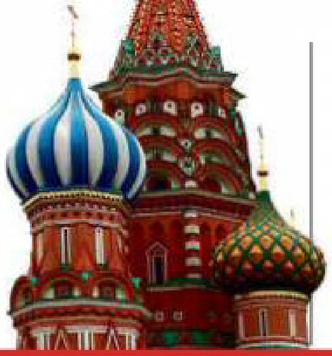
FUNDS *P18*

Where to find income as dividends fall



ANALYSIS *P24*

Latin America's best markets are on sale

PLUS

A gym workout at home

TOYS *P34*

MoneyWeek

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Hold gold *Page 20*

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MoneyWeek

8 May 2020 | Issue 998

Britain's best-selling financial magazine

From the editor-in-chief...

We've got an anniversary question for you

Some exciting news to distract you from epidemiologist Neil Ferguson's love life this week. This is issue 998 of MoneyWeek. In two weeks (assuming 2020 has already done its worst and we are still here) we will publish issue 1,000. In some senses this feels right. MoneyWeek launched into a crisis of sorts (the dotcom crash) and rather came into its own during another (the GFC). So it should be no great surprise that we are marking our relative longevity in the middle of another. Our core purpose has always been to help you invest. Our plan is to make issue 1,000 one of our best investing issues ever. So, here's my anniversary ask to you: if you had £1,000 to invest right now for a ten-year period, where would you invest it?

> *"How much will consumer and corporate behaviour change after lockdown eases?"*

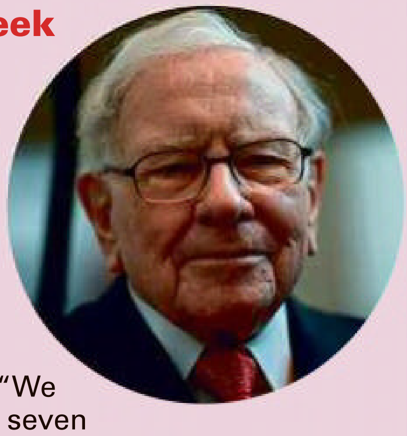
This is not easy to answer. Listen to our latest podcast (see moneyweek.com) with Andrew Milligan (until this week, chief investment strategist at Aberdeen Standard Investments), and you will begin to see the problems. We have some idea of when economies will unfreeze – much of the EU is unlocking; US case growth is slowing; and in the UK we have been told that lockdown will ease from next week. But we have no idea how much of it will melt away completely as they do. How will consumer behaviour change ("not much" is my slightly contrarian view)? How will corporate behaviour change? How might government force that change? Are markets, currently operating in the dark as they are, massively overvalued (see page 4)? Or is it just that the investible universe has shrunk: perhaps travel, hospitality and commercial property are too risky compared to technology and healthcare? And what of oil – is it lower for longer or is the best cure for low prices really low prices (page 5)?

As ever, tough question or not, MoneyWeek writers have plenty of ideas. On page 24, James McKeigue makes the case for Latin America (some consolation for Bill, who is still lockdown-stranded on his Argentinian ranch, flatly refusing to use his enforced idleness to learn to play the piano – see page 38). On page 18, David looks at his favourite income funds. Dominic Frisby (and this will not surprise you) is more certain than ever that gold is the answer (see page 20). He isn't alone – John has put much of his faith in his portfolio of gold miners.

I am also acting true to form here. I'm trusting to our core portfolio of investment trusts but also looking around for more niche ones on decent discounts. Nick Greenwood of Premier Miton has a few ideas. He likes Henderson Opportunities on a 24% discount to net asset value. It has long had a bias towards small firms, but the last few years have been tough and "the shares are now friendless." However the team behind it (James Henderson and Laura Foll) are too good to think it will never perform again (note too that more small firms than you think will survive – see page 26). Artemis Alpha is another friendless fund (it was small-cap only, now it's revamped as multi-cap). It's on a discount too. Finally, possibly of interest is German residential property fund specialist Phoenix Spree: it is on a discount of 34% but as 97% of its tenants are still paying their rent that seems a bit much. There are, then, no shortage of ideas (though I accept not all of them will turn out to be good ones). Please send us yours to the email below. I think that even in these tough times we will be able to dig up a prize of some sort for the best ones.

Merryn Somerset Webb
editor@moneyweek.com

Loser of the week



Warren Buffett's Berkshire Hathaway has sold at a loss its entire portfolio of US airline stocks, which comprised American Airlines, Delta Air Lines, Southwest Airlines, and United Airlines. "We put, whatever it was, seven or eight billion into it and we did not take out anything like seven or eight billion," Buffett said during Berkshire's annual meeting. "That was my mistake." Berkshire held an 11% stake in Delta, 10% in each of American and Southwest, and 9% in United. "We have sold the entire positions... When we change our mind we don't take half measures." Though he didn't have any views on the long-term outlook for the travel and aviation industries, Buffett said the immediate future looked negative as airlines are accumulating debt, diluting shareholder value by issuing equity, and likely have too much capacity. Buffett did not disclose the size of losses by selling his airline portfolio, but said it was "relatively minor".

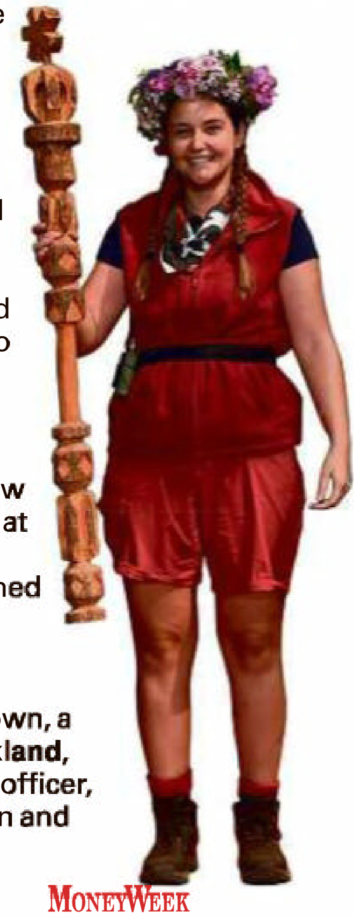
Cover illustration: Howard McWilliam. Photos: Getty Images; iStockphotos; Ciclotte

Good week for:

In the spring, hedge fund investor **Mark Spitznagel** celebrates the birth of hundreds of Alpine goats at the hilltop farm he runs with his wife, but this year he has something else to toast, says James Coney in The Sunday Times. The $4.3bn fund he runs delivered returns "destined to become a thing of Wall Street legend". By banking on a one-off crash in prices, Spitznagel's Universa fund in March rose by 3,612%. Over a year it has risen more than 4,100%.

Tiny US airports are raking in big money due to the "botched" federal stimulus formula, says Sam Mintz in Politico. Airports with little debt and sufficient cash on hand were entitled to a relatively large share of the $10bn in airport funding, meaning Merrill Field, in Alaska, received $18m, while a tiny airport in Devlis Lake, North Dakota, got enough "to cover its expenses for 50 years".

Bad week for:



©Shutterstock

***I'm A Celebrity* bosses** (Jacqueline Jossa, who won the reality TV show last year, is pictured) face a huge fine for breaching traffic restrictions at the show's jungle camp in Australia, says James Beal in The Sun. Officials from Tweed Shire Council in New South Wales have threatened ITV with a £110,000 bill after locals complained the highway was overloaded with trucks and trailers.

Under cover of New Zealand's exceptionally strict coronavirus lockdown, a group of thieves stole 97 cars from local **rental company Jucy in Auckland**, says Andreas Illmer for the BBC. Tom Ruddenklau, Jucy's chief rental officer, told the BBC: "We couldn't believe that when everyone was pitching in and looking after each other as a nation, there would be this brazen theft."

Equity markets are "flying in the dark"

Alex Rankine
Markets editor

President Donald Trump and the US secretary of state, Mike Pompeo, are considering reimposing tariffs on Chinese goods

©Getty Images

Are we heading for "Trade War 2.0"? asks Robert Carnell of ING. US criticism of China's role in the Covid-19 outbreak has reached a "crescendo", with Donald Trump reportedly considering the reimposition of tariffs. Secretary of State Mike Pompeo has said there is "enormous evidence" that the coronavirus originated in a Chinese laboratory. A rising stockmarket may have persuaded the White House that it is safe to start tariff sabre-rattling once more.

Meanwhile, global markets enjoyed a very profitable April. America's S&P 500 gained 13%, its biggest one-month gain in 33 years. British blue-chips were unfazed by a wave of dividend cuts (see box below). The FTSE 100 entered a technical bull market last week (defined as a 20% rise) after rallying 22% from its March lows.

A pause for breath?

A weaker start to May, however, suggests that shares could be in for a "tale of two halves", says Rupert Thompson of Kingswood. After staging the "sharpest ever" recovery from a bear market, equities may now pause for breath. The worsening dispute between Washington and Beijing is a reminder that last year's trade war never entirely went away.

Yet fund managers are still extremely bullish, says John Mauldin in his Thoughts from the Frontline newsletter. The most recent "Barron's Big Money Poll" of 107 investment managers finds that 39% think stocks could rise by year-end and only 20% are bearish. Just over 80% are bullish for 2021. A "great disconnect" has emerged between the stockmarket and the economy, says Randall Forysth in Barron's. Over 30 million Americans are unemployed and the gloomiest forecasters think that year-on-year GDP could collapse by an annualised 40% in the second quarter. Why are stocks so perky? Thank central bankers, who have stepped in with levels of monetary support unprecedented in peacetime. The size of the US Federal Reserve's balance sheet has already broken through $6trn and could ultimately hit $10trn – 50% of GDP.

The earnings fog

Markets think that the rescue is working, says Gillian Tett in the Financial Times. Central bank liquidity has eased strains in credit markets, enabling cash-strapped businesses to borrow more money. Bullish investors think that these firms are positioned to lead a swift recovery once the lockdown is over. Yet the longer this goes on the greater the risk that some businesses will "quietly" become insolvent. Central banks cannot solve this problem and it would mean longer-lasting damage.

The murky outlook has made shares difficult to value, write Karen Langley and Caitlin Ostroff for The Wall Street Journal. Analysts disagree more about this year's S&P 500 earnings outlook than at any point since May 2009. The average forecast profit decline for 2020 is 18% but Bank of America, for one, predicts a 29% fall. Frustrated economists have turned to everything from Google search trends to restaurant reservations in a bid to glean some insight into what is really going on. Stockmarkets are "flying in the dark".

Dividends dive – and some may never come back

Reinvested dividends are key to long-term returns. Unfortunately, there will be a lot less income to go round this year. About 40% of British companies have cut or scrapped dividends, including Shell (see page 7) and there is likely to be more pain ahead.

Will the likes of M&S ever pay dividends again?

©Marks & Spencer PLC

The dividend axe could cost pension funds and income investors nearly £85bn in lost income over two years, says Hugo Duncan in the Daily Mail. Almost half of UK dividends could be cut this year, implying a fall in overall payouts to £47.2bn for 2020. The US preference for share buybacks gives corporate America more flexibility when it needs to hoard cash, but Europe's dividend payers have no such luck, says Mark Peden of Kames Capital. British firms rank "in the bottom quarter for dividend prospects" because of the FTSE's over-reliance on the hard-hit financial and energy industries. The service sector is also in a bad way: will businesses such as M&S and Carnival "ever pay dividends again?" British boards are not letting a good "crisis go to waste", says Fundsmith CEO Terry Smith in the Financial Times. Earnings should be about twice dividends if payouts are to be sustainable. Yet earlier this year some top UK dividend stocks were barely covering payouts. "Smaller and more sustainable" dividends could be the new normal.

Executives who regard Covid-19 as cover for overdue dividend cuts are being short-sighted, says Jeremy Warner in The Daily Telegraph. Companies use stockmarkets to raise capital, but investors will be loath to pay up in the future if they think the dividend is not secure. A broader problem is that British income investors are far too reliant on the fortunes of declining industries such as oil. The FTSE is full of "mature, income paying stocks" but relatively few young and exciting "growth companies".

Oil market begins to rebalance

Are slumping oil prices a harbinger of doom for the stockmarket? Albert Edwards of Société Générale notes that weak commodities often serve as "a leading indicator" for other asset prices. Crashing oil demand suggests that the global economy is heading for a deep recession. Shares, another "cyclical risk asset" prone to recessionary plunges, could soon follow black gold south.

Oil prices remain historically depressed. However, they enjoyed a strong start to the week, with US West Texas Intermediate, which turned negative last month, doubling over a week to trade above $23 a barrel and Brent rising through $29 a barrel to hit a three-week high.

The easing of lockdowns in many places means that demand is slowly returning for the world's favourite commodity, says David Hodari in The Wall Street Journal. Goldman Sachs analysts report that consumption is up by 2.5 million barrels per day since the nadir of early April. Yet things are far from normal. America's oil storage problem, which caused April's price crash, is still with us, says Caroline Bain of Capital Economics. We are not "out of the woods yet".

"There is nothing like low prices to cure low prices," says Stephen Innes of AxiCorp. Global oil supply has been shrinking rapidly in the wake of last month's market drama. US oil and gas companies have closed 384 platforms in the past seven weeks alone. There are "nascent signs" that the market is rebalancing.

Brazil goes off the rails

President Jair Bolsonaro is under criminal investigation and could be impeached

©Getty Images

"Bust-up in Brasilia", says The Economist. Latin America's biggest economy is contending with the Covid-19 pandemic and an economic crisis, but the government has descended into infighting. Popular justice minister Sérgio Moro has resigned, openly accusing president Jair Bolsonaro of obstructing justice. That has dealt a serious blow to the president and sparked destabilising talk of impeachment.

The drama is distracting attention from the fight against Covid-19, senator and former Bolsonaro ally Sergio Olimpio Gomes told The New York Times. Throw in a worsening economy and Brazil is facing "a perfect storm".

The end of an era

Brazil had barely recovered from its last recession, a slump that saw GDP fall by more than 7% and only ended in 2017. Bolsonaro was elected in late 2018 on a platform of economic liberalisation and anti-corruption. That drove a huge rally in the local equity market, yet the benchmark Ibovespa index has since relinquished all of those gains, tumbling almost 35% from a peak in January.

Bolsonaro has fallen out with major political allies and members of his family are under criminal investigation. To make matters worse, Brazil is a significant exporter of soy, oil and metals, leaving it dangerously exposed to slumping commodity prices.

Brazil has long been "mired in debt and inertia", say Bryan Harris and Andres Schipani for the Financial Times. There were hopes that Paulo Guedes, Bolsonaro's pro-market finance minister, could turn things around, yet his project has been undone by virus-induced spending.

A 1.2trn reals (£174bn) emergency package cancels out the planned savings from his flagship pension reform. Analysts wonder whether Guedes will soon follow the justice minister out of the door. His "entire agenda has been compromised", says Elias Vaz, a member of parliament.

Crisis spending will soon propel Brazil's public debt towards 90% of GDP, says Alberto Ramos of Goldman Sachs. That would be a record and is especially elevated for an emerging economy. Brazil's budget deficit is likely to hit 8% of GDP this year.

Bolsonaro's failures could mark the end of a long period of strength, writes John Authers on Bloomberg. Between 2002 and 2008 the local market returned more than 66% each year thanks to surging Chinese commodity demand.

Yet now the pandemic has destroyed demand for commodities and "cruelly exposed" political incompetence in Brazil and Mexico, the region's two biggest economies. Their currencies and markets have fallen hard, but there are few catalysts in sight for a rally this time round. There is better value on offer in other regional markets (see page 24).

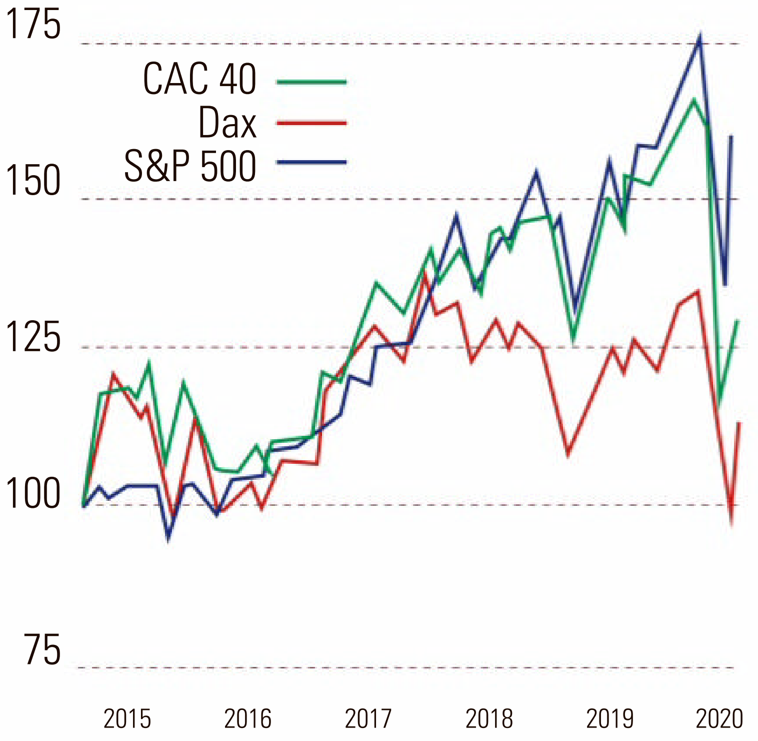
Viewpoint

"[When] the coronavirus hit... we were totally blindsided... first the administration downplayed the threat, and then it overreacted. It (along with... an equally unprepared Congress) decided to stop the economic world in its tracks and again print trillions of dollars of debt and sacrifice long-term economic, social and geopolitical health and stability... People argue that the government must make people whole... without addressing how government can stay afloat over the long run without experiencing either a deflationary bust or hyperinflation (I expect first the former and then the latter). That is the question that should have been asked before borrowing trillions of dollars and spending much of it indiscriminately... rolling out one bailout plan after another is no way to run a railroad unless you don't care about running it off the tracks."

Michael E. Lewitt, The Credit Strategist

■ Germany's beaten-up blue chips

Total returns (1 January 2015 = 100)



Source: The Economist

Covid-19 has affected all the world's big stockmarkets, says The Economist, "but it is shining a particularly brutal light on the weaknesses" of Germany's blue-chip index, which has lagged its US and French counterparts over the past five years. While the S&P 500 is bolstered by tech stocks, the Dax has a greater skew towards ailing financial and basic materials groups than the more defensive CAC 40. What's more, some of Germany's "corporate oldies" are in deep trouble. The national airline, Lufthansa, has said it may go bust, while Deutsche Bank has just reported a 67% year-on-year slump in first-quarter profits. One of only two tech stocks in the Dax, payments processor Wirecard, is beset by allegations of accounting fraud.

MoneyWeek's comprehensive guide to this week's share tips

Three to buy

Helical
The Sunday Times
"Offices are lying dormant" and social distancing means that many will operate at only half capacity for the rest of this year. That is bad news for this owner of workplaces in London and Manchester. It specialises in buying shabby buildings in "vibrant" areas and refurbishing them in a "modern, quirky style". The dividend may be axed, but "rock-bottom interest rates" and "negative bond yields" mean property remains attractive. *365p*

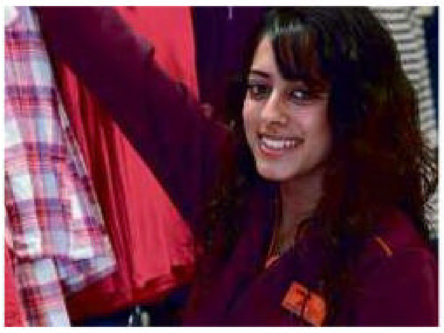
Visa
The Daily Telegraph
Covid-19 has turbocharged existing trends favouring electronic payments at the expense of cash. There is still significant scope for card penetration in emerging economies and the likes of Germany, where only about 15% of payments are made by card compared to over 80% in Sweden. Fat operating margins and growing markets would normally attract competition, but Visa enjoys an entrenched position thanks to its relationships with 100 million merchants, thousands of banks and a brand that is known for "reliability and ubiquity". The shares are not cheap but still appealing given the outlook for future earnings. Buy. *$171*

Restore
The Mail on Sunday
Britain's second-largest data-storage business works with the government, the NHS and thousands of businesses to shred sensitive documents, digitise paper records and recycle old IT equipment. The storage division benefits from recurring revenue and the IT side has enjoyed a bump from the rise of distance working. Restore's reputation for "service" and "security" in handing confidential data will stand it in "good stead". Buy. *380p*

Three to sell

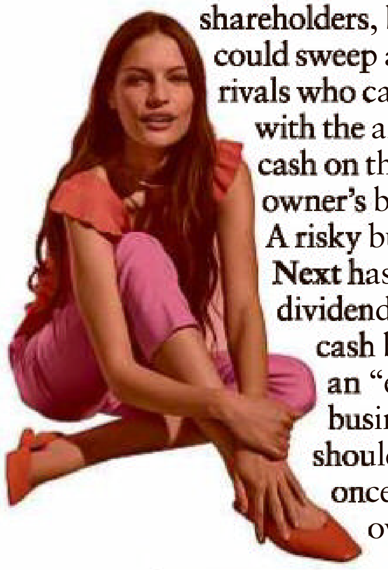
Avast
Shares
Shares in this IT security firm have surged two-thirds since the pandemic-induced lows of March. An "impressively stable" first quarter, "robust" balance sheet and rising margins – which were already above 55% last year – have reassured investors. More distance working should boost the group's paid products, but that is to be set against the prospect of lower advertising revenue and continued weakness in the mobile security business. The recent rally is a good chance to take profits. *451p*

J Sainsbury
Investors Chronicle
Sainsbury's is forecasting a £500m hit to underlying pre-tax profits because of the pandemic. The extra costs of protecting staff and falls in fuel, clothing and general merchandise sales should be offset by better grocery performance and business rates relief. Yet panic-buying is temporary, while weaker consumer confidence will be with us for some time. Financial services, which account for 8% of underlying pre-tax profit, will also be hit by the economic downturn and rising debt delinquencies could also drag down the share price. *201p*



Metro Bank
Investors Chronicle
Shares in this challenger bank have suffered a "cataclysmic drop" since peaking at 4,000p in 2018. The bank's heavy reliance on UK current accounts makes it one of the most exposed to near-zero interest rates and the bank's depositors have shown themselves to be "flighty" when panicked. An expensive branch-led model is an added headache. Metro is the seventh-most shorted share on the London market, so it could yet have further to fall. Sell. *90p*

...and the rest



The Daily Telegraph
Centrica has long disappointed shareholders, but the crisis could sweep away upstart rivals who can't compete with the amount of cash on the British Gas owner's balance sheet. A risky buy *(39p)*. **Next** has suspended its dividend to preserve cash but this is an "exemplary business" that should "prosper once this is all over". Hold *(4,726p)*. Wide discounts on private equity trusts can be misleading because the value of their assets have not always been updated since the market crash. However, we think that **ICG Enterprise**, which has defensive exposure and cash to spare, has fallen too far – buy *(708p)*.

Investors Chronicle
Engineer **Spirax-Sarco** is surprisingly defensive thanks to its exposure to pharmaceutical and biotechnology markets, while its virtues as a quality stock make it a fund managers' favourite – buy *(8,742p)*. **Craneware's** software helps US hospitals identify areas of waste and a newly launched cloud-based product suite brings enhanced growth prospects. Buy *(1,950p)*.

Shares
Construction businesses should be among the first to reopen after lockdown so buy into the "solid foundations" of builders' merchant **Travis Perkins** *(1,015p)*. IT consultant **Kainos'** focus on the public sector and healthcare leaves it well-placed for the recovery. Keep buying *(677p)*.

The Times
Strong results have taken shares in online fashion retailer **Boohoo** to new highs. The company pays no dividend but it has proven that it can grow through thick and thin – buy *(329p)*. Upmarket mixers brand **Fevertree** won't let Covid-19 "steal its fizz": a low-cost operating model and no debt make it resilient heading into an eventual recovery *(1,802p)*.

A German view

Ahold Delhaize is having a good crisis, says Wirtschaftswoche. A food retailer with 7,000 shops worldwide, it is benefiting from the lockdowns forcing people to eat at home more. But the group, which boasts a portfolio of local brands ranging from Giant and Martin's in the US to Albert Heijn in the Netherlands, should flourish without the aid of a virus. The emphasis on locally sourced and sustainable food is a key selling point that keeps customers happy and loyal, while the online business is growing by around 25% a year. It now accounts for 8% of overall sales, which should rise to €68bn this year. The stock offers good value on 12.7 times trailing earnings and a 3.3% yield.

IPO watch

The Hong Kong market is showing signs of life. Chinese bottled water manufacturer Nongfu Spring is on track for an initial public offering (IPO) in the third quarter of 2020 that could be worth up to $1bn, says Scott Murdoch on Reuters. Nongfu is the leading bottled water producer in China and among the top three in the bottled tea and juice market. The company made sales of 24bn yuan ($3.4bn) in 2019, up by a fifth on the year before. The group's mainland production plants are all up and running again. Hong Kong's investment banks will be eagerly looking forward to the flotation. The biggest IPO so far this year was the $333m listing of drug developer Akeso in April.

