

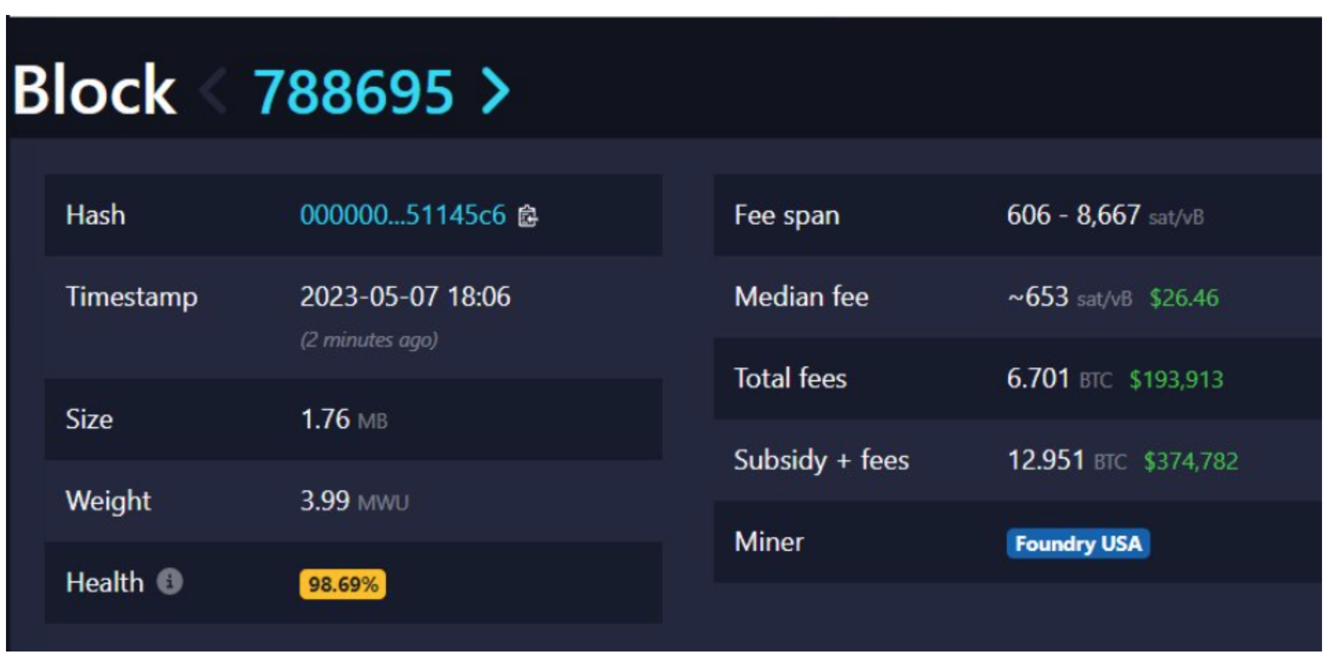


There remains a great deal of frustration at this trend of people purportedly spamming the blockchain with images. The alternative view, which I share, is that there is a realisation that blockspace is ridiculously cheap. As a rule of thumb, it costs cents in the dollar to have your data stored by tens of thousands of other people all over the world in a decentralised way, forever.

Consider that hiring a small safe deposit box for a year costs around $300. Yet, in bitcoin you can encrypt anything for eternity with a much higher security level than any given lock box for $20; it's insane. Two weeks ago when it cost $0.01 (and it will likely get back there), it was even crazier.

