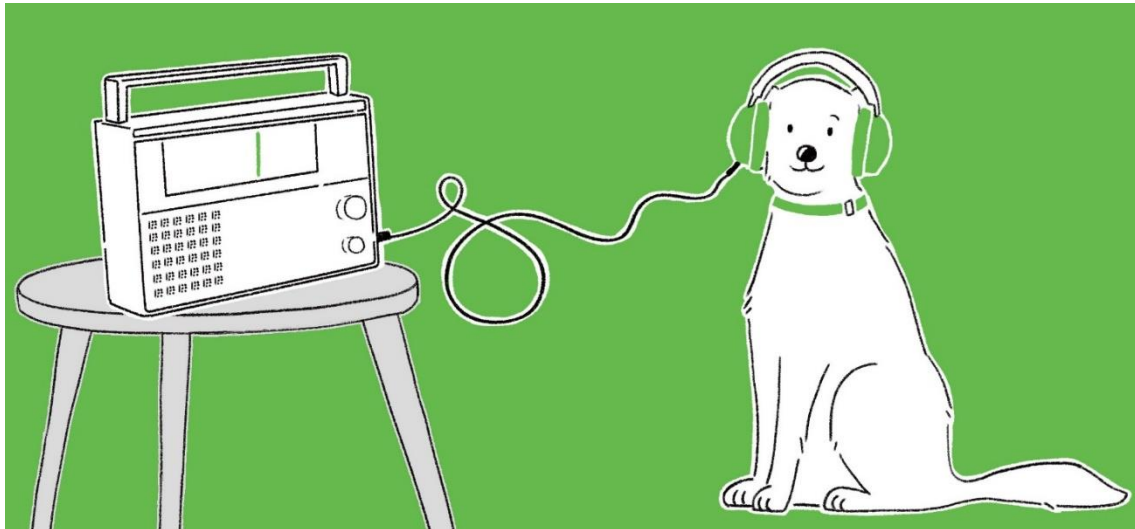


Ruffer Radio



Episode 2 – Cold War II



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Rory McIvor, Investment Associate

Hello, and a very warm welcome to the second episode of Ruffer Radio. I'm Rory McIvor, and today I'm speaking with Alex Chartres, Investment Director and co-manager of the LF Ruffer Total Return Fund. Our topic today is Cold War II, and specifically the intensifying US-China competition, and what that means for markets. Welcome, Alex.

Alexander Chartres, Investment Director

Thank you so much, Rory. Hello.

Rory McIvor

Cold War II is something you and Ruffer have been thinking and talking about for a couple of years now. So today we're going to look at what it is, why it's so important, and how it will affect everything from supply chains and inflation, to big tech and currencies, and how investors might position themselves for this new era. Alex, could you summarise what Cold War II actually is?

Alexander Chartres

Well, simply put, Rory, it's the idea that growing US-China competition represents a long term, full-spectrum struggle for supremacy which will profoundly reshape the world as we know it, and I think it's fair to say that until recently many in the market have doubted that we are, in fact, in a new Cold War, believing instead for example that Trump's trade war with China is transient. But with tensions rising over everything from Hong Kong to the Himalayas, it's become increasingly hard, I think, to deny that it is happening.

Rory McIvor

And why is this so important for investors?

Alexander Chartres

Well, for several reasons, I think first, of course, this is a big regime change for investors. China's re-engagement with the global economy over the last 40 years has been one of the most important drivers of the low inflation, low volatility, and low interest rate era that has supported bull markets in bonds, stocks, and pretty much everything else besides. So, if that reverses, the world could look more inflationary and more volatile in future, ie, much less friendly for asset prices. Secondly, US-China relations are at their lowest level in at least 30 years - since Tiananmen Square, further breakdown, perhaps the collapse of the trade deal signed in January could hurt global growth at a critical moment. Third, it creates an avalanche prone geopolitical landscape which will threaten markets longer term, and finally, and I think probably least well understood, is that companies and countries are going to have to choose sides in this strategic competition, and that will bring big financial implications.

Rory McIvor

And you referred there to China's role as a tailwind for a particularly benign investment era in recent decades. Could you just explain why China has been a central part of this story?