©Next Plc; Sainsbury's Plc; Visa

City talk

● While investors are "somewhat disappointed" with Amazon's latest quarterly figures, it is still one of the "select companies" benefiting from the Covid-19 crisis, with its shares up 34% this year, says Jon Sindreu in The Wall Street Journal. Still, its sales growth has been constrained by the fact that its rented fleet of cargo planes "pales in comparison" with that of its competitors. With airlines "now dumping older planes", Amazon can fix this problem by using some of its "vast" cash holdings to start owning its own fleet. This is "Amazon's moment to seize".

● The prospect of an extended lockdown and social distancing is "grim news" for London's shops, shopping centres and restaurants, says Jim Armitage in the Evening Standard. So it's not surprising that shares in retailer Watches of Switzerland have collapsed by 41% this year. However, you can make a case that the shares have "fallen too far". Its luxury stores are "light on customers at the best of times", so social distancing won't be a problem in future. What's more, it sells a product for which "demand hugely outstrips supply": 40% of its Rolexes go to people on waiting lists. And when you consider that luxury watch sales never fell in the global financial crisis a decade ago, the shares "could be a steal".

● Limitations on the size of funerals owing to the lockdown have made "an already grim outlook worse" for funeral-home chain Dignity, says Lex in the Financial Times. Not only was last year's operating income of £45m less than 50% of 2017's level, but a "bloated balance sheet" will make it much harder to return to growth once the crisis ends. Meanwhile, the Competition and Markets Authority is likely to recommend price caps to contain rapidly rising funeral costs. Dignity has already suspended its dividend, so the only option left is a large equity issue, implying dilution for shareholders who don't take part. To think funeral services "were once viewed as a defensive investment".

©Getty Images; Rolex

No longer sure of Shell

One of the market's most reliable income providers has cut its dividend for the first time in over 70 years. Matthew Partridge reports

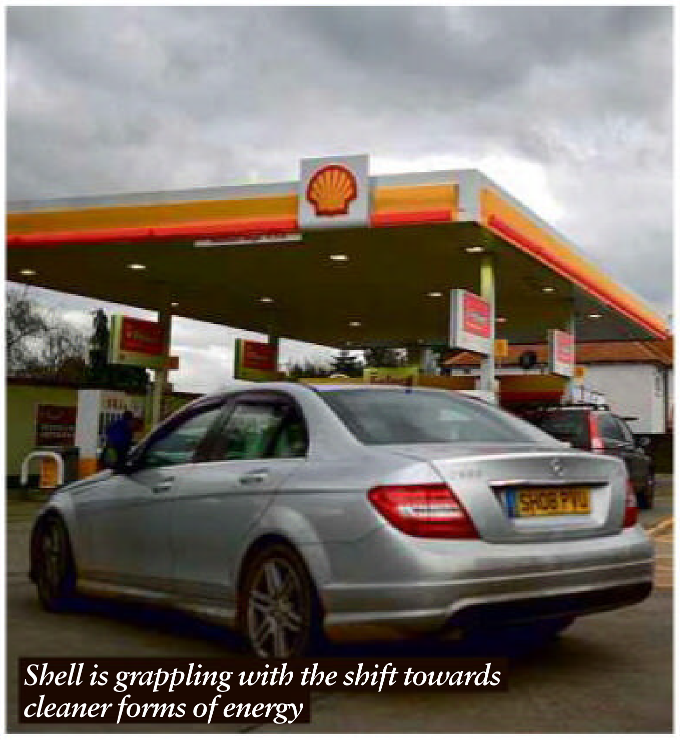
Last week Royal Dutch Shell cut its dividend for the first time since World War II, says Anjli Raval in the Financial Times. The payout for the first quarter was slashed from 47 cents to 16. No wonder. Not only did profits for the first three months of the year fall from $5.3bn last year to $2.9bn in 2020, but the oil major thinks that the situation will be "more severe" in the second quarter, with oil prices already down to $24 a barrel. The shares sank by 11% on the news.

The scale of the cut suggests that Shell believes that the crisis isn't just a short-term event, but will cause "permanent change" in customers' behaviour, say Anna Edwards and Laura Hurst on Bloomberg. The long-term impact on the way consumers work and travel "could be even more devastating for the industry" than the initial turmoil. Attitudes toward oil have been changing for some time "as the world shifts gradually toward cleaner forms of energy".

The oil major's dilemma

The rise of activism presented Shell with a dilemma, says Jeremy Warner in The Daily Telegraph. With shareholders under pressure from climate change campaigners, the dividend was the only thing keeping them on board, so the cut gives investors "another excuse to sell". However, with the world "moving away from dependence on hydrocarbons", maintaining the dividend would have forced them to sell off assets "until there [was] nothing left".

Viewed in this context, cutting the dividend was the only way to free up cash to meet its goal of transitioning to a carbon-neutral company by 2050. "Butchering the dividend" was clearly the "correct move", since it will save Shell $10bn a year at a time when oil prices have collapsed, says Nils Pratley in The Guardian. However, rather than congratulating themselves for making a tough decision, Shell's management should have expressed a little "remorse" over the fact that Shell has spent $16bn buying back its own shares since July 2018. The fact that the buybacks took place when Shell's shares were trading at £22, compared with today's £13, makes them even more wasteful. After all, it's not as if Shell's balance sheet was "unencumbered by debt" at the time.



Shell is grappling with the shift towards cleaner forms of energy

Whatever Shell's past failings, the American oil giants ExxonMobil and Chevron have something to learn from it, says Lauren Silva Laughlin on Breakingviews. Instead of doing some "soul searching", the duo are "playing a game of chicken" with shareholders by continuing to pay their dividends. While both companies acknowledge that there is pressure for a "green world" in rich countries, they still believe that "the middle class in emerging economies will flourish, pushing up the demand for fossil fuels". This is a risky strategy given that even last year both companies were making paltry returns on capital employed: only 6.5% at Exxon while Chevron's figure "was a lowly 2%".

Elon Musk mouths off again

Tesla's share price, having doubled after the virus-induced market slump, fell by more than 10% following the latest outburst from CEO Elon Musk (pictured). He tweeted that the electric carmaker's stock price "is too high", says Richard Waters in the Financial Times. This is ironic given that Musk has been engaged in a "running battle" with short-sellers who have complained "that the shares are artificially inflated".

Musk's decision to talk down his own company's share price is clearly a "kick in the teeth" for investors, says Liam Denning on Bloomberg. However, he is right to stress that Tesla's stock price is "an emotional, not financial, construct". After all, the pandemic has piled more stress onto Tesla's "already less-than-utility-like model". Despite analysts' euphoria at the "peanut-sized profits" Tesla announced in its latest earnings report last week, there are serious concerns about what the continuing suspension of activity at Tesla's main factory in California will mean for future cash flow.

Still, the profit and the recent comeback in the stock price show that Tesla is doing better than its traditional competitors, says Antony Currie on Breakingviews. While the firm's valuation of 75 times earnings is clearly "unjustified on pretty much any sane metric", its soaring share price gives it "potential access to far more capital". And with shares in Tesla's competitors cratering, it might be a good idea for Musk at least to consider "snapping up" a bigger producer for a "song" and "accelerating his goal of advancing the mass production and adoption of electric vehicles".

Britain plans for an exit

When will the lockdown end, and how will it work? Matthew Partridge reports

STAY HOME
PROTECT THE NHS
SAVE LIVES

Johnson: house arrest will end soon

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Notwithstanding a controversy over whether the government has really met its target of carrying out 100,000 coronavirus tests a day, Prime Minister Boris Johnson has indicated that he hopes to start easing the lockdown "early next week", says Imogen Braddick in the Evening Standard. The exact "roadmap out of lockdown" will be announced on a speech on Sunday, and the measures will be phased in slowly enough to avoid the "economic disaster" of a "second spike" in cases, Johnson has said. The PM believes, however, that there has been enough of a "palpable improvement" to allow the government to "get going" with a gradual relaxation of the rules.

Easy does it

The government hadn't revealed what measures it is considering as MoneyWeek went to press, but it looks likely that any initial relaxation will be minor, says Francis Elliott and Chris Smyth in The Times. The emphasis in the "first stage" will be on "low risk" morale-raising measures, such as lifting the restrictions on daily exercise, with a "presumption in favour of outdoor activity". Restrictions may be lifted more slowly in urban areas. But whatever the exact roadmap looks like, businesses and individuals are likely to "face uncertainty for many months to come".

Making more significant changes will require more than just a change of rules, though, as polling evidence suggests that "fewer than one in five" of the British public believe the "time is right" to consider reopening schools, restaurants, pubs and stadiums, says The Observer. Just 9% of people feel the ban on pubs should be lifted. Experts are warning that the lockdown has left many people "anxious and risk averse" and reluctant to resume normal life. Easing lockdown restrictions may not be enough to convince people to come out of their houses.

Back to normal?

Nonsense, says Charles Moore in The Daily Telegraph. Polls may show strong support for a continued lockdown, but they are the result of one of the "most concentrated public messaging campaigns ever" and the fact that the statistics presented to the public "have appeared to reinforce the original message". If people are shown "clear evidence" that the situation on the ground is changing, then their attitudes will change too. With the number of hospital deaths continuing to fall, the public may be ready for significant change "surprisingly soon".

The difficult question of how quickly to ease the lockdown isn't the only one the government is facing, says the Financial Times. With the UK economy on "life support", the job-retention scheme, which pays 80% of salary to furloughed workers, has been "crucial in keeping smaller businesses afloat" and preventing a "steeper rise in unemployment". But with around a fifth of the workforce now furloughed, the government has to work out how to phase out the scheme, which is costing as much as the NHS, while avoiding a "wave of job losses". As former chancellor, Norman Lamont, points out, the scheme may be lulling many into a false sense of security: many furloughed workers may not have a job to go back to.

Political hostilities resume in Europe

Sánchez: unity is crumbling

The days of opposition parties around Europe "rallying to the flag" may be numbered – Spain's prime minister, Pedro Sánchez, is under pressure to reverse his plans to extend "one of the strictest coronavirus lockdowns in Europe", says Sam Jones in The Guardian. His socialist-led coalition has been criticised for "reacting too slowly" to the crisis and for "inconsistencies and delays" in publishing statistics. In a break from its previous support, the opposition People's Party is refusing to support any extension; the far-right Vox party is opposed too.

The leaders of the Catalan and Basque separatist parties have also expressed "deep dissatisfaction" with lockdown, says Daniel Dombey in the Financial Times. Even the moderate Ciudadanos party has expressed reservations – it only agreed to provide support to allow emergency measures to get through parliament after Sánchez agreed to give it a role in planning the transition to a "new normality".

Spain's PM isn't the only European leader under pressure, says Hannah Roberts on Politico. In the initial phase of the crisis it looked like Italy's Giuseppe Conte "could do no wrong". Now, the opposition is occupying parliament in protest at the lockdown restrictions, and regional government and industrial lobbies are accusing Conte of "moving too slowly". Other countries that have eased their lockdowns, such as Germany and Singapore, have seen the number of new cases rise rapidly. That may help justify Conte's more cautious approach. "But as worries of economic disaster grow, that caution may not be enough to keep the political peace."

Betting on politics

Over the past week Donald Trump's odds of victory in the upcoming presidential elections have narrowed a bit, to 2.06 (48.5%) on Betfair. The odds on his likely opponent, Joe Biden, have drifted out further to 2.4 (41.7%), presumably because punters believe he will drop out (or be made to drop out) between now and November. Crazier things have happened, but I think this is less likely than the odds imply. If you have already bet on Biden, though, don't put any more money on him.

One interesting bet available is Ladbrokes' market on the Senate election in Kentucky. As you'd expect, in a state that Trump carried by 30% at the last election, they have the Republicans as favourites at 1/5 (83.3%), with the Democratic candidate at 10/3 (23.1%). The primaries have been postponed due to coronavirus, but the Republican candidate is almost certain to be current Senate Majority leader Mitch McConnell (pictured); former independent Amy McGrath is likely to be the Democrat's choice.

Interest has been sparked by polls showing McConnell and McGrath neck-and-neck and by the fact that McGrath has raised more money. McConnell's popularity ratings are relatively low, but I think the Republican alignment of the state, plus the advantages of incumbency, mean it should be a relatively straightforward win for him. Most pundits expected a close contest six years ago, but McConnell won in a landslide. I suggest you take the Republican side of this bet.

©Getty Images

Top court sniffs at ECB bond-buying

Germany's highest court casts doubt on the legality of the European Central Bank's QE. Emily Hohler reports

Germany's highest court issued an explosive judgment on Tuesday on the legality of European Central Bank (ECB) bond buying, threatening to block fresh purchases of German bonds and giving the ECB until August to prove that it acted proportionally, say Martin Arnold and Tommy Stubbington in the Financial Times. Ruling in a long-running case launched in 2015, the Verfassungsgericht said that Germany had a "duty to take active steps". The ECB has bought more than €2.2trn of public-sector debt since 2014, but the scheme has always been controversial in Germany, where critics argue that the ECB "exceeded its mandate by illegally financing governments and exposing taxpayers to potential losses".

Although the court found, crucially, that the ECB bond purchases do not violate a legal ban against financing governments, it "broke with the European Court of Justice (ECJ), which had approved the bond purchases", says David McHugh in The Washington Post. The German court has "never accepted the ECJ's assertion of supremacy", but this is the first time it has acted on the threat, says Ambrose Evans-Pritchard in The Daily Telegraph. "This is heady stuff."

The ECB won't find it particularly hard to show that it acted proportionately (ie, took broader economic and fiscal considerations, not just inflation, into account when deciding to pursue QE), says Ferdinando Giugliano on Bloomberg. There are dozens of documents in which the ECB's Governing Council and officials examine areas such as income and wealth distribution. The trouble is that in doing so the ECB would be accepting that "German judges have a duty to scrutinise the ECB since the European Court of Justice hasn't done so properly". As Guy Verhofstadt, MEP and former Belgian prime minister put it, "If every constitutional court of every member state starts giving its own interpretation of what Europe can and cannot do, it's the beginning of the end".

©Getty Images

Germany has a "duty to take active steps"

The judgment also comes at a politically difficult moment, with the ECB at the frontline of the eurozone response to Covid-19. Although the ruling relates to the long-standing public sector purchase programme (PSPP) and not the ECB's pandemic emergency purchase programme (PEPP) and the court explicitly said that its decision was not related to the latter, it inevitably raises questions about the recent €750bn "blast of 'pandemic QE'", says Evans-Pritchard. Markets have taken comfort from ECB president Christine Lagarde's promise to increase the purchases "by as much as necessary", but "rhetoric is empty without full German backing". While other central banks could cover for the Bundesbank temporarily, "confidence in the euro project would collapse overnight if the eurozone's dominant power and chief creditor refused to take part".

> *"The court's decision raises questions about the recent €750bn blast of pandemic QE"*

Ultimately, this could amount to a lot of barking but no biting, or it could mean the end of the stimulus programme, says McHugh in The Washington Post. There will now be a three-month wait, but the ruling highlights that a successful future legal challenge could contribute to the risk of a eurozone break-up.

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Ottawa

Canada chooses new central bank governor: Tiff Macklem (pictured) will become the Bank of Canada's next governor, a "surprise choice" that will see the central bank's former number-two official lead the institution during the biggest global economic downturn since the Great Depression, say Kim Mackrael and Paul Vieira in The Wall Street Journal. Macklem, 58, is the dean at the University of Toronto's Rotman School of Management and served as the central bank's senior deputy governor from 2010 to 2014. Many think he will provide a "steady hand" at a time of "unprecedented economic uncertainty". Macklem previously worked as a senior official at Canada's finance department during the 2008 financial crisis. He is taking over from current governor, Stephen Poloz, and will serve a seven-year term. The hope is that Macklem's experience during the financial crisis will help the central bank navigate the pandemic-induced downturn. The Bank of Canada has cut its main interest rate three times to 0.25% since early March. The latest data suggests that the economy shrank by 9% in March alone.

Seattle

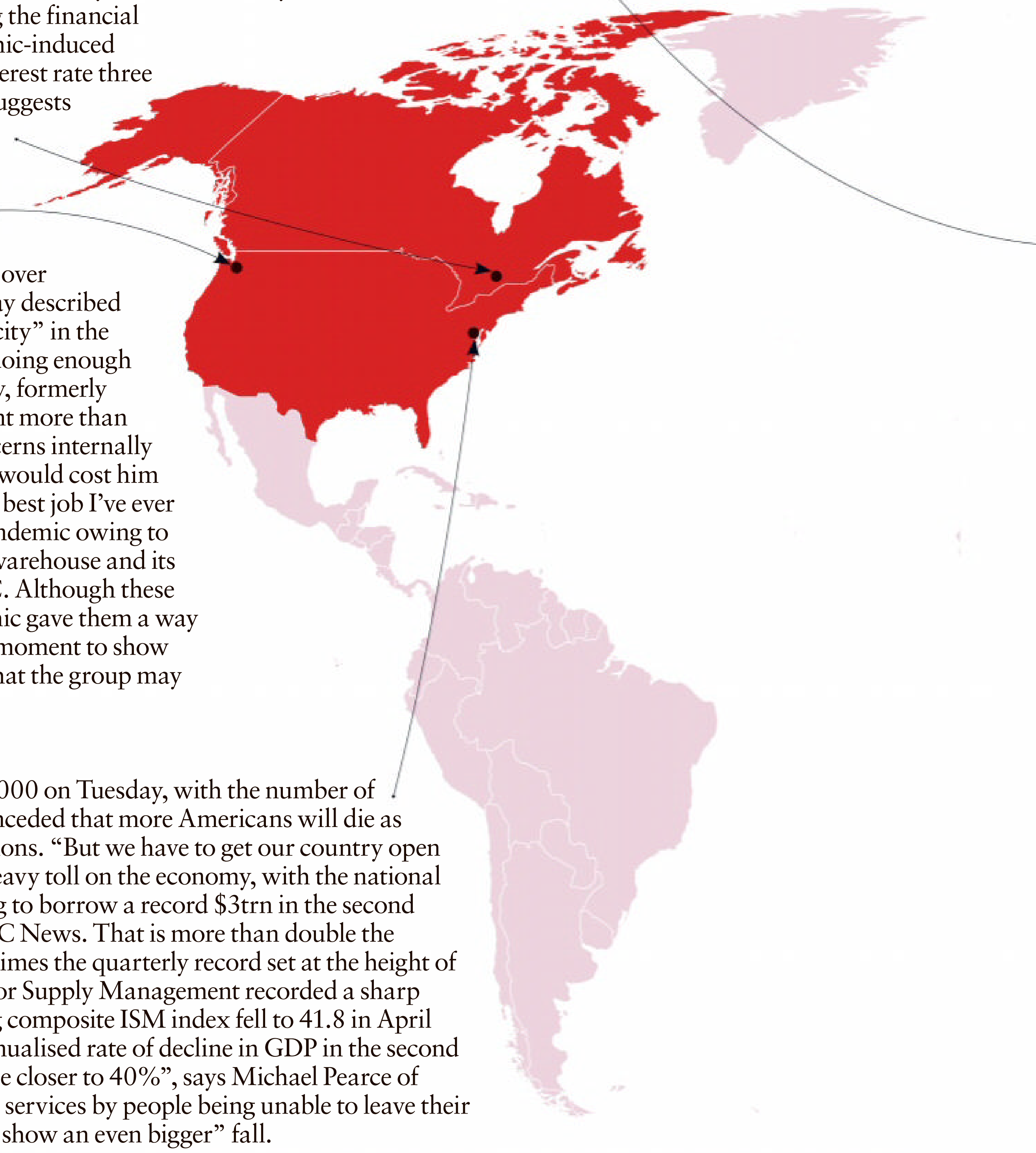
Vice-president quits Amazon: A vice-president at Amazon has resigned following the e-commerce behemoth's crackdown on workers who criticised it over coronavirus safety measures, says the BBC. Tim Bray described the firing of protesters as "evidence of a vein of toxicity" in the company. Workers have criticised Amazon for not doing enough to protect warehouse staff against coronavirus. Bray, formerly a senior engineer at Amazon Web Services, had spent more than five years at the company. He says he raised his concerns internally first, but then "snapped". He admitted the decision would cost him "over a million (pre-tax) dollars, not to mention the best job I've ever had". Amazon had an image problem before the pandemic owing to its "aggressive" steps to prevent unionisation in its warehouse and its tax-avoidance tactics, says Zoe Thomas on the BBC. Although these concerns "dogged other big tech firms", the pandemic gave them a way to "redeem" their image. This should be Amazon's moment to show how useful it can be. But the latest furore suggests that the group may waste it.

Washington DC

Borrowing soars: Deaths from Covid-19 passed 71,000 on Tuesday, with the number of confirmed cases at 1.2 million. President Trump conceded that more Americans will die as 41 states have so far announced plans to lift restrictions. "But we have to get our country open again", he said. The lockdown is already taking a heavy toll on the economy, with the national debt approaching $25trn. The government is aiming to borrow a record $3trn in the second quarter to fund its crisis relief programmes, says BBC News. That is more than double the $1.3trn the US borrowed in all of last year and five times the quarterly record set at the height of the 2008 financial crisis. Meanwhile, the Institute for Supply Management recorded a sharp decline in the services sector. Its non-manufacturing composite ISM index fell to 41.8 in April from 52.5 the previous month. That suggests an annualised rate of decline in GDP in the second quarter of 6%, although "the actual decline [may] be closer to 40%", says Michael Pearce of Capital Economics. Given the constraints placed on services by people being unable to leave their homes, "the bigger surprise is that the surveys don't show an even bigger" fall.

Europe

Europe opens up: France and Spain recorded the lowest daily death tolls from Covid-19 since mid-March on Sunday, while Italy's 174 new deaths marked a two-month low, says BBC News. In Germany, which, as of Wednesday, had recorded just under 7,000 deaths, Chancellor Angela Merkel agreed to reopen all shops. Europe's biggest economy has seen its industrial sector "ruptured" by the virus, says Yahoo Finance. New factory orders fell by 15.6% in March from the previous month, "making it the biggest slump since 1991". Around ten million workers have been registered to have part of their wages paid by the state, says the Financial Times. "Almost a quarter of all German workers have been sent home or put on partial hours during the pandemic." France recorded a 5.8% quarter-on-quarter fall in GDP between January and March; Italy's GDP shrank by 4.7%. Both economies contracted in the fourth quarter of 2019 too, so they are now officially in recession.



The way we live now: short-term rentals to pre-empt corona divorces

Prolonged exposure to your partner in lockdown may undermine domestic harmony

A firm in Tokyo is capitalising on the Covid-19 lockdown by letting out rooms for people who are finding prolonged exposure to their partners more stressful than potential exposure to the virus, says Philip Patrick in The Spectator. Kasoku is offering short-term rental units with facilities for teleworking to prevent a surge in the numbers of "corona rikon" (corona divorce), the new trending phenomenon in Japan. "Apparently, the head of the firm got the idea after losing a girlfriend in this way." The fact that the Japanese have given it a name and started to exploit it commercially "suggests it may be more acute here than elsewhere". This could be explained by Japan's adherence to traditional gender roles, says Patrick. The pressure is building inside the home, the "inner sanctum" of the Japanese woman's domain. Housewives on social media complain about "ever-present spouses" infringing on their territory and ignoring household rules. In the UK, we've learnt that some of us are prepared to hoard toilet paper or snitch on neighbours. "Some Japanese are becoming aware of how fragile their domestic harmony actually is."

