Phew !

"Phew ! I haven't felt that good since Archie Gemmill scored against Holland in 1978 !"

- Mark 'Rent Boy' Renton (Ewan McGregor) in Danny Boyle's *Trainspotting*.

"Maybe it's just an age thing, but the death of Bob Willis has left me – and, I am sure, a whole generation of cricket lovers – feeling more than usually bereft. Since when has the passing of a sportsperson triggered quite such an outpouring of genuine emotion ? But only now are we seeing quite what an extraordinary figure he was..

"He was a huge, gangling figure with arms like windmills and an awkward ungainly action once described as being like a first world war biplane taking off into a headwind. He bowled very fast and usually seemed to be starting his run-up from beyond the boundary. God knows what it was like to face him: pretty scary, I imagine."

- Roger Alton, 'Why Bob Willis means so much', *The Spectator*, 14 December 2019.

"Eurosceptic MP Mark Francois compared the collapse of Labour's "red wall" of northern seats to the collapse of the Berlin Wall. The BBC's Andrew Neil asked if he was hallucinating..

"Meanwhile, in the seat of the shadow chancellor John McDonnell, there was a fist-fight — presumably training for the coming Labour leadership election. Emily Thornberry, re-elected MP for South Islington and Finsbury, gave a speech that sounded like a pitch for the top job. Maybe a third consecutive leader from north London is just what the party needs."

- Henry Mance, 'Collapse comes suddenly as Corbynistas' credit runs dry', *The Financial Times*, 14 December 2019.

"God, I love this country. There we were on Thursday afternoon with a sick dread roiling around our stomachs. The worst butterflies since exam results. Clutching at straws – or straw polls anyway. Unable to sleep peacefully until all was well on Friday morning (it's going to be alright, isn't it?) Pictures on the news of Gordon Brown and Ed Miliband made you nostalgic for a time when a Labour victory might mean you'd be a bit sad not downright terrified..

"We believed in Boris, never doubted he was the one leader who could get us through this. But, so successfully had we been gaslighted into thinking a hung Parliament was likely by liberal-left presenters on the BBC, Channel 4 and Sky News, that our faith wobbled. And, in the words of the Christmas story, we were sore afraid.

"This is the luckiest Friday the 13th ever. Those of us who were up to see that glorious, incredible exit poll will never forget the sheer elation of it. Just look at the map of the UK today. A few islets of red in a vast, beautiful sea of blue. The sheer force of the people's will, like a great tide, swept away the Corbynistas who threatened our way of life, our tolerance, our decency, our everything.

"I hope the Chief Rabbi is pleased. The soul of our nation is intact."

- Allison Pearson, 'Boris' win proves the soul of our country is intact – I am so proud of what our country has done', *The Daily Telegraph*, 13 December 2019.

Congratulations, Boris. Now that three years of a referendum, two general elections, countless court cases and a virtue-signalling procession of pointless, endless bickering are finally behind us, we can – with luck – go back to business as usual. For us, that means that our opportunity set has suddenly expanded, in the form of the UK stock market. We had begun to nibble at value investments from the FTSE 350 before the General Election, but now we can really go to town.

The apparent resolution of Britain's political stasis – it would be churlish under the circumstances to point out, as we did (in 'On Liberty' – 5.11.2019) that spending commitments by ***all*** of the major political parties cluster at just under 50% as a share of national GDP – leaves investors with two more elephants still in the room.

One is the unresolved nature of the financial crisis gripping the Euro zone. Russell Napier:

> At some stage the markets will have to deal with the inconvenient truth that the destruction of value for investors in Europe, particularly for the owners of financial institutions, is due to the creation of the Euro. Investors who are prepared to accept that analysis, seen by many as plain impoliteness, realise that not only is the current collapse in European bank shares, down almost 30% from their late 2018 peak, not reflective of a cyclical slowdown but is the final structural crushing of a financial sector by a monetary system which has failed a generation of savers – but more importantly a generation of citizens. If this is structural, and perhaps 30 years of zero capital returns suggest it is something more than cyclical, then the structurally enforced pain will continue unless there is some sudden reform to that failing monetary system.
>
> The crushing of a financial system in an economy as big as Europe has implications far beyond a decline in the price of bank equity. It augurs an economic collapse in Europe, a major decline in global growth and a socio-political earthquake in Europe. Most investors are not even prepared to discuss the possibility that European equity prices are being crushed by the failed monetary experiment to create a single currency. Treating the current decline as merely a cyclical phenomenon avoids difficult conversations with one's fellow Europeans about the failure of a grand European experiment for integration and the dire socio-political implications of its failure.

Reason, perhaps, to be, erm, "underweight" European stocks and bonds.

The second is the seeming capitulation of the US Federal Reserve in the face of economic forces beyond even its control. The *Financial Times* reported at the start of this month that

> The Federal Reserve is considering introducing a rule that would let inflation run above its 2 per cent target, a potentially significant shift in its interest rate policy.

That's right. A body whose primary mandate is to maintain low inflation may be on the brink of throwing in the towel in addressing that objective. Be careful what you wish for. If the Fed is successful in letting the US economy 'run a little hot' – so far there is no evidence that the Fed is even capable of leaving the house without having to wear a helmet – we doubt whether the inflationary genie can so easily be coaxed back into the bottle.

Add the almost inexorable drift towards the wholesale adoption of MMT (Modern Money Tree Theory) by the world's central bankers – a recent MoneyWeek conference suggested as much – and we begin to wonder whether even ***we*** have quite enough exposure to real assets and particularly precious metals. Suffice to say we will maintain that exposure, just as we will maintain exposure to other forms of portfolio insurance, such as an index-unconstrained adoption of defensive, value equities, and to systematic trend-following funds.

But these are all problems that can wait for 2020, when this commentary will return. In the meantime, we would like to extend our best wishes for a very Merry Christmas and a happy, peaceful and prosperous New Year to all of our clients and readers. Thank you all for your continued support.

Readers may wish to listen to our latest State of the Markets podcast which features an interview with Dominic Frisby. Dominic's new book, 'Daylight Robbery', a history of tax and its influence on politics and society, has a good claim to being the financial book of the year.

Tim Price is co-manager of the VT Price Value Portfolio and author of 'Investing through the Looking Glass: a rational guide to irrational financial markets'. You can access a full archive of these weekly investment commentaries here. You can access the archive of our regular 'State of the Markets' podcasts, with Paul Rodriguez of ThinkTrading.com, here.

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