Alexander Chartres

Yeah. So, it's all about cheap labour really. From the late 70s, as China re-engaged with the rest of the world, it added massive new supply capacity with a huge and cheap labour force, and alongside other drivers like technology and monetary policy that focused on controlling inflation, this helped keep profits high, and global interest rates and volatility low. But, remember, that you can only move your supply chains wherever you like, to wherever production and the labour market is cheapest because of geopolitical peace and stability. So post-Cold War I, what happened is that the world traded weapons of mass destruction for weapons of mass production, and so a return of geopolitical instability is a pretty profound regime change for markets, and that's particularly true because it involves China, which is now the world's manufacturing heartland. So, for the first time in a generation, investors really need to understand geopolitics.

Rory McIvor

And of course, this comes at a pretty tricky time for markets, given the continuing fallout from the pandemic.

Alexander Chartres

Precisely. I mean, if you think about where we are now at the start of July, alongside the competing currents of Coronavirus, economic fallouts, and the stimulus from governments and central banks that's designed to offset that, markets are balancing atop two pretty fragile geopolitical fulcrums. The first is the fate of the Eurozone and the second, of course, is US-China relations, and bad news from either source could threaten the global growth and trigger significant financial market volatility, too.

Rory McIvor

So, turning to the virus, has the Corona crisis actually changed anything fundamentally?

Alexander Chartres

Well, I think it's been more on accelerant than a change, a great reveal, if you will. We've been worried, as you know, about avalanche prone markets for years due to the massive leverage build up in the system, and that created a risk of very sharp market moves, which is exactly of course what we saw back in March. So the virus has already revealed starkly many of the existing financial vulnerabilities in the system, but by highlighting an increasingly antagonistic US-China relationship, it's also revealing a world order which is itself increasingly avalanche prone. And then of course, finally, supply chains are now being reconsidered much more broadly.

Rory McIvor

And I'm interested in the supply chain point because it feels like a potential game changer, and especially if long and lean supply chains are a big part of the story of low inflation and high profit margins of the last two or three decades. Are we looking at the end of globalisation as we know it?

Alexander Chartres

Well, globalisation in goods had already rolled over in favour of regionalisation well before Coronavirus, and there are all sorts of reasons for that. Automation, environmental concerns, corporate tax and tariff considerations, all of those factors were encouraging regionalisation anyway, and what's happened now is that we've added in a massive geopolitical struggle and a pandemic, and that shifted the debate really from the cost of your supply and profitability to the security of your supply and resilience. And so clearly, these drivers are going to encourage decoupling particularly in sensitive areas like technology, pharmaceuticals and medical equipment as we've seen in the last crisis, and you'd expect shorter, fatter supply chains to be less profitable and more inflation prone.

Rory McIvor

So does this mean that the world economy ultimately divides into two competing hemispheres?

Alexander Chartres

I don't think we're talking about wholesale decoupling for all sorts of reasons, but it's not hard to see how much more distinct blocks could emerge with the United States and China at their cores, maybe the European Union at the centre of another, and each would have its own trade zone, its own regulatory standards, a principal reserve currency, a risk-free asset and so on. And actually, in some respects, it's already happening. I mean, some countries allow Chinese telecoms, Huawei for example, to operate in their markets, some don't. Looking at the news today, it looks like the UK's about to join the latter group. So then the question is, to what degree does this happen and whether it happens gradually, suddenly, or in a stop-start fashion. And remember that if the global economy does Balkanise even to a limited degree, that's a huge challenge for companies that have got used to operating freely across a globalised marketplace. We hear a lot about one country, two systems around Hong Kong, which I'm sure we'll come to later, but I'm not at all convinced that investors have really thought through how one company,

two systems; perhaps one company, multiple systems would actually work. For example, how will big businesses operate with a foot in each camp with very different expectations and rules, lots of big western companies depend on China for growth and have traded principles for profit in recent years, and I think frankly, they're unlikely to be able to make that trade indefinitely.

Rory McIvor

I'm interested, Alex, in this idea of one company, two systems or one company, multiple systems. From that, it's clear that investors could get caught up with their portfolio companies in that corporate battlespace.