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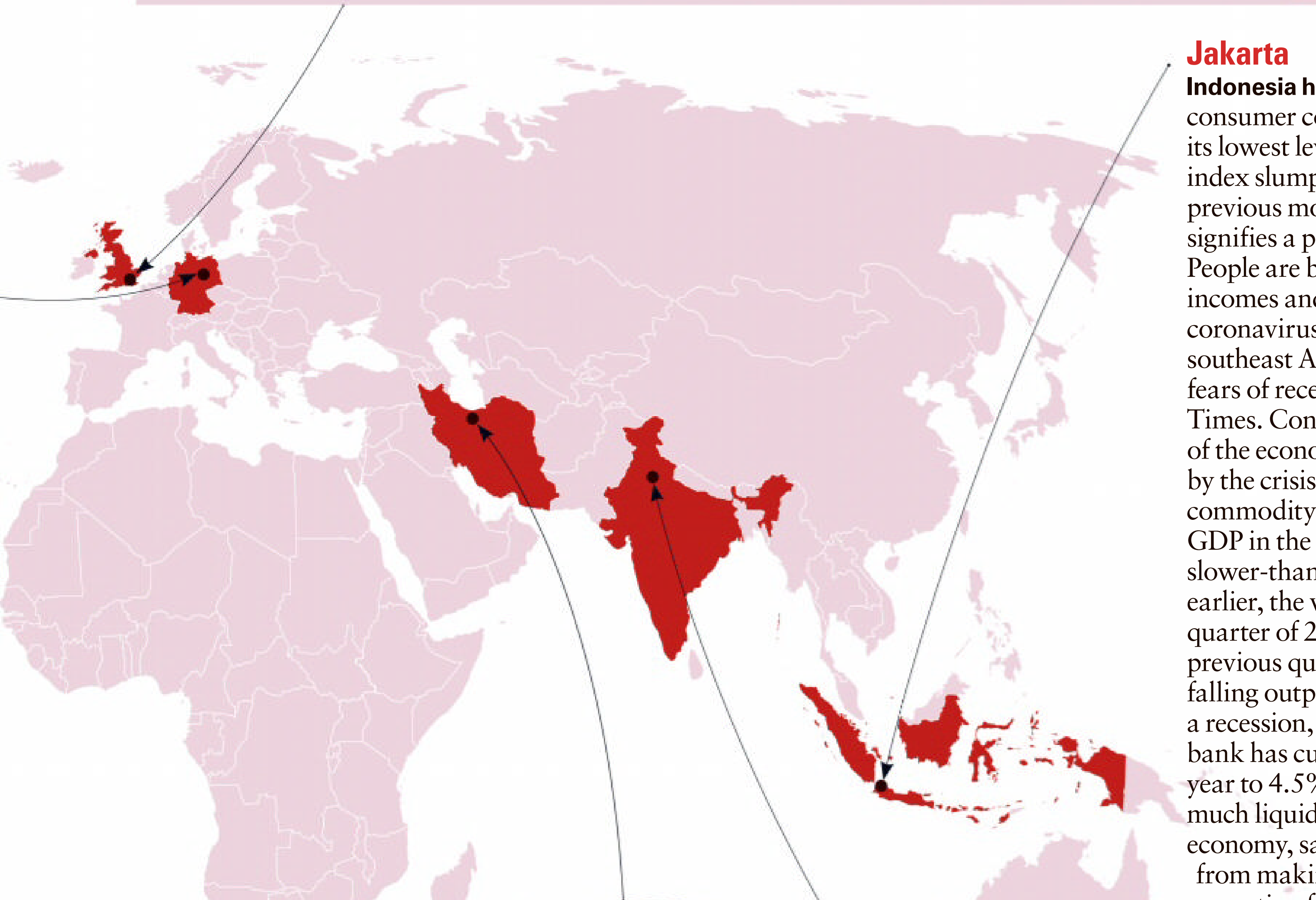
London

Car registrations fall to 74-year low: Britain overtook Italy this week as the European country worst hit by the coronavirus in terms of the number of recorded deaths. As of Tuesday, 29,427 had succumbed to the virus, compared with 29,315 in Italy. Nevertheless, the chancellor, Rishi Sunak, is reviewing options to get the country back to work, says Steven Swinford in The Times. The aim is to encourage a return to work through a reduction in wage subsidies. There is concern that the nation has become "addicted" to the furloughing scheme, as one source put it. With 6.3 million workers furloughed (23% of the workforce), the scheme could soon end up costing as much as the NHS, which has a budget of £11bn a month. Meanwhile, the lockdown continues to batter the services sector. The IHS Markit purchasing managers' index (PMI) for services, which account for 80% of the economy, fell from 34.5 in March to 13.4 in April, the lowest figure since the survey began in 1996. (A reading under 50 indicates a contraction.) Nearly 80% of companies reported a drop in activity. New car registrations also plunged by 97% in April compared with the same month last year, when 161,064 cars were registered, according to industry body the Society of Motor Manufacturers and Traders. Just 4,321 registrations were recorded last month, the lowest monthly level since 1946.

Rishi Sunak wants us to get back to work



Jakarta

Indonesia heads for recession: Indonesia's consumer confidence index dropped to its lowest level in 12 years in April. The index slumped to 84.8 from 113.8 the previous month. Any level under 100 signifies a pessimistic overall outlook. People are beginning to fret about falling incomes and poor job availability as the coronavirus pandemic hampers business in southeast Asia's largest economy and fuels fears of recession, says Singapore's Straits Times. Consumption, the main driver of the economy, has been undermined by the crisis, while investment and vital commodity exports are also suffering. GDP in the first quarter expanded at a slower-than-expected 3% from a year earlier, the weakest pace since the first quarter of 2001 and down from the previous quarter's 5%. Two quarters of falling output, the technical definition of a recession, appear inevitable. The central bank has cut its interest rate twice this year to 4.5%, and says it will provide as much liquidity as required to support the economy, says Reuters. But it refrained from making a third cut at its April meeting for fear of further weakening the local currency, the rupiah, and thus stoking inflation. The rupiah has been emerging Asia's worst-performing currency so far this year.

Tehran

Cosmetic currency reform: On Monday, the Iranian parliament backed government plans to slash four zeros off the face value of the national currency, the rial, and replace it with another basic unit of currency called the toman (each toman will be worth 10,000 rials). The move is essentially an "acknowledgement of how American sanctions and economic mismanagement have contributed to inflation", says Farnaz Fassihi in The New York Times. Since 2018, when Donald Trump withdrew from the international nuclear deal and reimposed sanctions, the value of Iran's currency has fallen by 60%. Although Covid-19 appears to have played a "decisive role", the government has been considering changing the currency for years. The move is the "outcome of a draft bill presented in early 2019" by the country's central bank governor, Abdolnaser Hemmati (pictured), who noted that the currency has been devalued 3,500 times since 1971. Supporters of the change say it will simplify transactions, but opponents deem it an unnecessary expense at a time of crisis, with the government already facing a budget deficit of at least 30%-50% this fiscal year.

New Delhi

A "mind-boggling" labour-market slump: The world's biggest lockdown forced 122 million people out of their jobs in India last month, says Anirban Nag on Bloomberg. The government had imposed a 40-day lockdown on the country of 1.3 billion people, forcing businesses to shut and propelling the jobless rate to 27.1%. Casual labourers and those employed by small businesses have borne the brunt of the labour market slump. Mahesh Vyas , chief executive of the think tank CMIE (pictured), said it was a "mind-boggling number". Activity in the country's dominant service industries, which make up over half of India's GDP, crashed last month, also pointing towards a massive contraction in the economy. The services purchasing managers index (PMI) plunged by 43.9 points to 5.4 in April; a score over 50 would connote growth in the sector. A composite PMI index tracking both manufacturing and services slumped to 7.2 from 50.6 in March. Historical comparisons of the index with GDP suggest the economy contracted at an annual rate of 15% in April. To counter the economic slowdown and deter large crowds from gathering at shops, many of India's 36 states have now introduced an alcohol tax.

Is bitcoin going mainstream?

The cryptocurrency suffers from all the problems it has always had and that may never change. But digital currencies more broadly may be about to take off. Simon Wilson reports

How is bitcoin getting on?

By its own standards, bitcoin has achieved a certain stability, in that its price in recent weeks – in the range of $7,000 to $9,000 – is in the same ball park as it was 12 months ago. Bitcoin remains highly volatile: its price all but halved between mid-February and mid-March (as financial markets took fright at Covid-19), before running back up again strongly since then. It remains primarily a tool for speculators, rather than a means of exchange or store of value. Yet the cryptocurrency has nevertheless defied predictions – following the popped bubble of 2017 – that it would collapse, or become near-worthless. The crash was spectacular and several other cryptocurrencies fell even more steeply (over 90% falls). But one bitcoin remains around half the value of the all-time peak (near $20,000) in December 2017. It bottomed out a year later, at around $3,200 – and in the year and a half since then it's been on a rising trend, which bitcoin boosters hope will get an extra lift from the imminent "bitcoin halving".

Bitcoin is on a rising trend that may get an extra lift from a "halvening"

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What's a bitcoin halving?

A halving of the rate at which new bitcoins are created, by making them harder to mine. At some point in the next few days (either Monday or Tuesday) the 18,375,000th bitcoin will be generated by its decentralised community of digital miners, after which the rewards for miners producing bitcoin will be cut in half – making it twice as difficult (and twice as energy-intensive) to produce new bitcoins. This halving (or "halvening" to some crypto-purists) takes place about every four years: previous halvings took place in 2012 and 2016, and the process is a key part of the mathematical code underpinning the bitcoin project.

What's its purpose?

Part of what makes bitcoin distinctive, and underpins its claim to credibility as a store of value, is its cap on supply: only 21 million bitcoins can ever be created, and more than 18.3 million of these have already been mined. The halving process is built into this model as a way of promoting the system's viability by ensuring scarcity and curbing runaway inflation. Bitcoin works by using powerful computers to verify each block of blockchain transactions every ten minutes or so. When bitcoin was launched, the "block reward" for verifying each block was set at 50 bitcoins, but every 210,000 blocks, that reward is halved. This latest halving will take the reward down from 12.5 to 6.25 bitcoins – meaning that lots of miners will shut up shop, since it will no longer be profitable for them to mine the cryptocurrency.

> *"Gold is the protection of our assets. Bitcoin is the call option on the future system"*

Why might this boost the price?

There's no special reason why it should, other than increased scarcity – and that ought to be priced in well in advance, since the halving has been known about for years. But the bitcoin market is not known for cool rationality and bitcoin boosters look back lovingly at previous halvings. The first presaged a 100-fold rise in the price from about $10 in late 2012 to about $1,000 a year later. The second, in July 2016, came when the price had eased back to about $650 – but over the following 18 months it rocketed to almost $20,000. The ultimate bitcoin booster is the former Goldman Sachs hedge-fund manager Raoul Pal, who argues that the price of one bitcoin could reach $1m (a further 100-fold rise) before the next halving event in 2024. In his April report for his Global Macro Investor service, Pal argues that bitcoin will become a safe-haven asset. "Gold is the protection of our assets. Bitcoin is the call option on the future system. Both are going to save us and probably make us rich," he says.

Is that plausible?

It would certainly imply a total paradigm shift from the scepticism with which cryptocurrencies are regarded by many institutional investors. Some analysts suspect the vast post-Covid fiscal stimulus could be the inflationary spark that sets off such a shift. "If we get a pickup in inflation, bitcoin's price will become unhinged," reckons Clem Chambers in Forbes. Yet the core problems with cryptocurrencies are well known and haven't changed. The technology is too clunky and energy-intensive to operate at scale, and the sector is riddled with fraud and incompetence – and of most use to organised criminals. Since transactions are irreversible, Ponzi schemes and cons are ten a penny, and cryptocurrency exchanges often collapse or get hacked. For all these reasons, most commentators don't see cryptocurrencies entering the mainstream.

What about digital money more broadly?

Proponents argue that the Covid-19 emergency has highlighted the usefulness of cryptocurrencies. But it has also demonstrated the enduring power of the state – and recent months have seen two developments that suggest the future may belong more to state-backed digital currencies than to bitcoin and its ilk. First, last month Facebook unveiled its revamped proposal for its transnational Libra currency. The new version is much less like bitcoin and much more conventional: it has abandoned the distinctive open architecture of cryptocurrencies and is instead more like a traditional payment network in which coins will be tied to a local currency, a bit like the digital dollars in a PayPal account.

And the other development?

Second, partly spurred by Libra, several countries – in particular China – have accelerated plans for their own digital currencies. China began work on its plans for the world's first "central-bank digital currency" in 2014 and has just begun a pilot scheme in collaboration with the country's four biggest commercial banks. Some expect the digital yuan to be launched later this year – a potential landmark in the story of digital currencies. A digital yuan is expected to give Chinese authorities the power to track digital cash, cut tax avoidance and precision-tool monetary policy. What it definitely won't be is a beacon of decentralised, permissionless control and fiat-free liberty.

When history can't help

This latest crisis is unprecedented in many ways – and that makes it hard to apply lessons from past crashes

Cris Sholto Heaton
Investment columnist

The March meltdown was a tough time for almost all investors. Even quantitative investing strategies (see below), many of which are intended to be largely market neutral – ie, they try to exploit anomalies between the price of individual securities without taking a view on whether the overall market will rise or fall – were badly hit. By the beginning of May, the HFR Global Hedge Funds index was down by around 4.5% from the start of the year, according to Bloomberg, but a subindex of equity market neutral funds had lost twice as much.

Why these funds performed poorly is fairly simple. In a crisis, past relationships between different securities break down – which leads to runaway losses for anybody who bets on them returning to normal quickly. Computer models that base their trading on history are very vulnerable at times like these. A human will grasp that any past patterns involving, say, cruise ships or airlines might no longer be useful when global travel is grinding to a halt. A computer lacks that insight.

"Dividends have been slashed, yet markets are rebounding"

Investing in the dark

Still, with the initial panic over, we're as much in the dark as any misfiring quant model when making sense of what comes next. There's little precedent for a global economic disruption on this scale. Only three events in the modern era offer any real parallels: the crash of 1929-1933, the bear market of 1973-1974 and the financial crisis of 2007-2009. All three saw severe global market panics during times of huge upheaval (the Great Depression, the collapse of the Bretton Woods exchange-rate system and the oil crisis, and the global credit crunch). In each case, stocks dropped by around 50% or even more (US stocks fell by almost 90% from 1929 and UK ones by almost 75% from 1973). All took several years to regain past highs in nominal and real terms (a decade or two in some cases). Dividends fell by 20%-30% in real terms (more than 50% for the US in 1929) and again took years or even decades to recover, although nominal dividends in the inflationary 1970s rebounded very quickly.

Evening News
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Evening Standard
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Millions to be laid off

The stagnant and inflationary 1970s could be a blueprint for the next few years

What's curious today is that dividends are already being slashed: markets expect S&P 500 dividends to fall by 25% by 2022, eurozone ones to fall 40% and FTSE 100 payouts to fall more than 50%. Yet the S&P 500 is now down less than 10% this year and UK and eurozone stocks by less than 25% – and none were down more than 35% at the low. This is hard to square. It's a struggle to see how this crisis can be over without the priciest markets becoming cheaper, unless dividends snap back. Still, the quant quake reminds us that history may yet be a poor guide in such an unprecedented event.

I wish I knew what quantitative investing was, but I'm too embarrassed to ask

Quantitative investing – also known as systematic investing – is the broad term for a wide range of different investment strategies that employ sophisticated computer-based mathematical models to identify and carry out trades.

Common quant strategies include factor investing, which looks at characteristics of an asset such as the profitability of a company. To take a simple example, an investing algorithm might buy stocks that appear cheap on measures such as price/book value and sell stocks that look dear. This is a classic value investing approach that a human manager might follow. But the algorithm will take into account far more metrics than a human manager might, while ignoring other considerations that might sway a human – such as whether they think the firm's management is good.

Risk parity strategies allocate between different assets depending on how volatile they are and how much volatility the investor wants. Trend-following strategies (also known as managed futures or commodity trading advisers (CTAs)) look for trends in the price of assets and make decisions based on those. Statistical arbitrage is based on relationships that normally exist between the price of different securities. Event-driven strategies identify patterns around events such as earnings announcements or corporate actions. Systematic global macro decides whether to invest in countries, assets or sectors based on quant models that use economic data.

Proponents argue that quantitative investing helps remove biases and emotion from investment decisions, ensuring that they are based purely on data. While quant models are initially programmed by people, the role of humans in making individual investment decisions is greatly reduced. With some of the newer artificial intelligence-powered approaches, even the designers may not fully understand why a system chooses specific trades.

Guru watch

Ben Inker, head of asset allocation, GMO

"I don't trust this rally," Ben Inker of US asset manager GMO tells Finanz und Wirtschaft, speaking after the S&P 500 clawed back half its losses in just a few weeks. While "markets have a very strong tendency to overestimate the importance of acute near-term events" that don't greatly affect the long-term value of stocks (such as the coronavirus crisis), "if ever a market should have fallen materially, it was the US".

Before the crisis, the S&P 500 was priced for perfection – "high profit margins, a stable economy and no disruption". The fair value of the market probably hasn't changed much – maybe 6% lower, Inker estimates – but because the market was already pricey, the drop did little to change the maths. "Before its fall, it was very substantially overvalued. [Now it is] slightly less overvalued than before. Today the S&P 500 stands at 2,850; fair value might be 2,000, says Inker.

Conversely, emerging markets look more compelling than ever. "They were pricing in a pretty scary world already before the crisis"; now that scary world has arrived, their valuations reflect it. Countries such as China, Korea and Taiwan are doing well in controlling the coronavirus outbreak, but even those that look more at risk from a healthcare perspective – such as Brazil and Russia – have dropped enough to be attractive. "The fall was 40% or 50%. That is a very big drop even if you think there is going to be very substantial damage to the fair value of companies. There's a lot of scope to give a haircut to fair value and still leave you pretty cheap."

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Brexit Britain should look to Switzerland

A tie-up with the Alpine state makes sense and would create a vitally important global financial centre

Matthew Lynn
City columnist

We need a trade deal with the US. We need finally to make peace with Michel Barnier, and come to an agreement with the EU. We need to secure access to markets around the world so that we can still export globally. As the deadline for ending our transitional deal with the EU draws closer and closer, there are lots of different deals that Britain needs to negotiate in a hurry. But one is perhaps easier than any of the others and potentially more valuable: a UK partnership with Switzerland to create a global powerhouse in financial services.

A powerful force in banking

With just 8.5 million people, Switzerland is far from the largest country in the world, but its incredible prosperity makes it more important than you might imagine (it ranks 99th in the world in terms of population, but 20th by total GDP). More significantly, just like the UK, it is a powerful force in banking and money management. As a recent report from TheCityUK highlighted, Britain and Switzerland between them dominate global exports of financial services. UK financial exports are $82bn and Swiss exports are $23bn. Combined, that dwarfs the US at $68bn, Germany at $16bn and France at just $1.5bn. The US, of course, has a massive finance industry, but it mostly services its domestic market, while the rest of Europe hardly competes at all. But London, Edinburgh, Zurich and Geneva are all outward-looking, global financial hubs, focused on working with companies and investors around the world.

Here is the important point. Both Switzerland and the UK are now outside the EU. And both countries either have been, or will be, excluded from its single market in financial services. It remains to be seen what kind of deal can be agreed with the UK, but the EU has made it very clear it doesn't want the City to keep the passporting rights that allow its firms to sell right across Europe, so it looks as if we will be excluded. Likewise, last year the EU locked Switzerland out of the single market in financial services in a failed attempt to whip the Swiss into line with its own rules. As it turned out, it didn't make a great deal of difference. Instead of trading Nestlé's shares in Frankfurt, you had to trade them in Zurich instead, but the Swiss bourse continued to outperform most of the rest of Europe as it usually does.

Make peace with Barnier – there are other prizes on offer

©Getty Images

Huge rewards for both countries

There is a natural deal to be done. The UK already has a series of bilateral agreements in place that will preserve access to each other's markets after our transitional deal with the EU comes to an end. But we should go a lot further than that. The two countries are natural allies and partners. A UK-Swiss tie-up has the potential to create the world's most important financial hub.

Between them, the UK and Switzerland could create their own single market in finance. It would set its own rules and standards by agreement between the central banks and regulators in both countries. British firms should be allowed to operate completely freely in Switzerland, and vice-versa. Both markets should be thrown completely open to investors and companies from around the world. The legal systems, reputation and stability of both countries means those standards would immediately be accepted globally.

It is a big prize, with huge rewards for both countries. A UK-Swiss partnership wouldn't necessarily be the biggest financial centre in the world. Wall Street would still be larger and Shanghai will in time move into first place as China's economy becomes the biggest in the world. But it would be the biggest international centre and one few investors could ignore. It would be a magnet for just about every company in Europe that wanted to tap the global capital markets and the gateway for American and Chinese businesses that wanted to raise money from the rest of the world. And it would be 50 or 100 times more important than Frankfurt or Paris, which would put all the heated debate about securing a trade deal with the EU by the end of this year in perspective.

Who's getting what

● Marks & Spencer's boss **Steve Rowe** "will not take a pay cut, despite furloughing workers" and scrapping next year's £210m dividend, says the Daily Mirror. Rowe is to receive total pay of £1.7m for 2019, up from £1.1m the previous year. However, his salary of £810,000 stays the same. The bulk of his pay increase comes from £621,000 in vested shares; he got a £79,000 performance-based windfall in 2018. Last month, the retailer announced it was saving £130m by cancelling the final dividend for this year.

● Goldman Sachs' decision to reward chief executive **David Solomon** (pictured) with a 20% pay rise for his first full year at the helm "drew a sharp rebuke from shareholders frustrated with years of subpar returns and impending recession", says the Financial Times. Just **71% of investors approved Solomon's $27.5m pay package**. The Wall Street bank argued 2019 had been a transition year and progress had been made on its three-year strategic plan.

● **Mark Read**, boss of advertising giant WPP, was paid £2.6m for last year, comprising £975,000 in base salary, £206,000 in benefits and pension, a £1.3m bonus from a short-term incentive plan, and £71,000 from a long-term scheme. Read took over when founder Martin Sorrell retired in April 2018. Sorrell collected £517,000 in shares under the terms of a five-year scheme that vested in March. WPP's shares rose from about 850p to £11 during 2019, despite net sales slipping by 1.6%.

©Getty Images

Nice work if you can get it

Highly paid chief executives who have taken salary cuts during the coronavirus crisis have only done it for show, says Justin Harper on the BBC. Salaries are typically only a fraction of an executive's overall pay package. Disney's chairman Bob Iger's $3m basic salary last year, for example, made up only a small part of his $47.5m pay package. Arne Sorenson, boss of one of the world's biggest hotel chains, Marriott, was paid $13.4m, of which only $1.3m came from his salary. United Airlines CEO Oscar Munoz's $1.3m wages were just 10% of his total pay. All three have offered to sacrifice at least part of their salaries – and that can be lucrative. "Announcing you will take a salary cut will buy you a lot of goodwill and hopefully raise the company's stock price," economist Sumit Agarwal tells BBC News. As the CEO's bonus is often linked to the share price, they may not lose money by sacrificing their salary.

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The NHS is not beyond criticism

Clare Foges
The Times

Covid-19 may "do serious damage to the NHS", says Clare Foges; not by overwhelming it, but by elevating it to "such heights in the public's affections that it is beyond discussion, beyond necessary reform". Boris Johnson's moving tribute to the NHS after his hospital stay, in which he "veered between" individuals and the NHS itself, is part of the problem. If we conflate workers with the institution, any criticism can be cast as an attack on doctors and nurses, "pressing the button on public outrage". Yet it is perfectly reasonable to ask "whether a system designed in the 1940s is fit for today". Although there is much to be proud of, across eight of the 12 top causes of death in the West our outcomes are below average. The "rapacious" American system is not the only alternative. Germany, France and Sweden have enviably efficient and effective health services. True, we spend less – and we should arguably spend more – but a sensible debate should go beyond money: should we allow more private providers to enter the system; merge health and social-care systems; introduce small charges for GP appointments or minor investigations? "If we truly love the NHS, we must be willing to talk about how to improve it."

States eye up digital cash cows

Editorial
South China Morning Post

Amid the pandemic, "cash-strapped governments" are eyeing the online industry as a potential source of revenue, says South China Morning Post. Worldwide e-commerce sales totalled nearly $26trn in 2018, almost a third of global GDP, and collectively generated around $234bn in revenue in the first quarter of this year, up 14% from 2019. Pre-crisis, there was already a global effort to develop a multilateral digital tax agreement at the OECD, a club of mostly rich countries, and although a deal will be much harder to negotiate without physical meetings, the pressure to tax the world's biggest internet companies is growing as they are set to be the "main beneficiaries" of the crisis. Donald Trump is one of the biggest advocates of an international accord as he wants to "deter nations from unilaterally siphoning tax revenue from America's internet behemoths". Last year, he threatened to impose 100% duties on $2.4bn of French goods in retaliation for their digital services tax. Now, governments are assessing whether the long-term cost of such tariffs would outweigh billions of dollars in new digital revenues. Eager for cash, the temptation will now be to ignore international rules about the allocation of taxable income to countries.

Trump puts his foot on the gas

Michael Bloomberg and Gina McCarthy
Bloomberg

Donald Trump's "push to increase air pollution" is one of his "most troubling" failures in the fight against Covid-19, say Michael Bloomberg and Gina McCarthy. A recent Harvard study shows that even a "tiny increase" in fine particulate matter in air pollution (ie, soot) makes the virus more deadly. Yet Trump is making pollution worse. First, the Environmental Protection Agency (EPA) told power producers they could ignore pollution monitoring and reporting obligations, even though there's "little reason" why compliance should be harder because of the pandemic. Second, the higher fuel-efficiency and exhaust-pipe-emissions standards for vehicles have been rolled back; as a result, average fuel economy is set to drop to 40mpg in 2025 from 46.5 mpg under the Obama-era rules. Third, despite recent studies showing that stronger federal limits on soot have "major health benefits", the EPA has refused to change them. Finally, the Trump administration has undermined rules on mercury and toxic chemicals emitted by power plants. "A healthy global economy cannot exist without healthy people." The next stimulus package should support industries that don't endanger our health, rather than ones that do.

Our councils are stretched very thin

Editorial
The Economist

Covid-19 is likely to mean a £40m shortfall in Bath and North East Somerset Council's annual £120m budget, says The Economist. The Roman baths, art gallery and museum alone usually pull in £9.6m. Across Britain, town councils are "doing the heavy lifting": they "fund care homes, deliver food parcels and bury the dead". Meanwhile, spending has risen: more care staff are needed, protective kit is expected to cost as much as £500,000 a week. And revenues are "down sharply". There is little demand for car parks, leisure centres or school dinners. Council-tax receipts are likely to fall. The £3.2bn bailout for English councils is nowhere near enough. The situation is made worse because of "big changes to council funding over the past decade". Since 2010, grants have been "sharply" cut, forcing councils to look elsewhere. Some turned to property, which poses risks if assets' values and rents fall. Councils also now keep at least half of business-property taxes raised locally and earn bonuses for building new houses. Those sources of income are at risk, too. By law, councils must run balanced budgets. Most do, but this may change. As one finance director said, "We are really, really stuck."

