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Introduction

The following report provides word-by-word transcripts of the General Session presentations from the 2016 New Orleans Investment Conference. It represents an incredible value — hundreds of pages jam-packed with some of the most insightful, enlightening and entertaining investment information you'll ever encounter.

We are confident that you'll deeply enjoy the analyses, forecasts and specific recommendations provided.

However, by the very nature of getting these presentations transcribed by an independent service, there will be errors in the resulting document. We've tried to catch most of them, but please forgive those that snuck through.

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Mary Anne and Pamela Aden
"A Turnaround Year—Why 2017 Will Sparkle"

Moderator: Alright, next up we have Pamela and Mary Anne Aden or the Aden sisters. Pam and Mary Anne Aden are two of the most influential and well known investment analysis writers and lecturers in the world. They are the co-editors and publishers of the Aden Forecast, a monthly investment newsletter now in its 35th year. Famed for its precise forecast of the precious metals markets as well as Forex, U.S. and global stock markets, interest rates, bonds and the global economy. They also publish Gold Charts Are Us, a weekly trading service in its 14th year. They are now publishing Richard Russell's famed Dow Theory Letters, and they've also attended this conference now for 39 years. So, we're going to have Pam up first, followed by Mary. Ladies and gentlemen, Pam Aden. *[Audience clapping]*

Pamela Aden: Thank you very much. It's such a pleasure to be here today. In fact, Mary Anne and I were just realizing that it was 35 years ago today that we were standing on this podium for the first time. Excuse me, and we feel blessed that we're here right now with you all this morning, and we're very happy about it. But we're also reflecting that 35 years ago was totally different than today. It was gold had just finished a huge bull market in the '70s after Nixon took the – took gold off the gold standard, and interest rates were almost 20 percent, they were wild. You may remember those times. Inflation was soaring, and the only thing that was certain in those days was uncertainty.

Everyone was afraid, they were buying all the can goods, and all this. So, certainty was the only – uncertainty was the only certainty in those days. Now, here we are 35 years later and we have the complete opposite. It is – we wish we had a little bit of inflation, we have interest rates at zero, and – but a collapse is coming, and actually gold is rising so that's the same. Again, uncertain times; we all feel very uncertain, and really since certainty is the only certainty we thought we would go over that today. Because economic uncertainty is really what moves gold; it's the uncertainty that moves gold not if it's inflationary or deflationary.

So, that's what we think is important to understand too, because before in those days when inflation was soaring it rises during inflation for many years that's what everyone talked about, and really it's the uncertainty that moves it. So, it's important to identify uncertainty and what is, and maneuver it. So, our first chart that shows you an iceberg. Let's see – there. You see what the reality is. We feel like it's not that bad, things are pretty good, but really uncertainty is what's under there, and that's how people are feeling inside. We feel like – how many of you do feel some uncertainty in today's world?

Especially with the election coming, it's an unusual election. Everything is uncertain. So today we're going to go over 10 of the most common uncertainties and how best to deal with them. First of all, many of them have never happened before. So, we're totally in unchartered waters. These are not normal times and a – we have to realize abnormal is the normal today. Normal may mean within the *[audio skip]* so we're in totally unchartered waters, and we – it doesn't mean it has to end badly. It just means very different is what it is. So, the number one uncertainty is interest rates. The fact that they've never been this low ever except for 5000 years ago it makes us feel uncomfortable.

They haven't been able to move up from the near zero level for – since the 2008 financial crisis. But actually, as many of you know down since 1981, since those days that I'm talking about when we were first standing here. It's just been slowing down until the last time was – and then since the financial crisis it's been very low. In those days, back in '81 is when we met and is still a dear friend of ours, and he at that time when interest rates were wild lawns were the most hated market, gold was the thing to have, and he bought bonds. He was buying a lot of 30-year government bonds, which everyone felt it was unusual of course.

But here he was enjoying these bonds for 30 years, and with double dividend gains for returns they just expired five years ago, and he still have them, he was very proud of it, and we go now that's a beautiful investment. That's what we would all like to have, and in whatever market. But it's enough where we tell all of our children we probably won't see it, but if you ever see interest rates above – in double digits, above 15 percent don't even think much about it. Just buy them, and hold them and enjoy the interest, and then the gains on the bonds in the mean times afterwards. The aging population today would love nothing more than have those kinds of income at this point, and we don't think it's going to happen.

We think that interest rates are going to stay low, and at most maybe rise a little bit, but stay pretty much low for the years to come. We don't think it's an easy thing to get rid of these low interest rates. In the mean time with the Fed promising – they're promising that they're going to raise rates and they just simply don't, and investors are starting to lose faith in the Fed and what they're trying to do. Then there's the negative interest rates in Japan and Europe, and it's causing many people just to keep their money in cash in a safe at their house. In fact, sales of safes are now – there's much more demand than supply, and so with interest rates low it makes gold very attractive because gold doesn't pay interest as you know. The next chart shows you that there is a lot of people moving into bonds; so the stocks and bonds our still good investments.

In fact, gold has been coming down as you know since August; so we think actually this first correction this year it just happens to be now, but we think it's a great time to be adding to your gold, silver, platinum to boost your positions. We think this is a great buying time, and now during this low area. We also like bonds, we think bonds – we'll show that in our workshop this afternoon how much bonds and gold have been moving together as safe havens for the last few years. So, they have come down too, and we actually like them too. We think gold has more potential for the longer term, but we think bonds are good too, and stocks we like them. We're cautious, we're afraid that they're like chugging a little too much, and want to head down for the next direction.

But we're still in them with a lot of caution. The next uncertainty anyway is how we've been following Japan. How the world followed Japan. Everyone has been watching Japan when they first dropped their interest rates to zero 20 years ago; this has been going on 20 years. When they kept printing money to buy their bonds, and then they also when ran out of buying bonds they starting buying their stock market. So, they own pretty much a lot of Japan today, and they did this to boost their economy. But despite all their efforts guess what happened? Nothing, nothing has happened. The economy is still growing at less than one percent, and how's that going to end? We just don't know, but it could keep going for a long time more.

So, until the uncertainty changes we have to plan for more of the same. That's what we plan for; it's here, it's not likely to go up, for now everyone's focused on December. Is it going to go – are the Feds going to raise rates or not, and it's almost if they don't they can at least a little bit lose faith, even more faith than they're losing. So, we'll see. But it doesn't look like it's easy to go up. This brings us to the next number of foreign uncertainty which is central bank's ruling a little too much in the markets, and I don't necessarily want to do this, but they do. They have – but they have also fueled a big financial bubble. This chart here shows you a bubble that's in the making, it compares financial assets, stocks and bonds that is, with the economic growth that's in red.

As you can see the value of financial assets is a lot higher than that of the GDP. Whenever it is that high in the past it was .com, it was the housing bubble, central banks, and so now the central bank one as you see is the biggest one of them all. So is it really a bubble in the making is something that this chart says is very likely it is. So, we have to be careful about that too. The central banks have basically taken over the free markets; that's pretty bizarre, and this all fuels even more uncertainty as it should. Indeed, the market's time of wall of worry, and they have to figure out how to best maneuver around these icebergs, and this is what we've been trying to do for as long as this has been a problem.

But, as you can see that by – like I said buying gold. Now during this weakness keeps some stocks and bond, and this is as long as interest rates stay low. When they start perking up we may – the strategy maybe adjusted. But for now, Mary Anne's going to continue on telling you about the uncertainties and the biggest one of them all. Thank you very much. *[Audience applauding]*

Mary Anne: Thank you very much, and as Pamela said it's really a pleasure to be here our 35th time, which seems amazing. But, anyway, I'm just going to continue on with the uncertainties, because we feel that these top 10 uncertainties are the things that are moving the market. Okay, so the number five uncertainty is massive debt, and I know you're probably bored to death of hearing about debt, because everyone talks about it. But literally going back those 35 years ago when we first were coming to these conferences everyone back then was talking about the debt's going to be just – it's terrible, and it's going to cause everything to collapse, and this and that.

Then 20 years ago the same thing, 10 years ago, and the same thing today. So, that's just been an ongoing problem. But it's getting to the point where now the debt is indeed massive, it's way bigger than the whole world economy, and it's the main culprit is in keeping economic growth, keeping a lid on it. Growth just really isn't happening anywhere despite what all the central banks are doing. That brings us to our number six uncertainty which is China. Now, China is the world's second biggest economy, and it's the locomotive of global growth. Talk about uncertainties, china, their economy's been slowing down, they have a huge debt, they're exports have been dropping, and their real estate market is overheated.

So, experts believe that China could be in for a hard landing, and if so it's going to affect the whole world. Okay, so, let's say this does happen what do you do about it? Again, gold would be your best bet, and the reason is that gold is the ultimate safe haven, and it would just do really well, especially now that interest rates are pretty much non-existent. Now, one market that wouldn't do so good would be the stock market that – and bonds, and the reason which brings us to number seven uncertainty is dumping treasuries. Central banks around the world have been selling their U.S. Treasury Bonds, and they've been doing it in a big way, and China is the biggest holder of U.S. Bonds, and they've been dumping them for about three years.

They're hitting a three-year low; so bonds have been a great investment for the last few years, and we've been recommending them, we still do. But the bull market may be ending sooner rather than later because of all this dumping by foreign central banks. So, it brings us to number eight uncertainty, which is the lender of last resort. Now, the U.S. housing market, believe it or not, and we found it hard to believe, but it's still considered the most dysfunctional part of the whole financial scene. Now, like I say, we were surprised to hear that, but it's the world's largest asset class, and the mortgage debt connected to it is the biggest financial risk in the whole world.

Now, most people think that after the 2008 financial crisis the mortgage problem went away, but it didn't, the problems are still there, and it's hard to believe that basically the U.S. accidentally nationalized the whole mortgage market. Now, Japan, in the mean time, they're buying stocks like mad, but the U.S. is buying mortgages – not buying, just financing the mortgages. Here's how it happened. When all the mortgage markets went bad, and they pretty much just started defaulting like crazy, the banks – so the government stepped in, and it was supposed to be a temporary fix, but that was supposed to be – what turned out to be a temporary thing became permanent.

So, currently, if you look at this next chart – anyway, the chart was going to – there's China selling their bonds. I'm sorry, they got goofed up. You can see the bonds that China's selling, and then the next chart is going to show you how much mortgages are being financed by the U.S. government. You can see the lines on the right are – the dark blue lines are government financed mortgages, and you can see how in the last few years since 2008 the U.S. government has just taken over financing. Now, this is via FHA, VA, whatever, but it is government sponsored, and that's in dark blue. So, the world remains vulnerable to an accident, and that's why we do not think, despite what the Fed says, we don't think interest rates are going to go much higher any time soon.

Probably not for a very long time. It would just really be too risky. Okay, now, what about the election? I know every bit that's the talk everywhere. How many of you are for Trump? A lot, and how many are for Hillary? Come on, *[Laughter]*. That's too funny. I bet you some of you are just really – you just don't want to raise your hand. Okay, that's fine. Anyway, based on you guys of Trump's going to win, but, anyway, we'll see. It's an uncertainty, but we don't think it's a huge uncertainty. Because it's one that we'll say is a temporary, even though it may not seem like it when you turn on the news.

But if it goes off without a hitch, and everything works out then we think it's not going to affect the markets at all. But if there's problems or there's social unrest, because Hillary wins despite what you all think, that could happen too, that would affect the markets. So, that's basically what we're watching as far as the elections go. But, again, gold would go up as a safe haven. Now, this takes us to number 10, the last uncertainty are the ones you can never know they're coming. They're called Black Swans, and that's just something that comes from out of nowhere, knocks you for a loop and the markets go crazy. A perfect example was the mortgage meltdown in 2008. Now, at that time I'm sure you – most of you will remember it was scary.

The banks and the markets, the economy, everything was just teetering on the brink, and stocks plunged, markets plunged, and they plunged fast. This is something that could happen again if we get some kind of a black swan event. Now, the one we're watching right now most closely is Deutsche Bank. It's huge, it's got the most derivatives in the whole world, in the trillions of dollars, it's on thin ice to say the least, it's connected to dozens of all the other big banks in the world. So, that could really ricochet, and it would be pretty scary. So, we're watching Deutsche Bank right now very closely, and I'm sure you've heard this for years and years.

Everybody tells you that a big collapse is coming, there's a crash that's going to come, everything's going to fall apart. It may happen one day, but in the mean time it hasn't, and you just deal with what we have. So, that's what our best advice is just follow the markets, go with what the markets are telling you. Don't get too scare or nervous about things. Yes, there are uncertainties, but again, we work around the icebergs, we do what we can, we deal with what we've got. In nearly all of these uncertainty cases, really, this is the main point, gold would do well because it would be a safe haven and it would be – it would go up.

Anyway, it's already in a bull market, it's turned the corner, and we just feel that this is going to continue, it's going to be a really good bull market, and as long as gold stays above 1200, 1205 the bull market will continue. So, right now that it's been coming down it's a great buying opportunity. When gold goes up you can see right here the downward correction that it's had, and we think it's going to hold at that moving average. Then when gold goes up you can see on this final chart silver outperforms gold in bull markets, it always has, and the gold and silver shares way outperform. They're out nearly 100 percent, and they've just done super. So, these the markets we recommend and we strong recommend them.

They've outperformed stocks, they've outperformed bonds, there's nothing better. They're the best sector, and no matter what other people might say that's weird, it's not weird. It's really what's happening, they're doing the best compared to all markets anywhere. So, we do recommend buying gold and silver, and our favorite shares, which are Agnico Eagle, and Silver Wheaton. Most important to remember is gold we think is definitely going to sparkle in 2017, this is it, you want to get onboard, it's not too late even though they've gone up a lot. We think you're going to enjoy the ride for as long as it last, and this afternoon at 4:15 p.m. we'll be talking more about this ride, and we hope to see you there at our workshop. Thank you.

Peter Boockvar
"It Will Be The Markets That Ends The Madness"

Moderator: Our next speaker is Peter Boockvar, and his topic is "It Will Be the Markets that Ends the Madness." Peter is the chief market analyst for the Lindsey Group, a macro economic and market research firm. He is also the co-chief and investment officer at Bookmark Advisors, an asset management firm.

Prior to this, Peter spent a brief time at Omega Advisors, a New York-based hedge fund, as a macro analyst and portfolio manager. He also was an employee and partner at Miller Taback + Company for 18 years, where he was the equity strategist and a portfolio manager with Miller Tabak Advisors.

His speech topic, "It Will Be the Markets that Ends the Market Madness," is very, very intriguing. But personally, I'm a big fan of that market madness, so I'll be very interested to see what he has to say. So at this time, Peter, the podium is yours.

Peter Boockvar: Thank you. All right, I've only got 20 minutes, so I'm going to boogie through this, so keep up with me.

I'm going to argue today that the 35-year bull market and bonds is over, that the lows in yields in July, you'll never see again. I know that sounds dramatic, but hear my reasons. For those three reasons: economic, political, and logistical.

All right, so this is a chart of the deposit rate in Europe, going back to June 2014, when they were at zero and they went to negative 40 basis points. And what did that lead to? I'm be a little sarcastic with my title, but you can see this is a chart of the ten-year bund yield with that negative deposit rate. And you can see how much the yield curve flattened.

And what does yield curve flattening do? It leads to a 50-percent decline in the European Bank Stock Index. I ended this chart in July. So you have a central banks that wants banks to be the transmission mechanism for their policy. And look what we've seen – destruction in the equity value of the entire European banking system.

Also of note, the ECB went to negative 40 basis points and they also lost control of the Euro. The top line is the Euro, and you can see it's essentially flatlined. Therefore, the further decline in negative interest rates did not further weaken the Euro.

Also, Bank of Japan, like pancakes too – the flat yield curve. This is s a spread between the twos and tens. Well, what does do to a banking system? This is negative interest rates.

Now, they were kind. They only went to negative ten basis points, because Kuroda thought that it was such a good idea. But they're stuck right now at negative ten basis points.

This is the 40-year JGB market. And I'll argue that the low in July, at seven basis points – as you can see, that's quite a move down in very short period of time. You'll never see that again.

This is the Japanese Bank Stock Index, the topics index – also fell 50 percent from the highs of last year. So what happens? You're a central banker and you see this happening to your banking system. This is the Yen, similar to the experience of the ECB, where they lost control of the Euro, in the sense that they can no longer push it down. The Bank of Japan decides to go negative and the Yen rallies 20 percent. I mean, this grand experiment is beginning to go a little haywire in the eyes of central bankers.

All right, so this is a chart actually ending in July of the JGB yield, the German Bund yield, the U.S. ten-year, and the UK Gilt yield – ten years. And you can mark that in your calendar that these lows in July, again, I don't believe we'll be seeing again.

Then something started to happen in August. The Japanese yield curve started to steepen, because the Bank of Japan saw what was happening to the Japanese banks. The Japanese banks were crying to the Ministry of Finance. The Ministry of Finance was calling Kuroda and said, "Time out, enough is enough." So the Bank of Japan actually started to buy less long-term JGBs. And we all of a sudden started to see the steepening of the Japanese yield curve.

Look at this. The JGB yield from seven basis points in July went up 60 basis points over just a couple of months. So if you were *[audio break]* and getting seven basis points, you're going to have to hold that bond for about 300 years to get back an interest income what you just lost in your capital.

All right, so we all know No Mas. I actually went online and I found No Mas means in Japan. That's what it says. So banks basically told the Abe government we can't handle this anymore. The other thing is on the logistical standpoint, the Bank of Japan literally was running out of JGBs to buy. So the bottom chart is the holdings of JGBs that Japanese banks have. They literally were running out of bonds to sell to the Bank of Japan, because they need to hold a certain amount as a capital cushion. So that gets to, again, my logistical impediment to further easing.

This is the Bank of Japan balance sheet. It's now 90 percent of GDP and it will be 100 percent rather soon. But interestingly enough today, Kuroda actually said that they may not continue to buy 80 trillion Yen of a year of JGB – so another sign that we're running into limits.

Okay, so we heard in the last Bank of Japan meeting yield curve control – so we try to manipulate the short end, we try to manipulate the long end, we buy stocks. So this yield curve control is a new thing. But in this desire for a steeper yield curve, what kind of steepness is the Bank of Japan giving banks? Well, they're giving them ten basis points, because you have the short end minus ten, you have the ten year at zero. So this is a generosity of the Bank of Japan to the banks. Here's ten basis points.

The problem is being able to pin it to zero. We'll see how that works out. Maturities past ten years, well, they basically said, "Who the hell knows where they're going to go?" And as the chart you saw before, we've already seen a sharp rise in long-term interest rates.

All right, I found this chart. I thought it was funny. Going back to Mario Draghi in the ECB, because he's facing the same issues as the Bank of Japan. Interestingly, we started to see a rise in European bond yields early September, when Mario Draghi did not address the issue of him running out of bonds to buy under the current criteria, both in terms of the capital key and also buying bonds with interest rates no more than minus 40 basis points.

So we started to see, as you can see, a sharp rise in German Bund yields. Something is going on here. This is the chart of the Deutsche Bank. This is one of the largest banks in Europe. And look at that stock price. You're an essential banker and you look at that stock price. Can you keep pushing your policy to the same extent that you were? No.

So eureka moments from some ECB members – wow, maybe we're doing something wrong here. So if you can't see back there, I'm going to read it to you. This is on October 4, so just a few weeks ago: "Executive board member, put pressure on banks' profitability. And there is a limit to how low interest rates can go. The longer they remain low, the more pronounced the negative side effects will become." Here you have essential bankers that's now saying time out.

Another central banker from the ECB: "The longer low interest rates persist, the greater the challenges for the banking sector and that a resilient banking system is crucial to provide for smooth transmission of monetary policy." These are important quotes. This is acknowledgements that the central bankers have pushed it as far as they can go.

Now, the politics now of what they've done – to savers, the top headline, *Financial Times*: "Germany's saving banks may have to pass negative interest rates onto private customers in the latest sign of the strains caused by the ECB's ultra loose monetary policy." You already have two lenders in Germany that are already doing it. Imagine the politics of that now.

Pensions – workers retiring in EU need to save an extra two trillion Euros a year to close the pension savings gap. More mercy. The UK, the overall deficit of the near 6,000 UK defund benefit schemes rose to almost a half a trillion Euros in August, up dramatically from a month earlier.

In Switzerland, you have companies that are getting insurance policies from Swiss Re, because they need to store their cash. Something's amiss here. And back here in the U.S., we can only imagine the pushback that's going to be coming for those in pension funds, considering how underfunded they are.

So we have Mark Carney that says, "Yeah, we'll tolerate a little extra inflation." He said that just a few weeks ago. Janet Yellen had this very theoretical academic speech just a *[audio break]* saying the same thing. So this is their policy. Let's create this epic bond bubble and then root for higher inflation. How do we think that's going to turn out?

Okay, not well. So all of a sudden, the pound plunges and we get a sharp rise in the UK inflation break even, both because of fears about the inflation that the UK is about to import and also on the heels of Mark Carney saying he's willing to tolerate higher inflation.

And the UK politicians are pissed, because they have a constituency that they need to talk to. So this is Theresa May. This is the prime minister of the UK saying this about the Bank of England: "We have to acknowledge there had been some side effects. People with assets have got richer. People without them have suffered. People with mortgages have found their debts cheaper. People with savings have found themselves poor. A change has got to come and we are going to deliver it."

Now, all of us in this room, we know this stuff. But this is the prime minister of the UK that is now calling out the Bank of England. So this gets to my theme of there are major now political constraints on further easing by central bankers.

This is Michael Gove, who almost became prime minister of the UK. And look at this biting comment: "Mark Carney, you should curb your enthusiasm. You're wrecking all kinds of economic disaster." These are big politicians calling these central bankers out. And I love this quote. And that's why I said wow.

The trouble with technocrats is because they believe they're smart, expert indeed, they don't do what all humans should. And all politicians must acknowledge when they've made mistakes. Learn from errors and adjust their assumptions. Because to do so would be to challenge their conception of themselves as bearers of superior insights who are not susceptible to error as the rest of us.

Getting back to my populist danger that central banks have now gotten into – this was a headline in the *UK Guardian*, a major UK newspaper, speaking directly to UK citizens. "Are they to blame for your shrinking pension pot?" Okay, so when I say we're all in this together, this is one big global bond bubble. And U.S. treasuries are very tightly correlated to the action in Europe and Asia. So the rising rates there quickly spilled over into here. Now this chart, I only put this chart together just a couple days ago. The ten-year was 174. Today it's up to 185. It's up 30 basis points since August and it's up 50 basis points since the bottom in July.

And I say this – treasuries are not just some innocent bystander, because we're not just getting dragged up by what's going on overseas. Inflation risks are now rising. So this now gets to my economic reason for the bottom in global interest rates. This is services, inflation, X energy within the CPI number, up 3.2 point year over year. Now tell me that there's no inflation in the United States.

Combine that now, I argue that the commodity bear market is over. A lot of that, putting aside precious metals, but industrial metals and particularly also energy, the supply demand has responded to the supply demand in balance. Bear markets bottom not on good news. They bottom when news gets less bad. And we've seen this rise in energy prices – awful low – copper, zinc, lead, iron, or coal are responding to cuts in production. So this is the journal with commerce index. It's obviously clearly bottom. So take services inflation running three-percent-plus with a bottom in commodity prices in the U.S. – or globally, I should say.

Also, the rate of change in inflation, the drag is no longer there. So on a year-of-year basis, we've recycled out the sharp declines in energy prices. This is year-of-year gasoline, now at zero following sharp declines. This is natural gas of 25 percent year of year. This is crude, now up year of year. Headline inflation globally will be heading higher over the next couple of quarters.

This is the Atlanta Fed Wage Tracker. Wow, look at this. Now matching the highest level since 2009. Please don't tell me there's no inflation pressures out there.

This is the ten-year inflation break-even. Now, granted the one caveat with this is that it's very sensitive to moves in commodity prices, particularly oil, but there's obviously been a trend change.

Okay, another reason why I'm bearish on bonds. Foreigners are net sellers of U.S. treasuries to a unprecedented level. A lot of this has to do with China, Saudi Arabia – even Japan has bought a lot less. So through August, foreigners – and this is particularly central banks, because foreign private buying has still been positive – they've sold $180 billion of U.S. treasuries year to date. And you can see from this chart, they are buying hand over fist more than $400 billion in 2011 and 2012. This is a major trend change.

Okay, here is the final reason: This is a chart of *[audio break]* the CBO with their budget deficit estimate for the *[audio break]*. This assumes the sequester. This assumes two percent, plus GDP growth. And embedded in that is one and a half percent productivity. Now, we've even seen one and a half productivity in this entire expansion. So we've adjusted it to assume that productivity's basically zero, which it's been. And we also assume that the sequester – now, the sequester was put in place in 2011. The CBO every year in the projection it stays in place. But Congress has gotten around a sequester every single year. They say, "Okay, let’s do it for one year and then we'll go back to where we were." So we assume spending levels go past the sequester – go around it, I should say – and productivity is about zero. Therefore GDP growth is less than one and a half percent.

So we forecast a trillion-dollar budget deficit within the next six years. We forecast a $2 trillion budget deficit over the next ten years. So imagine the supply that comes online over the next ten years. And this is it as a percent *[audio break]* the U.S. deficient to be eight percent in the next ten years. Good luck, the next president, whoever it is.

So what does the Fed do? The Fed's screwed. They have on one hand their meeting their econometrically-modeled mandates of inflation, getting close to two percent and employment being at five percent. So let’s call that the stock. Let’s call the flow the recent run of economic data – job growth slowing, GDP growth averaging about one and a half percent on a four-quarter run rate. No productivity growth. Capital spending no higher today than it was in 2006. Retail sales data mediocre. Very interest rate-sensitive auto sector has plateaued. New home sales still well below its long-term average. This is well after ten years of zero interest rates. U.S. exports, they peaked two years ago.

Okay, the stock. Yes, they've met their mandates. So what does the Fed do? They're desperate to raise interest rates. But my bearish thesis on bonds has nothing to do with whether the Fed raises rates or not. The market's already tightened for them, with this rise in long-term interest rates and, certainly on the short end, the rising three-month lie bore.

Okay, this is the balance sheets of the Fed generously left us. This is debt to GDP ratio, going back to 2000. That is an ugly looking chart. U.S. non-financial corporate debt – off the charts. U.S. Federal debt as a percent of GDP, including Social Security IOUs – about 100 percent. Student loans outstanding.

Now, this is a chart of GDP with the debt. So look at the debt rise in the blue line and look at how much GDP it's given us. And these are the stock market valuations. This is a chart of market cap to GDP, as another way of putting it, gross value added. I took this from John Hussman. As you can see, we're approaching the 2000 highs.

This is meeting priced to sales. And I prefer this chart to PE ratios, because earnings have been artificially juiced by low interest rates, low depreciation expense because of low capital spending, low tax rates, stock buy backs. So if you want a real valuation metric, look at price to sales. This is dangerous territory. So you combine the rise in interest rates that I continue to foresee with these kind of valuations, we're going to about to run into a wall in the equity markets.

Getting back to my point on the Fed – rule number one of banking: You don't wait until after you meet your mandate before you decide to start raising interest rates. You should be done raising interest rates by the time you meet your mandate. And this highlights the big mistake that the Fed made, is they waited as long as they did to normalize policy.

And I just gave two charts. Do we want to be Japan and continue to do what we're doing? Or do we evokarize the Fed, rip the Band-Aid off, have a really nasty recession and bear market, but come out of it in a much better way? Try telling that to populous if you're a politician.

Okay, so how to invest? I only got less than two minutes, because we're here to figure out how to make money. As central banks lose control of assets, lose control of interest rates, and lose control of the faith and credibility that investors have had in them over the past couple of years, gold is going to be a main beneficiary. And I hear all the time, "Well, if rates go up, that's bad for gold." Well, anybody who lived through the mid-2000s saw the Fed funds rate go from one to five in a quarter and the gold price double. Well, you shouldn't be intimidated by higher interest rates. Anybody who lived through the late 1970s and saw a rise in interest rates and a rise in gold should understand that a rise in interest rates, depending on why it's happening, is not bearish for gold.

I also like the industrial metals. Again, getting back to the growing supply and demand imbalance – now, these are markets that we know have had five-year bear market. So investors need to look where others have not. They need to buy where others are feeling pain – culture stocks left for dead. I love them all, particularly the fertilizer names.

Brazil – I've been a big fan of Brazil all year. The tipoff for me is when they started to crack down on corruption. Here's one of the most corrupt countries in the world. And when you have one of the most corrupt countries in the world saying we're about to root out corruption, that's telling you there's a trend change here.

So getting back to my point earlier, if I'm right on bonds, the stock market bull market is over as well. We're seeing profit margins revert, so earnings are challenged. But earnings haven't mattered for stocks. The fundamentals haven't mattered. It's been all about rates. But now rates are beginning to matter, therefore it's going to matter for stock prices.

And I'm going to throw this out. There is my last ten seconds. I'm intrigued by Italy, only if they pass the December 4 referendum. They're cleaning out their banking system. They're going to be changing their bankruptcy laws. Everybody hates it. And a trade's at ten-times earnings with a four percent dividend yield. Now, raise your hand if anybody's ever told you to buy Italy?

No one. There's my point. Thank you very much.

Sean Brodrick
"Grab The Lithium Bull By The Horns"

Moderator: Our next speaker is also from the Agora publishing family up in Baltimore, specifically the Oxford Club. Sean Brodrick heads the monthly *Oxford Resource Explorer* and his premium newsletter *Gold & Resource Profit Hunter*. He's hunted for diamonds north of the Arctic Circle and gold in the frigid southern tip of Argentina. His bestselling book, *The Ultimate Suburban Survivalist Guide*, helps readers prepare and profit from any crisis.

Today's subject is "Grab the Lithium Bull by the Horns." Welcome Sean Brodrick.

Sean Brodrick: Hi folks. Thank you very much for showing up today. I don't know about you, I've had a great few days here at the conference. Lots of great speakers and stuff like that. I do get a little depressed though because I mean these guys who I see when we're not standing on the podium talking, they are so jovial and happy and pretty much happy-go-lucky, and they come out here and it's doom and gloom and, you know, apocalypse and stuff like that. And this comes from a guy who wrote *The Ultimate Suburban Survivalist Guide*. I say, "I wrote that book. I'm not half as gloomy as those guys." But I'm not that gloomy, and so this will kind of jar with what some other people have been saying here in the conference. I hope you'll take this as the word of the loyal opposition.

I'm glad to see some people leaving because that means there's more for you and less for them, and I'll give you some good names in lithium to play the next leg of lithium.

What is lithium? Lithium was born in the Big Bang. It's highly reactive alkaline metal, silver-white metal. If you held it in your hand you'd know that it's something different. A knife can slice through it like hardening taffy, but it's a relatively good conductor of heat and electricity.

We already know what the better ones are – silver, gold, stuff like that. Lithium is the least dense of all the elements that is solid at room temperature, and it even floats on water. It makes batteries that last longer, are lighter and can recharge over and over again, and that's why everybody likes it, right?

And I believe the lithium boom is in its early stages, which if you look at the action in lithium stocks you might think otherwise. I'll explain why that's going on in just a bit.

Now, what we're seeing is an energy storage *[break in audio]*. I'm more optimistic than many of the speakers that you'll hear at this conference. That is why I believe we've hit a new paradigm of lower economic growth around the world. I believe within that economic growth are incredible opportunities, and those opportunities are in new tech and in the companies that feed the new tech.

Lithium feeds the new tech. It makes energy storage work. They are working on improved energy storage. And I can tell you not a month goes by with some guy rolling out some new thing. He says, "This is the new energy storage system, and we'll all use it." Yeah, I've been seeing those things for years now. It's so hard to get those things to market. What works now is lithium, and so that's probably the tech we'll be using. That's why annual demand for lithium rose 26 percent last year, and it keeps climbing year after year. 2018 it'll be up, if estimates are right, 39 percent, and up 73 percent by 2025. That's a conservative forecast.

There are multiple forecasts on this by the way, so you can choose which one you want to believe. And I'll be sighting the forecast that I'll be using as I go through this. I'm not trying to cherry-pick. It's just, you know, there's so much potential here, and yet at the same time there is risk. What if those guys who are speaking about collapse and doom and gloom are right? Well, you know what? Lithium demand is not going to be as high as I think it is. It's probably going to be lower.

On the other hand, if we take a medium case, which is really what I've tried to paint here, then it should probably improve, because if you can help people save energy and thereby save money, you're probably going to be pretty popular in the global economy going ahead.

Now, Goldman Sachs calls lithium the new gasoline, which is kind of a good hook. I like that. And it says for every one percent rise in electric vehicle market share, lithium demand rises by 70,000 tons annually. Lithium market could triple in size from 2015 to 2025. That's based only on electric vehicle demand and *[break in audio]* kinds of demand.

Now, there are a half dozen minds coming on line in the next few years, and this actually is what is really depressing the market right now, and so we'll talk about that next. That and the fact that every die in the wall and optimist who can actually stake out a salt flat is saying his project is the next big thing. There are some rascals in this, too. You have to do your research. You have to dig down and see if these companies can actually deliver in the next few years, which is what they're going to do.

Electric vehicles now are more expensive than their gasoline counterparts, but there's been a lot of very interesting and exciting research on this on what's going to happen to the price of electric vehicles. In fact, we could hit parody in just the next few years, so the cost of an electric vehicle could be about the same as the cost of a gasoline powered vehicle. And if that happens in the next five years, well, not everybody's going to switch to electric vehicles. Many people will still want to drive gasoline powered cars. But for people who have the option to make the choice, why pay for gasoline if you don't have to and all the maintenance with an internal combustion engine?

Now, I can tell you electric cars aren't the most reliable things on the road. They aren't. That's one of the problems Tesla's, they tend to break down sometimes. But they're going to work on improving that as well, so we'll see how that goes.

Cheaper gasoline has put off migration to electric vehicles, so the market share for electric vehicles actually dipped in 2015. Still nearly 2.9 percent. But if we hit that parody, which is what people are talking about, we could see it jump to nine percent by 2020. That's not only a tremendous rise in the amount of electric vehicles sold, that's a tremendous rise in the amount of lithium that's needed for lithium batteries.

And, as I mentioned earlier, new battery innovations could replace lithium, but that stuff is likely years away. There's stuff that came out a few years ago that still isn't used in batteries because the prospect of actually getting this new innovation put into the market is actually very daunting.

So, we are headed for a supply/demand gap, but not next year. That's the thing – is that this is what is weighed on lithium stocks right now. This year we have a deficit of about 4,500 metric tons, and so contract prices remain strong. They're between $14,000.00 and $15,000.00 US dollars per metric ton over in China. China's where the benchmark price for this is set. The spot price, which is usually higher, has come down and down and down. It's now about $18,000.00 per metric ton. Seems to be stabilized. But because that weakness, and that weakness is because of the new minds coming online, people see that surplus in production in 2017 that makes them, "Maybe things aren't so hot," and so we see things fall off, which is fine with me because prices were too high earlier, and I want to buy these names on the cheap.

But, after 2017, 2018, that's when people expect things to be in surplus. After that, because demand is rising at such a high rate, then we are probably going to see the supply/demand gap widen again and then we won't have enough supply to fit demand. And, in that case, that'll be something that has to be fixed by price.

Now, I do have to tell you, one guy who's really respected in the market just put out a new projection saying that the supply surplus isn't even going to last *[break in audio]* he's right. Maybe he's not. But this just shows how incredibly volatile this whole thing is. And one source says a global annual shortage of almost 46,000 tons per year by 2021.

Why is that? Demand keeps wrapping up. Lithium, we always hear about lithium batteries, but of course it's used in so many other things – glass, ceramics, lubricants, you name it. Batteries are the biggest source of demand, and it's growing fast. And the average electric car uses about 44 pounds of lithium, so you can see how if they start selling a lot more cars, that's going to be problematic, so that's why the oversupply may not last. You know, demand for lithium ion batteries is growing at a compound annual rate above ten percent. That chart predicts a market in balance 2018 to 2020.

I'm trying to give you multiple sources here, so you can see there's no hard and fast prediction, but every source says that, yeah, we'll have a balance for a couple years at most, and then just things are going to rip because demand just keeps piling up.

So, what's driving this? Electric cars. EVs will cost the same as conventional internal combustion cars by 2022 – six years from now. It could be sooner. And, certainly with the age, you get – from certain governments around the world – China's one; US is another – then it becomes easier and easier to afford these things.

Now, if Bloomberg is right, by 2022, EVs should account for 35 percent of all new vehicle sales. The earlier number I gave you was for 2020, and that's nine percent. Look at the tremendous jump in EV demand they are predicting. That doesn't mean it has to happen, but that's what they're predicting. And if Bloomberg is right on this, we are going to see a major trend shift in what drives the global economy.

But how is all this possible if the price of lithium is rising? Because lithium is actually a small part of an EV battery. Nickel, cobalt, aluminum are much larger proportions of the battery, and so if you own a good nickel mine you can probably do pretty good. There are many other sources of demand for nickel. I mean it's used for many, many other things, but that'll probably drive that price going forward.

Cobalt comes out of central Africa, but there are some explorers in the cobalt space that I find kind of interesting, and we'll have to take a closer look at those guys, too.

So, the whole thing is the green revolution whether you like it or not. I know some people don't like electric cars. I don't know. I don't care either way. I have a Honda CRV. I don't need a flashy car. I just like a car that gets me from here to there and has a good stereo. That's all I want. But if electric cars become cheaper to buy then internal combustion vehicles, you are just going to see a huge major shift, and that's what people are talking about.

And there's a shift happening right now in Europe where they have these electric charging stations that can charge an electric car in under two minutes, because that was one of the problems, right? Is it took a while to plug these things in and get them up and stuff like that.

Well, there's new technology over in Europe. It's a private company now, but you know they're going to license that technology, and so they seem to have solved that problem. We'll have to see what happens there.

What's in a lithium battery anyway? I put this on here because some people don't know and I hate talking about something like it's a voodoo box and you have no idea what's actually there. But, you know, I can take you back to basic science class, or you can look at this when you get this presentation with all the rest that they'll probably give you at the end. But it just shows you how it's basically used. When a lithium ion battery is used, the lithium ions move from the anode to the cathode. When you recharge it, you move them back. And lithium has an excellent property of being able to do this over and over and over again, and it's also lighter and stuff like that, so it's pretty good.

So, China is really the place where we're seeing electric vehicle growth. And people think about the US, think about Tesla. That's just the tip of the iceberg. There's so much growth over in Asia it's unbelievable because people are choking on smog over there. And if you want to buy a car in certain cities over in China, you have to play the lottery if you want to buy an internal combustion vehicle, but if you want to buy an electric car, you can just buy an electric car. Well, if you want to drive back and forth to work, the thing you're going to do is buy an electric vehicle, and so that's where the big growth is.

Tesla's actually doing pretty well. It says it turned a profit, though I think there might be some creative accounting in that particular number. But sales *[break in audio]* percent year over year, and they are just booming, and so that's why global lithium demand is estimated to grow to about 280,000 tons by 2020 from just 170,000 tons in 2015. That's some tremendous market demand. Would love to see that in any commodity.

This is more in China, right? I mean this is a quote from the Chinese government itself saying that it's still focused on *[break in audio]*. Will continue to promote electric vehicles, which means demand for lithium will remain solid.

And, BYD, which is a Chinese electric car and battery maker, sold more than 10,000 electric vehicles last May. The company is on track to sell more than 100,000 electric vehicles in one year. And does anyone know who a major investor in BYD is? Yes, Buffett – Warren Buffett. Major investor because he can see that market's right for it. It's perfect. When you have *[break in audio]*. But of course electric vehicles make sense.

In Nevada, there is a dozen battery giga factories that are being built around the world, and these are just the ones we know are planned now. Many of them are in Asia, and each of them is going to have a ravenous hunger for lithium and cobalt and nickel and aluminum. But, lithium, that's the thing that concerns us today. And so batteries account for 40 percent of lithium market now, and many of you may be surprised to think they're not more than that, but it's going up maybe more than 65 percent of the lithium market in less than a decade. Just ravenous, ravenous demand.

So, let's talk about some companies. The big three slices of that pie there are those companies together account for 83 percent of global supply last year, so it's an oligopoly. They really kind of had the market squared down. But, when you have that kind of thing, that invites competition. And here's the thing that I try and hammer into people's heads, which is that lithium is not rare.

Again, like I said on my first slide, it's one of the basic elements that was created in the creation of the universe. It's not rare at all. The thing that's the trick is finding it in a concentration that is economic to actually mine it, so the race is on. Now all these companies want to prove they have the next best thing and they have the deposit that they can turn into a mine and all that stuff.

So, those big three companies do control most of the market, however, lithium only accounts for less than 20 percent of each company's business.

Now, in *Oxford Resource Explorer*, we have FMC, which is a slightly smaller amount, and that's a nice chemical company based in the US. Does most of its business down in Latin America. And they're doing okay in the rest of their business, but the business of theirs that is growing is, as you might guess, lithium because lithium is the growth industry.

So, let's talk about some stocks. And I don't know if you guys get these things for free or if you want to copy these things down. I will answer any questions I can. One thing you should know is that many of these are Australian stocks, and so they don't have actual major exchange listings here in the US. They have various different OTC listings. And you have the OTCQX, which is the higher OTC, and the OTC Pink, and then the OTC Grey Market, which God help you. You know, that's something that someone might not back up. But so you have to be careful with this, and I would like you people to as you look at these things, just take these as things you might want to look at and do your own research.

So, Orocobre building what it says will be the largest lithium mine in Argentina. Now, they've had delays there, and that's kind of soured some people on the stock, but I can tell you as someone who's into mining, half of all mining projects have some kind of delay. It's still really good. And one thing they're doing is they're really focusing on making high purity lithium. The standard for lithium used to be 99.5 percent, but to make the really good batteries you need 99.9 percent. That's what companies like Orocobre are focusing on now, and that's what we'll see as the trend in the future. And we may see even higher purity than that, because the more pure you make it, the more interesting things you can make lithium do.

Galaxy Resources – great little company producing from Australia. Developing other projects in Argentina and Canada.

Neometals – you've probably heard of that one as well. It has a proprietary process that helps make its stuff cheaper, so that looks pretty good. And it has other stuff going on for it.

Lithium X Energy – they own a nice project down in Argentina, and it also has something in the Clayton Valley, which is something I just went to two weeks ago. I went to projects in Nevada, which is a hotbed of lithium exploration and lithium development. There's stuff all over the place right there. They have a nice project in Nevada, and things look pretty good there.

Nemaska Lithium owns the Whabouchi spodumene mine. Spodumene is kind of an ore that contains lithium. It's actually more of a crystal. And this is estimated to be the second largest deposit in the world. Production expected at the end of this year.

Altura Mining, Pilbara Mining, Lithium Americas, these are all ones that should start in the next few years. Lithium Americas, you know, 2019, but still it's within that range.

So, these are the early ones. Some more – Bacanora Minerals, Critical Elements, Nevada Energy Metals.

Well, actually when we get down to *[break in audio]*. That was an interesting company that I spoke to. And I only have a few seconds left, but I will say that there are project generators, so if you love that model, that's one that really does well.

So, the future is electric. Be ready for it. I'll be speaking on gold – another one of my favorite topics – at 6:30 tonight up in the camp room on the third floor, so I hope you join me for that.

I hope you get a copy of this, and I'll answer any questions you have. I'm actually leading a tour through the exhibit hall in just a little bit. Maybe some of you will be joining me on that.

Thank you very much.

Thom Calandra
"Four Big Digs Making Me Heroic Again"

Moderator: Our next speaker is Thom Calandra. Thom is the investor behind *The Calandra Report*. TCR is a subscriber service for a network of large and small investors. Thom started CBS *MarketWatch* in the 1990's, and it is still the world's largest financial news service on the internet which I happen to look at every morning as soon as I'm awake and have my coffee. His favorite commodity's right now are platinum, gold, children and time.

The Calandra Report charges a yearly fee of $139.00.

More about Thom – that's T-H-O-M – more about Thom is available at www.thomcalandra.com.

He and his family live in California. His speech title today is, "Four Big Digs Making Me Heroic." Well, I've known Thom for some time, and Thom certainly doesn't need big digs to be considered heroic.

Thom Calandra: That was pretty generous of Bob, and I have to thank him. What I have to say here is sincerely thank you to Brien Lundin and his team – you know, the team behind them as well – for always inviting me and letting me have my 20 minutes of fame. It really is my favorite conference in this business, and I've been limiting my appearances. I really have because I'd rather be out on the road at some of these projects, so I really mean that about New Orleans.

I remember my dad always used to say that time heals all wounds. Sometimes he would say, "Time wounds all heals." I had no idea what he meant. And what I know is that time is the best editor, and I have 20 minutes this afternoon and I just wasted a minute trying to get a reaction from someone in the front audience anyway. Thank you.

I'm going to use some slides and charts here. Don't pay any attention to them. We're actually also going to use some slides for the first time in the precious metals panel that follows, and it should be kind of fun. It's mostly for background and the images are only here to make you rich and me timely.

Who writes this stuff anyways? Oh my God. Oh my.

Anyways, let's give it a shot. So, as you know, we're "Breaking Good". I actually changed the name of this to "Breaking Good" from "Four Big Digs". I was going to call it "Let's Make Mining Great Again," but I didn't want to get sued for plagiarism or trademark problems. And "Breaking Good" for once obviously with the help by the way of a good chartist friend of mine who will be on that panel later today. The big picture shows that gold looks like it could break out again. I'm not a chartist as you know. I tend to be more of a specific company guy. Some of the people who believe in charts say that we're looking at a confirmable market. Of course you know what I say. "Says who?" and says "What?" But it looks darn good. And I'm going to give you specific examples which is where you can take some notes.

And, by the way, if I had more than 20 minutes I would make more jokes, but then I wouldn't get a reaction and time would be wounding all my heals. Is that it? Something like that. Darn.

Anyways, if it's confirmed, cool. That's great. I love it.

There's actually a town in California called Cool. It's right near where they first found gold at Sutter Creek in I want to say 1848 just before 1849. That was the great California gold rush. There have been a lot of gold rushes as you know. New Zealand, Yukon, Klondike, the internet. And, once again, my friend Omar Ayales at Gold Charts R Us helped me with that one. And it really is kind of amazing. I mention later on it just caught me by surprise.

Microsoft came out with the turnings last week, and guess what? The stock is higher than it was during the .com boom when probably most of the people in this room made their money. I know that's when I made any money that I made. That was 2000 or 2001. That's spectacular.

There are some people, like some people in that back room, that have been coming here since 1990 or 1988 as speakers and as attendees. My first show I believe was 2001 or 2002, but it was 2003 – I don't know, was anyone here in October of 2003? Yes, I'm telling you this place was a madhouse. I happened to be spending most of my time on a jet – a personal jet – with Robert Freedling going back and forth to Mongolia and Beijing and Ghana and South Africa and places like that, and then a few other people, and I remember coming here and giving my 20 or 25 minutes. The place was going crazy. You could throw a ticker out, and 25 minutes later that stock would be up 18 percent because of this conference. It is the absolute God's truth.

Brien just told me in the hall, 2002 was really the run up. I consider this 2002. It's much better attended this year. We, Brien and team, have twice the number of companies this year as they did last year. And, as you know, there's a lot more excitement.

I know as an investor I get a lot more action right now. I'm being invited on a lot more tours. I'm being pitched. A lot of people are coming through New York, San Francisco and Montreal where I spend part of my time because we have a son who goes to school there at university. That was a beautiful conference. I'm telling you there were some amazing things, and there were some folks who were at that conference who are still active. The energy just was amazing.

Well, Ivanhoe of course is still breaking good after all these years, but it's not in Mongolia anymore. As you know, it's in South Africa. I was there a couple of years ago at that project, and also at the one in the DRC Congo. And I think that's David Broughton who is in part responsible for the big discovery at Komova.

Anyway, if you look at the chart, that looks like a chart for somebody who's not a chartist and never, ever hardly consults charts when I'm buying or selling or doing my homework. I'm much more of a people person and a geology person and being onsite. That looks like it's breaking really good. And if anybody wants to argue with that, that's a one year chart. All the charts here are one year. I think that's promising.

You know, I've never been a momentum investor, but I think right now this market favors momentum investing. Some of the value pics are still languishing, as are value pics, microcaps, whatever you want to call them throughout the entire equity markets all around the world, so I like that one.

Here are some others. Most of these I own. Probably the best one in the world – and I know I'm going to get hit over the head when I'm at the reception later by people, by companies that say, "Why didn't you mention us? Why didn't you mention us?" I'm just talking about the companies that we follow on *The Calandra Report* and the TCR network or that I own, and all of which I've been to numerous times.

I don't own Red Eagle, but that one on your right is probably the best example I have of something that truly is going to new highs even on days like today. They have the Santa Rosa Mine and the other project in Colombia in Antioquia, and the one at the side is Atico, another producer.

By the way, something that most of these share is that they tend to be producers, or they're very close to near time production. Ivanhoe, as you know, is very close to near time production of platinum, gold, copper, zinc, et cetera.

Another one that's very little known, but it actually trades in London, is Orosur Mining, and they're in Latin America, also. They're in Uruguay, so they're breaking good. And ticker is pretty easy to remember in London and in Canada. It's OMI. Yeah, that's right. Once again, I think my daughter is writing this stuff for me. I get it. OMI is Uruguay. Anyway, they have a very profitable mine, and they have just showed very intense improvements in efficiencies at the Uruguay mine. They also own a property that they bought in Colombia that used to be a former gypsum mine which I was at. So, I own this one. It's doing very well.

I don't think this can be more than a $30 million market cap, as opposed to say Ivanhoe which is $1.4 billion US. I just thought I'd throw that in there because, you know, we all have seen UFOs.

I was actually on the UFO extra-terrestrial highway last week in Nevada. There's actually an ET highway and it's got all this strange stuff. That's not one of them. That's an actual UFO that fell and almost killed us in Brooklyn, New York. No, seriously, we were coming home from dinner one night about nine months ago after doing a presentation and they were filming this on the street. I don't know, maybe that's why Brooklyn, along with Marin County, have become some of the most expensive places to live.

Wesdome, a new one for me. I actually was there last week. I spent the whole week in Quebec at another conference called the Explorer conference for geologists. Wesdome has this thing called the Kiena complex. I took that picture. It's right across the lake from where a friend of mine lives. And you can see it from his house. Glen Mullen from Golden Valley Mines. That thing is breaking good. They punched holes beneath this dormant project that they owned that used to produce gold, and every single hole hit huge gold at fairly relatively shallow depths.

And there are some very smart people – a lot smarter than me by the way – who are saying that this – when they come in with their next round in numbers, it's going to be a beautiful thing. I know there are a lot of people trying to stake ground around this project. We'll see. The chief geologist is George Maynard. If this thing turns out to be half of what it looks like in the assays, the fact that it's underneath an actual infrastructure is probably why the stock is doing so well. It's like a $2.00 stock. But they also produce, so they're also a producer. A longtime, very nonpromotional company.

Ikuma. This one is another new one for me. I own it because of a friend in Halifax. It's a natural gas explorer and producer. I think the project Ikuma – IKM in Canada – is in British Columbia, and they're about to produce results.

By the way, you know they say that if you don't have your kind of view of what you think the natural gas market is going to do by Halloween, you know, you're shtupt. And I use shtupt and not the F word because I know we have some high school students in the audience. No? Well, anyway.

Ikuma is something fascinating. And I think that even without a cold winter or a gain in natural gas futures – and, by the way, as you know, natural gas and all the natural gas equities have been in the dirt for a long time. There have been quite a few that have gone bankrupt. Some have gotten taken over through their debt – the fulcrum debt that allows leverage into their assets. Kind of a *[break in audio]*. Anyway, Ikuma.

And, by the way, I'm very weak on energy.

Another one that's breaking good is the Zed complex I call it. Every ticker in the zed complex ends with zed. You know, okay so I lived in London for four years. Zed. What is zed? Golden Valley Mines. So, you have G-zed-zed, R-zed-zed, K-zed-zed, V-zed-zed, and the newest one is J-zed-zed. Anyway, that's Glen Mullen. They have so many properties staked – something like 75 projects – in and around the Abitibi gold belt in Quebec and in parts of Ontario.

You'll have to forgive me. I'm not from Canada, but I go up there all the time, so I always have to picture myself on a map here.

And one of the reasons that one's been running bigtime is Malartic. Malartic of course is the largest or almost the largest gold mill and mine owned by now two companies – Yamana and *[break in audio]*. It's big as you can see. It's huge.

One that's almost breaking good – and I lucked out. I've been lobbying for a visit in the summertime, and instead we got a visit in mid-November to Eastern Siberia – Khabarovsk. So, that'll be sometime in mid-November. I know Eurasian comes here a lot, and this is Eurasian mines. You'll see the chart next.

By the way, I'm very close to a 20 percent owner of the company and other people that have a big belief in this company. This company will never, I think – by the way, I've said this before and been wrong about other companies – this company should never have to raise another dime ever in its history because of all the money. It owns like 40-some-odd percent of IG Copper, which is why we're going to Khabarovsk in far eastern Russia in November. It's a huge copper, gold pour free.

The interesting thing about this one is there was this kind of blip, and I think maybe the Russian mafia or because it was just before the Kremlin gave absolute strategic approval to an American company's ownership of 42 percent of the company that owned 100 percent of Malmyzh, the big copper, gold prospect, and so there were all sorts of rumors going around. And I can't confirm this because I still like my pinkies. I don't want to get them cut off. But, seriously, all of a sudden like one day you wake up like about 10 or 14 weeks ago and there are like a million, 100 and 200 shared trades happening in seconds, so some kind of program trader put the news out that maybe things weren't cool in Moscow and it fell from like a buck something to fifty cents US, and then came right back the next day and the day after on Insider Buying. I bought the next day, and I know Dave Cole, the CEO, did, too.

How about Biomedical? I thought I'd throw some of that in here for the high school and college students in the audience if there are any. Immunovaccine, it's in Halifax. It's doing a lot of immunotherapies for, you know, cancer of course and a few other things. I love it. I've owned it for a while, and it looks like it's breaking out. One day it'll be on Nasdaq.

This was a project – a lithium project – last week. A lithium project that's not in the Clayton Valley which has about 1,000 lithium companies. And there were cameras there, so I have to kind of be careful whenever there are cameras somewhere. I wonder.

You know, I was at a project once in Arizona, and they flew us out in helicopter, and the safety guy was going through all this stuff that you have to go through. Right? And they said, "Now, I want you to tell me when we're out there on the rocks," – it was near Florence; a big copper district not far from Phoenix – "what is the most dangerous thing in the Sonoran Desert here?" And, you know, I actually went to graduate school in Tucson, Arizona, but actually it's not the Sonoran Desert, but in the desert. And before I could say what I thought it was – I would have been wrong – someone shouted, "A Vancouver stock promoter." And there were plenty of them on the helicopter that day. I think it turned out that it was bees, followed by snakes, which is kind of the same thing as a stock promoter I guess, so then I'm a snake. Right? I don't know. Maybe.

How about suits in the desert? The one on the right belongs to somebody pretty well-known. That's why I had to block out his face. And, anyway, I'll give you this one in the private Q&A session for the gold club afterwards if you want it. I don't own it. I only own one lithium company. It's Nemaska. It's a big producer.

I have 3 minutes and 11 seconds, so here are my concepts to walk away with. Who is breaking bad? Once again, if I put that on tape and then they run it, I'll get some nasty phone calls and stuff like that. I'll get disinvited to all sorts of cool things. But I'll tell you next door. What do they call that? Off the phone?

Anyway, there are things that are breaking bad. I'll tell you one that I think is going to be great, but it's breaking bad all this week. It's Comstock Mining. I was there about 18 weeks ago, and that's outside of Virginia City in Nevada. And I don't know what's going on there. I talked to the CEO again today. It's getting crushed because there are a lot of fears about cash and stuff like that. I think it's a buy, but what do I know?

I'm hoping that we can find a way at these conferences to do more efforts to educate young people, because if we don't get young people following these companies as they follow some of the internets and some of the big coin companies we're going to be screwed.

There are a lot of things that we all have to deal with in this room. One of them is fraud. And, you know, I call it Pinocchio, because you never knew this about Pinocchio, but when somebody's telling lies – mostly males – their nose grows, but their other thing shrinks. It's true. I know. I know the guy who wrote Pinocchio. Uh-oh. Anyway, and then we'll go into bad luck.

Some of the indicators I use is the yen versus the frank. It's strange. I didn't devise it. A strategist and long-term subscriber of mine in Florida did. And so it measures the gains that the yen makes against the Swish frank. So far it's working. It indicates that more sophisticated money continues to go into gold and other less popular trades from these carried trades that were so easy over the years. And, as you know, it's getting a little harder to make money today than it was let's say three months ago, but I think we're on the verge of returning to that. And it's been a great year. I'd have to say that half of everything I own now is back in the black, and it was in the red for five years. And I rarely sell anything. I just hold onto it because I don't have time. I don't have time to buy or sell. I have about 50 positions.

This was at that project in the Yukon. And actually if you come by and see me, it's three aces. So, I'm not going to say the name of the company. Okay, I will. It's Golden Predator. But those are these folks there. And there's a lot of visible gold. I have some of it. I managed to get out with a few rocks worth maybe $600.00.

And, anyone, one other I have to mention because he paid for my dinner – no, I'm just kidding. It's not just about momentum. There are some stocks that have kind of gone crazy and then come back to earth. And if you believe in the concept, if you have a worldview about a commodity – in this case it's uranium – I think it's going to come right back. Some people like pullbacks like this.

Here are my conclusions and delusions. I'm just trying to make my 20 minutes so you're just going to have to all read those.

Those things in the left, I'm an investor in a company called Velorum. You've seen they're here at this conference. I'm going to make more money with this company – it's a private company – than almost anything I've ever done in my life, except for MarketWatch. That's a true story.

We went to the ballgame. Our girls said, "I want to catch a foul ball." Buster Posey's at the plate. And I said, "Good luck. How many years have we been saying that?" I swear to God you're not going to believe me. This is the God's honest truth, strike me down. Next pitch, Buster Posey, foul ball. She catches it. There's a football team in front of us and a basketball team behind us and they're almost in tears. I swear. It was like so crazy. And that girl, my daughter, got lucky. And that's all I'm saying. I'm your friend, and I'm not lying on that one.

Thank you very much.

Doug Casey
"An Update On The Collapse Of Western Civilization"

Moderator: All right, returning to my subject of Halloween spooks. We are now going to talk about the end of the world as we know it, from Dour Casey. The speaker that you always love to agree with most of the time until he really runs overboard and says something you don't like, you know Doug. I have known Doug 36 years. It was actually the great, late philosopher publisher Robert D. Kephart that brought me together with Doug Casey, Adrian Day, Mark Skousen and several others in 1980, long time ago. At that time, he was author of the number one book of financial book of all time and number one in the New York Times charts of that time Crisis Investing. The earlier book he wrote, I enjoyed even more called International Man and then he went on to write a trip tich of three books on investing, a couple on different subjects interviewed by Lewis James. And now he has embarked on the magnum opera of his life.

Now, an opus is one work, an opera is several works and he's got seven books planned. The first one is out and it's wonderful. It's called the Speculator. It's our hero growing from youth to middle age and doing professions that are not looked upon highly by the world at large. It's a wonderful read. The co-author, I believe, is John Hunt and Doug will tell you a lot more about that. But basically, this talk is picking up where he left off with Dennis Gartman arguing with him about various things about western civilization, the scientific versus the moral and intellectual climate of the world as we know it, so he's going to continue that conversation with an update on the collapse of western civilization. Please welcome Doug Casey.

Doug Casey: Thanks, Gary. Okay. Friendly greetings and a warm hello. In the next 30 minutes, I want to talk to you about the three biggest things that are happening in the world today. This is very foolish on my part, because some of you may remember last year I gave a speech called how the second law of thermodynamics can save you from the deep state. And the year before that, I talked about how present day America resembles fire, how can you cover these subjects in half an hour. Well, this is going to be even harder. So I'm going to hurry along now.

I want to talk about how ongoing political, demographic and technological changes are going to totally overturn your personal reality. I am not going to go into the details about the greater depression. I have spoken at length about the greater depression for some time. I will just say this, remember that in 2007 we entered the leading edge of a gigantic financial hurricane. 2008 and 9 were the leading edge. Stupid governments support trillions of currency units on the waters over the last five years and now we are going to enter the trailing edge of the hurricane and it's going to be much worse, much different and much longer lasting than the unpleasantness that you may vaguely recall from 2008. It's gonna go on and on.

So, enough economic and political gloom and doom, there is plenty to go around here. Let's talk about something different. The three things I am going to talk about are not just big, they are gigantic, and one, is the most important development in all of history and you are going to see it. And I'll also, at the end, hopefully have some time to give you six specific things on how to profit from the collapse of western civilization. Something we all want to do of course. Let's start with the elections. Now, this current election is the most contentious of my life time. It may be the most contentious since the unpleasantness of 1860, before the unpleasantness of 1861 to 1865 which incidentally was not a civil war, it was a war of succession, foolish mistake that most people make when they talk about it, but we might actually have a civil war in the years to come. Is a civil war possible? Um, it's unlikely. But, only because the population of the electorate of this country is now to degraded to even have a civil war. Why do I say that? 25 percent of the US is on antidepressants or other kind of psychoactive drugs. Half the country is on some sort of dole from the government. More than half the country is obese, can hardly see these people playing street fighting mad and running out, no it's not going to happen. In addition to that, you got to remember the average American is not to bright, but also remember that half of the Americans are less than average by definition, so it's not, so I doubt we'll have a civil war even though it will get very unpleasant, let's talk about these two parties in this election.

The Democratic Party is actually, it's not a political party it's a cesspool filled with leftist, socialist, race baiters, unionists, immigrants, underachievers, theists, the soft headed, the envy driven, but, there is a good thing about the Democratic Party is that they are an honest party. They actually say what they believe even if everything they believe is repulsive to anybody who values things like liberty, and interestingly, in the Democratic Party, there are no dinos, democrats in name only, there are none of those, unless there are some Stalinists and Maoists who think that the other democrats aren't going far enough.

But Democratic Party has absolutely no redeeming social values. It has to be flushed. The Republicans, on the other hand, are just a conglomeration of traditionalists, Christians, neocons, anti-democrats, and rhinos. The Republicans say they believe in free markets, but that's a lie, so they are correctly seen as hypocrites, which is why, of course, they get the youth vote. Kids love hypocrisy. The only thing they are really sincere about is that they hate personal freedoms. Unlike the Democrats, the Republicans have no ideology. If the Democrats are the evil party, the Republicans are the stupid party. Now, let me give you a prediction based on those things that I have said about these two parties, Trump and his millions of fanatical followers are going to break up the Republican Party and good riddance. These people are fed up with the establishment who gave them people, non-entities, like Dole and McCain and so let me give you another prediction.

Not only is that going to happen, but Trump is going to win the election and I think in the popular vote by a landslide. Now, you haven't heard that anywhere, so, and the polls say he's way behind, but these polls are done by exactly the same people that live inside the beltway. They tilt everything. They are like the media, so don't believe the polls. The question is why will he win? I will give you two reasons, number one, the average standard of living of the average American has been going down for a couple decades now and it's coming to a head, so people are protesting. Number two more important, the average American knows that American culture is dying right before their very eyes, with safe spaces and transgenderism and all this kind of thing. And they don't like that.

On an average day, Trump will talk to 80,000 maniacal people. Tim Kaine, he happens to be Hillary's running mate, you probably didn't even know that. He has maybe 30, not 30,000, 30 people that come, so this is what's going on, but that's not even the important thing. There was another candidate, Bernie, and the Bernie people know, and they're right, that Hillary and the

Democratic nomenclature stole the election from Bernie, the nomination from Bernie. They are, tell me, has anybody heard this said before, those people are pissed off. They are not going to vote for Hillary. They hate Hillary. Actually, they wanted Bernie and they know it was stolen from them. They are not going to vote for the enemy. So half of the Democratic Party is not going to turn out. That is why Trump is going to win, not even the other things, but you haven't even heard that anywhere.

So, that's what I say. In fact, a few of the Bernieistas might actually vote for Trump because they want to overturn the whole rotten system at this point and they think that will help do it, but will Trump winning mean a change of direction for the US? And the answer is no, don't mistake him for a libertarian. He's an authoritarian. He has all kinds of stupid notions like torture is an official policy, killing families of accused terrorists, putting on import duties. Now, I don't keep my finger on the pulse of the hoi polloi and the capite censi as the Greeks and Romans would say. But remember your fellow Americans, didn't just elect Obama, they reelected him. So what does this say about the country? The reason that Trump is going to win is not because there is a ground swell of pro-freedom; it's because people are pissed off. They are just protesting a lower standard of living. They have zero understanding of cause and effect or economics, so this election isn't about ideas, it's about mob psychology. Not a good thing.

Furthermore, the political system is so corrupt that voting could easily be rigged with electronic machines and probably will be. You have a choice between a tutor, you almost had a choice between a tutor and a steward or a Hole Zollern and a Hapsburg. You were almost given a member of the Clinton Dynasty against a member of the Bush Dynasty and the average stupid American would say, oh, okay, please sir, give me more. But fortunately, you got Trump anyway, so you are probably asking a few of you, what about the libertarians? They used to be the party of principle, but now they have a libertarian that doesn't even know what that is and the vice president for the libertarian is a neocon, so forget about the libertarian party, they are a wing of the Republican Party. Now, if I'm wrong and Hillary wins, her administration might destroy the basis of American culture itself and much more radically than Obama, because the trailing edge of the greater depression is going to cause a crisis of historic proportions and they are not going to let it go to waste, so keep that in mind.

And add in the prospect of World War III which Hillary is very likely to start. This is not a good time to have a corrupt angry, elderly, debilitated, and mildly demented statist at the head of the US government. So, let me talk about something, that's disturbing, let me talk to you about something that is more disturbing. That it's the threat to the culture, such as it is of this country, we used to be a European, Anglophone country that shared a common culture and this is going to change radically if the democrats are elected. Not that I'm for the Republicans, but demographics and migration are the big thing facing the world today. Now let me start by saying, I am all for immigration and completely open boarders from opportunity seekers from all around the world, but listen carefully, with a serious proviso, critical, critical, you can do that if there is zero welfare to attract them and to all property is privately owned to minimize the possibility of squatters and beggars, so you don't need passports, that's all you need, those two things I just mentioned. The millions of immigrants that came to the US in the 19th and 20th century has zero state support, but what's going on in Europe today is entirely different, these western European welfare states are giving these migrants everything. Free this, free that and these migrants are unskilled, uneducated, bad attitudes and the question arises why incidentally, since they are all Muslims, which is a fact.

Why aren't they being welcomed by wealthy Muslim countries like Saudi and the UAA and Qatar and Bruni, you never even hear of that mentioned? I bet you never even hear that, well why aren't they welcoming these people. What we are talking about here is tens of millions of people of different language, different race, different religion, different culture, different mode of living, way of thinking, look, it's great to have an alien in your society one or two or three out of 100, fine, that's great, you got some new food in your restaurant row, that's wonderful, but an influx of millions and tens of millions of this type of migrant can only destroy a culture. I t's very much like what happened to the roman empire 2000 years ago, except it's much more serious than the Goths and the Vandals pouring over the border. Much more serious than that was. It's going to destroy western civilization, which I am kind of partial too, frankly, tens of millions of Africans from south of the Sahara are going to want to immigrate to Europe. The colonizers are now being colonized, well, fair enough, turnabout is fair play and if I was an African, personally, from South of the Sahara, I would absolutely try to cash in on the large __of these stupid Europeans.

But unless the Europeans get in front of the situation, it's not just going to be a couple of million Muslim refugees from the near east. They are going to have to deal with especially in the chaos caused by the greater depression and the upcoming wars that the democrats will likely start if I'm wrong and they win, you are going to have millions of Africans standing at the boarders and if they are accepted in, it will destroy civilization and if they are turned away, it's going to be a scandal and a bloody one, and so I don't know what's going to happen.