Alexander Chartres

Exactly.

Rory McIvor

But what happens to other countries and their markets? Do they have to pick sides or can they steer clear?

Alexander Chartres

I think like lots of companies, many countries are going to find walking the tight rope between two competing systems very difficult indeed. Especially, as it happens, those that depend on Chinese money and American muscle – that's most of Southeast Asia and the Indo-Pacific – and the overwhelming temptation of course for most players will be to cut a deal with China because of its economic heft, and try and fend off US pressure, I'm simply saying that this is going to get much harder over time.

Rory McIvor

And, of course, the market's focus in recent years has been on the narrower bilateral trade war between the US and China. Is the market right to still focus on that?

Alexander Chartres

Yes, I think, as a barometer for broader tensions but also as a driver of decoupling itself and a headwind to growth. If the deal collapses, the market's going to panic, the escalating tariffs and sanctions will derail economic recovery from coronavirus, and I think markets will go south. But beyond the immediate fallouts-phase one, the trade deal in January - is probably also a dam holding back the flood waters on a much wider range of US containment policies aimed at China. And at the moment, you could say that Trump's commercial bottom line is arguably restraining the rest of America's national security apparatus so I think if the dam breaks, it could get pretty nasty pretty quickly.

Rory McIvor

So let's fast forward a few months, we've got the US election coming up in November, will tensions ratchet up into that and could the deal be killed as a result?

Alexander Chartres

We can certainly expect plenty of fire and fury from Trump on China, can't we? It's going to be a dominant election theme, and that's particularly through as election 'Plan A,' has just gone up in smoke with coronavirus, ie he wanted to run on record jobs and economic growth. He might actually still have a record stock-market courtesy of the extraordinary liquidity the Fed is pumping in to markets. But for the time being, my suspicion is that Trump wants to preserve the option value of the phase one deal, so I'd say survival is currently about evens, it really could go either way.

Rory McIvor

Sorry, Alex, what do you mean by option value?

Alexander Chartres

If the deal works and China is buying lots of US goods, then Trump can go in to the election and say, look, I got tough on China 'Beijing Biden' and my deals working, so the headlines look good and of course the cash will be flowing to those all-important mid-western agricultural states. But if China doesn't live up to its commitments, Trump can kill the deal later near the election and say, too bad, it was a great deal but you just can't trust the Chinese. You can practically hear him saying it. And I think you got quite a clear sense of that when Trump corrected his economic chief recently, Navarro, who'd spooked the market on the trade deal and Trump quickly tweeted, 'The China Trade Deal is fully intact. Hopefully they will continue to live up to the terms of the Agreement!' In other words, he's saying it's on watch but I'm not killing it yet.

Rory McIvor

I see, Alex, you refrained from doing an actual President Trump impression, so thank you for avoiding that.

Anybody on Twitter will know that Trump has a particular focus on the stock market. Presumably he wants a strong market going into the election so if killing off the trade deal is going to hurt the market, this surely suggest that he'll keep it in place.

Alexander Chartres

It's certainly a factor, but I think there's a risk that if the market were to sell off anyway between now and the election, and let's remember there are an awful lot of reasons that might yet happen. The bar to Trump pulling the plug on the deal is obviously much lower. And that's particularly true if the president is still in a political hole and desperate to change the narrative on remember China's probably plan B. And the same is also true of course if China's purchases are too slow and the cash stops flowing to those important mid-western states. I think the bottom line really is that as long as Trump thinks the deal serves his re-election, it stays and vice versa.

Rory McIvor

But clearly, this extends way beyond trade, and I'm thinking here particularly about technology which has been much in the headlines recently with Huawei as you mentioned a little bit earlier.

Alexander Chartres

Yeah, look, technology and data are the real struggle, aren't they? They're the keys to political economic military dominance of the century, and that's of course why Huawei has been centre stage. If you think about shipping lanes and oil as the life blood of the 20th century's economy, then telecommunication firms like Huawei and the data they channel are the equivalent for this century. And so, the US is trying to starve Huawei of advanced computer chips to hobble its dominance in one of those key emerging industries, 5G in this case, and sort of freezes out of allied markets as well. But remember with all of these, for every Chinese firm shut out of western markets or vice versa, that's a huge opportunity for someone else, so with every challenge comes a big opportunity.