Money talks

"Taxes. I don't like them. They want too much of the money back."
Rapper 50 Cent (pictured) on what he would change about the US, quoted in The Guardian

"Germans will crawl bollock-naked over broken glass to get low fares."
Ryanair chief executive Michael O'Leary, quoted in The Times

"Who knows what effect it all had on producers who might have hired me. You take the papers to court and you get money, but you don't get your life back."
Actor Neil Morrissey on having his phone hacked and being hounded by the press over an affair, quoted in The Observer

"It didn't happen in the end… I did try to buy Tottenham Hotspur in the Sixties [but] the family who owned the club at the time… didn't want to sell… The price wouldn't have been as astronomical as it would be today; maybe I could have bought it for a million."
Dave Clark, founder of Sixties pop group Dave Clark Five, quoted in The Sunday Telegraph

"Charlie [Munger] and I are around. We like capital allocation ourselves. We are not going any place voluntarily, but we probably will be going some places involuntarily before that long."
Warren Buffett on who will allocate capital at his investment vehicle Berkshire Hathaway in future, quoted on CNBC. The succession is a recurrent issue as Munger is 96 and Buffett 89

"We have read predictions for the total number of Covid-19 deaths in the UK ranging from 6,000 to 20,000 to around 66,000. It seems that epidemiologists' models are as diverse in their outcomes as economists'."
A letter to the Financial Times from Dr Jennifer Castle and co-authors from Oxford University, quoted in a Price Value Partners note

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Bring back Thatcherism

capx.co

"In the midst of a crisis, it's natural to reach for historical comparisons," says James Roberts of the TaxPayers' Alliance pressure group. The one people have reached for is World War II, and "there's much to be said for the comparison". But the kind of economy we will inherit when the coronavirus crisis has passed suggests there might be a better historical analogy.

Since the crisis struck, the state has expanded to "unthinkable levels" – it is now paying our wages, propping up businesses and limiting freedoms. The Office for Budget Responsibility suggests the deficit this year will be £218bn higher than their March budget estimate. The national debt has passed £2trn. The tax burden is the highest it's been for 50 years. The post-Covid economy will probably be "in tatters", with cratering GDP and soaring unemployment. Inflation might well start to rise too. Given all this, it's not 1945 we should be looking to, but 1979.

The road back to growth

You might say that this crisis has given us all a taste of Corbynism, and "it's fair to say the public is not enjoying it". Rediscovering the road back to economic growth will be imperative. Like Margaret Thatcher when she came to power, the government will have little choice but to undertake "serious supply-side repair". Debts will have to be paid, businesses revived.

The TaxPayers' Alliance has plenty of ideas on what is to be done. Corporation tax should be cut back to 12.5%, the same level as Ireland's. Cuts to employers' national insurance could "restart Britain's jobs miracle". Stamp duty reductions could get families moving again. A cut to the basic rate of income tax would help many households with the rising cost of living.

This is just the tonic we'll need post-crisis

©Getty Images

For Tories, and especially an "intellectually energetic" one like Boris Johnson, this "should be a dream come true". He should not be tempted by "socialist solutions", which will seem to the public like "more of the same" when they are longing for a return to a new normal. And after months of lauding the economies that have coped best with coronavirus, it's "quite plausible Brits will want to emerge more like Singapore and South Korea than the People's Republic of China".

That leaves the new Labour leader, Keir Starmer, with a dilemma over how to proceed. "He would do well to heed the experience not of Attlee, but his opponent Churchill: refighting old battles with cries that you were right all along will not win you the peace."

The flaw in basic income

fee.org

Economists and academics who have been pushing the case for a universal basic income are "finally having their day in the limelight", says Gavin Wax. A poll last month found that 40% of likely voters in the US favoured the idea of the federal government giving everyone a monthly cheque without condition. Even conservatives are getting onboard with the idea. Their hope is that it will make welfare more efficient. Yet "that's its biggest problem". Greater efficiency was the reason why Milton Friedman advised President Richard Nixon to back the policy. But as economist Murray Rothbard pointed out in 1971, more efficiency would be "disastrous". The "only thing that makes our present welfare system even tolerable is precisely its inefficiency", said Rothbard. The fact that one has to "push one's way through an unpleasant and chaotic tangle of welfare bureaucracy" helps protect taxpayers by disincentivising the dole and incentivising work. Means-testing and other bureaucratic processing of welfare applicants is "a reflection of what charity is supposed to do", says Wax. "Imagine a private charity dropping any interest it has in character and community development, so that in the names of 'equality' and 'privacy' it hands out cash and favours willy nilly. Who would donate to that?"

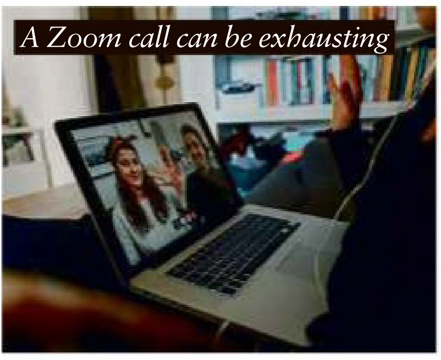
How to fight Zoom fatigue

hbr.org

If you're finding you're more exhausted after a day working from home than you used to be, you're not alone, say Liz Fosslien and Mollie West Duffy. "Zoom fatigue" is a result of the fact that video calls are more draining than face-to-face meetings. We tend to focus more intently and feel that we have to stare at the screen constantly to signal that we're paying attention. Here are four tips for making Zoom calls less tiring.

1. Don't multitask. Switching between jobs constantly can cost as much as 40% of your productive time. Turn off Slack and focus on the task in hand.

2. Build in breaks. Even just looking away from your screen for a few seconds now and then, while still paying attention to what's being said, can help.


A Zoom call can be exhausting

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3. Reduce onscreen stimuli. Research shows that you spend most of the time gazing at your own face, or scrutinising the bookshelves behind your colleagues. Hide yourself from view and encourage people to use plain backgrounds.

4. Switch to the phone. There's a tendency to treat video as the default, but they can feel intimate, even invasive in some situations. It's OK to suggest a phone call instead.

Do firms really plan obsolescence?

conversableeconomist.blogspot.com

Do profit-making firms plan to produce products that will become obsolete sooner than necessary so they can keep sales high over time? The idea that they do rose to prominence in the 1960s with the publication of Vance Packard's *The Waste Makers*, says Timothy Taylor. But actual evidence that firms plan this, rather than it being a consequence of consumer preferences, is hard to come by.

Modern concerns about it focus on our "electronic gizmos". Do they really need to be updated so often? And why is it so hard to get minor problems, such as worn-out batteries, fixed? Such issues may "raise eyebrows". But the issue is one of trade-offs. When consumers demanded smartphones that were slimmer and sleeker, and made of metal and glass rather than plastic, it became harder to include a replaceable battery, for example. New rules on the "right to repair" and the need to inform customers about expected lifespans might help. But having the government try to "mandate the design specs" for high-tech products "would be a mug's game".

18+

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Where to find yield

With dividends being slashed in all major markets, equity-income investors have to consider alternatives. Here are the best options

David Stevenson
Investment columnist

Royal Dutch Shell's decision to slash its dividend last week (see page 7) has severely rattled equity-income investors. Dividends are being cut to the bone across multiple sectors and markets, sometimes at regulators' insistence. And there's no reason to think that it might get any better in the short to medium term. Earnings have fallen off a cliff and taken dividends with them. A fifth of both Euro Stoxx 50 (the index of eurozone blue chips) and FTSE 100 businesses have already cancelled their payouts (see page 4).

Research the dividend-hero trusts

So what should investors do? I think there are four options. The first is to look at equity income-orientated investment trusts. Here there is some rare good news. Many of the biggest and most popular investment trusts have been growing their dividends for at least 20 consecutive years now (in the case of City of London, for 53 years) and have ample reserves to keep paying a sensible yield.

According to Winterflood Securities, which has assessed a shortlist of these "dividend hero funds" (see bar chart), the level of revenue reserve cover (the revenue reserve is essentially a rainy day fund for dividends) varies greatly, with the median level being 129%, while the median level of dividend cover (the extent to which dividends are covered by earnings) in the funds' most recent financial year was 107%. Most of these funds, whose yields range from Scottish Mortgage's 0.5% to Caledonia's 9%, appear able to ride out the coming storms this year with their yield intact.

"The Hipgnosis Songs fund invests in song royalties and boasts a yield of 4.8%"

Go global

The next option is to stop focusing on the level of the payout and diversify beyond UK equity income. You could start with a general global investment trust such as **Alliance Trust (LSE: ATST)** or **Witan (LSE: WTAN)**, which pays out a decent yield as a side-effect of a more strategic approach to picking global stocks. Both of these funds are trading at around a 4.5%-5% discount to net asset value (NAV) and pay a yield of 2% in the case of Alliance Trust and 3.2% in Witan's.

My suspicion is that their final yields for 2020 won't look quite as generous, but over the long term, if you're patient and reinvest the dividend, you probably won't see a very different return to that of a traditional equity income fund. Another form of diversification could be to pick a fund-of-fund approach such as **BMO Managed Portfolio Trust** (**LSE: BMPI**) with a 5.4% yield and trading at a 2.8% premium. This is run by the excellent Peter Hewitt and includes healthcare as well as alternative income funds such as Hipgnosis Songs (see below), along with infrastructure funds.

Focusing more on the idea of geographical diversification, I'd also keep an eye on some emerging market funds, including **JP Morgan's Global Emerging Markets Income Trust** (**LSE: JEMI**) and the **Jupiter Emerging and Frontier Income Trust** (**LSE: JEFI**). They both yield 4.9%. For the adventurous among you, **JP Morgan's Russia Securities Trust** (**LSE: JRS**), trading on a discount to NAV of 12.8% and yielding 6.5%, could represent good value.

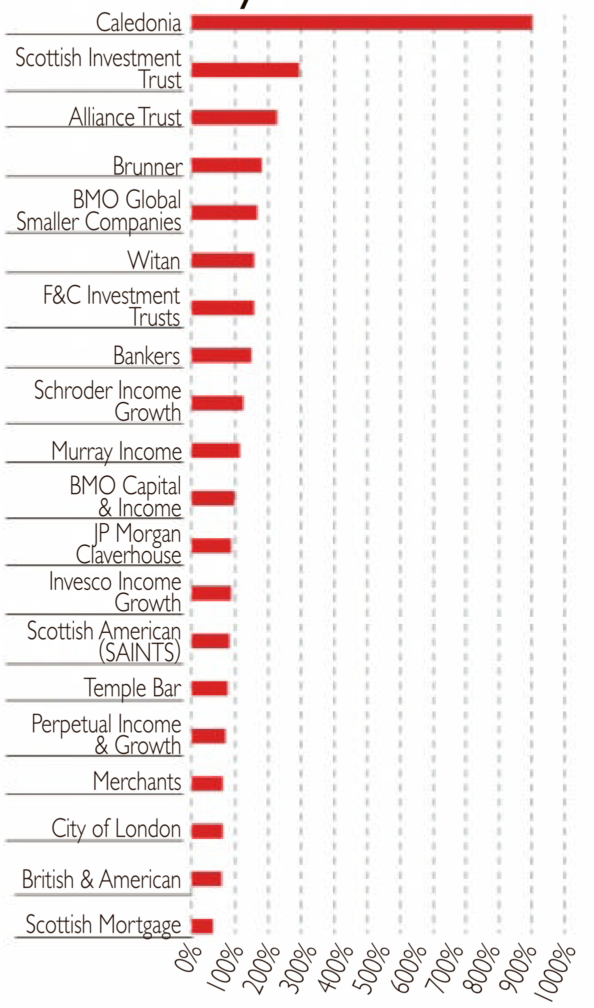
Seek out infrastructure...

Another approach is to explore alternative funds where the income is less dependent on corporate profits and cash flows. Start with the four core classic infrastructure funds listed on the market. These are **3i Infrastructure** (**LSE: 3IN**), **BBGI** (**LSE: BBGI**), **HICL** (**LSE: HICL**) and **International Public Partnerships** (**LSE: INPP**). These very specialist, fairly defensive funds invest in everything from heavily regulated PFI projects to more volatile economic infrastructure (including electricity grids and broadband provision). They are yielding an average of 4.8%. Their focus on government-backed cash flows hasn't completely protected them from market turbulence: they have slipped by 8.1% over the last three months. But they are quality income alternatives nevertheless.

In the renewable energy sector it may be worth looking at **Gore Street Energy Storage** (**LSE: GSF**), **Gresham House Energy Storage**, where I am a non-executive director (**LSE: GRID**) and **SDCL Energy Efficiency Income Trust** (**LSE: SEIT**). These invest in everything from battery storage (Gore Street and Gresham) to combined heat and power projects and energy-efficient lighting (SDCL). Yields range from 4.5% to 7%.

Consider also two specialist infrastructure debt funds, **Sequoia Economic Infrastructure** (**LSE: SEQI**), which yields 6.4%, and **GCP Infrastructure Investments** (**LSE: GCP**), on a 6.6% yield. These debt-based funds have been hit by worries about declining demand for underlying investments in everything from ports to student housing, but are unlikely to be badly affected by Covid-19.

Revenue reserves as % of full-year dividend



... and think laterally

One final alternative is to think laterally and consider a more esoteric group of income-orientated funds. Top of that list would be **Ecofin Global Utilities and Infrastructure** (**LSE: EGL**), which invests in infrastructure assets as well as utility stocks.

This is a well-established fund and most of its underlying investments are holding up well, largely because they are so boring and dull. It currently trades at a 3% discount to NAV on a yield of 4.4%; over the last three months its share price has fallen by just 7%.

If you are willing to take a bit more risk by investing in a basket of underlying higher-risk bonds, there's also the equally well-established **CQS New City High Yield Fund** (**LSE: NCYF**), which yields a stonking 9.7% and trades at a 5% premium. Its manager Ian Francis has a loyal City following.

Biopharma Credit (**LSE: BPCR**) is another esoteric option. It's trading a bit below its normal premium, on a 4% discount, and yields 7.3%. It focuses on the arcane world of royalties from drugs and structured credit to pharmaceutical businesses. As alternatives go, this is worth a closer look for the very adventurous.

Last but by no means least there is **Hipgnosis Songs** (**LSE: SONG**), which is about as alternative as you can get. This specialist fund invests in song royalties and boasts a 4.8% yield. It trades at an usually low premium of 7%. This fund should be immune to most ups and downs in the economic cycle, although investors will have to make an effort to get their head around the complex world of music royalties.

The holiday refund rip-off

Travel firms have been reluctant to give money back for cancelled trips. Here's what to do if you're affected

Ruth Jackson-Kirby
Money columnist

Many of us will spend our summer holiday camping in the garden

©Getty Images

It seems unlikely that you will be able to jet off for a summer holiday this year. However, if you had a trip booked from March onwards you may be struggling to cancel and get your money back. "Many tour operators, airlines and accommodation providers... have tried to persuade customers to rearrange their trips or accept credit vouchers for future holidays instead of a cash refund," says Nick Trend in The Telegraph.

You are entitled to a full refund from your tour operator or airline within 14 days of cancellation. But a study by consumers' association Which? found that all 20 of the biggest travel firms, including TUI and British Airways, were missing the two-week deadline. If you are struggling then the Competition and Markets Authority would like you to get in touch with examples of bad practice. Mention this to the company failing to provide your refund. It could make all the difference.

Remember too that the travel company isn't your only route to a refund. If you paid for something with your credit card, you can also approach your card provider to give you your money back. Under Section 75 of the Consumer Rights Act your credit card provider is jointly liable if you don't get the service or goods you paid for. Section 75 covers purchases between £100 and £30,000. But you don't have to paid for the entire thing on your credit card. Even if you only put the deposit on your credit card you can still get the full cost back. To make a claim you can print off a template letter from Which? or MoneySavingExpert.

Fill it out with your details and send it off to your credit card company. You'll have to prove that you couldn't get a refund directly from the company as part of your claim, so try that route first. If you paid with your debit card you may be able to get your money back through your bank. Chargeback rules allow you to claim for goods or a service within 120 days of purchase. To start a claim, contact your bank to dispute the transaction.

> *"Britain's 20 biggest travel companies are missing the two-week refund deadline"*

The limitation is you can't use Section 75 or Chargeback if you want money back for a holiday, trip or event that hasn't been cancelled yet. If you are worrying about a summer holiday you'll have to wait until the provider has cancelled it – and you've tried to get a refund from them – before you can fall back on your card protection. Finally, remember your travel insurance. If you booked your trip before the coronavirus crisis and can't go you may be able to claim on your insurance.

Lisas offer a crisis lifeline

The withdrawal penalty on lifetime individual savings accounts (Lisas) has been cut in an attempt to help savers struggling amid the crisis. Lisas are designed to help people saving for a first home or their retirement.

If you are over 18 and under 40 you can open a Lisa and deposit up to £4,000 a year. As with other Isas your money can grow tax-free but there is an added benefit: every year the government will top up your savings by 25%. So you could get an extra £1,000 a year.

You can only use the money to put down a deposit for your first home or to help with retirement. So, if you try to access it before your 60th birthday for anything other than to buy your first home you usually pay a 25% withdrawal penalty.

The government has now announced that the penalty is being cut to 20% until April 2021. That may not sound like much, but it effectively means you are only giving back the government bonus if you access your cash early rather than some of your own savings too.

"We know that some people are experiencing financial difficulties during these unprecedented times ," says John Glen, the economic secretary to the Treasury.

However, that doesn't mean Lisa holders should rush to access their cash. If the money is in a cash Lisa then it can be withdrawn easily enough. "But any money saved into an investment Lisa may be subject to the fluctuations of the stockmarket," says Richard Pearson, director of investment platform EQI.

And that means people may well sell near the bottom, forfeiting the higher returns that being patient and allowing the portfolio to recover could bring. "Markets have been severely troubled... and therefore investors' portfolio values could be diminished [at present]. Selling investments and withdrawing money now could crystallise losses and mean permanent reductions in the value of their savings."

Pocket money... lockdown raises energy bills

■ "Loans on 1.6 million homes are now subject to the payment break, which amounts to £755 per month of suspended payments for the average mortgage-holder," says Mark Duell in The Daily Mail. The payment holiday applies for three months, so people are having an average of £2,265 suspended .

You can also still shop around for a better deal while taking a break from repayments. Normally, homeowners on a mortgage payment holiday would not be able to transfer to a new mortgage but "lenders are waiving this rule to help borrowers affected by Covid-19". If you haven't yet taken a mortgage payment holiday but feel you need one contact your bank to discuss taking a break from your repayments.

Remember, however, that interest on your home loan will still accumulate while you aren't making monthly payments. You are delaying your repayments, not avoiding them entirely.

■ "During the nationwide shutdown, usage of home appliances including dishwashers, washing machines, ovens, televisions and lighting has soared," says Joanna Partridge in The Guardian. The extra use could mean a 37% rise in energy bills, according to Comparethemarket.com. The lockdown could "push up household bills by £32.31 per month on average, or £387 over a year". Still, there is plenty you can do to "cut out waste and save money", says Giselle Wainwright in The Sun. Switching off unused lights will cut your bill by £13 a year, unplugging charged devices will shave £33 a year off your bills and not overfilling the kettle will save £27 a year (assuming you have three cups of tea a day).

The best way to cut your bills, though, is to switch supplier. The Money Advice Service estimates that you'll save an average £300 a year by moving to a cheaper deal. Visit a comparison website such as MoneySupermarket or Uswitch and put in the details of your current tariff to see if you could be paying less.

Shield your portfolio from danger and uncertainty

This is an era of unprecedented money printing and more bailouts may soon be needed. The geopolitical backdrop is shaky too. In short, there have never been so many reasons to hold gold, says Dominic Frisby

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When I last covered gold for MoneyWeek in September 2019 the yellow metal was trading around $1,500 an ounce (£1,200/oz). It had had a great year, gaining 20%, and things were looking good, if a bit frothy. It slid back a little before something happened to do with a bat in a wet market in Wuhan.

When Covid-19 panic hit and governments around the world announced extraordinary stimulus programmes, gold rebounded to all-time highs in sterling (£1,445/oz), euros (€1,635/oz), Japanese yen, Canadian dollars, Australian dollars, Singapore dollars, Swiss francs and pretty much any currency you care to mention bar the US dollar itself. The US dollar high was $1,788/oz – about $130 short of the 2011 all-time high of $1,920/oz.

The economic turmoil; ongoing trade wars and other geopolitical uncertainties; the promised money-printing and looming inflation; and risky stock and debt markets: all the stars seemed aligned for gold. Since then the price has slid a little. So what next?

A short-term supply shortage

Let's take a look at some of the market forces driving the gold price, starting with supply. The price of copper or zinc is determined by new supply from mines. A shortage of supply and an increase in demand (or expectations around either) will quickly push up prices. But traditional supply-demand dynamics do not affect gold in the same way. That's because gold does not get consumed. Rather it is hoarded, whether in the form of jewellery or bars. Almost all of the gold that has ever been mined still exists in some form or other.

Nevertheless one of the dynamics that pushed up the gold price in March and April was a shortage of supply. Three of the world's largest refineries, Switzerland's Valcambi, Argor-Heraeus and PAMP, were closed as governments ordered shutdowns of non-essential industry.

Meanwhile, from South Africa, Peru and Mexico to parts of Canada and China (now the world's largest producer) gold mines were also closed down. At one stage the Comex, the main gold futures market, ran out of bars for delivery, though this logistical problem was soon remedied.

This supply dynamic is slowly changing. Precious metals refinery Valcambi (the world's largest) said on Monday that it had received permission to reopen and that it would operate at around 85% of normal capacity. The others will no doubt soon follow and mines around the world are also slowly starting up again. In short, the shortages were temporary and new mine supply is coming back online, albeit slowly.

"Almost all the gold that has ever been mined still exists in some form or other"

It's all in the mind

But the biggest driver of the gold price is psychology. Gold is the most emotional of metals. In March and April there was panic. When there is panic, a rush to gold soon follows. The bigger the panic, the bigger the rush. The longer the underlying problem remains, the longer people's need to own gold will last.

Coronavirus panic has subsided a little and so has the urgency to own gold – hence the slipping price. Perhaps those who panicked most were governments themselves. Part of governments' reaction was to pledge extraordinary sums of money, whether to pay for furloughed staff, bail out broken businesses, or increase healthcare facilities. A narrative quickly emerged that this would lead to inflation and so there was a rush to gold.

Cranking up the printing press

The big question we now have to ask ourselves – and we have to ask ourselves this question honestly and without political bias – is where will all this money printing end? Will it work? Or is it going to bring us Venezuelan-style monetary turmoil? The answer to that question determines whether you should be a significant buyer of gold now.

The amounts of money that have been created in the last two months are truly extraordinary. In the UK the coronavirus panic prompted the announcement of quantitative easing (QE), or money printing, worth about 50% of the post-financial crisis plus Brexit-QE total of £435bn.

In the US the $2trn package amounted to more than 50% of the 2008-2016 total. Meanwhile, borrowing costs (money is created by borrowing, when banks write loans) have been slashed to the lowest levels in the 326 years that central banks have existed.

Will this lead to inflation? Or is the damage to the economy – the broken businesses, the unpayable debts, the tightening of lending (and hence of the money supply) we are about to see, as well as falling asset prices – going to mean deflation? Rather like 2008/2009 we are probably going to see both forces at work.

Money printing is the new normal

Unlike in 2008, however, which was a largely financial event, this time around the real economy has been hit much harder. Restaurants, pubs, bars, retail, theatres, cinemas, concert halls, transport, airlines (of course) and goodness knows what else are all suffering.

Money printing is now normalised. Unless the economy can quickly get back to what it was, and that does not look likely, I don't see it being that long before more bailouts are required. We may not see wage inflation, but that bailout money is going to make it into the real economy in a way that it never did post-2008. Surely it is going to manifest itself in all sorts of unexpected ways. How though?

Post-2008 we got a huge boom in financial asset prices (especially equities), house prices (especially in London), and more obscure areas such as fine art. Where will the money go this time? Those who favour limited government and free markets will argue that governments' reaction to 2008 created huge levels of inequality. Wages were largely stagnant, while asset prices rose. It was great if you owned the assets in question, but if you didn't you got left behind. Economic inequality, whether between generations or between rich and poor, was the net result.

There are many who feel that the reaction to the crisis of 2008 was justifiable in that it saved the overall system. In any case, however, even greater levels of

Unprecedented money printing, or "helicopter money", bodes well for gold

fiscal stimulus are being demanded now. Many people advocate Modern Monetary Theory (MMT), which essentially argues that money can be printed to finance government spending and any inflation that ensues can be dealt with by raising taxes or issuing bonds to reduce the amount of money and velocity of money in the system.

You can see the temptation. Over six million jobs in the UK have been furloughed. Many of them will not come back in the post-Covid-19 world. How will this be addressed? Universal basic income suddenly becomes a lot more likely than it looked three months ago. How will that be paid for? MMT. Do you side with the interventionists, or do you take the hard-money view that this is all going to end in inflationary tears?

Uncertainty is bullish for gold

Even in the post-2008 era the answer was not clear. Until late 2011 gold surged. It was the go-to asset. From late 2012, however, it was unmitigated disaster and the next four years saw one of the worst bear markets in gold's volatile history, especially for the miners.

These are, as the Chinese might say, really interesting times and nobody quite knows how they are going to pan out. This chronic uncertainty means it makes sense to own some insurance. And that insurance comes in the form of the metal that is nobody else's liability.