I know, some of you are thinking out there, hey, wait a minute, you have to be charitable, you can't just let these people starve because they have had some bad luck, but to that I would say an individual or a family can have some bad luck for a while, but the places where these people come from have had bad luck for centuries and the bad luck is a consequence of their political and economic and social systems, their cultures. Let me note the elephant in the room here, incidentally, for you multiculturalists. Our backward, degraded, and unproductive and it makes no sense, in fact, it's idiotic to import at huge expense masses of people that have a culture of bad luck. And you may not be aware of this, but on just one day, about a week ago, the Italian Navy picked up 10,000 young African males off of the coast of Libya and transported them to Italy, it's true and there were lots of other days where thousands a day, this has been happening for weeks now, and these are all Ghanaians, Gambians, Nigerians, other west African countries. They are not going back home. In fact, they don't have clothes. They don't have money. They got nothing. Nothing. And they are going to use that to call their friends. Hey, come on in, these Europeans are really stupid. But it's going to get worse. Why is it going to get worse? Two reasons. In 1950, this is I so wish David Duke was here in the audience now because there would be reporters that would you know, my name would be plastered next to David's. In 1950, there were 250 million Africans and they were 9 percent of the world's population. Now there are 1.7 million Africans and they are 27 percent of the world's population and there will be 4 billion or 40 percent of the world's population in 2100, now this is highly politically incorrect to make this observation, have a life of their own. In addition to that, the population of Europe is going to collapse, there is really no way to turn it around, by 50 percent in the same period of time.

What's going to happen? This is a big deal. In fact, I spend a lot of time in Africa, got a lot of African friends, I tell them this. You know, its fine. We're friends. But the fact is that Africa has always been an economic basket case, if when Vasco de Gama was rounding the Cape in the 16th century if he had just thrown out a wheel, Africa should be eternally grateful to Europe, but it wouldn't have done any good. He would have had to throw out an instruction book with the wheel, but nobody could have read the instruction book, so things in Africa are not good and they are getting better and the cultural Marxist in Europe, populations are going to continue collapsing there. Meanwhile, this is being aided and abated by hundreds of think tanks around the world which are really just propaganda outlets funded by donors who want to give an intellectual patina to their ridiculous views and "make a difference." I hate it when people want to make a difference, most of them are located within the Washington Beltway and they believe that these people should be, not only encouraged to migrate, but subsidized to migrate.

So these think tanks and lobbyists and NGO and the media, they are what I like to call running dogs that are the support system for the top dogs in the deep state. Their product is policy recommendations. They are populated by people who are simultaneously useless mouths and useful idiots, but they are not your friend. On Saturday, you are going to hear from one of them, Doctor Strangelove. A running dogs and all the whip dogs in this audience will applaud him. I am sure. So, let me emphasize what I said earlier, there is no immigration problem anywhere. This should be a non-problem. 100 percent of property privately owned to keep out trespassers, beggars, vagrants and migrants and zero welfare to draw people. That way, individually, productive people from anywhere in the world should be able to go anywhere and be welcome, but migration is impossible. So my prediction remains that the continent of Europe will one day just be a giant petting zoo for the Chinese assuming the current wave of migrants approve.

An incidentally it's Chinese policy, this is interesting, to move 300 million Chinese to Africa, so in the next century we're gonna see a black/yellow race war, so I'll be observing it on my wide screen in South America, I don't care, so it's kind of free entertainment. Now, let me tell you, this is, I think this is interesting and this is going to be headline news for the next decades, I think, but let me tell you about what's really important, this is just entertainment to what I just told you about. The big thing is that technology, the assent of man is all about technology and what's going to happen in the next 20 years is going to change the nature of life itself on this planet. You have to look at civilization from a long term point of view and here is the concept, Moore's law hasn't just been around since the computers, it's been around for 200,000 years since the appearance of Homo sapiens and the mastery of fire and then but it wasn't doubling every 18 months it was doubling every 100,000 years. And then the dog was domesticated and then the bow and arrow 20,000 years later was discovered and so forth, glacial pace till the ice age 12,000 years ago then the agricultural revolution, things got better every millennium, the Bronze Age, 5,000 years ago, things got better every century and then the Renaissance and the enlightenment by the decade.

And so now, since the industrial revolution 200 years ago, things have been getting better every year, but they are exponentially accelerated, things are not getting better by the, they are getting better by the week, by the day, because there are more scientists and engineer alive today that have lived in all the rest of history put together and they are active but it's better than that. I am telling you why you shouldn't worry about the scare stories I told you earlier.

I will give you six things, there are more, but we are running out of time. Racial intelligence. These scientists and engineers are going to be incredibly assisted by machines that are more intelligent than we are, which are right now being developed, it's happening now. Two robotics, the Japanese, old Japanese and Europeans aren't going to need to import servants from the third world, you'll have robots that are indistinguishable from people and will be made with, and you won't be able to tell them from people, actually. I think it's going to happen in ten years, very, very quickly. That's going to change things. What's that going to do to the institution of marriage? I'll give you something else that happens, virtual reality. You know, you have already got an oculus riff that makes it seem like you are in a different reality. No, no, no, you are going to put on a suit with sensors both sending and receiving, rap around you are not going to be able to tell reality, virtual reality. I think some people will sit in those suits and never get out of them.

Bigger than that, you have biotechnology, genetic engineering, there were it's happening as quickly as computers did in people's garages in the 60's today. They are going to create new life forms, they are going to, listen to this, they are going to personally extend your life hundreds of years. If you can live another ten years, you may be able to live hundreds of years. I hope I don't have a heart attack next year. I would really like to come back and regenerate with Bruce Jenner's body after he won the decathlon. Nanotechnology and this is all trivial relative to nanotechnology which is going to change the whole nature of the planet itself and that's happening too. And right now, what Chuck Ravine just talked about, solar technology, he underestimated what's going on. Look, this is the way people think, we are programed to think, 1, 2, 3, 4, 5, 6, 7, 8, very logical, but the way technology is evolving, it's exponential. Now, how does that go? It goes, 1, 2, 4, 8, 16, 32, 64, 128, when you are just up to 8 so this is outrunning all of us.

Because, we don't know what's going on in 100 different fields like this. Um, it's like a stadium, a huge stadium where there is a drop of water in the field and it doubles, who knows, who cares, it doubles again, 4, doubles again, who knows. It's gonna double and double and double. This is what's been going on for 200,000 years but now, we got a foot of water in the bottom of the stadium, and it's going to double and double and double and a couple more doublings and it's gonna overflow the stadium, all of a sudden and so that's what's happening. And it's a change of state. It's like the difference between water at 100 degrees and water at 32, 33 degrees, okay, it's warmer. Still water. It goes to 32, its whole character and state changes and I think that's going to happen, it is happening.

Now, okay, some advice, five minutes. This is enough, five minutes is enough for investment totes, am I right? Technique, this is going to be a chaotic environment. And therefore, you cannot think like an investor, you have to think like a speculator. Here is my ideal plan. Divide your portfolio, or part of your portfolio into ten areas, each of ten percent. Each of which number one, in your opinion has the ability to go ten for one, if you are right, okay and it's unrelated to the other areas. I mean, ten different mining stocks is not diversification, okay? That way, if you are wrong, 90 percent of the time and 90 percent of your portfolio goes to zero if you are right just once you are even, but you are probably better, so let me give you some things to keep your eye on. Right now, volatility is low, interest rates are low, enthusiasm is high, and buying distant puts of the right companies, 18 months out there is a whole list of them. I am not going to give it to you now, should give you 10 or 20 to 1 on your money. Buy puts now. Okay, that's number one.

Speculative? Yeah, if you are wrong they go to zero. But ugly, your pension, your real estate, your house, your stocks, your business could go to zero so I think this is prudent. Number two, interest rates have bottomed, I don't care what the idiots on MSNBC say, I think they have bottomed, those short bonds, now, it's possible do to that and I think that's kind of a slam dunk that you are going to get 10 to 1 on that over the next cycle too. So that's the second thing in your portfolio. The third thing is oil. This is very interesting. The thing Dennis Gartman said earlier, he was quite correct about the production characteristics of oil. I am going to talk about the consumption characteristics of oil.

Remember what Chuck Provenie just said, he's right. Oil usage is going to collapse because there is a famous picture of Park Avenue in 1901 and it was full of horses and carriages, one motor car, that's why somebody took the picture, bumper to bumper, one motor car, horses and carriages, by 1913 12 years later, one horse and carriage, all motor cars, it was exponential. This is exactly-, electricity for many reasons. Oil usage is a dead duck. It's going to be a feedstock and an aviation fuel. This is going to have lots of, solar is going to be everywhere generating electricity. On car tops, on roof tops, on highways will be made out of it. What's this going to do? It's going to destroy the utility industry, it's going to destroy the transportation industry.

And what else is it going to destroy? The energy industry, all these oil companies, so oh, a comment here about Russia and Putin. Look, Russia is nothing but a gas station next to a gun store, that's all it is. But here is the important thing, if Hillary is elected, she is going to shut down fracking in this country. And that's going to change a lot of things not just the $30 billion a month that will help the trade deficit which is still $30 billion a month shipping out dollars in exchange for things from foreigners, but what happens more? Do the arithmetic and you will find the Saudis and the Russians both get $200 billion a year more for their oil if oil is at $100 a barrel as opposed to $50. 200 billion. Look, a bankrupt country can't hurt you much, but a country that is getting 200 billion a year, maybe they get ideas. So the Russians are not backing Trump, I mean, other than the fact that they see, all right, here is a reasonable guy we can talk too, as opposed to a psychopathic criminal which is hard to talk too. But otherwise, they are going to say, hey, we'd rather have Hillary, because it's going to help oil prices. Mining stocks. I touched on this earlier and I am running out of time, obviously, look, 19th century Choo Choo train industry idiot investment, cannot invest in mining for many reasons, many, many reasons, forget about mining, it's horrible. It's a speculative vehicle. Saying that, I am long all these crappy mining stocks because I think we are going to have one more bull market in these things and then, all these big yellow trucks that are running around like dinosaurs in the very late cretaceous it's all going to come to an end and it's going to be nanotech and biotech from the ocean and space technology from the asteroids that's where the metals are going to come from in the future.

This is where I put a plug in for my new novel, Speculator, which is a novel about the mining business and mining frauds and other stuff, so buy that out there at booth 120, I think. After my speech is over, you'll like that book, I'll promise you. But anyway, I think these mining stocks, I have been in mining stocks in that past that have gone not just 100 to 1, I have been in two that have gone 1000 to 1. You don't need many of those hits to get well. So, I think it could happen this time. There will be a bubble in it. Two stocks I like, northern dynasty, biggest undeveloped deposit in the world. If Hillary wins it goes to half. If Trump wins, it goes 10 to 1. I like Brazil Resources which is an Amir Adnani company. I own a lot of these things. As Rick Rule says, let me disclose a conflict, I got a big conflict telling you about these things, silver is the number five thing. I'm winding up here so you don't have to get the hook out.

Give me one more minute, Gary. I hate recommending silver because people promote it as a religion, but because of the revolution with solar silver which is the most reflective and conductive of all elements is going to get big and they aren't going to be mining that much more of it. Tip number six, you can get five and a half to one from European and Australian bookies against Trump. I just called my lawyer the other day and I had my lawyer bet for me on Trump. Hey, a little bit extra money doesn't hurt. Hey, that's not a gamble. It's such a good gamble, it's a speculation not a 50/50 bet like you get in a casino. Oh, and I had four quick tips. Two don'ts and four dos. Do I have time for two paragraphs?

Okay, number one, don't be overloaded in real estate. It's in a bubble all over the world and I actually think that the great World War II, post-World War II bull market in real estate is coming to an end, many reasons for that, no time to cover them. Just a tip, second, collector cars, bubble, bubble, bubble. I have been a car guy all my life, I promise you $500,000 Ferraris and $2 million 1970 Plymouth Barracudas are going to be sitting in a barn with dead batteries, flat tires and rats in the upholstery in five or ten years. So, forget about those. Four dos. Own a bunch of gold, preferable small, historic coins like sovereigns, two, make sure you have plenty of assets out of the country, three, consider getting a second citizenship and passport and four, make sure you get a crib outside of your native country, come down and visit me in Argentina. I have a very nice development. I would love to sell you a lot and I need somebody else to play poker with at night. Okay, thank you very much, guys.

Eric Coffin
"The Resource Bull Market — Names For The Next Leg Up"

Moderator: First off we have Eric Coffin, he'll be presenting the resource bull market name for the next leg up. Eric Coffin has been publishing the Hard Rock analyst for more than 20 years. HRA as it's known specializes in finding discovery plays and resource growth opportunities in the junior resource space. The average return for over 100 from the HRA list from 2003 to 2016 is over 185 percent so very impressive track record. 31 of these sales resulted from larger companies taking over the HR list companies to get access to their discoveries. And that's pretty impressive people. That's about 2.4 companies a year that have been taken over, so clearly Eric has an eye for properties and companies and management teams that can get their properties taken over at higher prices by other companies. The average gain to date for those 11 companies exceeds, this year he has added 11 companies to his report and to date those 11 companies average gain in the market place exceeds 300 percent. So he's off to a great start this year. And ladies and gentlemen, let's give a big round of applause to Eric Coffin.

Eric Coffin: Morning, everybody, it's a bit earlier than you usually see me in New Orleans, quite frankly. I tend to be an afternoon guy in this city. I'm not going to spend a lot of time on macro stuff because I know you are going to be deluged with it. There will be tons of people giving macro talks. Even more people giving talks about the gold market specifically, so I am going to run that pretty fast just to give you a sense of where I think things are at and where I think we go in the next little while and then I am going to talk about, I am not even sure what the number of them is. There is six or seven companies that are on my list that I follow that are presenting here. I run a couple of conferences myself. And I have always believed that one of the main reasons to come to these events is presuming that you are an investor in the space, which I assume you all are. It gives you a chance to actually go and meet management groups one on one get a feel for them which is very important. I mean, I tend to be a guy that focuses on projects probably a little bit more than I do on management groups. But there is no doubt that there is some groups that have serial successes you can quite often get a feel for whether the reality is going to live up to the power point when you actually stand in front of somebody and talk to them.

So probably more than half of this presentation is just going to be me giving you a very quick run through of some of the companies that I follow that are across the hall and encouraging you to, in fact, go across the hall when time permits and actually talk to some of these guys. Because, I do think there's a few there that have some pretty near time catalyst and I'll go through them. Basically, we are in the midst of, in my opinion, a minor correction right now. One of the things that I have found most impressive, I mean, I am from Vancouver so you know, I talk to resource investors and brokers all day long. I am more or less literally surrounded by them and I was impressed and mildly amused by the level of panic and despair in the last two or three weeks based on what's really a fairly minor pull back.

People got a little bit freaked out especially when gold hit that very large one day drop. I don't pretend to know who did that selling. I think it was largely just speculators in the futures market. The futures market got, in particular got the trade got very crowded on the long side. You see this happen pretty often in futures markets, not just gold, but all futures markets. I think you are seeing a similar pattern developing, actually in the US dollar right now where the long side is getting extremely crowded and these things have a way of unwinding. This stuff flows back and forth and I think what we are seeing-, partially of course, based on the fact that the US dollar is at a very strong run here. That fairly simply is based on the market in general, the bond market specifically coming around this time to believing the fed when they are talking about a December rate increase.

I tend to agree with that philosophy myself. I would say the odds are at least the 75 percent that the bond market is pricing in. I don't think it is really from Macro Economic reasons. I think a couple of the fed governors pretty much told you in the last two weeks in recent speeches, you know, Stanley Fisher, I think was probably the most honest of the bunch when he just said, we have got a big credibility issue and if we cry wolf one more time, the market is going to simply stop paying attention to us. We're almost forced to do a rate increase in December because if we basically do another bait and switch like we have done four times this year, no one is going to take us seriously. I think they are feeing quite painted into a corner.

And personally, I don't think that rate increase is going to make a hell of a lot of difference when it happens. It's largely priced in now anyway, so it's not something I am losing much sleep over one way or another. That shows you the recent US dollar chart, and the other reasons of course is currencies, when you trade currencies, there is no such thing as a one way currency trade, when you are buying one currency, you are selling another. They are by definition two ways trades. And part of what has been helping the US dollar if that's the word, is the pound cratering, the Euro being fairly week because there is the expectation that the UCB is going to continue being at least as accommodative as it has been. And the bank of Japan just has not had any luck turning around the deflation scenario there. And after a fairly strong run you have seen the yen come off too. So part of the dollar strength is simply the other side of the trades, people selling the pound, the Euro and the yen.

And again, these things do have a habit of reversing themselves, Europe has put out descent numbers the last little while, they are not great obviously, but they are actually not that bad. There has been fairly good ISM and trade numbers coming out of Europe that last couple weeks. I don't expect the Euro to get a lot weaker than it is. The US dollar rolled over late last year just before last December's rate increase, I won't be surprised if we see the same thing again. In fact, that's my expectation. And it's not based on any world is coming to an end scenario, it's just, this is a very one sided crowded trade and these things tend to unwind when the market gets what it wants, guys close the trade out. That's how the market works.

As far as the gold market goes, yeah, there is a lot of technical damage done. I don't personally think there is a lot more downside, I think we might have seen it bottom a couple of weeks ago. I am not necessarily expecting anything amazing, but I think with the worst is probably over in terms of pull back. We might get one more leg down the big potential factors driving the next couple payroll reports. The slight chance, I don't think it's very high, that the feds actually does surprise everybody and does a rate increase in November, but I don't expect that. I think we are getting the one that they are talking about in December and I think it's quite possible you will see gold move again as that rate increase gets past us and people stop worrying about it. The one thing I want to point out here, because this is something I have talked about all year, and it's important to understand where I am coming from. It's important to understand why I think the gold is in a bull market and to put it very simply, the main basis for it is a negative real interest rate environment, if you look at very long term trends, gold and commodities in general you go back and look at bull markets through the last couple of hundred years, almost inevitably those are also periods where you get negative real interest rates and by negative real rates, I just mean the nominal interest rate that is set by given countries, central bank, minus the inflation rate in that country. Essentially when people talk about the fed being behind the curve, that's what they mean, they mean you have a negative rate environment, because they are not raising rates as fast as inflation is rising.

I don't see a lot of room for inflation in the next little while. I think it's possible we'll see inflation tick up a bit and I mean a bit, like half a percent, on the outside, maybe a percent, but the important thing is even with that small an increase, I do not see the fed, and the same thing goes for the ECB Bank of England, Bank of Japan, I don't see any of those central banks doing enough rate increases to get to and in front of the curve, that number of rate increases which right now in the us would be six or seven quarter point increases there is just no way in hell that is going to happen any time soon because if they actually did a series of increases you would almost certainly see a crash in New York and everybody on the fed knows that they aren't idiots. They do not want to set that scenario up. When I talk to a lot of what I call outside money generalists funds, that sort of money which is moving back into the space in the last few months, this is really the main thing they talk about is a negative real rate environment. That money is still moving into the sector.

It tends not to move that fast. It takes these sort of funds a long time to decide to position themselves in a sector and once they do, they don't move the money in overnight and they also don't move it out overnight. I think there is actually still a fair amount of money over on the sidelines looking to get into this sector and that's another reason why the little consolidation we had over the last two months is probably actually good news at the end of the day, because a lot of those investors, and I can tell you a lot of sector guys, like I know hundreds of resource sector guys, I have been in the sector for 30 years, most of the those guys were probably the most skeptical after five years of bear market. They needed a consolidation to convince themselves that there was room for them to move back in and be buying again, because most of them were actually getting quite paranoid after the time we got to late summer because things have done so well, they were waiting for the other shoe to drop.

And a lot of these generalist funds, I mean, they are more disciplined talking to those guys, a lot of them are the same way, like I said, a great run, I am going to wait for things to pull back a bit, so I was actually happy to see a bit of a consolidation, the market needed that. Bull markets in general need that. You have got to have consolidations on the way up or your bull market is not going to last very long. You need pull backs like this to reposition people and move money around. That's the basic numbers there, like I said, I was surprised how much angst there was in Vancouver. The TSX venture index, a terrible index, but it just happens to be the one that has more resource companies on it. Went up 82 percent from January until late August, it has since dropped 9 percent and you think people are going to start jumping out the windows on House Street, it's ridiculous. I'm just like relax everybody. I'm like God, this stuff happens. It's a good thing. Bull markets need consolidations. So, assuming that I'm right, this consolidation plays out over the next few weeks. Where do I go from here? Where am I looking right now for gains, and like I said, I am not going to talk about all the companies I talk about, one, I don't have time. And two, I am intentionally focusing on companies that I follow that are at this event so that you can in fact walk across the hallway at some point and talk to these guys, so let's stop obsessing about the correction and let's think about the next leg up.

The sooner we can make a little bit of money over the next few months. This is, like I said, this is a New Orleans based focus list. I am going to go over these companies in sort of three segments, near term catalysts, medium term catalysts, and long term catalysts and within those segments they are just in alphabetical order. There is no particular order other than that they are alphabetical. So don't read anything into the order other than the first four, I think it's four that I talk about are ones that have near term catalysts and in most cases that's news flow. They are either drilling or they either just finished drilling, or there is some sort of economic report on its way fairly soon. I am going to go through these quick.

I mean, I wish there was an easy way for me to just hand you guys all these slides. I may maybe load them up some place and people can download them if they want, because I realize there is a lot of verbiage on these slides, but I'm just trying to get through this stuff fast. Okay, near term catalysts. Black Sea Copper and Gold they are in booth 400. I started following these guys a couple of months ago, they just did a reorganization. This is essentially a new company. Tight share structure. They have about $3 ½ million in the bank now, strong technical management group. The reason that I like this stock purely and simply is I am a big fan of what's called the tethyan mineral belt. That belt runs through Serbia, Romania, Bulgaria, Turkey, it's a relatively lightly explored belt most of it was on the other side of the Iron Curtain, obviously for a long time.

It's already generated a number of great discoveries, one company that I have followed that is being taken over made a great, a company called Reservoir that I am sure most of you are familiar with because I know they have been down at this show. They made an incredible discovery down in Serbia, Nevsun took them over, but there is several extremely impressive deposits in this belt. It's known for large epithermal and VMS systems. These guys have staked several I am expecting to see several other projects show up over the next few months. They are in the midst of getting concessions in a couple of these countries. But they have started work in Turkey and Bulgaria. I expect them to be set up to drill probably two or three projects by Q1. It's a very nice set of large targets. So, that's an early stage one, but that's one that's got a lot of discovery leverage so I like that one a lot. Next one, GMV minerals, booth 316, most of these early stage ones, just so you know, I was the first newsletter to follow them. I tend to be the guy who jumps in first on a lot of this stuff, sometimes to my detriment, but sometimes it works out. GMV is actually a project that's been around for a while. I actually got interested in this project because they put out metallurgical news which is not the most exciting thing in the world, but if you are dealing with low grade oxide gold deposits, metallurgy is extremely important. It makes or breaks a lot of these things. They put out really, really impressive early stage metallurgy late last year, I was kind of like I know that project, I don't know the company. I went and looked at the company and realized the guy that runs it is a guy that I have known for 20 years, but I hadn't seen for ten.

I jumped on this deal early this year and in fact my subscribers are probably a large chunk of the last couple of placements and I'm not a small chunk myself. But they have got a 530,000 ounce gold deposit southeast Arizona. From what I can see, I don't see any obvious permitting issues. More importantly for me is two things, one the metallurgy they are doing column tests now that they will probably have results out in about a month. It looks like it might be run of mine, what that means, when someone say a deposit it run of mine, they basically mean, it doesn't need multistage crushing and grinding. That's a big part of the Capex and the Opex for anyone of these deposits, so if this turns out to be run of mine, then their margin will probably be fairly high even though it's only a point seven gram deposit. They should be starting a drill program in a couple of weeks. That is going to be infill and step out on the zones. I think that's a pretty good shot, them getting to six, seven hundred thousand ounces. They also just finished doing a bunch of exploration away from the hill. This deposits all in what is called Mexican Hat Hill, it's actually sticking out of the side of the hill.

They have done a bunch of work out in the flats. I think there is relatively good odds that they are going to find new zones. These are structurally hosted zones. There is a number of structures that they know are out in the flats where they know there is no outcrop. They just did a bunch of soils and geophysics. If they can pull a couple of new targets in addition to growing this thing, and especially if the column leech tests on top of that show that it is in fact run of mine, I think odds are fairly good that this is the next take over off my list. High margin oxide deposits are not common. High margin oxide deposits in good jurisdictions are extremely uncommon. There is lots of guys looking for them and there is not many around.

Precipitate gold there in booth 303 I will tell you in advance if you are not one of my subscribers, I follow this stock in the newsletter, but I don't rate it for very simple reason, my late brother David and I were two of the founders of this company. I am one of the largest shareholders and I generally know what's going on so because of that, it's difficult for me to put a rating on it because I just have access to too much information, but I do update it if something interesting happens. What I do like about this and I had a hand in it happening is they have got a project in what's called the Toro Belt in the Dominican Republic. That's a relatively new belt. It wasn't explored until ten years ago. There have been a couple of discoveries already the biggest one is

Gold Quest 3.2 million gold equivalent, Romero discovery. Gold Quest and Precipitate are doing property wide work right now. It's the first real systematic exploration in this belt, which has generated a lot of impressive discoveries for a relative small amount of money. They did make the discovery two years ago at Ginger Ridge, 18 meters of 4 ½ grams smack in the middle of the bear market, nobody cared. They did the smart thing, and upgraded the target with more surface work and waited for the market to get better. They should start drilling in a couple of weeks. I have got very high hopes for this one, not least of it is because I own buckets of it, but I also, I really like this target and I really like this belt and they are also doing work on the rest of the project and they should, I think they probably have two or three or four other drill targets by the time they finish drilling this first target where they already have a discovery hole.

The last one on the near term catalyst list is Syrias. They are working near the Elian Ore mine in Quebec. Again, very strong technical team. They have just reported their first real results from this year, but there is a whole bunch more coming. They are on a hiatus now waiting for assays to catch up and then they will start drilling again probably in a couple weeks. And they will probably do another program starting in January. There will be tons of results from this thing. They have generated some very high grade numbers. They are still trying to figure-, here I wouldn't say this one is a slam dunk yet. But it's a very strong technical team and they will have very, very strong news flow. What you should be watching for, personally, I can live with one or two meter high grade sections as long as they can get the dots to connect, I am fine with that. I think the markets expectations are a little higher. So what we are looking for in terms of making the market happy it's probably multi meter intercepts of several grams or better, something where they can build tonnage, but again, they are across the hall. A good group of guys and there is a ton of news flow coming on that one.

The last one in terms of near term catalyst these guys are also drilling, West Red Lake they are in booth 312, as the name implies, their project is on the west end of the Red Lake camp. It's a JV with gold corp. This property has about a million ounce resource on it, about seven grams. It's not a bad resource. It's not outstanding by Red Lake terms, but it's descent. They are drilling right now, again, infill and expansion drilling. That's not really what got me interested in the property though. About a kilometer east of where the current resource is, there is what people refer to as the Hinge zone, the intersection zone, there is basically two deformation belts and I am not going to bore you with the details of what those are, but there is two deformation belts that come together in that area. They have only managed to get a couple holes in there, but they returned a couple of holes with a couple of meters of ounce and a half, two ounces.

They have a very large, deep geophysical target there. In order to drill that property properly, they are actually in the middle of doing drill permitting right now, they are hoping to get permitting for this set of claims on the eastern end, hopefully next month. They really need to be there to drill this properly. But they are getting a couple of holes into that zone from a less convenient spot right now, but that, for me it's fairly value based on the ounces they have but for me the real upside is, if these guys really hit it out of the park, with this Hinge zone, cause this kind of stuff in Red Lake, it's the kind of thing when it works, it works really well and you get amazing holes. I am going to have to speed up here. Colorado, these are medium term ones, Colorado, great technical group. They reported a lot of good two, three meter high grade holes this year, they are figuring out the system and seeing whether the dots connect. I am saying medium term just because where it is, they can't drill again, so probably next June, so I wouldn't say there is a big rush. Adam won't love that I said that, but there isn't really a big rush, but it's a very strong group and I would say the odds of this property coming up with a million ounces plus are fairly good, and it's got good logistics. Victoria gold, fairly straightforward. Feasibility study, 2.7 million ounces. These guys are basically at play on the gold price. They are trying to expand the deposit, but it's sort of a known entity and it's sort of one of those ones, it will move with the gold price and it is, I consider this also to be a takeover target.

The long term guys, I don't really have time to go through, but essentially they are both uranium companies. I really like Energy Fuels. I think it's a great management group and a great set of projects, but the market hates uranium, that's just how it is. So if you are buying that one, you are accepting the fact that you are holding it until the uranium price turns. I think it's the best position company when the uranium price turns. I have no idea when that is going to happen. I am not personally expecting it to be that soon. Rough Riders the same way. That one you are basically betting on management, management are good friends of mine. I am actually an advisor to it, but you know, uranium, I don't personally see uranium turning around for a year or two. I don't think it's going to be sooner than that. So, that's, you got to be realistic of what you are getting into.

But I think if you want to play higher uranium prices energy fuels is probably the best way to do it, because they can actually ramp production up quite fast. When uranium price goes up, those guys can go from half a million pounds to two or three million pounds very quickly. They can actually take advantage of it and not many companies can. So that's the reason that I like that. I am over time already. They are probably yelling at me in the back. So, I am done for now, thanks very much.

Brent Cook (Pre-Conference Workshop)
"Insights Into The Business Of Exploration Panel"

Interviewer: Good morning, or good afternoon. Thank you all for coming this first session of the New Orleans show. I often find this is the best time to start bringing you information before the hangovers and such start kicking in here in New Orleans. The title of this panel is something I've done every year now for about four or five years, and it's Insights into the Business of Exploration. And what we're trying to do here, and what I'm trying to do is present you with some experts in the field and get some insights into how they actually think about the business, how they run the business, what they do in terms of financing, thinking ahead down the road, and that sort of thing.

We'll start off – I'll introduce our panelists today. In the middle we have Dan James. Dan has a degree in geology from Portsmouth, U.K. He's been in the exploration business now for 20 years. He started off with a Shanta Gold in Tanzania, has worked – is now president of Medgold, which has projects in Serbia and Portugal – first time in Ethiopia, down in the far deserts, one of the most desolate places in the world. And I was very impressed with his ability work and do geology in a tough – next to Dan is David Cole. Dave is also a geologist. He's got a Masters degree in economic geology. He spent 18 years with Newmont Mining, exploring a good part of the world. And 14 years ago, I first met him again in Rick Rule's office, when he came in with Eurasian Minerals, and has been running that now for 14 years, Eurasian Mineral being one of the most successful prospect generator companies.

And then we've got Adrian Day – I'm sure all of you know Adrian. Adrian's got a degree in economics from the London School of Economics. He's a money manager – writes a letter as well, and has been in this industry now for 25 years. He 's not a geologist, which is why I have him up here. Normally, it's just a bunch of geologists talking about geology and mining and that. But I want to get the perspective of someone who has been successful in the money side of things.

For those of you who don't know, my name is Brent Cook. I'm an economic geologist as well. I write an investment letter called Exploration Insights – that's the website as well. The letter's about what I'm doing with my money in the exploration center – what I'm buying, what I'm selling, the money I make, as well as subscriptions, and my investments. And in November, brought on Joe Mazumdar, so there's two of us there, and let's get to it. I'm going to have – at the end, we're going to have time for questions, so really get some together.

Let's get – I want to start with some background on how these guys ended up where they are, and what brought you in the junior game. What were you doing before this – that sort of thing. And let's start with Adrian. Being from the London School of Economics, how does someone with that sort of background end up getting into the junior exploration business?

Interviewee 1: Actually I need to correct you on something, Brent. I didn't graduate from the London School of Economics. It was the London School of Economics. *[laughter]*

Interviewer: Let me fix that.

Interviewee 1: Can't help it. My – originally after – you asked the question, so I'll answer it. Originally after college, I was involved and very interested in politics in England. And I sort of came to gold, I think, through this sort of – if you like – political perspective or the perspective of hard money. That's how I originally came into gold and, in fact, gold coins were my very first investment when I was about 11 years old or something. But when I started writing, I started writing about investments in the late '70s. And one of the things you find when you're writing about investments is you've got to make the stories interesting.

And I think the truth is that junior gold stocks are a heck of a lot more interesting than most of the senior gold stocks. You can write a better story about it. I think that's probably the truth of it. I've also been a bit –

always been a bit of a risk-taker. So I'm naturally inclined towards the more high-risk, high-return end of the market than I am – although the senior is a pretty high risk at the moment as well. That's a different issue. So I don't know – anyway, I don't know if that answers you. I've been managing money now for 25 years. So –

Interviewer: How about something you've learned the hard way when you got into this sector. What's one or two things that you had no idea about until you got into this? What's something you learned the hard way?

Interviewee 1: Yeah, good question because I didn't actually – Brent mentioned I'm not a geologist, but I also don't have any particular investment education, for better or worse. One of the things I did learn, I remember very clearly, was the issue of dilution. Someone will tell me what a wonderful project they have, how many ounces of the – how much money – what the costs of getting it out of the ground are, and I think, "Wow." In those days, $300.00 an ounce multiplied by five million, and the market cap is five million. "Wow, this is really a good buy" – without thinking about or recognizing the capital costs and the ongoing cost of getting that out of the ground and of course, dilution. And I'm thinking of a very specific example here that came home to bite me.

And so I've always been extremely concerned when I look at companies – and presumably we'll get to this later – but I've always been extremely concerned about balance sheets, about ability to raise money, and about dilution. Because once a company issues more shares – there's a company I'm thinking of now who's raising some money. They have a seven million market cap, and they're raising five million. Essentially, they're almost doubling the market cap. And if the warrants are exercised, of course, they'll be more than doubling the market cap. That means that the person that thought he owned one-hundredth of the company now only owns one two-hundredth of the company.

That's not to say that companies don't need to raise money at some points. It's not to say that raising money can't be creative. It is to say, however, that once a company issues shares, those shares in virtually all cases tend to stay on the books. And so that dilution is forever. And that dilution remains, even after the project on which they raised the money has been built, is produced, and has been reclaimed and is back to the desert. So I've always been extremely concerned about shared dilution.

Interviewer: Good point. What could possibly go wrong? Dan, since I met you down there in Ethiopia, you've come on and you've – you're now president of Medgold. Sort of a big change. What kind of brought you there, but also what you have learned has been the biggest, hardest, most surprising thing you've learned coming on as president of a junior mining company?

Interviewee 2: Well, I suppose getting into the industry was something – it's kind of a – geology was a passionate thing that I've always, always really enjoyed. And the dedication to that is underpinned by a couple of points. What – getting into the industry for me was buying a 300 pound ticket to Tanzania, flying single with only like 250 pounds in my pocket, and then trying to go around and travel, and try and knock on doors to try and find work. It was graduating into a time when the industry was really flat and it was very difficult to find employment. And a lot of people now – I get a lot of people asking me for jobs now, but sitting at home waiting for the opportunity to arrive to them, whereas I think it's a case of going out and finding the opportunity.

And for me, it was knocking on the door with a shanty. And I haven't been living off pretty local food for quite a few weeks finding work and traveling. Suddenly, we're put into a company house and we're given all this food – there was cheese in the fridge and everything. *[laughter]* It was quite amazing. And then we're off to the field. And the very next day, I was sitting on a drill rig, sucking in rat dust and did that for weeks and weeks. So getting into the industry, that was when the gate was open. And from thereon in, it was working for a long time in pretty hostile conditions out in Tanzania in the middle of nowhere. Then I came back and did a bit of time in London and working in the city.

And then the real opportunity for me opened up when I was working in Ethiopia. I was working with a company called Stratex. And they were looking for a new opportunity and that opportunity was presented to me to go and find a new jurisdiction, a new idea, and so I ran with that. And just happened to choose the most hostile place in the world, in the Afar desert, which is 120 meters below sea level. The temperatures sometimes exceed 60 degrees Celsius. It was pretty incredible. And I had young graduate geologists who also came to get into the field, coming out and working with me, and camping out in these conditions in the middle of nowhere, and camping out.

So I think you need to have a bit of a spirit for the exploration and a real desire to want to be there. Because it's not easy. It's not an easy thing to do, and I think the understanding for the guys that are in the field – it's important for us as managers and company managers to understand the hardships that they're going through. So I think having been there and gone through it, it's far more easy to sympathize with the guys working for us. So I think some of the lessons that I've learned, I think, comes down – one of the most important things is communication.

And I think there's kind of three pillars of the communication for me, really. It's the communication downward amongst the team. It's the motivation. They're the guys on the ground. They're the ones that are going to be kicking the rocks over on a daily basis. They're the ones that you need to have incentivized. They need to be understanding of where we're going, what we're doing, how we're going to do it. And similarly, the communication upwards – communication through management, through the Board, making sure that the Board are onside with what you want to achieve and where you're trying to go. And then the communication to the market. It's very important to keep the market updated. Realistically, you're going to be achieving within a fixed period, whether that's a quarter or a year. But it's very important to make sure that those expectations are set, and you also achieve those expectations.

Interviewer: While you're on a roll, do you got a story?

Interviewee 2: Eh?

Interviewer: While you're on a roll, do you got a story of your adventures out there?

Interviewee 2: Yeah, the filtered ones obviously. We – there was one of communication, I think, and learning the hard way. Again, in Tanzania – 21 years old, desperately trying to grow a moustache, trying to look a little bit older than I was. And it was the time of the El Nino rains, so we were doing a trenching program. And at the time, I had a 126 Tanzanian local, uneducated guys working. So pale-face on the project running around in the bush there. Well, the rains came through, flooded all the trenches, and they managed to bail them all out. And so there was a workers revolt, and suddenly the workers were saying, "We're not working." And I was like, "What's wrong?"

I thought a pound a day was quite acceptable, and that was the company policy. But it was a pound a day for casual workers just working in the field, but it wasn't a pound a day for digging trenches. It was a pound a cubic meter. So my first lesson of communication was standing on top of a pile shouting, "Why aren't you working, you guys? Come on. Let's get motivated. Let's carry on." Didn't go down very well at all. So I think it's understanding the audience and how you communicate throughout the company.

Interviewer: That's a good point. It reminds me of one time I was working in Zambia doing the same thing – putting a trench in. And had a bunch of locals doing the trenching. And when the results were to come back, they could – I'd be excited about something and not about something else. And they got the idea that it was good to make the boss happy. So they're sampling began to focus just on the little tiny quartz veins, ignoring the barren material and oil. But they didn't understand what they were actually doing or why they were doing it. Their goal was to make me happy, so they high-graded all the samples. That took awhile to figure out. Anyway, Dave. How about you? Since coming out of Newmont and starting Eurasian Minerals, you've had a long go at this.

What was some of the main things that you – that struck you as unusual – you didn't expect starting to run a junior mining company like that?

Interviewee 3: Well, I guess first of all what got me into it is the passion for value creation at the pointy end of the stick, Brent. And we've had these discussions before, but the excitement of discovery and the value that that can create for the owners of the company. And along that road, there's a whole host of interesting trials and tribulations that have occurred. One of the really important ones – and because we've practiced the prospect generation business model, as you're aware, that requires that you have a partner. And right out of the get-go with Eurasian Minerals, we were fortunate enough to have a major mining company come in and partner with us in Turkey. And I thought that was great. It was the first regional strategic alliance we had.

And not to go into too many details, but we ended up coming to loggerheads with that company with respect to what type of work should be done on the property. their ideas about what should be done on the property were different than ours. And so the realization that, guess what? It's their money, and it's their expertise that's being employed in our property, and we're happy about that, or should be happy about that. And understanding that they're the customer at the end of the day when you're in the prospect generator business. The major mining companies are the customers. And understanding that realization that the customer is right, and we need to facilitate their success and work with them rather than get a loggerheads with them was one of the early lessons that we learned.

Interviewer: So then what is the criteria – given what your goal is here – what are the criteria, the main criteria you use to evaluate opportunities – *[Crosstalk]*

Interviewee 3: Yeah, that's a really good question. You might imagine that in the prospect generation business, the larger challenge might be acquiring the prospect of mineral rights. What we have found is that having good geological concepts and acquiring prospect of mineral rights certainly is challenging, but it's not the biggest challenge. The biggest challenge is to get them marketed and to get them sold. And that's where the rubber meets the road within the prospect generation business model space, in my opinion – is actually selling properties and getting those partners to spend money on your assets astutely and to move those projects forward.

Interviewer: I'm going to ask the same question of you, Dan. What are the criteria you're using with Medgold to decide what's worth acquiring and what isn't?

Interviewee 2: Well, it's such a good question, very difficult one. First of all, I think we need to look at the jurisdiction. You need to make sure that the jurisdiction that you're in that we're looking at – we went through a period recently of looking at a whole bunch of different jurisdictions throughout Europe. We started up and we've operated in a few – some of them have fallen by the wayside through different reasons, largely to holding licenses and the ability to actually do the work. I think it's – it then comes down to a bit down to the geology. You've got to be out of work whether you can identify something. Can you actually take that through to production? Is the country able to support you? Are the governments giving the right sort of support? Do you have to go through a whole series of bureaucratic processes just to do one single drill hole or can you move through?

So to look at the projects, it's obviously a geology game. But the first and foremost thing for me is the jurisdiction. So assuming we're in the jurisdiction, such as where we are in Portugal and Serbia, we know that we've got a good framework around us. We know that we've got a good robust mining code around us, and we can actually operate there. So then it falls back to the geology. And then you look for – you've got to look for a bit of scale, you've got to look for size, and you've got to look for these things to actually build out to a cohesive idea that you can actually build a decent-sized deposit within the target that you're looking.

Interviewer: I'll throw it at you as well, Adrian – not from a geologic standpoint, but you look at hundreds of junior companies. What – I know it's a long list, but what sort of criteria are high on your list when evaluating an opportunity in a junior company?

Interviewee 1: As I've mentioned and you mentioned, I'm not a geologist. So I don't have any particular edge by looking at a property and looking at the drill holes. Obviously, you have to have a sense of – that the company's got some good projects. But I don't have any particular edge in that area. What I look at more than anything else, I look at the people, first and foremost. And by the people I mean their expertise, their history – frequently, people who are successful over and over again are probably likely to be successful in the future. So I look at their history, and I look at their reputation. I've been in this business perhaps more years than I care to remember, and so I've got a lot of very, very good contacts.

And reputation, both in the marketplace, but also among key players, is critical to me. If I'm looking at a project in a property that operates in Quebec, for example, I will call Andre Gaman from Virginia. And his estimation of the people is invaluable to me – invaluable. So people is number one. I never invest in a junior company without meeting the management first, and spending time with the management – not just meeting them for 20 minutes at the booth to hear the story, but spending time with them. And that might mean a field trip, but it might mean – it could just mean dinner. But you learn a lot about people by spending two or three hours with them over dinner. So that's number one.

Number two for me is the balance sheet and everything involved in the balance sheet. How much cash do they have? What's their burn rate? When are they going to need to raise money again? Are they going to be able to raise money again? What does the share structure look like? How many warrants are out? Are the warrants in the money, out of the money? Et cetera, et cetera. Having the money for juniors that don't have any revenue coming in, having the ability to raise money, and keep costs low. That's critical to me. It's one thing after you've had a success to go out to a fancy restaurant and order an expensive bottle of wine and celebrate. But it's another thing to be doing that week after week, month after month, before you've had any success.

So people – and I guess that comes back to people *[laughter]* doesn't it as well? But people and balance sheet are the two most important things. And I guess I should say one more thing, if I may, Brent. Different people look at the market or look at companies different ways. We – and it's just a style thing, there's no right or wrong to it – we are very much investors in companies. I like to invest for the long-term in a company that I think over time will be successful. I'm not looking at a particular project, a particular drill hole, and thinking that I can jump on board – and again, there's nothing wrong with that if you have the skill and the expertise – jump on board and win from a particular sort of drill hole play or something.

We are looking at companies. We hold over five percent of Eurasian, and we hold over ten percent of Medgold. And we've held our share – I don't know when we've sold shares in either of your two companies. I don't think we've ever sold. So we just believe in buying companies – in buying shares in companies that are run by good people, and having patience. But that's a different sort of style than some people.

Interviewer: I think you make a good point. Exploration in particular is a long, scientific process. It's not a sudden drill hole one day, and you're rich the next. Usually, it's a scientific process where we conceptualize an idea, we test that idea, and then look at the results compared to that idea, and revise the concept to see what we've learned and if we've learned something, and it's worth going on. But for the folks here in the audience, the advantage of this show or any show is they're here, they can speak to the companies and get to know them, at least from a first-pass basis. Let me throw this question at you. What are some tricks that junior promoters commonly use to lead you down the wrong path? Can you think of anything offhand? I'm going to ask all three of you this, too – starting with Adrian.

Interviewee 1: Starting with me? *[laughter]* I think I always asked the standard question, what keeps you awake at night, or what could go wrong? And if a company says to me, "Well, I don't think of anything. Everything's fine. Everything's good." There's something wrong there because a company CEO should know what the risks involves in his particular company are. And it might just be the gold price. The gold price might be the biggest risk for that particular company. But there has to be risks. For me, it's a matter of style as much as any specific thing, to be honest. I just don't like people who are overly promotional. That was okay when I was 21 years old to try and promote me. But we're – everyone in this room *[Break in Audio]* too much experience. I don't like someone promoting me. I like someone explaining to me.

Interviewer: So it comes down to people again. How about you, Dan? What have you noticed since you've been attending these shows and listening to other companies? What are some – misleading tricks, is what I'm after – misleading tricks that someone might employ?

Interviewee 2: Well, I suppose on a technical side, you've got the – when you come to drilling results, drilling results are very easy to – not easy to misrepresent, but it's very possible to misrepresent. And I think some companies can over reg a drilling intersection. But that drilling intersection may be a fantastic intersection, but it's in the middle of a sea of barren rock, which kind often the intersection is very, very low. So I think quite often when you get these intersections and these drilling results, I think it needs to be taken – well, how are these intersections lining up? Are they all drilling on the same location – drilling the same sort of one tiny part of mineralization, or is there quite a big step-out? And is it making a cohesive model?

And I think if you can sort of very quickly see – and I think most companies – well, certainly Medgold – we post all of our drill results to our website, and we're happy to show tables of data, we're happy to show all the color locations of where everything's located. So it's very easy to see in a Hole Eight – at a good intersection, and that's 100 meters from Hole Seven. It's very easy to work out whether there's a cohesive model around these drilling results, or if it's not – if it's sort of all spotty and it doesn't actually hang together as a system or as a deposit.

Interviewer: Dan makes a really good point and something that we talk a lot about in our letter, that even if you can't quite understand exactly what all the data means – the cross-sections, the drill holes, and such – the fact that a company does or does not present you with that data tells you all you need to know about the company. Everything should be up there in an easily accessible form. Dave, have you noticed – are there any tricks that you can pass on to the folks out here that they should watch for – not necessarily ones that you employ?

Interviewee 3: *[Laughter]* Yeah, at the top of the list, I might put true thickness versus drill thickness. That's one. Certainly the geometry with respect to how the drill holes intersect at the body, and it's easy for that to be exaggerated if it drilled down a mineralized crack. And so discussion of true thickness versus actual drilled apparent thickness is one good one.

Interviewer: What exactly does that mean?

Interviewee 3: Excuse me?

Interviewer: What exactly are you talking about?

Interviewee 3: So the – let's say that you have a vertical vein – and I'll use my hand to illustrate a vertical vein that's mineralized with gold. And if you drilled straight down the vein with a drill hole, you might come up with a phenomenal intersection of 100 meters of one ounce per ton, perhaps. And that might sound absolutely astounding, but in fact, the vein might be only three feet wide. And if you intersected it appropriately with a drill hole that cut across it, and you calculated true thickness apparently or appropriately and put that into the press release, you do see that in a very simplistic – that's a simplistic example, but that can be taken to – with a whole host of different angles, if you will, and used inappropriately.

But there's another one that perhaps is even more common and more costly. And we see this routinely throughout the industry, and that's metallurgy. So just because you've drilled significant thicknesses and drilled out bodies of mineralization doesn't mean that they can't be beneficiated or recovered through a standard milling circuit, or through a leach process. And so understanding the metallurgy and referring to folks like you with respect to advice about things like that can be very helpful to investors – a quick phone call to somebody saying, "Hey, is this gold actually recoverable?" And then another common one that we see is burying the underlying commitments and financial terms that the property has associated with it – royalties, payments associated with that property, maybe carried interest, maybe governmental interest, maybe taxation issues – a whole host of other things associated with the deposit can be buried in the documents, as another one.

Interviewer: That's an excellent one. And often you don't find that data very easily. Good point. One that gets me a lot that is – you'll see a company put out their value – how the value of dollar per ounce in the ground, meaning they're taking the market cap and dividing it by the ounces in the ground and showing you a graph where for some reason their ounces are only being valued at $4.00 an ounce, which is the lowest in the graph, where other people are up to $100.00 an ounce. Those sorts of things, I think, are somewhat misleading if you do not actually throw in the cost to recovery the gold, the cost to mine it, and the capital cost – the total cost. So if you see that graph, then think of why is that only being valued at $4.00 an ounce. And the reason is generally because it's not worth even that.

Let's stick with you, Dave. What are some of the common mistakes that investors make or the things that people should be asking you to get a good sense of what's going on? What do they usually miss, or what should they be asking you about your company to learn something?

Interviewee 3: So two actually interrelated questions. What should they be asking the CEO is one, and the other one is, what are common mistakes? I think the most common mistake – and this isn't just the average investor, but it's across the industry, even major, very large companies make this mistake – and that's not understanding very simplistically the business cycle, and the fact that these business cycles within the natural resource space are particularly exacerbated. And we've seen that in recent history repeated itself. And when everyone else is selling is a good time to be thinking about buying. And when everyone else is buying and prices are robust is a good time to be selling.

And of course, ironically, what we see is commonly *[Break in Audio]* in the opposite direction. And that's one of the biggest mistakes that you see. And you see that – I've done it myself, and all the way up to the largest mining companies in the world, which have done expensive mergers at the top of the market. Just understanding the business cycle and how it relates, and just because *[Break in Audio]* beta impact on stock prices associated with the pull-down and recent rise goes in both directions. And understanding that just because a stock is going up doesn't necessarily mean the company's doing great things, and vice versa.

Great companies have their stock prices go down substantially because of the beta impact. And understanding that relative to your portfolio and your strategy is one important big picture aspect. That's separate from the question of what should you ask the CEO. And I think Adrian make a good point. Spend some time with these folks – they're usually quite willing to speak with you – and ascertain are these good folks as a owner of the company. And figuring out if they're the quality people that are doing the right thing and thinking strategically with regards to growing the company over time. And some of the specific questions that you can ask about is who's on your team? What experience do they have? Where have they worked? What type of successes have they been involved with in their past life within the industry?

I've seen one study that was conducted that showed that one of the best correlation coefficients to success within the industry of making discovery is having already made one previously. And those folks that have made discoveries tend to make them again, which is quite interesting. But there's a whole host of specific questions, but a good conversation that goes into depth about the industry, about strategic thinking would be fruitful to have with CEOs and, I think, in most cases, the good ones are going to be happy to talk to you.

Interviewer: Good points. Dan, what should people be asking you?

Interviewee 2: Well, I think I'll reiterate what Adrian was saying about people. The people are the critical factor. It's a very high-risk business. Exploration is inherently a very high-risk business. And it's very difficult to find a large ore body. So I think it's looking for that track record in people, but I think it's also the appreciation of the risk as well. So I think given that there is such a high risk, it's inherent upon the CEO, it's inherent upon the management to be able to kill a project when they see fit. And because quite a lot of people hang on to these projects for far too long when all the fundamentals are pointing towards that this thing's not going to work. So they have to hang on to it because that's – in their mind, that's their only project they have to keep going.

But I think as an explorer, we can't be afraid of failure. And failure is in the sense of not finding an economic ore deposit. So that is a very difficult thing to do. And it takes a long time, and it takes a team of people to be able to do that. So it comes back to the people of the company to be able to make that discovery – to be able to identify what geology they're looking at. So therefore they can justify whether it should be drilled, or whether it should not be drilled, or whether we should go into another 10,000 meter program, or not. So it's that ability to make that decision – whether to pull back or to push forward. Sometimes it's extremely obvious. When you've got a blinder, it's – you're going to move forward with it. But a lot of the projects are borderline, so it's a very difficult judgment to make. So companies should not be afraid of killing these projects off.

So to come back to communication, the communication from shareholders to company – I welcome and I enjoy the interaction with my shareholders. I keep my key shareholders well updated on what's going on. And I think it's an important and intrinsic part of developing a story and the value of the company – to help people understand what's going on? What's in the pipeline? What are we working on? What are we excited about? And that comes back to a human relationship between shareholders and the management team. So I think it's a very good thing that there's ongoing interaction with high-level management, or board level, or CEO.

Interviewer: I think Dan made a really, really good point there. And this is something that I think is important to bear in mind – is that the odds of any single prospect turning into an economic discovery are extremely low. I think a study Newmont did suggested it was one in a thousand. So if we know the odds are that long, the most important thing a company can do with your money is to know when to quit – when it's not working and to get out of the way. And all too often, I see this over, and over, and over again – is they continue working on a project, despite the fact that the results are showing it getting worse, getting smaller.

One real easy thing I do is if the results – and this is basic, but if the results continue to support your theses and improve the project, you hold it. If they start turning bad or you start seeing the fatal flaw, it's time to get out, regardless of the share price. In fact, we've got a – this is for you all – on our website, you can ask us – we've got a report out now on fatal flaws in the industry. So just send us an e-mail – we'll be glad to send it to you. Adrian, what are – what do you see as the most common mistake or a common mistake that companies make?

Interviewee 1: Companies make?

Interviewer: Companies, yes.

Interviewee 1: Can I just follow on first from what Dan was saying and you followed on about how important it is for companies to kill a project when it's not living up to expectations? And I think the same applies for investors. I think most people I speak to in this sector say that their biggest failing is holding on to stocks too long, and I'm certainly in the camp as well. But one rule I do have and that is that if I bought a stock for a particular reason, and the reason goes away, I sell. You can always buy it back, but it's all too easy to sit there and try and rationalize why you should still hold onto it, even though the reason you bought it for doesn't exist anymore. So when you buy a stock, you should always have some kind of reason you're buying it.

Now of course if you're buying a company because you like the management and they've got a great balance sheet, it doesn't really matter if they kill this project or that project. But if you buy a company because it's a prospect generator and they're focused on Quebec, and then they decide to go and drill their own project in Mali, you've got to really ask why they're doing that. It has to be – there has to be a reason. So that's – I agree with that – it applies to investors as well as to companies. The biggest mistake companies make in – gosh.

Interviewer: Is that a long list or you can't think of anything? *[Laughter]*

Interviewee 1: I certainly agree with what Dan already said, and you emphasized – that companies do hang on to things too long. I think one mistake that companies sometimes make is not having a very, very clear strategic goal – not knowing where you want to go. Because if you don't know where you want to go, investors don't know if they want to follow you.

And I understand if you want to build your own – develop and build your own project, but you get a great offer, you're going to consider a great offer. I understand that. And if your project's up for sale, you don't want to just sort of let the market know that no way, Jose are we going to develop this project because you're probably not going to get a great price. So I understand there's a little bit of sort of poker involved in some of this.

But a company should have a strategic goal. They should know where they want to be in five or ten years. And they should be able to express that to shareholders. And I think all too often, companies aren't really able to do that. They can tell me what they're doing next week with a particular project, but they can't tell me what their big ultimate goal is.

Interviewer: That's a really good point. I think on any property a company's got, no matter the stage, they should be able to give you a ballpark estimate or conceptual estimate of what it is they're looking for, tons and grade what they're likely to find, and what the costs are behind mining and processing that and the capital costs. If you don't have that information, then you really don't know – or they really don't know if they're successful or not in their drill campaign. Let's jump over to jurisdiction risk. This has gotten to be a much bigger issue recently. I'll go with you, Dave. How do you assess the risk to reward when you're looking at various jurisdictions? Because you're often in the forefront of what we might call questionable jurisdictions.

Interviewee 3: Have been, yeah. Sure, I understand the question. I get it often actually. So the basic premise behind that is that rocks don't change, governments do – is one of the lines that you've heard oftentimes. It's a very dynamic and ongoing discussion with regards to risk analysis within our business for sure. Generally speaking, the investors and the market and newspapers feel that they understand political risk, so that's a risk that you can put a number on or feel confident that you see that risk. In many cases, it can be even exaggerated. Whereas geologic risk which usually, as you pointed out previously is a vastly larger risk, can be underestimated. And of course, risks compound. Each risk that there is a on a project is multiplied by the next risk.

And so the ultimate risk of success is all of them combined together as a multiplier. But to get down to the brass facts here and answer your question – because it's interesting philosophical question we can go on about – but to answer your question, what criteria do we use to decide whether or not we go into a new country or to acquire a new asset? And that comes back to the answer that I had previously to one of your other questions, and that is, is it marketable? Because the most important side is not acquiring the prospect of mineral rights, but actually getting them sold.

So one of the criteria that we use when we think about something, even though we may be very excited about the potential on some new and emerging terrain, the question we ask ourselves internally – is it marketable? Can we take that project forward and show it to major mining companies, well-funded junior mining companies, and find somebody that wants to employ their expertise and their dollars on that asset to the betterment of our shareholders? And so even though we may be believe in it, we may not acquire it because we don't think someone else will believe in it, if that makes any sense. So it comes back to that issue of marketability,

Interviewer: And I assume that the higher the political risk, the bigger the prize has to be.

Interviewee 3: Yeah, the less marketable it becomes. And there's some really stark examples to the contrary. For example, *[Break in Audio]* immensely risky for a long time, yet it's highly competitive. So it's a place not to go, in my opinion, because of those two factors.

Interviewer: Because it's competitive.

Interviewee 3: It's competitive and it's risky. *[laughter]* So if I'm going to go someplace that has political risk, I at least want to be able to have the ability to stake open *[Break in Audio].*

Interviewer: Well you've certainly shown that with your acquisition in Russia. Dan, I think we covered this with you. Do you have anything to add to that, Adrian?

Interviewee 2: Yeah, I'd like to say a couple of things. I think it's exactly that. I think you've got to be able to attract finance. So the jurisdiction in which you're in – you have to be able to market that. You have to be able to find finance. And that finance can either come through the market – through direct issuance, or it will come *[Break in Audio]* if it is a country that you can't attract financing for, it's dead in the water. So the example that I would bring is in the early days of Medgold, we came up with a conceptual idea, looking at these common type limestones which were strongly mineralized – really good looking rocks, and if they were in Nevada, they would have been drilled out decades ago. But they happened to be in Tuscany – it was Tuscany, Italy.

And while all the geologists were sitting around getting rather excited about the grades, the continuity, the size of these things, we couldn't – firstly, we couldn’t get the government to give us a drill permit because to drill below 30 meters, we needed a full environmental impact assessment. And second, they had us laughed out of the offices in Toronto, running around trying to find money for it. So it was – it's kind of – well, irrespective of whether the geology's good or not, if you can't attract the finance, you're dead in the water.

Interviewer: Would you put money in Ethiopia now?

Interviewee 2: No.

Interviewer: No? Do you have any thing to add to that, Adrian?

Interviewee 1: Well, I think just the way I look at things is there's enough risk in the mining business as it is – the geologic risk as well as a price risk and everything else. I tend not to want to take the additional risk of the political risk, unless the prize is really enormous. The one thing I would add is if we're looking at it as business people, or investors – what's important? As you say, can you develop a project? Can you raise money or find a partner, or raise money? And can you build a mine? And once you've built a mine, are you likely to be able to repatriate the profits?

And I guess the truth is – the unpleasant truth is that some unpleasant regimes do allow companies to operate. And perhaps less objectionable regimes do change the rules on people. So I think you want to know what's the history of companies operating, not just in the mining business, but any company operating in a country. And if you're able to operate, and the rules don't keep changing, then that means there's less political risk, even if it's an unpleasant regime.

Interviewer: Good point. Geologically speaking, the world's been covered fairly well at the surface. And the best low-hanging fruit with deposits sitting at the surface are, in my view, probably Iran and Afghanistan. I don't know if anyone's willing to go there, but that's – those are where the big prizes are, if you can get to them. I've got more questions, but I think what I want to do is throw this out to any questions from the audience. That would be great to get. Yes, sir. Biggest mistakes. You're not asking me, you're asking them, right? *[laughter]* My biggest mistake? I hope I quit doing this, but when a project, or a concept, or a theses starts to fail, my investment theses, if you will, kind of changes from what that was to hope. And I found hope is probably the worst reason to own a stock. Dave?

Interviewee 3: Spending too much money on certain projects which later we realized had little chance of being marketable.

Interviewer: Dan?

Interviewee 2: Similar, really – knowing when to walk away, when to quit, and trying to get the – coming up with a model early on and then trying to get the observations to fit. That's a terrible way to go around things. So that was a lesson I learned very early on, and yeah – the observations come first, the model and the ideas, come along the way.

Interviewee 1: It's really exactly the same for investors. You learn to rationalize things. You fall in love. You fall in love with projects that you really like, and investors fall in love with stocks. And one of the downsides to my approach of really getting to know the people is that sometimes you get to like people. And it gets tough – the truth is, it's tough to sell a stock when you like the guy running it. But it's not a matter of liking the people, it's a matter of respecting the people – their expertise, and the possibility of success. But I think that's the biggest mistake I've made. And I think everybody does it, to some extent.

Interviewer: So the lesson there is only invest with people you don't like? *[laughter]* Sort of like our presidential elections? *[laughter]* Anyone else have a question? Yes, sir. Well, Adrian, we'll start with you. Why are gold mining stocks so poor at paying dividends?

Interviewee 1: Well, dividends are low in the mining business because it's a very capital-intensive business. So like one of our – to compare it with something else – one of our favorite types of companies are called business development companies that lend money to small businesses. They have a steady stream of income and they can always borrow money from the bank. Credit is good enough – they can always borrow money, and lend it at a high rate. So they always have ready access to capital, and they have a steady stream of cash flow. So they can afford to pay very high dividends. That's one extreme.

But the other extreme is a gold mining company which is – often they don't have – even the big mining companies don't always have particularly good free cash flow. But the juniors don't have any cash flow, of course – or typically, sorry. Some – they don't have much cash flow. And it's a very capital-intensive business. So if you're going to develop a mine, you need all the money you can get. And so for that reason, I think companies tend not to pay out high dividends.

Interviewer: And I guess the second question was if it's so hard to find a gold deposit, why is the gold price so low? And I think my opinion is that it's just that more or less all the gold that's ever been mined is available in some – at some price out there in the market. And it will come in and out – be it scrap jewelry, bars, whatever. And I think that's what the balance is there. The real dearth of what we're really lacking here in this sector is new economic discoveries. That's where the real value is going to be created going forward. Yes, sir, back there. What are the prospects for the gold increase here decreasing? In my opinion, I think we're flat through the end of the year till we get Fed interest rate rise. Then all the other problems that are out there that are not going away come back in. And my feeling is next year, we're going to see a decent run in the gold prices.

Anyone have anything else to add? How do we tell the difference between an honest promotion and a bullshit promotion? *[laughter]*

Interviewee 1: Well, I think – well, sorry.

Interviewer: Yeah, Adrian, go.

Interviewee 1: Well, I was just going to say. David mentioned one thing, which is companies telling you or making it easy for you to find out what royalties there are, what interests the governments have, and so on. If a company tells you right up front all – if they answer your questions with all of the facts that you need – if you ask them about how – what their burn rate is and when they're going to need to raise money, and they tell you, "Oh, we don't need to raise money. We're fine. We've got some warrants that'll be exercised." Even though the warrants are selling – the share price is half the price of the warrant exercise price and so on. But if you want – if they own the project 100 percent and they just say yes without telling you that in that particular jurisdiction, it's typical for the government to take a 30 percent carried interest once you're in production, that's unethical, or it's misleading. So I think it's – if a company is willing to tell you the good and the bad, I think that's very important.

Interviewee 2: I think it ultimately comes down to people and the track record. Looking at the people, seeing what they've done, seeing what they're involved with. The boards of directors – not all of the board typically would involve with the same company at the same time. There's other companies that they companies have been involved with, the people have been involved with. So I think doing the research on the people is probably the most critical thing. And then second to that comes the jurisdiction. And then third to that comes the freely available data that the companies putting to the market.

Interviewer: I think it does come down to are they giving you all the information – all of it. And likewise, when you read promotional material – newsletters, that sort of thing – always go down to the fine print to see what that person who's giving the opinion – what they're motivation is. I think that's worth knowing as well. Another question? What's my opinion on junior companies going right into production on a small scale to generate cash flow? In my experience, that is rarely successful. It does happen sometimes, and certainly that's how a lot of the major mining gets going. But my experience has been the experience it takes to actually go out and find a deposit is completely different than it takes to actually build a mine – completely different mindset.

Plus generally what happens when a company puts something into production and it's small, they do it on the cheap – as cheap as they can, which means things break down a lot. So whatever money that I might make go right back into upgrading the plant, and none of it really gets out to shareholders, and explorations, more or less, comes to a standstill. So that's sort of been my experience. Certainly it's not impossible to that to work – First Quantum's a great example of a company that started with a small mine and turned it into something big. But most, by far – most of those things, in my experience, don't work. Have you got any other - ?

Interviewee 2: I'd say that it comes down to experience. I know what I'm good at and I'm striving to achieve. And I also know what I'm not so good at. And putting something into production and building a mine is not one of my key skill sets. My key still set is exploration, finding projects, and delivering value upon there. To suddenly change that skill set and to try and put something in production is going to be difficult.

And I think the industry now is kind of polarized a little bit with the junior and the mid tiers and the majors, in that the juniors are typically the fundamental companies that are doing the exploration. The majors are the ones that obviously have the ability to raise capital debt, et cetera, that can put these things into production. So *[Break in Audio]* the two, one needs the other. So to try and sit in the middle and to do these things, I think, in my opinion would be – it's going to be difficult. And you're trying to cross over skill sets and I think stick to what you're good at, in my opinion.

Interviewee 1: If I could – it's just an example to illustrate what you've been saying. But a good example, I think – Pierre Lassonde and Seymour Schulich are mining entrepreneurs in their business. But when they decided to put Midas into production, because it was so simple, that was a huge mistake. And they will admit it. So even to the best of people, doing something you're not good at can be a mistake.

Interviewee 3: It's a lot easier to talk about building a mine than it is to really build one.

Interviewer: Pardon me?

Interviewee 3: It's a lot easier to talk about building a mine than it is to really build one.

Interviewer: It is, indeed. We've got time for one more question. Yes, sir. Why does the price of gold so dramatically affect the junior miners? That's in your question because most of them don't have any gold to start with. Two, if they do, it's going to be years before it comes into production. So why today's gold price going up five or ten bucks matters, I don't know. But really it comes down to investor sentiment, liquidity – a lot of these things are very liquid, so a $15,000.00 order can ramp these things up ten percent easily. That's my experience why it happens.

Interviewee 2: Yeah, I think it is kind of a pendulum effect, with the gold price at the center, then the majors and the mid tiers, and the juniors at the far ends. So when there is a slight change in the gold prices, it's the juniors that get the big swing – whether that's a swing up or a swing down. Even though we don't produce anything, we – it does come down to sentiment and confidence in the gold price that we will be able to deliver something further down the road.

Interviewer: Well, that's about all the time we've got. What I want to do is if you wouldn't mind telling us if you're speaking, when and how to find you at the show, that would be great. Adrian.

Interviewee 1: I don't have a booth, but I'm speaking tomorrow at 11:30 in the morning and I have a workshop in the evening, 8:00 tomorrow night.

Interviewer: Dan?

Interviewee 2: So I've got a booth – Booth 318, Medgold Resources.

Interviewee 3: Eurasian minerals – Booth 129. And I'm speaking tomorrow morning at 8:15 AM.

