



**Last Friday I wrote about the ever-rising global tax grab and simultaneously soaring levels of debt which have together been the background to an orgy of central bank money-printing which has turned cash into a near worthless commodity.**

Who would, after all, imagine that a time would ever arise when banks would tell their customers “I don’t want your money?” It’s like shopkeepers telling their suppliers they don’t want stock because nobody is buying groceries anymore – unimaginable.

Then this week things took an even worse turn with the world’s biggest borrower proposing to increase corporate taxes by a third. Now it is understandable that Americans would have done almost anything to get Donald Trump out of the White House, but in doing so they clearly ignored the fact that Joe Biden and his Democrats have customarily been big on social spending and, true to form Biden has just unleashed the biggest stimulus package the US has ever experienced....and of course the money has to come from somewhere.

Well, that is a US problem. However, Treasury Secretary Janet Yellen is understandably concerned that raising corporate taxation from 21 percent to 28 percent will provoke big corporates to migrate their headquarters to tax-amenable countries like Ireland where corporate tax is a mere 12.5 percent so, this week she is off to a meeting of the Organization for Economic Cooperation and Development where she is hoping to persuade the 140 participating nations to agree on a universal minimum corporate tax rate.

Ms Yellen’s problem, of course, is that dozens of the world’s less developed countries have long used low corporate taxes to lure foreign companies to their shores in order to reduce their own unemployment rates and few are likely to want to cooperate. However, most of the big nations have the same debt problems as the US – so they all badly need additional tax income - and they are collectively able to apply a lot of pressure to force tax havens into line.

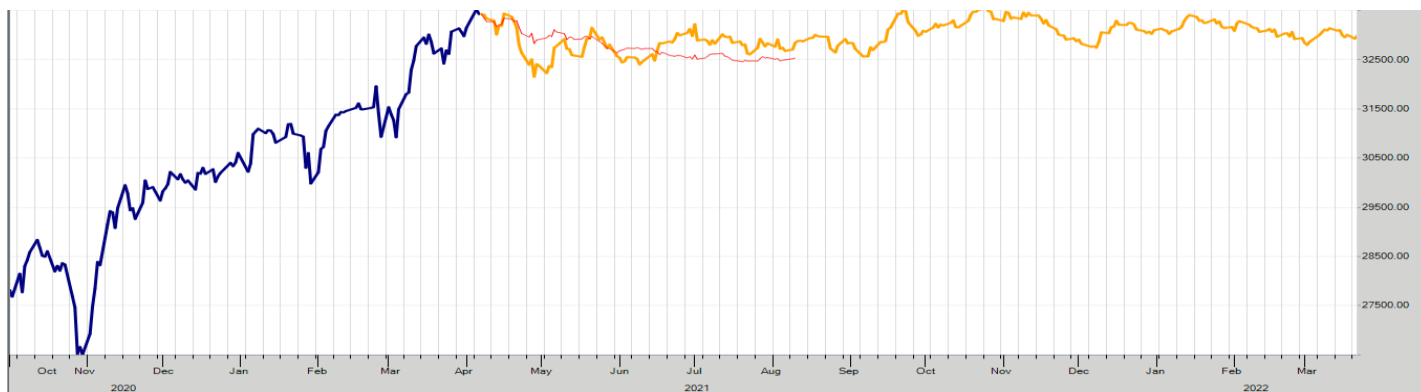
The trend is, of course, not new. Tax-hungry nations have long tried to strong-arm tax havens into changing their ways and the latter have understandably resisted because, to comply implies national bankruptcy for themselves. My guessing is thus that Ms Yellen will fail in her mission and, without global backing, the Democrats will struggle to push their proposed tax increases through Congress.

Furthermore, with real bond yields already negative, the Democrats cannot count on even lower rates to force down their borrowing costs. They will thus be left with only one option; to rely upon the hidden tax of monetary inflation. And, already, as I have regularly detailed to you, the market is assuming just that will happen. That is why US long bond rates have been soaring lately – at an annualized rate of 517 percent as indicated by the red trend line the US ten-year treasury bonds depicted in my graph on the right.