"Put 5% of your net worth in gold and hope it doesn't go up," runs the old Wall Street saying and it is the answer I give whenever people ask me if they should buy gold. If you are a regular MoneyWeek reader you will almost certainly already own some gold and I bet you are mighty glad that you do. With all the insecurity and instability that lies ahead, you have to own some. It brings you diversification. It protects you against the dangers of both inflation and deflation, and whatever prefix to "flation" that economists will think up next.

Even more than in the financial crisis there is the risk of political uncertainty. This could take the form of anger at home over lockdowns, lost jobs or, potentially, inflation. Tension between nations over movement of people or goods seems to be mounting. China and the US seem closer than ever to a trade war. Gold is a safe haven from all of this.

But perhaps most of all it's likely that the extraordinary bailout packages in the US, the UK and Europe will not be enough. More stimulus will be required.

That means currency debasement, for which gold is your antidote: unlike fiat money, it can't be reproduced at the touch of a printing-press button. There have, in short, never been so many reasons to hold gold.

Will prices dip for now?

However, I will say this: there is a lot of hype around gold at present. That is not normally an auspicious sign. I am getting emails from old friends I haven't spoken to in years – people with no interest or experience in markets – asking me if they should buy gold. That is the sort of thing that happens near market tops. The best time to buy any asset is when people *aren't* talking about it.

Continued on page 22

"A universal basic income is looking far more likely than three months ago. How will we pay for it?"

Continued from page 21

Supply is coming back onto market as refineries and mines reopen. The initial coronavirus panic has subsided. Demand for gold-backed exchange-traded funds (ETFs) has been monumental and so inventories are high: there is plenty there that can be sold.

Consumers' appetite for gold in India and China, where it is usually very popular, particularly during the Indian wedding season, has fallen recently while demand among Western ETF investors has been strong. Gold has flipped from being an Asian demand story to a Western one with staggering speed. But Western ETFs are not what you'd call strong hands. It is gold that is easy to sell.

The upshot? If you don't own some gold, you should. But markets look a little frothy for now. No doubt, as more stimulus is announced, gold is going higher. Perhaps to $3,000 within the next couple of years. This really could happen.

Rightly or wrongly I must confess to feeling a little cautious in the short term. One inner alarm bell is telling me gold has made an interim high that probably won't get broken until later this year and the next round of bailouts. Take advantage of any pullbacks. And remember: make sure you own some before the next bailouts are announced. Not afterwards, when everybody starts getting worked up.

What to buy now

Back in the 1930s the North American gold mining company Homestake was one of the stand-out investments of the Great Depression, rising many times over. Similar forecasts are being made about gold miners during the coming hard times. *Caveat emptor*!

During the Depression US citizens were not allowed to own large amounts of gold. President Roosevelt signed Executive Order 6102 on April 5, 1933. It forbade "the hoarding of gold coin, gold bullion and gold certificates within the continental United States". If American citizens wanted exposure to the gold price, Homestake was pretty much their only vehicle.

In 21st-century Britain, however, there are numerous ways to get exposure to the gold price without having to take on the individual company risk of a gold miner (and believe me, from incompetence to outright fraud, there is a lot of risk to owning a gold mining company).

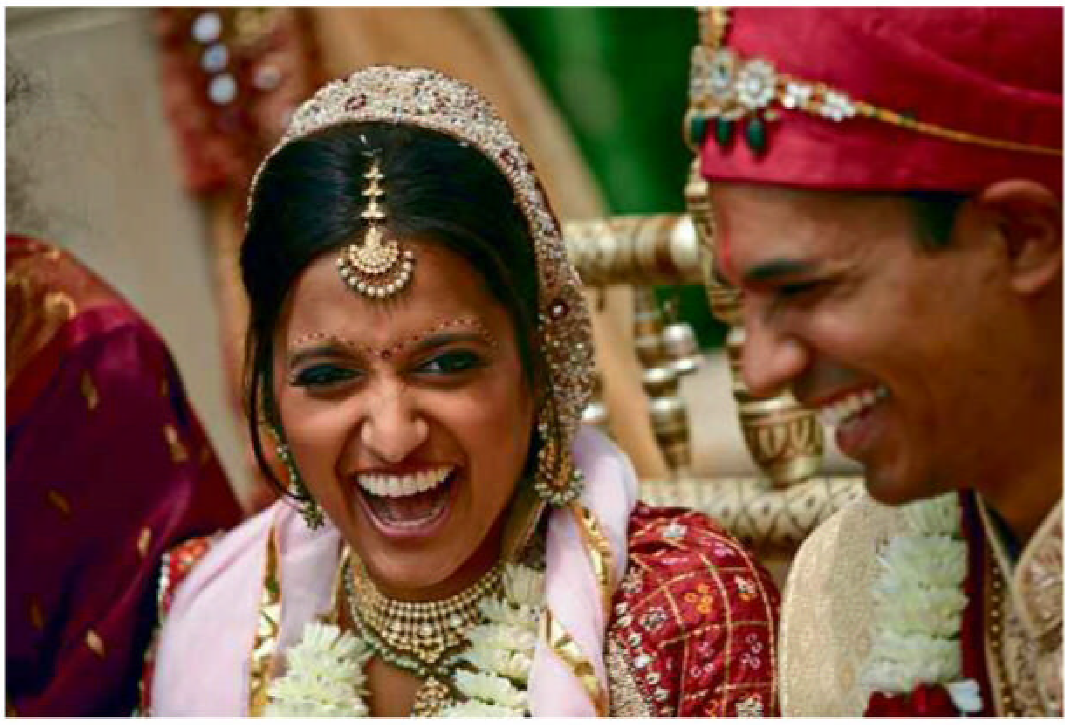
The evidence of the 21st century is that gold itself is a much better investment than a mining company. Barrick (NYSE: GOLD) is trading at the same price it was back in 2006, for example, when gold was $600. Still, buy the right miner and you can do very well (as you'll see below).

Gold bullion dealers

There are many ways to buy gold. Pop into a dealer such as Baird & Co or Sharps Pixley and purchase sovereigns, Britannias, Krugerrands, or gold bars. Give the good folk at Goldcore or BullionByPost a bell and have it delivered to your door. You can also buy your gold online or via an app and have it stored for you in vaults via Goldcore, BullionVault and Goldmoney.

The latter also offers payment services in gold. Order a debit card via Glint, deposit some money and buy gold that way. You can even use your gold to pay for things through the Glint debit card. Sounds convoluted, but it works. It's like a Trojan Horse, sneaking gold back into the monetary system.

You can, via your broker, buy an ETF. London-listed **WisdomTree Metal Securities Physical Gold** (**LSE: PHGP**) tracks the spot price. If you want leverage, you can dabble in the dark arts of futures trading and spread betting (but, seriously, this is risky. Don't do it unless, at a bare minimum, you understand how catastrophically wrong a leveraged bet can go). If you can't resist buying a gold mining company, let me offer a couple of suggestions.



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Gold is especially popular during the Indian wedding season

The miners to consider

Firstly, there is a UK-listed investment trust I rather like: **Golden Prospect Precious Metals** (**LSE: GPM**), which contains precious metals and diamond miners. An alternative is the **VanEck Vectors UCITS Gold Miners ETF** (**LSE: GDX**), which tracks the NYSE Arca Gold Miners index, which contains the top gold miners, such as Newmont and Barrick Gold.

Back in September my top pick was **Wesdome** (**Toronto: WDO**) at C$6. It's now at C$11, a performance that has obliterated the gold price and done what miners are supposed to do. Wesdome has a market cap of C$1.5bn with around 135 million shares outstanding.

It has been producing gold for more than 30 years in Canada, but a couple of years ago made a new discovery next to one of its mines that had been expected to shut down soon. This gave the company a new lease of life. It's no longer cheap, but it's a quality company with quality management and assets. I would have thought it is a takeover candidate for a major.

My other tip was **Rio2** (**Calgary: RIO**). Success there has been rather more muted. We said buy at C$0.50 and here we are at C$0.49. Boss Alex Black has form when it comes to building economically viable mines that others thought would not work and then making money for his shareholders. Rio2, in Chile, is his latest project, one which has many doubters – the main issue being water. With a market cap just below C$100m, you can expect a bumpy ride. But if Black gets this mine built and producing, as he has in the past, there could be major gains ahead.

Let me give you one more stock in my portfolio that I'm excited about. **Minera Alamos** (**Toronto: MAI**). The group has three properties in Mexico that it is developing. One of them, Santana, is expected to record its first gold production later this year, but drill results announced last week suggest that the resource is much bigger than previously estimated.

Its second property, La Fortuna, has completed its preliminary economic assessment (PEA) and is nearing the end of the permitting process. A construction decision on its third property will be made later this year or early next. The operating team has brought three mines into production over the last 12 years. The company has a market capitalisation of around C$170m and is currently trading at C$0.42. It's had a bit of a run on recent news: pick it up if it pulls back into the mid-30s.

"As more stimulus is announced, gold could gain enough momentum to reach $3,000 an ounce"

PHYSICAL GOLD: SECURITY IN AN INSECURE WORLD

2020 is already fraught with uncertainty, both geo-politically and financially. From Covid-19 implications (health and financial) to Brexit confusion and now systemic bank closures - some experts are now warning that another financial crash (possibly as big as 1929) is becoming more and more likely for 2020/21.

Protecting your savings by converting wealth into physical gold is simple, **private and completely tax free.** £10k invested in gold during 2015 would be worth £16k today. The gold price has increased by over 60% in the last four years, and Bank of America now predicts the gold price will increase by an additional 50% by the end of 2021. **It's not too late to protect yourself** - get in touch to find out how.

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Latin America's best markets are in the bargain bin

The Andean Three – Chile, Peru and Colombia – should have little trouble shrugging off the pandemic, says James McKeigue. And their long-term prospects remain excellent

Emerging markets have been flattened by investors' stampede for the exit. The Institute of International Finance estimates that overseas investors pulled $95bn from emerging markets in the first quarter of 2020 – a record quarterly outflow. Investors are right to be worried. Emerging markets tend to have poor health systems and cash-strapped governments, which make it harder to battle coronavirus. That's especially true in Latin America, which seems the most vulnerable region. The International Monetary Fund (IMF) thinks Latin America's economies will contract by 5.2% this year, worse than Africa or East Asia and as bad as eastern Europe.

But don't be discouraged by those grim numbers. The sell-off has created an opportunity. Some Latin American countries – in particular the Andean Three of Colombia, Peru and Chile – look well placed to contain and recover from coronavirus. The pandemic won't alter their strong medium-term growth prospects, but it has given us a chance to buy in at rock-bottom prices.

Lessons from Ecuador

The money managers and analysts were quick to react, but the virus took its time to travel west to Latin America and will wreak further havoc. I write this in the city of Guayaquil on Ecuador's Pacific coast, the early epicentre of Covid-19 in the region. According to excess mortality data analysed by the Financial Times, during a fortnight spanning March and April the city had the world's largest increase in extra deaths, with a 485% jump in fatalities from the historical average for that time of year. Unfortunately, the factors that exacerbated the crisis in Ecuador are commonplace across Latin America.

One problem is weak health systems. In most Latin American countries expensive private clinics – offering decent care by international standards – operate alongside underfunded public hospitals. The rapid collapse of Guayaquil's health services, where there was a shortage of hospital beds, drugs and medical oxygen, will be repeated in other countries. Corruption and inefficiency in public health bodies hardly help.

Of course, these problems bedevil all emerging markets, but Latin America looks particularly susceptible. It has two of the world's five largest cities, which will make social distancing difficult. Obesity, which early studies find a significant contributor to coronavirus cases needing critical care, is higher in Latin America than Africa, Asia or eastern Europe. And the IMF found more Latin Americans work in the informal sector than any other emerging market. That matters in a pandemic because it's much harder to give informal workers the financial assistance they need to observe the quarantine.

"These countries' strong economies allowed them to respond to the crisis effectively"

Peru and Chile have diversified into avocado exports

The biggest lesson from Ecuador is that money matters. Ecuador's economy was a mess before coronavirus arrived; it was struggling to maintain the terms of an IMF bailout. A lack of money hits countries in two ways. Firstly, it makes it harder to control the pandemic as there isn't the cash to upgrade health systems, import equipment and give people the financial assistance needed to maintain lockdown. Secondly it exacerbates the economic impact, as in the absence of stimulus measures, more companies go bankrupt and more jobs are lost. That means that the eventual economic recovery will take longer.

Why the Andean Three will bounce back

So far, the article makes pretty grim reading, so congratulations if you got this far – your perseverance will be rewarded. Because although Latin America is in for a huge recession, there are some countries that will bounce back quickly. Chile, Peru and Colombia are long-term favourites of mine because they are well-managed, open economies, with positive demographics and great growth potential. They are also the best-placed major economies in Latin America to control and quickly recover from coronavirus.

The key factor with the Andean Three is that they entered the pandemic from a position of macroeconomic strength that allowed them to respond effectively. Peru's combined fiscal and monetary package is worth 12% of GDP and is the region's largest stimulus. The largesse is possible because its 2019 fiscal and current-account deficits were just 1.6% and 1.5% respectively, while its total debt-to-GDP ratio was only 26%. Its reserves

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"Chile has the world's biggest reserves of copper and lithium; Peru has the most silver"

comfortably cover external financing requirements, while it bolstered its position by securing an $18bn precautionary credit line with the IMF.

Chile also responded strongly, with a fiscal stimulus worth 6% of GDP, while its central bank launched the country's first-ever quantitative easing (QE), or money printing programme, spending $4bn on bank bonds. Following political protests last year, Chile was already beefing up welfare payments and social services and the pandemic will merely accelerate that trend.

With a 2019 public debt-to-GDP ratio of just 28%, the country can afford to spend its way out of the crisis. Moreover, thanks to its strong institutions it is spending wisely. It has conducted more coronavirus tests than any other nation in the region, allowing it to implement a sophisticated partial-lockdown strategy.

Colombia's situation is the most precarious of the three, but still positive compared with the rest of the region. Public debt-to-GDP stood at 51% in 2019, although growth reached 3.3% and the deficit just 2%. Moreover, the collapse in the oil price hit the country's main export. These factors limited Colombia's fiscal stimulus to 1.5%. However, the central bank was the first in Latin America to implement QE with a $3bn programme that covered private and public debt.

The three countries' solid financial position entering the crisis allowed them to take strong measures to contain its economic impact and speed the future recovery. The IMF projects a fall in 2020 GDP of 2.4% for Colombia and 4.5% for both Chile and Peru in 2020, which is better than the regional average of -5.2%. (It has pencilled in a 6% contraction for the UK.) And crucially, all of the Andean Three will see a strong rebound in 2021. If the IMF is right in its estimate of 3.7% expansion in Colombia in 2021, 5.3% in Chile and 5.2% in Peru, then all three economies will be bigger at the end of next year than they are now.

A compelling structural growth story

The main reason to invest in the Andean Three is their growth prospects over the next decade. All three are commodity powerhouses. Chile has the world's largest reserves of copper and lithium, while Peru has the most silver on the planet, third-most copper and fifth-most gold. Colombia has a more varied commodity export basket that includes iron ore and oil. Many countries boast plentiful raw materials, but these three are very well run: they survived the last decade's commodity crunch without succumbing to recession.

They have also diversified significantly in the last decade, with non-traditional agricultural exports such as blueberries, avocados and grapes becoming the second or third-largest foreign-currency earner in Peru and Chile. Chile is the richest of the three, while Colombia and Peru have the best demographics, with young populations and expanding workforces. Covid-19 is wreaking havoc in the short-term, but over the coming decades the world will still need the food, energy and metals that these countries have in abundance.

If you accept that, then you should buy into the Andean Three now – they are going cheap. One of the best ways to see if a stockmarket is good value is the cyclically adjusted price/earnings (p/e) ratio (Cape). This compares the current market price with average earnings over the last decade, thereby smoothing out any impact from abnormal years. German asset manager StarCapital has just crunched the Latin American Cape numbers and Colombia is the cheapest on 10.1, while at 10.8 Chile is around half the level it was in late 2018. Peru's 10.9 is down from almost 17 just six months ago.

What to buy

The easiest way to invest would be through exchange-traded funds (ETFs) for each country. Unfortunately, EU investment regulations mean that UK retail investors can't access the Peru, Chile or Colombia ETFs. However, a Latin American fund manager gave me a good tip to get around the situation: buy banks. If it's a well-run bank in a prudently regulated financial system then it's like buying an ETF, as it will have exposure to every sector of the economy.

So how safe is the financial system in the Andean Three? "Latin American banks are generally in good shape," says Quinn Markwith, Latin America analyst at Capital Economics, a consultancy. "Stronger public finances mean Peru and Chile are better placed to support their banks than Brazil and Mexico." His analysis of Latin America's financial sector shows that "banks are in similar shape to how they were on the eve of the Great Financial Crisis" – which they all survived comfortably. They are well capitalised and non-performing loan ratios are generally low at 2%-4%.

So Latin America's banks aren't going bust. But their share prices have slid, which gives us some bargains. Peru's largest financial institution, **Credicorp** (**NYSE: BAP**) has dropped by 42% since January. On a forward p/e ratio of nine it gives us a cheap way to play Peru's recovery. In Colombia, consider **Bancolombia** (**NYSE: CIB**), which has fallen more than 50% since mid-February and trades on a forward p/e of eight. My Chilean pick is **Banco de Chile** (**NYSE: BCH**) on a trailing p/e of 9.6.

Big help for small firms

The government's latest package is exceptionally generous

David Prosser
Business columnist

Chancellor Rishi Sunak's latest scheme is head and shoulders above the rest

©Getty Images

The government's latest initiative for cash-strapped small businesses struggling to cope with Covid-19 pandemic went live on Monday and is likely to prove hugely popular.

The Bounce Back loans scheme, announced by Chancellor Rishi Sunak, aims to help tens of thousands of small businesses struggling to secure finance from the Coronavirus Business Interruption Loan Scheme (CBILS), which has been criticised as overly bureaucratic and too exclusive.

Administered by the British Business Bank and the same panel of more than 50 lenders participating in CBILS, the terms of the Bounce Back scheme really are exceptionally generous.

Businesses can borrow up to £50,000 at a fixed interest rate of 2.5%, no matter which lender provides the advance (you don't have to apply to your own bank).

> *"Firms can borrow up to £50,000, backed by the state, at 2.5%"*

The government guarantees the lender that it will stand behind the loan in full if the business defaults on repayments, which means lenders do not have to waste time conducting credit checks.

Receive your money in days

A simple standardised application form should also mean loans go through very quickly. Cash could be in companies' accounts within days of their online applications.

Bounce Back loans will be repayable over six years, though early repayments can be made without penalty. There are no repayments to make in the first year and lenders are not allowed to ask for personal guarantees from the company's directors.

Importantly, while the scheme is aimed at the smallest businesses, the eligibility criteria set no maximum size constraints, whether by number of employees, turnover or balance sheet. Borrowers simply have to certify they are UK-based, that they've been adversely affected by the Covid-19 pandemic, that they're not currently in bankruptcy or liquidation and that they're not making use of any other Covid-19-related government loan scheme.

The upshot is that for any business in need of less than £50,000 to see them through the Covid-19 crisis, the Bounce Back scheme is head and shoulders above any of the government's other initiatives, including CBILS.

And even if you think you may need more than that in the end, Bounce Back is worth considering in the short term; it's possible that you'll be able to convert the loans into a CBILS facility later on.

Equally, CBILS loans of less than £50,000 can now be converted into Bounce Back finance, which is likely to be a good option for most borrowers.

However, even if you don't need finance to survive the crisis, don't overlook this new scheme. The terms are so good that this could be a valuable opportunity to refinance other types of debt – expensive credit-card borrowing or bank loans, for example – or even to finance investment.

This is legitimate under the terms of Bounce Back. The government says you must have suffered adverse impacts from Covid-19, but not that you must be in so much trouble that you need emergency finance. A business suffering any negative effects at all could therefore take advantage of this cheap finance.

Flagship grants scheme flagging

The government's flagship grants scheme for retail, leisure and hospitality businesses was supposed to provide speedy cash payments to thousands of struggling small companies in these sectors. But more than five weeks after the scheme was announced, many have not received the money they were promised because the local authorities administering the grants are dragging their heels.

In March, Chancellor Rishi Sunak said he was awarding £20bn to local authorities to provide non-repayable grants to crisis-hit retailers, leisure companies and hospitality providers. He promised a grant of £10,000 for businesses in premises with a rateable value of up to £15,000, rising to £25,000 for those in properties with a rateable value between £15,000 and £51,000.

But local authorities have yet to hand over more than a third of the cash. In major towns including Nottingham, Sheffield and Manchester, less than half the cash has been distributed. Any business that thinks it is eligible for this support but has yet to hear from its local authority should now take steps to find out when their grant will be paid. The Treasury initially promised that businesses would receive their cash within ten days, providing a valuable lifeline in sectors where large numbers of companies have been forced to close their doors. Speak to your local authority as soon as possible.

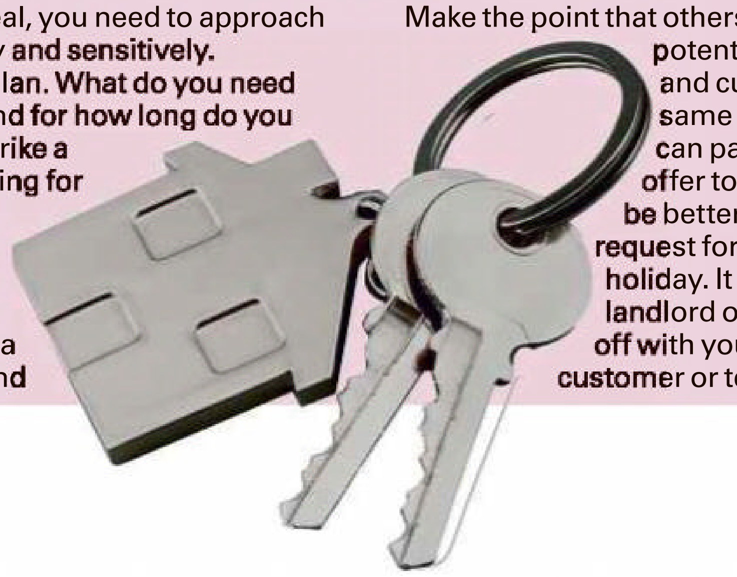
Dealing with your landlord and suppliers

For many small businesses, the key to getting through the Covid-19 pandemic may be negotiating a sympathetic arrangement with the landlord or key suppliers. Are they prepared to offer rent or payment holidays during the height of the crisis to help you with short-term cash-flow pressures?

In practice, it will be in the interests of many landlords and suppliers to help rather than lose tenants and customers altogether. But to negotiate the right deal, you need to approach the situation carefully and sensitively.

Start with a clear plan. What do you need from your landlord and for how long do you need this support? Strike a balance between asking for all the help you will realistically need – going back later to ask for further forbearance may get a negative reaction – and pushing too hard. Landlords and suppliers will have their own pressures.

Talk to your landlord and suppliers as soon as you can, ideally before you miss any payments. The later you leave it, the weaker your negotiating position will be. Set out the benefits of offering your business help: where possible, remind landlords and suppliers of your good payment history and strong credit score and provide detail of your longer-term prospects. Make the point that others in your sector – potentially alternative tenants and customers – will be in the same boat as you. Where you can pay at least something, offer to do so. This will often be better received than a request for a complete payments holiday. It also means the landlord or supplier will be better off with you than with no customer or tenant at all.



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Profit from the healthcare innovation revolution

A professional investor tells us where he'd put his money. This week: Anthony Ginsberg, manager of the HAN-GINS Indxx Healthcare Innovation UCITS ETF

A revolution is upon us. Innovation in healthcare now ranks among the global economy's most dynamic, fast-growing sectors. Artificial intelligence (AI), robotics and improved internet services – thanks to advances in Cloud computing and 5G wireless connectivity – are dramatically lowering costs. Covid-19 should give the healthcare innovation sector further impetus as efforts to alleviate this crisis and prevent future viral outbreaks intensify.

New diagnostic tools are making it easier and cheaper to identify and treat diseases. They are helping healthcare professionals to identify (or rule out) diseases such as coronavirus cases quickly. Such technological tools are also providing remote (virtual) care, stopping the virus spreading more widely. We expect the latest outbreak to lead to more investment and demand for online, or virtual, medical services (known as telemedicine or telehealth) as people seek to limit their interactions with hospitals.

Medical wearables will increasingly help in the fight against such epidemics too. They can enable doctors to monitor vital signs with far less contact and are particularly useful for taking temperatures, blood sugar levels, respiratory rates and pulse readings. This data can immediately be read and analysed by healthcare workers.

> *"Artificial intelligence can diagnose many diseases better than doctors"*

AI and Big Data can accurately diagnose numerous diseases better than the average medical professional. This is particularly true in cases where staff have little experience in obscure diseases. Google is already investing heavily in this area. It has purchased anonymous patient records and late last year paid over $2bn for Fitbit, which makes gadgets to measure, among other things, steps walked per day and sleep quality.

One company set to benefit from this backdrop is **Regeneron Pharmaceuticals** (**Nasdaq: REGN**), a biotechnology group leading the race to develop a vaccine for Covid-19. Regeneron has identified hundreds of virus-neutralising antibodies and has been working on producing an antibody cocktail therapy on a large scale. Regeneron is one of the top two holdings in our exchange-traded fund (ETF).

The da Vinci of surgical robots

America's **Intuitive Surgical** (**Nasdaq: ISRG**) develops, manufactures and markets surgical robotic products, most notably the da Vinci Surgical System.

