

BACK TO BUSINESS



THE VIEW
RICHARD HARRIS

Talking turkey

On the naughty list: Janet Yellen for delaying rate rises and making everybody fret about it. **On the nice list:** the PBOC for driving big reforms

My lunch guest arrived at Noel's Brasserie in Holly Wood Road, on a silent Varoufakis electric drone. A commotion erupted as a large middle-aged man alighted, dressed entirely in red, with the words "Beard by Gillette" plastered across his ample midriff.

I stood up as San Claus PhD, founder of leading hedge fund manager MagicDust Investors and friend of children worldwide arrived at the table. He clasped my hand in a mighty grip. I pretended not to wince.

"Mr Claus, or San, if I may call you that."

"Certainly," he replied, "only my mother calls me Santa", letting out a bellow of laughter that startled a waitress who dropped several plates.

"My first question is: has it been a good year for equity investors?"

San let out a guffaw sufficient to flicker the lights. "It's been a year of sound and fury signifying nothing. Look at the S&P 500; first up 2 per cent, then down 6 per cent, now up 2 per cent for the whole year. But if you missed Tencent, Google or Amazon, you missed all the returns. This kind of small or patchy volatility is terrible for hedge funds as it means that your long positions should be shorts and your shorts, longs."

He broke off to order lunch. "I'll have the turkey," he boomed, "my favourite." "What about the vegetables?" said the waiter. "You mean my clients? They'll have turkey too!" The deafening roar left most of the Christmas decorations on the floor.

"You have long experience as a behavioural scientist; who's been particularly naughty this year?"



No presents this year for Fed chair Janet Yellen. Photo: Bloomberg

"No presents this year for Janet Yellen. She delayed putting interest rates up and left us fretting about it all year."

I opened my mouth to ask another question but he snorted, "and the IMF allowed the RMB to form part of the special drawing rights currency basket, even though it is barely more 'freely useable' than last year. The currency should probably be in the SDR – but the IMF broke their own rules in forcing it."

Mr Claus rocked his head back, lifted his oversized glass and downed half a bottle of the restaurant's finest Chateau Lagarde. I was beginning to realise why he

was such a big man. At least it gave me an opportunity to ask my next question.

"Who's been nice this year?"

"Well, the Greeks originally had the naughty prize but they have discovered obedience now that the European bailout money is flowing. That makes Europe less risky and my Big Data is showing an increased demand for presents."

He paused to demolish the last of his turkey ... "That's what Putin would like to do to Turkey!" The maitre d' dodged a falling chandelier as the great investor roared at his own joke.

"I'm going to give the People's Bank of China a present for driving big reforms in international stock trading, the relaxation of commercial interest rates, and the widening of RMB exchange restrictions. This reform is especially good for Hong Kong, which hasn't had a bad year in the face of the regressing Chinese economy."

"And what does MagicDust Investors think about 2016?"

"A good year for equities. The markets have already discounted a Fed rate rise next week. Indeed, we'll probably have a Santa rally. But if they don't hike rates, I won't be bringing any presents."

"Your favourite markets?"

"We still need to finish the trends of 2015. I favour the European markets and the non-oil exporting emerging markets. China is likely to stagnate because the authorities will persist with their policy of short-term pain, long-term gain."

"Should we worry about the fall in the oil price?"

"Lower oil prices will only help the global engines of growth: the US and Europe. And hurt Russia, which will continue to cause geopolitical angst. Commodity prices will only rise when China uses up more of its huge commodity stockpiles. I've given up betting on the US dollar – everybody owns it so who is left to buy?"

"So what are your really wild ideas for 2016?"

"The first woman US president? How about driverless cars, more wrist-worn electronics, and the retirement of cheque books and the fax?"

"And your parting thoughts?"

"Dip into your pockets for my favourite charity, Operation Santa Claus. We raised nearly HK\$21 million last year together with the *South China Morning Post* and RTHK. If young Zuckerberg can have a foundation so can I – and he's young enough to be my five times great grandson!"

He crushed my metacarpals in a vice-like grip and bounded into the drone, disappearing with a "hohoho". Several windows broke as the Claus sonic boom hit.