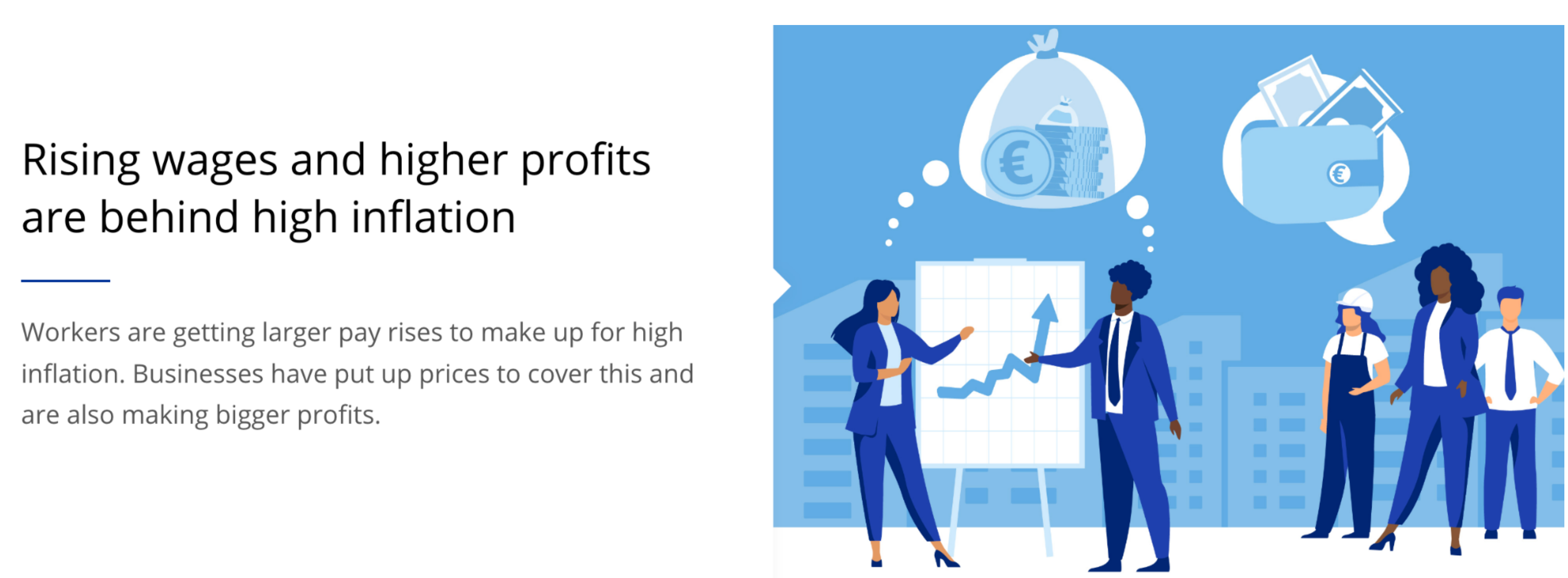
Maybe the price of on-chain transactions was just wrong? I think so. Over time transaction volume will move to layer 2 systems like the Lightning Network, which remain incredibly cheap and scale more efficiently.

As a result of all this we had a block on Monday which generated more in fees than the current block subsidy. Block 788695 generated 6.7 BTC in fees and 6.25 BTC in subsidy. It's incredibly rare (only happened once before) but in future this will be the norm.



Incidentally, those fees have to be paid and to pay the fees someone must be buying bitcoin.

Euro-Trash



The ECB predictably raised rates by 25bps last week. I was rather taken aback by their brazen explanation for inflation though. Rising wages and profits? No mention at all of their own horrendous policy errors which front ran wage demands by years. Of course when the price of energy doubles and everything starts going up at 15% and more people ask for a pay rise; who wouldn't?

More technically, the ECB also announced no more asset purchases from July. This is significant because the ECB is in many cases the only buyer. Exactly as Euroland heads into recession the ECB is pulling the pin on the mainstay supporting the economy. I never thought the ECB buying bonds was a good idea but if I had a patient and I put them on heroin, I probably wouldn't withdraw the heroin at exactly the moment they were going to have a heart attack. Why shock a stressed system?

We are ending part of our asset purchases

In July we will stop buying bonds under our asset purchase programme.

The cycle continues. Nothing will happen; inflation will come down a bit; ECB declares triumph and then some mega debt crisis will ensue and they will buy a gagillion Euros worth of bonds in one afternoon.

It's servitude masquerading as a currency wrapped in a political system and served up with high quality cheese and a long August holiday.