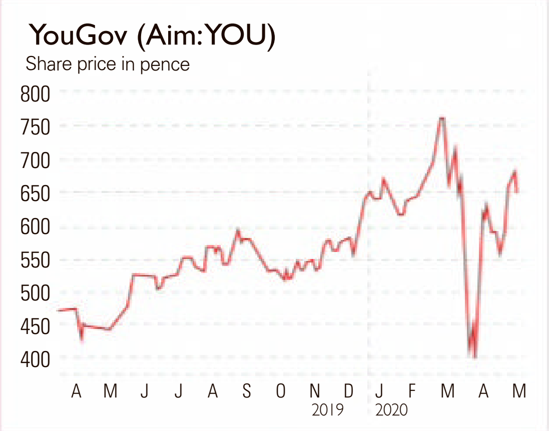
This was one of the first robot-assisted, minimally invasive surgical systems cleared by the federal Food and Drug Administration. Today, a family of da Vinci systems is used by surgeons in all 50 US states and 66 countries around the world.

The global surgical-robots market is expected to grow by around 14% a year to $17bn by 2025. Higher demand for minimally invasive procedures should underpin this growth. Over one million surgeries were performed using da Vinci systems in 2018 alone. It is our fourth-largest holding.

A top biological engineer

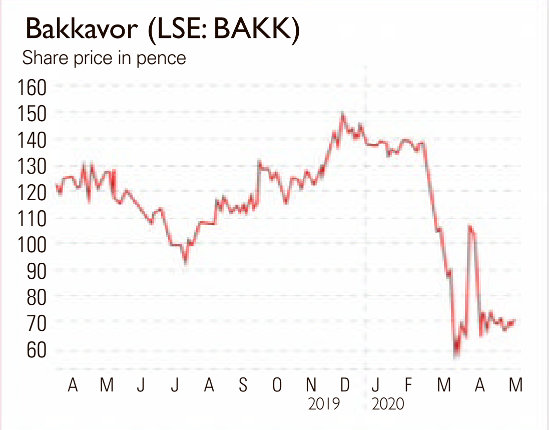
Edwards Lifesciences (**NYSE: EW**) represents the key subtheme of biological engineering in our ETF. It is an American medical equipment company specialising in artificial heart valves. It is mostly known for a transcatheter aortic heart valve made of bovine tissue within a collapsible stainless-steel stent.

If only you'd invested in…

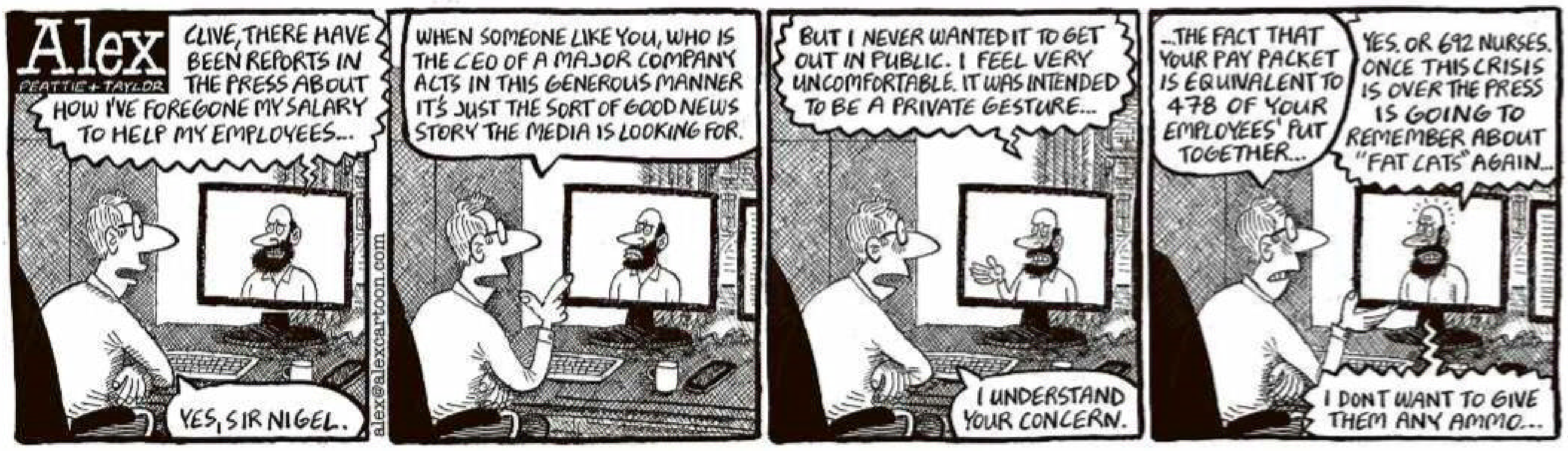


YouGov (Aim: YOU) is a British opinion-polling and market research firm with a global presence. As an online data gatherer, YouGov is more defensively positioned than most to deal with disruption caused by Covid-19, says Emma Powell in Investors Chronicle. Although management has warned of potential delays to projects, it has not seen any significant damage to trading. Half-year results showed a 35% year-on-year jump in earnings per share to 8.7p, notes Graeme Evans on Interactive Investor. The group has no debt. The stock has gained 50% in a year.

Be glad you didn't buy…



Bakkavor (LSE: BAKK) is an international food manufacturing company that supplies fresh and chilled prepared meals and salads to supermarkets. It operates in the UK, the US and China. "The problem for Bakkavor is that its ready-made meals are ideal for consumers with busy working lives," says Miles Costello in The Times. Now very few people are commuting, while the lockdown has "renewed people's interest in home cooking", so the group looks set to struggle. The shares have fallen by a third in the last month and by 46% in the past year.


Alex
PEATTIE + TAYLOR
CLIVE, THERE HAVE BEEN REPORTS IN THE PRESS ABOUT HOW I'VE FOREGONE MY SALARY TO HELP MY EMPLOYEES...
YES, SIR NIGEL.
alex@alexcartoon.com
WHEN SOMEONE LIKE YOU, WHO IS THE CEO OF A MAJOR COMPANY ACTS IN THIS GENEROUS MANNER IT'S JUST THE SORT OF GOOD NEWS STORY THE MEDIA IS LOOKING FOR.
BUT I NEVER WANTED IT TO GET OUT IN PUBLIC. I FEEL VERY UNCOMFORTABLE. IT WAS INTENDED TO BE A PRIVATE GESTURE...
I UNDERSTAND YOUR CONCERN.
...THE FACT THAT YOUR PAY PACKET IS EQUIVALENT TO 478 OF YOUR EMPLOYEES' PUT TOGETHER...
YES. OR 692 NURSES. ONCE THIS CRISIS IS OVER THE PRESS IS GOING TO REMEMBER ABOUT "FAT CATS" AGAIN...
I DON'T WANT TO GIVE THEM ANY AMMO...

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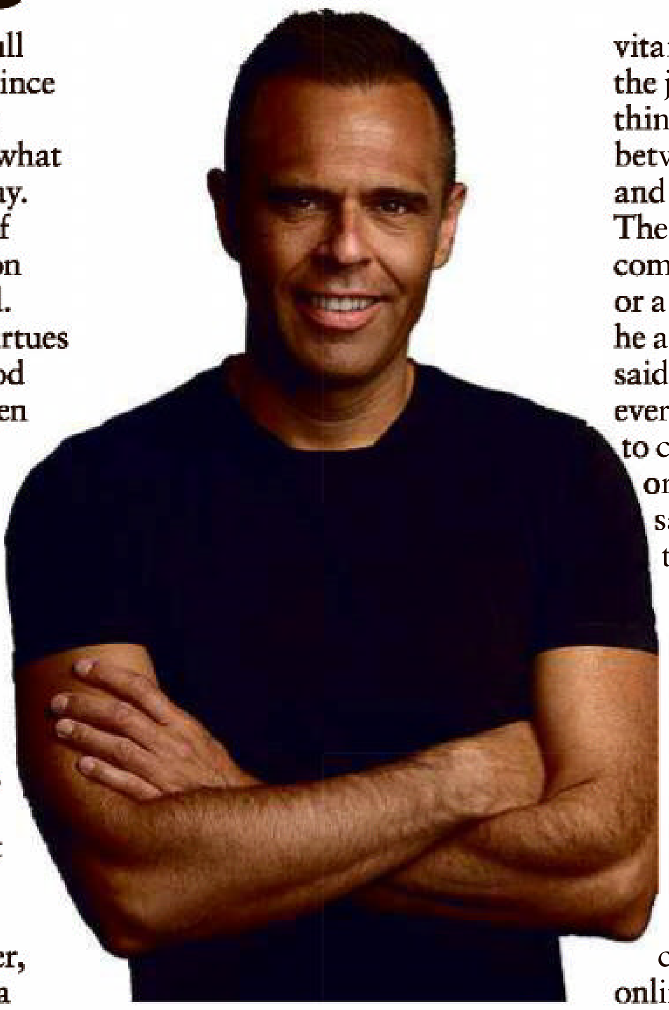
Taking the hassle out of lunch



"The food industry is full of people trying to convince you their product tastes delicious, regardless of what your taste buds might say. Julian Hearn isn't one of them," says Alex Lawson in the Evening Standard. "Hueligans" extol the virtues of Hearn's powdered food with evangelical zeal, even while mostly agreeing that it doesn't taste that great. The product, Huel, is a "complete meal" designed on a spreadsheet to meet the body's energy and nutritional needs to replace breakfast or lunch for the time-poor.

You might think that its flagship product – a powder mixed with water that contains flaxseed, oats, sunflower, coconut, peas, rice and a vitamin blend – risks taking the joy out of eating. But Hearn thinks there's a big difference between "functional" food and "entertainment" food. The powder is "never going to compete with a Sunday roast or a Saturday night meal out", he admits. "We have never said people should eat Huel for every meal, but when it comes to competing with cereal or toast at breakfast or a sandwich at lunchtime, we think it goes head to head." Plenty of people agree with him, says Lawson: sales are growing at 50% each year, hitting £60m in 2019. Hearn expects to make a profit this year.

The Bournemouth university graduate's first entrepreneurial venture was an affiliate marketing company hosting vouchers online, Mash Up Media. He formed the group, including Promotionalcodes.co.uk, in 2008, and sold to America's Internet Brands in 2011. He could have retired at that point, aged 40, he says, but he decided to make a foray into the health industry instead, with Bodyhack, a fitness specialist that offered bespoke diet plans. Consumers found that too complex, so he teamed up with nutrition specialist and Huel co-founder James Collier.

Hearn has had informal approaches from large food brands and took a minority investment in 2018 from venture-capital firm Highland Europe, which valued Huel at £220m, but there are no plans to sell. Hearn remains majority shareholder. He has hired chief executive James McMaster to take over the running of the business so he can return to his genuine passion, marketing.

Break up with divorce lawyers

When Kate Daly and her former husband split up, matters quickly turned toxic when they both hired divorce lawyers, says Jill Martin Wrenn on the BBC. Hostilities escalated, with "huge amounts of money being spent on things that were irrelevant and not important to the process", Daly, now in her mid-40s, says. Her experience prompted her to quit her job as a corporate counsellor to business leaders to set up as a divorce coach to help couples separate "without rancour". Then, brainstorming with her friend Pip Wilson, Daly (pictured) realised she could go further and help couples divorce without lawyers being involved at all. So Amicable, an app and website that connects couples with counsellors, was launched in 2015.

The company helps divorcing couples to draft and agree on a settlement that they can take to a family law judge in England and Wales for the divorce to be granted. Amicable has helped more than 2,000 couples in this way and claims to be both cheaper and faster than using lawyers, with couples paying as little as £300 for the service.

The London-based firm has now secured around £1m of investment to fund its expansion. Its current annual turnover is around £600,000 and it employs 15 people. Its growth hasn't been without setbacks, however. Family law lawyers questioned its legality, as did some judges, but the uncertainty around this was laid to rest in January when a High Court judge ruled in Amicable's favour. Potential investors turned up their noses because they didn't want to be involved in a business that appears to make divorce easier.

But Amicable isn't about making breaking up easy. "We're about people getting through the process in a way that doesn't add to what is already a difficult situation," says Daly. "Divorce ultimately is a sad thing, but it's not a bad thing. People shouldn't be punished for coming to what no doubt is a really, really difficult decision."

©Amicable; Huel; Shedavi

How I invented my own beauty products

"As an engineer, Elizabeth Davis helped plan the construction of Porsche's North American headquarters in Hapeville, Georgia, and was on the team that built the MGM Casino at the National Harbor in Washington DC," says Elaine Pofeldt in Forbes. But when she wasn't working on these grand projects, Davis, 34, spent her time on a more humble pursuit: her hair. "In a perpetual quest for longer locks, Davis would mix up natural elixirs and other products she made with herbs, essential oils and Ayurvedic products at her home."

Ayurveda, the traditional Hindu system of medicine, is based on the idea of balance in bodily systems and applying herbal treatments for wellness. Davis (pictured) would test her recipes on herself and friends, and when she found they worked to her satisfaction, she turned her passion into a side business called Shedavi in 2014. Alongside her full-time job it took her two years to develop the product, branding, and to organise the basic things she needed for the launch.

She started mixing up products in her kitchen, where she made the first 1,000 units of the first product, a hair and scalp elixir. She brought in about $2,000 the first weekend after her product launch. Davis has since grown her luxury hair-care brand, which now also sells vegan products such as shampoo, styling products and vitamins, to a seven figure, one-woman business. Her brand gained traction quickly and from February 2016 to 2017, Shedavi brought in about $1m in revenue per year. Davis says the business has only grown since.

By formulating her own products, Davis gained an edge in the crowded and competitive beauty industry. "The most important thing is to distinguish yourself," she says. "Even though my products are natural and Ayurvedic, they are unique. No one else is selling my product."

Norway's savings pot changes hands

Nicolai Tangen, a risk-loving, jet-setting financier and hedge-fund manager, has been made head of the sovereign-wealth fund. Is he the right man for the job? Some Norwegians have their doubts. Jane Lewis reports

Until last month, the Norwegian-born hedge-fund manager, Nicolai Tangen, was best-known outside the world of finance for holding the world's largest private collection of modern Nordic art – his AKO Foundation sponsored last year's Munch exhibition at the British Museum. Now, Tangen's surprise elevation to head Norway's giant $930bn oil fund, the world's largest sovereign-wealth fund, has plunged him into a full-blown "morality play" in his home country, says Bloomberg, with union leaders and left-leaning politicians "voicing their outrage" that a risk-loving, jet-setting financier – whose firm, AKO Capital, is registered in the tax haven of the Cayman Islands – should have been made "guardian" of their national savings pot.

A breath of fresh air

The situation hasn't been helped by the somewhat murky circumstances surrounding Tangen's appointment as boss of Norges Bank Investment Management, which runs the fund. Suspicions aroused by his absence from the official short-list of candidates turned to "furore" when a tabloid newspaper revealed details of the hospitality he'd showered on the current head, Yngve Slyngstad, says The Economist. Tangen, who is due to take up the post in September, treated Slyngstad to "concerts by Sting and Gregory Porter, meals cooked by Jamie Oliver and a ride on a private jet". Shocking stuff given the strict code of conduct that usually prevails at the fund where, as one insider recalls, "we even had to pay for our cup of coffee in meetings".

There are, nonetheless, plenty of people in Norway prepared to welcome Tangen, 54, as a breath of fresh air, says the Financial Times. "Investment professionals are delighted, hailing him as one of Norway's most gifted and intellectually curious fund managers", whose record speaks for itself: AKO's flagship European fund has returned 10.1% annually since launching in 2005. Compare that to the mess he's inheriting. Norway's sovereign-wealth fund has just recorded the worst quarterly performance in its 24-year history, returning –14.6% in the first quarter.

Renaissance man

Born in 1966 in Kristiansand, Tangen began dabbling in equities as a child – investing money he earned selling newspapers and flowers, or recycling bottles after football matches. But he also had military interests. In the 1980s, he trained with Norway's intelligence services. Then, after taking a degree at Wharton, he entered finance in the 1990s, becoming head of the Nordic region for Cazenove and then a partner at hedge fund Egerton Capital. In 2005, he set up AKO, which now manages more than $16bn of assets.

Tangen's muscular background is apparent in the way he manages. AKO employees are trained in "conversation management" and how to build "mental resilience". And he has a Renaissance man roster of outside interests, from cooking to studying for a masters in history of art at London's Courtauld Institute and another in social psychology from the London School of Economics.

The big question, given all the trouble stirred up in Norway, is whether Tangen "still wants" to quit his charmed life in London for the icy north – with a substantial pay cut, says The Economist. There's not much doubt about that.

©Shutterstock

"Tangen is one of Norway's most gifted and intellectually curious fund managers"

"This isn't only my dream job, this is my childhood dream," he outlined last month. Admirers reckon "it's good to step on a few banana skins early", says the FT. The question troubling some of Norway's more conservative citizens is whether Tangen plans to make a habit of it.

Great frauds in history... *the downfall of the Napoleon of finance*

©Getty Images

Ferdinand Ward was born in New York in 1851. He was dismissed from various clerical jobs in his early working life until finding a post as secretary to the superintendent of one of the New York commodity exchanges. A marriage to the daughter of a wealthy merchant allowed him to start speculating in commodities, and he had some initial success. By 1880 he had become established enough to set up his own brokerage, Grant & Ward, in partnership with Ulysses "Buck" Grant Jr, the son of former president Grant, and James Fish, who ran the Marine National Bank and was a friend of his late father-in-law.

What was the scam?

Ward quickly dominated the partnership, making all the decisions, and persuaded Grant Jr and his father to invest another $200,000 into the business. When this capital was squandered through bad investments, Ward simply altered the books to give the impression that the firm was making money. Greedy for cash to fuel an extravagant lifestyle, Ward then raised yet more money by launching a Ponzi-style scheme based on fictitious government contracts. Ward promised to pay investors interest rates of 10% a month, but no money was in fact invested, and investors were paid with funds raised from new depositors.

What happened next?

Fish's Marine National Bank had heavily invested in Grant & Ward, financing this with a loan of $1.6m from New York City. By April 1884, the New York City comptroller decided to reduce the city's deposits with the bank. Despite an emergency loan of $80,000 from the tycoon Cornelius Vanderbilt (underwritten by the former president), the bank collapsed, causing a minor financial panic and exposing Ward's scam. Ward, who had briefly been known as the "Napoleon of finance", quickly became the "best-hated man in the United States" and spent nearly seven years in jail.

Lessons for investors

The creditors of the Marine National Bank were able to recover only half the $5.2m ($141m in today's money) that the bank owed when it went bankrupt. Those who had invested with Grant & Ward recovered virtually nothing of the $14.5m ($393m) supposedly in their accounts when it collapsed (much of this sum represented fictitious profits that had been reinvested). The former president Grant was not involved with the scam, but his family connection was taken as a badge of respectability. Never invest just because a scheme has celebrity backing.

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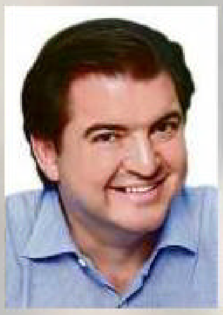
A stunning collection of wines



The wine trade is going through the wringer right now and, just like many other types of business, independent retailers and larger merchants are looking to online sales to try to keep themselves going. A lack of staff and testing working conditions are understandably slowing down orders to a snail's pace and I applaud all of the companies that are battling hard to keep great wines on our tables. I was supposed to host a wonderful 100 Best Australian Wines event at The Old Bridge Hotel, with my old pal and owner of this terrific set-up, John Hoskins MW, on the 26th April, but this, of course, had to be postponed. This makes May's MoneyWeek Wine Club selection even more timely because it is John's wine shop which has suggested these six awesome wines. I hope that MWWC fans load up this month because John is a mercurial talent and he is greatly respected in our business.

Matthew **Matthew Jukes**

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Prices shown below are per case of 12 bottles. Wines are also available in a 12 bottle mixed case (2 of each of the wines) and is **keenly-priced at £161.40, saving over £28 on the full price** - it's a chance for you to try them all, and is the most popular choice with *MoneyWeek* readers!

2019 Tinpot Hut, Sauvignon Blanc, Marlborough, New Zealand
It is fair to say that this brilliant winery has made some of the best value and most impressive Kiwi Sauvignon Blanc in the last few years. Never once tipping over into fruit salad notes and maintaining a healthy dose of cleansing minerality on the palate, this is a winery that understands this much-derided grape variety while respecting its Loire Valley origins. This is why Tinpot tastes so darn good – it is keen and nervy while making the most of the Marlborough sunshine to give it some gloss and allure. In short, this is a summer classic!
CASE PRICE: £155.40

2019 Ikigall, Gallina de Piel, Penedès, Cataluña, Spain
David Seijas, the man behind this amazing creation, was the Head Sommelier at three-Michelin-starred restaurant El Bulli, in Spain. I reviewed El Bulli for the Guardian back in 2002 and returned a second time seven years later with David looking after my table on both occasions. These were two of the most amazing gastro experiences of my life and he was the conductor! Ikigall is an astonishing wine; brittle and challenging, fleshy and generous on the mid-palate and then, at once, chalky and lip-smacking - you will adore this wine.
CASE PRICE: £155.40

2018 Gašper, Malvazija, Goriška Brda, Slovenia
I do not write up many Slovenian wines, but this 100% Malvasia Istriana will have me actively seeking more of these beauties out. Made just over the Italian border from the Friuli wine region and using an identical climate to capture the drama and freshness which makes Italian wines so compelling, this is a fragrant number but it never slips into overt soapiness. A grapey, ripe, juicy demeanour, yet a tension which tightens the bright, generous nose and sharpens it to a stiletto point. Its sleek flavours are epic with South-East Asian dishes.
CASE PRICE: £167.40

2017 Vinha Grande, Casa Ferreirinha, Douro, Portugal
A long term favourite of mine which I usually drink in Portugal - a regular holiday destination for the Jukes clan. We raid the supermarkets as soon as we arrive and do a tasting to determine which will be our favoured bottles for entertaining our pals during our hols. Vinha Grande is always in the mix. Made from Touriga Franca, Touriga Nacional, Tinta Roriz and Tinta Barroca, and rewarded with some time slumbering in French oak, this is a sensual Douro red and I find it is all too easy to demolish a bottle given its wonderful harmony and succulence.
CASE PRICE: £155.40

2017 Chianti Rufina, Fattoria Selvapiana, Tuscany, Italy
I have written up many wines from this stellar estate in this column over the years, but never this glorious estate wine which, again, I have to admit to drinking very regularly indeed at home. Coming from the finest winery in the Florentine environs this is one of the greatest value Chiantis of all time and, unlike almost all of the competition it always drinks well young. Joyous blackberry and spice fruit notes abound, with a snap of freshness on the finish which reminds you that Rufina is a region blessed with altitude. Sheer heaven in a glass, and you can even chill it a tad when the temperature rises.
CASE PRICE: £179.40

2016 Rioja, Crianza, Bodegas Lan, Spain
While I know Tinpot, Selvapiana and Vinha Grande well, the other three wines on this page are relatively new flirtations for me and Lan is another wonderful surprise. There is nothing more dreary than old fashioned, sweaty Rioja. Bodegas Lan seemingly polishes every single grape that goes into this wine because it is super-flash, brightly-fruited, bouncy and refreshing on the palate. This is a perfect Rioja for the summer months because it doesn't let tradition get in the way of enjoyment.
CASE PRICE: £155.40

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Turn your home into a luxury spa

You needn't leave lockdown to indulge in some pampering. Chris Carter reports

Social distancing perfected

©Superior Float Tanks

Summer is around the corner. And yet, for the moment, your travel plans must not extend beyond the end of your garden. So you might as well make the most of it. One option is to turn your potting shed into your own private, luxury spa retreat. "We've all been in isolation lately, but it doesn't have to be all bad," says Hannah Elliott in Bloomberg Businessweek. There's "a good kind" of isolation that some spend good money to have imposed, a kind that "calms and restores rather than aggravates" – think of sensory deprivation tanks.

The Evolution Float Pod, from US-based Superior Float Tanks ($28,900 – UK delivery available from superiorfloattanks.com/float-pods), is the best. "We are the top float manufacturer for a few reasons, not just aesthetics," Johnny Huber, Superior Float Tanks' vice-president of sales, tells MoneyWeek. The filtration engine is "designed to handle almost any contamination". That means, unlike other options on the market, "our customers should never need to change or dump the saltwater". And while the company in Virginia counts "the military, sports teams, clinics and corporations" among its clients, it has noticed one side-effect of the lockdown. "Our residential market is actually exploding right now, due partly, of course, to the virus and such."

Another option is a barrel sauna. "Originating in Finland in the 12th century, the sauna room has become an iconic addition to spas across the world," notes Doncaster-based UK Saunas on its website (uk-saunas.co.uk). "Today, you are now able to bring wooden saunas to your outdoor space." You don't have to take it as far as billionaire Jack Dorsey. In a podcast last year the Twitter founder said he spends three periods of 15 minutes each evening in a wooden, barrel-shaped sauna set to a temperature of 220˚F (104˚C).

> *"The 'good kind' of isolation can calm and restore rather than aggravate"*

That claim seems unlikely, says Nick Bilton in Vanity Fair. In the 2010 World Sauna Championship in Finland ("yes, that's a thing"), two competitors had to be pulled out after six minutes at 230˚F and one spent six weeks recovering in hospital. The other died. Still, done sensibly, time in a sauna is supposed to aid circulation and relieve muscle tension. UK Saunas sells a two-seater barrel sauna for £2,195.