Interviewer: And for myself, I've got my keynote presentation this evening at 6:30, right after the reception there. So bring your drinks in and we'll have some fun. I'm also – I'm on the mining panel tomorrow afternoon, 6:30 again. And I've got a round table on Friday, I think, or Thursday. I don't know. But I didn't get a workshop this time, so what I'm doing after my two talks or meetings over there is right after that, we'll go out into the hall and we can do some questions and answers. That's all the time we've got. I certainly hope this was useful. We'll be at the show. Talk to us and have a good show. Thank you. *[Applause]*

Interviewee 3: Thank you, Brent.

Brent Cook

"Game On Or Con On: How To Play This Market"

Moderator: And we're now back getting ready for our evening session. And our first speaker tonight is a name that's very familiar not only to the New Orleans audience but also to the world of precious metal mining as a whole and that's Mr. Brent Cook. His topic tonight is "Game On or Con On, How to Play This Market." And he will be in the Gold Club this evening at 6:55 to 7:10 to answer any further questions you may have.

Brent is a renowned exploration analyst and economic geologist, is the coauthor of *Exploration Insights*. You can find that at www.explorationinsights.com. He has over 35 years of experience providing economic and geologic evaluations. He was principal mining and exploration analyst to

Global Resource Investments from 1997 through 2003 where he provided analysis to retail brokers and two in-house funds managed by Rick Rule. He has worked in over 60 countries evaluating virtually every mineral deposit type.

Exploration Insights is an independent newsletter and discusses what Brent and Joel Mazumdar are buying, selling and avoiding in the junior mining and exploration investment sector. So that's an extremely impressive resume and one that places a heavy emphasis on practical experience and practical investment decision making. Brent, after his speech will be in the Gold Club from 6:55 to 7:10. So at this time let's have Brent come to the podium. And again, a reminder about his Gold Club appearance.

Brent Cook: Good afternoon or evening I guess it is. Thank you for coming across. I appreciate it. I assume you're all in a good mood after a few drinks and some nice food. And I'm going to keep it that way because this is the second year in a row that I've actually come to this conference with a positive message and I think it is a positive message. What we're going to do is go through first off very briefly how I see this market playing out this year and into the future. My focus is on minerals exploration, discoveries. I don't spend a lot of time on the big companies like Barrick and Newmont. I don't think there's much to add there so what we do is minerals exploration discovery.

We're going to talk a bit about timing and then want to get into the fatal flaws which is really key. And I hope this makes some sense to you and we're going to do some geology and have a bit of fun with this. So we saw the run from beginning of this year through midsummer. It did quite well. Gold was up not that much, say eight percent. But the GDX and GDXJ are up 50 and 80 percent respectively. That's the big miners and the small miners did quite well and that was off of a very low bottom had been formed over the previous four to five years. As of last week, we are down 22 percent from the peak in the larger miners and 20 from the peak in the smaller miners.

My take going forward is that until the market – I shouldn't say the market. Until the fed makes its decision and I think it will be to raise rates – and we get this election out of the way – its choppy to down. And this is a really good time to be selecting the companies you want to own and buying them on bad days. This is the investment mining clock and what it shows is the typical I guess evolution of boom to bust to boom again. And right now, I put that little star at about 4:00. That's where I think about we are. We've seen the cost cutting. We've seen the company liquidations, dividends cut, assets written down. That all happened last year.

This year we've seen a bit more money come into this sector. Not much. Most of it will go into where it went. Metal prices I think have stabilized and we're starting to see some mergers and acquisitions. So in my view we're sitting about 4:00. 5:00, 6:00 will play out over the rest of this year and into 2017 and beyond. That's all I'm going to talk about the big picture. I think there's plenty of people talking about that. What we're concerned with here is geology and rocks, turning rocks into money.

Ok. Let's look at financings. This is a chart showing all financings from 2006 through the end of last year. These are total financings and what you can see is they're down. The red line is the metal price index and it's clear what's been happening. Financings are down since 2011. In reality I think that's a good thing and I'll explain why. This is where the money has gone. This year there have been 57 financings of greater than $10 million for a total of about $4.1 billion. And these are rough numbers. I pulled it off of some Dundee research so it's rough numbers but the general picture stays the same.

All right. So of those 57 financings, 20 of greater than $50 million account for 83 percent of the money coming and that 83 percent has gone basically to the top six which are listed here. And that money is going into working capital to pay off debt, has gone into exploration and that sort thing. Let's look at the midsize financings, between $10 million and $50 million. Again, this data is – it's approximate. 37 deals for about $773 million. This is the top number and you can see if you go through this that 14 of these deals have been to actually build a mine. Another 11 have been for prefeasibility fees or feasibility studies. Four have been for the projects that are out of the money, deposits that aren't economic at this price. Only three exploration and then there's a variety of graphite, lithium royalties, that sort of thing.

Let's look at the bottom, under $10 million in financings. This is where the exploration gets done. There have been approximately 657 financings and this is all in the Toronto exchange for a total of about $700 million. The average placement price is just over – money raised I should say is just over $1 million. The median, meaning the center of that, half a million dollars. You can't do hardly anything with half a million dollars in the exploration sector. The majority of this has gone into at least the larger financings into exploration and the rest has gone into working capital just to keep companies alive.

And that list on the – you can see on the side there. Those are the largest funds. You don't look at where the money is going in this bottom sector. And this is the very bottom of the financings being done. Niko raised $10,000.00. Slam Exploration, $20,000.00. I mean basically this is just mom and pop, a bit of money to play with. Those are in my view the dogs of the sector and you'd probably be better off actually using that dog on the side there to go find something. So that's what the financing situation looks like.

Why should you care? Now we'll get into what I think is the important stuff. This is a really important slide. What it shows is the total ounces discovered since I think it's 1995. And what you can see clearly happening is the ounces discovered is going way down despite until two years ago exploration expenditures going up. Now consider there are 1,500 companies about up there on the venture exchange and in Australia doing exploration, hundreds of brokers and bankers and that that are trying to make money off of this thing. It's just down.

And this is about where the gold production is, annual mined gold production. Call is 90 million ounces a year. It's clear looking at that chart that not since 2006 ten years ago have we found enough gold to replace what's being mined. Also, keep in mind that once you find your deposit it's 10 to 20 years on average before it actually goes into production. And we've got this 60-million-ounce gap. So we've got a 60-million-ounce gap that's looming out there in the future that's going to impact these junior companies, the successful ones.

And this is sort of the same chart. The gold color is production – I'm sorry, is discovery. It's the discovery we showed before and it's the same. It shows the same thing. Basically, the big peak in '95 was due to the rest of the world opening up so low hanging fruit was picked up again and the second peak there is just a lot of money went into it but you can see it's down. More important is production. This shows what's happening to production. And this year is about the same as last year but looking forward production is going down.

The major mining companies do not have enough resources, economic resources to replace what they're mining. Again, really good news for us that invest in this sector. And because of this scarcity of economic deposits, this is nothing new. This has been going on way back, way back, clear back to pre-BC times really. And this is from a 1906 book by a fellow named George Rice Graham who was first a racing tip sheet guy and then he got into writing newsletters in the mining exploration and promoting stocks.

And he says the real money is mining is in dealing claims, not developing them. Flip properties before they get to the paperwork stage, ride the wave early, leap off before it crests. If no such waves exist, it is up to the savvy promoter to create one. This comes out of this book *My Adventures with Your Money*. It's a really fun book. All right. Does anyone recognize this guy? I hope not.

All right. So this is the deal and these come out a lot. I see these all the time, "Fantastic deal for you, limited amount of people get in. It's something we just barely found. We can't tell everybody, just you." So then they're opening up and they're promoting a stock really and this is the stock they were promoting, Dynacorp. And what you can see happening here is timing is really important. That's when it kicked in and you can see what's happened after this kicked in. Be very wary of these things. I'm not saying the company is not good or bad. I'm just saying be aware of how the reason behind someone giving you a hot tip.

Another one, Gold Corps' next potential acquisition. Maybe, maybe not but read the fine print. And here, you'll find out that this company just put out this promotional material has paid $250,000.00 plus $600,000.00 options and I think it's another $300,000.00 to promote this company. Promotion is important. I've got no problem with that. I think it's really important to differentiate yourself but as retail investors in this sector look at who is giving you this information and why.

All right. Red flags and fatal flaws. Joe and I – Joe works with me. I just hired him last year, smart of Joe and I think it's really improved our letter. We've put together a report on fatal flaws in this sector, some of which we're going to cover. The rest you can get from our website. Just send us an email. But the most obvious fatal flaw, red flag I should say in this case, are these companies that have gold bars all over their website. Lone star looking for gold in the Americas, a statue of liberty, that sort of thing. Be wary of those sorts of promotions. They're not actually after – they're after you're patriotic money. Go for gold in the Americas.

Ok. Let's do some geology here. Long odds of an economic discovery, fatal flaws. A study Newmont did a number of years ago found that about 1 in 1,000 prospects become a mine and 1 in 10,000 become a tier one mine, meaning something they would want to own. To improve your odds on that but I just want to get the point across that there are a lot more prospects out there, a lot more geochemical anomalies out there than there are reality.

And what this slide shows, it's a cross section through the earth of a company called Cardinal Resources with the drill holes and then those bars represent the gold grade. And this is a company we own in *Exploration Insights*. And the point I want to get across here is you can see that there's some sort of continuity from drill hole to drill hole in grade. That's what makes a good mine. Probably the biggest fatal flaw in an early stage project is continuity. You've got to have a coherent body of mineralization to mine it. Otherwise if you're mining here and here and you've got the waste in the middle you lose money.

So that's what a good continuity looks like. This on the other hand is rather poor continuity, a porcupine. You can see the bars are much smaller and much widely separated and there's a lot of stuff on top that doesn't have anything. That stuff on top is called waste. There are two rock types. If you're an engineer there's two rock types. Ore makes money. Waste loses money. That's all you need to know. And what this slide shows is sort of a diagram of strip ratio meaning how much waste you have to mine, how much zero grade you have to mine to get your ore out. Both of them cost money to get out.

The thinner one which is a smaller vein, the strip ratio there is four to one. And on the thicker one it's two to one so it's clear that the bigger body you can mine, the less your strip ratio and the more your profit goes up. The less money you're wasting on waste. And here's another example, the red and purple being the highest grades. And how much you can mine is really a function of the gold price. And that's obvious. So you can see what happens in this pit which is – that's the open pit, $1,200.00, $1,400.00 and $1,600.00 gold. You can go deeper and mine more at higher gold prices. That's obvious.

All right. Let's do some real geology, understanding neural high grade veins. This is a vein. This is an underground vein. I've tried to point out sort of the lighter stuff is the quartz vein. That's about a half meter wide. This is what it looks like in real life. There's two guys down there so you can get a sense of what it looks like underground. And that quartz vein is what they want to mine. That's where the gold is. But to mine it, you can't just mine that vein. A lot more comes into it. In this case the vein I'm calling one and a half meters wide, it grades ten grams a ton. But to mine that efficiently you've got to mine three meters. So you're bringing in one and a half meter of waste, zero grade.

What that means is if your vein is one and a half meters wide, you're mining ten – and you can mine ten grams a ton. That's good. That's nice. But the mining width is actually three meters. So your diluted grade, you're diluting it by half. Your diluted grade is five grams a ton. What that means in money terms is you've gone from rock that going to the mill would have been $420.00 a ton to $220.00. You've cut that in half. Keep that in mind. That's important stuff if you're doing any due diligence.

Another big issue. Does it make sense? Does it matter? Here's a company that raised $4 million to drill a hole three and a half kilometers down, testing that target. That little bar down there is what they're chasing. They're advised by the operator that no mineralization was encountered to depth. This is the scale of what they're talking about. This is us here and three and a half, 3.4 kilometer takes you through the downtown, the garden district, across Frenchman Street, out there in the middle of nowhere. That's how far they are drilling to hit something. This is the target. I'm sorry. That is – unless your name is Donald Trump or Bill Clinton that is not the target. The target is the sidewalk, right, about the width of the sidewalk.

Low odds of economic discovery, metallurgy. That's the second big factor, Metallurgy is basically your recovery. How much of the ore can you recover that's in the ground? Is it 50 percent, 80 percent, whatever? And there's a lot of ways to look at – what this slide shows is a study we did on open pit, Heap leach oxide deposits. And those stars show you the ones that have been acquired and the others have not. Now this is recovered grade. Recovered grade is basically you take the grade, call it ten grams. If you're getting 60 percent recovery you're only going to get 6 grams a ton so recovery is really important. And this is where the second big fatal flaw we see.

Infrastructure and capex. It costs a lot to build a mine, especially if it's in the middle of nowhere. Donlin Creek which is owned by Nova Gold, their project is about $7 billion in capex. I suggest that's a long time before that goes into production whereas something like Caminex coffee deposit, it was acquired by Gold Corps this year. Production was low and the operating costs were low. Important stuff. And finally, politics, social situation, environment.

The slide, the beautiful slide there on the bottom is Torres del Paine. It's in Patagonia. That little circle is some alteration with a bit of gold in it. Zero chance that will ever be a mine but people sometimes promote that. And then there's a list of places I wouldn't put my money, the bottom being California.

Share structure, this is really important as well and if you caught our discussion this morning with Adrian Day, he brought this up. In red is a company's share price. In black is the market cap. What I've done here is shown that over that period of time since, what, 2014 the shares out have increased 1,000 percent. The market cap has gone up 1,000, just over 1,000 percent. Sounds good but in fact the share price is down 5 percent. That's because they diluted and diluted and diluted, raised money and money and money to advance this. So technically the market cap has gone up a success but if you own the shares, you made nothing.

The opposite of this is a company Reservoir Minerals which we owned and did quite well on. There's the share price, the market cap. You can see that the share price went up in tandem with the market cap. That's what you want. It's not about – it's not about market cap. It's about share price. You can make good money even if it's a bust. So we've gone through this. I've told you it's really hard to find something but a lot of people have what looked like –
A lot of companies have what looked like legitimate discoveries early on. They'll pull a couple of good drill holes and this and that. We have made in the letter good money on things that actually went bust because we buy there and sell there in theory. Not always work that way but that's the idea. And you can do that if you go through and recognize the fatal flaws. We're always looking for the fatal flaw. What's wrong with this project? What's not going to work? So you can make good money that way.

Takeaways. All right. So obviously, the odds are long, stakes are high. Watch out. There's a lot of people in this sector trying to make money on things that aren't real. Find the fatal flaw. Look for it. Know your deposit. If you don't find it, fantastic. Keep with it. High margin deposits are going to be extremely valuable. I didn't spend much time on this but the point being if they're not finding, we're not finding deposits, production is going down. The mining companies aren't looking for them. The very few deposits that work, that make money meaning they are economic are going to be extremely valuable going into I think next year and the year after. So that's all we want to do. And I think the time is right. I think buying over this next six months or so selectively is a good idea.

All right. So that's really what I wanted to cover. The fatal flaws report you can get at our website. Just send us an email. Happy to show it. Going over there next. This is my schedule. Thursday I've got a 3:45 speaker table, Thursday evening the mining panel and then Friday 9:40 the exhibit hall. I didn't get a workshop this year so what I'm going to do after the table and exhibit hall tour is come out into here and just take questions and answers which I like to do.

So you're all welcome to come. We can talk about any companies you own, don't own, questions on mining and geology. Then I've listed here companies at the show that we own, I own in the Explorations Insights portfolio as well as three that I think I'm going to be talking to, looking at. That's the end of my talk. Please catch me out here when you can. Thank you. Thank you for attending and good luck to you all.

Rebecca Corbin

"Making Sense Of The Equity Markets: Insights Into Institutional Investor Sentiment"

Moderator: Next up we have a very unique perspective to deliver to you. And it's going to be Rebecca Corbin. She's going to help you make sense of the equity markets, giving you insights into institutional investor sentiment.

Now, Ms. Corbin established and manages Corbin Perception, which is an industry-leading firm assisting public companies with creating shareholder value. As well, she serves as editor in chief of the Inside the Buy-side, a publication that captures trends and institutional investor sentiment, and which is covered by news affiliates worldwide. She's also regularly featured on CNBC. *[Audio break]* Perception in 2007.

Rebecca was a vice president with Thomson Reuters, where she established and led Thomson's investor perceptions *[audio break]* stock surveillance analyst, covering high profile media, entertainment, and cable companies. Here to give you insight into the institutional side of things, Rebecca Corbin.

Rebecca Corbin: Well, good morning, everyone. It's an honor to be here to talk about the equity markets. I think I'm probably a little bit of a shift from what you've heard over the past day and a half this morning. Let's get into a little bit of the survey.

So Inside the Buy-side is something that we've been doing for eight years. We started it when the Great Recession hit. It was very hard to understand and do perception for corporations, which is what we do. So we started reaching out to investors, how they thought about the markets, how they thought about the economy, what they were thinking in terms of economic indicators. And I'll tell you, five years prior when we did this research – and if we asked institutional investors what economic indicators they were following – we would be hell bent to find one that said, "Yes, I actually do follow economic indicators." Now we've done the reverse.

This survey is launched heading into every earning season. We're in earning season right now. The Third Quarter kicked off the first week of October. We're kind of rounding third right now with half of the companies – excuse me, 60 percent of the companies announcing. We reached out to 89 institutional investors. Their firms manage over $1.1 trillion. These are firms like

Fidelity, Capital Research, Wellington, Vanguard, these types of institutions. And survey took place September 20 through October 3. So I just want to ground you in that timeframe.

This is the word cloud. If we look at every response that came back from our surveys, which is both closed-ended and open-ended, these are the words that institutional investors are thinking. And I want to preface what I'm saying with this is perception. Perception might not be right or wrong, but in order to understand equity markets and how they react, one has to understand the psychology of the institutional investor. These are big mutual fund investors. They manage billions in funds; collectively, in trillions, as I said.

They're concerned about growth, and we've been hearing it. And we've been really talking about slowing growth for the past year and a half. It's kind of this slow-motion fall into what is now very low-growth environment.

The political landscape is obviously top of mind. Interest rates, China – a lot of concern around China. The consumer – this was the first time that we surveyed in several years where investors are now growing concern around the consumer, because that's really what's been propping up the markets. And it's been a consumer-led equity market strength rally, as well as nowhere else to put your money.

Let me just take you back a little, because this provides a context. So again, surveying every quarter. In order to understand how the equity markets have developed and where we are today, we have to go back really to June of 2015. This is where we identified the China-based investors in our survey. We survey investors globally. Those based in China and Asia, largely, were three and a half times more concerned about China earnings – corporations in China – than their counterparts in Europe or U.S. – June.

In August, China imploded. And that's what drove the equity markets down. In September, we identified a wall of worry, right? Growing concern after stabilization of a bear sentiment growing in nature. And what do the bulls love to do? They love to climb that wall of worry. So you can see from September to October, they did just that.

In December of 2015, we register the highest level of bear sentiment, because this is when this massive growth concern started – the slowing global growth. And they were very concerned until management teams actually came out and confirmed those fears. And why did the market then rebound a little bit after it fell? Because that uncertainty was removed. And investors hate uncertainty. And regardless of whether it's good, bad, or ugly, they had an idea of what the reality was. The reality is that we were going into a slower growth mode. So we reached the Nader in February after earnings, after management teams confirmed that, yes, we are seeing slowing growth and, oh, by the way, 2016 is not going to be a good year.

Their outlooks that they gave in their January and February earnings calls were pretty muted. That took the markets down to February. And then we started reaching. First quarter, things had stabilized. We entered into a new normal. Expectations had been reset. The Sell Side, who publishes research on company – and if you read *The Wall Street Journal* and any other trade magazine in financials – First Call, Zacks, right? All of that consensus came down.

So we come into the first quarter and the second quarter. And clearly a slug could have crawled over those hurdles that had been set. Expectations came down. Sell Side consensus came in. A bit of a false sense of security. If you see, we're kind of stabilized heading into June to where we hit an all-time high despite all of the economic fundamentals that pointed to slowing growth – big bifurcation in terms of the reality of our global economy and the stock market, because there was nowhere else to put your money – to heading into the October earning season, which is upon us.

Earning seasons are great, because *[audio break]* that's publically traded and how their management did, which is obviously the old news. But more importantly, what their outlook is going forward. And that's where we are today. And it's been very mixed. If you've been following the markets, we've had significant swings in revenue. There have been seven to ten percent revenue growth for some companies, and all the way seven to ten percent declines. Healthcare is doing spectacularly; energy, not so much.

So when we surveyed investors, what we identified is that management tone was becoming more cautious. And that would be accurate, because they were sensing the fact that growth was slowing down. We work with publically-traded companies. We work with the boards of directors and executive management teams. And in our channel checks, we hear a lot about projects being pushed out. Industrial is still very challenged. Production manufacturing still very challenged. In spite of this, the bears, in terms of institutional investors, receded. And their sentiment upticked. Why do I tell you this? Because this is their sentiment heading into the earning season and why we've seen a lot of volatility in the markets.

Ninety percent said the equity markets were overvalued. Again, these are institutional investors running funds. They don't believe that buy backs are a good use of cash, because of the valuations. And remember, that's what's been propping up earnings per share. And they've been holding. These have not been the folks that have been creating any level of buying and selling activity. They've really been holding their positions, waiting until earning season to see what happens, to see great companies get blown up by industry news. I mean, we've seen a lot of companies that had great earnings. But because of the larger sector in which they operate, took them down. That's what these guys wait for. They wait for blue chips to come off – 7, 8, 12 percent – so that they can then invest their money.

The recession – we've been asking about the recession. I think we were the first to come out on CNBC with the R word many quarters ago. We keep on polling. Forty percent – excuse me, 55 percent think that the U.S. is going to go into a recession either 2017 or 2018.

In my other channel checks, looking at consulting firms and investment banking firms that have kind of keyed in economist, I think this is actually indicative more of now necessarily a recession, but a prolonged slow-growth environment. I think that's where we're going into. And I think if you look at the Great Recession and all the strength that we saw heading into that, there was one really big driver, and that was China. And I don't think we'll get to that a bullance anytime soon.

Seventy-three percent absolutely think the Fed is going to continue to raise rates. They should have been raising them several years ago. So we're at this weird tough place for them, as concern about slowing growth was happening. Now they're going to raise rates, which honestly, if you raise rates, that would indicate that the economy is strong.

Seventy percent are placing more strength on the balance sheet. Companies have been paying down debt. They have been tightening. And they are in a much better standing than they were in 2007 and 2008. Yet, there is still concern around slowing growth and the flexibility of companies to be agile in a tough environment. And that's what investors are looking for.

In terms of areas that have been driving the markets, housing resi construction still very strong. Non-resi construction saw the biggest negative shift that has been tracking steadily with housing resi construction – big shift since June. FX head winds should be staying in the same. Oil and gas should be staying the same. Global capital ex, staying the same. Only eight percent think it's going to improve. Global cap ex, that's what drives the economy.

And then turning to the global economies over the next six months – this was surprising. We had been polling investors on the globe in terms of what they're hearing. And remember, these folks are speaking with corporations across all sectors. They have economists, they have research, they have the mosaic. And they are typically the first ones to start to get concerned around cycle, peaks, and turns, more so than management. Management is usually the last one to see when this cycle turns. But investors are calling a lot of cycle turns right now.

However, they are very positive or more positive on developing markets, specifically southeast Asia. India's been in the news a lot. I will say that this survey took place before they cut their lending rate. Brazil is even getting a little bit more promising. On the bottom, Japan and Mexico.

And U.S., which has been the number one area, is falling. And not because we're necessarily seeing a significantly shift. It's just getting better. But there is concern around the U.S. economy, obviously, and the consumer.

Little deep dive into how they think about the sectors: Technology – technology has been number-one sector in terms of health. Why? Because they have growth. They've gone from double-digit growth to low single-digit growth, but they're still growing. Positive sentiment. *[Audio break]* technology land *[audio break]* this quarter drug companies knocking it out of the water. Biotechnology saw a big shift in positive sentiment.

Financials – continuously on the bulls and bears – can't make up their mind. They're pretty strong this quarter. Utilities and telecoms interest-rate sensitive, they're bearish. And industrials – you want to love the industrials, but they're really depressed in terms of oil exposure, commodities exposure. They are seeing flat to negative growth in many areas of the industrial sector.

So switching gears a little bit, what does that all mean? How do investors make sense of that? Well, we survey and interview institutional investors for our clients. And we are constantly looking at excluding fundamentals. After they do their screens, based on their investment thesis, how do you make an investment decision in a company? Because they typically have about 30 companies that they're looking at that look exactly the same from a fundamental perspective.

And this is how they determine where they should invest their money. They look at management quality. And they describe management quality as credible, forthright, honest – I'm always shocked by that, because there's apparently a lot of dishonest CEOs out there. We don't work with any of them, but there are – track record of execution, communication, and then getting into the sound, long-term strategy.

Whenever you're researching equity investments – and I always look at this – I always go to the investor relations website and I look for their investor presentation. And you can size up a company in about three minutes based on that communication that they're putting out to their investors. And that's exactly what institutional investors do. They actually tell us that the investor presentation on the website is as important as meeting with management. And these folks get access to CEOs and CFOs and operators.

And a lot of companies don't do a great job on their presentation. They don't talk about their long-term strategy. They don't tell investors where they're going over the next three years. They don't provide targets. But those that do are typically best in class. And they have a performance track record. And you don't need to get it – these companies are not – institutional investors don't always want these companies to get it right all the time. But if they have a blip – and this is where the wheat separates from the chaff – they come out with a plan to either restructure, to address the situation. They're proactive. And that is what differentiates good from great companies.

Sustainable competitive advantages – whenever you're looking at investment opportunities, you have to look at what these companies offer – high barrier to entry, strong management team, and of course, capital allocation. Capital allocation has become basically the lightning rod for activists – that and portfolio management.

Companies five years ago communicated their capital allocation plans as "We invest in dividends. We invest in buy backs. And we do acquisitions." If you want to look at a best-in-class company, you'll see that they go very deep on how they're allocating capital. They give a five-year lookback of what they have spent their money on, their shareholder money. They'll also give you a look forward in terms of how they're thinking about that. "We're going to spend 50 percent on reinvestment and M&A, and we're going to give back 50 percent through buybacks and dividends, and here's out dividend policy and this is how we think about buybacks."

And then they'll do a deep dive if they're an acquirer on M&A. "Here's how we're thinking about it. This is our strategy towards M&A. We're focused on bull tons in these geographies." This is what really differentiates good from great companies – the ability to communicate with investors, so that they can make sound investment decisions.

And you should all, if you're looking at equity investments, that would be the number one thing that I would say you should be looking at, is their investor presentation, how transparent is it? As well as their earnings calls. I listen to about 45 earnings calls every quarter. And it's amazing what you learn, listening to companies across all sectors and all geographies, about what's going on with the global economy and how right or off they are in terms of what the masses are saying in terms of their peers.

Sustainable competitive advantage is one of those things that if you listen to Cisco's call – Cisco with a C – they talk about this all the time. They have to, because they're so big. How do we differentiate ourselves? Best-in-classes management. This is what investors look for – high barriers to entry.

Operational excellence is something that industrials do exceedingly well, especially the large cap – the Danihers, the Honeywells, the Stanley Black and Deckers of the world. Operational excellence is something that I always look at when I'm looking at companies. Because companies who understand and have a framework in place typically outperform their competitors. From the plant level, which is lean manufacturing and processes, to the corporate level, which is tying performance to financial targets, such as working capital, free cash flow.

This is really a very sophisticated organization that has this type of operational excellence. And it absolutely does differentiate companies. And we see it across starts in industrials. We are now seeing that across industries. And really, every companies should be focused on that. And if they're not talking about it and they're not doing it, then they're not at a position of strength, from our perspective. We spent a lot of time on operational excellence. Of course, leading in innovation and technology, and then market leadership. This is what institutional investors look for when they're making an investment decision.

And one of my favorite slides and probably very counterintuitive to this group, but the institutional investor universe – and nobody is really most positive for the markets, but they feel strongly that Donald Trump would be most negative for the equity markets. And why is that?

They like certainty. As I started the discussion, they like certainty. They don't like uncertainty. And if you think about institutional investors, I think typically they do fall into the Republican campaign in terms of fiscal policy, maybe social responsibility. But their leanings are much more towards Hillary Clinton for – because she has taken a stand on policies. You know what you're going to get. It will be a very interesting November 8, to see what the markets do with our new president – very exciting time.

But make no mistake about it. The election is absolutely having an impact on business. There's a lot of projects, as I mentioned, being pushed out. People are halting a little bit. That's why we're seeing a little bit of slowing growth in the Third Quarter. There's concern around what that means for our country, whoever wins – very divided. And so companies are feeling this.

There is a positive outlook for the Fourth Quarter. They do feel that once we get some resolution, whatever it is, right? – because then there will be certainty at some point – that business should get back a little bit. And so many companies are looking at the Fourth Quarter as being a little bit more optimistic, positive than the Third Quarter. But certainly no one is coming out saying that it is a great environment to be in. It's is a slow-growth environment.

And with that, that's my presentation. So I know we have about a minute 30 seconds. I don't know if anybody had any questions or comments? Yes?

Audience: Question from the audience

Rebecca Corbin: I do not make calls on specific companies.

Audience: Question from the audience

Rebecca Corbin: Yeah, the drug companies – Eli Lilly – yes.

Audience: These three are.

Rebecca Corbin: Right. Well, we did the research so far in terms of healthcare companies that have reported. And the vast majority, out of the ones that have already reported, have reported revenue acceleration vs. revenue deceleration. And it's the leading sector in terms of sectors that are actually reporting increases in top-line growth.

Audience: Question from the audience

Rebecca Corbin: Again, I mean, what I do is track institutional sentiment and focus on investor relation. So if you have a question about that, I'm happy to answer it. Yes?

Audience: Question from the audience

Rebecca Corbin: That's a great question. These actually – what we're doing is we are engaged by publically-traded companies who have an interest in understanding what their shareholders think, and who have actually continuous improvement-minded mentality to listen to their shareholders and our recommendations to then make changes about how they either manage the company or their communication.

So we're engaged by the corporations. But the question actually is why would investors speak with us? Why would these big investors who are trying to make investment decisions take the time, 40 minutes, to answer our call? And that's because they have a vested interest in the long-term shareholder value of the company. And their opinion matters. And we aggregate that information and we synthesize it. And we come back with recommendations. And those recommendations could be 90 percent of the shareholders that we interviewed, which make up 70 percent of your value, believe that you should spend this asset off. It's dragging on the long-term value of the company. They don't understand it. So we might make that recommendation.

But more often, it's that they don't understand your strategy or they have questions around capital allocation or they would like for you to actually increase your dividend. So those are the types of decisions. And if we have charts, that if you look at our performance over time, our companies outperform in terms of their historicals, as well as their peer group. Because they're listening to their shareholders. They're making decisions. They're tracking that.

Because at the end of the day, perception is reality. And if you do not have a good sense of what your shareholder base is thinking or doesn't know, or if they have misperceptions, then you will never trade at fair value or even premium. Great question.

Any other questions on that topic? Okay, well, thank you again for the opportunity and have a great rest of the conference.

Adrian Day
"High Dividends And Ten Baggers: 7 Great Buys For The Year Ahead"

Moderator: Adrian is a British-born writer and money manager, a graduate of the London School of Economics, and president of his own money management firm, Adrian Day Asset Management, where he specializes in global diversification and resource equities. His firm is also the sub-advisor to the Euro-Pacific Gold Fund. He has been a frequent guest on CNBC and Wall Street Journal Radio. His latest book is *Investing in Resources: How to Profit from the Outsized Potential and Avoid the Risks*, and it's published by the very prestigious firm of John Wiley and Sons that through the years has published the works of many, many respected and important analysts and traders such as Adrian.

To top things off, Adrian has managed one of the two best performing gold funds in the world over the past several years. So, at this time, a real professional, professional intellectually and academically, professionally in practical fund management, and professional in real world day-to-day portfolio decision-making: Adrian Day.

Adrian Day: Well, thank you very much indeed, Bob, and thank you ladies and gentleman and good afternoon. I'm going to talk this afternoon about how on earth I think we should be investing when everything in the world seems so topsy-turvy and upside down. So the topic is "Investing in Wonderland." So, let's follow the rabbit down the rabbit hole and go into Wonderland.

Exhibit A, if you like, is interest rates. Interest rates now are at all-time historic lows. They have never been lower in all of recorded history, according to Sydney Homer, who is the authority on world interest rates. So, we're talking about 5,000 years of economic history and rates have never been lower, but perhaps more bizarre, if you like, are the negative yields that we now see, and I know other speaks have talked about this. We all know about this, but let's just focus on this for a second. Something like 40 percent of all government bonds now carrying negative interest rates and another almost 40 percent carry less than 1 percent. So, 80 percent all government bonds are carrying a dividend yield of less than 1 percent.

Let's just think about negative rates for a second. What this means is that you give money to a government, and you are guaranteed to get back less than you gave them. Now, if that doesn't belong in *Alice in Wonderland,* I'm not quite sure what does. This sort of thing, and I'm going to talk about this, leads to all sorts of consequences, some of them expected and some of them unintended. But in Europe now, we have corporations issuing negative bonds and the bizarre thing is with the ECBs push down to negative rates, and their desires to bulk up the European Central Bank's balance sheet by buying bonds, you actually have a situation where many companies in Europe are creating bond issuances solely to sell to the Central Bank. They don't even issue them to the public or to institutions. They just issue a bond directly to the Central Bank because the Central Bank wants to bulk up its bond holdings.

I mentioned sort of unintended consequences. A little amusing anecdote I think *[break in audio]* in Switzerland now punishes, now puts a penalty on tax payers who pay their taxes ahead of time because of negative interest rates. I think some of you will have just read recently that Italy, that paragon of fiscal virtue *[break in audio]* 50-year Euro bond paying 2.8 percent. Now, I don't know about you, but I don't think the Euro is going to last 5 years let alone 50 years. I think it's debatable whether Italy is going to last 50 years. But I can't imagine lending money to Italy for 50 years at 2.8 percent. When Italy does leave the Eurozone, which is almost inevitable in my view, then the question becomes: Well, are these Euro bonds still price in Euro even though the lira will have a 20, 25 percent devaluation; or do we revalue those bonds to liras and people who bought the bonds, it's just tough luck?

So, that's interest rates. The other thing that's been happening, of courses, as well know, is that the money supply has been exploding around the world. In the U.S. it's been flat pretty much for most of 2015 and this year. So, for the last 18 months, it's pretty much been flat, and we'll come to that a little bit later. But the Bank of Japan, and particularly, the Bank of England and the Banks of England and the European Central Bank took up the baton, if you want, from the Fed, and they ramped up their money tree, their money tree stimulus in the last 18 months. So, globally, money has continued to expand, and just as we talked about last year with the Federal Reserve, every time they try to cut back on quantitative easing or stimulus, the market responds, and they delay things.

The same thing with interest rates. For the last 18 months, they keep threatening to raise interest rates, but they keep having to pull back. The same thing has happened with the European Central Bank. Last month there was discussion that the ECB would start to taper their stimulus, and the response from the markets in the Europe led the ECB to immediately backtrack on that, and say that not only are they going to carry on to the scheduled March 2017 end of their stimulus, but they're probably going to go beyond that, and it'll take some time before they cut down. So, I don't know. If this isn't the Mad Hatter's tea party, I don't know what it is, and the guests are all of the central banks around the world.

Now, Janet Yellen has said that the Fed's prowess is top notch. Our forecasting record is second to none. Yeah, I know there's some giggles out there, and we talked about that last year, so I won't repeat that. But if you go back for the last 15 years, and you look at the Fed's forecasts; the Fed's forecasts on growth, the Fed's forecast on anything to do with the economy – Ben Bernanke's famous statement about, "There is no housing crisis, and it won't affect the rest of the economy." Their forecasts year by year on GDP growth have been not just wrong, but way off. When the Fed predicts 2.5 to 3 percent growth, and it comes in at less than 1 percent, that is not just a small miss. That is a huge miss. They have been wrong consistently, but they're even wrong on forecasting interest rates, which is a little bit bizarre when you think that the Federal Reserve controls short-term interest rates and certainly has a major influence on dictating interest rates. But they are consistently wrong on interest rates at all.

So, oh this isn't – there it goes. This is another wonderful quote from Janet who doesn't look so happy now. "It sounded an excellent plan, no doubt, and very simply and neatly arranged; the only difficulty was that she had not the smallest idea how to set about it." Oh, that's from *Alice*, sorry. That's not Janet Yellen. So, we have low interest rates and money supply, money expansion; and that, of course, is meant to move the economy. Well, we ask ourselves, what recovery? As we know, the recovery from 2007-2008 from the crisis in 2008 has been the worst recovery in the last century. I won't say, as some people do, despite low interest rates and monetary expansion, I will say precisely because of excessively low interest rates and monetary expansion. We'll talk about that a little bit in the workshop that I have tonight.

Just as one example of this, let's look at two recoveries in terms of job growth. The top one is the Reagan Recovery; the bottom one I've called the Obama Recovery. I have to put this up because it's the last time the we're going to have the opportunity to knock Alfred E. Obama. He won't be around; he won't be there to kick around next year.

So, it's no wonder that a growing number of people in the United States have lost any kind of confidence or respect for the Federal Reserve, which is now one of the institutions which used to be the most highly respected institution in the U.S., and it's now gone to one of the least respected institutions in the U.S. It's not only the United States, of course. We see low growth or negative growth around the world of all major European countries here plus the U.S. Only the U.S. and Germany have a gross GDP ahead of the pre-crisis peak. Everything else is down. That's despite rates never being lower and despite more QE.

If you look at this graph in a little more detail, you see that most of the growth, certainly in the last five years has come from emerging markets, including the BRIC countries. That's the light blue and the dark blue at the bottom. So most of the growth has come from emerging countries. It's not come from major countries. It's certainly not come from Europe. This is a graph of European output, which as you can see, is just in the last two years, two and a half years has just continued to decline. Again, not despite of, but because of the negative interest rates and monetary expansion.

I think Alice had it really right, and this is a problem with stimulus. Let me read this: "We must run as fast as we can, just to stay in place. And if you wish to go anywhere, you must run twice as fast as that." It's very well known by sensible economists, and it's been said on this platform many, many times over the years, several years ago by people like Peter Schiff and Marc Faber. But when you start stimulus, it's a bit like a drug. You have to continually add more stimulus. You can't just keep the same level of stimulus. You have to keep making more and more and more just for the economy to stay where it is. *[coughing]* Excuse me.

So, let's take a look at jobs. This is a graph from the Bureau of Labor Statistics showing total non-farm payroll adjustment, total non-farm payroll employment. Boy, from 2010, that looks like a pretty good graph. Employment must be doing pretty well according to the government. If we look at it in a bit more detail, this is job creation, and you can see that for most of this year, we've been at around 150,000 to 200,000 new jobs. But in the last 4 months, it's declined fairly precipitously. That's new job creation, but here's the problem. If you look at the new initial claims, people losing their job and claiming unemployment for the first time, even though it's gone down, look at that number at the back. Look at that number at the bottom. That's 270,000 jobs that have been lost and 156,000 new jobs.

So, despite job creation according to the government going up and the headlines in the media, how job creation is good and everything else – first of all, I don't think it's that good. Secondly, you need at least 300,000 new jobs a month, and an economy the size of the U.S. just to take account of new people entering the labor market. We haven't been at 300,000 for many, many years. But most important of all, on a monthly basis, we're actually losing more jobs than we are creating. So the jobs picture is, in my view, not good at all, and it's no wonder that the unemployment rate is back up to annual highs. Five percent doesn't sound too bad, but of course we all know that the unemployment rate is taken as the number of people unemployed divided by the number of people in the labor pool.

So, if people remove themselves from the labor pool, the denominator goes down. Therefore, the unemployment rate goes down. But as the number of new jobs has increased, although not increased as much as it should, but as the number of new jobs have increased, people are coming back into the labor pool. That's why the unemployment rate is going up even though the number of new jobs is also slowly going up.

Now, let's not worry about this. Our friend, good friend, Janet Yellen has another plan. She thinks that we should run the economy "hot." I'm quoting now. I'm not making this up. "Running the U.S. economy hot could fix the damage caused by the Great Recession," and she laid out an argument for keeping monetary policy easy – surprise, surprise. "Increased business – " This is the wonderful predictive analytical powers of the Fed. "Increased business sales would almost certainly raise production rate by encouraging additional capital spending. A right labor market will draw in potential workers who would otherwise just sit on the sidelines." That is a great plan, Janet, but she hasn't the slightest idea how to set about it. Her only way of setting about it is to continue the easy money policy for a little bit longer, and we know how well that's worked. Let's look quickly at government debt. We all know that that's gone up tremendously in the last few years. Consumer debt has also risen, and these are direct consequences of the Federal Reserve's actions.

So with all this money, with ultra-low rates, and with debt, you would think that household wealth should be up, but of course, it's not. These are the top two quintiles, but 60 percent of the population is worse off in real terms than they were in 2007 – 60 percent of the population. So, I think it's absolutely clear or it should be clear that the monetary stimulus policy just simply has not worked. I showed this table last year. Unfortunately, the numbers haven't been updated by McKinsey yet, but you can see that the same is true around the world that debt has gone up since the Great Recession despite all the talk about the great deleveraging. I don't see much deleveraging. Despite the great deleveraging, debt has gone up faster than economic growth since 2008 in most countries, most countries like Ireland and Singapore, most countries are worse off and significantly worse off.

If you look at this, this looks at U.S. Europe, and Japan. It shows you private and public debt as a percent of GDP in 2000, 2008, and 2015, and you can see that the debt went up from 2000 to 2008. But it has gone up significantly more in the years since 2008. Alice thinks that's kind of curious. One other factor before we move to investments, and that's for dollar. This is the record of the Federal Reserve since it was instituted in 1913. They are meant to preserve the purchasing power of the currency, but if you look at the record, the record is quite abysmal and it continues – the dollar continues to fall. This is since January 2009. You can see that the purchasing power of the dollar simply continues to fall, and nothing – I don't think the Fed is going to do any that.

So, we have a situation at the moment where we have, as we know, monetary expansion, ultra-low interest rates, but the intended effects of that, namely a stronger economy, namely consumer spending, the idea of luck to run a hot economy for awhile. The intended consequences of getting corporations to spend more on capital has not happened. The intended consequence of getting the consumer to stop saving and just spend money to get the economy moving again; that hasn't happened. The savings rate has turned up since 2009. So the intended consequences of the government's policy have simply not worked, but you have many, any unintended consequences.

Those unintended consequences, first and foremost, of course, are the effect it has on savers, and that's the effect on individual savers, people who have planned for retirement and put money in safe instruments like bonds – "safe" in quotes – like bonds and bank deposits and thought they had enough to live on. That, to me, is the most devastating effect of this low interest policy. It also has had a devastating policy on pension funds of a vast majority of defined benefit pension plans. Both corporate and government are now underfunded and significantly underfunded. Something like in the whole country, there's something like 1,361 – actually, that's an exact number – 1,361 county defined benefit plans, and of those 1,360, 1,238 are underfunded, underfunded to the tune of over $600 billion, which is a lot of money.

Of course, government plans will typically be paid for by the taxpayer until taxes go up so much that people leave those local jurisdictions. But corporate plans, some of them will not be made up for, and the problem is pension plan fiduciaries are looking at 8 percent, 7.8 percent is the average target annual return rate. The plain fact is that they're not getting anywhere close to 7.8 percent. In fact, there's only one bond, one country's bond in the entire world that is paying more than 7.8 percent, and that's Greece. I don't think many pension funds are going to put all their money in Greek bonds. So, if you look at the last 10 years or 20 years of stock market returns and you look at the last – and you look at what interest rates are around the world today, it is impossible, virtually impossible for any pension fund to get 7.8 percent, which is their target rates.

So, in this kind of environment where things are basically upside down, what do you invest in? We're going to look at specifics in the workshop tonight, but I think you do have to look at higher yielding equities, which to me are a lot better than bonds if you're very selective about it. You do have to look at investing in strong markets overseas like some of the Asian economies outside of Japan. Lastly, no surprise to anyone, I think gold is the perfect hedge to protect you against these kind of idiotic and manic Federal Reserve policies that are destroying the value of the dollar and not doing anything for the economy.

It was mentioned in the introduction that I manage Peter Schiff's Gold Fund, and Peter has a booth out there. I'm not quite sure of the number, but he has a booth and information on the fund is at the booth, and I'll be at the booth later. Anyway, I really appreciate your time, and thank you very much.

Economic Panel
Jeffrey Hirsch (MC), Peter Boockvar, James Grant, Peter Schiff, Mark Skousen

Gary Alexander: This is the afternoon economics panel, and you might say, "What economy? Slow growth." You've heard the previous two speakers this morning, Adrian Day and one of our panelists, Peter Boockvar, talk about the economy and the clueless fed policies that have made things worse. Well we're going to get a bit deeper into that. You also have three speakers who are making their first appearance this year at this point. They've been here before. And that's James Grant's interest rates observer, Peter Schiff, Euro capital, and Mark Skousen, forecast and strategies. They'll all have full speeches later on today.

Jim will talk about the end of the PhD standard of economics. Peter Schiff will talk about the stimulus that never ends, and Mark Skousen will have several panels and workshops tomorrow. But I want to introduce the MC of this particular economics panel, and you heard from him last night about election day and other cycles, and that's the 50th anniversary of the Stock Trader's Almanac, publisher and editor, please welcome Jeff Hirsch.

Jeffrey Hirsch: Welcome everyone. This is a thrill for me to be moderating this formidable economics panel. Thank you all for joining us. I know you'll enjoy yourselves here, and I'm pretty sure you'll come away with some solid investment ideas. In a moment after I share a little bit of my outlook, we're going to go down the line here and have each one of the gentlemen give us a couple minutes of their overall market outlook, economic outlook, and maybe a little election handicapping if anyone is going to venture something.

And then we're going to go down, start asking some questions, and open up the floor, time permitting, for some questions from you people out there. So this election year is currently suffering a very typical correction in the two months leading up to the election. It's set up a quintessential October seasonal buy for me for the post-election and year-end rally, and the best six months. The market is currently up about four and a half to five percent, indicating another democratic president, an incumbent party and power win. Wow.

Oh Mark, I love you. Post-election years are generally weaker for republican administrations. Mid-term years, generally weaker for democratic administrations, but either *[audio skip]* over the next two years in 2017, 2018, the cyclical – less cyclical bear of this secular ball, which I think will set us up for the next economic boom. So Peter, want to give us a couple minutes on your overall outlook for the rest of the year? Excuse me, Boockvar. Alphabetical order.

Male: If Peter goes first, we're not going to get a word in edgewise. Come on, have him go at the end.

Jeffrey Hirsch: Boockvar goes first. Couple of minutes, overall outlook.

Peter Boockvar: So Jeff, I'm going to give you the reason why we're going to have that bare market in stocks.

Jeffrey Hirsch: Oh please.

Peter Boockvar: So we have to be honest. Earnings, economic fundamentals haven't mattered for stocks over the past couple of years. It's been all about rates. It's been all about central bank easing, it's been all about QE. That's the only thing that has mattered. That's the only reason why the – at least the US equity market was able to weather five quarters in a row of earnings declines. So the trigger for that bare market is arising long-term interest rates. Maybe we can throw in a rate hike by the fed in December, maybe, maybe not. But it's the rise in long-term interest rates at the same time that economic growth is slowing that will be the trigger for the US equity bare market.

US ten year today, 1.85 percent. Atlanta Fed's GDP forecast for Q3 is at 2.1 percent. That same ten-year yield was 1.53 percent when that Atlanta Fed forecast was 3.8 percent. So something is amiss. The rise in interest rates is not happening because the economy is getting better. It's because central bankers are calling no mas on their policy. You have Kuroda backing off from QE. You have the ECB acknowledging that if you destroy your banking system, easy money is not going to be really much of a help. You also have inflation statistics that are rising, and you have a growing political backlash against central bankers.

So Jeff, that's the reason why we're going to have an equity bare market beginning soon.

Jeffrey Hirsch: Thank you so much. Dr. Skousen. What are you looking at?

Mark Skousen: I'm one of the old fashion monitors, and Central Bank is very important. It's not just interest rates. I think one of the big mistakes that were made by economists over the last 20 or 30 years was they only look at the discount rate and the – and interest rate. But it's also the supply of money. It's not just the price of money, and the supply of money has been increasing dramatically. M2 is growing at a ten percent rate. Now I think that means that the fed is panicked. I think they are working overtime to bring inflation back so that they can raise interest rates. And the reason the fed acted the way they did by postponing rates was a purely political decision. I think the feds will raise rates in December, and may even aggressively if they can raise rates in 2017 and '18, but they have to get the economy going. And unfortunately, the fed is doing all the heavy lifting because the Obama administration has been an absolute disaster in terms of encouraging long-term economic growth.

I was just reading this great column by Steve Forbes talking about the incredible amount of regulation that has been imposed, thousands and thousands of pages that have been added, not only by Obama, but before him by President Bush. So it's republicans and democrats who have done this, and it's tragic the – as one of my friends say, we have no problem with legitimate regulation. What we do have a problem with is strangulation. And as long as that continues, the fed is going to continue to pump money into the system. That will go largely into the stock market, and so I'm still 100 percent invested in the stock market until I see an actual indication of a correction in the market. I'm going to stay with it because I think it's very dangerous to say, "Oh, the market is topped out. I'm going to get out right now."

You may miss on another ten percent rise.

Jeffrey Hirsch: So that's bullish for Dr. Skousen. I am bullish short-term here over the next six months, the best six months. Mr. Grant, what's your outlook over the next few months and year?

James Grant: Yes.

Jeffrey Hirsch: Yes?

James Grant: We're going to have the next few months –

Jeffrey Hirsch: He needs some mic help.

James Grant: You missed my earlier – Mark, may I suggest it's not nearly the supply of money that counts, but also the rate at which it moves from hand-to-hand or from computer to computer?

Mark Skousen: Velocity, yeah.

Jeffrey Hirsch: Mr. Grant. James, try a new mic. They just handed you a new one.

James Grant: So I was making a subtle economic –

Mark Skousen: It's the bowtie that's screwing it up.

James Grant: I have become a believer in conspiracy theories.

Jeffrey Hirsch: They're trying to silence him.

James Grant: In the 90 seconds remaining to me, I was going to observe to Mark that it is not merely the supply of money that seems to matter, but also the rate at which it moves from hand-to-hand or from hard drive to hard drive. And the problem with Central Banking among many others has been that something has gone out. The carbonation has escaped from the great American enterprise, and one symptom of this is the deathly slow pace of what they call velocity, and to second one of Mark's observations, I would say that the principal culprit for this, or a principal culprit certainly, is the suffocating regulation of the banking system.

You know, the Wall Street Journal a couple of months ago published a piece under the headline, "The most powerful man in banking." I thought, "Well, this is- let's see who this might be. Could it be Jamie Diamond or the fellow who used to run Well's Fargo? What was his name?" No, the most powerful person in banking was, is, Daniel Turillo who is the Federal Reserve board's chief regulator. And have you been watching any of the World Series? If you have, what you've noticed is the inattention that the announcers pay to the names and the resumes of the umpires.

But we have come to a point in finance at which the federalization of finance that the regulator is the player. And when I become fed chairman, believe me, I'm going to change a few things.

Jeffrey Hirsch: Thank you, James. Mr. Schiff.

Peter Schiff: Well first of all, Peter Boockvar would be right in that we would be going *[audio skip]* - stocks are extremely expensive, and the only reason they're not falling is because of Central Banks, because of all the cheap money that they've been providing to prop up an overvalued market. But where I might disagree and maybe be more in Mark Skousen's camp is that I don't believe those cheap money spigots are going to be turned off. You know, Mark is right that the fed has not raised interest rates for political reasons because they don't want the bubble to burst. But that's not going to stop as a result of this election.

In fact, I think what's really been motivating the fed politically is their rhetoric. See, the fed I believe has been talking up the economy to pretend that the recovery is real because part of the goal of the fed is to elect Hillary Clinton, or maybe to prevent Donald Trump from being elected, but to acknowledge the underlying weakness in the economy would be to peddle the fiction that Obama does – wants to pretend doesn't exist. So they are trying to walk a fine line about talking about how strong the economy is, but then not actually raising interest rates and proving that it's not.

So I don't think that's going to change after the result of the election comes in. In fact, if anything happens, I think the fed is more likely to start acknowledging some of the underlying problems in the economy, the fact that the data is not as strong as they had anticipated. They may be looking for some foreign scapegoats so as to deflect some of the blame from themselves, but I think there's a good chance that after the election, by the time we roll around to the December meeting, that instead of delivering the rate hike that the markets now anticipate, they might actually dial back expectations of future hikes.

And even if they do raise rates a quarter point in December and they raise them a quarter point a year ago December, I think that'll be it. I don't think there's going to be another rate hike after that. This is the end of the tightening cycle, and I think they've actually begun the next easing cycle by letting the markets know we're going to be lower for longer, and I think even as they meet and talk about cutting hiking rates, if you look at their expectations of where rates will be in the future, the Central Bankers keep dialing back their forecasts of where interest rates will be in the future.

But I think that the easing cycle is going to this time not only the fed isn't going to stop at zero. I think they're going to go negative this time. I think they're already preparing the markets for a negative rates. And I think they're going to bring back quantitative easing. I think the fourth round of quantitative easing will be significantly larger than the third round, but I think it'll ultimately be interrupted by a dollar crisis that will morph into a sovereign debt crisis.

Jeffrey Hirsch: All right, Mr. Boockvar, let's change it up a little bit. You believe – if I am correct – that the long-term bond bull market is over or we're at the end of it. How so, why, and what does that imply for stocks and gold and we'll see what the rest of you guys think about the bond market.

Peter Boockvar: Well after the what I would consider a blow off bond market rally after the UK decided to leave the EU, ten year – I'm sorry, the 40-year JGBL got to seven basis points. It was almost 160 only a few months before. And then in August, that yield started to rise aggressively, and it was talk that the Bank of Japan said, you know, we need a little steeper yield curve. So this was the first sign of a major Central Bank in Japan of course being the epicenter of QE in terms of their balance sheet relative to the size of their economy saying, "You know what? Maybe we've pushed this a little too far." And then early September, you had Draghi even acknowledging that he's running into some limits on what he can do.

All you have to do is look at a chart of the European bank stock index or a chart of the Japanese topics bank index, and a 50 percent decline is pretty alarming even if you're a Central Banker. So at least I think they've acknowledged that negative interest rates won't go any negative, and right there I think is a big deal. I mean negative interest rates is the dumbest economic idea in the history of the world among other economic ideas. But that may be the worst. So here you have no more negative interest rates in terms of going deeper.

You have them acknowledging that they've damaged the profitability of the banking system. Now you actually have political pushback. You have the prime minister of the UK calling out Mark Carney. You have the man who almost became prime minister talking about how much Central Bankers don't acknowledge their own mistakes. You have Kuroda being hauled up in front of parliament almost every couple of weeks to try to explain what he's doing. You have articles now in the papers talking about these are the people responsible for starving your pensions.

And that all of a sudden is becoming greater political fodder in the US. And now you have inflation statistics that are curling higher. So what I gave in my speech before is you have political, you have logistic, and now you have economic reasons to say that the yields in July we may never see again.

Jeffrey Hirsch: Thank you, that dovetails nicely with my next question for Mr. Grant. You had a recent interview in the National Review, which you discussed amongst other things the crazy world of negative interest rates. Why do they exist, how did we come to this, and what is the fallout of negative interest rates?

James Grant: I think the first thing to know about negative nominal bond yields is that they have never been substantially negative in the history of finance. Now there's a page turner of a book called *The History of Interest Rates*, and –

Mark Skousen: That's an old one. That's been around for years. Decades.

James Grant: There is a page turner of a print – Sidney Homer and Dick Sylla are the co-authors. As someone said, it has been around for years. And I read many pages, but not every single page. So I called Dick who is the extant living author. I said, "Dick, am I correct in observing that never in the 5,000 year history of interest rates, you and Sidney chronicled that there has never been this particular alignment of race. He says, "Yes, correct, never once." Now that is some record. Generally, we can say safely there's nothing new under the sun of finance. Everything has been tried. All triumphs, mistakes, or forebearers are committed for us.

But this, ladies and gentlemen, is new. And it is new because never before has there been this particular rule of the former tenured economic professor class at the head of the Central Banks. That too is new. So you ask as you may well ask why has this occurred. What is the theory? Well there are books now to explain the theory, one of which just came out. In fact, I reviewed it for the Wall Street Journal, and the author of this book, Ken Rogoff, says that we ought to abolish large denomination bills – grants, out. And the reason is first and foremost, sin. One should not transact with these bills that cannot be traced to your IRS number. That's sinful.

So that's rule number one, these large denomination bills, finance, terrorism, drugs, and worse. However, the second and more important reason as Professor Rogoff lays out the case, is that large existence of large denomination bills ties the hands of the Central Banks that would and should if they could press nominal rates below zero. Why would they do that? Why, to stimulate, mind you, business activity the next time we have need of radical monetary intervention. Imagine that if you are reasonably enumerate person, the Central Bank pushes the policy rate below zero to say to two percent negative. Your bank begins charging you for the privilege of depositing your cash.

You might say, "Well, I will get a safe deposit box at home, stock up on currency, which the bank is obliged to give me in exchange for a check, and I will earn a handsome relative rate of interest myself." DIY investing. The economists will not suffer this. It infuriates them to think their will being thwarted by mere human beings acting on their own. So the case for negative rates is that well, we need them or we will need them.

Jeffrey Hirsch: So it hasn't done much for economic growth.

James Grant: I just – am just getting started on this.

Jeffrey Hirsch: Dr. Skousen, your work, the structure of production, sort of instigated this metric gross output instead of gross GDP. We're having some economic growth issues here around the world. What's the difference between gross output, gross domestic product, and how is the economic growth lining up these days?

Mark Skousen: Yeah, I've been advocating a new statistic that is a better, broader measure of the economy called gross output, and the government since April 2014 has now adopted it, and I had a lead editorial in The Wall Street Journal on this when that occurred. The best way to explain it is you're all familiar with top line and bottom line accounting. Everybody know what that is? Top line is sales, bottom line is earnings, and you get that every quarter.

Well we've created – I've basically come up with the same concept for national income accounting, so the top line is measuring spending at all stages of production, and that's called gross output, and then the bottom line is a measuring of final output only, and that's GDP, and it's interesting that generally speaking, if gross output is growing faster than GDP, that means that B-to-B sector, the business sector is growing faster than the consumers. That's a sign of economic growth and expansion and recovery. On the other hand, when gross output is falling faster than GDP or not growing as fast as GDP, that's an indication of trouble and recession, and that's what we've had for the last three quarters of gross output.

Comes out every quarter like GDP. It'll come out next week for the second quarter, and it'll be interesting because we've had three quarters now of a slight decline in gross output, suggesting a mild business recession. Not a collapse like some of the doomsdayers have been predicting, but definitely a slowdown in the economy just in terms of spending and so forth. I think it's directly related to what Jim was talking about regarding the banking system being overly regulated. Last week, I met with Tom Perez, who is the labor secretary under President Obama, and I spent several – ten minutes with him I suppose, talking with him about – I told him two inconvenient truths, two inconvenient facts. Number one was since Dodd Frank has passed in 2010, not a single community bank has been created. Number two, there are more business failures now than there are business creations. He was unaware of both of those statistics.

He denied that he even knew about both of those statistics. So understanding –

Jeffrey Hirsch: Doesn't that sort of contradict the bullish outlook though, a little bit, Mark? The sort of negative –

Mark Skousen: No, no, I'm bullish- I'm not bullish on the economy, don't get me wrong. I'm bullish on the stock market because all this money that Peter and I are talking about, the M2, the money supply, it's going into assets. It's going into real estate, and it's going into the stock market. It's not going into gold. It was going into gold, but now I see a major correction here in gold, so it's not as good.

Jeffrey Hirsch: Mr. Schiff, you don't think we're going to raise rates, not pleased with the fed's policies. What do you think is going to happen? What's the outlook for you from the fed?

Peter Schiff: Well first of all, back to your question about why are Central Banks even doing negative rates? It's out of desperation because they have this ridiculous theory that they're going to grow the economy by printing money, lowering rates. And when they got to zero and it hadn't worked, you would imagine they would say, you know, we've brought rates all the way down to zero. Maybe this is the wrong policy. How can we argue that rates are too high when they're at zero? Bur rather than come to the obvious conclusion that their policies don't work, they just decided, well, let's go lower than zero. We just went over that Rubicon from the sublime to the ridiculous.

So that's why we're there because they don't want to admit the mistakes that they made. And it's interesting that Alan Greenspan was on CNBC like a week or two ago. I don't know if any of you caught this, and they were asking him about this new normal. Why is it that we don't have any economic growth now. And he said, "Well it's easy. It's because we don't have productivity. We don't have capital spending. We don't have enough savings. And that's why we don't have any economic growth because we don't have any savings." And he blamed it all on congress, and their inability to reign in the deficit and cut back on entitlements. Well he completely ignores the Federal Reserve. I mean he's lamenting the fact that there's no savings. How are you going to save when rates are zero? How are we going to save when the Federal Reserve is monetizing all the debt? Somehow he blames congress but lets the fed off the hook when the Federal Reserve is the prime enabler if the fed wasn't monetizing all this debt, if the fed allowed interest rates to go up. Then congress would have to deal with entitlements. But because rates are at zero and they're doing all this QE, there's no reason to deal with entitlements because the fed lets them out of it. And I think the fed is going to continue, to answer your question, to continue to monetize the debt. And if you look around the world now, a lot of the other buyers of US debt, namely China, Saudi Arabia, Russia, Japan.

I think these big buyers, these foreign Central Banks that were doing a lot of our dirty work, I think they are going to be backing away in the next round of QE. I mean we had a lot of help from our friends when we did QE1 and QE2. You know, monetizing all that debt. But I think now, the weight of this is going to fall completely on the Federal Reserve next year, and I think if they do raise rates in December, it might make their job that much harder, and it'll make them look that much more foolish. I mean one of the reasons that I had predicted the fed would not raise rates at all and they ended up raising rates in December last year is I said the fed will look foolish if they have to raise rates and then abort the tightening cycle and go back down to zero.

I thought they would have looked – maybe they can say they were prescient by never raising rates at all, and I think if they raised rates again in December, they'll look that much more foolish when they have to reverse course early next year because I think Skousen is right. I think we're in a recession.

Mark Skousen: Can you say that one more time?

Peter Schiff: Yeah, I don't think you've ever heard that before. Although I don't know what gloom and doomer you were referring to. If you look at the last three quarters, GDP growth for the last three quarters has averaged just one percent, and that's if you believe the government's ridiculous inflation numbers, which I don't. And if you remember though, the great recession of 2009, 2008, 2009, it started in the fourth quarter of '07, and the government didn't admit we were in a recession until almost the end of '08. They go back in time and they recalculate the numbers. So it's possible that your indicator is right, and we're in a recession already.

Jeffrey Hirsch: Peter.

Peter Schiff: Yeah.

Jeffrey Hirsch: Let's get a little positive here. We're all critical, cutting on the fed. Everything going on there. Let's start back at Mr. Boockvar. What would you like the fed to be? Safe to say, we all agree that the fed has got everything wrong. What should they be doing? What should the other Central Banks be doing, Mr. Boockvar first.

Peter Boockvar: Well the first thing is they should show a little humility to the extent of their powers.

Jeffrey Hirsch: Pride go before the fall.

Peter Boockvar: They need to vulgarize the fed. They need to say – they need to acknowledge the wrongness of their policy, but also the evils. To talk about negative interest rates, in the simplest terms, negative interest rates is attacks. It's attacks on wealth, it's attacks on capital that somebody has to eat. Either the bank is going to eat it, the saver is going to eat it, the mortgage borrower is going to eat it. Someone is going to eat it. So taxing capital, taxing wealth, and thinking you're going to get stronger growth is not going to work. So if I was chairman, I would say to the market we're going to normalize interest rates. And when I say normal, to me, normal is having interest rates, short-term interest rates at or above the rate of inflation. I'm going to say, "You know what? We're going to have a recession. It's going to be pretty nasty. We're going to have a bare market. It's going to be pretty nasty."

But when we get – better off, because telling everybody that you know what, we're going to go down the path of Japan and have 25 years later saying, "Sorry guys, we messed up," that's too many years of peoples' lives.

Jeffrey Hirsch: So some tough love, some vulgar action. Dr. Skousen.

Mark Skousen: His comment, bringing interest rates back to normal, quote from Nicholas Biddle, who Jim Grant will know. Nicholas Biddle once said in renouncing illusions, find peace and content in that simplest sublimest of truths. Six percent. Six percent used to be the normal rate for mortgages, for return on savings accounts and so forth, and boy, it's not going to get back to that in a long time.

Peter Boockvar: Well I define normal as something close to the rate of inflation. Negative interest rates has done extraordinary damage, and I think that is a regime that should be taken away from them.

Jeffrey Hirsch: Mr. Grant, any advice for the –

Peter Boockvar: I should say negative real interest rates on top of negative – nominal.

James Grant: I think that the one problem that we might solve is to end the war on price discovery, which I think is at the heart of the error of the policymakers of the world. If we began calling things by their name, I think we all would be better off. These fancy jargon-like terms, QE, Zerp and the like. If we called this price control, wouldn't we see it more clearly? Interest rates or prices, arguably the most critical prices in capitalism. You know, they define financial risk. They discount future cash flows. They set investment hurdle rates, and the Central Banks of the world have their thumbs hard on the scale.

So if the most important prices in capitalism are being administered rather than discovered on the open market, isn't that a problem? And might that problem not be the source of considerable distortion in the way that economies function or don't function? So my first order of business when I become the sovereign is to issue a rule on plain speech. And that first clarification would be in this matter of interest rates.

Jeffrey Hirsch: Excellent.

Mark Skousen: If I could mention just from a historical basis, the reason why the Federal Reserve focuses almost strictly on interest rates in the media as well, the price of money, instead of the supply of money is what happened in the 1980s where you had the decontrol of the banking institutions, and as a result, the money supply was difficult to figure out what it was. Vulcar had, at the time, adopted a monitors' rule – a Friedman monitor's rule. And Friedman made the very case that Jim is making. Friedman always argued – the only thing the Federal Reserve should do is control the money supply, increase at a stable rate.

You don't even need a board to do it, a Federal Reserve board. You can have it done with a computer. The problem was they lost the definition. I mean I still use M2. Others use M3. But it's a very difficult thing, and also velocity has changed, as Jim has mentioned. So everything is switched now to interest rates. If you tell the fed, "From now on, just let the bond market decide what interest rates are and not intervene in any way at all," that would be a dramatic change. What would the fed do if that was – if you took away that power?

Jeffrey Hirsch: Mr. Schiff, now we know what you think is going to happen and what you don't like what's going on. What do you think the fed should be doing?

Peter Schiff: Yeah, well I mean the fed shouldn't be doing anything. I mean the problem is it's all the stuff that the fed is doing that is screwing everything up. I mean yeah, we should let the market set interest rates, not a bureau of bankers who think they know what the appropriate rate of interest is. And certainly, if you look at the United States, I mean nobody has savings. Everybody has debt. We have enormous debt on the federal level. Corporations are levered up. Right? Interest rates should be high. If interest rates are going to reflect supply and demand, the supply is what we saved. The demand is what we borrow. Obviously, there's a huge imbalance.

Rates need to be much higher to cut back on all the borrowing and encourage more saving so that we can have capital investment and higher productivity and economic growth, just like Alan Greenspan said. So we need to get the fed out of the interest rate fixing business and – we also have to get the Federal Reserve out of the debt monetization business, and I don't think any Central Banks anywhere should be allowed to buy the debt of their own governments.

Jeffrey Hirsch: That's a good point.

Peter Schiff: I mean maybe let the Fed – if they want to buy debt of Germany or some other country, okay, but don't monetize our debt. Don't let the Federal Reserve buy US treasuries. That's too incestuous a relationship. If the Fed is supposed to be independent, then let's have real independence. Right now, they're in bed together. It's like hand in glove. Congress runs up the deficits, and the Fed monetizes it. So I don't think they should be. In fact, when they first started the Federal Reserve, the original Federal Reserve act prohibited the Federal Reserve from buying US treasuries, and we should go back to that.