Rory McIvor

So what happens to big tech in the shifting world order? They've been, clearly, some of the big winners of recent years.

Alexander Chartres

Well, leaving aside valuation, the pandemic has definitely turbocharged the Matthew principle, hasn't it? That's the idea that the rich-get-richer or perhaps in the case of your big tech question, the big-get-bigger, and there are clearly significant opportunities there still. But I think that the notion in which silicon valley acts as its own sort of sovereign power outside traditional political control is drawing to a close; growing suspicion of big tech, alongside China, represent pretty bipartisan policies now in the States, but leaving aside the anti-trust question, big international firms especially tech firms in the new economy will increasingly have to do a kind of national service. What do I mean by that? Really that they're going to have to operate willingly or otherwise to some degree on behalf of their host government. A bit like maybe the chartered companies of earlier centuries, and we've seen recently how big tech can do things that their governments can't in the pandemic. You know, look at track and trace up developments in the fight against coronavirus, and that makes these companies strategically invaluable, true not only of the FANGs in the United States which will probably be the thing that comes most to mind for people, but also the BAT in China, that's the FANG equivalent, Baidu, Alibaba, and Tencent, for the uninitiated: these are all pillars of the new surveillance capitalism.

Rory McIvor

And so in simple terms, we're looking in a more politicised tech space?

Alexander Chartres

I think inevitably. Look, there were no listed soviet tech giants, were there, but imagine if there had been.

Rory McIvor

And beyond trade and technology, Alex, what else should investors be thinking about?

Alexander Chartres

Capital flows and currency, I think connects in the firing line. We've already seen stricter controls on merges and acquisitions to try and stop Chinese companies getting hold of

technology and some intellectual property. And the next thing will be a kind of weaponisation of capital itself.

Rory McIvor

And sorry, Alex, weaponisation of capital? What does that actually mean in practice?

Alexander Chartres

Really it means using financial markets and capital flows to apply pressure on your opponents. So, for example, it might mean Chinese state-owned banks issuing sale ratings on companies that aren't doing exactly what Beijing wants them to do. Also, in China, there's something called the national team of financial institutions that gets help periodically to buy stocks, they help stabilise markets, but I think it also means much more broadly that the composition of market indices is going to become much more contested quite quickly. You may have seen that Trump recently asked the Thrift pension scheme, I think that's the biggest public pension fund in the United States, not to invest in a benchmark index which included Chinese and Russian stocks. So we're drifting into a world where buying a stock or a government bond from another country isn't just a financial decision, it might be supporting a strategic adversary, so we're going to see de facto capital controls popping up. But it's also worth remembering that passive funds now account for huge flows in the market so if you manipulate the indices that they follow, it's a very powerful way of directing those capital flows; control the indices, you control the capital. And one final point on this, if I may, which is that another big area of growth in recent years has been around ESG issues. That's environmental, social, and governance for the unfamiliar. And I do expect in the not too distant future, under the G particularly of ESG, you'll find growing obligations around national security for example, which are likely to make investing in Chinese companies much harder particularly for people in America.

Rory McIvor

So from capital flows to currencies for a moment, and you mentioned that a little bit earlier, currencies are clearly going to be a key axis in this struggle. How should investors be thinking about currency?

Alexander Chartres

Well, currencies are very important because they're really national confidence indicators and in this particular struggle, United States has a huge structural advantage with the dollar because it's the world's principal reserve and trade currency. And that basically means that the US can get away with minting a lot of its own currency and running very large deficits for a long period of time without too much concern about how they get paid for. This is actually what Giscard d'Estaing famously referred to as America's 'exorbitant privilege'. And for China, settling up for a majority of your trade in US dollars is therefore a key strategic vulnerability and very much a sign of their second-tier status. So China remains at the mercy of the US payment system and potentially dollar sanctions for as long as that's the case, and alongside dependence on foreign semiconductors, for example, and foreign oil supplies, it's one of their big strategic Achilles heel. So China's certainly got a structural interest in undermining the primacy of the dollar longer term by internationalising the Renminbi, the yuan.