Your garden spa will also, of course, need a hot tub. Some of the hot tubs on the market "require lengthy installations", says Sarah-Jane Butcher for T3 magazine, others you can simply "plug and play". They come with different jet speeds, mood lighting and even sound systems. "Ensure you have plenty of space to fit the hot tub, as well as easy access to the power source and enough room to safely get in and out." The Canadian Spa Cambridge Hot Tub (£4,994.99, robertdyas.co.uk) has 33 jets and features a high-quality amplifier and aromatherapy system. If you have a garden big enough, Canadian Spa even does a 16-foot-long version, the Swim Spa, for £17,999 – part hot tub, part miniature swimming pool.

Wine of the week: a joyous Bojo and a classic white Burg

2018 Côte de Brouilly, Les Grillés, Domaine Chevalier-Métrat, Beaujolais, France
£14.50, reduced to £12.95 each by the case, Lea & Sandeman, 020-7244 0522, leaandsandeman.co.uk

Matthew Jukes
Wine columnist

I love this outfit and I knew exactly what to expect as this wine approached my olfactory gear. I also knew I would approve of its flavour, too, but, of course, I never pre-judge. The surprise came when the aroma actually sought me out rather than the other way around. The next fillip was the buoyancy and purple-hued freshness, with energy and vitality flooding in from all angles, which should mirror the weather at this time of year and also lift our collective moods (and by golly we need that right now).

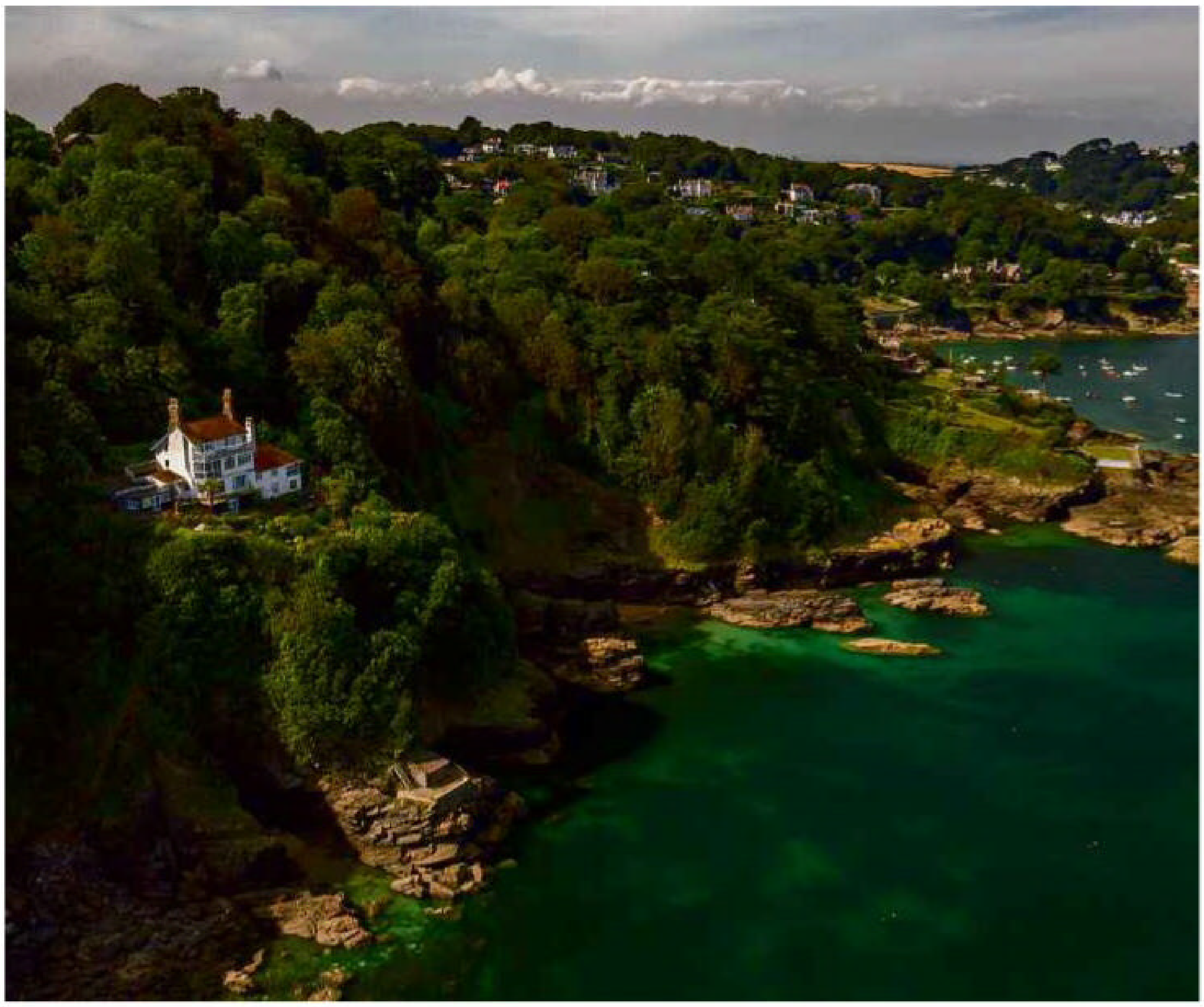
This beauty is a benchmark Côte de Brouilly, an epic Beaujolais Cru, one of the kings of wines, and yet it wears a tiny price tag for a creation with this level of gravitas and joy. This wine region should be front and centre of every wine collection right now because it is bargain-priced, drinking now and it goes with everything you are cooking in your kitchen!

Chevalier-Métrat
Côte de Brouilly
Les Grillés

And while you're shopping with Lea & Sandeman, why not load up with the white equivalent of my ebullient red pick. 2018 L&S White Burgundy, Mâconnais, France (£13.95, Lea & Sandeman) is a good, old, classic, infantryman white Burg, from the heart of the Mâconnais. Sourced from a wonderful plot of vines in Mâcon-Davayé, this is a stylish and gentle Chardonnay with enough zip to sip before you take your place at the table as well as enough mid-palate pizzazz to continue drinking with a perfectly roasted chicken or pan-fried Dover sole.

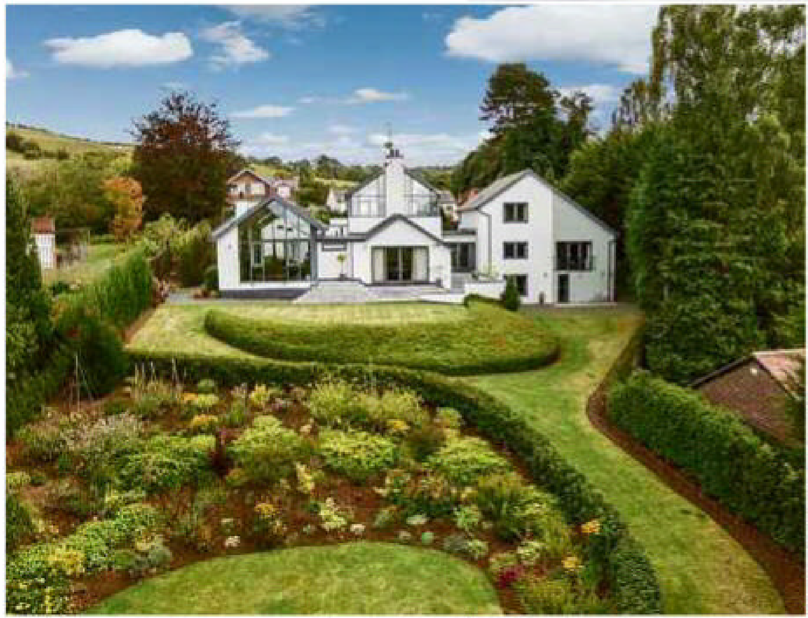
Matthew Jukes is a winner of the International Wine & Spirit Competition's Communicator of the Year (matthewjukes.com)

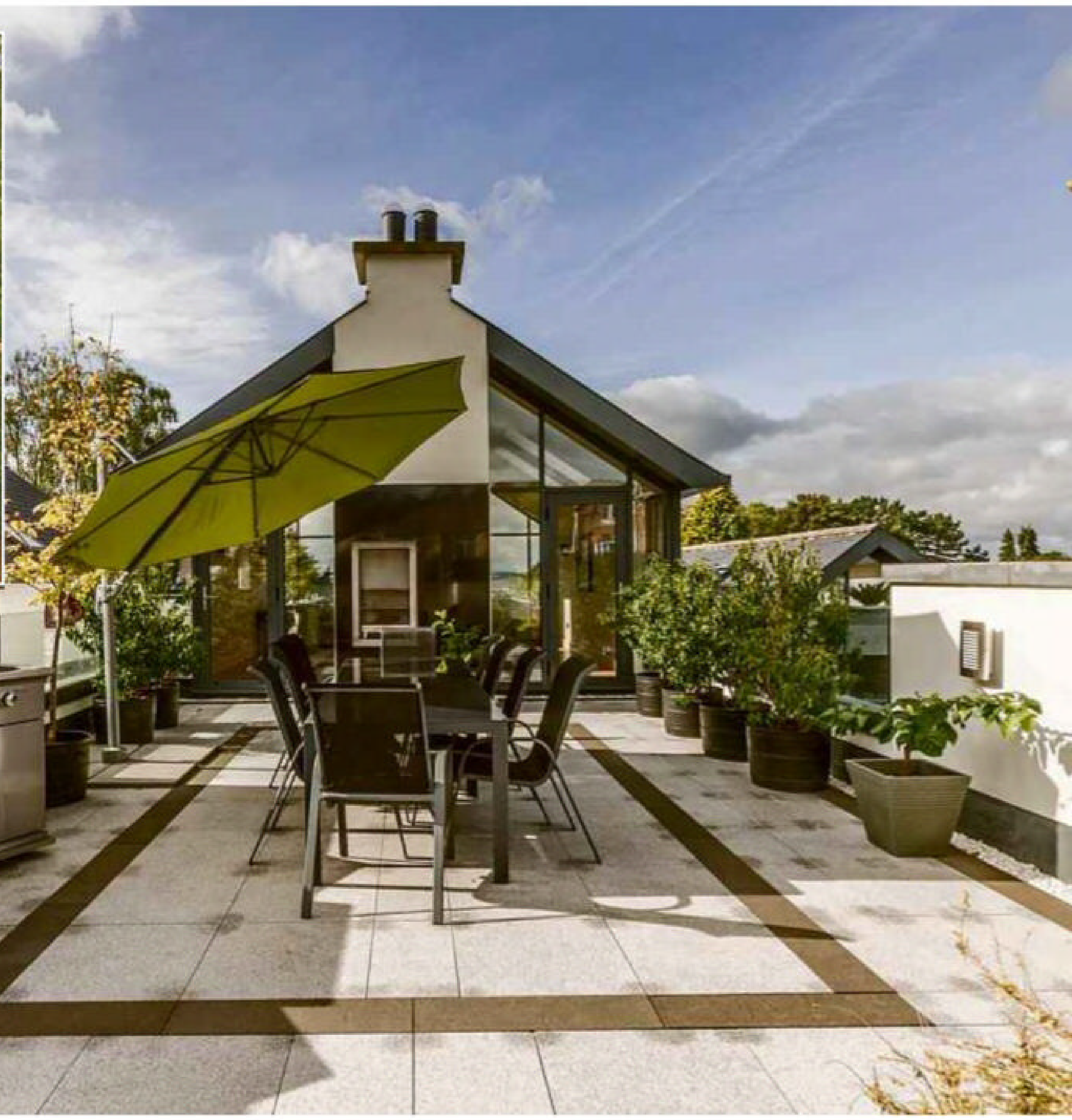
This week: properties with outside dining areas – from a clifftop Edwardian house with views of the Salcombe Estu



▲ **Bar Lodge, Sharpitor, Salcombe, Devon.** A clifftop Edwardian house with views of the Salcombe Estuary and a range of balconies and terraces overlooking the landscaped gardens, ideal for outdoor dining. 4 beds, 3 baths, 2 receps, additional kitchen and recep, private beach. £2m Savills 01548-800462.

▶ **Maison de la Falaise, Village du Putron, St Peter Port, Guernsey.** A contemporary clifftop property with views of the neighbouring islands of Herm and Sark. The elevated terraces are ideal for outdoor dining. 6 beds, 6 baths, 3 receps, wine cellar, summer house. £17.75m Savills 01481-713463.





▶ **The Hollies, Stocksfield, Northumberland.** A modern mansion built in 2008, featuring full-height windows, high-quality fixtures and fittings – including low-energy lighting and underfloor heating – and a raised upper dining terrace with a barbecue area. 6 beds, 5 baths, 4 receps, kitchen/family room, studio apartment, triple garage, parking, roof terrace, gardens. £1.55m Finest Properties 01434-622234.

uary in Devon to a Grade II-listed, 15th-century hall house currently used as a B&B near Taunton, Somerset

◀ **Haymes, Cheltenham, Gloucestershire.** A Grade II-listed, Georgian house with countryside views and landscaped gardens that include a dining terrace with a built-in pizza oven. The kitchen includes a dining area with a log burner and double doors that open onto a courtyard. 6 beds, 5 baths, 2 receps, breakfast kitchen/family room, gym with hot tub, steam room, cinema, garaging, outbuildings, gardens, grounds, 42.67 acres. £4.85m Knight Frank 01242-246 959.

▶ **Linton Cottage, Lund House Green, Harrogate, North Yorkshire.** A cottage with large established gardens that include a stone-built barbecue area with a pizza oven. 5 beds, 3 baths, 4 receps, kitchen/living room, triple car garage with studio/office above, gardens. £850,000 Strutt & Parker 01423-706771.

◀ **Duck Cottage, Ailsworth, Peterborough.** A Grade II-listed, 17th-century cottage set in mature gardens that feature a paved terrace with a barbecue area and a pizza oven. The cottage has an inglenook fireplace with a log-burning stove and a large, fitted country-style kitchen with a range cooker. 3 beds, 3 baths, 3 receps, garage, office/studio, storage loft, parking, gardens, 0.25 acres. £600,000 Norton Rickett 01780-782999.

▲ **Sydenhurst, Chiddingfold, Surrey.** A modern, Palladian-style mansion set in 30 acres of landscaped gardens with a large lake and a range of terraces, including a summer pavilion and an outdoor kitchen with a dining area and raised fire pit. 9 en-suite beds, 2 receps, open-plan kitchen/living area, library, wine cellar, bowling alley, cinema, indoor and outdoor pools, 2 cottages, tennis court, 30.35 acres. £30m Knight Frank 020-7861 1065.

▶ **Langaller Manor House, Langaller, Taunton, Somerset.** A Grade II-listed, 15th-century hall house with large landscaped gardens that include a summer terrace with outdoor lighting and a substantial oval pavilion, ideal for summer dining. The house is currently run as a bed and breakfast and has beamed ceilings, an oak staircase and inglenook fireplaces with wood-burning stoves. 7 beds, 4 baths, 6 receps, detached 3-bed coach house, 2.26 acres. £1.1m Strutt & Parker 01392-229405.

Are you missing the gym?

Don't let quarantine keep you from your workout, says Nicole Garcia Merida

©Peter Belanger/Fuse Project

"Since its founding more than 20 years ago, Yves Béhar's Fuseproject has created a range of innovative home products: a robotic crib, a TV that looks like a painting, door locks without keys," says James Gaddy on Bloomberg. Now comes **Forme**, an artificial intelligence-powered "wellness machine" for the home that costs $149 per month. The touch-response mirror is nearly six-feet tall, has 4k resolution, voice control, and stowable arms for resistance training. Users have a choice of prerecorded workouts to stream that change every three or four days and live trainers will be available at launch. It features voice control, which allows users to change settings quickly by touching and speaking to the screen instead of pausing their workout, keeping you in the flow.

Forme is now available for preorder at shop.formelife.com/products/forme

The NOHrD Sprintbok is a stylish treadmill with an elegant wood frame and it doesn't require electricity to run, meaning it won't put an ongoing strain on the environment, says Dominic Jeffares in Luxury London. Flexible wooden slats and precision ball bearings ensure smooth running and minimum strain on your joints. It comes with a 17-inch tablet to run the Sprintbok app, which allows users to track performance data and select from a variety of pre-designed workouts, which range from a comfortable walk to an all-out sprint.

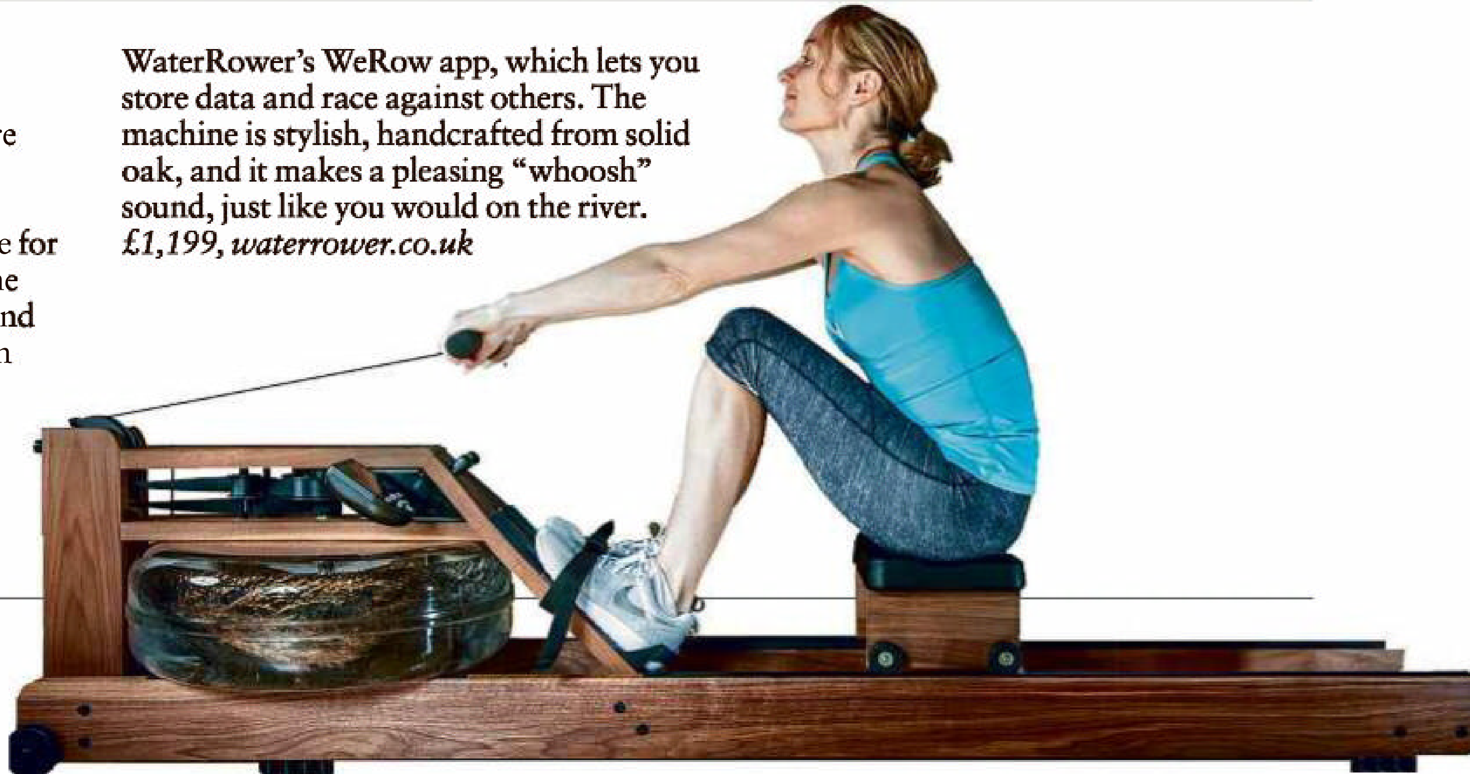
£5,795, nohrd.com

Cult spinning classes, such as those offered by fitness company SoulCycle, have made indoor cycling workouts all the rage over the last few years, says Millicia West in GQ. "Blighted by injuries? Bored of running? Indoor cycling is a low-impact way to achieve a high-intensity cardio workout." To recreate the experience in the comfort of your own home, try the **Ciclotte**, which is "in a different league to the exercise bikes of old". There may be more functional machines out there, but "this sleek carbon-fibre model", designed by Italian architect Luca Schieppati, "trumps all in the style stakes". It has a touchscreen display and is slender and lightweight, making it easy to store if you need the space. "But at that price tag? We're keeping it pride of place."

£9,000, ciclotte.com

"The benefits of rowing are numerous: the exercise works muscles across the body, from the arms and legs to the core for a full body workout," says Jennifer Barton in The Sun. It is a low-impact cardiovascular exercise "just as suitable for someone in their 60s as it is for someone in their 20s". Water rowers use water and paddles to create resistance, resulting in a quiet, smooth action and a "striking workout machine that wins points for style as much as for its training capabilities". **WaterRower** is the go-to brand. Its machine includes a performance monitor kitted out with WaterRower's WeRow app, which lets you store data and race against others. The machine is stylish, handcrafted from solid oak, and it makes a pleasing "whoosh" sound, just like you would on the river.

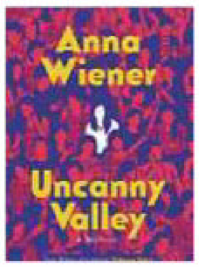
£1,199, waterrower.co.uk



Book of the week

Uncanny Valley

By Anna Wiener
Fourth Estate, £16.99



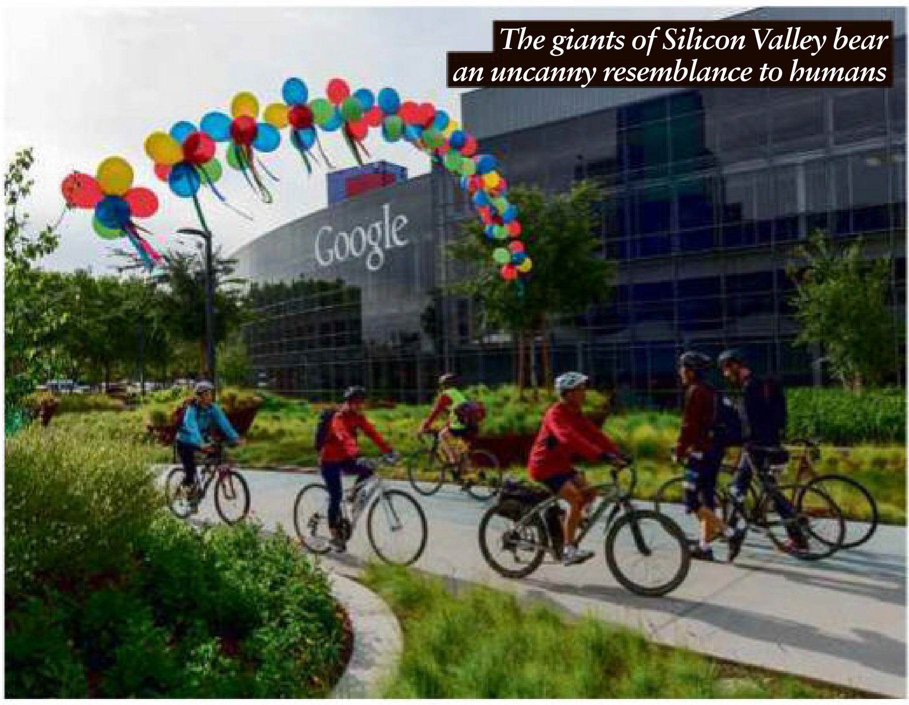
Over the past few years there has been a growing number of books looking at the rise of the technology sector and the impact that it is having on both the economy and society at large. Most of these books take a top-down perspective, focusing on the people running companies such as Facebook, Twitter and Uber. *Uncanny Valley*, by Anna Wiener, takes a bottom-up approach, showing the reader what it is like to be an employee at one of these digital behemoths by telling the story of her brief career in Silicon Valley.

Disillusioned with a poorly paid career in the publishing industry and feeling that life was passing her by, Wiener took on a position at an e-book publisher that was looking for greater acceptance from the literary community. When it became clear that her attempts to mix culture and commerce weren't going to work, however, she decided to throw herself wholeheartedly into the tech sector instead, moving to San Francisco and getting a job in customer support at a data analytics firm, before moving to a more established company (GitHub). Along the way, she meets a wide variety of people and experiences both the perks and the drawbacks of working in such an environment.

The book's title comes from the observation that people tend to dislike and feel funny about robots that look imperfectly humanoid much more than those that are completely unrealistic. In the same vein, Wiener argues that Silicon Valley is full of people who like to consider themselves as authentically counter-cultural free-thinkers, but in reality dwell in the uncanny valley of imperfection when it comes to greed and exploitation. Among the things that they pride themselves on "disrupting", for example, are the legal and ethical rules designed to protect the workers and customers of "old economy" firms.

It's an interesting argument and certainly many of the people Wiener encounters, such as the chief executive whose insults repeatedly make her break down in tears, do seem to be horrible people. However, you do get the sense that her non-technical background and the fact that her heart wasn't in her work, meant that she would always have felt like an outsider, even if the companies she had worked for had been better places to work. The book starts to run out of steam towards the end as she switches from her own experiences to wider musings.

