THAR´S GOLD IN THEM THAR HILLS

One of Hollywood´s most famous lines.

Was there gold? Which hills?

FLASHBACK

Once upon a time inflation was air in a bicycle tyre. For a couple of decades after the Second World War countries struggled to overcome the destruction to their rural and urban areas and to their economies. Interest rates were generally static and inflation was not the bogeyman it is today. Recovery changed the social order as entrepreneurs and their workers sought to release themselves from the boundaries established by rented commercial and residential property.

The newly affluent wanted to own the homes in which they lived and they were able to afford to do so by mortgaging the property. As more people bought their own homes and as the population increased (always a consequence of the aftermath of war) so property prices rose. The banks then realized that an assured increase in asset value allowed them to lend on interest only terms which meant that borrowers could purchase a more expensive property and keep the monthly payment the same. Sellers realized this and increased the asking price.

House price inflation

As consumers became inured to higher rates of interest for mortgages they soon accepted higher rates of interest generally and interest rate levels moved up.

General inflation

So here we are today climbing the HILL OF INFLATION and with no sign of any respite. We are being allowed a rest for a while as interest rates are pegged at low levels by many governments to allow their corporate friends an opportunity to recover from the carnage of the banking crisis engineered by those same governments who failed to regulate the banks who somehow contrived to fail to distinguish between their customers´ deposits and their shareholders´ funds when investing in assets of dubious value.

These assets were of course properties whose values were inflated by the banks which turned the reality of an assured increase in value into a myth because they ignored the fact that quality is a limiting factor. Poor quality properties do not increase in value at the same rate as good quality properties. Remember Location Location Location ?! Be prepared to resume the ascent of the HILL.
FLASHBACK

When interest rates were generally static and inflation was not the bogeyman it is today there was a reason - post-war reconstruction tended to be undertaken by government funding, and government borrowing to fund the reconstruction was a secure asset for buyers of government bonds. Consequently the interest rate was low. Long term investment strategy was relatively simple. 50% in government securities, 10% in gold and whatever takes your fancy for the remaining 40%, sometimes in company shares or property but often just in government securities.

General inflation has changed all that. We are climbing the HILL.... Forever. The great American novelist, Mark Twain, had a few lines equally as famous as Hollywood´ s Thar´ s gold in them thar hills. What about BUY LAND, THEY AREN´ T MAKING IT ANYMORE? That was without inflation!

Look at the HILL, the CONSUMER PRICE INDEX.

What is in the hills and the land surrounding the hills? Gold maybe? and other minerals of value. What is on the hills and the land surrounding the hills? Properties - commercial, industrial, residential. The hills have been acquired by companies with the power to exploit what is in the hills and build on the land and all the time we have been climbing the HILL hoping to get to the top and outrun inflation. Unfortunately it is right behind us like a bear in the woods. Occasionally the bear stops to rest and we have a small decline but the bear comes over the top of the last incline and off we go again.

Look at the GOLD PRICE INDEX and the STOCK MARKET INDEX and the HOUSE PRICE INDEX. You see, the companies with the resources have found a way to help them up the HILL and see how they have a respite now and again. Don´t be fooled by the bear having a rest at the moment. He´ ll be on the move again just as he has after every rest you see on the charts.
You have to join the companies with the power to keep going. Now your long term investment strategy is not so simple. Forget the government securities because buyers of government bonds can no longer consider them to be a secure asset. Buy Greece and you are on a greasy pole sliding down. How many more to come? The HILL OF INFLATION is GOLD and LAND and it is owned by the companies with power whose shares appear in the STOCK MARKET.

Your question is HOW DO I JOIN THE COMPANIES WITH POWER?

The answer is TALK TO ST JAMES INTERNATIONAL and we will help you to implement the long term investment strategy.

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