Rory McIvor

You mentioned dollar sanctions there, is that what you were referring to earlier about the dam breaking on US-China relations?

Alexander Chartres

Well, targeted sanctions against Chinese officials involved in repression, for example in Xinjian, are already happening and we're going to see a lot more of that, I think. But if the US tries to kill Chinese financial institutions, for example by cutting off access to the swift payment system, then that's a serious escalation and something markets will really worry about. But that dam that you refer to is already creaking, the Pentagon for example has just given the US congress a list of, I think, 20 firms owned or controlled by the Chinese army, and I think about 13 of those are found, to some shape or form, in US capital markets. So how long do you think that situation's going to persist? And if you doubt the strength of feeling building up behind the dam, I strongly recommend that listeners watch the US national security adviser, Robert O'Brien's recent Arizona speech, he compared Xi to Stalin in that. So I reiterate not choosing a side in this contest isn't going to cut it for much longer.

Rory McIvor

And so Alex, is Xi Jinping's Belt and Road Initiative perhaps then the foundation of a new renminbi area?

Alexander Chartres

Well, in so far as China's not going to be content US dollars, indefinitely, that's clearly partly true. But remember at the moment, there's no competition, US dollars account for something like 60%, two-thirds of global currency reserves and trade payments, renminbi, the Chinese yuan is something like 2%. So the global politics and economics are increasingly multipolar, the currency world is still very much unipolar, and as we saw in the crisis when the fed had reopened lots of swap lines with other central banks, the world wants and needs many more dollars at the moment not fewer.

Rory McIvor

And the Fed has flooded the world with dollars and its been a flood of biblical proportions, America could be running something like a 10 to 20% fiscal deficit this year with all of the coronavirus stimulus measures. And clearly, Alex, this is uncharted territory, and surely it changes the calculus on the dollar.

Alexander Chartres

Well, you say uncharted territory there, Rory, let's have some historical comparison because it really is US fiscal stimulus announced so far amounts to something like 20 times the martial plan for Western Europe's reconstruction at the end of World War II, or 5.5 times Roosevelt's New Deal plan from the great depression and those are incomparable dollars. So, uncharted is right. If these massive deficits was sustained and the money supply continue to explode, it could of course undermine the greenback to dollar, but only really if the US is doing much more than everyone else because remember that currencies are a relative game, and actually, with a China lens, remember that debasing the dollar could be quite an effective way to undermine the communist party. Why is that? Well, basically, if the reserve currency in a system faces inflation,

it's actually very hard for the rest of the system to avoid it as well. And what does the communist party really fear if there's mass unemployment, if there's inflation and if there's loss of phase.

Rory McIvor

But as we know, America's not the only one running a vast deficit, how is all of the stimulus being paid for?

Alexander Chartres

The answer almost everywhere, of course, is the printing press. The Federal Reserve is hoovering up US government debt as fast as it's issued, the European Central Bank, the Bank of England, and many other central banks likewise are doing the same. And this is what's known as helicopter money, it's the fusion of monetary and fiscal policy where central banks print money for governments to spend. Directly in the real economy, you can think of it as the hallowed magic money tree that we've so often worried about. And remember that Cold War II's part of a regime change, helicopter money is another part of this regime change where the value of paper money is going to be under a lot of pressure. And if you think about what's happened recently with the virus and the economic fallouts, we're pumping lots more money into a system where output has fallen substantially so you've got more money chasing fewer goods and services, and that's first our ground for inflation down the road.

Rory McIvor

After the 2008 credit crunch, we had austerity in the UK and yet we've just had Boris Johnson talking about Roosevelt-esque new deal spending and markedly no return to austerity.

Alexander Chartres

Yes, I think helicopter money is here to stay, and that's obviously bad news for paper currency.

Rory McIvor

Yeah, and as you mentioned a wee bit earlier, every challenge brings a related opportunity, and bad news for paper currency is of course very good news for gold. I see that China and Russia have both been building up their gold reserves, is that them taking a view on the US dollar?