Uncanny Valley is a fresh take on an industry that is increasingly under scrutiny and offers some interesting thoughts on the hypocrisies of those who argue that technology can solve all of the world's ills. It is, however, ultimately only one person's experience and is far from the final word on the subject.



The giants of Silicon Valley bear an uncanny resemblance to humans

©Getty Images

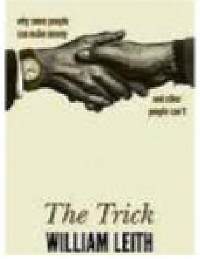
"The book offers interesting thoughts on the hypocrisies of those who think technology can solve the world's ills"

Reviewed by Matthew Partridge

The Trick

Why Some People Can Make Money and Other People Can't

By William Leith
Bloomsbury Publishing, £20



Journalist William Leith has spent much of his life interviewing the rich and famous, yet leads an existence that, while comfortable, is very far from lavish. In this book, Leith wonders what distinguishes those who have been able to make their fortunes from the rest of us. Drawing upon his experiences with filthy rich entrepreneurs, including Felix Dennis, Alan Sugar and convicted fraudster Jordan Belfort, he tries to discover the secret to making money.

The book is very far from being a typical self-help guide. Indeed, Leith spends most of the book pondering whether a life spent pursuing riches is even a worthwhile goal, pointing to Belfort as a cautionary tale. And Leith's rambling, idiosyncratic style, jumping from anecdote to anecdote, careless of following the underlying theme, makes for a book that is more about its author than its ostensible topic.

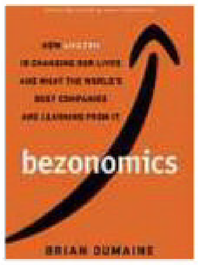
Still, if that produces a bit of a freewheeling journey, it is at least an entertaining one. Leith concludes that successful entrepreneurs are those who are determined enough to overcome their doubts and strike out for themselves, and disciplined enough to stick with their plans in the face of failure. By far the most important feature, though, is the ability to spot opportunities before the rest of us, like a tennis player who can predict where the ball will land before his opponent has even struck it. It's as simple – and as difficult – as that.

Book in the news... how a firm uninterested in money rules the world

Bezonomics

How Amazon Is Changing Our Lives and What the World's Best Companies Are Learning from It

By Brian Dumaine
Simon & Schuster, £20



Amazon is the "fastest-growing company in the history of modern capitalism" and has made its boss, Jeff Bezos, "the richest man in history", says John Arlidge in The Sunday Times. However, the reasons for its rise are "complicated, contradictory and controversial". Amazon seemingly "breaks many of the usual rules of business" – it is "not interested, and never has been, in making money", concentrating instead on winning market share and ploughing most of its profits into research and development. *Bezonomics*, by Brian Dumaine, tells the story of the company and shines a light on the "tenacious" man "who has made Amazon such a success".

The book is "meticulously researched" and features many interviews with characters who "have been part of the online behemoth's journey", says Emma Newlands in The Scotsman. It does not, however, get bogged down in details and is "engagingly" written. Dumaine argues that Amazon's success is ultimately down to its "customer obsession, extreme innovation and long-term management", all supported by innovations in artificial intelligence. It also keeps one eye on the future – having "shaken retail to its foundations", Amazon is now rapidly dominating cloud computing, media and advertising, and has its sights trained on a "wealth of new areas", including healthcare and financial services.

The book is a bit "too reverential" and there is little mention of Amazon's low tax bills, says Hugo Rifkind in The Sunday Times. Even the low wages paid in Amazon's warehouses are portrayed as a sign of Bezos's "instinct to compete" rather than a symptom of Amazon's tendency to treat its employees like "dirt". And as the book was written before the pandemic-related lockdowns, it contains nothing about Amazon's newly dominant role, making it seem "slightly out of date". Still, anyone looking for a "crash course" in the "$1trn convenience store" will find this an enjoyable and informative read.

Profiteering in a pandemic

Fraudsters and price-gougers are not having a good crisis

Matt Colvin: "retail arbitrage" isn't always a wise strategy

©Doug Strictland/The New York Tim / eyevine

They say that every crisis creates an opportunity, so it's no surprise that there are plenty of people looking to make a quick buck out of the current outbreak. Indeed, authorities around the world are warning that "fraudsters and price-gougers" are targeting everyone "from elderly citizens seeking hand sanitiser to government officials procuring hospital supplies", says Erin McCormick in The Guardian. Alleged scammer Keith Middlebrook, for example, an actor who had minor roles in such films as *Iron Man 2*, has been arrested by the FBI after he claimed in a video he posted online that investors could turn $300,000 into a "guaranteed $30m" with a miracle treatment he had devised.

Another tactic for turning a profit in a pandemic is to sell medical equipment that doesn't exist, says Bob Fredericks in the New York Post. One alleged con man faces charges for trying to sell the US Department of Veterans Affairs 125 million face masks and other protective gear for more than $750m even though he did not actually have the supplies and knew that fulfilling the orders would be impossible.

Exploiting a panic

It's not just outright fraud that is a concern, says Sam Meadows in The Daily Telegraph. As the pandemic took hold and people began trying to stock up on supplies and vital hygiene products, including hand sanitiser and face masks, some "unscrupulous sellers" were trying to "exploit the panic" by selling goods for way above their normal prices. Some of the complaints about this have involved corner shops, but the worst anger has been reserved for the hoarders who bought up large quantities of goods and then sold them on online at far above their normal price. At the height of the crisis there were reports of multipacks of hand sanitiser being sold online for £1,000.

Still, at least some of the hoarders are finding out the hard way that making money from shortages isn't quite as easy as it looks, says Jack Nicas in The New York Times. Brothers Matt and Noah Colvin had carved out a "six figure income" from "retail arbitrage", buying goods that are in demand and then immediately reselling them on Amazon and eBay for a profit. So, when the crisis hit, they took a 1,300-mile road trip across Tennessee and into Kentucky, spending thousands of dollars filling a lorry with "thousands of bottles of hand sanitiser and thousands of packs of antibacterial wipes".

Initially, the duo looked to be on course for a tidy sum – the first 300 bottles of their haul that they posted on Amazon were immediately snapped up by eager consumers. The next day, however, their dreams turned to dust – Amazon shut down their accounts and cancelled the orders. Auction site eBay also banned all coronavirus-related sales and the duo were left with "17,700 bottles of the stuff with little idea where to sell them". Facing a huge backlash from members of the public, as well as the attention of the local authorities, the brothers had an attack of conscience and decided to give their goods away. Quite right too.

> *"The hoarders are finding out the hard way that making money from shortages isn't quite as easy as it looks"*

Quintus Slide

Tabloid money… the hero who raised £30m for the NHS

©BBC

● Thank heavens the BBC has axed *The Greatest Dancer*, yet another Saturday night TV audition show, says Jan Moir in the Daily Mail. The viewing public are heartily sick of them. We can only partly blame chief judge Cheryl Cole (pictured) for the programme's failure. "It didn't help that the former Girls Aloud star jived around like a turkey on a hot tin roof." Dancers competed to win £50,000 and a slot on the far more successful *Strictly Come Dancing*. "I don't think the latter ever materialised, unless it was a slot sweeping up the glitter from the *Strictly* ballroom floor." In its "hysteria to be politically correct and non-elitist", it had categories such as "street dancing", "contemporary dancing" and "the terrifying 'free-style' dancing". "Give me *Strictly*'s Aljaz doing the American Smooth any day of the week instead."

● Zoom drinks parties are so last week, says Virgina Blackburn in the Daily Express. Zoom dinner parties are the new way to show off to your suburban friends. Enmities are being created from which it will take generations to recover. "Look what I found at the back of the cupboard!" chirps one friend on Facebook, posting a picture of ground ogbono. You google it and find it comes from Nigeria. Your friend is boasting about having travelled there. The war moves over to the liquor cabinet – where's that slivovitz you got from Poland 18 years ago? Your virtual neighbour sees you off with a bottle of Albanian raki. You pity the poor schmuck who only brought a bottle of claret – until, "with appalled horror", you realise it's a bottle of 2004 Margaux, worth over £200.

● Well done to the newly promoted Colonel Tom Moore, says Lorraine Kelly in The Sun. This "tenacious" 100-year-old World War II veteran "has earned the right to sit down, put his feet up and wallow in the love and admiration of most of the world". He is "a symbol of hope in these tough times and I was so chuffed to be able to break the news" on my TV show that he had raised the "amazing" figure of £30m for the NHS by walking 100 laps of his garden. "I really hope this money is used to build a hospital wing in Tom's name, or a specialist unit to combat future pandemics. And as a proud Honorary Colonel myself, of our wonderful Army Cadet Force, I salute Colonel Tom Moore. Bravest of the brave and the very best of us. What a hero."

Bridge by Andrew Robson

North is bounced

West led a hopeful Club versus Six Spades, declarer ruffing. Declarer seemed faced with two likely losers in Diamonds plus one in Hearts. However, there was one small hope and he proceeded to play for it.

Dealer East North-South vulnerable

♠ 85432
♥ AJ6
♦ 6543
♣ 7

♠ 10
♥ K10954
♦ KQ
♣ Q10642

♠ 7
♥ 72
♦ 1097
♣ AKJ9853

♠ AKQJ96
♥ Q83
♦ AJ82
♣ –

The bidding

South	West	North	East
			3♣*
4♠**	6♣***	6♠§	pass
pass	pass		

* Weak hand with seven decent Clubs.
** Too good for a simple Three Spades.
*** Putting on the pressure, bidding to the (12-trick) level of the fit.
§ Should probably double and "take the money". After all, if West had passed, North would have passed Four Spades. And holding an Ace, there's no reason to think Six Clubs will make. However, it's so easy to get "bounced" in these pressure situations.

Declarer drew trumps (not an arduous business) then played Ace and a second Diamond. West won the second round (declarer delighted to see his King-Queen doubleton holding) and was now endplayed.

A Club would see declarer ruff in one hand and throw a Heart from the other, a simple Heart finesse (low to the Knave) now landing the slam. West's actual choice of the ten of Hearts enabled declarer to run the lead around to his Queen then finesse dummy's Knave. Twelve tricks, slam made and enough luck to last a year.

For Andrew's new daily BridgeCasts, go to patreon.com/andrewrobsonbridge

Sudoku 998

9		8	2			7		4
			7		3			
4							5	
		6		2	4			
		3				5		
			3	9		6		
	6						1	5
			8		1			
2		1			5	3		9

To complete MoneyWeek's Sudoku, fill in the squares in the grid so that every row and column and each of the nine 3x3 squares contain all the digits from one to nine. The answer to last week's puzzle is below.

4	3	7	9	8	2	5	6	1
8	9	6	5	1	7	2	3	4
5	2	1	3	4	6	7	8	9
3	4	9	7	2	5	8	1	6
7	6	2	1	3	8	4	9	5
1	5	8	6	9	4	3	2	7
2	8	5	4	6	9	1	7	3
9	7	3	2	5	1	6	4	8
6	1	4	8	7	3	9	5	2

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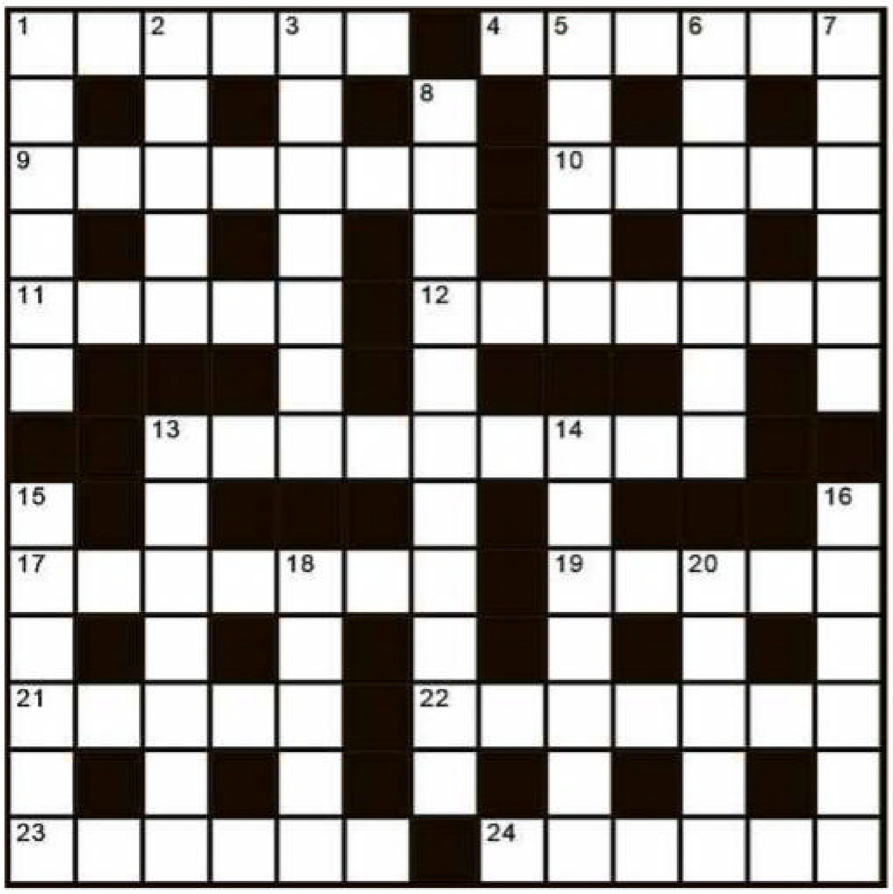
Tim Moorey's Quick Crossword No. 998

A bottle of Taylor's Late Bottled Vintage will be given to the sender of the first correct solution opened on 18 May 2020. Answers to MoneyWeek's Quick Crossword No. 998, 31-32 Alfred Place, London, WC1E 7DP.



Across clues are mildly cryptic and down clues are straight

ACROSS

1 Greek island gets a type of Indian pastry (6)
4 A hybrid – as this clue is! (6)
9 Friendly supporter who could be married (7)
10 Drive a bullock (5)
11 Contract long forgotten in German city (5)
12 Captive crowd a long time (7)
13 Policeman, poet and chemist (9)
17 Rewritten article is telling (7)
19 Heard actors in Indian class (5)
21 Capital invested by Birmingham manufacturer (5)
22 Scaffold head of government allows (7)
23 Publicity for a water company? (6)
24 Credit is repeated for emergency (6)

DOWN

1 Frightened (6)
2 Contagious disease (5)
3 Orchestral section (7)
5 Expenses (5)
6 Outdoors (4-3)
7 Mask (6)
8 Study of history through excavation (11)
13 A fraction based on ten (7)
14 Civil not ecclesiastical (7)
15 Keyboard instruments (6)
16 Official population count (6)
18 Military vehicles (5)
20 Hoity-toity types (5)

Name ....

Address ....

....

Solutions to 996

Across 1 Palisade *homophone* **5** Felt *2 defs* **9** Latin *cryptic def* **10** Eyeball *'igh ball* **11** Board meeting *anag* **13** Ascent *anag* **15** Agenda *end in Aga* **17** Considerable *2 defs* **20** Apricot *anag of tropica* **21** Donor *n in door* **22** Talc *hidden* **23** Entrance *2 defs.* **Down 1** Pole **2** Lotto **3** San Francisco **4** Dreams **6** Elation **7** Telegram **8** New Englander **12** Bar chart **14** Central **16** Keaton **18** Lenin **19** Erie.

The winner of MoneyWeek Quick Crossword No. 996 is:
Heide Wickes of Lincolnshire

Tim Moorey is author of How To Crack Cryptic Crosswords, published by HarperCollins, and runs crossword workshops (timmoorey.info).

TAYLOR'S
2013

Taylor's, a family firm for 325 years, is dedicated to the production of the highest quality ports. Late Bottled Vintage is matured in wood for four to six years. The ageing process produces a high-quality, immediately drinkable wine with a long, elegant finish; ruby red in colour, with a hint of morello cherries on the nose, and cassis, plums and blackberry to taste. Try it with goat's cheese or a chocolate fondant.

The fake war against the virus

The feds are rising to ever greater heights of insanity. Keep a hold on your wallet…

Bill Bonner
Columnist

Steve Mnuchin: a rascal pledges to "win the war"

©Getty Images

Commercial flights out of Argentina have been banned until September, leaving us stuck on our ranch, pondering what worthwhile things we could do with our time. Learn the piano, our wife suggested. Or learn cattle ranching perhaps? Meanwhile, back in the USA, the scam goes on:

The bigness of the flimflam is breathtaking. Already the feds have committed nearly a third of GDP to "fight the virus". And still politicians of all political persuasions are proposing to spend trillions more. Says the rascal Steve Mnuchin: "We need to spend what it takes to win the war".

It is a scam on several levels. First, the "war" is fake. This is a public health crisis, not a war. Calling it a "war" is just a way to get people to salute the leaders they should hold in contempt. Second, the feds are not fighting the virus. Doctors, nurses, and hospitals are. The feds turned a natural disaster into a man-made economic disaster.

Third, they are now desperately trying to save a failed financial system and taking advantage of the crisis to bail out cronies, reward campaign donors, expand the Deep State, and enhance their own power. Fourth, the feds have no money saved to give in "aid" or "stimulus". Every penny must come from the people they pretend to be aiding. Fifth, the money they give out is fake. In its most tangible form, it is nothing more than paper with green ink on it. It represents no goods, no services, no earnings, no wealth and no savings.

Sixth, like a phoney claim ticket at a cloakroom, this kind of money merely entitles the people who get it – the cronies, the insiders – to take someone else's coat. Seventh, providing an economy with fake money does not cause it to produce more goods and services. It sours the whole system, misleads investors and consumers and cuts real output.

> *"The bigness of the flimflam is breathtaking"*

Eighth, the most destructive effect of this scam is inflation. First, asset prices are inflated. Later, consumer prices rise, too, eventually washing out every penny of stimulus spending – and more.

It is impossible to know how these multiple frauds will play out. A report from Goldman Sachs suggests that investors might "look through" the crisis damage to the prosperity on the other side. But you can't create real wealth with fake money. And cronyism destroys wealth; it doesn't create it.

So we probably have not seen the last of Mr. Bear Market. Stocks are likely to fall again as the costs of the lockdown are tallied. The bad news will then encourage the feds to even greater insanity. More money-printing, that is. Stock prices could rise sharply. But, at some point, we should see consumer prices rise, too – eventually rising more than asset prices. Stocks could soar, as they did in Zimbabwe and Venezuela. But in real money terms (that is, in terms of gold) stocks will go down – along with the dollar… the economy… and the American Empire.

The bottom line

61 The percentage of investors and business owners with investable assets or annual revenues of at least $1m who are waiting for stocks to fall by 5% to 20% before buying shares again, according to a poll by UBS Global Wealth Management.

31 The number of tonnes of gold belonging to Venezuela that is held in the Bank of England's vaults, worth around £1.3bn at today's prices. The government of President Maduro has asked for some of it to be sold, but the Bank has so far refused. Britain recognises Juan Guaidó, the opposition leader, as the legitimate president of Venezuela.

£125m How much the BBC will have to find in cost savings this year. The broadcaster cited problems with collecting TV licence fees and the extension of free licences for the over-75s until August as reasons for its cash troubles.

£600m How much the National Lottery's Heritage Fund is to make available to charities and organisations affected by closures amid the pandemic. This includes £50m to organisations the heritage fund has supported in the past, enabling 1,000 emergency grants of £50,000 each to be issued, says The Times.

$967m The value of the contracts Nasa has agreed with companies to develop vehicles for taking astronauts to the moon by 2024. Jeff Bezos's Blue Origin got the lion's share: $579m.

$100m How much children's film *Trolls World Tour* has generated in sales worldwide, despite only being available as a "premium video on demand" on streaming services such as Apple TV. It had been due to be released in cinemas at the start of April before they closed due to the pandemic.

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Keep it simple, like Simon

AJ Bell Youinvest is designed to make investing as easy and stress-free as possible - so your inner investor can find inner peace.

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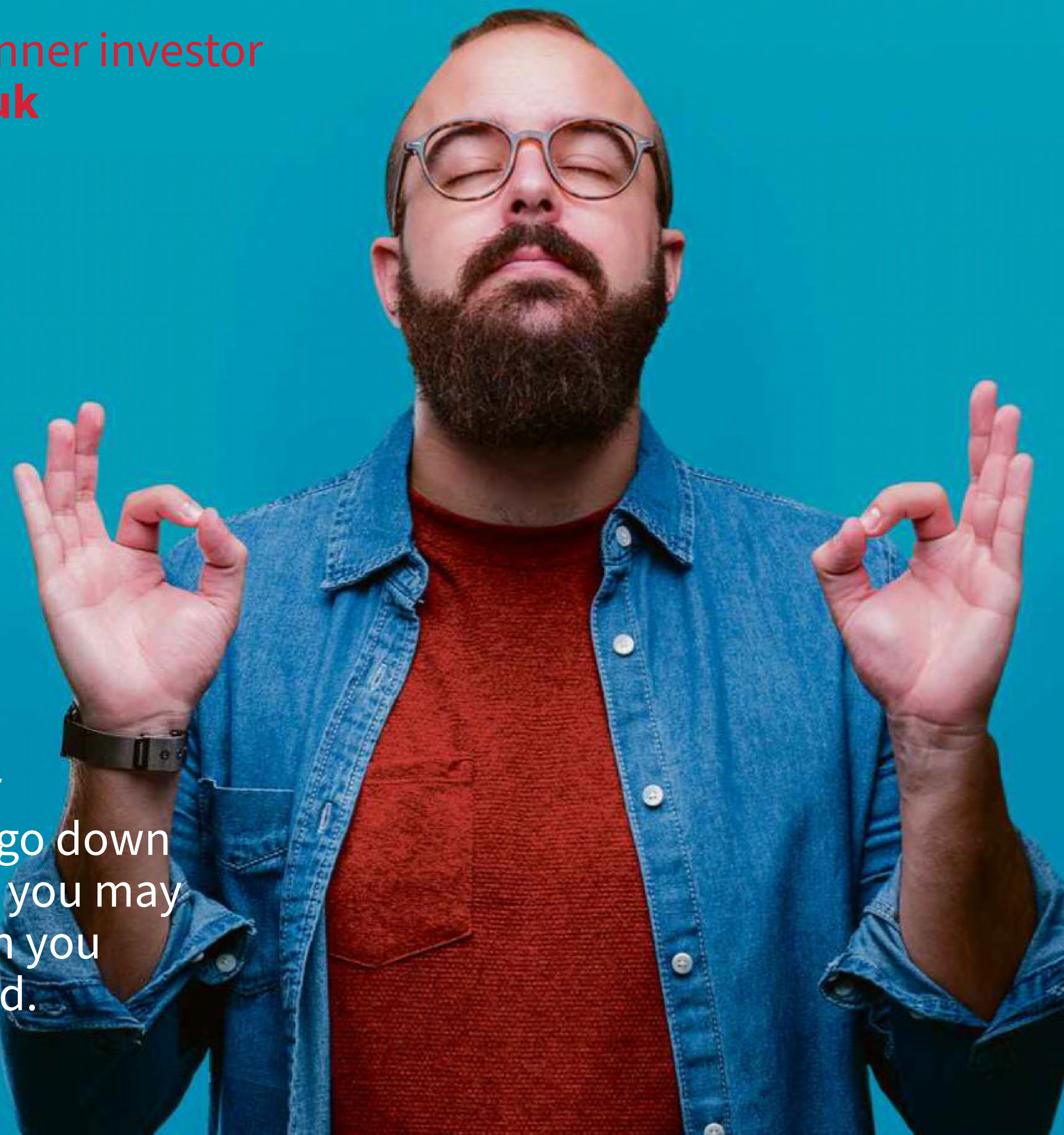
youinvest.co.uk

Recommended Provider Which? Investment Platforms June 2019



The value of your investments can go down as well as up and you may get back less than you originally invested.

AGT
AVI GLOBAL TRUST

ACTIVELY MANAGED.
DESIGNED TO PERFORM.

Finding the hidden ‘treasure’ in family-controlled holding companies

We seek to align capital with long-term orientated capital allocators, in the form of family-controlled holding companies, with a history of outperformance who control a diversified portfolio of both listed and unlisted businesses. These companies are under-researched, over-looked and inefficiently priced as well as trading at significant discounts to NAV with potential catalysts to narrow the discount.

When we consider a holding company as an investment, we seek several characteristics. The first is a diversified, high-quality portfolio of listed and unlisted businesses with the potential for sustained, above-average, long-term growth. Many of the underlying companies that we have exposure to are world-famous brands, and include: Ferrari, Pernod Ricard, Adidas, EQT, AstraZeneca, Mandarin Oriental, Cathay Pacific, Bureau Veritas, Zalando, and many more*.

We also look for the presence of a controlling family or shareholder with a good track record of capital allocation. Long-term shareholders provide strategic vision; many of our holding companies have been family controlled for generations. In doing so, we primarily benefit from NAV growth and achieve additional returns from short-term discount volatility which has resulted in long-term outperformance of equity markets.

AVI has been investing in family-controlled holding companies for nearly 35 years.

DISCOVER AGT AT WWW.AVIGLOBAL.CO.UK

*Portfolio examples at 31 January 2020.

Past performance should not be seen as an indication of future performance. The value of your investment may go down as well as up and you may not get back the full amount invested. Issued by Asset Value Investors Ltd who are authorised and regulated by the Financial Conduct Authority.

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