Now soaring inflation is the pensioner's worst nightmare since the bulk of their income is traditionally anchored in sovereign bonds – something South Africans who lived through the post-Rubicon speech era can testify to when local inflation soared above 20 percent and was, arguably, the real reason why the National Party capitulated power to the ANC. Millions of public service pensioners of that era found themselves as a consequence rapidly reduced to sub-economic living.

Worse, despite the International Monetary Fund predicting that the world will see an overall economic recovery of the order of six percent this year – and the US an even greater number – Wall Street shares are no longer reflecting such optimism. ShareFinder's prediction for the likely trend of the Dow Jones Industrial Index pictured below, is precisely in line with my own view that at best share prices will trend sideways for the foreseeable future. In the worst case, there is a substantial body of opinion that believes a share market crash is very likely during the next 12 months.



That is why I have been lately advocating some profit-taking while, in the long-term, I firmly believe that your safest investment will be in Ultra-Blue Chip shares. I last week drew your attention to gold bullion which can now be accessed via the 1invest Gold ETF which, as the red trend line below indicates, has been rising in value at compound 12.1 percent annually since it was launched in late 2014. Since early August last year the gold price (measured in Rands) has been falling dramatically, in part because of the recovery of the Rand and, since the price of the ETF is now well below its long-term mean, it must now be regarded as a potential buy.

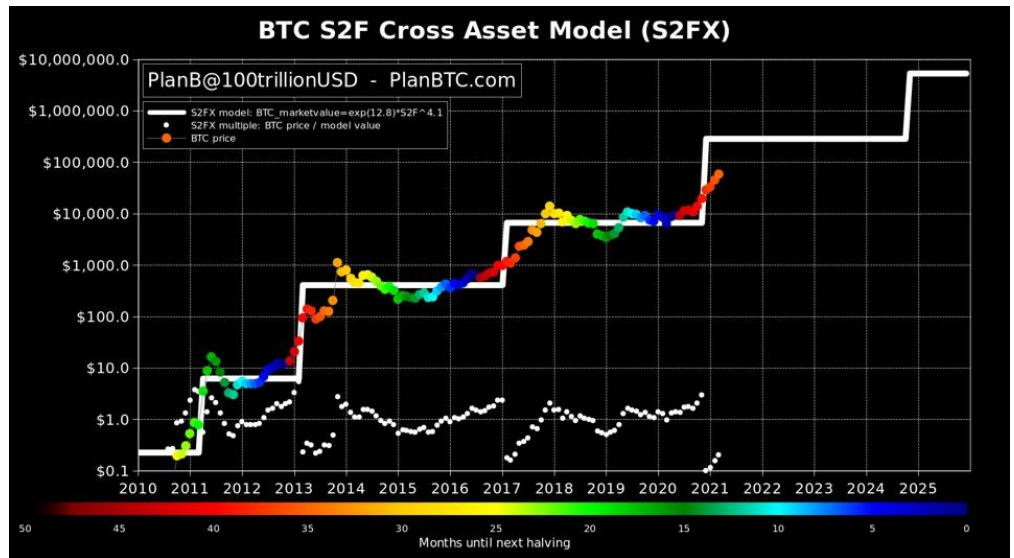


Investor interest has, however, for some time now been diverted by the relative coming age of crypto currencies which, their protagonists argue, are analogous to gold because only a limited number can be physically mined and at great cost in the electrical cost of running super-computers for lengthy periods. As a result, the best-know example, Bitcoin, has been soaring in value. Forbes Magazine reported this week that Bitcoin, after roaring to around \$60,000 per Bitcoin in March, has plateaued in recent weeks. But the crypto currency price has added almost 500 percent since its latest bull run began in October 2020, pushed on by bullish Wall Street banks and the likes of Tesla billionaire Elon Musk.