Jeffrey Hirsch: Good point, thank you. Let's switch it up and let's talk about inflation a little bit. You know, we had this unprecedented monetary policy around the world. Is there inflation? I think the only two places we can really measure inflation or see inflation right now is healthcare and education costs, but we know it's brewing there. What do all these policies mean for the future of the market and inflation and where is the inflation? When is it going to happen? Let's start down at the end with Mr. Boockvar again.

Peter Boockvar: Well I want to start by saying the desire of Central Bankers to have two percent inflation, which is a number they've made up, is a very dangerous policy, especially after you've created an epic bond bubble. So the true definition of price stability – which then leads to price stability, and price stability is something more like zero. I mean ironically, everyone in Central Banking land fears this deflationary experience that the Japanese had, but if you go back the past 25 years, the average CPI in Japan is like one-tenth. So in a way, price stabilities actually occurred in Japan. Obviously, it comes in the context of all their debt, and that's why they're worried about deflation, but they've actually had price stability.

Right now, the situation in the US, we have service inflation, we have goods deflation, particularly on the commodity side. Services inflation next to energy within CPI and putting aside what you think about CPI, it's running 3.2 percent because of higher rent and higher healthcare costs, but there's a lot of other things that are going up. Higher insurance, higher tuition, and a laundry list of things. Well commodity prices have stopped going down.

The rate of change and natural gas, up 25 percent year over year. Gasoline prices have stopped falling. Crude is now up year over year, so headline inflation is about to move higher, and if central rate of change, well focus on headline inflation rate of change. Because again, the decline in commodity prices is over. Combine that with sticky services inflation, and statistically speaking, inflation numbers are going to head higher. It's what I said earlier. Central Banks create a bond bubble, and then say we want higher inflation. Mario Draghi is on record saying I want higher inflation as quickly as possible. As quickly as possible after he presses German ten-year yields below zero.

And he wants inflation as quickly as possible.

Jeffrey Hirsch: Ironic. Dr. Skousen, quickly. I want to leave a few minutes at the end for some questions from the group, so a little comment on inflation.

Mark Skousen: Well the CPI is – doesn't include – it's not really a cost of living index, because for one thing, it leaves out income taxes, which is a serious distortion. That's 20 percent of a lot of peoples' budgets. So that's one that is not included. I also think the CPI – I mean if we look at – should include assets like real estate. Now it does include rent, that's true. Not real estate prices per se. So that can be a factor that should be included. Stock market is not included in there as well.

So there are a number of things I think if we took a broader view – and look, the Federal Reserve, if you read their minutes, they are looking at these figures to see how they can increase the inflation targeting. But you know, I think the solution to the Fed is to focus on monetary growth. You know, if you go back to the beginning of 1987 when Alan Greenspan came on board, stock market crash and so forth, if you go all the way to the present time, the number of times that the Fed has switched policies from tight money to easy money is eight times. Eight times during this close to 30-year period.

Jeffrey Hirsch: Talking major, major policy moves.

Mark Skousen: Major policy change based on what the discount rate did, and that is – that's significant instability in the system. It's one thing I learned from my dear friend Milton Friedman was that the Federal Reserve should be a stabilizing influence, not a destabilizing influence, and that's the problem. If they just had the steady money – so if I let the interest rates go where they go, market rates, and just provide a steady monetary policy, not tight money, easy money. That would be the solution.

Jeffrey Hirsch: James, just a quick comment on inflation.

James Grant: It took I think 15 people to create the Instagram app, which netted them, the creators of it, a billion dollars. George Eastman was running Eastman Kodak, he was employing about 145,000 people, many of them or most of them in Rochester. It seems to me that in a day and age of digital wonders, there ought to be a measured decline in prices, even as there was in the very productive and enterprising final quarter of the 19th century, as Peter said a moment ago. To arbitrarily insist on a measured rate of inflation or mis-measured rate of inflation of two percent is merely to sew inevitable financial bubbles, which provoke additional monetary action, which provoke additional bubbles.

Jeffrey Hirsch: Thank you. Peter, quickly, brevity is the soul of wit. Just inflation –

Peter Schiff: Yeah, first of all, inflation is the expansion of the money supply, and we've had plenty of that, and that's continuing. Prices have moved higher as a result, particularly asset prices, real estate prices, stock prices, bond prices, just about any collectible. Consumer prices haven't moved up as much, but that's only because we're being robbed of the decline in consumer prices that would have taken place absent all the inflation that was created. If prices were supposed to fall by ten percent, but because the government inflation, they rose by two percent, that's 12 percent increase in prices that resulted from the inflation the government created.

Now the government is trying to tell us this is a good thing because if prices would have gone down, that would have been a disaster, and they saved us from the horror of being able to buy the things we want for less money. Because the only way the economy can grow is if the cost of living rises. And I think this is what's going to go – asinine of all the beliefs of this time period, that a rising cost of living is beneficial and necessary – should strive to make sure the cost of everything rises, that everything gets more expensive by at least two percent. And that somehow, if we can buy something cheaper, it's going to be a disaster.

Jeffrey Hirsch: Excellent, well put. Thank you. Now it's up to you guys. Let's see if anyone has got a question out there. I think there's a microphone floating around, and see if you want to ask any of us a question about what we've been talking about, the economy. Anyone have a question? Up here up front.

Audience: Is there any chance the Federal Reserve will be dismantled?

Jeffrey Hirsch: Great question. Gentlemen, anyone want to touch that?

Mark Skousen: Ron Paul has written a book called *End the Fed*, and at Freedom Fest, we've had this debate several times. And the biggest problem is end the

Fed, but you have to replace it with something, and what do you replace it with? Do you go back to the gold standard? And Peter says yes, but it means $10,000, $20,000 gold.

Peter Schiff: What's wrong with that?

Mark Skousen: You have serious problems with that kind of redistribution –

Peter Schiff: I don't have any problem with that.

Mark Skousen: Peter doesn't have any problem with that. Any person who doesn't own gold does have a problem with it.

Peter Schiff: Well they should buy it now.

Jeffrey Hirsch: - break up the Fed.

Mark Skousen: No, no, everywhere you go around the world –

Jeffrey Hirsch: We have another question upfront.

Mark Skousen: Everywhere you go around the world, they're creating Central Banks. They're not taking them down now.

Audience: Do you agree with Harry Dent?

Jeffrey Hirsch: Do you agree with Harry Dent?

Mark Skousen: The question is regarding Harry Dent. Let me just make it pretty clear here. Harry Dent has one of the worst track records of any forecaster around.

Jeffrey Hirsch: I've read his books.

Mark Skousen: Jeff, you know what I'm talking about, so grain of salt with what Harry Dent says in that regard. But if Peter is right, and I think he is, that the Fed is going to continue this loose policy, even as they raise rates, the biggest problem with the problem – price of gold is the headwinds they face with the Fed threatening to raise rates. That is a difficulty that gold has to overcome, and if real interest rates stay extremely low, that's bullish for gold, and I'll get back into gold. But I'm out of gold now because the market is telling me it's a significant correction.

Some of you people out there who have doubled and tripled your money, don't get greedy on these types of things.

Peter Schiff: You're talking about the gold stocks and – gold hasn't doubled or tripled, but –

Mark Skousen: No, the gold stocks.

Peter Schiff: Even if the Fed does raise rates the way the market believes, I believe that even the government's official measures of inflation will be accelerating faster than the rate hikes. So real – so then why – you should be bullish on gold for that reason.

Mark Skousen: I would be, but I want to wait and see that they actually do that.

Jeffrey Hirsch: Gentlemen. I'm going to try to keep us on time for the next speakers. We've run out of time. I'm currently bullish on gold for the gold season fourth quarter. I wish we could take more questions, but we've run out. Let's have a nice round of applause for our excellent panel. Thank you guys.

Energy Panel

Rick Rule (MC), Adrian Day, Nick Hodge, Byron King

Moderator: As you all know, the early bird gets the worm. Well you are all in for a treat this morning with a great panel discussing energy. If you would, allow me to welcome our participants for this morning's energy panel – Mr. Rick Rule, Adrian Day, Nick Hodge, and Byron King.

Rick Rule: Well now we see who's in New Orleans to make money. Looking out at the crowd I can tell that most of the folks who came down here actually came down here pretending to come to investment conference but they came down to the French Quarter to have some fun. We're down to the remnant now, people have actually come to try and make some money.

My panel is an energy panel so I'm letting my panel say I didn't work up their energy. We'll ask them questions in a couple of minutes when they're all settled in. Are you ready gentlemen? You remember the format, I have five questions today I'm going to ask each of you so I need short brilliant answers. No question being a platform for a statement. I'll be ruthless, display my own energy.

Adrian Day: Rick, can I do the short answer and let someone else do the brilliant one?

Rick Rule: I don't think any of us can do jokes this morning, Adrian. Byron, I'm going to start with you.

Byron King: Okay.

Rick Rule: I want to talk to you about the oil price. International Energy Agency says the global cost to produce a barrel of oil, including the industry's cost of capital, is about $65 a barrel. So the arithmetic goes like this – we make the stuff for $65 and we sell it for $50, and we do that almost 100 million times a day, which would suggest rather massive losses. My question is the delta between cost and price, when will that be solved, and will it be solved through lowering production cost or will it be solved by a rising oil price?

Byron King: Well, I think one of the key elements to solve that problem is deep prayer on the part of oil producers. You explained the quandary absolutely perfectly, you can't make it for less than you sell it. We have managed to get to where we are through zero interest rates, low, low interest rates, extremely low cost of capital in the past 10 years, you know. It's no coincidence that zero interest rates had a lot to do with the fracking boom, although you might say that that was the seed corn of the fracking boom that's paid for the technology that drove those costs down.

I do expect better and better technology. I do expect things to become cheaper out in the oil fields. We have seen just in the last say two and a half to three years, since the oil crash of a couple of years ago, we have seen companies just absolutely squeezing, squeezing cost out of things. I think that's going to continue but at the same time, you know, oil is a global commodity, obviously, and some countries produce it at lower costs and some countries produce it at higher costs.

As interest rates go up, which we think they will, I think that the economics are going to favor the naturally blessed countries that have the lower production costs as opposed to the higher manufacturing costs. I mean we produce oil in the United States but we, you might say we manufacture it in the sense that we – you know, fracking is an industrial manufacturing process versus other parts of the world where they just poke a hole and the stuff comes out.

Rick Rule: Where will the oil price be at the turn of the decade four years from now?

Byron King: Four years from now? Oh, I think the oil price will be higher for a variety of reasons, because I'm kind of pessimistic about the state of political affairs in key oil producing regions.

Rick Rule: What, the United States? Political affairs in - ?

Byron King: Well after yesterday, yes. Actually, Hillary's bad for fracking. Trump is neutral on fracking, may be good on it. Saudi is due for an implosion. I mean I think we're going to see the Iranian revolution of 35 years ago in Saudi in the next year or two, I think Saudi is a dead man walking.

Rick Rule: You're a cheerful boy, you're doing your Doug Casey imitation this morning. Nick, same question for you. We make it for $65 and we sell it for $50 and we try to make it up on volume. How's that going to work out for us?

Nick Hodge: Well I'll start out by saying that I was caution on the fracking boom for the past two or three years on this panel, and that turned out to be true. The fracking business popped. A lot of companies have gone bye-bye to money heaven as it were, or hell maybe in this case.

So I think technology has to improve. I think that drilling multi-ped wells and just getting more efficient with the production of fracking technology is going to do wonders. But I think it's a combination as well, I think prices have to rise marginally and so it's sort of half and half and meet in the middle, right?

Rick Rule: Uh hum. But you think we will resolve the delta? I guess we have to eventually?

Nick Hodge: Well, we have to. I mean oil's the lubrication of the global gears, right? It's not going away any time soon and so there's going to have to be some equilibrium. If you want me to answer the price question, I think marginally higher as Byron said but I don't think we're screaming back to $100 oil any time soon. I looked at a one year chart this morning and it's sitting at almost an identical price as it was the same time this year, or last year at this panel.

Rick Rule: Adrian, you followed the international producers from time to time for the last three decades. Same question - $65 total cost to production and $50 selling price. Among other things, what does that do to places like Saudi? What does it do to Iran? Does this work, do you think this works with their cost structures and in particular with the social costs in those countries?

Adrian Day: Some of the things I want to say have already been said by others. Obviously that cost of pulling out a barrel of oil that you mentioned, you know we have to dig down a bit on that. It includes capital first of all, so a lot of that is sunk capital, so the marginal cost of producing a barrel of oil is not as much as that. And as Byron mentioned, low interest rates have an awful lot to do with the cost of capital.

I think also we have to – I'll emphasis what the others have said – which is different producers have widely differing costs, so it's not as though $75 - $85 is a sort of general price that sort of everybody shares. Generally speaking, in a very, very broad way, I think we can say that the government owned producers have higher costs than many of the others and they will continue producing oil even at a loss for a period of time for social reasons more than anything else. So I'm not sure that we're necessarily going to see huge cutbacks in production.

In terms of the price, I mean certainly in the shorter term over the next year or so – well I actually agree with Dennis Gartman on one thing and that's the price of oil. I mean I think $55-$60 is probably, maybe I'm a little more positive than he is, but $55-$60 probably the high. You know we're pretty much in an equilibrium right now and I can't see demand growing an awful lot in the next year or so. Maybe five years out, which was your question.

At $60 the Saudi's are happy because they can make money at that price. They don't want it much higher because then it encourages more production, but they certainly don't want it much lower. The Saudi's really are the swing producer in OPEC it seems to me, nobody else is cutting their production for the oil price. So I think in the near term $55-$60 as a peak, $40 as a low, and over five years probably higher but not significantly higher.

Rick Rule: Switch gears a little bit, and I'm going to see how awake the audience is. What was the best performing major commodity in 2016? What was the best performing major commodity?

Audience: Beer.

Rick Rule: Sorry?

Audience: Beer.

Rick Rule: Beer.

Rick Rule: We can tell where you were last night. It performed well for you.

Rick Rule: What was the best performing major commodity? You have natural gas.

Audience: Coal.

Rick Rule: Coal. Thank you. Met Coal began the year at $80 a ton and ended the year at $240 a ton, despite Ms. Clinton and Mr. Obama's wishes to the contrary. The best performing major commodity in the world was met coal. So the question I have for panelists is can this coal price hold?

Do you see enough strength in the global economy or conversely enough destruction of productive capacity on the global basis, in met and frankly in thermal coal? Byron, I'm going to begin with you again. You're from coal country. What do you see with king coal?

Byron King: Well, there's metallurgical coal and there's thermal coal, and as the name implies it's used to make steel, and so I think it's a reflection of tighter supply of met coal but it was also a reflection of demand at the mill end of things. I don't see global growth kicking off in a big way.

I mean I see things muddling along into the future. I think that $80 to $240 run was a pretty nice run and if you made any money you should definitely take most of it back off the table at this point, and let the coal dust settle, use of that analogy. I don't think this is the one swallow does not make the spring kind of thing.

Rick Rule: Nick? What do you think about king coal?

Nick Hodge: I think it's too early to tell so the gains you speak of, while it's the best performing energy commodity a year to date, they really just started in June. I was looking at a chart recently and it's seemingly going vertical, so to me that's just unsustainable from a chart's perspective. It's simply too early and we have to wait and see. There's a couple of other factors, right?

China has announced that it's reducing capacity and that was I think the impetus for the price to begin rising this summer, first of all. Then second of all, I think you're going to see some sort of infrastructure stimulus here in the U.S. as a form of alternative monetary policy, and then also in Asia moving westward.

I think you're going to see a great infrastructure expansion in India as well, so there's going to be sustained drivers for demand. So I just think it's too early to tell, we have to wait and see.

Rick Rule: You know, it's interesting that you mentioned India. Everybody believes with regards to thermal coal that global consumption is falling. In fact, global consumption for thermal coal, largely because of south Asia, is growing. Adrian, do you have any comments on coal?

Rick Rule: This move on coal has surprised, and frankly delighted, me.

Adrian Day: Absolutely. Well, as Nick mentioned, the price rise has been very dramatic and obviously it's unsustainable. But on a more sort of fundamental basis, if we get a bit of a pull back, you know we've seen some fairly significant reductions in supply and destruction of supply is not coming back in both met and thermal, particularly in the U.S. China, India, and as you mention other areas in southeast Asia, they still use a lot of coal.

I mean China depends on coal, not just for steel but also obviously for its energy needs, and however much you might like to reduce that, however much you wanted to reduce that, however much a rate of growth is slowing, it remains a fundamental source of energy for China and India, and it will for some years to come.

So I think we're going to continue to see a destruction of supply and the demand is going to continue to be reasonably strong. So yeah, I would be reasonably bullish on a medium term.

Rick Rule: Got it. So we're going to move from heated energy, the pariah, to the energy that everybody loves – good for salamanders and butterflies and Hillary and everything. We're going to talk about alternative energy for a while. Of course, it's very difficult for me to do with a straight face given all the money I lost in the geothermal business personally, but we're going to do it anyway. It's not about me, it's about energy.

Alternative energy in United States generates about three percent of total energy supply. If you heard Casey yesterday, however, in addition to mining asteroids we're going to have solar cells on top of cars and that's going to solve everybody's problem, the oil price is going to zero. What do you all think about wind and solar and geothermal and distributed storage?

And what are the implications, what are the investment implications of that including alternative energy stocks, including lithium, including anywhere you want to go with alternative energy. Once again I'm going to start with you. Wind, solar, distributed power, geothermal – all the politically correct energy sources.

Byron King: Are they politically correct, and they work in a niche sort of sense. I mean if you really, really need those electrons out in a remote site and you can't string a power line, sure that's a great idea. Powering large facilities with it? You know, they're sort of showcase projects. I mean you see things like Nellis Air Force Base in Nevada, big huge solar farms and things like that, and obviously if you drive around probably the city where you live you might see a few houses here and there with solar panels on the roof, so it's happening and there's penetration going on.

In terms of saying oh this solar cell manufacturer or this wind mill manufacturer, I'm not too worried about that. I'm a little more back up, back up the supply chain kind of guy and I look at these things as compositions of critical metals that create the technology. So Sean Broderick gave a nice talk yesterday on lithium – I love Sean, I've known him for years, I'm not going to say that he's wrong but I will say that if you're talking about investing in lithium companies there are way too many lithium companies than there are people to buy their lithium so be very, very careful of that bubble.

We had the rare Earth bubble and the Iranian bubble and bubble, bubble, and now we've got the lithium bubble. At the same time these lithium systems, they use graphite and there was a graphite bubble. There are a very few graphite players out there who know what they're doing. When you get into solar cells, I mean you're starting to get into some pretty exotic metals. I mean silver, that's good for the silver industry, talk to the silver guys next door or Avino or something like that.

Avino has a deal with Samsung to provide silver to Samsung for battery systems. Samsung wants Avino because Avino is social responsible and they pay their workers well, and they don't destroy the environment, and all that kind of stuff. So you're looking for suppliers that can fit into the supply chain in a region like that. Then we get into other exotic metals, you know we get back into the rare Earth but be careful, careful, careful of saying oh let's go invest in rare Earth.

Let's not blow that bubble up again. Other exotic metals – cobalt, these things are all plays out there in a very, very niche sort of way, and I could talk about it much longer but Rick only wanted me to talk for 90 seconds and I've probably blown that clock.

Rick Rule: That's correct.

Rick Rule: Nick?

Nick Hodge: That was a really good answer. I have many similar points. I think that it's very early days in the renewable revolution. I've been a big believer for renewables for several years now, that was the sector I first covered when I got into the space about 10 years ago, into the newsletter space, and I just think it's early days. You mentioned it's three percent of supply? Well, that means it can double, and double, and double, and double, and double, whereas entrenched technologies they can't double like that because they provide such a large percentage of the electricity and energy already.

So I think it's a picks and shovels thing as sort of Byron was alluding to, right? You're going to see a lot of advances in battery technologies, and grid storage, and vehicles to grid where the solar panels on the home is charging the electric vehicle at night. These things are already starting to happen. He mentioned you may see a few solar panels in your neighborhood, I see a house a month in my neighborhood getting solar and as I drive around – I live in Baltimore, Maryland, on the east coast – I see lots and lots of solar going up.

It's in fact monetized at this point so I don't know if there's a good solar play out there because the price has come down so low, but just remember it can only expand exponentially. I mean we've only now reached grid parody in certain locations, the cost is still coming down dramatically for these technologies, and so I think there's a long way to go. Tesla actually posted a profit yesterday and they announced they're going into the solar business as well, merging together Tesla with Elon Musk's other company, Solar City. So I think it's very, very early days and so let's look at some picks and shovels, like Byron was talking about. There's a lot of energy metals out there, there's going to be a lot of need for these things for the smart grid, for new transformers and new grid technologies.

So I'll mention the same ones – lithium. Be careful, there's a new lithium company every single day, changing from a shell, from a fracking company in fact. That's how the sector goes, right? Graphite, and cobalt. But these markets are tiny, tiny right now but they're going to be important because if you look at a lithium ion battery there's more cobalt in a lithium battery than there is lithium, there's more graphite in a lithium battery than lithium.

But there's not a lot of economically productive assets out there so you have to be highly, highly selective. I mean this is not a land play thing. You really have to look at who's going to be bringing the supply on line and it's not an easy task when there are so many players and so many new players being added on a daily basis.

Rick Rule: A client of mine told me, I don't know if this is correct but a client of mine told me the average lithium battery is 85 percent copper and nickel.

Nick Hodge: It's all about the cap and the inner materials, and so I would mention copper as well, not only for batteries but to build out of the grid in general.

Rick Rule: Well it makes perfect sense if you're going to transmit electricity to the new economy, copper is a fairly effective conductor. It's funny, I've been in the resource business 40 years now and mostly everything that ends in i-u-m ends up being problematic. You know, fraudium, storium, scamium?

Byron King: Unobtainium?

Rick Rule: Anyway, Adrian do you want to take a shot at alternative energy?

Adrian Day: Sure. Yeah, my problem is that so many of these green energies actually are not economically viable, certainly not at the moment, and to talk about Tesla making so many subsidies from the government, and the government sort of basically pays you to buy their product – I exaggerate a little bit – but that's not a commercially viable company at the moment.

Rick Rule: Stealing from the government is not commercially viable?

Adrian Day: Tesla I'm talking about. Some of these things obviously we know, wind farms depend on wind and apart from that they're pretty ugly. And the environment I've always thought that it was incredibly ironic, but the most avid environmentalist want to go around putting those ugly wind mills up. Absolutely echo what the others said about being very, very careful of these fads that come around from time to time.

You know, the truth is most of us in this room don't know an awful lot about graphite. We don't know the supply or the demand. We don't know the substitution and everything else, and yet we jump on board these fads, and that's not picking on graphite. Yeah, I was going to make the same point you did, Rick, and you did, Nick. The best two green metals are silver and copper, which is kind of ironic.

Copper is probably going to see a huge increase, a significant – sorry, not huge – a significant increase in demand from electric cars. You know, do you want some stock picks or not?

Rick Rule: That's coming later.

Rick Rule: The stock picks in my experience, the audience here, they don't want specific investment recommendations, but we'll get to that so we have a little time.

Adrian Day: Okay.

Rick Rule: I'm going to ask a really important question. Sadly, because we need to leave room for stock picks, you're going to have to give me a very quick answer. There is another thing that ends with i-u-m that's treated me very well over the years, called uranium. But the uranium market is truly spectacularly comical right now.

Again, the International Energy Agency says it takes $60 a pound to make uranium. So we make it for $60, we sell it for $19, we lose $40 a pound and try to make it up on volume. This is going to take some energy, Byron, but I want you to explain that to me in 60 seconds or less. Where's the uranium business going and why?

Byron King: The uranium business will go up because it has to go up, and it can't not go up. It's just a question of when will that happen. As far as foreseeing out looking the crystal ball, there are many, many uranium contracts, long term contracts, between producers and consumers. Meaning the power plants themselves that buy the rods and all that, who are worried about their supply chain all the way back to the ore in the ground.

A lot of those contracts are coming up for renegotiation in the 2018, 2019, 2020 arena which means that in 2017 I expect to see some sort of movement. I can't say precisely exactly when, which month, when it will happen, but I really do expect that in terms of your speculative portfolio, the money that you can allegedly afford to lose, some of these absolutely dirt cheap, beaten down, in the mud, run over 16 times by a bulldozer, uranium plays are fabulous speculations.

They have limited, limited downside. Of course you can always go down from a limited downside, but they have wide open blue sky upside. Take a hard look at some of these beaten up uranium guys.

Rick Rule: Nick, politically incorrect energy, 60 seconds, where's uranium going and why?

Nick Hodge: It's not politically incorrect at all. This is part of the previous question. If you're an environmentalist these days you have to be a supporter of uranium. It's the only emission free source of baseload power in the world I say from this panel every year, it's also the safest form of baseload power the world has ever seen on a per kilowatt hour basis.

The amount of electricity that's produced, it's safer than coal, it's safer than natural gas, it's safer than oil, over the long term, over the past 50 or 60 years. Uranium has to go higher. When does it go higher? No one knows. You know we've talked about uranium for the past two years but it's going to have to go higher at some point because it provides such a significant portion of global baseload electricity demand.

It's below $20 now in fact, as you say, so you need to look for an unhinged producer that can lock in higher prices once they start to rise. Even in Kazakhstan, they're not making money any more even with the in situ process, so prices have to rise at some point. You remember how you felt in November and December about gold and then you woke up in January and February and your stocks were up 300 percent?

That's going to happen one day to uranium, you just have to be patient. I'm a big tweeter – I don't know if you guys tweet – but yesterday I woke up and I saw that uranium shares were being puked up and I tweeted uranium shares are being puked up as the stock price falls below $20 – buy them.

Rick Rule: Adrian?

Adrian Day: Yeah, I'd like to quote a very well known and astute natural resource investor with regard to the price of uranium. Someone called him Rick Rule, I think.

Rick Rule: Yeah, I know that guy.

Adrian Day: Yeah, and I'm not going to embarrass you with your previous quotes on uranium, but what you have said many times is that the price rise is inevitable but not necessarily imminent. Or just because it's inevitable it's not imminent, and I think the panel all tends to agree with that. Now it's interesting that Byron mentioned a time period 2018 to 2020, which is the time period I've been saying for some years is when the supply and demand really starts to get into deficit.

When the Chinese power plants really come on stream, and when the production from countries like Kazakhstan and elsewhere start to go down. So that is the time frame when I see uranium moving into deficit, when the price has to go up at that point. You know, and prices tend to move up ahead of when you actually have a deficit because the market looks forward, is a forward looking instrument.

But because we've still got another year, or maybe two or three, to go before we see any meaningful deficit and any meaningful price increase, I would tend to avoid obviously the hedge producers, which has been mentioned. I would also be very careful of budget constrained exploration companies which will have to raise more capital, because if they have to continue to raise more capital in a weak market it's going to dilute the stocks to heck.

One thing we are buying, and we're buying it steadily but we're not buying it aggressively, we're just slowly building up positions for people, is something you know, Rick – the uranium participation certificate, which is you oh! No stock recommendations, sorry. So I would just buy the product uranium, and if you're looking at companies look very long and hard at whether they have the balance sheets to sustain a further down turn, whether they have hedge productions that takes them past the 2019 to 2020 theory –

Rick Rule: Adrian, sorry but I do have to interrupt you because we have one minute left.

Adrian Day: One minute?

Rick Rule: The audience thinks that we wasted 27 minutes so far.

Adrian Day: Oh, I thought you meant I had one minute of my 45 seconds left.

Rick Rule: Look at the clock. So you have one minute, Adrian, to tell us about a stock, or two stocks, but you have 60 seconds.

Adrian Day: Okay.

Rick Rule: Tell us something about the energy stock to buy in energy.

Adrian Day: Okay, very quickly then. I mean one thing I think has been obvious, or maybe has been obvious, from my comments here is that I'm not wildly bullish nor am I wildly bearish, and the plain fact is that you don't have to be particularly bullish or bearish on any particular market sector commodity at any given time.

I'm not wildly, you know I'm fairly neutral on this sector, on the energy sector in the near term, so we don't have an awful lot of positions. I am buying in uranium. I'm building positions because I think a price rise is inevitable and I think, as Nick said, it's going to be fairly dramatic when it comes.

So we are buying uranium participation certificate. "U" on Toronto, sponsored by Rick's parents, Sprott, and that gives you a direct exposure to the uranium price. So we're slowly accumulating positions in that.

Rick Rule: Nick?

Adrian Day: On the energy side –

Rick Rule: Nope, nope, nope. Sorry, you're done.

Adrian Day: Okay.

Rick Rule: Nick, even less slowly? 60 seconds, tell people something to buy.

Nick Hodge: Yeah, I said something yesterday on the mining panel, or two days ago. It's Fission Uranium, it's the call option on the inevitable rise in uranium prices. It's the best unmined, undeveloped uranium in the world in a safe jurisdiction, over 100 million pounds already and likely at least twice that, much of which is high grade, much of which is measured and indicated and not inferred. It's shallow, it starts at surface.

There's infrastructure there. The Chinese gave some $80 million last year at higher prices, they did extreme due diligence, they didn't give it to anyone else in the basin. They're just content to sit with Fission as I am at these low prices until it's time for uranium.

Rick Rule: Byron? We have uranium participation corp, we have Fission, give us an energy stock or two.

Byron King: An energy stock that I really like is one of the most beaten down, contrarian plays you can have. Everybody hates this and here we are in New Orleans right next to the belly of the beast – it's the offshore sector. Nobody wants to do offshore, it's too expensive, high cost to everything. So the company that I like quite a bit, and I've always like them, fabulous company, is called Oceaneering International – OII is the ticker.

They're at a six year low, $24 a share, four percent dividend. They are a company, they are a true pick and shovel company. They look after the offshore platforms that are there because you have to look after them so they don't blow up. They look after the pipelines, the underwater cables, the hot work, the welding and everything like that. So they're profitable even in this horrible, terrible situation and like I said they pay a four percent dividend. If you want something on shore, one company that I like –

Rick Rule: Whoa, whoa, whoa. We're done Byron.

Byron King: Okay, okay.

Rick Rule: Ladies and gentlemen, if hot air were electricity we would have generated enough power for the…... Thank you very much.

Dennis Gartman

"This Time It's...No Different At All"

Moderator: ext up, you all are in for a treat. You've got an all-around nice guy who has a heck of a history. Mr. Gartman is the one that you're going to be hearing from next. And Mr. Gartman has been directly involved in the capital markets since August of 1974, after his graduate work at North Carolina State University. In 1987, Mr. Gartman began producing the Gartman Letter on a full-time basis, and he continues to do so today. Clients of the Gartman Letter include many of the leading banks, brokering firms, mutual funds, hedge funds, energy trading companies and grain trading companies.

Mr. Gartman has lectured on capital market creation to central banks, to finance ministries around the world, and has taught classes for the Federal Reserve Bank School for Examiners on Derivatives. Mr. Gartman now serves on the investment committee of both the University of Akron, and the North Carolina State University. Mr. Gartman appears often on CNBC Television and Bloomberg Radio, and speaks before various associations and trade groups around the world. If you would, please give him a very warm welcome. Mr. Dennnis Gartman.

Dennis Gartman: Always remember that you should avoid applauding for a speaker before you've heard him speak. You may wish to take it back before he's done. On my way up here this morning from my hotel, my lovely bride of 26 years, I said, having been on TV yesterday and having had an article in the Wall Street Journal recently, I said, "In your wildest dreams, did you ever think your husband would be speaking to several hundred people, being on TV and being in the Wall Street Journal." She took my head in her hands and looked at me and said, "Sweetheart, we've been married for 26 years. It's been 28 since you've been in my wildest dreams." *[laughter]* Probably closer to the truth than we ever want to talk about.

I'm here to talk about the fact that nothing ever changes. Things very rarely change, I guess I should say. That which has happened in the past is going to happen again in the future. That which we have experienced in the past, we are going to experience again in the future. We are human beings. We make mistakes. We learn from those mistakes, hopefully, over time. We never seem to learn any lessons about economics. We go back and do the same – we make the same errors time after time. I want to talk about just a very few things that I see taking place. We still run deficits, both budget and trade. We still grow more grain in the United States than we ever have in the past. We shall do more in the future. And markets are still driven by money.

Let's talk about deficits first. And I'll begin by talking about the fact that I am politically somewhat to the right of Genghis Khan – I understand that. I guess I would call myself a Libertarian more than anything else. But where everybody gets concerned about deficits, I find myself being terribly unconcerned about them. This group is probably going to – by the time I'm finished talking about deficits and my great unconcern – will probably be very angry about that fact. But I find it amusing that in the 40 some years that I've been involved in markets, all I've heard is the fact that we are running a budget deficit, and that budget deficits will give us higher interest rates. And if I've learned anything in the past 35 years it's that the higher our budget deficit goes, the lower our interest rates go. And that is an absolute unmitigated, incontrovertible fact.

You have been told all your life that higher deficits beget higher interest rates, and it simply is for the fact of the last 35 years, a bold-faced, unmitigated lie. It's just not that way. There shall come a time when higher budget deficits give rise to higher interest rates and it might not be that far into the future. But everybody I know – everyone that you know, everybody – every trader that you've talked to, every economist that you've listened to or read about has been forecasting higher budget deficits and higher interest rates. They've been looking at that fact in Japan for 25 years. They've been talking about that fact here in the United States for the past 20 years. And the fact is as the budget deficit has gotten larger, interest rates have gone lower.

I don't worry about budget deficits that much also, because the United States accounts for its budgets in a most extraordinary fashion. I'm lucky that I live in southeast Virginia. From my office and my house, I look out across the Chesapeake Bay. It's about 17 miles over to the Norfolk Air Station and Navy Base. The horizon at sea level is seven miles. 17 miles – two and a half times the normal horizon – I can see our aircraft carriers because Norfolk is the station of the last – we have 11 in the United States. We house six of them in Norfolk. Usually we have two of them in station. And from 17 miles away, I can see our aircraft carriers. Now what do air craft carriers have to do with budget deficits? It's interesting to me that we are the only country in the world that carries its military equipment on its balance sheet at zero.

We build an aircraft carrier – let's say it costs $35 billion dollars to build an aircraft carrier – has a lifespan of probably 50 years. On that aircraft carrier, we will carry 45 to 60 aircraft, each one of them worth probably $150 to $250 million dollars. We will carry 5,000 people. We will carry plant equipment and other military equipment on that. And when we send an aircraft carrier out to see, we send her out with 14 to 16 attendant ships, of which at least two are submarines. We carry that battle contingent on our balance sheet of the United States at zero. We carry Yellowstone National Park on the balance sheet of the United States at zero. As I euphemistically say, I'll bid five dollars for Yellowstone right now and drive the balance sheet of the United States up even further. It is as if you as an individual were to take out a mortgage on a half a million dollar house, put $100,000.00 down on that house, and would be forced to write off the $400,000.00 as a debt with no asset on the other side. You know that's lunatic. I know that's lunatic. And yet we're the country that does that.

We're not overleveraged. And therefore, I don't worry as much about our budget deficits as everybody else does. Do I wish they were smaller? Of course I do. Do I wish that we would stop spending money on entitlements in the manner which we do? Of course I do. Do I wish that we spent more money on our military? Of course I do. Do I wish that we spent less money on education and made it more affordable, made it better, and did a better job with it? Of course I do. But do I lie awake at night, as many of you do, worrying about the budget deficit and wondering when interest rates are going to go higher – which eventually they shall? No.

So if you get anything from me today, go away not nearly as cogently concerned, not nearly as overwhelmingly dismayed, not nearly as worried as you have been about the budget deficit circumstance in the United States. Should it be lower? Yes, it should. Can we do better? Yes, we can. Can we cut spending in some areas? Yes, we will. Should we? Of course. But we carry Yellowstone at zero, our aircraft carriers at zero, and no other nation in the world does it that way.

Let's talk about trade deficits. I don't worry about trade deficits like everybody else does. Why? I'm only 66 years old. I'm still a young man. And since I began in this business in the early 1970s, I have been told to worry about the fact that the United States runs its stultifying, and terrifying, and disconcerting trade deficit and by God, this has to stop. And yet every single year, our trade deficit gets larger. And every single year, the economy seems to have done somewhat quietly, nicely better. Simply put, all of the articles, all of the concerns, all of the debates that you hear about bringing jobs back home are garbage. They're not coming back home. And nor should they.

I was lucky enough to grow up in Akron, Ohio. Some of you have heard me make this comment before, but it was a great benefit to have grown up in Akron, Ohio because it taught me something extraordinary about the makeup of the American culture. In the 1940s, 1950s, 1960s, 1970s, every car in the United States and most cars abroad had tires on them that were manufactured in the rubber capital of the wall, Akron, Ohio. Goodyear, Goodrich, Firestone, Uniroyal – they were all there. If you grew up in Akron, Ohio, if you were the first or second generation coming over from a foreign country – and that's primarily who lived in Akron, and Cleveland, and Youngstown, in that area of the United States – you wanted to work – you were going to go to work in the rubber companies. You were going to go to work for Goodyear. You were going to go to work for Goodrich. You were going to go to work for Uniroyal. If you finished high school, you went to work in a plant. If you finished college, you went to work in administration. That's what you did.

Since 1974, not a single tire, not one has been manufactured in Akron, Ohio. Think about that. Every tire on every car in the '40s, '50s, '60s, and '70s was manufactured in Akron, Ohio. And since 1974, not a single tire has been made there. The rubber companies are gone, kaput, finished. Instead of having 150,000 people working in the rubber companies, if you ask the people of Akron, Ohio now would you like the rubber companies to come back, you will get a clear, unified statement, "No. We don't need them." If you ask the people, "What has replaced them?" collectively, you will get a blank stare. We really don't know. But they can tell you this –

that the unemployment rate in Akron, Ohio is about a half percent below the unemployment rate in the rest of the United States. That instead of having six major rubber companies, you now have 600 smaller companies that are creating all sorts of new products, replacing the rubber companies completely. High-tech industries, pharmaceuticals, petrochemical industries – all originating from the universities, have replaced Goodyear, Goodrich, Firestone. They're gone.

Those jobs are not coming back no matter what you try to do, or how you try to do it. Technology has replaced them in every single instance. And that's the brilliance of the United States. That's what we do different than everybody else. And the attempts to bring those jobs back – the attempts to, by some people on the right, to say, "We need to bring those jobs back to the United States" is saying to the technologists of the country – is saying to the youth of the country that you've got it wrong and the old ways were the better ways. The old ways were not the better ways. They worked for awhile. They have been replaced by other things. That's the brilliance of what we do here in the United States. People need to pay attention to that fact.

What's interesting to me is talking about technology, let's talk about agriculture, which seems to be the most un-technical imaginable. First of all, let's understand that in agriculture, back in the turn of the 19th – or turn of the 20th century, 95 percent of people in the United States were employed in agriculture. 95 percent of the people in the United States at the turn of the 20th century were employed in agriculture. Now one percent of the people are in employed in agriculture. Think about that. Think about the decline in employment that has occurred in the agricultural circumstance. It has been wiped out. It's gone. Are those jobs coming back? Of course not. Would you want them to come back? Of course not. Because if you've seen one thing, if there's one thing you can bet upon in the United States, if there's one thing you know absolutely certain in the United States is that drought in, drought out, year-in, year-out, we are going to produce more grain next year than we produced last year – more grain five years from now than we will produce in two years from now – more grain ten years from now than we will produce five years from now. And why? Because of technology.

Think about this. We heard of the advent of the motorless – of the driverless automobile. They have had driverless tractors in agriculture for five years now. Think about this. In the past, when you were a farmer, the best you could do – and a good-sized farm in the United States has several thousand acres of corn, or several thousand acres of soybeans – and the best that you could see of your crop was to walk on the outside and maybe walk through the field, and you took a look at how the crop condition was. But you fertilized to the worst common denominator. Now instead, you have a drone flying in the air that's looking down on your crop, and it's talking to your driverless tractor that is spraying fertilizer through the field, and telling it for the next 15 feet, "Increase the amount of nitrogen by two percent. In the next 50 feet, decrease the amount of nitrogen by 20 percent." It sees what's going on in your field on a daily basis, and tells you how much more efficiently to grow that cropland than you ever dreamt possible.

And we therefore, grow more corn, more soybeans, more wheat, more cotton than we did last year, drought in, drought out, good weather in, good weather out. I think that's important to understand that fact. And yet we pay no attention to it. We denigrate it. But that's the shifting nature of technology that's taking place. We feed the world. We drive prices down. And yet we make more money each year. I know this would be contrary to what most people want, but every time I hear about a small farmer being put out of business and selling his land to a larger farmer, I applaud that fact because that means that land is going to somebody more efficient, a better producer who understands how to use the markets – understands how to use technology more effective than the poor farmer who is being put out of business. That's something that no one anywhere ever seems to talk about. It's something you need to understand and take back with you today.

We need to change, for example, the song about the fact that the United States has amber waves of grain. We don't have amber waves of grain anymore. In the old days prior to really understanding how to genetically change plant structures, wheat grew this tall. And it was beautiful to drive through Kansas. And the wheat did, in fact, wave like – sway like waves in the wind. And it was beautiful to see. But what a waste of energy, what a waste of fertilizer, what a waste of moisture – when you could grow a wheat stalk instead that is this tall, and you get what you need out of the wheat – the kernel, instead of what you really don't need out of the wheat – the larger part of the plant.

We now grow cotton in the United States that has color in it. Imagine that. We now have cotton that's pinkish in orientation because we all know when we first went to college the first time and did our laundry for the first time, and threw our underwear into the washing machine, and threw that red t-shirt into the washing machine at the first time, and came back with pink underwear how embarrassed we were. That will not happen again because the new cotton holds its dye so much more efficiently than the old cotton did. We're changing everything. Livestock that we raise is better quality. We get better quality food, and no one pays attention to that fact.

Let's talk about the dollar. It's strong, and it's going to get stronger. Why? It's going to get stronger because the monetary authorities here in the United States have already begun the process *[Break in audio]* policy. Oh, there will be the great debate whether the Federal Reserve Bank when it meets next week shall move the overnight Fed Funds Rate up by 25 basis points. There will be great wailing and gnashing of teeth. There will be a great discussion on weather they will or they won't. We will all read the post meeting communiqué and decide, "Does it mean that they will? Does it mean that they won't?" They probably won't next month or next week because the election is going to be in an week and a half, and the Fed probably wants to appear to be as apolitical as possible, although some of my friends say the most apolitical thing that they could do would actually be to tighten the monetary policy to snub their nose at those who argue that the Feds should remain apolitical. But my guess is they will probably defer until the December meeting.

But what's really important to me is not what the overnight Fed Funds Rate is doing, which is what everybody seems to focus their attention upon. They are – the economic data point that you should pay attention to is the one place where the Fed actually has real control and every Thursday afternoon, the Federal Reserve Bank of St. Louis puts forth its adjusted monetary base. The adjusted monetary base is really the sum total of currency, and basically the Feds holding of treasury securities. Now during quantitative easing, the monetary base exploded. We know that. Most of you are gold bugs and decry that fact. I understand that. We took the monetary base in a three-year period of time from a little over a trillion dollars, to four trillion dollars. That was a huge leap in the monetary base. But the Fed told you that's what they were doing. You understood what quantitative easing was. We used to call it monetization. We understood what they were doing. We understood why they were doing it.

We understood why Bernanke was making that after coming – or having gone through the near depression of 2007 to 2009. Whether you like it or not, that's what happened. Whether you think it was a good deal or not, that is what happened. But since then – since 2014, the adjusted monetary base, which should be increased by the size of the population plus a hope for growth – non-inflationary growth in GDP – let's call population growth two percent a year. Let's call GDP growth, which we'd like to see somewhere above two and a half percent a year. You would like to see – all things being otherwise equal, you would love to see the adjusted monetary base grow by four to five percent a year. That would be a good thing. In fact, I'm one of those people who thinks that we should take the power of the Fed away from individuals, turn it over to a computer that would buy enough government securities on a very regular basis to grow the adjusted base by four to five percent a year.

But since late 2014, the adjusted base has fallen from 4.6 trillion to 3.8 trillion. It's falling. The Fed is tightening. And it's tightening, I think, rather materially and very few people are taking notice of that fact. Simply put, if the Fed is tightening, if they are creating ever-fewer dollars – and that is exactly what they are doing, then why shouldn't the dollar get stronger? Indeed it is. And it shall continue to get stronger because the monetary authorities in Europe, and the monetary authority in Japan are moving in the other direction. They are continuing to expand the supply of reserves in the system. We're cutting ours, they're increasing theirs. All things being otherwise equal, that has to give rise to a steadily stronger U.S. dollar. And it is, and it shall. The only places that I can make the argument that it might be that the dollar might decline somewhat are the other dollars. I can make a case to be bullish of Canada. I can make a case to be bullish of Australia. I can make a case to be bullish of the New Zealand dollars. But I can't make a very strong case. I can make an overtly strong case for the dollar to get continuously stronger relative to the Japanese Yen, and most particularly and most acutely relative to the Euro.

I think the Euro is a doomed currency. I think we're going at least to par, and maybe lower, because the monetary authorities are, in fact, increasing their supply and they have no choice. Eventually, Europe – the European Monetary Union and the European Political Union have to break apart. The oppositions, the disconcertion, the confusion that exists within Europe are so abundantly different than are the circumstances here in the United States. Simply put, the difference between someone in France and someone in Germany is archly atypical, archly different than from a Californian to a Virginian. Religions are different, work ethics are different, philosophies are different, cultures are different, and of course, as we understand, language is different.

The improbability, or the impossibility, or the confusion regarding Europe was made manifestly clear this week when Canada tried to forge – after years of debate, after years of going through the process, sending the Sherpas back and forth, making the back room arguments, talking about grain, talking about steel, talking about high-tech, talking about pharmaceuticals – finally after all of those circumstances were talked out, finally after the agreement had been reached, finally after what is known as – call it the free trade agreement between Canada and Europe – was to have been signed this week. And yet three and a half million people in a portion of Belgium known as Wallonia who argued against the adoption stopped the agreement. 3.5 million people living in a Socialist enclave in Belgium stopped what would be beneficial to 500 million of their citizens. That sort of political dissention has to stop.

We saw earlier this year – and I think it was laudable on the part of the British – when they voted to remove themselves from the monetary union – excuse me, from the political union. They never had joined the monetary union – from the political union. We now refer to it as Brexit. I applauded the British for having done that. Why did they do it? They were dismayed – they were disturbed by the fact that unelected officials in Brussels had control over the economic circumstances and the political circumstances of London and they were fed up. What most of us here in the United States don't understand, however, is what happened there in England is being replicated at the periphery all across *[Break in audio]*.

You have a separatist movement in Catalonia, in Barcelona – in the eastern part of Spain, which very soon is going to vote on a referendum to leave Spain. You have a group in the northern part of Spain – the – I just went blank. This is what happens when you get to be 66 years old. Things that were right there, you forget about them – the Basques. They're going to vote. If the Catalans leave, rest assured that the Basques – who are not just Spanish but also protrude into lower France – will vote to do the same thing. You have a group in northern Italy, the Lega Nord, who is tired of having the taxes of northern Italy's far stronger economy going from Milan, making their way to Rome, and being dispersed into southern Italy and the northern Italians are tired of that fact. They are voting on leaving Italy. Think about this. We in the United States don't hear about this political dissension very much. You will hear more and more about it in the days, weeks, and months ahead. This cannot argue in favor of a strong currency. This can only argue in favor of a demonstrably weaker currency.

In Japan – you've heard me talk about this before, I shall talk about it this year, I shall talk about it next year, I'll talk about it five years from now – the demographics of Japan are so egregiously bad that there are villages – children simply are not being born in Japan any longer. The numbers of deaths outnumber the numbers of births every single year. This shall not stop. Japan being an openly racist country, never allows immigration – hasn't, isn't, and won't. Its age is growing older by the hour. Its population is falling. Clearly that is not the hallmark of a strong and rising economy. Every once in awhile when stock prices get shocked to the downside, the Japanese Yen gets a little bit stronger only because of geography, only because some money at the margin tries to find its way over to Japan as a supposedly safe haven. That is utter and complete and total nonsense. It makes absolutely no sense to me.

When push comes to economic shove, we are still the economic plow horse of the world. We move forward on a consistent basis, which brings me to a discussion of the gold market. And we'll talk about stocks in just a minute. Most of you, I understand, are gold bugs. I get that. I understand that. I've heard this for years. I, too, tend to be bullish of the gold market. However, I have no interest whatsoever in U.S. dollar terms. Why would I wish to own something with a currency that I am convinced is, that the charts say, that the fundamentals intend are going higher? Why would I use a good currency to buy something when I am capable of using a bad currency to buy that same entity? Why would I use the dollar to buy gold when I can use Euros to buy gold? When I can use Yen to buy gold? When I wish I could use Rubels to buy gold? Why would I use the dollar, which is a rising, fundamentally active currency when I can use other currencies to do so? Again, the adjusted monetary base in the United States is declining. We are creating fewer and fewer of them. The monetary bases in Japan and Europe are rising. They are creating more and more of them. Why would you not wish to own gold in those terms of the US dollar?

It is interesting – for those of you who don't understand that fact – that gold in Euro terms over the course of the past several years is up, where gold in dollar terms over the course of the past several years is down. If you think – and I think you should go home with the understanding that the Euro is going to consistently weaken – you should go home with the notion, "Let me buy gold in Euro terms. I want to own the currency." And I think gold is nothing more than a currency. I don't think it's magic. I don't think it's the be-all and end-all. I think it's simply one more currency in a world to be traded. And foreign exchange traders are always taught to buy this currency and sell that, to sell this currency and buy that, to cross one against the other.

Learn how to buy gold in non-U.S. dollar terms. I think you will fundamentally be better off. Technically, you will clearly have been, are now, and shall be better off. And what's even nicer about that fact is it takes out the random noise intraday on a very consistent basis. So you're getting stronger movements in the underlying instrument – gold predicate *[Break in audio]* - with lesser volatility on a minute by minute, hour by hour, day by day, and week by week circumstance. It's illogical to do otherwise.

Let's talk about stock prices. I think they're relatively high. I think they might go somewhat lower. I think here in the United States because we are creating fewer reserves as announced by, as shown by, as supported by the decline in the adjusted monetary base, on balance, money has been created and if it was not going into plant equipment and labor, it was making its way into equity investment. That's what had happened in 2009, '10, '11, '12, '13, '14, '15, and even till this year. But now with employment getting stronger – and if there's something you can absolutely count upon right now, it's that demand for labor is, in fact, in the United States growing. I see more Help Wanted signs as I drive around southeast Virginia where I live than I have seen in the past several years. I see them here in New Orleans. I see them in my old hometown near Cleveland, Ohio – go Indians. *[laughter]* The world has never been the same, however, since – talking about baseball – since the inclusion of the designated hitter rule. Society has gone to hell in a basket – hell handbasket since then, but that's another story for another time.

But since we are creating fewer dollars, and importantly one side note to the discussion of the adjusted monetary base – if it weren't for the fact that currency in circulation were rising, the adjusted monetary base would be down even more dramatically than it is. And think about what currency in circulation is. Currency in circulation is the most deflationary circumstance you can ever imagine. Money in your pocket has been removed from the banking system. Money in your pocket does not get redeposited, reserved for, relent, reserved for, relent, reserved for, relent again and again, which is the magic of modern society. Banking and the reserve banking system is what created capitalism. It is what drives things forward. But cash in your pocket is the antithesis of banking. And what's bothering me more than the fact that the adjusted monetary face is declining is the fact that were it not for the fact that currency is increasing, the base would be down even more over the course of the past several years than it is already. Simply put, the amount of money flowing into equities here in the United States has begun to ebb.

On the other hand, that's not true in Europe. That's not true in Japan, where they are creating more money. I think what you ought to be doing is buying stocks in Japan, and buying stocks in Europe, even though their currencies are going to devalue. That has been one of the strongest, bullish forces in any equity market. A weak currency almost always begets stronger stock prices.

In fact – this is an interesting phenomenon – the stronger – anybody want to know what the strongest stock market in the past 20 years was? It was Zimbabwe. It went up over a trillion percent. That's a lot. A trillion is a lot. Why? Because the Zimbabwe dollar fell by 99.999999999 percent as it took $100 trillion Zimbabwe dollars, which 20 years ago traded at two to the U.S. They stopped printing them when it went to 100 trillion to the U.S. But a weak Zimbabwe dollar gave rise to a hugely expansionary Zimbabwe stock market. Weak currencies almost always, all things being otherwise equal, beget stronger stock prices.

We are creating a stronger U.S. dollar. They are creating a weak Yen, and most assuredly, a weak Euro. And in that environment, you want to be long of Japanese stocks. You want to be long of European stocks. You want to be short of U.S. stocks. Does this mean I'm openly, manifestly, egregiously, preposterously bullish? Am I going out to buy Japan with both hands in and of itself? No. Am I going out to buy German stocks, French stocks, Italian stocks openly with both hands out, embracing German, French, Italian stocks in and of themselves? No. Am I bearish in and of itself of the United States stock market? No. But do I want to be long of Japan and Europe and short of the United States stock market. You betcha I do. You betcha I do.

So where are we? You want to own gold in non-U.S. dollar terms. There's an ETF for that – go look it up. I don't want to talk about it. It has my name on it. It's a pretty interesting instrument, but you can find it. You want to own gold in non-U.S. dollar terms. You want to own stocks outside the United States. You want to err upon the side of being openly and manifestly bullish of the U.S. dollar. You basically want to know in the grain market that the size of the crop this year is record as far as soybeans and corn are concerned. It seems to me that the market has absorbed that overtly bearish news very well and refuses to make new lows. Something that should go down on bearish news and doesn't is probably going to go up. And I'm really, really impressed by the fact that corn and soybeans – even cotton are going up now, even as the dollar continues to get aggressively stronger. That's interesting, that's different, that's unique, and no one anywhere is telling you to buy corn. No one anywhere is telling you to buy cotton. I am.

Leave here knowing that this is still the United States of America. We screw things up on a very consistent basis. Ben Franklin, I think, it was who said – or maybe it was Churchill – it was Churchill who said, "Count on the United States to do absolutely the wrong thing most of the time until they finally do the right thing, and then they do it properly." We are consistently doing the wrong thing. But think about the fact that Akron, Ohio hasn't produced a tire since 1974. And the population is beginning to turn for the better. And the employment rate is below that of the United States. And the people of Akron don't want the rubber companies to come back. Think about the fact that we now have driverless trucks in the fields growing corn, soybeans, and cotton, and technology is driving yields everywhere from the lower left to the upper right. Think about the fact that we discovered the computer. We discovered the transistor. We created Apple. We created Twitter. We created Netflix. The rest of the world wishes they had done that. We do that.

Are we going to bring jobs back to the United States? Are we going to grow – are we going to create more steel here in the United States than we did back in the '50s, '60s, and '70s. No we are not. I don't care what Mr. Trump says, putting up a wall is not going to help. Throwing up tariffs is not going to create jobs. Free trade, better immigration, and doing what made this the greatest country the world has ever seen in the past will make us the greatest country going into the future. I'm bullish on this place. I'm glad I was born here. I'm glad my grandfather fought on the side of the White Russians, and fought his way back across Siberia, booked passage to the United States, built a bakery in Cuyahoga Falls, Ohio, and made something of himself. God bless the United States of America. Thank you for your time. Good luck, good trading, and thanks for listening. *[applause]* Anybody have a question? No? I made it that clear? Perfect. Pardon?

What about China. The one thing – there's another thing that you should never bet against. Never bet against China. Never bet against China. How many people have told you that the Chinese economy is on the verge of collapse for the past 15 years? It's all you read. Except it never collapses. It may eventually. But those who have bet upon the collapse in China have made a very bad bet. Remember this. Whenever you get interested in betting on the collapse in China, think about the fact that the greatest migration in the history of mankind is still taking place as people – nearly 800 million people living in the western provinces of China have for the past 15 years made their way to the eastern provinces in China. They're going to continue that process. That's not going to go away in our lifetime. Has China overbuilt houses in some areas? No question. Are there too many buildings in China in some areas? No question. Did they build too much steel capacity in China? No question. But is China going to be stronger 15 years from now than it is right now? No question. So that's my attitude. Do I have *[Break in audio].*

I can't hear you. Oh, yes. I should have talked about that. One of the great things in the United States that nobody – that not enough people really understand is fracking. It has changed the world – utterly, completely changed the world. 20 years ago, before we had really good technology that could look into the ground 15,000 feet down and tell us what was actually in the ground, our hit rates for drilling were about 50 percent. Now our hit rates in the United States using better technology is like 95 percent. But better than that, we used to think that the oil facilities – that the oil reserves in the ground were rather finite. They look like your fist. And you hope that you sent the soda straw down and hit the top of that structure and you had a gusher well.

Now we understand, however, that those oil facilities – those oil reserves look like your hand, with fingers that stretch out for miles. And the brilliance of what we have been able to do is – one, we send the soda straw down one well, and we twist it another soda straw, and another soda straw, and another soda straw, and another soda straw. So the rig count never rises that much. In fact, the rig count has fallen. But we get more oil from the same area than we ever did in the past *[clearing throat]* and we do it by fracking – by sending water and sand into that area, exploding it and freeing the hydrocarbons that exist down there. It has changed the world.

Now you have to ask yourself the simple question, was God a segregationist when it came to oil? – that is, are frackable circumstances only here in the United States? Of course not. God was not a segregationist when it came to oil. And we have taught the world how to send that soda straw down, bend it 14, 15, 16 times, getting oil out of facilities that five years ago were simply, utterly, and completely uneconomic. England – they've actually found oil – this is wonderful – under Heathrow Airport. *[laughter]* They're going to send a soda straw down 15 miles, five miles outside of Heathrow and go get it. You want to see a really interesting map? Look at a map of the drilling rigs on the Pennsylvania, New York border. Most of you don't know that one of the new, great finds as far as oil is concerned and natural gas is the Marcellus Shale that extends from West Virginia on up to the Saint Lawrence River – huge natural gas and oil to be found there, close to, let me think – Cleveland, Pittsburgh, Philadelphia, New York, Boston. I don't know about you, but aren't those areas closer to oil than is Dallas – than is El Paso, Texas?

But what's interesting is New York – God bless them, bunch of leftists, idiots – stopped fracking, don't allow drilling in New York State. Guess what? On the Pennsylvania, New York border, look at a map and you will see dot, after dot, after dot, after dot, after dot, after dot, after dot, after dot, after dot of rigs on the Pennsylvania side, all of whom say, "We're not drilling in New York." *[laughter]* Bullshit. *[laughter]* They're sucking New York dry. *[laughter]* You've gotta love American capitalism. That's fracking. And again, unless God was a segregationist when it came to the dispersal of frackable oil facilities and natural gas facilities around the world, we have taught people in the United States – eight years ago, it might have cost $80.00 to frack a well. Now it costs $25.00 to $30.00. It will go to $15.00 or $20.00 next year. And everybody's going to get the benefit of how we have learned to do that. The Saudis are going to learn to frack more land. The Russians are going to learn how to frack more land. The Africans are going to learn how to frack more land.

One of the things they taught me – and this is my last statement – when I was in undergraduate school in the 1960s, they told me that the United States – they told me that the world would be out of hydrocarbons by 1985. These are the same people who believe in global warning, they then believed in global cooling, and they told us that we were going to be out of all energy by 1985. I don't know about you, but I've driven a car somewhat since 1985. I've heated and cooled by house since 1985. And you know what's interesting? There are four time more proven reserves of energy in the ground today than there was in 1985. I guarantee you this – there'll be four times more proven reserves in the ground then than there are now because of fracking – because of technology. That's going to keep prices of crude oil under pressure for a long period of time.

That's my story, I'm sticking with it. Thank you for your time. Good luck and good trading.

Nick Giambruno
"A Mile-High House Of Cards: How 'Quitaly' Will Doom The Euro"

Moderator: I'm going to move onto our Casey Research speakers now. In the interest of keeping on time, I'm not going to read the entire bio from your program book, but you know they're in alphabetical order under your speaker tab in your program book if you want more details.

The first of our Casey Research speakers is Nick Giambruno. And, as the name implies, we're going to talk a little bit about Italy. The subject is "A Mile-High House of Cards: How 'Quitaly' Will Doom the Euro."

Now, Nick is a young looking fellow, but he's been following Doug Casey for over 15 years and is now senior editor of Doug's *International Man* and *Crisis Investing* newsletter publication, so please welcome Nick Giambruno.

Nick Giambruno: Thank you. All right, I just want to start with a quote that really encapsulates a lot of what I do at Casey Research. From Warren Buffett, it's, "You want to be greedy when others are fearful and fearful when others are greedy."

I work on the *Crisis Investing* publication, and it's all about finding opportunities in crisis markets. And these are markets that people generally run away from, but in the Chinese ideogram you can see that the word "crisis" is really one for danger and opportunity, so we look at the opportunity side of different crises around the world.

You know, it also goes into the famous saying from Baron de Rothschild about buying when blood is in the streets, and that's just what Doug Casey and I do. And just this past year we've been to a number of countries where the blood is literally flowing in the streets looking for these types of investment bargains. We've been in Ukraine, Zimbabwe, Turkey after they had their failed coup attempt this summer, Lebanon and Columbia.

So, crisis investing is all about the power of buying assets during the time of maximum pessimism when nobody else wants to buy them. It's really about the only time you can get really, really good bargains of – you know, you can get a dollar's worth of assets for a dime or less. So, what we do is we go around the world in these different situations – and it doesn't have to be around the world. It can be different industries within the U.S., too – and look for best of breed companies and dividend aristocrats and stuff like that.

So, one example of this was during the Cyprus banking crisis a few years back. As you might recall, the banking system collapsed in Cyprus. It was radioactive. Nobody wanted to touch Cyprus. The local stock market crashed, and at one point it was done 98 percent from its previous peak a few years ago, so this was in maximum pessimism type situation. But, none the less, there were sound productive, well run businesses on the island that continued to earn profits and paid dividends, so you look past the fear and hysteria at the headlines and you can really find astounding bargains.

As an example, we found a luxury hotel operator, and that gave us – it more than tripled. And found a couple of other good companies. So, this is just an example of the kind of stuff we look at.

So, the next big crisis we're looking for, we think it is going to happen or be triggered in Italy. A good way to encapsulate this is what the *Financial Times* wrote recently. And I'll just read it real quick. The *Financial Times* put it this way. "An Italian exit from the single currency, or the Euro, would trigger a total collapse of the Eurozone within a very short period. It would probably lead to the most violent economic shock in history dwarfing the Lehman Brothers bankruptcy in 2008 and the 1929 Wall Street crash."

Those are pretty powerful words, so let's unpack that statement because I think actually it is true. So, this is how it could happen. Right now, Italy has a pro EU government led by Matteo Renzi. He's holding a constitutional referendum on December 4th of this year. It's all about limiting the powers of the Italian Senate. Honestly, it's just a technicality, and most Italians don't even know what these technicalities are about. But proponents say it will cut back the political gridlock that Italy is notorious for, and opponents say this centralization of power will open the door to another dictator like Mussolini. But, more important than all of that, it's really an effective vote of confidence in this pro EU government.

Like David Cameron did foolishly before the Brexit vote, Renzi has promised to resign if this vote fails. And even if he doesn't resign as he's promised to, he's going to be so politically weakened that his government, which is a coalition government – that's how governments are in Italy – will probably collapse.

Italy's had on average a new government each year since World War II. Italian governments have a very, very short lifespan. So, what does this mean? It means if this fails, his government is going to be gone in the coming months, and what it does is it opened the door to Italy's populist party. This party is known as the Five Star Movement. It really started out as a joke. It would be like as if – well, it was started by a comedian and started off as, you know, like a joke. It would be like as if Jon Stewart started his own political party and it all of a sudden became more popular than the democrats and the republicans. This is what's happened in Italy.

So, in 2007, a guy named Beppe Grillo – he's a comedian and Italian actor – he launched what's known as Vaffanculo-Day, which is Italian for F off. Basically was a way for Italians to express their displeasure in mainstream parties and the political system in general. It wasn't meant to really launch a political party, but it eventually blossomed into the Five Star Movement which is now according to the polls the most popular. Even though it's not in power yet, it's the most popular according to the polls in Italy. And what is it? It doesn't really fall into this left, right political paradigm. It's anti-Euro, anti-establishment, anti-globalist, and it doesn't fit in the mold of Italy's traditional mainstream parties.

So, the failure of this referendum on December 4th will set into a series of events that will quickly bring this populist party into power. So, this populist party, one of their planks and like just one of the things they've been promising for many years now is to hold another referendum, and that is to go back to the Lira, which is the currency Italy had before it adopted the Euro, and in the circumstances right now it would probably pass. And since Italy is a core member of the Eurozone, if it leaves – it's not like Greece. Italy's orders of magnitude is bigger and more important than Greece, and if Italy votes to leave the Euro, there won't be a Euro. It will quickly unravel.

M5S is how this Five Star Movement is known in its Italian acronym, so how did it become the most popular political party in Italy out of nothing about ten years ago? So, it goes back to the economic situation in Italy. You know, it's important to define things. So, Webster defines a depression as a – it's pretty vague, but it makes sense here – a period of time in which there is little economic activity and many people don't have jobs. So, if you look at Italy's situation, Italy – this is not – most people don't know this, but Italy has had no productive growth, zero since it joined the Euro in 1999. That's nearly 20 years of economic stagnation. And, you know, it most certainly is an economic depression. And today the Italian real GDP per person is smaller than it was at the turn of the century, so this economic stagnation is what fuels the rise of this populist party, and there's no hope for things to turn around. The IMF has predicted it's going to take until 2025 until Italy's economy returns to its 2008 peak. It means they have no idea. They don't know what's going to happen next month, let alone at 2025, so they're just admitting they have no idea how Italy's ever going to recover.

So, the mass media and the establishment economists don't call it a depression, but it is a depression in Italy, and this is what's fueled the rise of this populist party. This populist party is blaming this economic stagnation with some justification on the Euro currency. Italian industry and exports have become relatively uncompetitive, and that's why they want to return to the Lira. I mean it's not good they want to return to the Lira because they don't control the printing presses. They just want to print more money, so they have this misguided notion that they can have a cheaper currency. It's not correct, but that's what they think.

So, because of Italy's structural economic problems, it really should have a weaker currency though. But, since it doesn't, it's wrapped in this Euro straightjacket, its currency doesn't adjust when there are these structural economic problems, and you can see this because before the Euro Italy would regularly post large trade surpluses with Germany, and now since it's joined it posts large trade deficits.

So, Italy gets monetary conditions that are far too tight, so this economic depression has had consequences obviously for Italian banks. This is now coming to a head. Italian banks are wolfly undercapitalized. All these small and medium sized businesses of which the Italian economy is primarily made up of have taken out loans from Italian banks, and these loans have gone bad to the tune of $400 billion. That's a lot of bad loans, and these are just the loans that are bad right now. You know, it gets worse and worse. And this is certainly not the end of the NPL, so that's a big hole – $400 billion of capital.

So, this crisis in the Italian banking system took years to build up – years – but now it's coming to a head. These non-performing loans make up almost 20 bank loans and 20 percent of the Italian GDP.

There's also another factor we need to talk about with the Italian banks – their financially incestuous relationship with the Italian government. The Italian government is one of the most indebted governments in the world. It's borrowed over $2.4 trillion, which relatively speaking is north of 130 percent of their GDP. But this is actually not an accurate representation. It's actually much worse because I believe GDP is a highly flawed statistic. So, many mainstream economists and governments count government spending as a positive in a country's GDP or economic output. Why would you calculate that as a positive? Government spending is a wasteful – it's a waste. A more honest measure would count that as a big negative in a country's GDP. And, in Italy, government spending accounts for more than half of the economy in Italy, so the situation is actually much worse, and the Italian government is clearly insolvent, especially when you think of it through that prism, so it seems to me to be impossible for the Italian government to extract in taxes and economy what its borrowed already. It's inconceivable they'll be able to do this.

None the less, Italian government bonds are trading at record low yields. It's completely insane. And not only that, but $1.6 trillion over half goverment bonds actually have negative yields. Negative yields. It's completely perverse. It's a super bubble and it's another headwind for Italian banks.