Alexander Chartres

Well, debasements of paper currency is certainly manna from heaven for gold as you suggest. With respect to the Russian and Chinese reserve build up, gold is money that has no counterparty and no controlling banking system, and that's clearly very attractive to anyone who might fall foul of those that control the most widely used paper currencies, ie the United States for the dollar and to a lesser extent, the EU for the euro. But the real bull case for gold is that ordinary people in this country and the United States and elsewhere will increasingly want out of their own paper currencies and that seems very likely because the only way that government frankly are going to be able to deal with their enormous debt burdens, they were high before Coronavirus and they're even higher now, is to pay them back in devalued money, and that means that world rates are kept low for a long period of time and inflation is allowed and encouraged to run higher. And this is also, by the way, the scenario for which investors will want to own inflation protected bonds, those are what Jonathan Ruffer describes as the 21st century equivalent of gold.

Rory McIvor

Alex, the picture you've painted so far is of a very different kind of Cold War. It's a Cold War forged in a corporate world, and through markets, and through currencies, the dimensions of which didn't really exist in Cold War I, difficult in other words for investors to avoid.

Alexander Chartres

Exactly, right.

Rory McIvor

There is, however, a more conventional hard power edge to this story, which we're seeing now almost daily. How does what's going on with the crack on Hong Kong, the recent skirmishes in the Himalayas, and indeed in South China Sea, fit into the broader picture?

Alexander Chartres

We could spend an entire podcast on each one, but I think that Hong Kong deserves particular attention since we've just seen the first arrest under the draconian new national security law, which has literally overnight criminalised free speech. It's also highlighted the growing ideological dimension of this new Cold War. And President Xi, let's face it, has just torn up one country, two systems, and that's a stark according to other countries and companies that think they can comfortably straddle both worlds you're not going to be able to forever. Together with the other examples you've touched on there, Rory, Hong Kong is clearly part of a pattern of much more aggressive Chinese activity that face off in the Himalayas with India, for example, resulted in a first fatalities in four and half decades. So Beijing has clearly discarded Deng's famous dictum to 'hide your strength and bide your time', perhaps because it believes that it's now sufficiently strong and no longer needs to hide. But also, I think because United States appears weak and divided, the rest of the world is also distracted by the virus, and disorder elsewhere has only really convinced the communist party of the superiority of their own system, which they're now prepared to promote more proactively as an alternative as they see a more chaotic American-led alternative. And I think also, it's probably because president Xi's trying to reassert himself domestically. Remember that Trump is not the only one with home grown critics, but either way, what matters for the market is that we're going to see more and more physical confrontation around China's periphery and the South China Sea and elsewhere, and that means, lots more potential for the accidents.

Rory McIvor

And to that point, Taiwan is often referred to as a red line for President Xi and the communist party, is this rhetorical or is this serious?

Alexander Chartres

Deadly serious, I'd say, and we should take President Xi at his word. Taiwan is a seriously underrated risk for markets in my opinion, it's one area which could very definitely turn a Cold War hot. But the problem from Xi's perspective is that Beijing and Taipei are getting further apart. Beijing knows that, not least because Taiwan's emerged with distinction from a coronavirus crisis unlike the people's republic. And of course, this distancing is reflected in much coercive tactics, China's deploying against Taiwan more frequent military incursions and the like, and now with constitutional reform on the table in Taiwan, it's eggshells time and

Beijing is watching very closely. And finally, just to give you a sense of the direction of travel, I've dug out some President's Tsai's tweet from a couple of days ago, and she said, 'China's disregard for the will of Hong Kong's people proves that 'one county, two systems' is not viable. Many things have changed in Hong Kong since 1997, but Taiwan's commitment to supporting those HKers who want freedom and democracy has never changed. #StandwithHongKong.' So, the gulf is getting wider not smaller.

Rory McIvor

But how plausible is the physical invasion of Taiwan?