Now, the investment management arm of Wall Street giant BNY Mellon has called the controversial Bitcoin stock-to-flow model that predicts Bitcoin hitting \$100,000 in July "worth understanding."

The bank is jumping into the Bitcoin game after announcing in February it plans to hold Bitcoin and other cryptocurrencies on behalf of its clients.

The stock-to-flow pricing model pictured on the right created by anonymous Twitter user PlanB, who claims to be a Dutch institutional investor with a legal and quantitative finance background that manages around \$100 billion in assets and tweets from the handle [@100trillionUSD](#), calculates a ratio based on the existing supply of an asset against how much is entering circulation.



Commodities such as gold— with the largest stock-to-flow ratio of 62 - meaning it would take 62 years of gold production to get the current gold stock – have a higher stock-to-flow ratio and are valued by investors for their scarcity. Silver has a stock-to-flow ratio of 22 years for its production to reach the current silver stock.

Bitcoin's stock-to-flow ratio is now 50 following Bitcoin's third halving earlier this year which saw the number of Bitcoin rewarded to those that maintain the Bitcoin network, called miners, cut by half — dropping from 12.5 Bitcoin to 6.25.

Whether Bitcoin can truly be regarded as an investment is really an academic argument, but, relative to the Rand price of gold, it has been an explosive performer. I cannot provide you with a Rand-priced graph for Bitcoin, but the Dollar-based graph is impressive:



That red trend line is rising at compound 81 percent since inception. Furthermore, if you go back to remove the current possible bubble, then since inception in September 2014 – note my next graph on the right - it has been climbing at compound 65 percent though with exceptional volatility which undoubtedly makes it a risky 'trade.'

In summation, I believe that Bitcoin warrants some of your investment money, but I would wait until the current bubble bursts, possibly simultaneously with a sharp retraction of the Dow.



If the latter occurs then it would confirm that cryptocurrencies are, in the current guise anyway, less than defensive of market volatility. We shall have to wait and see before that pronouncement can be made. Until then it is worth noting that when Wall Street shares collapsed in the first big Covid market scare last March, Bitcoin fell even more sharply – by 45.5 percent. Back then the Dow fell by 37 percent which seems to imply that, for now, Bitcoin cannot be regarded as a defensive holding!

## Do enjoy your weekend

### The month ahead:

**New York's SP500:** I correctly forecast a recovery which I still see lasting until late May and then a decline to early August followed by another recovery until next January.

**Nasdaq:** I correctly predicted a short-term decline for most of April and it began this week. I continue to expect declines until May 12 followed by gains until the end of June.

**London's Footsie:** I predicted volatile gains which I still see lasting until early May and then a steep decline until mid-October.

**Germany's Dax:** I correctly predicted gains which I still see lasting until the end of this week. Next week I see the start of a decline until late-June.

**France's Cac 40:** I correctly predicted the recovery would continue towards a peak around the 21<sup>st</sup> of April ahead of a long decline until late December and I still hold that view.

**Hong Kong's Hangsen:** I correctly predicted a six-week recovery until mid-May ahead of a long slide down to mid-July.

**Japan's Nikkei:** I correctly predicted the start of declines likely until the end of the month.

**Australia's All Ordinaries:** I correctly predicted a strong up-trend to mid-May and thereafter a fresh bear phase until mid-September.

**JSE Top 40 Index:** I correctly predicted the start of a long declining phase until July and that phase is starting now. A brief recovery is, however, likely from around the 21<sup>st</sup>.

**ShareFinder JSE Blue Chip Index:** I correctly predicted the beginning of a volatile decline until the end of the month followed by a three to four week recovery and then further losses until mid-August.

**Rand/Dollar:** I correctly forecast gains until late June.

**Rand/Euro:** I correctly forecast gains likely to last until late-April when a week of weakness is likely until early May. Overall, however, the trend will be in favour of steady gains until early September.

***The Predicts accuracy rate on a running average basis since January 2001 has been 86.13 percent. For the past 12 months it has been 93.04 percent.***

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