A former IMF official put it this way. "But the public debt and the banking sector are on a powder keg maintained by a process of nonrecognition of accumulated losses in the system that they keep rolling over. The real problem is that somebody has to take losses eventually." It's probably going to come pretty soon.

So, here's a chart of the Italian debt to GTP ratio and the Italian government bond yields, and it's just gone crazy over the past few years, so it's very clear that this is a bubble – a super bubble – in Italian sovereign bonds.

So, how does this affect Italian banks? Italian banks, they need to be capitalized. And because of the bad loans they've made, another aspect of the Italian banks is they hold a lot of Italian government bonds on their balance sheets. Now, they've gone up, but if that bubble bursts in the Italian government bonds, it's going to further pressure the capital base of these Italian banks, so how are Italian banks going to be recapitalized? I mean private investors, nobody in their right mind would put more money into the Italian banking system, so no private investor is really ponying up anything near $400 billion to patch up the Italian banking system.

Taxpayer bailouts is another source of funds, but it's complicated by new rules that the EU is imposing. EU has basically said no more taxpayer bailouts until you do something that's known as a bail-in. And we'll talk about that in a second.

So, the bail-in is really the only source of capital to conceivably keep the Italian baking system afloat, but it's also politically explosive. That's because of this widely held misconception that most people around the world have. Most people think when you deposit your cash into a bank that it is your personal property still, it's your money, but it's really not. When you put money into a bank, you don't own that money anymore. What you own from the bank is a promise to repay you. It's an unsecured liability. It's very, very different than owning physical cash, and 99 percent of people don't understand this distinction. It's not your personal asset. All you have is an unsecure liability and a promise from the bank to repay you, so depositors are technically a bank creditor.

And what happens in a bail-in? A bail-in is where a bank is recapitalized by taking money from the creditors to recapitalize the bank. And most people are aware of the bail-in that happened in Cyprus, but four bail-ins have already happened in Italy. This is not a widely known thing, and I've just spent weeks on the ground in Italy investigating this. But this has really happened. Most people don't know about this, but the bail-ins have already started in Italy. Four small banks in Italy have already had a bail-in, and what this means is that depositors have been wiped out.

And this is a big story in Italy of course because it's people are getting wiped out. And what has this led to? It's led to some pensioners who are dependents on the money that they have in this bank, a couple of them committed suicide because they got wiped out in this bail-in. And this has turned into a media sensation in Italy, and it has enormous emotional power. So, this is only what happened when a couple of small local regional banks needed a bail-in, but it's not the end of it. If the whole Italian banking system has a bail-in, it's going to act like political nitroglycerin.

One thing I also noticed is that Italians aren't just waiting around to get Cyprused. They're not waiting around for the bail-in, so the fear of bail-in is driving many Italians to buy gold, stash their cash at home in safes. This is not good for the Italian banking system because it's taking more and more capital out of this banking system. It's kind of like a self-fulfilling prophesy. People are afraid of the bail-in, so they take money out of the banking system, and that makes the bail-in even more likely, so it's clearly coming to a head very soon. So, if there is a bail-in or some sort of baking catastrophe, which is not unlikely before this December 4th referendum, it's going to guarantee that this referendum is going to fail and the current pro EU government will collapse.

So, another factor that is weighing on Italy in this upcoming referendum is the migrant crisis. Italy is now the frontline country in the migrant crisis. It's a huge issue on the minds of Italians.

You have hundreds of thousands of people arriving just this year from Africa mainly, and they're coming up through Libya which goes to show how – I mean this was totally predictable when NATO got rid of Gaddafi a few years back. They had an arrangement with Italy. Gaddafi would keep the migrants from coming to Italy, and when you got rid of Gaddafi, it's no surprise that the migrant flow is just going to explode, so this is a very predictable consequence of that disastrous intervention a few years ago.

The Italians blame this migrant problem on the current government. They blame it on the EU and they blame Italian government. So, it's a very simple relationship. The more migrants that come to Italy and Europe, the more popular populists and anti-EU political parties become. It's a very simple relationship.

And then also with Turkey, they had a disagreement with Turkey where Turkey was basically blackmailing the EU. They said, "Give us some money, and we want Visa free access to the Schengen zone or we're going to open the migrant floodgates." But since the coup in Turkey happened this summer, the EU's relations with Turkey have gone downhill because the EU is kind of parroting the U.S. view in that the crackdown, the response to this coup is antidemocratic and so-forth, and that has alienated the Turkish government to the European union. Not a smart move for the Europeans because the Turks will just open the floodgates, and it will happen right before this referendum, so that's pouring more fuel on the fire here.

So, the latest polls show the "no" camp for this referendum at 54 percent. The momentum is clearly on the "no" side, and it just keeps going up and up, so a new wave of migrants or a bail-in before this December 4th referendum will make its momentum basically unstoppable unless they pull some sort of a rabbit out of their hat. And it almost happened with the Brexit. If you remember, there was that murder – suspicious murder – of that MP in Britain that almost changed the momentum from the Brexit vote, so I wouldn't rule out some sort of weird or suspicious incident happening prior to this vote. But, that being said, the "no" has the momentum, and if these two things happen, it will all but guarantee that it fails.

So, here's the progression of what could happen. This referendum will fail. The current government will fall. The populist party will come to power. They'll hold another referendum, which they've promised to do, on leaving the Euro, and most likely Italians will vote to go back to the Lira. This is how Italy will leave the Euro, and without Italy in the Eurozone it's clear that the – I mean France is going to leave. The whole thing is going to come apart. So, the Euro is what holds the EU together. It's like the economic glue that holds the whole European union together, so without the Euro the whole system could come unglued pretty easily.

But this is the first domino. That's why that vote is so important on December 4th. It's the first domino to fall in this process. And as the *Financial Times* said, it's the first domino that would potentially unleash the biggest economic collapse in history, so that's why it's very important to watch.

So, what are some investment implications? Quite obviously, you'd want to be short the Euro, and a convenient way to do that without using complicated options is to do this ticker. It's EUO. It's an ETF that is basically the double inverse relationship of the dollar to the Euro, so if the Euro falls 10 percent, EUO will go up 20 percent.

I also think you should buy gold, and other speakers have addressed that in detail. So, you want to have more gold, more gold stocks, and you also want to put together a shopping list of the best of breed companies in Italy and in Europe that will go on sale in this inevitable collapse that Italy will cause, but you also want to avoid Italian and European banking stocks as if they were toxic waste because they are.

In the depression, the person who wins is the person who loses the least, so you don't want to hold these. So, who are most exposed? Well, the French banks and France are most exposed to Italy by a wide margin. They have over $275 billion worth of Italian debt. Then Germany and then Spain. Those are the three countries that are most exposed to Italy, and you'd want to avoid them.

So, these are some stocks – some French baking stocks – Societe Generale, BNP. You'd want to avoid those. Deutsche Bank obviously has other troubles, but, you know, most people don't understand that it's very tied to Italy, too, and that's another factor weighing on Deutsche Bank. I would avoid these stocks. They're actually good short sale candidates. They've gone down a lot lately, but they're going to go down even further.

So, that is my presentation. You can find more information on what I do on Internationalman.com. There's a free newsletter there. A lot of good stuff on the free resources section. And, of course, come by our booth – the Casey Research booth – at booth 120, and we can talk more. Thank you.

Global Investing Panel

Mark Skousen (MC), Doug Casey, Adrian Day, Dennis Gartman

Moderator: Next on the agenda we have something extremely fun. We are going to have our global investing panel. On that panel today is going to be Mark Skousen, Doug Casey of Casey Research, Adrian Day, and Dennis Gartman. I will hand it over to Mark Skousen, who will be your MC for this panel.

Mark Skousen: Lindsay, thank you very much. Glad to see – I thought at once – it said Mark Skousen up here, and Lindsay was up here. And we took a picture of it. Show you what happens to Mark Skousen when he goes through the transgender formation. Thought I would just throw that out there. Didn't seem to get a lot of laugh there, but –

I'm sure we can liven it up since there. Thank you all for coming. Come on in. We have a great program. Our topic is global investing. Global Investing Panel. And we have three distinguished experts on the subject.

Dennis Gartman: Where are they?

Mark Skousen: Let's give a warm applause to Doug Casey, Adrian Day, and Dennis Gartman.

Who all three need no introduction. Now, the topic is global investing. And we're gonna start off with a question or actually a quote from the Maxims of Wall Street, which is a collection of all the sayings on Wall Street like, "Sell in May and go away and don't come back till Labor Day." That kind of thing. And I have a quote from Adrian Day. He makes the statement, "Investing is simple. Buy a good stock –"

Adrian Day: Did I say that?

Mark Skousen: "– at a good price."

Dennis Gartman: Probably one time or another.

Mark Skousen: "– and hold it for a good, long time." Now, the question is, in global investing – Adrian, you looked like you're not sure you even said that. I think that's what I have in the book for you. And it's not a bad quote. So here's my question to all three panelists. Can you name a single stock outside the United States of a company – outside the United States – that qualifies for Adrian's famous quote about good stocks at a good price and hold for a good, long time? Or is global investing merely a good short-term strategy. We'll start with Dennis Gartman.

Dennis Gartman: I can't name a single stock outside the United States that meets those requirements. That doesn't mean that there aren't any. I'm certain that there shall be some. But in the advent or in the modern era with the advent of ETFs, where other people can make those decisions, I leave it to them. So there are ways to accommodate that task taking a broader perspective. I'm not wise enough nor have I the time enough to investigate individual equities outside of the United States.

I'll leave it to ETFs. If I'm gonna be a buyer of Germany, I'll – there's an ETF for that. If I want to buy Japan, there's an ETF for that. If I want to buy Russia, there's an ETF for that. So the answer to your question is I haven't the faintest idea.

Mark Skousen: All right. Well, that's our first expert.

All right. Now Adrian, you actually manage money. And you include global stocks. So I just looked at the Templeton Emerging Markets Fund that Mark Mobius, our friend, Mark Mobius, runs. Do you know that fund over the last ten years has made absolutely no money, and in fact, it's gone down in value? For a brilliant guy like Mark Mobius, he apparently was not able to buy a portfolio of emerging market stocks to give us a ten-year return positive return. Adrian Day, can you name a stock ETF, a fund, anything that over the long term has made a lot of money investing globally?

Adrian Day: Yes.

Mark Skousen: Ah, finally.

All right. And what is it?

Adrian Day: Oh, I'm sorry. Now, first of all, Mark, I'm not absolutely sure if that was my quote. Given the fact that you're quoting me, I have my serious doubts.

Mark Skousen: It's in the book. How can it be wrong? Come on.

Dennis Gartman: The press once again distorting the facts, aren't they?

Adrian Day: But I think – I'll answer the question in a second, if I may. But I think a preferatory –

Mark Skousen: Right in here.

Adrian Day: You know, with due apologies in advance to any cat lovers here, there's many ways to skin the cat. And someone – I have a totally different style than, say, Dennis Gartman. That doesn't mean I can't be successful; it doesn't mean Dennis can't be successful. But we look at things differently, and we invest differently. I'm very much focused on individual companies. To answer your question, I think Nestle qualifies. Nestle is a great company.

Actually, it's a good buy right now for stocks down because they had a bit of an earnings miss in their last six-month report. Earnings misses are always a bit of a joke to me. They're an opportunity more than anything else typically. But Nestle is a great company. It yields about 3.3 percent in Swiss francs. It's got a super strong balance sheet – four percent debt to equity. Something like that.

Mark Skousen: Well, that does trade in the US markets?

Adrian Day: It – yeah. It trades – we always buy it in Switzerland. NESN is the symbol in Switzerland. It does trade in the US with an ADR, which is an unsponsored ADR. Typically I avoid unsponsored ADRs, but this one's fairly liquid. I think it's NSRGF. GY. Okay. So GF is the ordinary share. Y – sorry, I apologize – is the ADR. And it's fairly liquid in the US. It's also a stock that over the last 25 years has increased its earnings every single year and increased its dividend every single year for 25 years. So yeah *[audio skip].*

Mark Skousen: I like that we pulled up something. So Dennis, mark that down. Nestle. That might be a good recommendation. In fact, but before you do that *[audio skip]* your smartphone there, and let's just look at *[audio skip]* long-term track record of Nestle. If we can pull that up on a chart and see if Adrian is correct. We're always making sure that we're getting totally accurate information at the New Orleans conference, including a famous quote by Adrian Day.

All right. So Doug, we have – I'm sure you're familiar with FANG. Right, FANG?

Doug Casey: No.

Mark Skousen: Facebook, Amazon, Netflix, Google.

Doug Casey: Ah.

Mark Skousen: They have three things in common. They're disruptors of the current system. They have long-term profitability. They're a good long-term investment. It's what Peter Lynch would call a ten-bagger. Now, Facebook hasn't reached that point yet. But it's tripled from its – or quadrupled from its bottom. And they are all US companies. So in particular, Doug, since you are a mining expert, and Adrian, as well, what would qualify for good long-term investment performance of a mining company.

Doug Casey: No. Mining is – I'm gonna talk about this in my speech this afternoon for a moment. But mining is the worst, the most stupid, 19th Century, choo-choo train industry in the world. You can't invest in mining. It's strictly an area for speculation. I mean, it used to be that it was like having a gold mine. That was wonderful. But now you have a gold mine, you've got a liability, mining is on its way out. So – as an industry. Forget about it. So no.

Mark Skousen: So the exhibit hall, forget about it?

Doug Casey: And this is not bottom of the market talk because I'm talking about the industry. I think the prices of these stocks are gonna go into a bubble in the years to come. But the industry, forget about it as a business, as a business.

Mark Skousen: So Adrian, do you agree with that assessment? And let me preface this by saying that, again, I looked at the charts this morning – the long-term charts – for a Newmont, for Gold Corp, for American Barrick, for Freeport-McMoRan. Now, these are all giant companies who have hundreds if not thousands of employees, correct? Their stock is underwater for the last 20 years, even with the bump up in this year. So does this confirm – Adrian, do you support – do you confirm what Doug said that this is a speculate short-term investment opportunity and investors should not be buy and hold long-term stocks that these other categories seem to qualify for?

Adrian Day: Well, I agree to a large extent. I wouldn't use such, shall we say, colorful language or such extreme language.

Doug Casey: I'm gonna go much further in my speech in an hour.

Adrian Day: No, no. I mean I agree with what Doug's saying. Mining is inherently an extremely difficult business. It's the exact opposite of the ideal business, with heavy capital and fixed assets and assets that can be expropriated because you can't move them and so on and so on and so on. It's exactly the opposite of an ideal business. I – and I agree. Obviously, the stocks are incredibly low right now, which is why I think they're good buys.

I would add one thing, though. When we're looking at the whole gold sector – and Doug may agree with this – I think one stock does qualify, and that's Franco-Nevada. Franco-Nevada is a company that doesn't do the actual mining, which is what you want to avoid. But Franco-Nevada buys royalties and streams on mining companies. And that's a very, very low-risk way of getting exposure to gold. Franco-Nevada has $1.2 billion of cash on the balance sheet, is a $7 billion market capped company. So it's a large company.

Mark Skousen: And only 18 employees from what I read.

Adrian Day: Well, it's now up to 33.

Mark Skousen: Oh, okay.

Adrian Day: Yeah. They generate about $350 million to $400 million of free cash flow per year. They have 40 royalties on operating mines. And they have a pipeline of about 350 non-producing royalties that could come on at some point. And it you look at a stock chart of Franco-Nevada – I wish we had one here to show – it's extremely volatile.

Mark Skousen: Dennis can check on it for us.

Adrian Day: It's extremely volatile. All gold stocks are volatile. But from the low it's gone up consistently, even during the four-year bear market for gold. It went up from about $25.00 to about $75.00 during that four-year bear market. It's now trading a $63.00 and I think is a great buy.

Mark Skousen: And let me also say that – and this is important – so in February, I decided to get back into gold. I had been out for five years and had sensed that gold was starting to move. I was a little bit late. Should've bought in January. But I bought in February. And I turned to Adrian Day as my expert. And I said, "Adrian, can you recommend a mining stock in that sector that is conservative for my investors in forecasts and strategies? We don't want to recommend stocks that don't pay dividends, that are losing money every year, that are turnarounds."

And he recommended Franco-Nevada. It was an excellent choice. I put it in my newsletter. My subscribers are extremely happy. So I salute you, Adrian, for coming up, finally, with a mining company –

Adrian Day: It's not a mining company. That's –

Mark Skousen: But it's a very unusual model. Tell people what – what is it – what do we mean by a royalty company? What does – I don't know how many of you wonder what that means. But tell us what a royalty company means. What do we mean that Franco-Nevada is not really into mining, per se?

Adrian Day: Well, royalties in the mineral business are the same as they are in the oil and gas business. Basically, Franco-Nevada will pay, let's say, $300 million to company X, Y, Z to help them develop a mine. And in return, they get, let's say, get two percent of all of the gold that is produced from that mine forever. You can have net profit royalties, as well. And you can have all sorts of twists and angles. But basically you're paying something up front, one-time obligation.

So you pay the money up front once. And in return, you get two percent, one and a half percent, whatever it is, three percent of the gold for the life of that mine. They also do things that are called streams, which are similar in theory but a little bit different in practice, where a company will put some money up, and in – and then they pay a small amount of money for every ounce or pound of copper or whatever it is that is produced. So for example, on a stream on gold, they might be paying $100.00 an ounce that's produced for the life of the mine.

So frequently you see streams issued by – the counterparty will be a large, let's say, based metal mining company, which will sell its gold byproduct or its silver byproduct – because a copper company is interested in copper. A zinc company's interested in zinc. And they'll sell part or all of their byproduct because they're less interested in that in order to help develop the mine.

Mark Skousen: Now, Dennis – by the way, did you check on Nestle? Does that stock look pretty good? Or?

Dennis Gartman: I couldn't spell it.

Mark Skousen: Adrian, we need some help here. All right. So Dennis, here is my question for you.

Dennis Gartman: Okay.

Mark Skousen: Global investing. So we heard this morning that you're somewhat bearish on gold. And –

Dennis Gartman: In US dollar terms. I'm extraordinary bullish of gold in Euro terms. There's a difference.

Mark Skousen: Right. But it'd be smarter just to buy the currency rather than buying the commodity, even in a foreign currency.

Dennis Gartman: Not necessarily true. But go ahead, Mark.

Mark Skousen: Okay. So my question is, global investing, well, certainly oil, like gold, represents a global investment. Demand for oil everywhere, produced everywhere. Middle East doesn't dominate like they used to. Given your argument for a stronger dollar and the fact that gold, oil, and other commodities are quoted in dollars, aren't you bearish on oil, as well? And wouldn't this be negative for oil stocks?

Dennis Gartman: I'm reasonably – if one has to ask the question, am I bullish or bearish of crude oil, on balance more days than not I'll find myself erring upon the side of being bearish of crude. I think the probabilities of getting crude past $52.00 to $55.00 for spot WTI is gonna be very difficult because – without getting too complicated – the carrying charge strangely known as the contango is about $4.00 for one year. So if you have spot WTI at $52.00 and a $4.00 contango, makes one year forward WTI at $56.00, and given the ability of frackers to now produce large quantities of crude oil here in the United States for – don't let them kid you – they can do it for less than $25.00 a barrel on balance – that's a huge, huge profitable circumstance.

And we're teaching the rest of the world how to use our capabilities of fracking elsewhere around the world. And we're finding more and more crude. We're better and better at finding crude. Those of you who didn't listen – who weren't here this morning, I said one of the things that you can count upon, ten years ago our ability to find crude when we stuck the soda straw in the ground was maybe a 50 percent hit rate. Now we're hitting 95 percent hit rates. So we're finding more crude.

We know where to get it. We can bring it out of the ground via fracking. We're using fewer and fewer rigs to accomplish more and more of the job. With a $4.00 contango to the one year, the banks alone are making – NEE and P people get hedges into place, and they're highly profitable. So it's gonna be very difficult, I think, to get WTI much above $52.00 and the spot much above $56.00 or $57.00 in the one year forward. That's of profitable enterprise.

Where can crude go on the down side? I think it's also going to be very difficult to drop it much below $40.00 a barrel. I think producers are happy at $50.00. I think consumers are rationally and reasonably happy at $50.00. I think it's the best of all worlds right now that we're gonna have a probably $50.00 crude oil for a long time going forward. If you made me take a position today, long or short the futures, I'd be – I'd tend to be a seller.

Would I be aggressive in doing it? No. But the nice thing about being a seller right now is so you have that $4.50 to $5.00 contango. And what can markets do? They can only go up, down, or sideways. On balance of crude oil went sideways, if you get to sell to deferred futures, you're gonna pick up $4.00, $4.50 on the contango. If you made me do something, I'd rather be a seller than a buyer.

Mark Skousen: So in your scenario – I know you don't normally recommend stocks, but what do you think of the mid-stream, the pipeline companies kind of in between the consumer and the producer? Those have had some ups and downs. They've cut some of – cut their dividends. We all thought pipeline companies would be safe. Turned out that they weren't.

Dennis Gartman: They're not.

Mark Skousen: Enterprise products, it's my favorite recommendation, continues to raise its dividend. Do you think that would be a good space to be in right now?

Dennis Gartman: If you have to put your money into – if you're going to trade crude oil, and you're not gonna trade the futures, you're not gonna follow the contango, and you're gonna try to find some place that makes sense, go buy sand. Go buy the stuff that the frackers need. Go buy high crush partners if you have to. Please, if there's anybody from the FCC, I actually didn't say high crush partners, and I'm not making a recommendation for an individual stock.

Mark Skousen: What's the symbol of that?

Dennis Gartman: I don't remember now. HCLP. But it's gone from $4.00 to $18.00 in the course of the past several months. It went from, I think, $85.00 down to $4.00 during the collapse in prices. So you've gotta be careful. But if you're going to be a buyer of – if you want to be bullish of crude oil – and I don't think you should be. But if you want to be bullish of crude oil, be bullish of frackers. Be bullish of those supplying the infrastructure to fracking, not to pipelines, not to pipe manufacturers, not to mud sellers, but sand because they have to jam sand and water down into the well to frack.

That's what it's called. To free up the molecules, to free up the hydrocarbons. So if you had to have one place, go buy sound. Go pound sand.

Mark Skousen: I would recommend Enterprise products. EPD is the symbol. And it is the most unique stock out of the 3,800 stocks that trade on the exchanges today. It is the only company that has paid – increased its dividend every time it's paid a dividend since 2003, so every quarter increased its dividend since 2003. I don't think there's another company out there that has done that. And they're still – their payout ratio is still under 100 percent of their earnings and cash flow.

So they can continue to increase their dividend for retirees. I'm gonna be talking about this in my workshop for investing. I think it's a big winner. And I've stayed with it through thick and thin. So now we come to a next really big question. What do you fear the most in the future after the election? What do you fear the most? And we'll start with Adrian Day.

Adrian Day: Well, I don't know what I fear. But I – there's a survey that just came out last week of 3,500 Americans. And it asked them what they're afraid of the most. Climate change, 32 percent. Obamacare, 36 percent. Economic collapse, 37 percent.

Doug Casey: *[Laughs]*

Adrian Day: Terrorist attack, 41 percent. And the winner of 42 percent – I kid you not – was clowns.

Doug Casey: That's very funny.

Mark Skousen: Now, are we talking about the clowns in Washington? Or what are we talking about here?

Dennis Gartman: I actually saw that. It was hysterical.

Doug Casey: Well, they referred to corrupt government, too.

Mark Skousen: That's pretty funny.

Dennis Gartman: But sadly it's true.

Doug Casey: Yeah. It's understandable.

Mark Skousen: Well, that's right. You never know what's gonna hit you. So Douglas, how about you? What is your greatest fear after the election?

Doug Casey: Oh. I don't know.

Mark Skousen: That's it? You don't know?

Doug Casey: Look. I really think that finally we're at a tipping point, where these stupid governments, the central banks have tried everything monetarily they can to keep the ball rolling. I thought it was metaphysically impossible to have interest rates less than zero but was wrong. And they're creating trillions and trillions – not just the US, but the Europeans, the Chinese, Japanese, new currency – and all these little worthless countries are doing the same thing. And still inflation at a retail level is – hasn't exploded.

So I think as the economy rolls over – and it's doing that right now as we speak – it's gonna get very ugly out there. It's gonna be a chaotic environment. So I don't know. What do you fear in a chaotic environment? Zombies, that's one thing to, I think, to keep your eyes out for. Vampires, that's another one. Global warming. These are all three very dangerous things.

Mark Skousen: Don't give too much away of your speech, Doug. This is good stuff.

Doug Casey: Yeah.

Mark Skousen: So Dennis, what do you fear the most? And by the way, I have another quote for you.

Dennis Gartman: Okay.

Mark Skousen: And this I believe is your quote from the Maxims. Correct me if I'm wrong.

Dennis Gartman: We will.

Mark Skousen: But in the book, you say, "There's never more – there's never just one cockroach."

Dennis Gartman: There's never just one cockroach.

Mark Skousen: Now, are you referring to politics there?

Dennis Gartman: No.

Mark Skousen: What do you mean by there's –

Dennis Gartman: Actually, what I was referring to was how many times you've seen bad earnings come out – or even better a president of a company who leaves to spend more time with his family.

You can rest assured, you can – that's – there's never just one cockroach. There's bad news that's going to follow. Political circumstances that they always get worse. What do I fear? There are a number of things I fear. I fear firstly that no matter who wins the presidency, we will more towards trade – some sort of higher tariffs and lesser free trade. That scares the living tarnation out of me.

They – we don't seem to have learned the lessons of the 1930s when we put high tariffs into effect, raised taxes, tried to balance the budget, and turned a reasonably serious recession into a global depression. I fear trade protection. I fear Russia. Romney was right when he said – when he was asked who did he fear. He fear Russia, and he got laughed at. I fear Russia.

If I were Putin seeing either of the candidates who wins the election – and specifically between now and whoever becomes president – I fear Vladimir Putin making – and this keeps me awake at night. *[audio skip]* the move on the Baltic States. That keeps me awake. I pray to God nothing like that *[audio skip]*. I would move on the Baltic States. That – they frighten me.

Doug Casey: Why would you do that, though, Dennis?

Mark Skousen: Why would you do that?

Doug Casey: Or why would he do that?

Dennis Gartman: He's looking for more of a warmer water port, and he needs it. And he can't use Kellengrad. It's not a portable place. He needs Estonia, Latvia, or Lithuania to have another warm water port.

Doug Casey: For the navy.

Dennis Gartman: For the Navy.

Doug Casey: Because they don't have a merchant marine.

Dennis Gartman: No. They – he needs it for his Navy.

Doug Casey: Well, I don't know about that.

Dennis Gartman: Okay.

Mark Skousen: And that would be very big for gold, at least in the short term. Right? Maybe even oil.

Dennis Gartman: Well, one hesitates to be bullish predicated upon that sort of circumstance. But that's – it certainly would not be bearish of gold.

Mark Skousen: So here's my next question. Or Adrian, did you actually

Adrian Day: No. Well, I'll be quick since I did the clowns. I agree with everything Doug and Dennis said until he came to the bit about Putin. Because personally what I fear is not Putin. But I fear Hillary's response to Putin. That's what I fear.

Mark Skousen: Or even worse, Donald Trump's reaction to Putin.

Adrian Day: What – I'll tell you what concerns me in addition to the two things that the gentlemen mentioned. And that's the tendency for increased regulation, which is simply destroying our economy. It's making it more difficult to start business. It's making it more difficult for small businesses to operate. In my industry, finance, we're at the forefront of the regulatory bandwagon, but so is healthcare. So are many other – increasingly other areas.

Dennis Gartman: Yeah, but if you like your doctor, you can keep your doctor, right?

Adrian Day: And my policy won't go up. That's for sure.

Dennis Gartman: No, I – that's what I understand. Yeah. That's what I understand.

Adrian Day: Yeah. So that's what I fear.

Mark Skousen: So it's a – we're talking a global event. We've talked a little bit about Russia. We really haven't discussed the big elephant in the room, which would be China. Dennis, you commented on China. A lot of Austrian economists like myself think there are serious bubbles in China, but they never seem to collapse like we expect them to do. We keep predicting it, but it doesn't happen. So there's China, there's the Middle East. There's an old saying on Wall Street, "Bull markets climb a wall of worry."

And there's certainly been many examples of worry that haven't kept the market from collapsing yet. It could happen at some time. This is definitely the most disrespected bull market that we've ever seen in the United States. Dennis, you would agree with that?

Dennis Gartman: Yeah. Everybody wants to be bearish. I keep trying to be bearish. And it proves to be a futile attempt. Every time I go sell it short, I wish that I hadn't. And I wish that I'd have gone in instead to have bought it. It does appear to me that stocks here in the United States have made a sort of top that has evolved over the course of the past six or seven months. But there's certainly no great hurry on the down side. There's certainly no impressive declines that occur.

So I find myself – I own some things – I own – and I trade only for my own account. I don't handle anybody else's money. So the – whatever I – what I write in my newsletter is what I do, and I do it for my own account every day. The only thing I have on – and I have an old line that I only want to buy the things that if I drop them on my foot will hurt. I like – I understand steel, and I understand ships. And I understand railroads. And I understand copper. And I understand simple things.

I don't understand big pharma. I don't understand high tech. There's nothing worse than owning some pharmacy stock that you think has a cure for cancer, and you find out the next day that the reports went badly and the stock opens down 40 percent. And you got – you had a stop end down five percent, and you get taken out at 40 percent. So I like simple things that I can count. I own a steel company in – that – and it's the largest trade I have on that's a foreign steel company.

But I'm hedged by owning derivatives against the broad market. And I find myself erring quietly on the short side. Do I feel comfortable about it? No. Is the market telling me I'm wrong? Today it's telling me I'm wrong. Have I added to the trade? No. And if you learn nothing else from me today, do learn this. If something goes against you, get out. If something goes against you, at least reduce the size of the trade.

If something goes against you, please, God, don't average down. The only thing that will bury you in this business is averaging down. It will kill you eventually. It will kill you. So the steel company that I own is up ten or 15 percent. I'm thinking of adding more to it. My derivatives position is against me by about four percent. I'm not gonna add to that.

Mark Skousen: I think that's really good advice. And particularly as we've talked before about the mining industry, which we all have an interest in, and many of you have doubled your money, maybe even tripled your money this year and made up for a lot of the losses – I've talked to a lot of attendees here on that. And I think Dennis's advice is really important here, to take profits. Don't get greedy when you see these doubles and triples out there.

That's really sound advice that – is I think extremely important and not just holding on forever, except maybe a Franco-Nevada, which is one of the few that qualifies for this long-term strategy. So I want to raise an issue that came out in – a couple days ago in *The New York Times*, Adrian's favorite magazine. *The New York Times*. "Echoes of Financial Crisis as Countries Hoard Cash." And this is an article that raises the specter that Ben Bernanke raised. He said this was the cause of the financial crisis last time.

And that is the trillions and trillions of dollars that are piling up in cash. The global savings glut is the term that he used. None of you mentioned this as a fearful thing. Is this something to be worried about? Is there a danger that the slow growth economy, these regulations, which I call strangulation, is causing corporations and foreign governments to hoard a lot of cash? And they're buying into treasury securities. They're buying into even Swiss francs at negative interest rates, German marks at – or German euros, I guess, at these rates.

Is this something to worry about? Doug, you haven't said much. Do you have any concerns about this?

Doug Casey: Well, first of all, there's not a savings glut. There's a glut of credit money, but that's totally different from savings. That's a first distinction that ought to be made. And as far as these idiots buying paper with a negative yield, I think Albert Einstein spoke to that when he said, "After hydrogen, the most common thing in the universe is stupidity." So.

This is all gonna end very badly. Very, very – it's gonna end very, very badly. And I'll be very gratified to see everybody get what they deserve.

Mark Skousen: So Douglas, have you ever made any stupid mistakes? Could you give us an example? *[Laughs]*

Doug Casey: Oh. God, I've – I could give you a litany of stupid mistakes. But I'm not gonna make any more. I've made up my mind.

Dennis Gartman: That's very good.

Mark Skousen: So Dennis or Adrian, either one of you want to comment on this front page article in *The New York Times* about the global savings glut? Is it a problem?

Adrian Day: I think the whole idea – the whole word, *savings glut*, is so idiotic. It's – I'm talking the theory now, not where we are today. But it's a very cainism way of looking at things. But people are saving too much. They should be going out and spending this money. And central banks, as I was talking about in my speech – and I don't want to sound so sort of supercilious, but you really can't help it. These people are – I sound like Doug here – they are so stupid, these people, who run the central banks.

They think that you lower interest rates into negative territory, and you therefore force or provoke people to go out and spend. Well, when you force negative rates into the economy, does that make people feel confident about the future? Or does that make people feel fearful about the future? Does it make people think, "Gee, do these central bankers really know what they're doing? Gee, is the economy really that strong?" No. You feel fearful.

And if you're fearful do you go out and spend money? No. You start saving. So these people are – it's just – it's beyond me. And I'm not normally like this, as you know, but these people are so stupid. They've got everything backwards. And as Jim Grant talked about in his speech, I think it really comes back to the fact that so many of the people at the central bank – at the central banks are academics. They don't have any banking experience; they don't have any business experience. They're academics.

And they look at the world in this sort of static, theoretical view. And they think, "Well, here's this picture with all these dials and cups and twirls and everything else. Let's just twist this up here, and it'll result in everything here. And I'll get the result I want." And of course, it doesn't work that way. You're dealing with millions and millions and millions of thinking individuals. Sometimes they think the wrong way, but they're thinking individuals who respond.

So you twist the dial up here, and you change everything else because people start reacting to what you've done. It's not a static world. So I don't know if that answers your question. They're provoking the very thing that they don't want. If they –

Mark Skousen: But Adrian, it's not just governments that are doing this. We're talking about major corporations. For example, Microsoft is sitting on over $100 billion in cash. Apple, all – major corporations in the United States sitting on a lot of cash. Is this a good thing? Certainly looks good on their balance sheet, right, Dennis?

Dennis Gartman: Yeah. But –

Mark Skousen: So it seems like it's an example of their fearful of another financial crisis, so they're gonna have a lot of cash sitting on hand. They may pay it back in terms of dividends. They're using it to buy – they're all buying back their stock. And so is this a positive trend or a negative trend?

Dennis Gartman: It clearly is not a positive trend. It clearly is a negative trend. One would much prefer seeing all that money being returned back to the United States, being returned back to Germany, being returned back to England. That it would make its way out of treasury securities, which is where the money has no choice but to hide. It is lost to the banking system over time. It doesn't get reserved for and relent and reserved for and relent. So clearly it is a detrimental, deleterious circumstance.

But let's not be too harsh on the central bankers. And if there's one thing to be optimistic about, at least here in the United States, we are replacing at the periphery, at the margin the regional presidents are one by one becoming ex-businesspeople. Traders from Goldman-Sachs, which is not a bad word, traders from –

Mark Skousen: Isn't Goldman-Sachs the anti-trust? The anti-Christ?

Dennis Gartman: No, I –

Mark Skousen: That's what I've been told.

Dennis Gartman: Some of the maybe the smartest people I've ever met worked at, work for, or in the past or hope to in the future work for Goldman-Sachs. It is a repository of wisdom, to be quite honest. I know that's make – this will make a lot of people here very upset about that fact, but –

Doug Casey: You want to – but should you make a distinction between wisdom and intelligence? Maybe you meant intelligence as opposed to wisdom.

Dennis Gartman: Well, I'm not sure if I'm wise enough or intelligent enough to make the distinction between wisdom and intelligence.

I will constitute them as both being the same. Let's be blunt. During the crisis of '07 to '09, whether you liked it or not, Bernanke did exactly the right thing. He stood up in the crisis and did what a central banker is supposed to do when the crap is hitting the fan. He said, "I'm the adult in the room, and I'm going to make certain that there is enough liquidity in this system to overcome the contractionary circumstances that prevail." And he stopped it.

You may not like it. You may think he spent far too much time continuing it. You may argue with QE2 and QE3. But he did exactly the right thing at the right time. And he responded as, I think, not as an academic but as a human being to a responsibility that was his. These are difficult decisions that they have to make. Did the Bank of Japan make a terrible decision by being the first central bank to take interest rates to negative numbers because it actually did think that if we take rates to negative numbers we will inspire both consumer spending and investment into stock prices, and we will make the value of the Japanese yen decline in value?

Instead, as Adrian said, it inspired fear. And within the 48 hours after that decision, instead of the yen weakening, the yen strengthened dramatically because Japanese investors were bringing money home saying, "We don't know what's going on. We're frightened. And we're acting rationally in an irrational manner. We're taking our money home because we're scared." They thought they had done the right thing.

They quickly have changed their opinion. They've moved the other direction. They don't – you can't change that boat overnight. You have to turn that boat around slowly. And the Bank of Japan, I think, has learned its lesson. So let's not be too manifestly harsh. It is easy to sit up here and say, "These are stupid people." They're not that stupid. They're just trying to find their way in a very complicated circumstance, do the things that probably shall be right.

Do they make mistakes? You betcha. The question is do they learn from their mistakes?

Doug Casey: Well, Dennis, we have to make – we have to define the word *stupidity*. It doesn't – it can mean low intelligence. But I wouldn't use it that way. I would say stupidity in this context is better defined as an unwitting tendency to self-destruction. And you can do that even if you're actually quite intelligent. And just speaking to that, I do – I've got a comment that I think Bernanke or whoever these people – he did the – not just the wrong thing by bailing out these institutions and printing up money during the crisis.

It was the exact opposite of the right thing. He should've let the whole thing collapse.

Dennis Gartman: And we would've had a depression of the first order. That would've been utterly unintelligent. It would've been the dumbest thing imaginable to have let the whole thing collapse. You can't do that.

Doug Casey: Well, we're going to have a depression now that's gonna be much, much worse. And it's gonna be a –

Dennis Gartman: You've been calling for that depression for the last five years, and you've been wrong.

Mark Skousen: Oh, no. 30 years.

Doug Casey: And –

Mark Skousen: I've been around Doug a long time. 30 years.

Doug Casey: Yes.

Mark Skousen: And he just wants his prediction to be fulfilled finally before he enters the grave. So that's the –

Doug Casey: You're absolutely correct. But I'm – you've got to look at these things within a time frame. And –

Dennis Gartman: 30 years is enough.

Doug Casey: Well, listen. We can go back further. I would say Western civilization's been declining since the beginning of the First World War, even though technology –

Dennis Gartman: Oh, give me a break. We live longer. We live safer. We have fewer murders. We have fewer wars. Come on now.

Doug Casey: Dennis, I said Western civilization. I didn't say – and I was about to say science and technology have been compounding actually at an accelerating curve. But don't confuse that with civilization.

Mark Skousen: All right, fortunately, we have run out of time.

We will continue this debate next time. Let us thank our global investing panel, Doug Casey, Adrian Day, Dennis Gartman.

Thank you all very much.

James Grant
"The Close Of The Ph.D. Standard Of Monetary Management"

Moderator: Now it's a real treat to hear from Jim Grant about the closure of the Ph.D. Standard of Monetary Management. I've been following his work since he began writing for *Barron's* in 1975 and he's been founder and editor of *Grant's Interest Rate Observer*, a twice-monthly journal. It's a delight to read and I can recall Richard Russell, the late, great Richard Russell who died last year – we'll have a tribute to him – how important analysis is but how much more important it is to be able to communicate it well to your audience and Jim Grant is one of those superb writers who can communicate monetary history in a way that's informative and entertaining and a very excellent read and he's written in a lot of different subjects. His latest book is about the 1928 crash that cured itself, '21, excuse me. We're coming up to the centennial of that Post-World War 1 Depression that was very sharp but very short and he wrote a 2015 Hayek Prize-winning book on that.

He's also written about John Adams and if you go back far enough in this conference, in 1986, Mark Skousen played Ben Franklin. I played John Adams and the tall redhead, James Dale Davidson, played Thomas Jefferson in selections from the 1776 musical so I've been able to play a role that he wrote a book about, John Adams. He's appeared on all of the major television programs. He is a former gunner's mate for the Navy, a *Phi Beta Kappa* alumnus of Indiana University and he earned his Master's Degree in International Relations from Columbia University and began his journalism career back in 1972 so please welcome to the podium James Grant.

James Grant: Thank you. Well ladies and gentlemen hello again. Say did you know that the Central Bank of Switzerland, the Swiss National Bank, owns shares in 2,600 American companies and that the portfolio is worth in excess of $60 billion at last report, a sum as big Vanguard's Ball

Stock Index Fund? Now you might ask where the Swiss National Bank gets the money with which to buy these equities in. Well it conjures them.

It creates money from the thin alpine air.

And this to be sure is no different from The Fed. The Swiss version of The Fed creates francs with which to buy euros with which to tamp down the unwanted strength in the franc against the euro and with those euros it buys dollars. Please follow the bouncing ball. With the euros it had bought with francs. It now buys dollars and with those dollars it buys stocks, which is to say it buys equity interest in real companies with money it whistles into being, something-for-nothing, indeed.

Now the Swiss National Bank says it performs no securities analysis. It buys formulaically, which I guess is in keeping with the times. Have you been following *The Wall Street Journal*'s seemingly endless series on the triumph of passive investing and on the reciprocal death and decomposition of active investing? Well this – the Swiss National Bank – would seem to be in the vanguard of inactive investing or perhaps because it's a central bank I guess maybe it's passive/aggressive investing. Still it does encourage one to see that 3.9 million shares of Newmont Mining are in the 13F form filed by the Swiss. They're just like Bill Ackman.

They file a 13F form, too, and perhaps – perhaps the gnomes harbor some atavistic suspicion of modern money conjuring. Certainly they should and so should we all. Now my talk bears an optimistic title. I say "The Close of the Ph.D. Standard of Monetary Management," the close. I suppose before it closes I should define it. Now the Ph.D. standard is discretionary monetary management by former tenured economics faculty. I think I might've mentioned in the panel that few things are truly new under the sun of finance but surely this is one of them.

Never before at least to my knowledge has academic economics exerted such power over not only the ideas by which monetary policy is formulated and implemented but, also, the very act of monetary policy itself. The professors are indeed in charge and one wonders where they have taken us. Well I – some of us – know where they have taken us. I would like this afternoon to tell you where this came from. I wanna tell you whether it's any good at all and I wanna speculate on the consequences of where it might be going. Where it came from is a little bit of a mystery.

William McChesney Martin, one of the longest-serving Fed Chairmen and, indeed, the longest-serving in the '50s and '60s refused to allow a college professor within his earshot or sight at the Federal Reserve Board. He felt that a practical knowledge of banking was the very thing that was needed and the professors would please stay away that would please William McChesney Martin. This began to change in the '60s and by the late '60s the academic theorists were pretty much in control of the intellectual agenda of The Fed. Today there are 700 Ph.D. economists in the employ of the Federal Reserve system and perhaps you agree with me that we either need 701 or fewer because 700 seems not to be the right now.

What ideas do our former professors and doctors, what existing doctors, what do they espouse? Well they espouse the basic notion that they can see the future and improve it before it comes to pass. They can do this through the manipulation of interest rates and monetary aggregates. I'm reminded a little bit and perhaps you might be of the critique of social sciences enunciated by Richard Feynman, the physicist and world-beating whit, during the 1970s and '80s. Doctor

Feynman gave the Commencement Address at Cal Tech in 1974 and he talked about science and he said, “You know we said during the Middle Ages there were all sorts of crazy ideas that a piece of rhinoceros horn would increase potency and there were ideas even crazier and then came a method for separating the fanciful idea from the practical and efficacious one and this method came to be organized and it came to be organized to the body and thought and discipline called science and it developed so well,” said Doctor Feynman to the Cal Tech graduates. “It succeeded so well that we now think we live in a scientific age, however,” Feynman went on, he looked around and he was observing that he had seen enough and met enough believers in UFO’s, astrology, E.S.P. – and this was California – and so forth to cause him to doubt that science had, in fact, triumphed.

It was pseudoscience that had come out on top, after all “and only consider,” said Feynman, “only consider the doctrines and the highfalutin notions” about pedagogy, about teaching, about education, the whole kind of pseudoscience of educational theory. He said that he couldn’t help but notice that all these doctrines garbed as they were in the seemingly-rigid notion and discipline of science that they didn’t seem to work that children’s test scores in Math and Reading continue to dwindle even as the industry of pedagogy flourished and he said this hocus-pocus reminded him a little bit of “Cargo Cult Science.” Cargo Cult Science: What do you mean by that? Well during the Second World War and they in the South Pacific there was an island that had never before seen a 20th Century technology and it arrived. It arrived in waves. Planes would land and unload all manner of precious, unimaginable objects and delicacies and delights. The islanders were flabbergasted.

At length America prevailed. The Armed Forces – American Armed Forces – left the island and the islanders were left to themselves. They deeply regretted the Americans departure and they meant – and they undertook – to replicate the wonders that the Americans had brought so what did they do? So they created a runway and the lit the runway with torches and they built a hut in which the plane controller could sit. They fashioned earphones out of wood and little sticks and the controller wore those and they went.

They waited for the airplanes to land and they were doing everything right. Now I’m quoting Feynman. “The form is perfect. It looks exactly the way it looked before. But it still doesn’t work. No airplanes land. So,” said Feynman, “I call these things Cargo Cult Science, because they follow all the apparent precepts and forms of scientific investigation, but they’re missing something essential, because the planes don’t land.”

Ladies and gentlemen our economic planes have not landed despite 8 years. My, don’t they slip by quickly. Eight years of not only unprecedented but also heretofore unimagined radical monetary improve by former, tenured faculty. Like the educational theorists the doctors of economics have represented themselves to be keepers of expert knowledge and they do know certain things.

The question is as Feynman put it does the knowledge lead to predictable outcomes? Here is what a certain practitioner of economic science wrote in *The Washington Post* in 2010, quote, “Higher stock prices will boost consumer wealth and help increase confidence, which can also spur spending. Increased spending will lead to higher incomes and profits that, in a virtuous circle, will further support economic expansion,” closed quote. Now the author of those words was Ben Bernanke. Have you ever gone on the website of the Federal Reserve Board to inspect the output of the research scientists employed by the fed in the somewhat recondite realm of macroeconomic theory?

Well I'm gonna spare you that trouble because I'm gonna help you by reading some of the titles of the recent works produced by people who might perhaps be working for NASA, the National Science Foundation or the like. Here's one: "Monetary Policy*,* Real Activity, and Credit Spreads*:* Evidence from Bayesian Proxy SVARs" or "Microstructure Invariance in U.S. Stock Market Trades" or "Accurate Evaluation of Expected Shortfall for Linear Portfolios with Elliptically Distributed Risk Factors."

Now if I were running the fed and you know I'm actually not but if I were I think what I would do first is replace these aspirational physicists with maybe three historians just we can get, you know, a majority vote on somethings.

And I would address the new hires as follows. Tell me about the history and consequences of ultra-low interest rates. What is the origin and meaning of the expression "John Bull can stand anything but he can't stand 2 percent?" Ah see I know the answer to that question. John Bull of course is the national symbol of Britain and Walter Bagehot who was the second editor of *The Economist*, in the mid-Victorian Era of the 1850s and '60s, observed that periods of very, very low interest rates were certainly the apparent cause of great, big booms and subsequent, mighty busts so John Bull can stand anything but he can't stand 2 percent. I think Bagehot meant +2 percent.

So we have been in our own innocent, blundering way violating every single piece of historical wisdom that had been passed down to us painstakingly by our forbearers. You know if you read the doctors of economics, The Fed, you are struck by the fact that they live in the immediate post-2009 present. Now Lael Brainard who is a Fed governor of some academic distinction gave a speech in December or, sorry, in September in which she cited 22 academic references, 22. Not one of them was produced before 2010. So it seems to me that signs point to something very, very wrong in the thought processes, in the belief systems and in the administration of modern-ray radical monetary policy.

So you know what do we do about it? How do people in markets think about this and what do they do? I'm gonna talk now about interest rates and I'm gonna talk about gold. Interest rates first. So the historical form has been not necessary Laws of Physics but the historical observation has been that cycles of interest, bond yields move in generation-length spans. The interest rates in America fell from the end of the Civil War to about 1900.

They rose from 1900 and 1920 or so. They fell from 1920 to 1946. From 1946 to 1981 they rose and they have fallen for the past 35 years. So lengthy, so protracted are these cycles that you can enjoy a full and lucrative and interesting Wall Street career and never see a turn. Very few people of any seniority left on Wall Street who were working in 1980 and 1981 so the present generation is certainly unfamiliar with what a top in bond prices looked like.

Now as it happens I was born in 1946. That was the year that interest rates made their low, bond prices made their high. Now I was born in July. The bond market peaked in April. My mother told me about those 3 or 4 months between the peak and my birth, so.

And I remember as if it were yesterday the story of the Shell Union Oil "2 and a halves, 19 [audio skip]." That was the biggest corporate bond issue ever to come to market and the market was clamoring for 25 years. The Shell Union Oil Company you know a very substantial organization. Net income? Yes.

Current ratio: 3 to 1, lots of cash, lots of prospects. It was unrated I think but it certainly would have been in modern-day parlance a AAA credit. Securities were priced at 101 and a half to yield 2.42. They would have flown out the window and did except for certain complications in the underwriting process and those complications had to do with the objections of some buyers as to the rigor of the language in the covenant, in the dead covenants. You see there had been a war, a Great Depression and a 25 or so year out and people were looking not forwards but, as they are want to, backward. They wanted comfort in the certainty that the credit would not default.

Default risk, credit risk was [audio skip] They had lived through it. Boy had they lived through it so there's something called a Legal List. The State of New York had a Legal List. Savings banks could only invest in approved securities and the State of New York was balking at the Shell Union Oil.

Well finally Shell Oil and the regulators patched things up and the securities did come to market. They did fly out the window but they proved to be a very, very poor investment. That was the last time. Thirty-five – well, 70 – years ago. Well fine. Seventy years ago ended the sentiment toward bonds. *The Journal* in one of these stories on efficient markets quoted an alumnus of the University of Chicago, one of the citadels of the Efficient Market Hypothesis and the guy said, "You know my generation," he said, "are much more rigorously educated than the preceding generations of money managers.

Why we have no time for storytelling. We have not time for the theme. What we want is the data," the data but without a theme, without a view of the arc of the story, the data make no sense, right? There're too many of them. They revise too frequently so you must have some idea of the significance of the data and how they fit into your view – plausible view – of the world and your view of the world ought to be a little bit contrary because, after all, ladies and gentlemen, successful investing is about having everyone agree with you later, later, not now, later.

So I'm gonna propose to you in the way of a working hypotheses that the bond market peaked, in price, bottom and yield, in July. This is – if I had only been asked to speak here, like, a quarter of a century ago, I could've told you with so much more certitude about the future. I knew exactly what was gonna happen and the passing years of more birthday candles, I have come to be slightly agnostic about – not agnostic so much as humbled in the face of – the unknown and the future is if nothing not unknown. But consider the following headlines from the bond market in July, which may or may not – I think may – serve as the peak in bond prices and perhaps, ladies and gentlemen, the peak in the world's faith in the institution of managed currencies and in the Ph.D. standard. Here are a sample of the headlines that were symptomatic of the sentiment that was beyond exuberant in that month, only a couple of months ago.

Here's one: "Valvoline's Junk Bonds Leave Investors Clamoring for More" or "Debt Issuance Can't Keep Up With the ECB's Hunger for Bonds," ECB being European Central Bank, or here's one, "Hot Money Negative Yields Shelters in Outer Mongolia."

Or, quote – all these are Bloomberg headlines, by the way, "It's Not a Search for Yield but a Scramble for Safety." Now wait a second. Let us reflect on that for a second. Is safety inherent in any asset class? I'm here to tell you that in 1981 and again in 1984 safety seemed not inherent and US Treasury 30-year bonds yielding 14 and 15-percent, non-call, 25-years equity return with no equity risk.

They were regarded as, quote, "certificates of confiscation." That was the doctrine. That was the narrative. It was the story and now safety is inherent in bonds yielding nothing? A bond is a promise to pay nothing. Ladies, what is money? It's money.

Ah now we come to the crux. What is money? So money is I don't know we saw the Swiss. Well the Swiss can conjure it on their computers. We conjure it on ours, the Japanese on theirs, Mario Draghi on his.

Money is – it's a notion, isn't it? It's an instrument of national policy. I don't mean to disparage too much the American Dollar. If I ever lie in the sidewalk I would forget my dignity and station in life and reach down and pick that sucker up, I would.

In fact I would stoop for a single.

And a penny? A man has his pride.

But we underestimate. We underestimate if you're a gold person the adversary as it were. We underestimate this adversary if we don't realize that the dollar is the Coca-Cola of world monetary brands and think, imagine, if someone had told us people, if I may presume to say likeminded people, about money 25 years ago that the Central Banks, since the year 2008, would conjure $10.5-and-counting trillion out of nothing and the bond yields -- $10-or-so trillion of them would be negative in nominal turns, if we heard that would we guess the gold price would be struggling to reach – what is it – 12? Some derisory price, I've stopped looking, frankly. It annoys me. I think we would not have. I think we would have – we would have – surmised that in view of those events the world would've lost its trust – its misplaced trust in the thoughts and the actions of the people managing the Central Banks, wouldn't we?

I think I certainly would have but no. No the world is basically still on the same page as the Ph.D.'s. I – so the factual portion of my presentation will now end. Now we're gonna come into a buncha speculation, which is there's no fact-checking that. I wanna talk about the implied hypothesis of my talk, which is the end of the Ph.D. standard and what succeed it. As I said – as I said earlier – this is a rather optimistic assertion on my part or implication, "The Close of the Ph.D. Standard." Peter down at the end of this panel observed the seeming pushback the Central Bankers have recently, recently received and I think that's all to the good and certainly it is interesting and perhaps telling that now there is expressed opposition to these radical nostrums.

People seem to think -- seem to intuit – that they're not working and, furthermore, seem emboldened to challenge the kinda the fake expertise of the technocrats. Mark Carney the Governor of the Bank of England in a kind of a haughty told Theresa May, the British Prime Minister, that she ought to leave the details and the administration of policy to the technocrats and the politics she could keep to herself. But money is essentially political and the administration of monetary policy, the thoughts behind, the – well, my friend Paul Isaac calls this – "Settled Pseudoscience." It's harsh but pseudoscience is a defined term. It's that brand of pretense that presents itself as science but yields no predictable outcomes so it seems to me that the gold price is, at bottom, it's a reciprocal. It is.

I know people talk about gold in all manner of ways. They talk about the supply of it and the demand for. They talk about money in relation to M2 or they talk about the jiggery-pokery going on or not going on in the futures market and the bullion banks and they talk about gold lending and the like. I listen to this but it doesn't resonate with me. I think it's simpler.

I think that the gold price is the reciprocal of the world's trust in the institution of managed currencies and the people who dream up those ideas and in the people who administer those ideas, who implement them so it's, one, divided by trust and the more trust the lower the gold price. The less trust, the higher the gold price, the higher gold price indicating a search for an alternative, a search for an alternative to settle pseudoscience so I'm very bullish on gold. I have been. I owned it. I own the metal.

I own the shares and I'll tell you my coping mechanism and perhaps you are in need of some counseling on this. This is almost a kind of a priest-to-parishioner thing. My view is that it's because the macroeconomics to me is kind of politics expressed in Algebra. I don't think that this is going to work. I don't think this grand experiment is going to work. I think low interest rates beget lower rates until they don't and I think radical policy begets more radical policy until it doesn't. That present-day arrangements are poisonous, inefficacious and will change so I'm a determined and long-term bull on what I perceive to be are the best alternative in some fashion. I'm not here to pitch a certain kind of monetary alternative.

I think that gold will somehow inherit a role. I'm also here to observe that *The Decline and Fall of the Roman Empire* is not a thin book.

And when we talk about Central Banks we are talking about the masked power of our politics. We are talking about the masked power of the state. When the Reform Act of 1832 was being talked about in Britain there was a wonderfully violent, radical thinker Chabot. I've forgotten his first name but Chabot called the Tory establishment – he called the establishment – "The Thing" and The Thing is pretty formidable. The Fed to have retained this amount of trust in the face of its cumulative errors and omissions and conceits, this is one powerful institution so my strategy is patience, defiance and not looking every day at the darn gold price because I just don't wanna be discouraged. I read – perhaps you read – a fabulous essay on politics in *The Wall Street Journal* a couple of Saturdays ago and the author of this piece is at Yale, a computer scientist. At least he taught at Yale until the publication date.

He said that Donald Trump is, quote, "The empty gin bottle of the peoples' wrath" and that …

And this empty gin bottle was about to be hurled into the plate-glass window of our politics and I'm not here to plum for any political candidate but it seems to me that the plate-glass window of our politics well describes the financial center of our politics, which is the Central Bank and I have trust that the Central Bank as organized is not the answer to what ails but I have every confidence that Americans in their ingenuity and their optimism and in their steadfastness will devise a better way and with that optimistic note, ladies and gentlemen, I thank you for listening and I'm just not gonna look at the gold price tomorrow. That's all. I'm not gonna do it so thank you.

Jeffrey Hirsch
"Election Perspectives From 50 Years On Wall Street"

Moderator: Our final speaker for the evening is Jeffrey Hirsch whose name, the Hirsch name, has been known for decades in the world of financial publication. Tonight he's going to talk about a very, very timely topic: "Election Perspectives from 50 Years on Wall Street." Jeffrey is CEO of Hirsch Holdings, editor of "The Stock Trader's Almanac," an almanac investor newsletter and research consultant at Probabilities Fund Management, LLC. His service is renowned for using historical patterns and market seasonality in conjunction with fundamental and technical analysis to reduce risk and increase returns. After Jeffrey speaks there will be three workshops on the third floor. Bill Murphy and Chris Powell on "What GATA Has Done and what it Can Still Do," Gwen Preston on "Finding Opportunity and Spreading Risk in a Mining Bull Market" and also a workshop following his speech by Geoffrey Hirsch entitled "Tactical Investing and Sector Rotation, Avoiding Traps and Profiting from Trends" and sector rotation is certainly something that we haven't covered yet and is immensely important to virtually every investor. So at this time we'll have Jeffrey come forward and have us talk about the elections. Jeffrey?

Jeffrey Hirsch: Thank you. Thank you, evening everyone. How's everybody doing? Good, good, ready to talk about something other than gold? Okay I just spilled a little water on my hand. So it's great to be back at the New Orleans Investment Conference to celebrate the 50th Anniversary Edition of the *Stock Trader's Almanac*.

Thanks to Brien for inviting me back and thanks for all of you for joining us. I look forward to enjoying more of this fine city but at least I already was able to partake in the out-of-this-world charbroiled oysters over at Drago's. If you haven't had 'em I recommend 'em, they're wonderful so there we go.

I am proud to be celebrating this 50th Anniversary Edition of the Stock Trader's Almanac. We are overtime so I'm gonna try to cut through a few things and to get everyone upstairs so we can talk about some tactical investing with sectors and stocks but this edition is dedicated to, of course, none other my father, Yale Hirsch, the creator and founder. We have all stood on his shoulders.

Back in '66 the Stock Trader's almanac put market seasonality cycles and trend following on the mainstream Wall Street map. Yes there were some dabblers but it was Yale who pulled it all together in this one, handy, iconic reference manual. Most people would not have a clue about the election cycle or market seasonality if it wasn't for the Almanac and Yale but, over the past five decades, we have invented, created, discovered, devised several different – many different

– market seasonalities, cycles, patterns, trends, things like the January Barometer, which Yale created, the Santa Claus Rally, our Best 6-Month Switching Strategies, sort of the flipside of "Sell In May And Go Away" and I of course had the privilege of being born in 1966 and growing up under his tutelage my entire life and I still am, I'm happy to say, that I just celebrated Yale's 93rd birthday on Sunday. We took him out for brunch so he's still got a firm grip. I have a nice picture of him and my son at the table so if anyone wants to see that so, over the past 50 years, Wall Street has embraced this discipline of behavioral finance but we have remained the thought leader in this space.

There are countless copycats out there. Everyone references it, references the Almanac, market seasonality, cycles and trends; it's all over CNBC, FOX, Bloomberg, Twitter, *The Wall Street Journal*. Even Brien Lundin himself referenced it earlier in his opening remarks. It's truly a testament to Yale's iconic work and the efficacy of using cycles, seasonalities, patterns to improve market returns and our research does continue. We continue to track and keep an eye on existing patterns and develop new ones for individuals, advisors, fund managers, we're now working with the advisory community, as you heard me mention probabilities fund management with equity timing, sector rotation and stock selection and we'll talk about that upstairs in a little bit but with the election around the corner and the country on edge with this unique circumstance let's look at how the outcome may impact the market.

First word for the lawyers: I'm not gonna read this whole thing because we're running outta time but past performance is not a guarantee of future results. Do your own due diligence, consult with your advisors, be smart, *et cetera*, so forth. Our philosophy is sort of a twist on the famous Santayana quote that those who fail to remember the past are condemned to repeat it, we think that those who study market history are bound to profit from it but as our good friend Sam Stovall who is at S&P, he just moved there, just took over – somebody just took over – S&P Global, we use history as a guide and I think it was Mark Twain that Brien referenced earlier that says history doesn't repeat but it does rhyme. So our process – I'm gonna speed this through – 50 years of analyzing and researching and testing every trend possible, we publish it annually in the Almanac. We do it bi-weekly or twice-a-week and monthly.

On our digital subscription service we help advisors, fund managers, individuals, traders construct portfolios. We overlay cycles, seasonalities and patterns with current trends in the economy, monetary and government policy, market internals and sentiment – I love put/call ratio – and also old-school fundamentals and tactical analysis. The major cycles, which we're not gonna cover all of today, "*War and Peace* and the Secular Bear Markets." I am probably one of the few people who still believes we're in a secular bear market. I think we still have one more little bear market to go before we take off, kinda like our 1982 moment. I have a chart that will show that in a little while.

Excuse me. That's the basis for my *Super Boom* book, *Why the Dow Will Hit 38,820* by the Year 2025, which is based upon a Yale forecast from '76 for Dow 3,420 by 1990, which did come true. The 4-year presidential cycle: Sometimes the second terms are different. The seasonal cycles of course are bread-and-butter, the best 6-month switching strategy, which Yale created in 1986 and then we do all the different sector seasonalities, stock sectors, commodities sectors, some correlation overlap, we pick stocks that are fundamentally sound or if we're on the short side that are fundamentally unsound and then there's all the different quarterly, monthly, weekly, daily entry day patterns that are in the Almanac as well as the January Indicator, Santa Claus

Rally, Giant Barometer and the first 5 days and that sort of thing. So last year was the first time since 1939, excuse me, when the Germans invaded Poland that the pre-election year, the third year of the cycle was down for the Dow.

There was off in ’05 for the S&P just – oh no it was 2011, excuse me, just – a fraction. You can see over here – do I have a – there’s no points around here but you can see the post-election year and the mid-term year, a little bit weaker. Election years used to be a bit stronger. The undecided election of 2000, 2008, the big *[audio skip]* crash, Bear Market has weakened election years. Moving forward one of the things that we have in the Almanac are the pages that people have always liked over the years is all these quotations, these wise sayings. Some of ‘em are a little bit tongue-in-cheek, some of ‘em are thoughtful but one of these comes from Nixon in his book, *Six Crises* and it sort of highlights cycles, patterns and seasonalities. Dr. Burns his advisor who was a Fed chair at one point he calls on Nixon and his conclusion was that unless some decisive was taken and taken soon we’re headed for another economic dip, which will hit its low point in October, just before the election.

You’ve got seasonality, election cycle all in one little phrase. A little look at the last 7 months of election years, sort of a bullish push for the end of the year down only twice since 1952, you can see that we’re up just about 2 percent right now so it’s sort of within the normal pattern and looking like potentially setting up for a decent end-of-the-year rally unless something screwy happens in the election. Here’s something interesting that is sort of a feather-in-the-cap or at least some solace for the Trump campaign, which has been picking up a little bit of steam recently, you can see the last quarter of election years, the October, November and December returns, you can see October much more bullish in incumbent-party wins, when the party in power stays in power. November is kinda weak. October being weaker right now it’s down about, mmm, a half-a-percent in the Dow, 1 and a half, 1.3, 1.2 on the S&P and NASDAQ for October.

That’s sort of more an incumbent party losing type of pattern and you can see November is stronger in November when the incumbent party’s asked that I call it the sort of ding-dong-the-witch-is-dead sort of pattern there where you get some change in there and then December’s a little bit weaker for – but not much, about the same for – both parties. Here’s sort of a graphical representation of that. Incumbent party wins and losses: The party in power winning in the green line, showing you a much more bullish thing where there’s not so much uncertainty, things continue, the red line being where the party in power loses. You can see the black line of 2016 as we started out the year looking like an incumbent-party loss. There was a lot of tumult going on in the campaign process and the primary process and then things turned around. Mrs. Clinton gained some momentum. The Republicans were arguing on the debate flor and now we’re sort of in that closer-to-an-incumbent-party-win so whether your politics are one way or another this you can at least handicap the election, maybe even make a dinner bet like I have on times to see who will win the election. The Post-Election-Year Syndrome: A lot of big, bad bear markets tend to happen in the post-election year.

You can see the list of ‘em there. I’m not gonna through them all and a lot of the major wars begin so wars, recessions and bear markets tend to happen in the first 2 years of the president’s term but not after a big drop. In 1929 we had – and 4 years after that we had – very soft, weak bear markets all red and then ’33 was up 67 percent. Then the secular bull of the ‘80s and ‘90s, all 4 post-election years were up but in the 21st Century, 2001, 2005 down and after, you know, a pretty sizeable drop in 2009, we all remember that, correct? Yes don't have to answer; we had a bounce of 59 percent off the low put in the year, up 19 percent on the Dow. Post-election performance by party, quickly the post-election year is weaker for Republicans and the mid-term year is weaker for Democrats, Republican ideologies are usually a little more conservative, a little more set in their ways, they come in and start kicking butt and taking names and changing things up. In the first year market tends to react to that uncertainty and then Democrats take a little more time, hemming and hawing, getting their act together and they start changing policy.

In the second year we tend to get more mid-term -- more weakness in the mid-term – year under Democratic administrations. Just a little table from the 2017 Almanac, you can see there's been only one succeeding Democrat, Harry Truman, not Dewey and then the new Republicans tend to have a kind of a weak record over there so just a little something to remember if you're looking at the market and not necessarily politics. One of the new charts we did, we like these sort of one-year seasonal patterns. We use it for gold, for biotech, for oil, whatever we're looking at to sorta see the pattern and we compare different things. Sometimes it's different timeframes. This is comparing all post-election years on the Dow since '53, post-World War 2 era versus all years where – post-election years where – it was the first time a president election, their first election, not their second term, and then versus newly-elected Democrats and newly-elected Republicans and you see that the green line, showing a newly-elected Democrat, first election, which would be Mrs. Clinton has a much more bullish history than the other alternatives. So what does the election outcome mean for stocks?

This is the Political Alignment Analysis. We will have a president, maybe right on Election Day, like 2000, but we'll have a president and we'll have a Congress. I have faith in that much at least and they will be representing their parties. 8.3 percent is the average return since 1949 for the Dow. If you have Mrs. Clinton in office, a Democratic president, and a Democratic Congress, that's below-average. A Republican Congress that's not split that's Senate and House controlled by the Republicans is the best combination.

With a Democratic president, a fully Republican Congress they seem to get things done, maybe some compromise, some functionality, something we haven't had in a long time, and then a split Congress under a Democratic president, still pretty good, kind of what we've been experiencing under the recent Obama years and then if Mr. Trump gets elected with a Democratic Congress would be the worst-possible combination, you can see that that's proved to be kind of weak for the stock market, only up 4.9 percent on-average. That's all years. That's not just a post-election year. That's all years that that political alignment is there. But as long as there's a Republican Congress in play it seems to do pretty well for either, either party in the White House and the split Congress under a Republican president, *eh*, it's a little bit below-average.

So stocks, sectors, what? What's the difference between the two candidates? Well Trump's an unknown. He's rattled a lot of the country. He's got people thinking and talking about things so he'll probably upset Wall Street mostly because it'll be a change from what they're used to.