Alexander Chartres

Shorter-term invasion's pretty unlikely, Taiwan's a very hard place to invade for all sorts of reasons. Not least actually the United States Navy, which I think currently has no fewer than three carrier battle groups in the western pacific to focus minds. Invasion would also be an extraordinary gamble, wouldn't it, for the communist party. I mean, failure could well mean the end of communist party rule, colossal loss of face, so it's the kind of risk you probably only take with your back firmly against the wall or when you're near sat in a victory, but it's not impossible that China might blockade Taiwan if it did something that Beijing really didn't like, perhaps a move to declare formal independence or a suggestion that they were going to do so, and then they dare the Americans to intervene.

Rory McIvor

Does all of this adventurism suggest that China thinks it's already won, or do you think it may have move too soon?

Alexander Chartres

Well, Chinese strategy famously considers history over very long periods of time, but in the short-term, I think Xi's gloves off approach has seriously backfired. And if you want to see that backfiring of his foreign policy, in real time, look no further than president Tsai's re-election in January that I just referred to. She's the more independence-minded of the two candidates that were on offer. She was the one that Beijing was desperate to see lose. And she was very likely to lose until the Hong Kong crack down really ratcheted up last year. And look, no one can pretend that the United States has had a good crisis, and it's frankly been awful, but Chinese assertiveness is going to encourage quite a few countries I'd suggest to keep a hold of nurse for fear of something worse. There's a classic of the Chinese literary canon, the Spring and Autumn Annals which says it's too soon to ask the weight of the Emperor's cauldrons, and I think Xi has been measuring up the curtains of global pre-eminence a bit prematurely.

Rory McIvor

Clearly then, Taiwan is heavily dependent on US policy remaining supportive. We've talked a fair bit about Trump today but would a democrat administration, most likely led by Joe Biden, actually be radically different?

Alexander Chartres

In style, almost certainly yes of course, less government by tweets but in substance, likely remarkably similar. Remember that there's a firm, bipartisan consensus, which is now china

sceptic in America, although I suspect that Biden will try and revive cooperation in areas like climate change for example and to stabilise the rhetoric. Also, recall that in the first Cold War, the tensions were structural but it went through warmer and cooler phases and leadership's an important part of that. And the same thing's true this time, the conflict has been driven by structural dynamics but leaders can change the tone. I think actually though that Biden would be more efficient at assembling a China containment coalition and probably more focused on things like human rights abuses as oppose to Trump's more commercial focus. So it's probably worth seriously considering the idea that Beijing would actually quite like Trump to stay in power since he's pretty effectively doing damage to US credibility and alliances. You'll really know that US-China relations are in the gutter though when Chinese state media start attacking Trump personally, which today they've avoided.

Rory McIvor

What might investors think about having in their portfolios for this new regime?

Alexander Chartres

Well, remember that Cold War II is just one part of the new regime we think is emerging, a regime that looks more volatile and more inflationary, so you'll want plenty of protection against both of those. That would include, for example, inflation protected bonds and gold which we've got plenty of, by the way, gold will also be a useful hedge against geopolitical instability as might the Yen for example, and you may also want to think about how derivatives can help protect you from volatility as well. But more broadly, it means applying new lenses to your portfolio, thinking about the implications of choosing sides in one company, two systems and the opportunities and costs that that will inevitably bring. But I think also, don't forget that in a world where the authorities are desperate to generate high levels of growth because the huge debts were occurring, there'll be plenty of opportunities for equities as well.

Rory McIvor

Alex, we've covered this huge amount of ground today in a relatively short period of time, how would you sum it all up?

Alexander Chartres

How would I sum it up? I referred earlier to the corona crisis as a kind of great acceleration revealing things that were already in train but are now much more obvious, and if you think about how these stories evolved, Cold War II, the US-China relationship, and how quickly that is degenerated in the last few months, the situation is changing very quickly and I think starting from the position where you think expect the unexpected is probably quite a good way to proceed. And that really highlights the fact that we're no longer residents in the comfortable post-Cold War end of history moment for Fukuyama aficionados, history's back and it's a world designed for people and institutions and strategies that have real range and flexibility. And our focus here at Ruffer for these past 25 years has been navigating inflection points within the outgoing regime and we think the biggest challenge for investors looking ahead is managing the inflection between old and new market regimes.

Rory McIvor

Alex, thank you very much.

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