Richard Harris is chief executive of Port Shelter Investment Management



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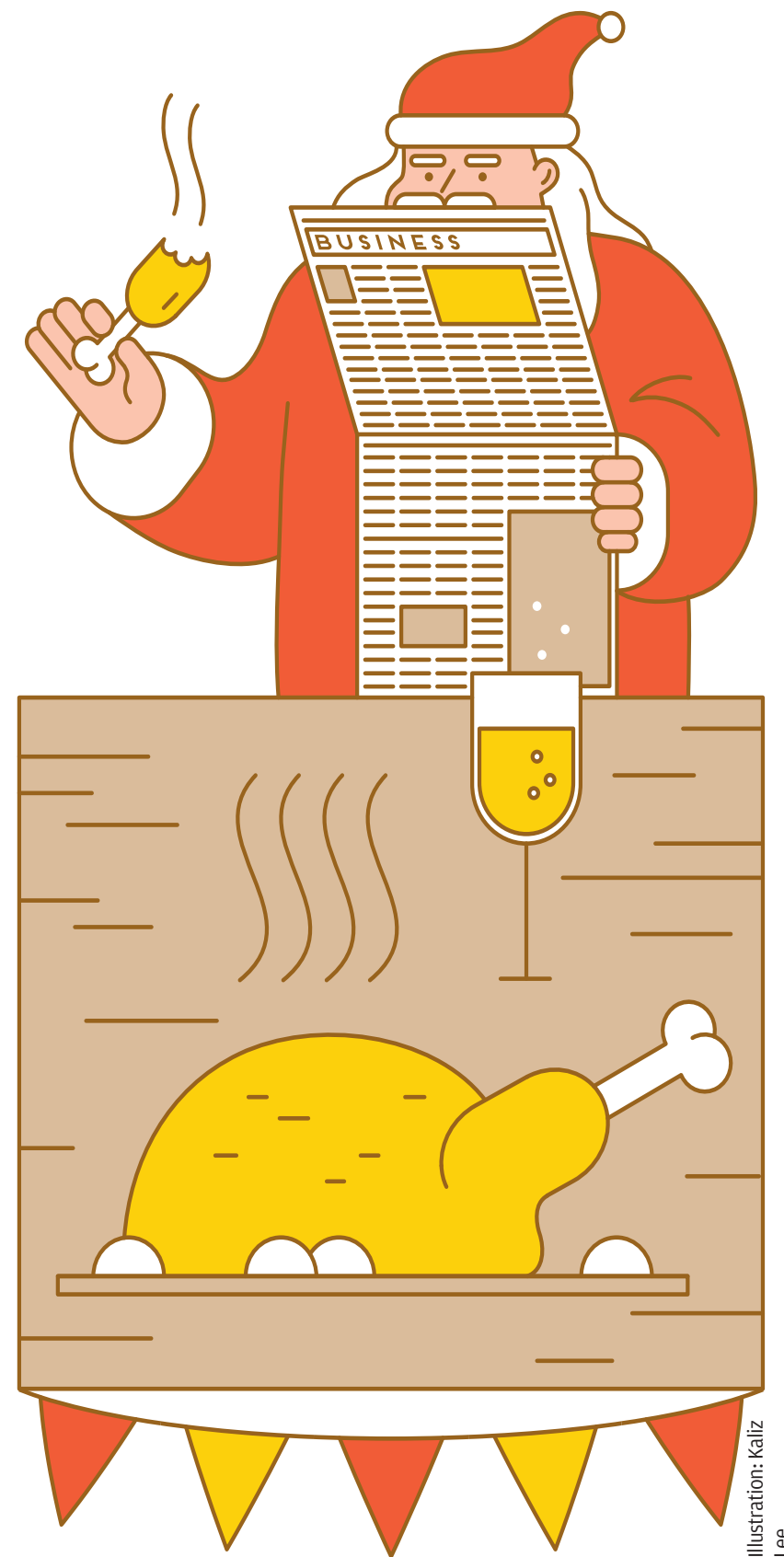


Illustration: Kaliz Lee