They'll have their bets laid a certain way and now they'll have to do it, they'll have to make changes so we think defensive sectors, staples, telecomm, utilities would be better under Mrs. Clinton if that might happen. It's also focused a bit – quite a bit – on military. The contractors could do well there. Mrs. Clinton has strong ties to the party, probably a continuation of current policies though she has lashed out at the drug makers so maybe biotech and pharmaceuticals will be weak. I happen to be a big fan of biotech for the long-term but that might take a little hit with the Clinton administration and then healthcare, I don't think there's gonna be changes to Obamacare unfortunately. Financials we all know she's in bed with Wall Street and the more consumer-discretionary stuff would probably perform better under a Clinton administration.

So here's that long-term chart that I talked about. Now I could talk about this for hours. I'll only give it a couple of minutes. This comes off of the cycle, the pattern that Yale discovered back in '76 when he saw the market moving about 500 percent following a war and inflation and you can see this, I guess the grey boxes I should probably change those to yellow, you can see the – and we've selected the – beginnings of these patterns. A lot of people will cycles in defined periods.

I still see some people taking pictures. I am happy to give you my slides if you wanna contact me through the website, of course stocktradersalmanac.com. I'll be happy to send 'em to you. So we pick different things that start, you know? Archduke Ferdinand being assassinated, Germany signs The Armistice, the Gulf of Tonkin, Saigon falls, *et cetera*, so forth and you can see that inflation going up.

After World War 1 levels off the Dow goes up 500 percent. The same thing after World 2: It goes up 500 percent. After the stagflation years of Vietnam in the '70s it went up about 1,500, arguably 2,000 percent. Now here's where – I was at the Money Show last week and Jeff Saut put up a chart from Raymond James similar to this and he contends that we're in a secular bull market with a lotta people but he used a new phrase and I like it. I'm gonna steal it.

Instead of a cyclical bear and bull market he's calling it tactical, which I think makes sense and I like it so the difference between me and him and a lotta other people is I'm one tactical bear market away from believing that we're in the new secular bull market. Nineteen seventy-four was not the beginning of the secular bull market, '82 was. We pretty much all agree on that so we're sort of looking for that 1982 moment so when I put my *Super Boom* book out in 2011, Wiley asked me to put together some projections and some stuff to sort of compliment for book sales on Amazon and that sorta thing so I created this chart, a projection. It's not a promise. It's just sort of a sort of something to keep this in mind. I took my Ned Davis research *Markets in Motion* book and I'm gonna have that big, blue book that has a decade at year at a glance, very cool, dialed up as much Yale Hirsch as I could, George Lindsey, if anyone remembers who he is, and all the secular, cyclical, seasonal cycle work I can.

Yeah and I drew this blue line. The black line over here is the actual Dow, just monthly closing prices. I think the last time I updated this was in Mid-September. We haven't really moved much. We're still around 18,000 there and I drew this blue line thinking what would happen, mid-term bear market, seasonal work and then it was tracking pretty close for a few years and then QE, QE1, QE2, Operation Twist, QE3 all kicked in so I've made some adjustments over the years.

I've made a most recent one in March of 2016. The other ones are not anymore but I have them for the record so I can see how we actually made out with it and it calls for some sort of bear market, 20-30 percent, tactical bear market in the next 2 years – 2017, 2018 – a very typical post-election/mid-term election-year stuff and it ties back in again in 2022 with the blue line looking for probably something more like the '50s and '60s, '80s and '90s where several years of double-digit gains again so bear market sometime in the next couple of years may come after, you know, with the worst 6 months next year, probably, maybe April or May time to start tightening up or getting defensive and then some trouble. I know there's a description of it. Bear markets: Picture 'em like they're not straight down. It's kinda like taking a basketball and rolling it down a rock-strewn mountainside: It bounces up and down and rolls down and goes all over the place so that might be the kind of thing that we're looking at.

So with that I'm gonna give you a little tour of the 50 years. We've got the original 1968 edition, which came out in '67. Yale started the company in '66. That's got his note to somebody. They sent it back to me, which completed my collection.

The current edition's up there, my *Almanac Investor* book, which has a whole lot of information in there. Yale's book from '86 *Don't Sell Stocks on Monday*, what a great title. It used to be one of the pages in there but that seasonality has shifted. It's more Friday and Monday that are negative now. My *Super Boom* book, the *Little Book of Stock Market Cycles*, which is a nice, concise, little compact version for all the different cycles out there and I get to appear privileged on a number of these different media outlets on TV, radio, in print, online, which is something to be proud of and now for just even more fun a picture of Yale from '78, maybe, with a nice, big, bushy '70s mustache with Lou Rukeyser on "Wall Street Week" talking about his big 3420 Forecast, me with a substantially larger amount of hair than I have now from about '03 with dad in the office and then the "Dow 3420" T-shirt, which I found – excuse me – a box of when we moved them – my folks – out of that house I grew up in and too bad they're only mediums. I'm not really getting into that. I did put one on my little 6th grader though for fun but if you know anyone who wants a medium "Dow 3420" shirt I've got 'em. So with that I wanna thank you all and come on upstairs and I'm gonna go through some tactical stuff and show you some sector seasonalities and some of the stocks that we're looking at and some gold, gold season, golds and bull season.

Thanks very much.

Nick Hodge
"The Making Of An Outsider Gold Bug"

Moderator: Nick Hodge is going to speak on The Making of an Outsider Gold Bug. And by outsider I mean he's president of the *Outsider Club* which means he can be independent and call it like he sees it. And he's had several winners for his subscribers and investors, including ten triple digit winners and over 200 double digit winners in the mining, energy, and technology sectors. He's written two best-selling books on energy investing. His insights have led to numerous appearances on television and various outlets on the web. Speaking on The Making of an Outsider Gold Bug please welcome back Nick Hodge.

Nick Hodge: I'll be honest. I really didn't know what to talk to you guys about today. So for a little while I wanted to talk about uranium. But I've done that the past two years and it hasn't worked out so well yet. So I thought maybe by not talking about uranium I could somehow paradoxically make the magic happen in that sector. When the uranium sector turns it's going to be a lot of fun. It's going to be like gold was from January to April of this year. So watch out for that.

So as I pondered what I wanted to talk to you about I think the answer is gold. And I wanted to talk to you about my migration toward being a gold and metals bug and toward being a hard asset bug – away from energy which is where I started in this business. As he mentioned I've written two books about energy. I started as a clean tech analyst in 2007. And then I quickly got smacked in the face in 2008. It sort of left my head spinning a little bit.

I was wondering what happened and how the market could crash like that and how things could go so terribly wrong so quickly. I started working for answers. And like so many of us in this room I ended up at the metals. After four long years of hardship and just when we thought the yellow metal was no more – boom. It sprints out of the gate. So it's been fun so far but it's been something that I haven't witnessed because I haven't been in the gold and metals market all that long.

But somehow during what some have told me was the worst bear market ever in the metal space I found myself being a metals bug. And it's that migration I want to talk to you about today – how I found myself here at this conference, how I found myself being a gold bug, how you found yourself here. And a lot of it starts with this cartoon which I showed a couple of years ago when I started on this stage. It's The March of Tyranny by Ben Garrison.

So I founded this newsletter called *Outsider Club*. It's about being a sovereign individual and managing your own investments and investing in hard assets and real things and telling the truth and being high states. And really you have to look out for yourself. I mean this is the perfect cartoon. This has been around for years but just think about the election that's going on today. You have the mainstream media speaker at the top being blasted through by the global elite bankers and just being stepped on by no matter who's in office.

It's one of the reasons I founded *Outsider Club*. I think it's resonated a little bit. We have 500,000 members already. It started just in 2013. And the About section if you go to the www.outsiderclub.com website it starts like this: "Your life and finances have been hijacked. Sold to the highest bidder. Your rights and ability to save and earn have been slowly eroded, picked apart by bankers, lobbyists, and politicians."

So I've seen this decay firsthand. I've watched this go down over the years. I've seen people that work hard struggle and people that try to get ahead you know the right way fall behind. And I always wondered why this is. And so that's sort of what *Outsider Club* is all about and one of the reasons I like gold. Because the world has been changing for a while now. International bankers have taken over control of the world's finances. They print as much paper as they want.

They break laws. They conspire to manipulate gold and LIBOR and other interest rates, and financial mechanisms. And they operate with impunity. They launder money for rogue entities. And they just generally operate above the law while the skinny guy sits over there on your right. So I just wanted to spend a little bit of time talking about what these banks do. I mean look at this. This is banks to pay $5.6 billion in probes: Citigroup, JP Morgan, Barclays, RBS, UBS – plead guilty – guilty – to criminal charges.

And they just get to pay a little fine to the government that's like the government acting as the mafia right? You just play a little protection fee and then you can do whatever the hell you want. Similar headline: "HSBC helped terrorists, Iran, Mexican drug cartels launder money," Senate report says. You try doing that and see what happens. HSBC small fine for terrorist transactions. It's crazy stuff.

Just more recently – look at this – 5,300 Wells Fargo employees fired. They were creating phony accounts. They were charging fees for accounts that you didn't even know you had. This is crazy stuff. Close 1,000 branches and you know what? The Wells Fargo CEO walks with $130 billion. Meanwhile wages aren't growing. Pensions are disappearing. Companies are cutting their pension obligations. I just random Google searched and cut some headlines.

UTX, United Technologies – they cut pension liabilities by $1.77 billion. That's just a random example but you know this is across the board. So you've heard about the American Dream already the past couple of days. I won't dwell on it too long. But I think millions of people are starting to realize that the American Dream is a myth. You have to do it yourself. You can't just work hard and get a house and a picket fence anymore.

You have to think outside the box. You have to be an outsider because it's not those who work hard and obey the rules that get ahead anymore but rather those who make the rules and in fact change them as they see fit which is what really gets under my skin. You know you get caught doing something illegal and we move the goalposts. So the populations for us – And then costs rise. Look at this. This is just this week.

Obamacare costs up 25 percent for plans. You know I was talking – not only in my company the prices have gone up but I've talked to people at this conference whose premiums for health insurance are just going through the roof. It's incredible. And you can start to see how the people are getting fed up with it. Look at the bitterness that the people have just – Here's another one. The labor force participation rate: nobody's working.

So things aren't right is the point I'm making. You start to see things like this. NPR had a reporter quit last year – Ms. Seabrook. And she said that she's tired of being a political reporter because she's lied to daily. And she was tired of reporting just lies that she knew not to be true which you see on every news station: Fox, NBC – you pick it. You're fed propaganda from the mainstream media right – from the first cartoon.

And so people are now pissed. This is the congressional job approval rates from 2001 to 2016 from a peak of 84 percent approval all the way down to a low of 9 a couple of years ago. And then you have Princeton proving that the US is an oligarchy. So they say that this is Ph.D. level research saying that a report by researchers from Princeton and Northwestern University suggests that the US political system serves special interest organizations instead of voters. You're choosing between best buddies folks.

So here's what I've got. We aren't operating in a capitalistic system anymore. A state is propping up private enterprise. To get into a little bit of policy I think that if rates are allowed to rise in the short-term we're looking at a crash of the bond markets and stock markets and insolvency of banks. But then again continued money printing, while it would keep stocks and banks afloat it's ultimately going to be the final nail in the dollar's coffin.

Now I'm not saying immediately. I'm not a dollar bear. I think that for a while money from a failing Japan and then a failing Europe can rush into the cleanest dirty shirt for a little while. But at some point the dollar is going to erode as well. And so how can turning money into money without doing anything – I'm talking about derivative products and things that crash the economy to begin with. How can doing more of that – how can creating more fake money get us out of the problem that we're in when fake products got us into the problem to begin with?

It's *[whistles]*. So how can millions of people who aren't working, who aren't participating in the labor force, whose wages haven't grown in two decades but who have higher costs for everything from healthcare to food to fuel –? How can an economy – the US economy – that's two-thirds reliant on consumer spending continue to operate? Well I think in the long-term is can't. We have serious problems ahead and that's sort of what led me in my migration from an energy analyst to a hard money analyst because I want things that are tangible.

I want things that are real. I want to hold metals in my hand. I want to invest in things that build products like copper and zinc and the infrastructure of the future. And those things are more valuable to me than things like Facebook and Twitter and these stocks that make up a large part of the NASDAQ and the indices that are riding so high. I mean they're heavily weighted to these stocks that are only up because they're buying back their shares because of free money. I don't want to invest in things like that.

And so I have a couple of bullet points on what an outsider is and what we invest in and what we look for. So we're really politically agnostic. Remember the first cartoon: The March of Tyranny. I don't want to do with either of those things. I just stayed tuned in. I obviously read the news and I know what's going on on both sides but I sort of have just checked out of that altogether. Highly skeptical of the status quo; I hate words like expert and official when I read them in the newspaper.

"According to a government official," well who and why is he so official – or she? I just don't understand things like that. Just be skeptical. I recognize the symptoms of which I've described many over the past couple of minutes. And then profit from the solutions and the consequences to those symptoms and diseases that we're clearly facing.

This is how we do that. I'm seeing massive shifts to more sustainable energy and water sources. And that requires a lot of things. But it also requires metals. I think copper and zinc in the future as we were just talking about on the mining panel are going to be important investments. Things like graphite and cobalt and I think rare earths will come back into favor because these are the building blocks of the future – of cell phones and of smart grids which is going to be really important. And of batteries that power cars and homes and other things.

And hopefully I think we'll see the end of banking as we know it. You're already starting to see it go digital right? I haven't been to a bank branch in a long, long time. I don't know how many of you still go. But we also have other things like bitcoin and digital currencies and blockchains that are gaining popularity. And I truly believe that we're seeing a migration away from the derivatives, away from the things in the market that are lies and quite honestly garbage and back to the trend of owning real things, tangible things: water, timber, metals.

These are the things that I want to own – things that are real, not things that are conjured up, not things that solely exist in ones and zeros. And this is my last slide but I have a couple of other things I want to talk about. So how do we capitalize on those things? Well at the *Outsider Club* it's obviously a newsletter. And we have some products that I run. But I also want to talk about a couple of people that I just hired. One of the gentlemen that I'll be presenting with after this talk – I go right upstairs for a workshop – is Gerardo Del Real.

He runs a newsletter called *Resource Stock Digest Premium*. And we'll be presenting four resource stocks upstairs that are big winners for this next leg of the bull market, but not just the bull market in metals that return really to a favor of tangible things and hard assets. I have a couple of minutes left. I told them I'd finish early 'cause we're running behind but just two more things. Really in addition to Mr. Blanchard who was the founder of this conference there's another gentleman by the name of Mr. James Dines. Is anyone familiar with Mr. James Dines?

One of the original gold bugs – and we talk about trends. You know one of the fathers of the newsletter industry and the father of trend forecasting and again in addition to Mr. Blanchard, one of the original gold bugs, one of the original bulls on China, one of the original bulls on the internet, and now he's one of the original bulls on pot stocks. If you read his letter he's already several hundred or thousand percent on marijuana stocks. Just a truly revolutionary individual.

He started his letter in the 1960s. He's actually been publishing his letter longer than my parents have been alive. And his newest employee has been with him since 1986. He's got a lot of good picks in the hard asset sector. But one of the announcements that I wanted to make here tonight and something that no one has been told publically outside of my publishing space is that we'll soon be publishing and selling Mr. Dines' letter.

Not publishing. I should say we'll be selling Mr. Dines' letter exclusively through the *Outsider Club*. He signed up. He's the original outsider right? And I think he likes some of the things that we have to say. He calls it high states and low states. I think he thinks we're high states individuals and we try to keep it that way. So Mr. James Dines has signed on with the *Outsider Club* as his exclusive promoter.

Thank you. Last announcement is Lookout Ridge is outside the door. They're selling wine. For every so many bottles of wine they sell someone in a Second World or a Third World country – a child in fact – will get a wheelchair. It's delicious wine. They get time donated to them from winemakers in Napa Valley and Sonoma – excellent wine, excellent grapes. Go out there and check it out. I'll be in the Gold Club for the next five or ten minutes and then I'm going to sprint upstairs to present with Gerardo in the Jackson Room on the third floor.

So thank you guys for your time. I hope to see you upstairs in a little bit and have a good night.

Peter Hug
"Buying Physical Metals: What To Consider"

Moderator: Our next speaker is affiliated with one of the best-known names in global precious metals, the Kitco News Service. And the gentleman's name is Peter Hug. And his topic today is "Buying Physical Metals: What to Consider."

Peter has been involved in precious metals since 1974. He began gaining firsthand information and industry knowledge at Deak-Perera, historically one of the great names in the world of precious metals and currencies. He served as SVP at Guardian Trust Company, which became one of the largest international trading houses for precious metals.

He developed the first precious metals certificate program and the first margin trading accounts for metals on the cash markets. Peter has acquired extensive experience in the wholesale markets and international asset diversification. A frequent speaker at precious metals conferences and in the financial media, he is one of the handful of experts who has succeeded through multiple bull and bear cycles on the strengths and skills honed during the dramatic fluctuations of the 1980s.

As the direct of Kitco's Precious Metals Division, Peter develops newer and better investment options for Kitco customers. So at this time, again, one of the grand operatives in the precious metals market with a lengthy résumé of real-world experience, Peter Hug.

Peter Hug: Hi, good afternoon. So I've been in this business since 1973. I started as a foreign exchange dealer and then got involved in the precious metals. I was lucky enough to get involved prior to the '79/'80 gold rush. And our company, Guardian Trust, was one of the few companies that were around right at the beginning of the Blanchard gold conferences back in the '80s. So I'm very familiar with this forum.

Today I'm going to be speaking on a subject that – I'm just looking around the room to see if I spot any dealers, but I'm not going to be a fan of many dealers when I'm done today. But I wanted to give you some transparency into how the physical gold market works. Wanted to let you know basically what dealer acquisition costs are and what the spreads are in the market give you some leverage. Hopefully the next time you do a transaction in precious metals, you'll make enough money to pay for this conference.

So I look back in the '70s, had the same questions asked of me then that I have asked of me now. Should I buy gold? So I did a little study of my own. I looked at the psychology of the investors that I knew back in the '70s and the investors that I run into today. And except for a few differences in the market, the most primary difference being the ETFs, and most recently on Monday, the trading on the ratio platform that was sponsored by the CME, what was available to investors in the '70s is almost identical to what's available today.

Mutual funds were available. Physical gold was available. Futures, options, managed accounts, mining shares were all predominant vehicles for investments in precious metals in the mid to late '70s, as they are today. One of the bigger differences today is that 80 percent of the retail volume in precious metals is done on e-commerce through trading platforms and online. Whereas when I started in this business, there were no computers. We were thrilled when the IBM Selectric first came out, because I didn't have to use Wite-Out when I corrected a letter. We had no cell phones, so everything was done in a much slower pace than it is today. And the volatility in the markets were considerably less extreme as they are today, where computers do most of the trading.

So what I did then is I looked at the psychology of the investor back in the '70s and the psychology of the investors today. And I found that the psychologies pretty much are the same. And I think that there is a group of four categories that investors fall into. Now, I don't want anybody to get upset. I'm not judging any individual group. I'm not commenting on their rationale for buying gold, but each of them have a different psychology when it comes to buying gold.

The four groups were also evident in the 1970s, with less product availability, but the psychology of the investment was pretty much the same. And I broke the groups into four. And the first group I call is the first group that I'll just speak about very quickly before I get into premium pricing and acquisition cost, is a group – and again, these are names I just made up – but I call them the collector.

They're generally attracted to domestic or nationality-driven offers. They tend to pay substantial premiums to bullion content, if the package and theme are attractive. They will buy into concept of limited edition. They will generally hold product unless financially forced to sell. It's usually a legacy issue. Most of the time they'll die and the kids will find them in the drawer. Usually small purchases, one to five units. And very little price sensitivity relative intrinsic value.

In 2014 and 2015, the Royal Canadian Mint made a collectible coin for each business day of the year. Now, if you want a coin with a monkey riding on an elephant carrying an umbrella and drinking a daiquiri, I'm sure there's a coin like that out there in the market somewhere.

The Royal Canadian Mint has recently got into licensed properties – I'm sorry – Superman; they did a NASCAR series of a medallion. None of the coins sold as well as they did in 2013 and 2014. The market is almost saturated with these collectible coins. I have not run across one collectible coin that has been manufactured in the last two years where the premium at-issue price is now below what you can get for it in the market. Every coin that I've seen is either trading at melt or below. So if you're looking for a gift, if you think the coin is cool, go ahead. If you're looking for an investment, I've never recommended to a client they buy a collectible coin.

Second category, I cannot come up with a name for this group, so I'll call them the skeptics. These are people that – and again, I'm not making any judgments here – these are people that believe the world is coming to an end. They believe the government is going to confiscate their gold. They believe they're going to need gold for a barter system as the financial system implodes.

They always buy physical metal. They always try to buy physical metal with cash, usually at below reportable levels so that there's no paper trail. They're susceptible to protection offers. Dealers will package product in a form of fractional product, indicating that with the gold price going to $10,000.00 an ounce, and ounce of gold would be costly to barter with – you need fractional coins, fractional bars. A lot of the mints now make 50 gram wafers that can be broken into one grams. Premiums on these are as much as 60 percent over the gold market.

This group tends to buy at the top as the type accentuates and they tend to hold as the market drops. One of the few things that have always confused me with this group is that they tend to buy from U.S. dealers. And it strikes me odd that if you believe that the government is going to confiscate your gold that you wouldn't think that the first place that the government would go is to these dealers to get their records.

Most of these purchases are small quantities. You very rarely run into a large client that is transacting in the hundreds of thousands of dollars with this psychology.

Third group is the trader. And I guess sort of my background. I've recently got into retail when I joined Kitco in 2010. My background is wholesale trading. I ran a wholesale desk, both at Deak and at Guardian. But the trader's primary goal is capital gains. There's no inherent loyalty to the position. Trader's usually as short or long with multiple position adjustments.

Generally the trader's active in the futures options and trading market platforms. Almost never does a trader have physical exposure, and uses technical tools, whereas a skeptic is driven by fundamental news bites.

The fourth, which is the one probably most attuned to this audience and generally attuned to people that ask me, "Should I buy gold?" is someone who I would call the conservative investor. Now that investor has been told – and there are a few people at this conference that I knew back in 1981 and 1982 – I haven't met them yet, so I'm not sure if they look any better than I do – but this buying 5 or 10 or 15 or 20 percent of your portfolio in gold is not a new theme. It's been a common theme ever since the gold market started trading after '73.

The problem I've always had with the concept is that you can't just end the statement by saying you should hold ten percent of your portfolio in gold. Gold is an asset. It is as good as or as bad as Apple stock. It depends when you buy it. It depends what your motivation is. But if your motivation is to hold 10 or 15 percent of your portfolio in gold to protect the other 85 percent of your portfolio, you need to treat gold as an asset class and it needs to be adjusted.

So to give you an example, if you had bought gold in 2008 at $800.00 an ounce in *[audio break]* an ounce. If you adjusted your portfolio *[audio break]* position in gold might have represented 17 percent of your portfolio. At that point, you need to sell seven percent.

Vice versa, if you were unlucky enough in 2011 because you believed some of the hype in the market that it was going to $4,000.00 immediately and you bought gold at the top of the market, and in December of 2015 gold was at $1.060.00, it was likely not representing 10 percent of your portfolio anymore. It was probably closer to five percent. At that point, you should have bought five percent more. If you do that and you treat gold as an insurance head, if you fall into that mindset, then you'll tend to accumulate gold as the market drops and you'll tend to liquidate gold as the market rises, still maintaining your ten percent insurance position on your overall portfolio.

[Audio break] will tend to buy physical gold. And I'll just make a blanket statement now. I've been in this business since 1973 and never in my life have I bought one ounce of gold in physical form. And I've been in the gold market multitudes of times. But again, I am not concerned about buying gold from someone that is holding the gold from me. I'm not concerned about buying an ETF. I'm not concerned about buying a mining share. And I'm not concerned about buying a mutual fund. If I had those concerns, then I would obviously be buying physical gold. My

concept, when I look at gold, is I look at the return – my risk return factor, because I look at gold as a portfolio hedge but at the same time I want to make money on it.

So I want to look at – the same I would look with any investment – what's my coming-in cost and what's my going-out cost? And I want to see that spread. I want to know what I need to make before I break even, 'cause that's my psychology. If you don't care and you think the world is coming to an end, then it really doesn't matter whether you buy gold at $1,900.00 or $1,400.00 or $800.00. It really doesn't matter, because gold is going to go through the roof and your acquisition cost will become secondary to what your true nature of why you bought the gold in the first place became.

So let's look at what you want to – if you're going to be buying physical metals, let's take a look at what you might want to consider. And I'm just going to give you a couple of pointers. Now, you'll notice that Kitco's prices are cheaper than the two competitors. And this was not done on purpose. I give you my word.

These two competitors were picked because they have the same or relatively the same traffic on their sites and relatively the same Alexa rating, which is the ranking from Google that we do. So I assume that their volumes would be similar to ours. Now, there are going to be times when certain product prices on that sheet are going to be less expensive at the two competitors. And there are other dealers out there that at times, depending on promotional offers, inventory levels, may have product that is cheaper than what you're seeing on the board.

What you're seeing on the board are physical premiums. And what I wanted to mention, point out to you when you're looking at this chart, is there's been a trend that the dealers have developed over the past two, three years – and Kitco as well, so we're not holier than thou here. It's driven by demand. I believe it's also based on some uncomfort and distrust with the physical product that may be in the market or the dealers may be selling the physical product.

But there's been a trend where clients have insisted on getting their coins and/or bars direct from source. So Royal Canadian Mint, the U.S. Mint makes gold eagles and gold maple leaves. We have a product category on our website where we sell them direct from source. So they are circulated coins. And they carry a premium for the effort of segregating these coins and getting them from source, as opposed to buying circulated coins from the market.

Now, again, if you're an investor, there are significant price differences between buying a coin from source or buying a coin that may be circulated but that is an entirely a good coin. But it is still one ounce of gold. In the case of a maple leaf, it's still four nines. In the case of an American eagle, it's still 22 carat. It may not be as pretty as the exact same coin you get from the mint or direct from the dealer from the mint, but you're going to save yourself on average about one percent on the acquisition cost.

When you buy these coins, as soon as you buy them, if you take delivery, they immediately become circulated. So you don't gain anything on the bid premium, unless you're willing to consider a segregated safekeeping account with your dealer. Now, most dealers offer segregated safekeeping. That leaves the product in the chain of integrity. Now you have a coin that remains uncirculated, because it stays in storage. And on your resell, you're likely to get a higher bid premium than you would on circulated coins.

The other thing you need to look at is why would you buy, again – everything I'm saying isn't black and white, but why would you buy an American eagle coin as opposed to a gold maple leaf, other than the fact that you're probably all American? And the reason I bring that up is what's the psychology of buying the American eagle? The American eagle trades at about at acquisition cost, which I'll get to in a minute, at about a $15.00 to $18.00 premium to the maple leaf.

The American eagle is a 22 carat coin. The maple leaf is a four nines coin – 24 carat. If you want to stay in American brand name, I would highly recommend you consider the American buffalo, which is also a four nines gold coin. If your concern is only local liquidity, then you can buy the American gold maple leaf – I'm sorry, American eagle.

However, if there is a concern on your part that you want some geographical diversification or global diversification on your gold portfolio, the American eagle gold coin – not the silver, but the American eagle gold coin – is the absolute worst coin you can buy. In Canada, it is heavily discounted, because it is a 22 carat coin and it's taxable on resale. So most of the dealers, when they buy it back, buy it back well below melt. I cannot give away through our Hong Kong office an American eagle gold coin. Asians do not want 22 carat product. They only want four nines product. So if you are looking for something that has international liquidity and you want to stay with an American brand, I would strongly recommend you consider the buffalo.

You can see the dealer premiums are similar on bars. If you get them directly from the mint – you see the difference just on, for example – I should have brought my glasses. I forgot I was old. If you look on the ten ounce gold PAMP bars, you'll see the difference is almost $100.00 on the pricing mechanism between circulated bars and PAMP bars. Now, I'm going to guess that my price is wrong here. It probably should be showing $275.00 on the 10 ounce PAMP bars. And I'll make that admission that it probably was, and I'm not trying to – but the difference is $100.00.

Now, at the current gold price, that's almost seven percent. That's a significant premium to pay for something that is coming directly from the manufacturer, as opposed to coming from a dealer that you should trust, if you're dealing with the dealer.

If you'll look at silver, you'll see the premiums on silver are even more exaggerated from a percentage perspective. Now, these prices, just as you know as well, are based on 20 ounces of gold and 500 ounces of silver. So there's a lot of room for a dealer, if you're going above those amounts, to even make those prices better.

But what you want to look at when you're buying material, assuming you're not comfortable with segregated storage – and again, if you do go with segregated storage with a dealer, one of the things you should ask if you should ask if the product that the dealer is storing for you is at least audited by a third party. That's your primary goal. Most bigger dealers have storage capability globally. We offer storage in the U.S., Canada, Switzerland, Singapore, Hong Kong. We're currently working on a storage program where the custodian for the storage will be the Canadian government. I know that probably doesn't play well to many of you here, but it is a very inexpensive to hold your gold.

Just to give you an example, if you bought an ETF, your carry cost on an ETF on a per annum basis almost is almost half of the storage fees. Most storage programs, if you're at 50 ounces or above in gold, are probably closer to a quarter to a third of a percent per annum. So your cost associated with holding the gold in a seg storage account is about the same as an ETF. So then the only thing you need to worry about is trying to get your price down, as close to the market as possible so that on your bid side you don't have to overcome a huge spread before you're making money.

So let me get to the good part. This is just the storage premium on bars. This is where the dealers are not going to like it. So let me talk first about the American gold eagle. Both the – well, predominantly the gold eagle and the gold buffalo.

The U.S. Mint has continued a policy which was prevalent when the Royal Canadian Mint and some of the other sovereign mints first issued their product. That policy used to be made available to the market at a percentage over the gold price. Most of the mints offered gold – the RCM offered gold maples in the neighborhood of about three percent over the gold price. The U.S. Mint is the only mint now that still maintains that policy.

If a dealer needs to acquire gold eagles from the U.S. Mint, the cost is three percent, no negotiation. You can come in with ten metric tons order. You will not get better than three percent. If you have direct access to the U.S. Mint, you will pay three percent for a gold eagle. Three percent at current market is $38.00. That's acquisition cost for most dealers that are large enough to buy from the Mint. Acquisition cost is local San Francisco, so depending on where you need to store this or transport it back, normally you've got a large enough shipment that the cost is pennies to get back to New York, if that's where you're going to basically fulfill from.

Whereas the Canadian maple leaf, which is a four nines gold coin, the acquisitions cost for dealers is between $22.50 and $22.00, also depending on volume. A small dealer can go into the Royal Canadian Mint and get maple leaves at $22.00 over spot. Big dealer coming in for lots of 10,000 coins get it as low as $20.50. I've seen deals as low as $20.00. So that's the cost.

Now, if you look at the price differential on the bid, if you have a U.S. eagle that you have to buy at $36.00 over – let me rephrase that – the dealer has to buy at $36.00 over, the dealer's usually going to add anywhere from one to two percent. So you're at $50.00 to $60.00 for a premium on a gold eagle. On a gold maple, using the same logic, at $22.00 over, your premium's going to be $40.00. You're going to save anywhere between $20.00 to $25.00 on a one ounce gold coin. It makes a big difference on when you want to turn this back in.

The bid premium for gold maples and gold eagles is almost identical. They're off by about $1.00. The other thing you need to concern yourself about that first slide I had up there – and I'm not going to name your name – you can do your own research of the two competitors – and these guys are big players. One of them does not make a bid, period.

So when you call them and say, "Look, I just bought 10,000 silver eagles from you. What's your bid?" "We don't buy them." They refer you to a New York auction house company. It took my traders seven phone calls yesterday to get a quote. And on gold eagles, we got a quote of minus $25.00.

So if you're dealing with a dealer, you want to make sure the dealer has some capability of making a bid for your product. Most big dealers should have refining capacity. So for any product that's four nine, such maple leaves, buffalos, refining a four nines coin or bar is extremely inexpensive. It's basically just credited to your refining account. Then the refining account is rolled back out and you reorder physical product.

Once you get into 22 carat coin, such as the Krugerrand coin or the gold eagle, the refining costs are considerably higher. So if this product ever comes back on the market in bulk, the discounts on this product are going to be substantial relative to four nines gold coins.

I'm not done yet. I've got five minutes. *[Laughs]* I guess I did anger some dealer out there in the back there.

What I'm trying to saying is, look, if you go to a smaller dealer – and I'm not suggesting smaller dealers are not good dealers – they're going to have inherently higher costs, because they're not going to have the buying power to get the lower premiums. But again, you might have a comfort level dealing with a smaller dealer.

But the base cost is on this board. So I can sell you an one ounce silver eagle, if I get I delivered to New York, if I wanted to make absolutely no money at $203.00. Can't go below that, 'cause that's my cost. Another dealer might be at $220.00, might be at $215.00, depending on what volumes they're buying from the bigger dealers and what their logistics costs is to get it into their location.

But this isn't something like a stock, where you Apple quoted at, whatever, $108.00, at $108.50. No, your choice is you sell at $108.00 and you buy at $108.50, unless you got a block order that can go through another broker. That's the price. With gold, whatever you're quoted, that's not the price.

The gold price is what's quoted on for 400 ounce gold bars. Anything below that is negotiable. Use your negotiating power. Make sure your dealer can buy product back. Let me give you one little tidbit to go away from. And again, I'm just throwing it out there. I'm just giving you some transparency, and I might be boring the heck out of you, but there may be people in this audience that the beginning of 2017 bought MS70 graded 2016 silver eagles.

The minting quality that is happening now at the U.S. Mint and the Canadian mint is so good that about 50 percent of the product that comes off the line is already MS70. So what the dealers do is they go out as soon as the first batch of 2017 silver eagles come out, which will be in January, and they'll send a batch over to PCGS and they'll grade them.

PCGS charges these dealers $8.00 a coin to grade them. And maybe out of the 10,000 coins they send PCGS, they'll get 4,000 that are graded MS70 in their nice little sealed packages. And then they'll go in their websites and they'll sell them at $75.00.

Go to your dealer. Buy 2017 mint sealed silver eagles. Want to have a little fun? Take a couple hundred, shoot them over to PCGS. Retail grading cost is $16.00 based on their website. Maybe you can get them down to $14.00. Maybe it'll cost you a couple bucks transportation back and forth. Maybe out of 200 coins, you get 50 that are MS70 graded. Go on the Internet. As soon as they come out, you'll be able to sell them for $75.00, pay for your entire silver order.

Dealers are flexible. In today's market, they are extremely flexible. There is a massive overhang of physical silver in the market right now. These are probably going to be the lowest premiums you're going to see on items such as silver eagles, silver maples, and bars. RCM 100 ounce bars traditionally trade at $1.20 over. Now they're trading at 70 cents.

Anyway, I hope I've given you something to work with. And thanks for your attention.

Louis James
"Playing The Odds"

Moderator: Now once again, to keep back on schedule, I'm not going to read the entire biography of the next speaker. Another associate of Doug Casey at Casey Research. He's managing editor of the International Speculator and the Casey Investment Alert. His title today is Playing the Odds. Welcome Louis James.

Louis James: Are we live? Very good. All right, thank you very much. This is the only slide I have today. It's very complicated, so I thought we'd dwell on it. But before we do that, let me just offer a word of explanation. I figured – I thought about this a lot. What can I say that would add value? There a lot of clever people that have spoken to you already, will speak to you – and they've got very interesting and potent analyses and they've got charts more than you'll ever be able to remember. And I thought I would just follow the KISS principle. And I think this is maybe the most important graphic I've seen. I won't take credit for it – you can see the "click here" I wasn't able to get rid of. This came from Reason Magazine. It's a promotion on their website. I recommend Reason, of course, to everybody.

So I didn't come up with this, but Happy Halloween, folks. *[laughter]* It's interesting timing that we're here just before Halloween. And I don't know if you guys have followed this, but there's a buzz sort of going on in the social media that the mainstream media picked up a bit. There's a rash of creepy clown pranks going around, with people trying to scare each other dressed as creepy clowns. And this has got a lot attention, but it seems to me the more attention should be to these clowns – where'd they go? Well, to me – can we have the clown at the moment. These are the creepiest clowns I've seen in a long time. Whichever side you might be on, let me ask it this way. I know that a lot of people are voting against one or the other – I understand that. I'm not even going to criticize that today. But can I ask for a show of hands – is there anybody here today that's actually happy with the choices we have for president in this country at this time?

Does anybody want to say I'm happy with the choices for candidates we have? We have one, two, three, four. Half a dozen in the entire room. You are interesting people, you half a dozen. Maybe we should talk later. *[laughter]* But most people are not happy with the choices. We have two more visibly flawed candidates than I can ever remember. In pastimes, the character defects and the history defects – potential criminal activity, just boorish, brutish behavior – on different sides, this would have made these candidates unelectable in past cycles, and somehow these creepy clowns have gotten to the top of the heap and given us these wonderful choices we have this time. I think that is really kind of a sign of the times. I think that's telling. It tells us a lot. And what Nick was just going through about Italy – that's eye-opening and sobering. I think this is very eye-opening and sobering. What is going on in America that these are our best choices that we could have right now?

I think that's worth thinking about. And the conclusion I want you to consider is that things are not good in the world. We've got NATO playing chicken with the Russians. We've got the U.S. playing chicken with the Chinese. We've got this wonderful choice in the politics. We've got the EU on the verge of falling apart, it seems. All these geopolitical situations have financial implications. Any one of these things can be the proverbial black swan that makes the house of cards come down. I don't think I need to beat this to death. It's a very simple concept, and I think it's symbolized by that horrific picture that I showed. We're in a difficult spot right now. I honestly don't know how things get better without getting worse first, which of course if one of Doug's main themes.

So is there anybody who thinks I'm completely off-base there and things are about to get sunnier tomorrow, or that this election will cure the world's ails? Does anybody want to stake that position out? No. Not even the half dozen. So we're on the same page here. This isn't rocket science, it's very simple. But I think it's worth holding in your head and keeping that concept in mind – that there is serious doodoo about to hit the oscillator. *[laughter]* Because if you agree with what we've just all said we agree to this position – there's really only one implication for safe haven assets. So gold may go up, gold may go down, silver may do more. We can worry bout whether it's going to correct, and whether the Fed is going to tweak the interest rate by a tiny, insignificant, little amount again just so they can say we did so.

But none of this really matters if you think about that image that I just presented. And it doesn't matter which one wins, by the way. What kind of world do we live in where a leftist politician like Hillary Clinton is regarded as the better pro-business candidate? And it's not just the media talking heads who said so – the markets are saying this. When Hillary goes up in the polls, the markets like that. They're worried about – they're more worried about Donald Trump, the supposed business man. What kind of world do we live in where Hillary Clinton is seen as the pro-business candidate – endorsed by Bernie Sanders? I couldn't make this stuff up. So when the markets fluctuate, which they always do – keep this idea in mind, keep this cartoon in mind – remember what we've all said we see coming. We're going through the meat grinder basically. Now I don't know when, maybe Nick is right and Italy is going to spark it – who knows which is going to be the spark that sets this thing off.

But there's only one choice, really – is for prudence's sake, you need to be long precious metals. And the good news is that we've had this protracted bear market for the last five years. The bad news is that everything got expensive again this year. It's fascinating to me that there are stocks now that are trading higher than they were when gold was at $1,400.00, $1,500.00 a couple of years ago – new all-time highs. So that's why I had talked about playing the odds and thinking about the situation. And this – when they asked me to come up with that title, the stocks hadn't corrected yet and we weren't sure yet that we were going to have Hillary versus Donald in a couple of days as our choice. So the odds have actually clarified in my mind.

So let me say that I think in this world where the leftist can be seen as the pro-business candidate, it's almost like the accumulation of woe that we saw in the beginning chapters of Atlas Shrugged, where you know all this stuff has got to come to an unhappy end at some point.

The piper will be paid. Now the market can remain irrational longer than it remains solvent. It's an old saying. So I'm not promising that it's going to happen by the end of the year, or next year, or whatever. All I'm saying is that the way to play the odds is to make sure you're on the right side whenever it happens. Because when it happens, it's going to be fast and furious, and if you're caught holding GE or whatever mainstream stocks, you're going to be very sorry.

So precious metals. You've heard it from everybody else. I just wanted to sum it up in this one way. Now we have the very good news – is that we've had some correction. It was quite striking how quickly the recovery went at the beginning of the year. What was really telling about the recovery at the beginning of this year was that very quickly, the exploration plays came back – not just the producers. Usually when the cycle turns, the money first goes into the profitable producers and the big household names – the Barricks, and the Goldcorps, and the names people recognize. And it takes years, really, for that to trickle down through the developers and into the exploration plays. But within weeks, the explorer co.s were able to raise money again, their share prices were up – it was quite striking, And in my mind, this is evidence of how oversold the market was. So we had a really sharp rebound.

Everybody who had any idea about the industry at all knew it was oversold, and the moment it looked like it was safe to get back in the water – boy, did they, with gusto. And everything got more expensive. Some of the things got a lot more expensive. And now we've had some correction. How many of you, if you had a time machine, could go back to a year ago, late 2015, and change your investment decisions? Anybody want to go for that? If you had a time machine, how many would go back and back up the truck? Half of you. The other of you guys – are you still awake? Who wouldn't want to go back and change your investment knowing what you've got. So we can't do that, and that's why corrections are a great thing when they happen. When something rises to quick, too fast, and you get a correction, that's healthy – that's normal. And it's something to take advantage of.

So I won't beat that to death. Everybody understands this logic, I think. So I'll just skip to the chase and give you some bargains that I think are now available. And so yes, get out your pencils. You can write down the symbols and so on. I think of all the companies that have corrected the most – that have the most merit, i.e., are more legitimate bargains – many things have corrected somewhat, some haven't corrected at all, a few are still hitting all-time highs. But of the ones that really got something – a good business going, and have corrected the most, there are two. One of them is Osisko Royalties – the symbol is OR, both in the U.S. and on the TSX. The royalty business is a no-brainer. And these guys have fantastic royalties, and they have a huge war chest that they have accumulated with the obvious intent of getting more blockbuster royalties.

So I see a profitable business with game-changing new potential and it has gone way on sale over the last few weeks – like ridiculously on sale, sorry, the last few months. It has rebounded recently, but it's still dirt, dirt cheap. Compare that to Franco, or Silver Wheaton, or any of the others. And I'm not criticizing the others, I'm just saying Osisko is a more legitimate bargain today. The other one is Premier Gold. The symbol is PG on the TSX. And Premier was an explorer developer that had numerous projects – their thing was in the shadow of headframes, they bought high-grade assets they wanted to shine up and hope that some major would take them out. And for some reason, that never happened. Even though he drilled off high-grade gold ounces, they never got taken out. So they decided to become a producer themselves. And often that's bad – when an explorer decides to be a producer, they're completely different skill sets and they many times fail. But in this case, their path to production was to buy into a JV with Barrick and Nevada on a very profitable new mine, which is now coming online. They've poured their first gold, and they've poured more gold than expected.

So the financial results should be better than expected. Despite this, this stock has really fallen off a cliff. Now has anything disastrous happened – anything really bad? No. There is some concern they bought also another mine in Mexico called the Mercedes Mine. There's some question – well, if it was any good. Why was it for sale? Their reserves aren't very large. But this is an exploration company. They're confident they can add to those reserves and they can add it in the portfolio. I think this is the reason for the concern. People aren't sure where the company is going. Be that as it may, it has high-grade assets and multiple jurisdictions – multiple places, and basically pro-mining jurisdictions. And it's got strong cash flow coming on. And maybe it deserves some kind of discount. But the thing's come off by 50 percent or more, and it's down like today even – though gold is up today. So I see that – those two as number one and number two, legitimate, real bargains. These things are on sale with no real killer news from either company. So if you could go back in time, this is like that. You can go back in time and buy these.

Another one that might fit in this category, but I'm a little reluctant to get behind fully is First Majestic Silver. I like the company. I like the management. I see potential there. If you're a silver bull, clearly First Majestic will move up with silver. But that was a stock that got way, way ahead of itself. That stock went up 500 percent before they even started making money again. It was a real sign of how frothy the market got. And so I think it was a healthy correction, and it has kind of stabilized. It seems to have found a floor. So there's an argument there if you're a silver buff, but I would like to see more stable – they're a producer. I would like to see more stable income – net income from this company at current prices before I get excited about it. But it is way on sale still. One that is less on sale, but I just – I love the story, and I've – you guys who have heard me speak before heard me say this before. Sorry, the symbol for First Majestic is AG – cleverly enough, in the United States, and in Toronto it's FR.

The next one – my favorite development story – no question at all is, of course Pretium Resources. This is the Uber high-grade, monster-sized, Brucejack gold project under construction right now in northern British Columbia – yes, the symbol is Paul Victor Golf – PVG, both in the U.S. and in Toronto. And there are technical criticisms of the project – I don't deny those, but the name of my publication is the International Speculator, not the International Safe Bet. *[laughter]* And if I'm going to speculate on something, I want to speculate on the highest grade, biggest monster deposit I can find that isn't in Ecuador. And there's only one of those, and this is it. The average is half an ounce per ton, more or less, for 13 million ounces of gold. This is huge, and it's high-grade. And if they deliver – and remember, they delivered more than 50 percent more gold from their bulk sample than expected, which to me says, I think, their methodology might have been a little conservative. The critics say, "Well, they still got it wrong, darn it. They produced too much gold." *[laughter]* I don't have a problem with that. Anyway, I just – it's huge, it's high-grade. Do I need to say more? And it's not in Botswana.

So those are my top suggestions right now. And I'm moving a little bit farther down the curve here to more earlier stage exploration stories. The exploration plays are more volatile and some of those have corrected more – or much more than the sector. And some of my favorites in this area are ATAC Resources, and the symbol is ATC on the Venture Exchange in Canada – ATC.V.

And they have multiple high-grade zones going on one huge 60 kilometer-long district-scale property in the Yukon. They have other things going, too. But basically it's an exploration story with several birds in the hand, and numerous targets. So if you like exploration, I can see this one going up. And it's much cheaper than the producers and developers – any exploration story usually will be.

Another one like that I like a lot is called Balmoral Resources – the symbol is BAR on the TSX-V. They have a high-grade gold discovery going in Quebec, and they have a nickel project nearby. Right now, the market doesn't like the nickel – they like gold. A little while ago, they liked nickel, not gold. But it has two kicks at the can. And the nickel market is particularly interesting right now. You've probably heard this already with the Philippines, and Indonesia, and all these countries trying to get nickel producers to smelt their nickel there. They're causing supply issues in the nickel market. So you don't have to be a huge nickel fan, but I think it's significant that this gold story has a nickel lining.

Another one on the exploration side – it's kind of exploration development – is a company called Columbus Gold. The symbol is CGT – Charlie Gulf Tango on the TSX. And they have a five million ounce discovery in French Guyana. Nobody likes French Guyana – who knows anything about French Guyana. But an experienced producer – Russian producer – actually is paying all the money to develop this towards a production decision. So it's big, it's relatively high-grade for an open-bit project, and it's other people's money taking the risk. I'm okay with that. Meanwhile, they have a big bulk ton-ish discovery shaping up in Nevada. It's just a few miles out of Reno. It's right off the highway, and it's not particular *[Break in Audio]*. This could be a big, cheap, heap leach operation. It's a pretty exciting discovery. And a first-pass resource estimate is on tap soon, so I like that there's news coming. Again, the symbol is CGT.

And one more. *[Break in Audio]* Again, these aren't necessarily the most safest companies, or the companies with the biggest deposits. I'm focusing on bargains. I'm focusing on stocks that have something of interest or merit, that have corrected more than most – in some cases, unreasonably so. So the last one is Dynacor Gold in this group – symbol DNG – Delta November Gulf, in Toronto. They are a third-party gold producer. They don't have a gold asset of their own. They process gold for people in Peru. You may have heard this story. Other people are jumping on this Peruvian processing story because the government is shutting down all the illegal plants. And Dynacor has one of six permitted plants. So they have a market niche there and a bottleneck.

But they're the only one that's actually shown they can make money doing this. So it's my only choice in this sector. And they do make money. And that stock has really sold off hard in recent weeks. I understand that a critic in Peru – a blogger in Peru – issued a warning that they had permitting problems and so on. This warning came out a couple of weeks ago – still no permitting problems. I don't have a lot of respect for the source. I think to the degree that that added panic when gold was retreating, that creates an opportunity for other people. High government officials have recently been seen on site at their plant. And so everything seems fine. I like that story a lot. They make money processing other people's gold. It doesn't matter if the price of gold goes up or down, they still make money.

So those are the bargains. I'll throw a couple of more ideas – I have 42 seconds out there. One more. There is one more, and you're not going to like it. But I'll say it anyway, just because I am a Doug Casey-trained contrarian speculator. And I have to say Fission Uranium – the symbol is FCU, Frank Charlie Ukulele, or whatever they say. It's the other yellow metal. It's a uranium play. People hate uranium, but it's selling for one-third the cost of production right now on average. That has to turn around. And this is at surface, super high-grade, Athabasca Basin in Canada. I don't know when that stock's going to turn around, but when uranium turns around, that one's going through the roof. And I am out of time. So perhaps we'll see you at Booth 120, and we can talk about more companies. But remember, Happy Halloween. You know what to do.

Byron King
"Gold Is Where You Find It: But You Find More With Technology"

Moderator: We heard earlier about fracking and Dennnis Gartman compared it to going sideways once you're down three miles or so through the fingers and thumbs of three hands, 15 or more horizontal drilling apparata. I know nothing like that is happening in my knowledge, yet in the world of gold mining. One reason oil – its price has gone down in the last couple of years, besides the strong dollar, is the fracking revolution and the supply glut that has developed. Well, gold is not developing the supply as fast as that. And I know of no particular technology that is applicable to gold mining like that. And that's why I'm looking very much forward to the next speaker, Byron King, who's going to talk about gold is where you find it, but you find a lot more with technology.

He's the perfect person to talk about the marriage of gold mining and technology because he's a Harvard-trained geologist with a strong background in geochemistry and mineralogy, also, a former naval officer who served as chief of staff of naval operations. The Rickards' Gold Speculator Letter with Jim, who spoke here last year, is edited by Byron King. It's called the Rickards' Gold Speculator with Byron King. He uncovers investable opportunities in the precious metals, looking for asymmetric trades with minimal downside and a strong upside. He focuses on applying high-tech to [Break in audio] with a common sense approach that's easy to understand. He's a favorite at this festival – spoke last year and the last couple of years, I believe. So please welcome back to our stage, Byron King.

Byron King: Thank you very much. Thank you, and hello everyone. I'm bummed. I'm totally bummed. I was back there listening to Doug and he came out here and he predicted the end of the world and the end of Western civilization. And I said, "Ah, and mining is a dying industry. It's all going to be nanotech, and I was – turned to Rick Rule back there and I said, "Do you have a knife so I can cut my wrists? Why should I even bother?" But then Doug saved it for me. He said, "But we've got one more cycle." So I'm here for that one more cycle, and I hope you are, too *[laughter]* because right now, I write a newsletter on gold and silver. I write newsletters – my beat's the world. I've been – I get all over the place. There's me on the left there, I'm in Kyrgyzstan and standing next to a statue of Lenin and there's me next to the Alaska pipeline. There's me a couple of thousand feet down in a South African gold mine. So I get around. It's a good time.

I've worked with Agora Financial Publisher since 2004. I've covered energy metals, mining – lots of different things. That one in the middle there, that's me in Moscow at a laboratory – secret Laboratory Number Ten, the Russian leading Institute for Chemical Technology. I'm in their museum room, which is a room probably a little bit – it's actually bigger than this room here, and it is nothing but mineralogical specimens from around the world that the Russians or the Soviets collected over the decades of every single radionuclide ore they could find. That room is totally hot. They gave me a white coat to prevent the ionizing radiation from hurting me.

That box I'm standing next to, I have to talk about that – that box was a presentation box made out of travertine marble that the Geological Institute of the Soviet Union gave to Joseph Stalin in the late '40s, and it has radioactive minerals from all over the Soviet Union, all beautifully laid out in there. And when Stalin died, they put the box in the Stalin Museum in Moscow. And then one day, the KGB was going through during their normal sweeps and everything, and they realized that this box is like utterly radioactive. It's just really hot, so they moved it into the basement of Laboratory Number Ten. And like I said, as long as you wear the white coat, you're good to go.

So what I've covered – energy metals, mining, lots of other things. We've had good days, bad days. I covered the BP blowout just six some miles from here offshore back in 2010. Fracking – been there, done that. Price of oil goes up, price of oil goes down. I've been around – I've been covering mining for awhile. We've had some bad days in mining. We had a bad four years. You can see the chart going down, down, down, down, down for four years, and then finally this year we had a nice recovery, starting about January. I was very happy about that in the sense that I was here last year, and it was a very doomy, gloomy kind of atmosphere. If you were here, you remember. Nobody knew what was coming – it was like are we going to have more of this mining zombie apocalypse or what – I don't know.

In my personal case – in my personal situation, on January 20 or 21st – I forget the date – of this year, I noticed that negative interest rates – or that interest rates went negative in Japan. And I said to myself, "Negative interest rates. You mean it's like the bank robs you instead of – you put your money in the bank and you lose it. Nobody will put up with that. I wouldn't put up with it. This has to be good for gold." I took – me personally, just not newsletter writer Byron, this is just Byron, normal person – I took every dollar I could scrounge up and I bought junior gold mining stocks on about January 20, 21st, 22nd – I have the trading certificates from Fidelity to prove it. And it's been a good year. And so anyhow, about a month later in March or in February, I call up the Agora people and said, "Hey, gold's really on a tear. We need to get a gold-silver newsletter going," and they're like, "Nah, we can't sell that stuff. We've closed all that stuff down. We haven't been able to sell that newsletter for quite awhile." And I said, "Well, it's doing really well."

So March came. Finally in April, they called me and said, "Hey, Byron. Let's do a gold-silver newsletter." Okay, good. So we launched in May on the Rickards' Gold Speculator. But that mining zombie apocalypse – that will humble everyone. I was humbled, Rick Rule was humbled – we were all humbled. We made many bad calls, many, many bad mistakes, and sorry about that. I assure you when you do this stuff for a living and you're writing a newsletter into an absolute apocalyptic market, it's like staring down the alligator or the angry rhinoceros there at the game preserve that I visited maybe a few years ago. While I was passing time doing the mining zombie apocalypse, I put together a military technology newsletter for a couple of years, which did quite well. I covered MilTech – it goes back to my Navy days. I understand this stuff. I love it, it's fabulous – so I like geology, mineralogy, and all that good stuff. But I like nuclear submarines, and I like cruise missiles, and I like satellites.

So anyhow, when you think about it though, you need energy and metals to do MilTech. There's 100,000 tons of steel on the left. There's 60,000 tons – there's 60,000 pounds of high-performance metal on the right, lots of electronics. You need that stuff. 31 years in the Navy that I served didn't hurt. The one on the left, that's the Good Ship Constellation – been there, done that. That airplane on the top – I flew that. Bottom thing, that big five-sided building – worked there. And so I'm a Navy guy. I've met some people here who are also Navy guys. Jim Grant is a Navy guy – he was here yesterday. I sat and had dinner with an Air Force pilot last night. We were talking about back in the days when we loaded nuclear weapons – the good old days.

But you need better tech. You need tech to do energy and metals – we're talking about fracking. You could not do fracking without tech. You could not do the geophysics you need to do without advanced computers. You could not do the drilling without advanced metallurgy. You need the drill pipe. Even the sand – people have been talking about fracking sand here. I like frack sand. Frack sand is good, but it's got to be the right frack sand, not just any old sand. It's got to be the right frack sand which gets you down into the crystallography of those little chord screens. So you need the tech to understand – to be able to do it and make that fracking work well.

In another sense, everybody in this room probably has something like this in their pocket – an iPhone, or Samsung, or whatever – if it's not on fire, your Samsung, you got one. It takes two-thirds of Periodic Chart to make one of these cell phones. There's 92 elements in the Periodic Chart. There's about 63 of them in my iPhone, according to Professor Jeffrey Grossman of MIT, who went to the trouble of figuring it out. None of those elements are in there by accident – maybe if you got to the parch petroleum you'd find some trace elements. But you take away the indium and you don't have touchtone anymore, or you don't have the touch screen anymore. You take away the tungsten, and your phone doesn't vibrate. You take away the neodymium and the boron, the magnets don't work. You take away the erbium and the terbium, and the crystals don't work that make this phone work.

So anyhow, at some point, whatever Doug says about mining is dying, or we're going to do it all with a nanotech, who's going to do the nanotech? At some point, you've got to figure out how to make those little elements on that Periodic Chart all come together in the right way at the right time. Much of what happens today is way, way, way beyond just making ingots, I assure you. And even next door when we're looking at the exploration plays and the development plays over there, this is not your grandfather's gold mine or silver mine. It's not your father's. It's not even the gold mines and silver mines of ten years ago – the exploration's going on out there that's working.

So anyhow, I write this Rickards' Gold Speculator newsletter – it's all about gold and silver. People call me up and say, "Hey, I've got this great tungsten plate." That's nice, but I'm not writing about tungsten. "How about uranium?" Nope, not doing that yet either. It's gold and silver, that's what we stick with. Jim Rickards has been here before. He spoke here last year. He knows a few things about the gold and money. Four years ago – five years ago maybe – he came out with this book called Currency Wars. I didn't know Jim. I picked it up in a bookstore and thought, "Oh, Currency Wars. Oh, that's interesting. I'm interested in currency and I'm a Navy guy – I'm interested in war."

So he starts writing about doing war games at the Johns Hopkins Applied Physics Lab where they're doing war games in terms of not shooting cruise missiles at each other – they're shooting electronic bullets at each other's financial system. And very interesting how you can bring down collapse of country's economy. He wrote a book about the death of money. Last year, he wrote a book called, The New Case for Gold. He's got a new book coming out very, very soon – I think in, it's either November 4th or November 15th, I forget – The Road to Ruin. I've seen the galley proofs. In fact, I have a copy in my knapsack or my backpack upstairs in the hotel room. Great guy – very smart guy. He – Jim is predicting – he believes that gold is going to go to $10,000.00 an ounce. And we've had people on other panels and such who've said, "Oh, they'll ruin the economy or destroy the economy." Well, like the man said yesterday, that History of the Decline and Fall of the Roman Empire, it's not a thin book – I think it was Jim Grant said that. So to get from $1,250.00 or $1,270.00 an ounce to $10,000.00 is going to do a lot of stair-stepping back and forth, back and forth.

The basic, basic, basic math behind it from Jim's perspective is that if you take 40 percent of M-1 global – money supply on a global sense, you back it with gold, you need $10,000.00 an ounce to make it work. I listen to other people who sort of don't subscribe to that. I think that perhaps not in the near, near, near term or maybe not even in the medium term, but I think within the lifetime of everybody in this room, we're going to see gold explode on the upside. And that means you need to have it for when it happens. Don't wait until it explodes up because if you can get it, you won't be able to. Mining shares should do even better. Here is optionality at work. The line on the bottom is the price of gold this year – it's gone up, and then it's sort of drifted down a little bit in the last couple of months. Mining shares did really, really well – April, May, June, July, Brexit – they did great after Brexit.

In August, you had sort of that meltdown for the last couple of months. I think a lot of that was the Federal Reserve kind of jawboning – talking down gold, talking up interest rates. But they keep going to the brink, and then not pulling the trigger – "Oh, we're going to raise those rates. We're going to raise those – oh, no we're not going to raise those rates." Well, they will – they can't afford not to raise rates, let's say, in December. They have to do it or they lose their credibility. Rickards is on record as saying that we're going to see a rate rise in December. So one of the big drops a couple of weeks ago had to do with, I think, the market finally absorbed the idea that *[Break in audio]*. And so when gold falls, the optionality brings a lot of mining shares down, too.

But it gets us back to gold because it's where you find it. In the olden days, going back to the days of cavemen, maybe you would find it in a stream, like this three-quarter ounce nugget that I hold in my hand. That's not me on the right – I just found – I thought I always like that photo though. In the placer mines up near Dawson City, we're talking about the Yukon a little bit today and some of our exhibitors are Yukonians and we've got the Yukon Mining Alliance out there – great bunch of people. But the old Yukon River, it's just been picked up and scrubbed out *[Break in audio]* up into the Yukon and I was like, "Holy smokes" – you go up to every stream everywhere there's all these old placer mining operations. People were shaking it out looking for these little nuggets. Or maybe this really big gold mine.

My favorite gold mine is the old Homestake out in South Dakota, in the Black Hills – greatest mine that ever was, something like 70 million total ounces of production out of that thing, down to the 8,000 foot level below ground. You're looking there at the Glory Hole. That's just the almost hand-dug pit back from the 1870s and '80s. You could take the Empire State Building, pick it up, and set it down at the bottom of the Glory Pit, and if you're standing at the edge of the visitors center there, you would be looking at the visitors ledge with the Empire State Building. That's how big that hole is. And then there's another 7,000 feet of mining down there. Lots and lots and lots of gold chasing those veins.

Maybe it's a really big geologic play. There's Nevada's Carlin Trend up in – out there – out to Nevada, I think, three or four times in the last couple of months. Big, huge, massive things with these big limestones that have all been altered over the years, disseminated – none of this gold nuggety kind of stuff. We really have microsopic gold – you need electron microscopes to see it in the samples. But there are some fabulous plays out there that are just great, great, great, up and coming developmental plays. Some of them are right next door, if you were to be interested. But then again, what happens with this gold? What happens if we stopped finding big gold like 20 years ago?

Brent Cook has talked about this. A lot of other people have talked about it, but this is a chart that we based it from Goldcorp. You can't mine what you haven't discovered. So if you haven't discovered it, you can't mine it. And so they stopped finding big gold like 20 years ago, and so – what do you know? 2015 – gold production sort of peaked, and according to Goldcorp, which knows a few things about this, they expect global gold production to go down in the years ago come. Goldcorp calls it peak gold – just like peak oil, peak everything. It's become sort of a trope in modern language. But you can't produce what you have not discovered.

So if you want to stay in the gold business, you'd better find some gold. It's nice to have visible gold – that does – that's my thumb, and those are my fingers. And every now and then, you get lucky and you find something as you're out there picking around at these sites and these deposits looking over the – looking things over. Once you discover, you have to figure out how to get it out. You've got issues of logistics and remoteness, you've got red tape, you've got tax people, you've got the environmental people, you've got the criminal gangs – all of whom are there to make your life miserable, if you think you're going to be able to produce it – which is why you want to be looking, at least I like to look in safe jurisdictions. I like places like the Yukon, and Nevada, and Mexico – places like that. But it takes 20 years to go from discovery to production, said the man from Goldcorp when I spoke with him last summer as we visited the Kaminak site up in the Yukon.

20 years – oh, my goodness. Some things don't change in 20 years. *[laughter]* 20 years ago, we had Bill and Hillary. 20 years later, now we still have them. Who knows what'll happen after this year. We'll either – she'll either go to the White House or the jailhouse – you never know. *[laughter]* Just don't want to get too political here. Brien Lundin said, "Byron, keep it – " "Yes, Brien. I will. I will keep it low-key here." But other things change big time in 20 years. Man, these are pictures from FDR being inaugurated to Eisenhower being inaugurated in 1932 to 1952. A lot of things can happen in 20 years. You can have a Great Depression. You can have a global war. You can invent nuclear weapons. You can have the Cold War. You can do all sorts of stuff in 20 years that absolutely changed the whole dynamic and redraw the maps of the world.

So 20 years to develop a gold mine is a long time. And especially today, when we work in product cycles of six, twelve, eighteen months. They come up with a new set of software for this thing like every six months for my iPhone. Look at the old brick phones on there – the things that happen. There are people who commit murder and they don't go to jail for 20 years. But you're sentenced to 20 years if you want to develop a gold mine. Holy smokes. So it's a long time to tie up your capital – gets back to that point about gold's where you find it. So you want to go out in the world – the world has been explored to some extent. Most places have been picked over and kicked over. There have been geologists looking for brown stains and shiny stuff in streams for tens and tens and tens of years – hundreds of years, really. There's been no new mining districts found in Europe since the days of the Roman empire.

But you're looking today for ways to leverage technology, leverage energy, and material resources. You want to do innovative things in disruptive ways. You've got to look in the right place with satellites, imagery, things like that – that's great. The things that people are doing today with geophysics, with overhead surveillance are just astonishing. This all goes into some of what I do in terms of analyzing companies, looking for ideas. You can gather lots of data and not go broke in the process – it's amazing. You've got robot drilling rigs that go out in the field and do roboty-type things. You've got drones that can cover immense amounts of territory and gather immense amounts of data and bring it all home, and put it all in a computer, and it saves lots and lots of field time, lots and lots of expense – hauling people way up into the wilderness. It's not substitute for boots and hammers – geologists with brains. Of course you need to send people out there to check things out – always liked that. Geologists – what do you do? My friends think I do – this society, what my spouse, what I really do – that kind of stuff. Take geologist at brain and get at it.

The Goldcorp challenge. Remember that about – golly, was it 15 years ago or something like that where the Goldcorp crowd-sourced its data on the Red Lake Mine and said, "We have this data. We're going to post it for a half a million dollars to anybody who can come up with a good idea and find us the next six million ounces." And so they did *[Break in audio]* the Red Lake Mine – one of the greatest mines ever. Integra did something like that not too long ago. They're just drilling up some of their prospects right now. At Kaminak, when they got bought *[Break in audio]* did they – what was one of the things you liked about Kaminak? Well, they just had an innovative way of leveraging chemistry, and leveraging things to accelerate the work. They got a lot of work done. They got four or five field seasons of work done in a year and a half. And that impressed Goldcorp. And so Goldcorp got rid of a lot of the Kaminak management, but they kept pretty much all the staff. They keep them around – keep them busy.

A year or two ago, there was a company I was following – Mega Precious Metals. They got bought out by Yamana. But they went to a bunch of old core from like 30 years earlier, and they went through and they correlated it – correlating scheelite, which is a tungsten mineral, and gold – 100 percent correlation. The next thing you know, they turned a very, very marginal deposit into a very handsome deposit, which was attractive to Yamana. Reservoir Minerals has been an exhibitor here in the past. They got bought by Nevsun earlier this year. Basically, it was a blind play. It was – they were right next to the bore copper district in Serbia. Bore has been a mineral district literally since the days of the Roman empire. I have seen the old Roman works in the archaeological sites nearby. But there was another area that was all covered by much, much more recent sediments.

So they did a bunch of geophysics. They did a couple of blind drills. They found some very intriguing sniffs, and then they brought in a joint venture with Freeport. Freeport poured a lot of money into it. They found one of the greatest copper gold discoveries in the world in probably the last 25 years, which got bought by Nevsun. So Reservoir was great – Nevsun owns it now. Nevsun is a takeover target in their own respect. Although Nevsun standing alone pays a five percent dividend – nothing wrong with that. At the end of the day, it's all about bringing home the prize. This is a fox walking past my truck up in the Yukon last summer, carrying a dead rabbit in his mouth as if to say, "I've got mine, pal. Where's yours?"

Gold leads the way for the rest of the mining business. I would say it's like the icebreaker clearing the way. If gold does well, much of the rest of the mining industry's going to do well. Can uranium take off? Yes, but gold needs to do well. Can copper take off? Yes, but – nickel? Yes, but gold leads the way. If gold is doing well, people – that will attract money back to the mining industry and people won't be scared of investing there again. You want to get that confidence because you want people to buy, buy, buy. Things go up, things go down. We're in a cycle. But the hungrier the bear after those four years of the zombie apocalypse, it's the sweeter the recovery.

