

BY RICHARD "JERRY" HAWORTH

## **Santa is real...**

A friend messaged me today, opining that the crypto bubble must be near the top because her husband wants to buy some now. It does seem true that whenever "non-investment minded people", mostly client facing, like airline pilots, hairdressers, taxi drivers etc. start buying en masse, we somehow find ourselves near the end of the cycle.

She went on to say she couldn't understand herd mentality and mass delusion.

To me at least, herd mentality is fairly obvious, we feel safer in herds. But mass delusion got me thinking...

One possible reason is that we are taught from a very early age that delusion, individual or mass, is totally acceptable, even welcomed.

Let's kick off with the Easter Bunny... don't even get me started on Santa!

I blatantly lied to my children saying, "Let's get in the car and go and look for the Easter Bunny" and while doing so, my wife hid the eggs in the garden. The kids would return, swearing they had caught a glimpse of him... a tail... an ear...

Santa is even more implausible. A rotund man, coming down every chimney in the world, delivering presents with foreknowledge of what every child wants and whether they were good or bad that year? What about houses without chimneys? Flying reindeer?

"Bah humbug!", you might say and well yes... it's harmless and fun, but the point remains valid.

Maybe the seeds of investment delusion are sown in a similarly innocuous manner, and only become potentially fatal once there is a palpable downside not previously envisioned... like the loss of one's life savings!

If I had to guess, I would say we are late-stage bull market in a lot of assets. I can't predict the future, though... this is judging purely by the amount of perceived mass delusion. i.e., crypto, US equities, bonds, housing.

The only caveat is inflation. Central banks have to keep the money train running or risk societal collapse. I remember all too clearly in Zimbabwe thinking that gold was massively overpriced at 5,000 ZWD an ounce, having risen from 1,000 ZWD a year previously. Fortunately, I didn't ever short it, because it subsequently traded to a million, a billion and eventually over a trillion dollars an ounce. It only ever made sense to buy it.

So here we sit on the horns of a dilemma. Do we stay out of the asset markets, waiting for the various bubbles to burst, then swoop in when there is "blood on the streets" and look like an absolute hero? Or do we go all in at these levels, hoping that mass participation, hysteria and inflation will drive prices to hitherto unseen levels of giddiness?...

Or is there a way we can do both? A way to remain risk-on, to avoid the perilous temptation of market timing, to keep our emotional capital intact, negating the overwhelming compulsion to disgorge one's assets at or near the bottom? Or is that a delusion too? But hark! There could be a way! Having a portion of your portfolio allocated to assets which display convexity and are negatively correlated to risk assets, could help you successfully manage this dilemma (in our humble opinion of course).

But now is the time to focus on one's most important assets... your family and friends.

I hope you have a wonderful festive season. My warm wishes to everyone.

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