Exhibiting companies here – the ones that are out there, for the most part, they all survived the mining zombie apocalypse. If it didn't kill them, they're stronger. They leveraged their cash – their technology. A lot of them are very, very disruptive in the way they are doing things. Each of them could tell you their own story. A company like Orion Resources, for example – fabulously creative. Mirasol – some companies that are not here, too. But a lot of great business models out there. Rickards' Gold Speculator. Rickards' is the big macro guy – writes about economic-type things. But monetarism is failing after 100-year run. I don't care what Dennnis Gartman says. We could have a very respectful discussion and discuss the failures of monetarism. It is done so poorly that I don't know where it's going to go from here. Gold and silver prices are moving up. They may not move up in a straight line, but I think in terms of where the world is macro-wise, it's going to have to happen. The small cap miners deeply leveraged the gold-silver price. *[Break in audio]*

Tomorrow at 8:00 in the morning, I'm on an energy panel here with Rick Rule and a couple of others. We're going to talk about energy. Later in the day, 3:45 – I have a walk-about over there. I'll walk around, stop at some of the exhibits, and say some nice things about them – deservedly so. I'll – tomorrow I will get into the nuts and bolts of ideas in my newsletter at 6:15 upstairs in the Royal Room. And with that, I thank you, and appreciate it. Have a good day.

Charles Krauthammer
"How Did We End Up Here?"

Moderator: Our next speaker really needs no introduction, but I'm going to introduce him nevertheless. [Applause] This morning, Dr. Charles Krauthammer is going to ask – or answer a question potentially for us that everyone is curious to know, and that is how did we end up here? Dr. Krauthammer – he writes a syndicated column for the Washington Post which appears in more than 400 newspapers worldwide, and for which he won the 1987 Pulitzer Prize. As you all are probably very well aware, he is a Fox News commentator, appearing nightly on Fox's evening news program, Special Report with Bret Baier. His latest book, Things That Matter: Three Decades of Passions, Pastimes, and Politics, a number one New York Times Best Seller, has sold more than a million copies.

He's born in New York City and raised in Montreal. Krauthammer was educated at McGill University, Oxford University, and Harvard. While serving as Chief Resident in Psychiatry at the Massachusetts General Hospital, he co-discovered a form of bipolar disease. In 1978, he quit medical practice and came to Washington to help direct planning and psychiatric research at the Carter Administration. In 1980, he served as a speech writer to Vice President Walter Mondale. He joined *The New Republic* in 1981. Three years later, his New Republic essays won the National Magazine Award for essays in Criticism. A fantastic mind and talent, it is my distinct pleasure to introduce to you Dr. Charles Krauthammer.

Charles Krauthammer: Thank you very much. Can you all hear me in the back? I'll take silent *[Break in audio].* I had a speech yesterday afternoon. *[laughter]* It was going to be a learned, historical dissection of how we got here. But I'm no longer sure what here means. *[laughter]* As of noon yesterday, I was going to talk about how the election was over, and why we had come to where we had come to. But the election is now reopened, and we are now in a situation where no one can – no one knows where we're going because no one knows what Comey is talking about. He's talking about – and incidentally, if somebody had written a television script for this campaign, *[laughter]* and now it hangs on the private correspondence and the laptop of Carlos Danger, *[laughter]* they would have said, "We can't. This is really too ridiculous." I was thinking that even in Banana Republics you don't get this. *[laughter]* Maybe it happens in Coconut Republics or something. *[Laughter]*

The one thing I wanted to point out and I'll skip with any learned introductory paragraphs – we know that this has now thrown the Clinton campaign into disarray. And they, of course, don't know what to do or say because they don't know what exactly is being examined. There's one thing, I think, that's been kind of overlooked. If Hillary Clinton still wins, and as of today I would guess that the odds are slightly in her favor – they are not the eight to one, nine to one odds they were just a few days ago – imagine the kind of constitutional crisis we will be in. She will be under investigation by the FBI. She will – she either could be indicted – we've never had a president elect or a president indicted in office – or even if she is not, for sure the Republicans will begin hearings and it is quite possible that impeachment would begin fairly early in her term. The only equivalent would be Richard Nixon in 1973. By August of '74, he'd had to resign because he was about to be impeached and convicted. And that was only, what – 16 months after he'd been sworn in for a second term. And he won with a landslide – more than 60 percent of the vote.

So it is quite possible that rather than having a fresh slate, which is what we do when we elect new presidents, we would sort of start her presidency in the middle of this sleaze and corruption. And what's – so that, I would think, would be one of the reasons why a genuinely *[Break in audio]* voter might decide either to stay home – leave the line open. I'm not sure they would shift over to Trump, but she might lose a substantial proportion – perhaps not a substantial, but even if it's one, or two, or three points. In many of the swing states, that's enough to swing the election. So that, I think, is something added on which I think will become more and more weighty as we approach Election Day.

We are a country of 330 million people. And we've ended up with these two? [laughter] And then there's Gary Johnson – "What is Aleppo?" Gary Johnson. And you say to yourself, "What exactly is wrong with our process that produces candidates like this?" To some extent, it has to do with the impact of television and celebrity. The great asset that Trump had coming in is that he was known. 14 years on a hit television show. It's not because he was a business man. It's not because he *[Break in audio]*. But he had name recognition higher than anybody else from the very beginning because he was a television star. And people have said, "Well, Ronald Reagan was an actor." Yes, but he was a two-term governor of the largest state in the Union when he ran for office in '76 and then in 1980. But I must say, whatever the process is, it has produced the two most disliked, unpopular candidates in the history of polling, which is saying a lot.

For me it's been, of course, a bonanza because it is the craziest election I've seen in my lifetime. And I am uniquely qualified to deal with crazy. *[laughter]* In my youth, when I was practicing, I actually spent a year as the chief of a locked psychiatric ward. And I can tell you that it was far more sane than what I'm covering today. *[laughter]* Because it was interesting – when you are in those circumstances, around once a day you have to stop and remind yourself that you're the sane one in here. *[laughter]* So the two most unpopular candidates in history. And I remember saying this at least 18 months ago, when people were talking about all the advantages that Hillary would have when she was running. Hillary, I thought, from the beginning was one of the weakest candidates in modern American political history.

First of all, as we know now, she came in with more baggage than Delta Airlines. *[laughter]* And then she showed her political weakness when for a year she couldn't shake a 74-year-old socialist Brooklynite who – and this is my favorite part – honeymooned in the Soviet Union. *[laughter]* That I didn't make up – that is true. And as Lindsey Graham, my favorite senator added, "Yes, and he never returned." *[laughter]* My first clue – or it wasn't mine, but the first clue as to how weak a candidate she was was when she effectively announced – that's when she began her book tour and did an interview with Diane Sawyer that night in which she said that when she and her husband had left the White House, they were broke and had trouble paying their mortgages. Politics 101. When pleading poverty, do not refer to your domiciles in the pleural. *[Laughter]*

My second clue was when the e-mail scan – when the e-mail revelation first came out. I think it was on a Tuesday, and on that Friday around midday, her campaign manager said, "There's not a shred of evidence that she did anything wrong." Now if you're in the commenting business, as I am, that is a gift from heaven. *[laughter]* Because by 6:00 that night, I was on the air saying the obvious, "Of course there's not a shred of evidence – she shredded the evidence." *[laughter]* Her other problem is not that she lies, and lies continuously, or as William Safire once wrote, "congenitally," but that she lies badly. This is where she could take lessons in lying from her husband. Her husband is a successful liar because he's so charming and sort of roguish. And he gets away with it. She is not charming, and she's not roguish, and she does not get away with it.

My motto, incidentally, in Washington ever since I got there is to "always tell the truth because it's easier to memorize." She doesn't memorize well. And in the notes that I prepared just three days ago, I've written here I can see, "She's on a glidepath to the presidency." That was written on Wednesday. And there really was no way that Trump could make up the distance. You can't make up seven, eight points, which is roughly what the polling difference was in the course of 12 days. And there was nothing that would propel a Trump surge. Now she did – there'd been a slight narrowing of the race as a result of two things – number one is an actual, real issue. The shock announcement of the increases in Obamacare, which was predictable and predicted. And it was also predicted to hit just about in this year for 2017. *[Break in audio]* less hits several million voters right in the pocketbook *[Break in audio]* argument anymore. And remember, when Obamacare was being argued theoretically in 2010 and then in 2014, it destroyed the Democrats' electoral *[Break in audio]* in the "shellacking", as Obama called it, of the two midterm elections. It was the number one issue and it resulted in a disaster, or as a friend of mine said about the 2010 midterm election, "That wasn't an election, it was a restraining order."

And it was a restraining order because when Obama lost the House of Representatives, *[Break in audio]* legislative agenda died. He was able to get Obamacare through when he controlled the two Houses of Congress for two terms. But remember – well, you would know this very well because it was directly related to what you do – but he tried to get cap and trade through. And even with the two majorities he had in the Houses – in the House and in the Senate, he wasn't able to. That was simply a bridge too far. Obama, in my view – and one of the reasons I think Trump is a result in many way of Obama – is not a conventional liberal as we understand it. You know what a liberal is – a liberal is somebody who doesn't care what you do, as long as it's mandatory. *[laughter]* And the Clinton's were conventional liberals. Bill Clinton was a centrist liberal – sort of left of center. She, I think, instinctively is more to the left than he was.

But by this point 30 years into her career, I don't think she knows what she believes anymore. And I'm not sure there's anything left to genuine political or ideological instincts. She's a creature of her party, a creature of the factions, and goes with the wind. As we saw in the primary election, she had declared the Transpacific Partnership while she was Secretary of State as the gold standard of trade deals. And then when Sanders began to go around the country denouncing it, and when Trump brought up trade treaties and propelled him to the top of the heap in the Republican primary, all of a sudden she discovered that it did not have all the virtues that she'd thought it had.

So she really is a finger to the wind sort of production of the Democratic party and its factions, which incidentally is why she's kind of my favorite kind of liberal. I like liberals who are utterly cynical and believe in nothing. Because that way they can sometimes accidentally do the right thing. *[laughter]* With a Bernie Sanders, it's hopeless. He would always do the wrong thing. So if you had to choose among Democrats, always choose the one who is the most corrupt and principle-less, if I can make up a noun.

So on one hand, we have her – historically very weak, and then we have Donald Trump, who in my view was – in just in terms of appeal to the general electorate, the weakest of at least a half a dozen candidates on the Republican side. I think let's sort of think before yesterday, before the revelations, I can imagine that a Kasich, or a Rubio, or even a Jeb – although he was not the ideal candidate – would be ahead by ten points, again, given Clinton's weakness and also given the fact that Hillary is running as status quo and heir to Obama. She's essentially running for Obama's third term. And there's simply no doubt, if you look at the wreckage that Obama has left both economically and in terms of geopolitics, that uneasiness in the country, the anxiety, and the fact that – and the one that Trump deeply understood and tapped into was that there was a sense of American decline, which I think is very real.

And the fact about Obama is that he chose decline. Liberals like to argue that it was inevitable – we overreached, we overstretched. That's total nonsense. The fact that we had an unsuccessful, unpopular military adventure in Iraq is no more or less – infinitely less of an expenditure of energy and treasure and blood than was, for example, the Vietnam War. And the Vietnam War was followed by the Reagan Restoration, when you could argue that American hit the peak of its power, when the Soviet Union dissolved in the early 1990s and totally dominated. So I don't think that the fact that we've had difficulties and we had the financial collapse accounts for the deep-seated feeling. That deep-seated feeling of decline comes from the results of Obama's chosen retreat from the world, and again predicted and predictable – that when a superpower decides to leave an area like the Middle East or to leave involvement in Europe, for example – washing our hands of Russian aggressions, what happens is the vacuum is filled by others who generally tend to be hostile, and certainly very much opposed to the liberal world order that we have lived in since the second World War.

So there is this palpable sense of decline. We have the weakest economic recovery since the second World War. We had about one percent growth. We did get a good number coming in last week for this quarter, which is almost three percent, which could be an anomaly – we don't know. But certainly the cumulative effect of eight years of anemic and even no growth leaves this kind of sour feeling in the electorate which sort of set us up for a change of hands in the White House. Historically, you can to back to 1952 – to six decades – and accept for once, every time one party has held the White House for two terms, it gets unceremoniously kicked out. The one exception was 1988, of course, when Reagan's successful two-term presidency was rewarded with, as it were, a third term of George H.W. Bush. But normally, people get really tired of incumbent administrations. And they had more reason than ever to think so about Obama.

And added on to that is one other thing. We are historically and almost by inheritance – or have been for this generation or two – a center-right country. If you do the Gallup – look in the Gallup Polls going back around three decades for ideological, self-identification, you find that about 30 – 40 percent of Americans identify as conservative, give or take – it waxes a little bit and wanes – 20 percent liberal, and 35 percent moderate. You'll notice that five percent have no idea what the hell is going on. *[laughter]* Of course, they're the ones who decide elections, *[laughter]* but you can't have everything. But we're generally a center-right country. And when you stray, as Obama has with Obamacare, with the attempted cap and trade, with this kind of heavy regulatory burden he's been trying to impose on the country – when you stray and you go way beyond the forty-yard line, we're basically a country where ideological wars are fought between the forty-yard lines as opposed to Europe, where it goes goal post to goal post – true fascist parties, true communist parties on the other side – if you go beyond the forty-yard line – and I would argue that Obama was trying to take us into the red zone, no pun intended *[laughter]*, the country rebels.

And we saw it in 2010, we saw it in 2014 – it didn't happen in 2012 because he ran against a particularly weak opponent. So that sets up the other side to win the election, which would have been the natural outcome. It all became unnatural when Donald Trump became the nominee. And the reason it's unnatural is that – and this is the other anomaly of this election season – for the first time in four years, we have a presidential election with no conservative in the race. She's a liberal, and he is a Populist, which is a perfectly defensible political philosophy, but it's not conservative. In fact, when asked about that – and that was the main criticism of Trump very early on – in one of his rallies, I think in California at the end of August, he said, "Yes, of course I'm a conservative. But at this point, what does it matter?' It's not very important to him. And remember he unveiled Ivankacare just a few months ago, which was a very heavily federalized and regulated system of mandated leave – maternity leave and childcare – that any liberal would have been – it's the kind of program that a Bernie Sanders would have proposed. So he doesn't quite have any particular instincts.

And you see it often – the mistakes he's made when asked about abortion. He's saying you have to punish the woman. This is a liberal trying to figure out what conservatives are supposed to say. And on some issues, he can't quite figure it out. And that makes him so unusual. So the question is, what exactly was the appeal? And to me, it was sort of two things. He tapped into the fact that Republicans and Democrats have become alienated from and quite deaf to the suffering of the losers in this globalized, liberalized international trading system that we have. And that's the half to appeal to. We all know since David Ricardo that trade is net a good thing. It always is, you can prove it – it's one of the few political things you can prove mathematically. But the fact is that is the net benefit to a country. But the net is the sum of what happens to individual constituencies.

And the fact that so many of the less educated, less literate, less sophisticated parts of the population – the ones who lived a very good middle-class life in the Pre-Information Age – in the Industrial Age, and could have a secure middle-class life as factory workers – that is disappearing with the new information economy. And with high levels of trade with countries whose weight scales are less. And ironically, liberals make that worse because we can compensate for higher wages by having the unbelievably efficient energy industry that we have, so particular in natural gas because its prices are local and not global. So we have this advantage to offset higher wages. And of course, what do liberals want to do? Shut down as best they can these sources of advantage that we have in the economic race. But nonetheless, that's what he tapped into. And he did it very effectively. I wasn't very happy with the way that he mixed in a lot of xenophobia, and sort of anger – unmitigated anger directed at the other when so much of this has to do with the internal inefficiencies and corruptions of our own system. But nonetheless, he did that successfully.

The other thing he offered, which I think was overlooked – the main theme of his campaign is strength. If you look at his speeches – and you don't, because you actually have real lives *[laughter]* – you do things, you make things, you sell things. I, on the other hand, for my sins have to follow these people 24 hours a day. *[laughter]* Obviously, my sins are many. *[laughter]* But if you listen to as many speeches of his as I have, the word strength appears in every other sentence – "We have to be strong on borders. Strong on defense. We have to be strong on this. I'm strong. I'm the one who can do it." And I was thinking about that in the context of one amazing anomaly in Trump support. He won the evangelicals in the Republican primaries. This is a man who has no business winning evangelicals. *[laughter]* He hasn't quite lived a pious, evangelical life. Ted Cruz is the son of a preacher – that was his strategy. Win the evangelicals, sweep the Southern states, and then you go on to the West, win the nomination. But it never happened because Trump trounced him among evangelicals.

So the question is, why? And it occurred to me in a speech he gave at Liberty University – which as you know, is a religious, evangelical university – in which he, at one point, tried to ingratiate himself with the audience, quoted scripture, and gave the citation as "2 Corinthians." *[laughter]* Not exactly how you're supposed to say it, *[laughter]* and it indicates that the man hasn't seen the inside of a church in several decades. And I must say, Trump has this thing about Tweeting. And that night – I rarely Tweet, but that night, I really couldn't help myself. *[laughter]* So I simply Tweeted out " 2 Corinthians walk into a bar... " *[laughter]* I got several hundred responses.

[laughter] I probably should do a small book from that. *[laughter]* He loves to Tweet, and on the day he announced, I kind of took off after him on the air for talking about Mexicans being rapists and all this stuff. And I said that he was appealing.

Well, I called him a rodeo clown on the air. I kind of regret the rodeo part *[laughter]* – I thought that was – I could have left it out and still achieved *[laughter]* – so he got very upset that night and he Tweeted about me the usual - dummy, over the hill, should be fired, loser. And then the last one was my favorite. It came around 2:00 in the morning – I imagine him in his pajamas, in his royal gold-plated bed. And he Tweets out – two weeks earlier, my book had come out in paperback. And he re-Tweeted the publisher's Tweet about it. And it says, "Things That Matter, by Charles Krauthammer, now out in paperback," to which Trump added, "Book sucks." *[laughter]* Which I read that the next night on the air, saying that it was the shortest review I'd ever gotten. *[laughter]* And I told my publisher that if they ever do a new edition, to wipe clean the back cover with all the blurbs praising me *[Break in audio]*. I said, "Book sucks – Donald J. Trump." *[laughter]* It'll be out soon – look for it in bookstores near you.

But this is what impressed me about that Corinthian thing. He clearly is not one of them. But then he followed that little misstep with the following statement, which is a very interesting locution – "I will protect Christianity." Slightly grandiose, but no more than usual for Trump. And I began to understand the appeal. He was talking about Christians being persecuted in the Middle East. He was also talking about the encroachment on the faithful in this country by the secularists in Washington and elsewhere who sort of walk all over religious believes and religious rights in a kind of uncomprehending way because they have no affinity for that kind of thinking. So what Trump was saying was this – I'm obviously not one of you. I can't even quote scripture correctly. *[laughter]* But I will protect you. I will be the centurion standing outside the cathedral, on patrol, and protect you, your way of life, and your co-religionist. And with that appeal – that was the appeal. You're under attack, you don't need a preacher. You need a warrior. You need somebody who will take on the forces that are trying to undermine you and protect you. And it's that kind of thing – strength, protection, I'll keep them out – that I think was the key to his appeal, not just for evangelicals, but to the other parties especially – the white working class who've been in many parts of the country devastated by the changes, social and economic. It's not just the loss of economic security and stature, but the fact that all these other minority groups are now claiming rights and privileges that were not afforded to working class whites.

So that's where he gets where he gets. And it's quite an achievement. I'm not a fan, but I understand what his appeal was. And I'll conclude by looking at what I think is the question facing Republicans. I still think that he's likely to lose, although it is shocking how the polls have changed. The Washington Post tracking poll had Hillary up by 12 points last week, and as of last night, it's two points. Now I don't think there was a ten-point swing. It was already because of the latest revelation, but I think the gap was already closing. She had had a very bad week, Obamacare numbers, obviously the Wiki leaks, the memo about Clinton, Inc., personal enrichment for the Clintons, the memo written by Doug Band, the corruption of the Clinton Foundation because of its lack of boundaries with personal enrichment with her actions in the state department. So all of this comes pouring out. The numbers are tightening, and then you get the bombshell. I still think though – of course, impossible to predict because who knows what more will be revealed – but assuming she wins, what happens to the GOP? And the answer is it all depends on Trump.

Trump's constituency is a kind of independent militia. It's Hezbollah inside of the United States. *[laughter]* They're not – if there's anybody from the press, that was meant as a metaphor. *[laughter]* He is not, just to be perfectly clear – I'm not saying he's an Iranian-backed terrorist *[laughter]* – but it's this kind of core constituency, completely loyal to him. Notice how its survived the release of the Access Hollywood tapes. Remember he once said, "If I went down Fifth Avenue and shot somebody, I wouldn't lose of my supporters." *[Break in audio]* anybody, but he sort of acted very strangely, and he hasn't lost them. They will follow him, and they now constitute a permanent, I think – a permanent part of the GOP party. And it is not, again, conservative. It is Populist. And I think what we're going to see, assuming if he wins he will change the party, the same way that Reagan did. *[Break in audio]* Populist party, and that probably the GOP will split. Because where do conservatives go? They will naturally, over time, want to set up a new Conservative party.

But the same could happen if he loses. If he decides he wants to stay in politics – which I think he will, because he's not the kind of guy – he's not Cincinnatus or George Washington who will get on his horse and retire to his estate in Trump Tower. I think he tastes how important he is politically, and the power of leading as wide and as committed as his. There's a guy who got a plurality of the votes in the GOP primaries who commands 38, 39 percent of the general electorate, which is a pretty large number. And he doesn't answer to anyone on that. These are people loyal to him – not to any party, not to any group, not even to any ideology. He can change his views as he has somewhat on immigration and other issues, and they'll still be with him. So I would imagine that there will be a Trump element – a Trump wing to the Republican party. Whether he continues to lead it, I'm not sure, but he could quite possibly. We could quite possibly see some young opportunist in the party who would go that way and take over. But I'll give you one – I'll leave you with one indicator to see whether and how strong this faction will be.

This will be about two months after the election. Whether Paul Ryan survives as Speaker of the House, Trump carries grudges. He talks about that openly. He feels – and he mentioned it just two nights ago – that Paul Ryan has sort of let him down – sometimes he says betrayed him – by not giving him the support he thinks he deserves. And Ryan is being targeted by some of the insurgents in the House on his speakership. And should he fall, which is possible – I don't think it's probable, but it's quite possible – I think that would be the work of the Trumpite faction in the House. And that would be an indication that he's now king maker and power broker. In other words, Trump continues as a major political figure – one of the most important in the country – if he decides he wants to do that. Now he may decide he'd rather make a fortune with Trump TV, which would be a competitor to Fox, and would take half of Fox's audience. I know that's the half of the Fox audience that writes me angry e-mails everyday. *[laughter]* So I know who they are, and they know where I live. *[Laughter]*

And that will be – in other words, the landscape will be changed no matter what. So we are in a very precarious constitutional position. On the one hand, we may elect someone who will carry legal liabilities into the White House, which happened with Nixon, although we weren't even aware of how deep those legal complications were when Nixon was elected. He wouldn't have gotten 60 percent of the vote had people imagined what had really gone on. That was – and that didn't – people didn't realize what went on until the tapes were ordered released by the Supreme Court. Today you don't need the Supreme Court ordering the release of tapes. E-mails are everywhere, and they are eternal. I think we have to add to the phrase, "Death, taxes, and e-mail." *[laughter]* Those are the three things that will always be with us. So you've got one candidate who could just begin with a constitutional crisis, which could be solved, by the way, by Obama issuing a pardon, which I think is – I would say would be likely simply as a way to clear the slate. But that would not prevent impeachment, so that would continue.

On the other hand, you have a Donald Trump, who I think is – let's just say, be very new to the job and may lack the discipline required to deal with a 3:00 AM phone call. And the third alternative, as some of you have considered, would be the Libertarian, Gary Johnson. But anybody who says, "What is Aleppo?" might prepare to assume the role of Commander in Chief. By the way, we had him on Special Report. We have this thing where we would invite candidates to come on the air and we would question him on the panel. So we had Gary Johnson, and I had the first question. And I simply asked how long has it been since you last smoked marijuana? *[laughter]* And his answer was quite impressive. He said, five weeks. He was completely open about it. And he said, "Well, I haven't been doing it, and I wouldn't do it in office. But it is legal and he's been doing it recreationally." Because he actually was in the pot business before he began running in some enterprise in Colorado.

So we've got three candidates, all of whom carry tremendous amounts of baggage. And the country has gotten itself into this fix. There may be a larger philosophical answer to say, "Well, we were inevitably headed this way because," and I attribute some of that to the celebrity culture and to television. But in other ways, this is simply a confluence of accidents and independent actions which have given us this truly peculiar and actually quite dangerous constitutional situation. We are – it's sort of amusing because of how improbable it is, and because a guy like Carlos Danger is at the heart of the tumult in the presidential election. But that makes it sort of – I've been shown, by the way, the tabloid headlines today. And they really tell you what a national treasure are the headline writers at the New York Post. But beyond the amusement is we shouldn't be anywhere near this kind of situation, where the FBI essentially can decide an election one way or the other, or influence it very heavily. But that's where we are.

Let me just end on this note – optimistic note, because I hate leaving my audiences depressed. *[laughter]* I have on occasion. I hear moaning and weeping from the back of the room. *[laughter]* And my general approach is to offer my services as a psychiatrist *[laughter]* and offer to write prescriptions for antidepressants for anybody who needs them just to get home that night. *[laughter]* But let me cheer you up rhetorically rather than pharmacologically. There's an – I've always been impressed, even though I really think we're in a pretty bad place right now – by the sort of providential nature of American history. Whether you believe it's the hand of the Almighty or something more simple, but just consider our history. In the late 1700s, we produced the greatest generation of political geniuses ever to appear on the planet, producing documents – most especially the Constitution – that invented out of hoed cloth creates a system that has survived intact for a quarter of a millennium. By comparison, the French, who had their revolution around when we did, are on their fifth republic. We are on our first republic. And the reason I had to add that is because I really can't go a full hour without at least once mocking the French. So that was just a personal tic that I had to –

In the 19th century, we needed a Lincoln, and we got a Lincoln. In the 20th, we needed FDR to get us through the Depression, and the second World War. In the second half of the 20th century, we needed Reagan to revive the country when it was deeply depressed and in retreat, and also enrich the great post Vietnam self-doubt. And he succeeded in doing that. Now I don't stay awake at night praying for miracles and for a new Ronald Reagan – we're not going to get one. But I remain impressed by the way American history, things generally turn. And to me it's the bedrock of decency, common sense, wisdom, generosity, and love of liberty of the American people. Churchill once said, "Americans always do the right thing after having tried everything else first." *[laughter]* Well, we have just spent eight years trying everything else. And we may spend the next four years trying everything else. But I do believe that eventually we're going to get it right. Thank you very much.

Mike Larson
"Monetary Chaos And The Case For Gold"

Moderator: So, moving along here, we have Mike Larson. He's presenting walking the tightrope, how to find safer investments in today's everything bubble. Mike Larson is editor of the safe money report newsletter. Weiss Research is first and oldest publication and the all-weather trader premium service. Mike joined Weiss in 2001 during which time he's also served as an analyst, a trader and a writer. Previously he worked with bank rate.com and Bloomberg News. Ladies and gentlemen, Mike Larson.

Mike Larson: Thank you and good morning, glad you could all be here. This is my first time at the New Orleans investment conference and very much grateful for the opportunity to speak to you about this environment that we are in and I did actually kind of change the title of my presentation to walking the tightrope, because I very much feel that that's the environment that we are in now. We are really in what I consider to be a potential major turning point for the markets, for the economic cycle and for the credit cycle and that's why we're now, again, we are sort of on that tight rope as investors trying to figure out what could knock us off and how to find safer investments in an environment that I have characterized or dubbed as an everything bubble.

So let's maybe get started on why maybe I would call it that and where I think we are and in my big picture view we have really just experienced what I considered to be an epic easy money boom. The biggest and most all-encompassing one yet which is pretty impressive or depressing on how you look at it considering what has happened in the last two cycles with housing and then before that, the dotcom and technology bubble. Um, this time around it wasn't really focused in one sector and one asset class like we had the last two times around. This time, many stocks, junk bonds, commercial real estate and other assets all rolled into one have been dramatically inflated beyond what you consider to be true economic value.

And it's not just asset price or asset values that have been inflated, this easy money boom has created a lot of corporate behaviors or investor behaviors that are equally dangerous that create this tightrope environment. Mergers and acquisition boom that we have had over the last several years or the boom in an initial public offerings that we have had. Debt funded stock buy backs, again and even the tech unicorn phase, the technology companies startups valued at a billion dollars or more. It all rolls into this same underlying situation and that again is what I call the everything bubble. These are just illustrations, manifestations of where we have seen this, again throughout the markets, throughout corporate behavior and really throughout the economy.

So, what's the one underlying force that is driving this and it really shouldn't be any great mystery to many of you and you would probably assume and correctly assume that it's what has been happening with monetary *[audio skip]* not just here in the United States, but around the world. This chart here shows the progression or the change of balance sheets of the world's major central banks. Each color represents a different one. You have the Bank of England down at the bottom in red. You have the European central bank in blue. You have the Bank of Japan in the yellowish color. And you have the Federal Reserve, the US Fed in Green.

And you can clearly see coming out of the 08, 09, the great recession where this whole process of more and more QE more and more money printing, more and more asset buying got started. And again, this chart doesn't even show that last couple of months so you can see the ECBs number has actually ramped up quite a bit as a result of what they are doing, in terms of their ongoing QE program there and what you would also see more recently is what the bank of England has done in the wake of the Brexit vote where they have gotten back on that QE band wagon. So, again, that's the driving force, the underlying thing that it's causing this multi asset, multi market and sort of multi behavior process that we have seen over the last several years.

Now, when I talk about valuations and what makes sense in the kind of economic environment that we are in, or really where we are in the cycle. And I would characterize valuations at pretty much an extreme level given what's going on in terms of real growth, real economic performance GDP and so on. And you can look at this in a couple of different ways. In the S&P 500 it's trading for roughly 18 times forward earnings and we're in the ballpark of the highest valuations there since 2002 which was obviously when we were coming out of the technology bust. Or trailing earnings basis, you are at about 20 times which really is kind of the highest level that really we had coming out of the great recession period, but what I find to be a much more fascinating and interesting characterization of why I call this everything bubble and why I believe it's so dangerous of an environment right now, is when you compare asset prices or the financial world to the *[audio skip]* world obviously you know, the stock market is not a GDP gauge, but it does tend to follow what's going on in the underlying economy.

Obviously, economic growth drives earnings growth and revenue growth and so on, so there has to be some kind of connection. But what we have seen is that the disconnect, the divergence between those has opened up to monumental levels, I mean worse than what you saw in the dotcom bubble and even worse than what you saw in the housing bubble which obviously sort of spilled over into commercial real estate as well. Another way of looking at it would be looking at household wealth, again, the financial world, the value of homes and stocks and so on and compare that to disposable income, the real world. And this comparison tells the same story and again, I think it's pretty shocking when you look at it visually. I know that the earlier guest did actually share this chart with you so I'll try and present it in my own way.

And I would just say, if you thought the last two bubbles were bad, look at what's happening here, the person who created this chart calls it a central bankers bubble again, I sort of dubbed it the everything bubble. You can see the household net worth and GDP I mean, the massive, massive divergence will be seen and again, it's happened twice before, right, we have had two cycles like this but they were smaller in scale and what happened at the end is the dot com bubble burst while the market went nowhere in decline for a couple years. And the shaded gray area represents the recession that followed.

You can see that the divergence between asset values and the underlying nominal GDP was even wider during the housing bubble and as a result what happened? We had a much worse recession, a much worse stock market crash and a much longer period where the economy wasn't growing but again, coming out of that, what was the solution? What was the policy that followed that bust, it was more of the same and on a turbo charged basis, massive money printing QE worldwide and as a result, again, the divergence here is unlike anything we have ever seen in this country. Certainly it is not something that I think is a stable situation that has been created here. And again, that would be one way of looking at it comparing it to underlying GDP or economic growth, but another way that you can look at it is, household wealth to disposable income. Again, there should be come connection, right? If we are all earning more, spending more, revenue growth, earnings growth and better and so on, but if personal income is stagnant. If wages and salaries aren't really going up, if expenses for things like health insurance and college and everything else that we buy and use, the disposable income left over is weak then you end up with a situation where growth is not really stable and it's not an underlying healthy situation for the stock market.

So here again, this chart goes back to the mid-1990s and you can see this dramatic run up in asset values or household wealth versus underlying income and the tech bubble and how that popped. And then you can see in the housing bubble peak, we had really an even larger divergence between asset values and incomes, such that it was about 650 percent in terms of the ratio between net worth and disposable income. But more recently in this everything bubble, we even managed to eclipse that, which is pretty shocking when you think about it. I mean, you go back and you look at what happened then and all the carnage and chaos that came out of that bus and there was a lot of swearing on a stack of bibles, we are not going to do this again and oh my gosh, how can we prevent this. But what's happened? We have ended up with something that's exactly the same kind of situation, only worse.

And there is one other chart that I think really, really speaks to what I'm talking about here. And this is a repeat sales index that shows commercial real estate values not housing, but commercial real estate, but you can see, obviously the spill over from the mortgage mania on the residential side, in fact at the commercial market as well. And you had a big run up in the value of commercial property back in the mid-2000s, if you measure it from trough to peak it was about 85 percent and then obviously the big bust that happened as the credit markets fell apart and then the economy tumbled into the great recession. Again, there was a lot of talk in the wake of that. We are not going to let this happen again. Oh my gosh, this is the worst real estate bubble that the world has seen. It was the worst bust since the great depression. Let's make sure it doesn't happen again, let's pass all this Dodd Frank regulation. Let's stomp on the necks of the banks and prevent everything that created that big crash. But what happened in the wake of it? The same kind of monetary policy, the same kind of policies that created that epic once in a lifetime, or at least was called a once in a life time boom in real estate and that we swore wouldn't happen again.

It's not only happening again it's worse this time around. Again, if you sort of measure what's happening on the commercial property side and the run up in values it breaks out to about 95 percent, so we are already talking about ten percentage points more of a run up in commercial real estate values this time than we had in what everybody, government, regulators, Wall Street, average investors pretty much said was the worst real estate bubble ever and if that doesn't scare you then I don't think you are paying attention and that's one of the real issues here. If you look at focal points or sectors of the economy and sectors of the market that in my opinion are going to cause real problems going forward. I see it in commercial real estate. I think way too much money is in that market. We are already seeing REIT stocks in the last couple months starting to get hammered and I think there is a lot more coming down the pike in that particular sector.

So again, that kind of gives you this big macro-economic backdrop, my world view if you will. And if you want to kind of come away with what the most important take away is for investors like you, I think that you can still find profitable investments, it's amazing to say, okay, it's an everything bubble out there we're working, what can you buy? What can you still make money off of? And there are investments that do work in this environment. But, I think you have to pursue a policy of safety first. I mean, this environment, not just in the economy and the credit cycle, the environment in the market is not what we had between the end of 2009 and 2015. And I'll give you an example.

If you look, in my main newsletter, in the safe money report, I saw some things going on in 2015 that I didn't really like, some divergences in parts of the market. Some things in the credit market that were kind of concerning to me. So I shifted to more cautious stance. I said look, we have to raise more cash. We've got to sell down some of these positions you have had. Whether wins or loses you just want less market exposure. And then within a few weeks we had the first of two 2,000 plus point Dow drops in the market, now that in August and September, the ostensible reason was that China devalued its currency and nobody was expecting it and so on. So you had that big collapse and then the markets ran back up late 2015, but then you came to January/February, and for the second time in a span of only six or seven months we had another 2000 point collapse in the Dow. As a matter of fact, the market was off to its worst start for any year for the Dow since it was founded 115 or 116 years earlier than that.

And then we had the rally back. And of course we had the small breakout that occurred in July as a result of some of the policies that were put into place after Brexit. But what's happened since then? The market has gone absolutely nowhere in the last couple months. We actually had a period in August that was the smallest trading range, lowest volatility period for stocks that we had ever seen in the history of the Dow and S&P which is another kind of indicator of the abnormalness of where we are in the markets. And we have seen some more recently some deterioration about how the Russell is performing versus the S&P, the number of stocks that are above their moving averages versus below, some deterioration behind the scenes and it's particularly noteworthy again, some of those sectors that I mentioned commercial real estate being one of them.

So again, I think all of these things point to a market environment that is different, that is not the same that we had during the clear bull market period with only a few periodic corrections from 09 to mid-2015. I would also argue that the credit markets and the economic data suggest that we are definitely in a late cycle environment, I mean as much as central bank policy can influence asset values in the shorter term, ultimately it's the credit market that is in control, the credit cycle and the economic cycle. And what we are seeing now is a turn in terms of the amount and willingness of banks to lend and the easy money to drive a lot of these bubbles.

There is one Fed Survey that I pay a heck of a lot of attention too. I don't know if you've heard of it, the acronym is sleuths. It's a senior loan officer survey that the fed does every quarter and they go out there and they survey banks and they say, hey are you getting more generous or stingier with your lending standards? Are you seeing more demand or less demand for various products, everything from credit cards to mortgages to commercial loans and so on?

And this quarterly data goes all the way back to 1990 so it's got a pretty long history and it's fascinating to see the cycles of easy money and tight money and how that influences where the stock market and the economy go. And what we have seen recently in the last few quarters, we have had about five straight quarters now of tightening and commercial real estate lending standards. We have had, I think it was three straight quarters of tightening and commercial and industrial lending standards and that's core business loans. But what's really fascinating and I'll talk a lot about this in my presentation later today is what's happening in the auto market. I don't think it's an exaggeration to say that what's happened in the auto lending and the auto space in the last six or seven years is every bit as bad as what happened in the mortgage bubble. The ridiculously easy auto lending standards. The over production to meet falsified demand because of those loose lending standard, it's really, if there is any one sector besides commercial real estate that is to use a Donald Trumpism, is a disaster, it's the auto market and I think that what you are starting to see there is some tightening in auto lending standards.

After the period of consecutive quarters of easing standards, the longest this country has ever seen, we are now flipping into slightly tighter auto lending standards, that's going to be a significant development for the economy for the auto companies, for anybody that is, part suppliers, auto lenders that really is a disaster in the making. But, for the broader economy, if you look at the last two times that we had tightening of lending standards in both commercial real estate and in commercial and industrial lending, you have to go back to right before the great recession where both of those types of loans, those standards got tighter and then before that, you have to go right to the beginning of the 2000, 2001, 2002 downturn.

In both cases, where this core real estate and commercial lending standards began to tighten. Recession followed. And the lag time was about 13, 14, 15, 16 months if you average that out and I think with both sets of commercial loans or both types of lending standards tightening and banks also getting tight around auto loans, that's going to be a significant development and keep in mind that standards are independent of what the interest rate is. I mean, the fed can sit there and say, we are going to only hike every whatever once a year or whatever, you know, they are talking about doing. And that's one thing. That's the cost of money, right? But what will it matter if you can't qualify for the loan. We have had low mortgage rates for a period of four, five, six years now, after the housing bubble. And while home sales and prices are, have rebounded from their lows, it's nowhere near what we saw at the peak in 2004, 2005 and that's because the lending standards, the qualification standards are a lot tighter these days. So, again, keep in mind the difference between just the cost of money and the availability of money.

So if I look at where we are in this credit and economic cycle, this is kind of just shows sort of a flow chart of what you typically see in an economic expansion. You have the early period where you are recovering from *[audio skip]* credit is growing, profits are growing rapidly, cyclical type names, stocks perform very well. And you know, at the middle part of that cycle, you see that growth start to peak out. Policy is relatively neutral, inventories and sales are still growing, but you have a healthy sort of and I would characterize that as being what we had in 2012, 2013, but I put us at the very late stage of the business cycle and almost in a pre-recessionary environment and you can see that in the growth that's moderating GDP numbers have been worsening in the last couple of quarters.

Credit is obviously tightening like I just pointed out in a number of key lending sectors. Earnings are under pressure. There is a lot of apologize, oh, it doesn't matter, the earnings are down for five or six straight quarters. It's all energy, oil is rebounded, we are fine. It's not all oil, it's that you are not seeing strong earnings growth in a number of other sectors and that's why you have had problems on that front and you have seen inventories grow dramatically in terms of inventory to sales ratio particularly again in autos. Inventory to sales ratio is the highest we have seen since basically the great recession period or the tail end of the 1990s economic expansion, so again, that's all economic stuff. That's all data that points to being very late in the economic cycle. This is just one view. I mean, I'll go over some more charts in my presentation later. But I didn't have as much time here. This is just one example, one visual example of that tightening process that I talked about.

This shows the results of that fed survey, that quarterly survey for commercial real estate lending. And it goes all the way back to 1990 when they began this series. Now, to understand what you are looking at the dividing line, the zero line is the difference between net tightening and net loosening of credit standards. If the bars are below the zero line that means banks on average are loosening standards. They are making it easier to get commercial real estate financing. Bars over the line show what percentage of banks once you net them all out are tightening standards. And you can see, the chart begins in 1990, obviously we are coming out of the recession at that point. We had the S&L collapse in the late 80's. Commercial real estate financing because of that was extremely tight, but you can see that as that loosened, as banks said, you know what, we are coming out of this situation things are better, they loosened standards pretty much throughout the 90s. There was a little spike up there in the mid-90s period, but in general they were loser with money.

Then we crossed that 10 percent threshold there, right around I want to say early 2001 late 2000 and I consider that 10 percent level to be pretty significant a recession morning and sure enough, what happened a few quarters later, the economy was shrinking, money had gotten even much tighter and that was that. Again, mid 2000s you can see, what's interesting is that the magnitude of these bars also shows how easy, how wide spread the easing or tightening was getting and what happened in the mid-200s, obviously banks were going nuts giving out CRE loans to anybody who had a pulse, it was the same kind of stuff that you saw in home mortgages so we dipped very deep there in the mid-2000s and what happened after that, it flipped, the credit cycle began to turn. Losses started to pile up, we crossed that 10 percent threshold and what was that? That was the second recession warning of the last 25 years. And of course, again, the magnitude is much greater in terms of the wide spread tightening because real estate was at the center of that crisis. What happened in housing spilled over into commercial real estate financing, all those commercial mortgage backed securities. That market froze up so banks couldn't unload their exposure. It was a complete mess. What's interesting now is again the period, the length of this easy credit cycle is also unlike anything we have ever seen. You know, the number of quarters if you add it up, there has never been a stretch this long in the history going back to 1990 of banks being this generous, this willing to make easy money loans and what happened five quarters ago, it flipped and began to tighten. So these are very important things. I mean, if you can't get the money, the financing to build your building, if you can't get your financing to acquire other properties and so on the pricing won't hold up.

The construction industry is going to slow down. You are going to see problems with loan losses start to pile up and that's all the stuff I see coming in the next year to two, as a result of what happened there. That is just again, one example. And if you look also, my firm wise ratings has been doing a quantitative, we have a stock model that's quantitatively based on a number of different factors and it produces sort of a ratings distribution. It's a lot tighter, a lot less generous, a lot stricture, whatever you want to call it, in terms of it's rating of stocks than what you would see in a typical sort of Wall Street distribution. But we do rate approximately 9500 stocks by the model at a given time. And we have seen steady deterioration. This is sort of a quantitative look at what's going on in the market. What's the buy, sell, hold break down and we have seen some deterioration over the past year, which sort of confirms what you are seeing with your own two eyes and what you are seeing in the economic data if you go back to again, kind of when I would speak out the market cycle June 2015, you had just over 17 percent of the stocks and the ratings universe rated byes and about 54 percent rated sells.

That flipped as of, just before I came to this conference, we are at 13 percent buys and about 55 percent sells. So again, it's sort of a quantitative evidence if you will of some of the deterioration that we are seeing behind the market scenes, behind the major averages. So, what can you do about this? What's the best choice as an investor, what do I think makes sense? I think first off, you want to be maintaining a higher cash allocation and be focusing on less cyclical stock sectors. Less economic sensitivity than we have had during the 2009 to 2015 period. I think there are opportunities, especially if you are a more aggressive trader to use inverse ETFs or put options to hedge your risk or to target downside profits. Some of the subscribers in the one service that I manage did very well when we had the July/August or excuse me, August/September and then January/February melt down because we are prepared for it.

And if you look at sort of when I shifted to this more conservative view I mean, the S&P is up on the year right now, what 5, 6, 7 percent somewhere in that ball park, but if you measure it from what I consider it to be kind of the market peak for this cycle which was summer 2015. We have really gone nowhere. We are within a couple percentage points of that. And in that period of going nowhere, we have had two very sharp downturns, which or drawdowns which tells you that this is a different environment than what we saw in the six years that preceded that, again, if you are looking for where you might want to, what you might want to buy. What you might want to sell, what I'm kind of neutral on, well, I look at consumer staples, handful of select technology names, food and beverage and healthcare are sort of at the top of my buy list. You know, you are seeing some pressure on the higher yield and consumer staples because they are seen as bond proxies, but there are some names within that sector that I think are attractive, can be bio candidates or are kind of your steady Eddie growers even in a lousy economy or a pre recessionary economy. You know, few names in technology again that aren't necessarily as leveraged in economic growth, there is a few things going on there that I like, again, healthcare and again food and beverage, so more defensive type plays.

In terms of sales, again, if you ask me, if I talk to you five years ago, the sort of distribution of what I want to buy and what I want to sell would be much more heavily tilted to the buy side. But now I don't want anything to do with anything at all in the auto sector. I don't care about if you are talking Ford GM, all the suppliers, all the auto lenders like Allied financial, the old GMac, all these companies I think when you look at what happened in terms of incredibly aggressive lending, highest leasing percentage share ever, highest percentage of borrows upside down ever, highest LTVs ever. Before this conference I was looking at some of the availabilities. You have got some credit unions that are lending 140 percent LTV on cars, it's really and you also have the supply of autos in the next couple of years that's gonna flood the market as a result of all this cut rating leasing, it's really going to be a bad situation. So and even touching that you don't want REITs.

They were our darling when we were heading into, but people were just buying them because they were just yield plays and not caring about the underlying fundamentals. We have a massive over construction of multifamily property. I think if there is any one sector within the REITs that's the most vulnerable. We have built the most apartments and multifamily properties last year than we did in any years since 1988 at least that's as far back as the data goes. That's going to be an issue for REITs. Construction companies sensitive to that sector. If you look at what's collapsed this week, Sherwin Williams down $30 the other day. Whirlpool down $20. NASCO which makes cabinets and faucets down 10 percent. I could go down the list. Home Depot, Lowes if you own those stocks, it's been a lousy few months. Those kinds of names, I think the construction cycle has probably peaked as a result of the easy money turn. So you don't want to own that stuff either.

I'm somewhat neutral. Utilities are a defensive play. But again, they are just trading with the bond so it's kind of risky. I mean, we are in a situation now and one of the reasons I call an everything bubble is that in the last several months and even more recently bonds and stocks have been trading together. You typically say, okay, when the stock market goes down, you buy treasuries as a hedge or vice versa but that's not really what's happening now. If you look at the chart of the TLT, the treasury bond ETF and you layer it against like the IWM, the Russel 2000, it's kind of similar and it shows that if you think about it this way mentally, if you say, the one factor that drove everything up was this boom and easy money and if that easy money is starting to ebb it kind of stands to reason why you are going to have problems not just in stocks, but you are going to have problems in bonds. You are going to have problems in REITs, you are going to have problems in many of these things that were kind of junk bonds what have you that were inflated during that boom phase, so I'm somewhat neutral on utilities, transports the same thing. Banks, everybody says oh they are great, if interest rates go up it's gonna be wonderful, but if interest, the U curve has been flattening up until very recently it has been flattening for the last couple years. If the feds talking tighter and if we are going to have issues with credit outside of energy that's going to be an issue for the banks.

So, there is a couple names that might be good, but all in all, I think betting on the Wall Street mantra that just because interest rates are going up by the banks, I think that's very simplistic and probably not accurate. So what I, briefly what I say about the other market you want a favor, if you want to be in bonds, you want to favor short term as extremely short term as you can get versus long term bonds, again, you are starting to see the bond market crack after the biggest run up in bond prices in history. I mean, it's amazing. When you look at, for example, something like a UK long term bond, 30 year debt, as of June like heading into that big run up we had right around Brexit, I mean, bonds, UK bonds were up like 50 percent on the year. I mean, it's absolutely ridiculous when you think about those kinds of run ups, it's a very dangerous place to be in my opinion. There is some China driven currency turmoil, the Chinse currency the Yuan is weakening again.

It just hit its lowest since 2010. And the offshore markets and onshore markets weakening as well. That's one of the things that kind of preceded the downturns we saw that summer and again in January, so something to keep an eye on is a potential source of volatility. And what does that mean for gold. Obviously, a lot of you here are interested in the gold market, and I'm not a gold bug by nature, but I look at gold and sort of an asset view and how it sort of fits in. And to me, gold is great chaos insurance. You know, some people buy gold as inflation hedge. Some people buy gold because they think the dollar is going down. I think if you see the mayhem guy that is in all those Allstate commercials, there is a lot of uncertainty, chaos, whatever you want to call it that gold provides insurance against and it's not just political things like what happened with Brexit or our election in a couple of weeks. It really is a lot of the economic stuff that is going on and as the earlier speaker mentioned Deutsche banks and these European banks that are a disaster, no this is chaos insurance that protects you from that.

And gold is also, to some degree a yield play, even though interest rates have risen from their summer lows we are still kind of in this zurp, nerp world with 12, 13 trillion or so globally in bonds that are yielding less than zero and in that scenario that would be somewhat supportive of gold, but again, if you ask me what's the main driver, why would I recommend gold or want to own gold, I think it's the chaos insurance premium, and just to briefly touch on since I know I am towards the end of my time, you know, if you look at what the world gold council is saying about demand. In the second quarter you are seeing demand up about 15 percent from a year ago. And one of the primary drivers has been investor demand, what people are looking for, they are looking for protection, they are looking to hedge and that's more than doubled year over year and a lot of the demand has come from western markets particularly strong because of some of the monetary policy, the monetary madness we have seen in those western markets, people have turned to gold for solace and protection and that just visually gives you an idea of what's happened with gold demand in the first half of this year, truly again, where else did gold demand get extremely strong? It was as the housing bust was happening you saw the big run up in demand when people were looking for protection. You have seen during that economic expansion easy credit cycle, people didn't really want gold in 2013, 2014 and early 2015. But that has flipped because people can see that there is more uncertainty, more chaos, there is more market issues coming up now than we had for the previous six or seven years.

So that's helping to drive gold demand, so when it comes to gold, you want to be minors on pull backs. I think investing in physical metal over some of these negative yielding sovereign and corporate bonds is definitely a wise investment. And I think, again, the volatility we have seen, in my opinion, is just getting started. I think we are going to see much more stock market volatility heading into 2017 because again, if I am right about where we are in the economic and credit cycle, this is the period where bad things start to happen. You know, when you see credit tightening, when you see interest rates the fed doesn't directly control start going up, that's always caused volatility in stocks and the credit markets and so on and I think that's something that is going to be beneficial for gold.

So if we clear that then we could see gold heading back towards its 2011 highs. It won't happen overnight, but it will be a process that plays out, so. With my red light coming on, I want to thank you very much for listening. I will be in the Jackson or Gold Club room from 4:15 to 4:55 and at that point in time I'll go into a lot more detail and sort of what I touched on here. So thank you very much.

Brien Lundin

"The Fed's 'Little Shop of Horrors,' and What it Means for Gold"

Moderator: At this time we're going to invite Brien Lundin back to the podium with a very compelling speech topic, "The Fed's 'Little Shop of Horrors' and What it Means for Gold". With a career spanning four decades in the investment markets, Brien Lundin serves as president and CEO of Jefferson Financial, Incorporated, a highly regarded producer of investment oriented events, and publisher of investment newsletters and special reports. Under the Jefferson Financial umbrella, Mr. Lundin serves as publisher and editor of *Gold Newsletter*, the publication that has been the cornerstone of precious metals advisories since 1971 and is the host of the annual New Orleans Investment Conference that we're all attending at this time. It is one of the oldest and most respected investment events of its kind and, in fact, pioneered the entire concept of this type of investment event. After his speech, Brien will be in the Gold Club from 7:30-7:45. At this time, once again, I'd like to invite to the podium one of the true pioneers of the world of high quality investor information and services, Brien.

Brien Lundin: I just put some finishing touches on this presentation so some of this is new to me too. I'm thinking about where we're going in these markets. Primarily, we look at the era of negative interest rates. That's been the primary driver of gold over this last year. We nailed that pretty good in *Gold Newsletter*. We actually started talking about that last year at this time. This was going to be the next big topic. All of a sudden, a sea of red ink across the world is – nearly half of global sovereign debt was negative yielding. Close to $13 trillion worth of sovereign debt was negative yielding. But we may have come to a turn in that. What's going to happen, and just to harken back to a couple years ago when we had Alan Greenspan here, Greenspan said that we cannot get out of this situation that they have created with easy money without some kind of a major market event. We have not seen that major market event yet. It's still in our future.

One of the things I want to focus on is how this will affect gold. What's going to happen? How will it affect gold in the Fed's little shop of horrors? To show you what I mean by this, as you can see, the S&P 500 graphed against Fed total assets. If you look back from '08 and the crisis of '08, it seems to follow pretty closely. In fact, there's a 98.02 percent correlation between the S&P 500 and the Fed's total assets. The entire equity bull market that we've experienced since '08 has been due to Fed liquidity, Fed easing, TARP, QE. It's entirely due to Fed machinations. What has the Fed done?

Remember this movie *Little Shop of Horrors*. This was Ben Bernanke in 2008 with the stock market. He has this sickly little plant here. If you remember in the movie, Rick Moranis had this plant in this exotic plant shop. It was dying. It was starving until it happened to somehow get a prick of his blood on the plant. All of a sudden it started to thrive. Bernanke, even going back to Greenspan, believed in the wealth effect. This was how they were going to restart the economy. They were going to lower interest rates. They were going to spark risk taking investing in the equities market which would then engender a feeling of prosperity generally. Then people would spend more. You'd have greater aggregate demand and you would have a growing economy. They had it absolutely wrong but that's beside the point. This is what they created.

Here's Janet Yellen. This plant has now grown to the point where it is controlling the Fed. The tail is wagging the dog. What you have here is a situation where the stock market – if you notice, whenever the Fed gets close to saying that sometime in the future — really we're serious about it now — we're really going to raise rates a quarter point, the stock market starts losing a few hundred points right off the bat. That's sending a message to the Fed that you better not do this because this is the only thing that's propping up the equity market.

One of the reasons I booked Peter Boockvar this year, he's speaking tomorrow around noon, is because I started reading his work. He believes that we've reached the end of the 30 year bull market in bonds and that low interest rates, being the last remaining crutch that the stock market is depending upon, once interest rates start to rise then you're going to have a major correction or crash in the stock market. The US economy is fragile enough that that is very likely to throw it into recession. If there is any serious indication that the US economy is going to go into recession or begin decelerating at all, you will see that the Fed will start talking or thinking about quantitative easing. But the gold market will be way ahead of that. Any signs of deceleration of the US economy will send gold soaring higher. That's one of the things we want to look at here.

I'm going to review the two possible paths we have for the Fed. Number one, the Fed raises rates as scheduled. The result is very likely a major stock market crash, economic slowdown, Fed returns to QE, the scenario I just described, and gold takes off. If the Fed goes back to QE or starts talking about quantitative easing, the gold price will add a couple hundred dollars in very short fashion. I guarantee it.

The other option is economic weakness prevents the Fed from hiking rates. What is that going to tell the market? It's going to tell the market that the economy is that weak. We're still going to go along with these easy money policies, on, and on, and on. Gold will rise. The stock market will rise as well but will have a continuation of what we've been having. That's a buoyant gold market and stock market.

Let's review for a moment what I said last year. This is taken from my speech last year. Technical indicators hint that the correction or least a sideways action, again, this is in gold, could last a bit longer. A new rally should emerge near the end of this year or early in the next year. That's not to tout our own horn here but this is really what happened. Here we have a chart of gold really since this century. You see the big break in '11. We were in that rising channel. We broke in '11. Then we've been in this four and a half year bull market. Now we take a closer look at it. Here we have the one year recovery from last fall. Specifically, as you can see, I marked the timing of the Fed's rate hike. That's their quarter point rate that they had to try to squeeze into the end of the year to retain some measure of credibility. They squeezed that in. Looked what happened to gold thereafter.

The pattern is repeating. I mentioned that earlier that it seems like history is rhyming a bit here. The Fed is looking to December to raise a quarter point. I feel if that happens that's going to release the short selling pressure on gold. Gold is going to recover from there. We're going to have a very similar scenario to what we had last year. The last three months you can drill down into that period a little more closely. You see that we had this decline in late September into November. Now we're just starting to recover from that. Gold BUGS Index is the same thing, a steeper decline. The gold stocks leverage the gains in gold in both directions so when gold goes up, it goes up more quickly. When the gold goes down, it goes down more quickly. Here you see that in the Junior Gold Miners as well.

Here's a key. The XAU gold stock index divided by gold, as you can see, it had a nice jump this year. That's showing the relative value of the gold stocks to gold. By this measure though gold stocks, despite the big run they had this year, are still relatively cheap. Just to get back to where they were in '11, we could multiply three times over to get back to the peak in these indices that we got back in the '90s. It could go up five or six times. Gold stocks are still cheap. It's easy to project the markets based on backward looking expectations. It's been a while since we've been in this kind of market euphoria. So, we don't really think that gold stocks can get that far ahead of gold but they can and they will in the proper market atmosphere.

I'm going to review the technical picture briefly. One of the things that have been holding gold down over the last month or so has been the rise in the dollar index. The dollar index is a flawed index. It's primarily a dollar versus euro index. Fifty-six percent of the index is purely the euro. Then you have the yen and then you have the pound. So, the drop in the euro has exacerbated a strong dollar in general. Everybody says this is potentially a new run in the dollar but I'm telling you it's not going to happen, if you look at that red line that's right around a hundred on that index. The last time that the dollar index approached a hundred, it turned right back around.

I got curious and looked at the last time it hit a hundred. In both instances, Mario Draghi found a microphone and actually talked up the euro and then the dollar retreated. I really do believe there's an unspoken pact between the central bankers. You don't let the dollar get above one hundred and we won't worry about what else you do with your currency. They really do feel that's going to be upsetting. They will keep it below a hundred. So, don't look for the dollar index, in my opinion, to exceed a hundred. That's a false issue.

I like to use these stochastic charts. These charts, by the way, come from our friend Ron Griess at thechartstore.com. I highly, highly recommend that you subscribe to his weekly chart blog from which a lot of these charts are taken. It's really a great snapshot of all of the markets, all the asset classes on a weekly basis. Fortunately, stochastic is a sign of short term momentum. As you can see in this box that we've outlined there, the downward momentum is reaching the point where it's about to end, where typically we have a rebound. That's telling us that this correction seems to be reaching its end. Silver is the same thing. When that 14 week stochastic bottoms is when the market typically turns for good and there's a great buying opportunity. So, silver is duplicating that.

Another interesting thing is Bollinger Bands. In this downswing, when we had that $42 sell off in gold on October 4th, gold went right through its lower Bollinger Band. If you look at the last instances over the last few years when this has happened, it has happened five times. In four of those five times, gold posted a significant rally immediately afterward. That's not definitive but it's a good indication that we have another upside rally coming soon. With silver, it's the same thing except the number is five out of six that we had a significant rally once silver broke through that Bollinger Band. This is not an unusual occurrence and it usually marks a brief oversold condition.

One of the things that Ron has started to do in his chart blog is instead of taking this 14 week stochastic, taking a 14 month stochastic to look at very long term broad trends. What this does reveal is very long term shifts in the market, long term bottoms and long term peaks. If you look at gold's 14 month stochastic, you see that type of an extended bottom that came at the end of the '90s, at the end of the last century. As we know, that bull run that resulted, the up cycle from that lasted some 11 years. As I said earlier tonight, absolute fortunes were made during that period.

If you look at the last three or four years we've done the same thing. We've put in a very long term bottom on this 14 month stochastic. This indicates, again, a very secular long term bottom has been put in and we're going back upward. To me, the only question remains how long this will last. Silver, again, has duplicated the same pattern, which it should. In a classical bull market or bear market scenario, silver will lead gold because it's more leveraged and more sensitive. Interestingly, in copper we have not as clear of a pattern but we still have a bottoming pattern in copper. I think it's probably a bit early to be looking at copper. Again, I think the lows have been put in.

I had Ron draw this chart up because I was curious about it. It confirms what I was just saying about the dollar index. Everyone's talking about a dollar rally. This 14 month stochastic on the dollar index shows that the dollar should be declining or in the middle of a long term decline. What are the fundamental factors that would drive that? I couldn't tell you but this is what the chart says. Typically, when you have that type of a down turn in momentum, it tends to continue for a while.

Ten year treasury yields, again, this shows that yields may have reached their peak. This is a 14 week stochastic chart, so we may have reached the peak on that. We may have a short term down trend. But I think what you're going to see tomorrow in Peter Boockvar's presentation is some compelling evidence that we have reached the bottom of the bond bull market. That leg of the economy supporting the equity markets will be removed soon. If you look at the 14-month stochastic chart, you see that it looks like a long term bottom has been reached and that it will turn up. This 14-month stochastic and the 14-week stochastic are kind of disagreeing with each other. However, this would support the argument that I believe Peter will be making tomorrow, that long term interest rates have bottomed.

Let's look at fundamentals. If you're looking at some of the supply demand fundamentals for gold, you really have to look at Asia. I've shown this chart many times over the last few years just to illustrate the East versus West. On this chart, the blue line is the Western gold demand fabrication and investment. The red line is Eastern. You can see these long term secular trends. The East has been buying gold. Gold has been flowing from West to East generally. The East versus West gold reserves, total reserves in Asian reserves is a percentage. If you look at the gold bars, that's total national gold reserves across the world. You can see they bottomed out around 2005 and they've been increasing ever since. But that red line is the Asian percentage of world reserves. So, really, all that increase is coming from Asian buying. Russia has been buying a little bit but nothing compared to Asian buying.

China's gold accumulation, this is a pretty dramatic chart because it includes gold production and consumption in China. A proxy for gold demand in China that we use is Shanghai Gold Exchange withdrawals. The case for this has been proven by Koos Jansen. I urge you to follow his work. The case has been proven by Koos that SGE withdrawals are a very close proxy for domestic Chinese demand. That has been surging. The Chinese are very price sensitive. We'll see that in these charts. These are Shanghai monthly withdrawals. You can see the bars. When the price was driven down in 2013 through some orchestrated machinations in the COMEX market, Chinese gold demand absolutely soared. It set records, multiples of what they'd achieved or experienced before.

2016 has tapered off a bit. In fact, these charts show the monthly demand by year. You can see that 2016 has tapered off a bit. This is largely due to the fact that the price has risen. What Chinese demand typically does is it supports the market on the way up. When the price falls, Chinese demand comes in and buoys the market. It keeps it from falling much further. They are price conscious. They are bargain hunters generally. That's a good thing. But if you have Chinese demand withdrawing from the market, it could also be a danger. These show SGE withdrawals by month. Through September in each year you can see that in 2013 there were 1672 tons withdrawn from SGE. By month nine of 2014 it was 1453. Last year was a record year, 1989 tons by now. This year it's only about 1400 tons withdrawn through September. So, it's been a slow year relatively. Again, it's vastly improved over the years before 2013 but not as hot and heavy as we've seen the last few years.

What's happened here? Interestingly, we've seen Western buyers come in and take up the slack. Western buyers typically buy in a rising market. They're trend followers. They get in on the hot thing. They flow into the market when the price is rising. We see that. This is a chart of the total. These charts, by the way, are from Nick Laird at sharelynx.com. He does an outstanding job. It's the best chart service focused on the gold markets. As you can see early this year, demand in all of the ETFs, all of the published depositories that report their holdings, demand really rose significantly. We had a rising market and once again into GLD and the other ETFs, we saw purchases.

You can see that in this chart. The red bars are monthly withdrawals. The blue bars are monthly additions. As you can see, beginning in 2016, it's virtually all blue. There are just a few monthly withdrawals here and there. Actually, those are weekly withdrawals. Look at the circles that I have there. Look at the top and you see a gold line. We had a big price drop at the beginning of October. If you look at the bottom, we have blue bars associated with that. When the price dropped, we had significant Western buying. This is different than the type of behavior that we've seen before. We've never seen Western buyers buy so strongly on such a steep price dip. This is really interesting. It bodes well for the gold market. The best moves we've ever had in gold were when the Asian buyers and the Western buyers were buying at the same time. That may be what we're starting to see right now.

Let's look at long term prospects here. This is something I repeat a lot. Why did Alan Greenspan two years ago predict “measurably higher” gold prices? The Federal debt is too large. You cannot address it, and I'm going to show you in a second, we thought that the Federal debt was not going to grow to the extent that it was. We thought that when Barack Obama was going to get out of office, it was going to be $17-18 trillion. But it's going to be $20 trillion. You'll be amazed to see how quickly it's going to get to $25 trillion. The debt is growing too quickly. We talk about a lower deficit. It's always a relative number.

There are only a few ways you can get out from under such a debt load. Tax hikes. That may happen if Hilary Clinton wins. But you cannot tax your way out of a debt situation like this. It's going to be a losing proposition. They can't cut spending to the extent needed. And it's very unlikely you can have the kind of economic growth we need to get out of that kind of debt.

So, there will have to be some degree of monetary debasement. It's absolutely inevitable. It's only been proven by about 4,000 years of human history. This is always what happens. They have to pay off their debts with cheaper currency. You have to devalue the currency. So, the feds quantitative easing. There's zero interest rate and even negative interest rate policies from other central banks that have created this enormous potential inflation. There won't be an easy exit from this. Higher gold prices, looking at this very broad picture and over the longer term, are virtually assured. What we will argue about and sweat over are the details and what's going to happen over the month to month or week to week in the gold price. Over the long term, higher prices are virtually assured because the dollar will have to get cheaper against some standard that doesn't involve other currencies. The one standard left is gold.

Here's the gross federal debt. Trend line growth of the federal debt is actually 8.78 percent. It reaches $25 trillion by July of 2019. That's right around the corner. It will be $30 trillion by August of 2021 at this rate. How do you slow something like this down? How do you get out from under a debt load that is increasing this quickly? You have to depreciate the currency. Gross federal debt is a percentage of gross domestic product. It's at 106 percent. It's actually growing. It leveled off for a while. I've been doing this chart for a few years. It used to be hovering on 102-103 percent. Now it's at 106.

Gold versus total assets of the Fed. What I wanted to show you here, look at those red lines. That peak in 2011, on the black line, is the gold price. The blue line is total assets of the Fed. If you look at quantitative easing, one and two and the assets the Fed rose, that peak in the gold price corresponded to the day when the Fed announced QE-3, which as you may remember, was quantitative easing without any end, unlimited. We will do whatever it takes. We will purchase debt securities. We will print money until we get the reaction we want. There is no time or degree limit on this. That's what the Fed told the market. That should have been bullish for gold. Yet, gold descended from that very day.

That was the start of the bear market. Why? All of the shorts in the paper gold market had bet on further quantitative easing. The next piece of news to come out of the Fed was that quantitative easing was going to end. They were just front running that move. By the same token, that second red line marks the first Fed rate increase. All of the shorts bet on the Fed eventually raising rates. Once that happened, having bought the rumor, they sold the news so the pressure on gold was alleviated. That's what we'll see if the Fed, once again, if the Fed raises rates this December.

Excess bank reserves. It's actually dropping now as economic activity is increasing and more loans are being made. But there's still well over two trillion dollars overhanging the economy, like a water balloon of monetary liquidity. You see that coming down right now. As you see that coming down, you also see some key inflation measures that are starting to perk up. The only thing that's really been keeping inflation down has been low energy prices. If you had that trend change or if you had that trend just stay steady, you're going to see price inflation return. In fact, what you're seeing is that core inflation in the last CPI reading was actually higher than the headline. Typically, we joke about the core rate which excludes food and energy and saying who lives without food or energy? They're just trying to dampen the reported inflation by using the core rate. The core rate is actually rising more quickly than the headline right now because energy prices are dampening the CPI. Once that trend ends, we'll have higher prices.

I talked about 4000 years of history. Let's look at about 50 years of history since 1965. When they first took silver, I chose this point because that's when took silver out of US coinage. The US dollar is now worth about 13 cents. It's lost about 87 percent of its purchasing power. You say it can't happen here. I'm here to tell you it already has. The dollar, over most of our lifetimes, has already lost 87 percent of its purchasing power. That's by the government's own measure so you know it's actually worse than that.

The Fed is painted into a corner. Any sign of a return to quantitative easing would send gold soaring, and every option ahead leads to higher gold prices. Again, we're just arguing about the nominal price of gold. I like to use this chart to show that the $850 price of 1980, which was the previous nominal record, to reach that level today it'll have to get up to $2,637. That's what we're looking at if we get to a situation that equates with the late 1970s. We're looking at gold prices would be on the order of $2,500-$2,600 in today's dollars.

Now I want to get to some specific recommendations. Very briefly, I usually like to feature companies that are recommended in the *Gold Newsletter* that are also exhibiting at the conference. It's always been difficult to do, but it's been possible because we really haven't had a lot of companies spending money the last few years. That has changed this year. We have a lot more exhibitors so it's impossible for me to go over every *Gold Newsletter* recommended company that is exhibiting. So I'm going to go over about five or six companies that I think have near term or exceptional potential. Then I'm going to go over, in very broad groups, some of the sectors and represented companies that we're recommending right now.

ATAC Resources has got a Carlin-type mineralization trend in the Yukon. There are a number of targets on their Orion and Anubis clusters. They're getting really good results in their drilling right now. They're very, very smart people. I own this stock personally.

Auryn Resources are great people. I own a little bit of this stock because they bought one of the companies that I already owned. Unfortunately, I didn't have enough money to get into their financings when they started this company but I was in both their earlier deals, Keegan Resources, which became Asanko Gold and Cayden Resources, which was sold for $250 million or so before they ever got a resource. They're very smart people. They've got three areas they're looking at in Nunavut, British Columbia in Peru. It's a great bet on any dips. It will never be cheap to their peer groups but they have an unblemished record of success.

Columbus Gold is in a joint venture in French Guiana with Nordgold. Nordgold is earning into 51 percent. A feasibility study is due before the end of the year or early next year. That will be the point Nordgold tries to launch a takeover for Columbus so they'll be sold at some premium to where they are today. There is a possibility of other bidders coming in for the company. That's a company that has some near term factors over the next few months.

GoldQuest Mining is drilling right now. They have some great targets in the Dominican Republic in the Tireo trend. I like their targets. We haven't gotten the results yet. They could come at any time. It's a drill hole play. They have a lot of value with the Romero deposit as well, proven deposit.

Mariana Resources released today with maybe one of the best holes I've ever seen in my history, 67 meters of 63 grams per ton gold. That's two ounces of gold per ton. Plus, about 2.7 percent copper over those 16 meters. So, we were figuring out that's about a $2600 rock with just the gold value. We haven't figured out what the copper value is. It's an extraordinary prospect. It's very high grade. They own 30 percent of it with a local company in Turkey. I really like this company a lot. I like it because I own it so there you go.

Marlin Gold Mining has an interesting story. They have a mine producing probably 25,000-30,000 ounces a year. They just hit a record quarterly production. They also have a commonwealth project that has over a million ounces, a great PEA that's near term development. It has outstanding economics on it. They have a royalty company that by some measures could almost justify the company's current market cap by itself and could possibly be spun out. Marlin Gold is owned about 82 percent by a private equity company that had tremendous success with this formula in the oil and gas industry. They need to do M&A deals so they can lower their stake in this company. They need to do it at a much higher price. They have the ability to get it there. This is where you've got some smart people owning 80 percent of the stock. They need to get the share price up. They have the ability to do it so you can invest along with them.

Millrock Resources, the ultimate prospect generator prospects in Alaska, British Columbia, Mexico, and New Mexico. It's a great company for the long term. It has a lot of prospects, a lot of money being spent by others.

Precipitate Gold are joining GoldQuest's property. It has similar targets, geophysical anomalies to what GoldQuest has. They should be drilling if not before the end of the year then I think in the first quarter of next year.

Sabina Gold & Silver has a multi-million ounce high grade back river project in Nunavut. They took about a 25 percent haircut over an environmental issue that they can easily get past. So, you're getting it on the cheap here. Great management involved this company. I really like its prospects. It's a good solid bet for the future.

Sources is a company that had some great copper and gold project in BC. They got some great drill result targets in a market cap of around Canadian $12 million. They've got an incredible joint venture deal with a Korean company. The Korean company is actually earning in for only 30 percent of the project. It's a good opportunity.

SolidusGold, I own this company as well. It's launched and run by Rick Van Nieuwenhuyse, who you may know as the driving force between NovaGold, which made a lot of money for us earlier this century, and also the man behind Trilogy Metals, which used to be Nova Copper. They bought the Northumberland deposit in Nevada. This deposit was valued when Frontier Gold sold it to Newmont. It was valued between $150-300 million Canadian. The market cap of Solidus is $50 million Canadian, thereabouts right now. It's a multi-million ounce high grade, openpitable deposit in Nevada. They have about 17,000 meters of drilling that have not been factored into the resource yet. So, there's a lot of news coming forth and a lot of value from a really, really talented management team.

West Red Lake Gold, I own a bit of this as well. This is a company that has a Rowan mine in the Red Lake District under a joint venture or joint ownership with Goldcorp. They have about a million ounce resource there. It's very easy to see them doubling that resource. But they also have a very interesting target at a structural intersection of two major faults in the Red Lake District where they've gotten some small intersections of a very high grade material. They'll be drilling both the targets, the Rowan mine and this target on an ongoing basis. This has a potential to be a really big winner.

Don't bring out the hook yet, Bob. I've got a little bit more to go.

Here I'm going to go over very briefly recommended companies. I can make this presentation available to everybody. Under gold we like Atlantic Gold, Balmoral, GMV Minerals, Golden Reign Resources, Klindex Mines, NuLegacy Gold, Rye Patch, Treasury Metals, TriMetals Mining, and Zephyr Minerals. Again, these are all from the *Gold Newsletter* portfolio, if you're not a subscriber.

Silver recommendations are Avino, Endeavour, Excellon, Great Panther Silver, and Santa Cruz Silver. These silver companies have done spectacularly this year. If you like gold and you want to buy gold, you should be out buying silver as well because it's going to represent optionality.

Base metals and minerals recommendations are Aston Bay Holdings, Excelsior Mining, Select Sands, and Trilogy Metals under this category.

Uranium recommendations. You know I've been a uranium bull. I said it last year to my great chagrin. But the story I think is inevitable. It's just a matter of timing. CanAlaska Uranium, Energy Fuels, Fission Uranium, and Roughrider Exploration on the exploration end.

Prospect generator recommendations. These are companies that develop prospects and use other people's money to do the heavy lifting and expensive exploration, and the idea of trying to sell them to somebody else. Avrupa Minerals, Eurasian Minerals, Midland Exploration and Riverside Resources, these are all very good companies in the prospect generator and, again, Millrock Resources, I just mentioned, is also under this category. For prospect generators, you have to look for companies that have real management that's doing real work and not using this prospect generator model just to keep their paychecks coming. All of these companies fall in the prior category. They are very well run.

Large scale resources. Companies that just have a lot of metal in the ground. That metal increase represents optionality and rising prices and also, in some cases, represents a strategic asset that somebody has to own at some point. Brazil Resources, First Mining Finance, Midas Gold, Newmarket Gold, which, of course, has just been acquired or is in a merger, and Wellgreen Platinum. These are all companies I highly recommend in this sector.

Personal involvement. I am the chairman and a founder of Natcore Technology. I am the chairman and a founder of Thunderstruck Resources. I am a founder and director of Sojourn Ventures, none of which you'll find recommended in *Gold Newsletter* because I am so much of an insider. I couldn't tell you anything. But I put money, time and effort in all three of these companies.

That brings me to the end. Thank you so much and enjoy the rest of the program.

Mining Share Panel
Rick Rule (MC), Eric Coffin, Brent Cook, Nick Hodge, Brien Lundin, Gwen Preston

Moderator: Now the much awaited mining share panel. It's a no-holds barred event. Rick Rule makes it that way. We honor our beloved exhibitors and respect them in every way we can, but we're going to now try to dissect maybe some of the better buys according to some experts in the field. And I'm going to name them alphabetically. They can come out any time they wish. The experts on the panel are Eric Coffin of HRA Advisories, Brent Cook of Exploration Insights, Nick Hodge of The Outsider Club, Brien Lundin of Gold Newsletter and The New Orleans Investment Conference, you may have heard of them, and Gwen Preston, your resource maven. Now in the hot seat about to create five hot seats is your Mining Share panel moderator, Rick Rule.

Rick Rule: Thank you, Gary. Thank you, ladies and gentlemen. Good evening. Well I don't think after the last speaker that we have to do much by way of defending the gold thesis. I think you've heard that pretty well. So we're going to get right to it. We're not going to defend the thesis. We're going to talk about the thesis. Ladies and gentlemen of the panel, remember that we have a lot to talk about tonight. There's a lot of you. You're all very long-winded, so I want short, good answers. You'll be ridiculed from the podium if you come against it.

Nick Hodge: We're not afraid of that.

Rick Rule: Many of you know that every year, we hand out exhibitor stock charts here at The New Orleans Conference where we have the stock chart of every exhibitor here at the conference. Come by our booth and get it, that's the commercial. The question goes like this. Last year, the exhibitor stock charts, the junior mining stocks at least, were all universally resembling topographic maps of ski hills falling from upper left to lower right. This year, the stock charts look substantially more constructive. The question I have for you looking out 12 months – because I know everybody here is going to be back to The New Orleans Conference next year, what will the stock charts of the junior mining sector look like between October 2016 and 2017?

I'm going to start on my far left. Nobody has ever previously described him as being on the far left before, with Nick Hodges. Nick. Twelve months from now, what will the stock charts look like?

Nick Hodge: Well I think you might get a little bit more downhill skiing throughout the rest of the years. You said with the downhill topography, I think that you've seen gold pull back 100 or so dollars in the past couple months, and I think that could continue until the end of the year throughout the election until we get a quarter basis point rise in December from the Fed. But then I think next year, we resume the trajectory upward, and I think 2017 is going to be pretty fun if you've been paying attention to the speakers and slides so far.

You've heard a lot about Japan and a lot about Europe, and I think that's the order the dominos fall. I write about this a lot at the Outsider Club, and I think that by the end of next year, the charts will look like you're skiing uphill.

Rick Rule: So they're going to test our patience, and then it's going to reward our patience. Is that it?

Nick Hodge: I believe so.

Rick Rule: What do you think, Gwen?

Gwen Preston: Fairly similar outlook, actually. Definitely oscillations, but pretty range bound. Probably some more down side throughout this year. That's – you can get lots of evidence for that. We need to get through the Fed meeting. We need to get through just the fact that corrections after a rapid ascent often last about five months anyways, and usually oscillates some kind of W pattern. Got to get through that. Then we're in a very similar position to where we were at this time last year. Our fed credibility crisis, a likely interest rate increase, and then I agree that 2017 looks very good. How good it is – I mean I think the spring is going to be really fun. Summer doldrums are a very reliable factor in the gold market unless you're in the first year of a bull market.

And we had that this summer. We had the run continue through the summer. So I don't necessarily expect it to continue through the summer because that's a usual pattern, but I think 2017 is going to look pretty good from here.

Rick Rule: Ladies and gentlemen, please note you're getting very specific, actionable answers. I like that. Brent? What's it going to look like over the next 12 months?

Brent Cook: I hate to say it, but I think it's going to look pretty good. I expect over the next – Brien knows what I'm talking about here. I think we've got a period right now until the current issues get out of the way and we get back to real problems the world faces, we've got an opportunity to be acquiring high quality assets, high quality companies, exploration, development stage, in anticipation of the reality that major mining companies do not have enough reserves to replace for production. So it looks good next year.

Rick Rule: Very good. Mr. Coffin.

Eric Coffin: I mean in aggregate, I don't think things go a lot lower. We probably base out around here maybe a few percent lower, not much more than that I don't think. You generally get on – I'm talking about probably the small end of it here. You generally have fairly reliable bottoms on the venture. Basically the first week in December, and it's essentially tax loss selling up in Canada. And that's usually where you start seeing the move from the so-called spring move usually starts at the end of November. It's been earlier every year. So I think from there through to March/April, we probably have a pretty good run, and in aggregate, I just think we're – that'll be the second year of a bull market.

So things will be higher then. There'll be twists and turns, but it's going to be higher a year from now than it is here.

Rick Rule: And Brien.

Brien Lundin: I generally agree with the rest of the panel. I think the pattern is fairly similar to last year where we have the Fed talking about trying to squeeze in a quarter point rate increase before the end of the year just to try and regain some measure of credibility if for no other reason than that. So they're trying to do that again. It's so similar to last year. I do think if they do that, it'll be a launching point for gold. I'm not so confident that we're going to have any more weakness in gold because when we saw that steep drop earlier this month, interestingly, we actually saw inflows into the Gold ETS, which I use as a proxy for western gold demand. Western investors are typically trend followers. They don't buy on drops. They scatter, they run for the hills on price drops.

So I thought that was an interesting sign or perhaps some kind of a change in sentiment that there really is a strong buying interest in gold in the west and in speculator. So that might buoy the price through the fall. But I do think we'll have a very good 2017.

Rick Rule: This sort of reminds me of the old New Orleans investment conferences where you'd have those bull and bear panels, and there was never any bears. It was just all bull.

Brien Lundin: Not in gold, no. Not in gold.

Rick Rule: I sort of feel like I went to one of these evangelical churches outside of town. I said to the choir, "Do you all believe in God?" So I'm going to shake things up a little bit. I'm going to – that I didn't tell you about back there, and I'm going to start with Brien, of course.

Brien Lundin: Oh good, wonderful.

Rick Rule: So we have a pretty unanimous bullish thesis for the next 12 months in the junior mining stock. What could go wrong? What could shake you out of the trade? I'm going to start with you, Brien.

Brien Lundin: Thank you for that.

Rick Rule: No worries.

Brien Lundin: No, it's a good exercise, and that's one of the things I tell people intel companies, and you taught me this years ago. Sure, that's a great story, great spiel. What can go wrong? And you really need to consider that, and check your premises is another way of putting it that Randian reference. But yeah, that's important to do, and what we're looking at right now in my view is a culmination of 40-some odd year, 45-year, as long as this conference has been around really, experimenting central bank management of currencies. Now since they severed the tie to gold in 1971, finally, and I think we're seeing a culmination of this trend that can the central banks create prosperity through management of a currency.

It can't go much lower than this. We of course said this before and the amount that should do it, but I think it's all going to come to a head. So the thing that could go wrong is that maybe they're right and that they can foster economic growth through central planning. I don't think it'll work. I don't think it'll happen, but if we do have an economic rebound in the US, then to some extent, the argument we've been making or I've been making so far for gold would be negated.

Rick Rule: This doesn't work over here. Eric, what do you think? What keeps you awake? What blows the thesis?

Eric Coffin: I mean my premise is slightly different, but connected. As I said this morning, I think the main driver to the outside money and the generalist money, which I think Brien's reference to actually ETF purchases, I think that's where a lot of that is coming from. The essential premise behind that is negative real interest rates, which is just a roundabout way of saying that central bank is behind the curve. If they surprised me and probably everybody else and actually decided to do a series of hikes rather than one rate hike and wait a year, there's a – if they try to get ahead of the curve, that would sort of blow the argument, and I could see the dollar being a lot stronger and gold having a tough time of it. The other potential issue is simply that one of the other currencies – because the dollar simply trades against other currencies.

If the euro completely blew up, if the yen completely blew up, I think part of what drove the drop last month was the pound thing by ten, 12 percent in the space of a couple days. I think that drove a lot of that speculative selling across the currency space, including gold. That's the other thing. I don't personally think the yen and euro are going to blow up. They've gotten taken out behind the wood shed already. Yeah, they might have some down side. I don't think it's likely, but if there's anything that could do it, if something happened in Europe and the euro suddenly dropped 80 cents, you're going to see the speculative guys in the gold market head for the hills.

Rick Rule: Brent, what can go wrong? What bothers you?

Brent Cook: You mean what can go right? What can go right, which is probably negative for the gold, US and global economy gets better, GDP increases, debt goes down across the board, and we elect a president everybody likes.

Rick Rule: That's a pretty good response for a geologist. I like that.

Brent Cook: I don't think it's going to happen.

Gwen Preston: Yeah, the likelihood of his answer is fairly apparent. I mean what's been said is I generally agree with more specifically one specific thing within that would be a continuation of the US bull market and like the big market being strong. One of the big drivers that we need for a broad gold rally is generalist investors rotating out of what has been their source of security and value, which has been the US markets, and turning towards a safe haven of gold.

So if the US markets were to continue to perform, which of course would require what these other fellows have already been saying *[audio skip]* growth and GDP growth, then that would hurt gold, and the dollar would be performing alongside as well. So yeah.

Rick Rule: Nick.

Nick Hodge: Well Brien said it, there's some sort of robust traction and economic growth in prosperity along with puppies and rainbows and unicorns falling from the sky would be one thing. Some sort of disastrous geopolitical event is what keeps me up at night to answer your question specifically is something that is much bigger than the gold markets. We sort of as gold bugs or middle bugs, we know that bad economic times are supposed to be good for gold, but if something happens that's truly disastrous, I think that's the fear in the back of all of our minds. That the gold in your hand is going to be worth much more than the gold in your brokerage account.

Rick Rule: And Rick Rule, what do you think about that? I have my own answer. The one thing that keeps me up awake – keeps me up at night is the incredible ability of the mining industry to snatch defeat from the jaws of victory. The type of stupidity that was exhibited by the industry at the beginning of the last decade when gold went up, the serial issuances, you know, the only thing that really limits Canadian companies or American companies from issuances is standing inventory of timber, which becomes paper between the Atlantic and Pacific coasts. So a returning to stupid investment decisions and really serial issuances is what scares me. But let's move on. It's not about me. Precious metal stock themes.

Let's return to the good times. We had a wonderful, wonderful year this last year in a real gold bull market, and although history doesn't repeat, it rhymes, and every bull market has themes. Different times in the market, different things work in the market. So what I'm interested in is in the next 12 months, what will be the predominant themes. Eric Sprott believes the junior producers, the highly leveraged people that don't have to permit things, that can participate immediately in updrafts and precious metals prices.

Other people like the construction development. Other people like advanced exploration. Some people like grass roots exploration. What are the themes that people need to look at? What types of stocks should people be looking for? Nick, let's start with you. What's going to work?

Nick Hodge: Number one, I think you need to look for companies with great assets already defined in the ground, not necessarily producing, but on the way to producing and safe jurisdictions, so I think the market will highly reward these juniors that have robust and economic multi-million ounce deposits in safe jurisdictions. Number two would be prospect generation, which I know you're familiar with, Rick. These companies that are JB'ing out and optioning out properties and not using your shareholder capital, but the capital of other companies to drill out properties. I think we're back to a point now where the market is greatly rewarding drill holes, good drill holes that is, so some of these prospect generation plays I think are deserving of a look.

Gwen Preston: I – three categories, I'd say the good production growth profiles from mid-tiers, I think they're going to outperform, especially majors. Producers get the best leverage early in a market, but I think production growth profiles, especially with lowering growth profiles as a result of the bare market focus on cost. I think that's going to attract a lot of attention. I think the few assets that are out there that have the ability to get into production this cycle or have perhaps recently gotten into production, a lot of those were very forward thinking plans where there's expansion potential built into the mill or there's a lot of good exploration upside that was sitting there.

So I think there's a lot of – there's going to be a – there already is a significant focus on these new or near-term production stories, and then real exploration success. That's always distinctive in our market, and if the market is rising, then real exploration success gets rewarded. So that specifically newer stories as opposed to dusting off old stories.

Rick Rule: Got it. Brent, you guys have been really successful the last 12 months in identifying themes. What do you see? What do you see coming up? What's exploration insights looking at thematically?

Brent Cook: Well in November of last year, I brought on another geologist, Joe Mazumder. He's economic geologist, way smart, and our thinking was that the time had come that the major mining companies were going to have to start buying assets. We had five of our companies acquired by the larger mining companies, and if we could find a lot more of theirs, we'd add those, but the truth is there's not that many good project assets out there left to buy. So I think the theme going forward and what we are doing is identifying very early stage projects and within companies that are well managed that have the potential to deliver a significant deposit discovery.

By that, I mean economic discovery that a major will buy, and I think that's what we're going to see over the next couple of years is the majors going way down the food chain and acquiring what appear to be high quality discoveries maybe even before they get a resource on them, maybe when there's a resource on them, but you're not going to have to wait for the feasibilities and such depending on the jurisdiction. So that's where I'm going is back right into exploration, which is really what I like.

Rick Rule: Eric.

Eric Coffin: Be quicker if I just said what he said. I think Brent and I agree on a lot of this stuff, and I agree with him. Some of the same companies – I also had half a dozen taken over this year off the list, and I agree with – I think that's I would call a really strong high margin resource and a good jurisdiction no brainer. The simple truth – reason it's a no brainer is because there's hardly any of them around. There really aren't that many of them, and the mining companies have nowhere near as many of those as they need to fill their pipelines.

So anything like that to develop is going to be gone. I've also shifted earlier in the earlier stage explorers partially because I love the exploration game, but also because I agree with Brent that you are going to see guys definitely going farther down the food chain. I think if something looks like it's got scale and it's got gray and they're comfortable, it's in a permitable jurisdiction. I don't think most of the majors are going to say let's wait for four years until it's fully valued at

$200.00 an ounce to take this out. As soon as they think it's there, I think odds are you're going to start seeing these things get snapped up, so I've gone much earlier stage as well.

Rick Rule: You all taking notes, there's some money in this right now. Brien.

Brien Lundin: If you're talking precious metals, I think it's all going to work, and if you're – you know, you can – we can argue and discuss whether majors, mid-majors, producers, developers, expiration, it's all going to work if precious metals prices go up next year as we believe. But one of the areas – and I agree to the two gentlemen to my left, that I think will do well now – better than it has before, is expiration. We had companies that were starved for funding for a good couple years, perhaps three years, and not a lot of work was done because you just didn't have the money, and they essentially shut down.

Well over the past year, and especially this spring and early summer, there was just an avalanche of financings, and these companies are well funded. They can even go to investment conferences and tell their story, thank God. But they're also putting the money into the ground, so we're going to start seeing some of these results come out literally right now in the fall. And I've highlighted a few companies I thought would be putting out some results soon, and there will be more, and there'll be more over the coming months because work is getting done again. One of the guys, a pretty well known geologist was telling me – in particular, he was talking about the Yukon that before the Yukon stopped, it just ceased with the crash in the market that a lot of companies pushed the rocks three quarters of the way up the hill, and then everything stopped, and there's a lot of good work done.

So now, they're getting back and they're funded, and they just have to push that rock right a little bit further up the hill, and they're going to start finding some stuff. So I thought that was a good analogy, and I think that's at – I think expiration stories, if you find the good ones and you're really careful and do your research, I think they're really going to work this next year as a theme.

Rick Rule: I'm going to have to apologize for my panel because I thought up a new question I like a lot, but I didn't tell them about it backstage, so I'm going to ask them anyway. One of the things that's worked for myself for years and worked for Sprott is that in addition to identifying projects, companies, we've done a pretty good job of identifying people. One of my problems at Age 63 is most of the people that I identified are damn near dead. So what I'd like to – and I'll give you a chance to think about this before you have to answer because you have to answer hard and quick. I want you to think about who the next superstars are. Who are the people who are going to become the Lucas Lundines and the

Robert Friedlands and Bob Quartermaines and the Ross Beattys of the next generation?

Tell me people in their 30s and 40s who are established, who are smart, who are honest, who are hardworking that don't have the Lundine premium, as an example, attached to them. I want you to think beyond gold. I want you to think beyond silver, beyond rocks, and think about people. Mines, as they say, made, not found. The early stage companies are about the people as much as the project. And Brien, you don't have to answer right this second, but in the next 30 seconds, you have to tell me who are the future superstars. Not who gave you the most recent check to exhibit here.

Brien Lundin: Oh come on, you know I don't let that taint my opinions. I was taught – that's a really tough one because there are so many we all know so well, and in previous successes. But I was talking to somebody the other day, and I was telling them what a young gun they were in the industry, and they say, "I'm 45 years old." Wow, that's a relative term, young. But I – and they're not getting that young anymore, but the guys behind Oren, who are behind Cayden, who are behind Keegan/Asanko before, they're actually getting up in age now, but Shawn Wallace, Ivan Bebak, and any one attached to that team. They're just fine, good people, and their record is unblemished by failure. They're on their third relative success so far.

So anyone attached to that group, and I'll leave it to the rest of the – anybody out by omission, but there's a lot of them out there now, more everyday.

Rick Rule: Eric, future superstars.

Eric Coffin: I'm very – I'm going to press this by saying I'm very suspicious of the concept. I find the whole superstar thing a little bit dangerous because once somebody gets given that mantle, even as a potential one, the market tends to very much overpay for the name, and I could reel off a bunch of companies run by extremely capable people that I think are far too expensive because the guys are so popular. So it's a double edged sword, you've got to be careful with it. So I'm trying to think of ones where I think they've got the abilities, but they're not necessarily at least yet being given the premium for it.

Father/son team, Duane and Morgan Baldwin. You know, if you look at Almadin and Almadex, the spinoff from it, really if you look at the projects that Duane and Morgan went at hard, their hit/miss ratio and understanding how difficult the exploration business is. Their hit/miss ratio is actually extremely high. It's very impressive. I don't know that they're all going to become mines, but the number of significant resources they've found on a relatively small number of projects, virtually all of which were ones they staked and sourced themselves from the ground up. It's actually – it's extremely impressive. Their batting average is very high.

One guy who is more the business side and who I think is actually think under appreciated – I mean he's been a friend of mine for a long time and he's very kind of understated guy, Bill Fischer that runs Gold Quest, he was one of the main guys behind Auryn. He started, founded, and took all the way through development, the Serumum online in the Dominican Republic, the company got taken out. He was one of the guys that founded Arillion. Arillion got taken out.

He's running Gold Quest now. He's a kind of understated British self-deprecating guy, but the simple truth is I don't know that many deals where Bill has been the main guy behind it where at the end of the day, trials and tribulations aside, and there were many, they ended up working.

Rick Rule: Brent, who should we be looking at?

Brent Cook: So that means just younger than me, right?

Nick Hodge: Just barely.

Brent Cook: Just barely younger than me.

Rick Rule: Sadly, I'm older than you, so I can't say that.

Brent Cook: Well certainly, as Brien mentioned, Ivan Bebak. He's been extremely successful. John Awde at Gold Standard Ventures has been extremely successful. So they've found that category that I think will attract money with whatever they do. I'm not saying I'd give them money, I'm saying they will attract money. I think people wise, they're certainly Steve Nano, who I've worked with in the past, runs Marasol Resources. I think he's capable of making discoveries, he has made some.

Another on the people side, Tommy Humphries. I've been very impressed with what he's coming – this is an interesting guy. First time I met him at some show, never heard of me, he said, "Can I buy you a steak?" I said, "Okay, great." Free steak, I'm in. But he has managed to meet all the important people in the sector, started up a little website, and so he impresses me as well as someone who is going to do well going forward.

Gwen Preston: So clearly, a couple names I thought of have already been mentioned, but to add to that list, I would identify Ian Slater of Red Eagle. He's done some impressive work at getting a mine built in what many had viewed as a difficult jurisdiction during a bad market, and he is now teaming up with some others in the industry, and they're rolling out some companies that look to be doing things – very interesting things that have good odds of success I would say. Ira Thomas is an obvious name that I think deserves to be mentioned. Obviously, she just had her big win with Camenak, has had numerous wins in the past. And we all know she's looking around to see what she's going to do next. Everybody is curious what it's going to be as soon as her name attaches to it. It will get a premium attached alongside. And then I'd mention the team at Integra. Again, a good job being novel in their approaches to creating success during the bare market. Some new technologies and competitions, just different approaches that I think the market has really appreciated. So that's Steven Dejong and George Salinas who are there. Then there's some very good technical teams, groups of geologists that you don't necessarily get that cache.

It's not like oh, the Ivan Babek story. I love Ivan, but the geologists don't necessarily get that nod. But for example, the geologists at Urasian Minerals are some of the best in the world in my estimation, so a team like that can definitely create some traction.

Rick Rule: Nick.

Nick Hodge: I wrote down three names immediately, and I'm a pretty big people person when it comes to mining deals, so I have to underscore Morgan Poliquin, the guidance of his father Duane. They did an incredible job in the bare market with Almadin and Almadex. They acquired a mill from Alaska to shave significant millions of dollars off the capex of their project in Mexico. They've been hitting whole after whole with their Almadex spinout, greatly rewarding shareholders, keep the share structure intact, and just can't speak highly enough about the Poliquins, really. Jordan Tremble, if you want to look outside the gold space. He's got a deal, a uranium deal, called Sky Harbor.

He's been able to attract a significant amount of capital and strategic shareholders. He's got Paul Matisik on his board already. A nice suite of properties in the Athabaska. And lastly, I wrote down Amir Adnani from Brazil Resources and UEC, just an incredible dealmaker. Comes up with acquisitions out of a hat at the right time, and really just has a global network of people in the industry that you can call upon with his connections. You know, he's put me in touch with former energy secretaries and people connected to former presidents, and so his rolodex alone makes him one worth mentioning.

Rick Rule: All great answers. Thank you, panel. That was a good job. I want to call peoples' attention – those of you who are here – how many of you were here last year? Show of hands. You're a happy crowd, I bet. Wow, good for you. The junior gold stock market has done – I mean it's just had a tremendous, tremendous, tremendous run. I don't know what the index is up, but like 100. Well selected group of names. Maybe the exhibitors here last year as an example, up more than that. So the question I want to ask the panel now – like that was the easy money. We were here last year, the stuff was cheap, we were here in the crucible of the gold business and nobody gave a damn. What's the easy money going to be next year?

You know, Gretzky said he's a great hockey player because he didn't skate to where the puck was because there's all these big mean guys with sticks. He skated to where he thought the puck was going to be. Where is the puck going to be? Can we move beyond gold, or should we stay in gold? And Nick, I'm going to start with you. Beyond gold or stay with gold? Is there easy money to be made somewhere else?

Nick Hodge: I always stay with gold, but we've had enough gold on the panel. Let's talk about some other things. I think strategic metals are going to be big. The lithium boom happened this year, but there's a lot of other metals that are required to build batteries, not only for electric vehicles, but for grid storage, which is greatly needed if renewables are going to get any sort of traction. And along with that, uranium. Uranium is supposed to be here for the past two years. It hasn't come yet, but one day it will, and when it does, the great assets in the ground that haven't been exploited yet, they're going to fetch many multiples of the prices they're trading at now.

I'm happy to own the best names in that space and just sit and hold up –

Rick Rule: Your mouth to God's ear. Nick – Gwen, beyond gold.

Gwen Preston: So if you're keeping yourself to a 12-month timeframe, gold is the one I'd put money on. If you're willing to position without knowing it's going to happen within 12 months, then uranium and copper, to be honest. I don’t think copper is going to perform that soon, but if we went – a year ago, I was talking to a lot of very good executive teams who were positioning for the vehicles they were going to ride up the next gold bull market. I’m having those same conversations right now with very good geologists and executive teams about the vehicles they're creating for the next copper market.

So those companies are going to start debuting. They may not move that soon because copper is still a little ways off, but those vehicles are getting established, and the best returns come if you get in on right on the ground floor. So –

Rick Rule: It's great that you say that. Brent and I always joke you raise money on gold, you make money on copper. Funny how that works. Brent, beyond gold. Or do we go beyond gold?

Brent Cook: You know, it's always easy to see what the easy money was in hindsight. A little harder looking forward. I think the big money, not necessarily easy money, the big money is going to be same thing, in discoveries. Early stage discoveries.

Rick Rule: You don't care about the commodity.

Brent Cook: No, that's the thing. Economic deposit. One that makes good money where your production costs are in the lower third or quartile of the industry average. That's going to be an asset someone will buy just about regardless of the metal price. Those things are in extreme deficit, and it's only going to get worse. I'm going to stick with the discoveries.

Rick Rule: Good answer. Eric.

Eric Coffin: That's probably true. I'm going to try not to weasel out the way that Brent just did. So I'll actually pick something. You would probably accompany this metal's name by the theme song from Annie, but I think zinc. Things have tightened up enough. There has been a bit of a move this year. It's pulled back some, but I'm expecting a second – assuming the world economy doesn't go to hell in a hand basket, I'm expecting probably another leg up next year in the zinc price, and it's a tight enough market and a spreadsheet of money waiting for that that if the move starts, I think you could quite easily go from 1.10 a pound to 1.40, 1.50. In which case, development stories in that space – I've added the last two –

Coincidentally, the last two companies I've added were zinc deals just because I like those specific deals. One of them is, as Brent said, it's a discovery story. It's not really so much a zinc story.

Brent Cook: You apparently didn't catch Peter Schiff's talk.

Eric Coffin: Well yeah, I'm assuming I can sell it before the apocalypse. They have three-day clearing in Canada, so I've got a little more time to get the hell out.

Rick Rule: All right, Brien.

Brien Lundin: I kind of object to the idea of easy money because for two reasons. I don't think there is such a thing, and the other thing is as soon as you call something easy money, then you most surely will jinx it. And it won't be easy. Last year, we all said to a man and woman, we were all uranium bugs and bullish on it for the next year, it's a story that's going to happen, and that didn't work out too well. But if you're looking for something outside of gold, I agree with everything everyone else said. There are arguments for all of these metals, all these commodities. Maybe something you haven't heard yet would be cobalt. There's not a lot of plays out there. I'm actually invested in one that I have not recommended because it's just a play and I haven't even done the due diligence on it yet.

But I think that's something that may be out of the mainstream some people haven't really looked at, and some people are looking at is one of the next big things or next things. I don't think you can get that big.

Rick Rule: Now before we move completely beyond gold, every year for the last two years, there's been a running bet with regards to gold between Brent Cook and Brien Lundin. Last year on the panel, Brien had to paraphrase Patsy Cline and sing, "I was so wrong." Give Brent a bottle of whiskey. Tonight, I understand, that Brent has a presentation for Brien.

Brien Lundin: I finally won this bet. Every year, we bet whether the price of gold is going to be higher or lower than it was at the conference, and I've lost it for about three years running, three or four years running.

Brent Cook: And this was a bet I was really hoping to lose. And I am so glad to lose. I bought you a bottle of High West Whiskey, brewed and bottled in Park City, Utah.

Brien Lundin: Oh boy, I didn't – any whiskey bottled in Utah has to be good. Right? Because they drink a lot of whiskey in Utah. They know their whiskey there.

Brent Cook: Genuine Mormon blend.

Rick Rule: It is non-alcoholic.

Brien Lundin: Oh it is non-alcoholic. Thank you, Brent. That's so kind.

Nick Hodge: It's colored water.

Brien Lundin: Good, wonderful. But Brent is smart in that bet because he's hedging his bets. Prudent as he always is, he's going to win- he'd like to lose the bet, but if he loses the bet, it means he's gone up in everything else.

Rick Rule: It's nice to see a bet where there's no losers. So you know, every year at the end of this panel, I bring to the panels' attention that although you regard yourselves as teacher and your role is to teach people how to fish in a biblical sense, the truth is that's not what the audience wants. They don't want to be taught to fish. They want you to catch some fish for them and clean them and scale them and serve them up appropriately cooked with garnish.

So we're going to talk fish now. What I'm going to ask you about is not the whole range of mining companies. Not every mining company you ever heard of or every dog you ever recommended, but companies that are exhibiting at this conference that you think exhibitors ought to go pay attention to so they can make some money and come back next year and think you're smart. Nick, exhibitors here that they can find any exhibitor stock chart on the floor that you think people should be well advised to spend some time with.

Nick Hodge: I thought the question was going to be names you owned, so I flipped through the book of all the exhibitors, and I wrote down the five names that I own. We'll go through them real quick. The first is Midas Gold. A multi-million ounce deposit in Idaho in a safe jurisdiction. They're drilling now, results will be out around Thanksgiving. I think you'll see some pretty high great holds come out of there. They're going to remediate the area, and it's going to be a mine. And good stuff going on with Steven Quid and Midas Gold. I own Mill Rock, Mill Rock Resources, which is a prospect generator of properties in the US down to Mexico and Canada. Prospect generation play, MRO. I own Brazil Resources, which I already mentioned with Amir Anony, a land bank play really.

I think ten million ounces or over of gold equivalent in the ground they're just sitting on. Dev just walked in in the front here. I'm a big shareholder of Fission Uranium and will continue to be until the uranium cycle turns. That's the best online deposit of uranium in the world. Not just me, but many third parties have said that. And I took a flyer recently on Black Sea copper and gold just as an interesting prospect with Scott Gibson behind it, so those were the five that were in the book that I currently own shares of.

Rick Rule: Great, well done.

Gwen Preston: So I'll start – I'll do exploration on up. So exploration, I was actually also going to mention Black Sea. Interesting Eastern European project – suite of projects, just getting going. New rollout. On the project generator front, Urasian, which I already mentioned when we were talking about people. Urasian Minerals. I think they have – their portfolio is incredibly strong and they have a lot of good partners right now. Moving up into a story that's under construction right now, Atlantic Gold. This is in Nova Scotia, so Eastern Canada asset, that – gold region that this team.

Rick was part of putting this situation together, but looked at an area in a way that hadn't been looked at before. Disseminated gold instead of high grade, and the team is being really careful in their risk management, which is very welcome when we've had some mine development problems in the last while. So I really think – and there's a lot of good expansion opportunity. New market has done very well in my portfolio. They've obviously just announced a merger with Kirkland

Lake. Share prices have taken a hit on that news for various reasons, but I think because of that, there's actually a buying opportunity. If you're not already a shareholder, I think there's an opportunity there right now.

Then the non-gold deal I'll mention is Select Sands. High quality frack sand producer in Arkansas. I know that sounds fairly random, but if you haven't heard about that story, you should go and talk to Rasool about Select Sands.

Rick Rule: Brent.

Brent Cook: What I own and what we have in the exploration insights portfolio at this show is Energy Fuels, Urasian Minerals, Mariana, Resources, and Riverside Resources. I think those are all still worth accumulating. I'll highlight Mariana Resources. They put out a drill hole yesterday that was a stunner. This is a project I visited way back two years ago, and Joe was there this year. About I think it was 65 meters at 63 grams gold, and 2.4 percent copper. That's over $2,800 ton rock, and that's not a one-off thing. That's in the guts of a deposit, they've defined and are defining in Eastern Turkey. They've got a 70 percent Turkish partner who is running the program. My thinking is this gets bigger in these types of deposits. They tend to turn – occur in clusters, and I think they'll probably find more as they move down south, and at some point, their partner buys them out.

Rick Rule: Did you see the pictures of that core, Brent?

Brent Cook: That core was beautiful.

Rick Rule: Geo-porn. True geo-porn. Unbelievable. It could be the rail in your office in Toronto, the brass rail.

Brent Cook: I was thinking more Utah.

Rick Rule: Mr. Coffin, let's hear what you like.

Eric Coffin: I'm assuming you're talking a 12-month timeframe here, so I'll try to –

Rick Rule: Actually, I'm not. What's here that people should look at? I don't care about 12 months.

Eric Coffin: I'll do a bit of both. Exploration Stories, I'm going to try not to reiterate what people have already talked about, and I did talk about these if you were unfortunate enough to be awake at 8:00 this morning and heard me go through some of the lists. But GMV, half million ounce oxide resource in Arizona. They'll be drilling to expand that starting in a couple weeks. I'm waiting to see the column tests on that. The metallurgy so far has been extremely good, and metallurgy is extremely critical with the low grade oxide deposits. I think if the metallurgy turns out as good as the early stage tests and they can grow it a little bit, I think it's an obvious takeover target.

Victoria Gold is another takeover target. It's not – I wouldn't say it's a cheap stock, so it's one of those stocks you'd want to be accumulating on gold price weakness because you're basically just betting on the gold price pure and simple. They're slightly undervalued compared to their feasibility study, but to get a large movement, you're basically betting on the gold price, and I think with a decent gold price move, they're one of the relatively small number of takeover targets. There just aren't many out there, and they're one of them. Exploration side, I'm very biased stock – I own a ton of Precipitate. They start drilling in a couple of weeks in the Dominican Republic. They had a discovery hole two years ago, nobody cared.

They will be drilling around that area starting probably next month. They're just finishing an expanded IP grid, but the target is a lot bigger. They were just sensible enough not to bother trying to put more holes in the middle of the bare market. And I would mention Energy Fuels too. I mean I have no clue when the uranium market is going to turn around, but I do believe that's the best positioned company to actually take advantage of actually selling the stuff at higher prices and ramping production once that happens. I just have no idea when that is going to be.

Rick Rule: Brien.

Brien Lundin: Well, Rick, has – again, I object to the theme of the question. Of course all of my fully paid exhibitors are wonderful investment opportunities.

Brent Cook: Which child is your favorite?

Brien Lundin: Yeah, which child is my favorite? I'm realizing that a photographer is going to be taking pictures of me up here with a bottle of whiskey in front of me. That's – probably gives added credence to whatever I'm going to say, but I agree with – I can't disagree with any of these suggestions. There's a couple comments – Atlantic Gold is also a new recommendation of mine in Gold Newsletter. I like that play as well. Marianna, that was truly amazing, one of the best drill holes I think we'll ever see. I made the note to somebody that you know it's a good drill hole that if you move the decimal point two places to the left, it was still a decent hole. So that's the kind of leeway they had with two orders of magnitude.

A couple that haven't been mentioned, I guess, SolidusGold is a company that I do own a good bit of. So take that with a grain of salt.

But Rick Von Nieuwenhuyse, he's running that show. He's been associated with some fairly large discoveries in the past I would say. Nova Gold, NovaCopper or Trilogy Metals. They've just purchased the Northumberland deposit, which when Frontier was sold to Newmont was valued at around $150 million to $300 million. It's a multi-million ounce gold deposit, open-pittable in Nevada. So what more do you want? The market cap is around $50 million, so I think that's a really solid bet going forward.

Serengeti Resources is one that you don't hear a lot about. They have a very good copper-gold deposit, and now it's joint venture with a Korean company where the Korean company is earning into only 40 percent of the project. A number of targets and a market cap of only around $12 million, considering their targets in what they've already – they had an extraordinary drill hole recently that was through the heart of the deposit, an infill hole, but it was still extraordinary, and so I really like that company as well. And again, they're all really good companies across the hall there. Go talk to these guys, seriously, because they do make this conference possible.

Rick Rule: I don't have time to answer that question myself, but if you come by the booth, I'll take you through the exhibitor stock charts, and what I will do is I'll tell you the ones that I own, but it's a fairly long list. It's a great group of exhibitors, Brien, and without any hint of condescension, you did a great job selecting companies this year, and of course a great job selecting speakers. Ladies and gentlemen, you heard a panel where people taught you how to fish, and then they fished for you.

I think they served up a whole bunch of wonderful seafood dishes, as is befitting New Orleans. I'd like you to join me in a round of applause for my great panel, and thank you for attending.

Stephen Moore

"The Coming American Boom"

Moderator: Stephen Moore, who formerly wrote on the economy and public policy for *The Wall Street Journal*, is now a Distinguished Visiting Fellow for the Project for Economic Growth at The Heritage Foundation. Moore, who also was a member of *The Journal's* editorial board, returned to Heritage in January 2014 — about 25 years after his tenure as the leading conservative think tank's Grover M. Hermann Fellow in Budgetary Affairs from 1984 to 1987.

Moore was previously the founder and president of the Club for Growth, which raises money for political candidates who favor free-market economic policies. Moore also founded the Free Enterprise Fund before joining *The Wall Street Journal*.

He was also a consultant to the National Economic Commission in 1987 and research director for President Reagan's Commission on Privatization. Steve is a Fox News contributor along with writing regularly for *National Review*, *Forbes'*, *Investor's Business Daily*, *The Washington Times*, and *Orange County Register*.

Steve holds a master's of arts in economics from George Mason University. He has authored numerous books, including "Who's the Fairest of them All," "It's Getting Better All the Time," "Still an Open Door," and "An Inquiry into the Nature and Causes of the Wealth of States," and the recently released "Fueling Freedom: Exposing the Mad War on Energy."

Stephen Moore: Hello, everyone, it's a privilege to be with you. I don't know how many of you heard the news this morning that it was recorded on Fox just about an hour ago, so you were in here. But there was a news conference this morning, and Michael Moore, Nancy Pelosi, Alec Baldwin, and Barbara Streisand have all promised to leave the country forever if Donald Trump wins the election. *[Laughter]* So do you ever – do you need another reason to vote for Donald Trump. I am a – I know there are people who are all over the political spectrum here, and I want to say I am a Trump advisor, but I'll try to be very respectful of people who are for Hillary or other candidates. I saw a bumper sticker the other day that I think summarizes a lot of people's mood about this election, which says I already hate our next president. We are going to – by the way the latest polls says they actually did come out this morning show this is a two point race. This is a – this is very, very close to being a complete toss up right now, and the next 10 days will decide things. But I'm not going to really talk about politics, I'm going to talk about – we're going to do a politics section in about an hour.

But what I want to talk to you about is the state of the economy, and where I think things are headed, and what has been driving – what are the thrust for growth over the next decade, and what are the things that are impediments. I'm going to get right into it, this is compressing a usual about an hour lecture that I give into 30 minutes. So, I'm going to go through this fairly rapidly, but I think these are important lessons. Let me start by saying this; that if you want to really understand what has happened in the U.S. economy over the last decade you can't really figure it out unless you understand the industry that's really driven growth in such a huge way. In the industry that has really without the spectacular rise of this industry the United States would not have gotten out of the great recession that happened in 2007, 2008, and 2009. Of course, I'm talking about the energy industry, I'm talking about the oil and gas industry. We are living through one of the great energy revivals in the history of this country right now with the shale oil and gas revolution.

It is under appreciated how important – A, how important this has already been, and B, the incredible opportunity we have as a nation to become the energy super power of the world, and I'm not talking about building windmills and solar panels. I'm talking about using our vast amounts now of oil and gas and coal and other resources. So, let me just show you this. This shows you the picture of what I'm talking about. If you look at that orange line that's employment in the United States from 2007 through the end of 2015, and you can see why the Americans are so angry that this has been – that we had a terrible recession, and now we've had a terrible recovery. A very, very slow recovery for the last year by the way even with the new numbers that came out yesterday on GDP, which was a 2.9 percent economic growth is going to come in somewhere around one and a half percent, which is pathetic. It's way, way too low; we should be growing much faster. That's the overall employment picture, and you can see *[audio skip]* for us to recover every lost job during the recession. Then look at the green line, that's what's happened in the oil and gas industry, and you see that without the shale oil and gas revolution Barack Obama never would have been re-elected, and we would have still probably been in a recession had it not been for this unexpected boom.

Now, you can see it tails off obviously, starting in the summer of 2014, employment has actually fallen in the oil and gas industry, and that is because – by the way before I turn the page on this. Can anyone in this room tell me, and you can shout it out if you know, which state in the United States has the lowest unemployment rate? Some people say North Dakota. If you said North Dakota, you are exactly right. North Dakota is an amazing place, I just got back from there about two months ago. I was on the campaign trail and went to North Dakota. It's amazing what's happening in North Dakota even today. I went to this little town of Williston, North Dakota, it used to be a town of wheat farmers, about 3000 people, now there are 30,000 people who live there. I had to spend $359 to stay at a Best Western Hotel, and literally there's nowhere to even stay there because it is so crowded, and there's so much economic development. That's a little bit of a microcosm of what's happened in these oil and gas towns, and so you can see the boom that was created by oil and gas. Now, you can see the dividend that has been paid that we're all enjoying right now, which is as we've seen this huge surge in output in oil and gas production.

Obviously, we all know this from Economics 100 that if you have a huge increase in the supply what happens to the price, it falls. So, the domestic oil and gas industry has almost been a victim of its own success. It is producing so much oil and gas we've seen a 75 percent increase in the last eight years in American oil and gas product that's brought the price way down. So, if you go back to 2014, two years ago, the price of oil was at $105 a barrel, today it's somewhere hovering around $50 a barrel, that's a 55 percent decline in the price of oil. Now, that's a huge windfall for the American economy, I'm not one of these people who believes that a higher oil and gas price is a good thing. No, low oil and gas prices are like a tax cut for the American consumer. I estimate that every penny reduction in the price of gasoline at the pump puts $1 billion more into the hands of American consumers that they can then spend on other things or they can save or they can buy a house or whatever it is. So, this – I estimate that what you're looking out there, that reduction in the price of oil and gas, that is the equivalent of about E150 billion a year tax cut to the American consumer. There is no greater stimulus to that the government could come up with than that fall in energy prices. By the way, it's not just the consumer that benefits.

I'm very big on American manufacturing right now. I think the potential for American come back in automobiles and steel and transportation industries, and so on is huge, and the reason is guess what country today has the lowest price of energy, we do. We have the lowest electricity, electric power cost of any country in the world, because we have so much more coal and natural gas than we thought we did. So, that's a very good news story, it's one of the reasons you should be pro manufacturing. We're making things again in America apparently because of that lower pricing of energy. Before I move on to this I want to make one point. Now, some people in this room, and people around the country – this is a terrible thing, we're producing all this oil and gas and coal, and it's horrible. Because we're going to see more climate change, and we're going emit more greenhouse gas into the environment. That is absolutely not true. Can anybody in this room tell me over the last 10 years – I'm sorry, the last seven or eight years which industrialized country of the 50 largest countries in the world has reduced it's carbon emissions the most?

Yeah, I see this gentleman, the United States of America. The United States. How did that happen? How could that have happened? We didn't do a carbon test. We didn't do the Kyoto Treaty, we didn't do these cap and trade plans that the sanctimonious Europeans have done, and yet we've reduced our carbon emissions more than they have. Anybody know how that happened? Who said natural gas? You're exactly right, sir. So, what we've seen in this country is a major, major increase in the amount of natural gas that we're using. It turns out natural gas is a wonder fuel. It is the fuel we've all been looking for. It is cheap, it's abundant, it's an incredibly reliable source of electricity, it is made in America, and it is clean burning. It emits almost no carbon or other pollutants into the – and by the way carbon dioxide is not a pollution. But other pollutions are reduced by this as well; so this is a good news story. We've reduced our carbon more than any other country. One other just quick thing on this, because I love this story. I just wrote a book on this called *Fueling Freedom*, *Exposing the Mad War on American Energy.* There is a mad war on American energy. There's groups like the Sierra Club, and most environmental green groups have declared war on oil, gas and coal.

One of the points we make in our book is that this country was built on coal. We have 500 years worth of coal, and people say if we shut down our coal that's going to reduce global warming. No, it's not going to, and here's the reason why. In the last three or four years, and I live in Virginia, we're a coal producing state. What's happened in these coal towns is so heartbreaking. Where you used to have vibrant communities, third and fourth generation coal miners, how you have unemployment lines, and people on meth and just dead cities. This is brought to you by people like Barack Obama, and the Democrats who say how much they care about working class people. It's just heartbreaking to see what's happened. But here is what's so insidious about this. Ladies and gentlemen, every time we shut down a coal plan in West Virginia or Wyoming or North Dakota or my home state of Virginia or Ohio, India and China build 10 coal plants. Now, how in the world are we reducing global warming by unilaterally disarming ourselves. So, we ought not do this; we ought to – and here's the good news story about this. Let me just cut to the chase on this, and then I'll move on. If we get this right, and frankly I think Donald Trump has the picture absolutely right, and Hillary Clinton who wants to build 500 million solar panels with taxpayer money that's going to cost $200 billion. Why doesn't she just write a check deal on us for $10 billion right now.

If we get this right, and we produce our fossil fuels, we have the capacity within the next five years not only to become energy independent, and by the way, that probably – I used to say – I've been saying that for years now, and people – at first they were very surprised about that. I'm sure nobody in this room is surprised by that declaration today. So, I'm going to take it a step further and say not only can we be – the United States of America be energy independent, we can be the energy dominant country in the world. We can be the Saudi Arabia, the OPEC of the next century, because we have more oil, gas and coal than any other country in the world. So it's a great news story, we ought to use our resources, not keep them in the ground. I'm going to move on and ask the question; why are people so angry? Why are people so cranky? When I'm in Washington and I do these debates on CNN and Fox and – against these liberals who say everything's so wonderful in America; why are people so cranky. Why aren't they appreciative of all the wonderful things that Barack Obama has done for us. Look, if you live in Washington, D.C. – by the way did you all know that of the five wealthiest counties in the United States three of them are in or around Washington? That's shocking isn't it?

How can three of the five wealthiest counties be in Washington? We don't produce anything. All we do is produce rules and regulations and lobbyist and politicians. We're getting rich off the rest of America, and quite frankly I think Americans are on to that stuff. Why are people so angry? We see these polls, a poll just came out the other day, 70 percent of Americans think we're going in the wrong direction, only 28 percent say we're going in the right direction, and I would say this chart really summarizes in one graph why people are so angry. You look at the blue line that's the so called recovery under Barack Obama. In the last seven and a half years we've grown 14.9 percent, we're growing at a less than a two percent rate of growth during a recovery. This is supposed to be a recovery, you don't grow two percent during a recovery. If you look at the light blue line that shows you the average recovery from the last eight recessions had since the end of World War II. Twenty-nine percent are twice as fast, and if you look at the Regan recovery that's two and a half times faster. So, we've grown at less than two percent under Barack Obama, we grew at four percent under Ronald Regan. By the way, I think there's a very important economic lesson that the nation should learn from this.

Because – how many in this room are old enough to remember 20 percent mortgage interest rates under Carter and double digit inflation? So, the American economy was in ruins at the end of the Carter administration. We all remember this; the stock market had been in complete collapse, and so on. So, when Ronald Regan came into office the American economy was in one of the worst periods since the Great Depression, similarly when Barack Obama came into office the American economy was in one of the worst periods since the Great Depression. So, you have a nice national experiment, because both of them came in during periods of crisis. What makes this an experiment in my opinion as a free market economist so interesting, and we as economist love natural experiments, is these two presidents used completely different approaches to deal with the crisis. Regan came in and what did we do, I say we because I was privileged enough to work two years for the Regan administration, we cut taxes, we deregulated the economy, we got inflation under control by sweating the excess dollars out of the economy, and we – in one sentence remember what Ronald Regan said his philosophy was, remember this during the debate against Carter. Government is not the solution, government is the problem.

That was the overriding philosophy of Regan. Obama had came in and basically his philosophy has been whatever the problem is in America there's a government program to deal with it. So think of what we've lived through, and by the way, it's not just Obama, the last term of Bush was a disaster too. So, we've lived through bailouts of the financial companies, and the auto companies. We've lived through – remember that $850 billion government stimulus plan that was supposed to create all those jobs that the shovel ready projects and so on, that was $850 billion that did not create a single job. Then we had Obamacare, we had three minimum wage increases, we had tax increases on the rich, we had $10 trillion of new debt, which was this massive cainism stimulus plan, and we had the Fed as you all know push about $3-4 trillion of VC money into the economy. So, every single idea at the left, every page of their playbook was thrown at this recession, and look at the results. It created a measly recovery, and that $3.1 trillion number that's what I call the growth gap in America, and that's why Americans are so angry, because they know that we should be $3 trillion richer if we had a Regan style recovery.

By the way, $3 trillion that's the equivalent of losing every ounce of output from Michigan, Ohio and Pennsylvania combined. It's like they've disappeared from the map; that's the equivalent of that growth gap. So, we have to – my point is we have to get back on that high growth trajectory. I hope there's not a single person in this room who believes that the unemployment rate in the country is five percent. It's the biggest lie in Washington. The unemployment rate in this country is not five percent, the unemployment rate is closer to 10 to 12 percent, and of course you know the reason why. When we officially say that – the headline number of five percent does not include the record number of people who've dropped out of the workforce, you all know this. It also doesn't include the people that are being pushed into part time work; they can't find a full time job. In fact, one of the reasons there's so many jobs out there is because people are working two jobs to make one full time payment. By the way, one of the reasons people are being pushed into part time jobs is what? Obamacare. Yeah, Obamacare, basically says if you – anybody know what a 29er is? A 29er is an employer who only hires people for 29 hours a week or less.

Now why would they do that? Because Obamacare says if you hire somebody you have to pay them all of these extra Obamacare cost, and we saw what happened this week where you've seen a 25 percent increase in the premiums. Employers cannot afford that. The other severe problem in the economy right now that I think that Washington is not attentive to is the fact – and I think this is the killer statistic for Hillary, and I think it's the reason she's going to lose, and the Democrats are going to lose. Is it's been 10 years now since the average middle class American has had a pay raise, 10 years without a pay raise. When you see these higher cost of tuition, healthcare cost or Obamacare and so on, Americans are losing real income, and that is a big problem. We're America, we grow, we don't regress, and that's what's happened in the last 10 years. I'm going to skip ahead. I thought you might have a little bit of fun with this one. This also shows – one of my philosophies, and one of the most important things that's going on in the America that people are not paying attention to is we have a competition among the 50 states. That's what makes our country great. We have a 50 state free trade zone in America. We have every state, we're a free trade zone.

Florida can't put up a tear up against goods coming in from Georgia or North Carolina and so on, anybody can move across the state borders, but states have different policies, and they compete with each other. What's going on, to very much over simplify this, but it's not actually much of an over simplification, is that what's happened for the last 10 and 20 years is people are moving from liberal blue states and they're moving to more conservative red states. I mean by red states, states that get the policies right. One of the ways I like to – by the way, I was – what's happening is this flow from the northeast to the south. Day after day after day 1000 people on that are leaving the northeast and the Midwest, and they're going to mostly these southern states. I was in Alabama a couple of months ago talking about the book I wrote on this, and I was in a big auditorium with about 500 people, and I got a little carried away. I said now, what I'm trying to tell you people is that the south will rise again, and these people started dancing in the aisles. This one guy in the back of the room said Mr. Moore do you mean militarily and I said no, you tried that already. But the point is there is a competition, there's a very health economic competition between the states, and the south is winning. The way – just to very quickly speed this up. The way like to summarize this in one chart, and I see some of you taking pictures of these charts. If anyone wants these charts I'm happy to make them available to you, the folks here at the conference have them. So, if you want them to debate your friends and so on they're good to have.

But anyway, the four largest states in the United States are Florida, Texas, California, and New York. What makes this experiment so interesting is that Florida and Texas are the ultimate red states, at least at the state level, and California and New York are the ultimate blue states.

They're deep blue states, you can't get much more liberal than California and New York. If you look at this what's so interesting is look at – by the way, can anybody in this room tell me what is the income tax rate in Florida and Texas? Zero, there is no income tax in Florida and Texas. How many of you live in California and New York? I'm sorry. California and New York; do you know what the highest income tax rate is today California and New York, 13.5 percent. So, you can live in California and New York and pay 13.5 percent income tax or you can life in Florida or Texas and pay zero. Now, this is not complicated right folks. If you have two locations, A, has a high tax rate, and B, has a low tax rate, over time what is going to happen? People are going to move from A to B, this is so not complicated. It's amazing that people don't get this. So, look at the reason – by the way, Florida and Texas are also right to work states, that's a huge – jobs are flowing in enormous numbers in right to work states. California and New York are states that are forced union.

Anyway, to cut to the chase here Florida and Texas over the last decade have gained one million people in domestic migration, those are people who have moved across the border from one state to another. Florida and Texas have gained one million – look at California and New York. The two of them are both almost have lost 1.5 million people in domestic migration. You can understand, by the way, why people might want to live on a – move out of New York right. But California, and this is a slice of heaven. Beautiful beaches, and beautiful mountains, and beautiful weather, and beautiful women; what's not to like about California. Yet, one million – almost 1.3 million people have moved out of that – that's the first time in American history have moved out of California. I was doing a debate with – anybody know who Paul Krugman is; any of you guys know him? He's the chief economist for the New York Times, he's a very liberal guy. Probably the most influential liberal; he's got a Nobel Prize in economics, which says a lot about the Nobel Committee. But he and I debated each other last year in front of 1000 people, and I showed him this graph.

I said, Paul you've got all these philosophies, raise taxes, higher minimum wages, more regulations is going to create a worker's paradise. But I showed him this chart, and I said wait a minute, I don't get it. Florida and Texas do the opposite of what you recommend, and New York and California do exactly what you recommend, and people are leaving New York and California and they're going to Florida and Texas. Explain yourself. Your philosophy this is reveal preference; people don't want to live in the liberal states. He gets up and says it's not surprising with your pea size brain you'd don't understand these things. He said that this is very simple; he said the reason that people are moving from the red states to the blue states – I mean from the blue states – from the north to the south he says is because of the weather. Now, that's not a completely stupid thing to say. Of course, people are going to want to live in places where – like Arizona and places like Fort Lauderdale, Florida, and Myrtle Beach rather than living in Rochester or Rockford, Illinois or Grand Rapids, Michigan note this, but I really zinged him I have to say.

I said Paul, I got up after he said that, I said that's a really interesting thing. I know I'm not as smart as you are. I don't have a Nobel Prize, I don't teach at MIT, I don't write twice a week for the New York Times. I said but there's something that's really puzzling me. I said, Paul if this is all due to the weather can you please explain to me why it is that people are packing their bags, leaving San Diego and moving to Houston. Because nobody moves from San Diego to Houston for the weather, right. He was – he had no response to that. So, my point is this matters. Now, can you show the next – okay showing the next chart I thought you might – as investors might have some interest in this. We do a ranking, this is our out laugh for an eye and I every year where we think that the most growth is going to be. Which states are the most business friendly and investor friendly, and which states are the least, and it's interesting. We've done this for nine straight years. Utah, anybody here from Utah by the way. Utah every year has come out number one. There's something about the Mormons they just get it right. North Carolina's moved way up, the Dakotas, Wyoming, Arizona, those are states that do very well.

But then I thought the most interesting thing. Look at the states at the bottom. These the states with the worst investment climate, and the worst economic climate. My home state of Illinois, Minnesota, California, Connecticut, New Jersey, and New York. How many of you live in one of those states? A lot of you do, and it's just – these states are places where the politicians just quite frankly don't have their trade cables in the upright line position. They just don't understand economic growth. These states on the left are the states you want to be in, the states on the right are the states you want to get rid of. Connecticut by the way is – anybody here from Connecticut. Oh my God, it is disaster what's happening in Connecticut. It's – you have the worst governor in the America. All they want to do is raise taxes. By the way, Californians, one of the things on the ballot this year on November 8th is to make those huge tax increases of Jerry Brown's permanent. If that happens there's going to be one of the biggest exodus out of California you've ever seen. I thought you might be interested in this; red line is overall employment in the United States from 2007 to the end of 2013.

The blue line is employment in Texas, look at that. What that's telling you ladies and gentlemen is the great state of Texas – how many Texans in this room, any? You should be proud, the state of Texas, the great lone star state created more jobs over that six year period than all the other 49 states combined. They got to be doing something right in Texas. I would simply say this that – it's very simple. In fact, I have a piece in the Wall Street Journal in the next couple of days it'll make this point. Hillary represents blue state policies, higher taxes, higher minimum wages, more regulation, less drilling. Trump – this is a little bit of over simplification, but not much, Trump wants to cut taxes, Trump wants to get regulations off the back of business, he doesn't want to raise the minimum wage. He wants to let the states do what they want to do, and so on, and the point I'm making is do we want – because there's been very few elections in my lifetime where you've had amore clear cut case on policy between – they stand for completely different economic visions of America. Hillary wants to make America look more like New York, and Donald Trump wants to make America more like Texas. That's I think what this is all about.

Next chart this is – I just thought I'd show you this, I love this. This is the stock market over the last 50 years; you're all investors here. You wouldn't be here. The blue line is the S&P 500, the green line is the S&P 500 adjusted for inflation. What's so interesting about this if you look back in when I mentioned the 20 percent mortgage interest rates, and the high inflation rate, that period of the '70s look at that green line at the front part of that. The stock market from 1968 through 1982 lost 65 percent of its value in real terms. Can we all agree that's a pretty ferocious bear market when stocks lose two-thirds of their value adjusted for inflation. Then you don't think policy matters, look at that blue line where that 20 year acceleration. What you're looking at there is the greatest period of prosperity and wealth creation in the history of civilization. No country has ever seen anything like what happened in America in the '80s and '90s, and the way I like to put this is the sun finally came out, the clouds finally dispersed, and God gave America Ronald Regan. Those policies – and by the way, I'm not making a partisan point look at under Clinton; look under Bill Clinton. When you had a Republican congress and Bill Clinton – by the way, under Clinton we saw five percentage point reduction in government spending, we saw welfare reform, we saw capital gains.

If I could get a pro market – if I actually thought Hillary Clinton would govern the way Bill Clinton did I would vote for her in a heartbeat. But there's no way she's going to do that. But my point is 15 years those two big dips, what's the first big dip up there, anybody remember? That was the dot com bubble bursting. People have forgotten we lost about $6 trillion of wealth during the dot com bubble bursting, and then you can see after the Bush tax cuts, 2003, 2004, 2005, 2006, and 2007 the economy did very well, and so did the stock market. Then, of course, crash with the real estate bubble, and what you're looking at now is that stock market today adjusted for inflation is really actually no higher today than it was 15 years ago. This truly has been a lost decade and a half. My point is what we need to aspire to in America is to get back on that fast growth path. We can do that; that means we have to get rid of – back to four percent growth, we have to remove the government impediments to growth, and if we do that I believe we can be at the start of one of those huge increases in valuations.

If you put a dollar on the stock market in 1982 it was worth almost $18 by the end of 2000. That's the kind of rocketing stock market and wealth creation we need in this country. Tax rates matter. This is one of my mantras. A lot of my liberal friends don't believe taxes matter. Hillary doesn't think it matters, she says trickle down trumped up economics doesn't work and so on. Here's – Hillary do your history lesson. The orange line there is the highest tax rate in the United States, you can see – anybody remember when it was 70 percent tax rates in the U.S.? Remember that in 1960's and '70s; 70 percent tax rate, Regan came in and cut it from 70 to 50, and then a few years later we got the highest tax rate down to 28 percent. Ladies and gentlemen that's a big deal. It means after tax investors got to keep – see a two-thirds increase in their after-tax income. It's not too surprising when the tax rates came down the stock market went through a huge, huge bull market. But what's so interesting about – look at the green line. That green line is the share of taxes paid by the richest one percent in the United States. That's amazing, isn't it?

The tax rates came down and look at what happened to the share of taxes paid by the rich. These are the evil people in the American economy. The people like Warren Buffett and Bill Gates and Taylor Swift and LeBron James, and terrible people like that. Look what's happened, their share of taxes went up. What this is telling you is if we want to get more revenues into the government we have to create more rich people, they pay most of the taxes. Now, I'm going to show you this is one of my favorite quotes from history, I love this, and it's just something, and we should all take to heart. Every politician in Washington should understand, it comes from John F. Kennedy, one of our great Democratic presidents of recent times. He said this in 1962 shortly before he was assassinated at the New York Economics Club. "It is a paradoxical truth that tax rates are too high today, and tax revenues are too low, and the soundest way to raise the revenues in the long run is to cut the rates now." Isn't that beautiful. How many Democrats today believe that? How many Republicans believe that?

We've got to get back to cutting our tax rates. I'm almost out of town so let me – this is what's happened, one of the reasons the economy's underperforming is because of the tax increases under Obama. This shows what we're going to do under the Trump plan versus Hillary. Hillary wants to raise taxes on small – she says she wants a five percent income tax surcharge on "the rich." Who are these people? If you look at the people in the top one and two percent in income what do they do for a living? Two-thirds of them own, operate or invest in small businesses. Hillary, for goodness sakes how are you going to get more jobs if you're going to tax the very companies that create the jobs in the first place? Really, we have an economy that's so severely underperforming, we're really quite somewhere close to the verge of – in my opinion of a recession, and Hillary Clinton wants to raise taxes by $1.5 trillion. That's craziness, I don't know if any economic philosophy that says that's a good idea. We're going to cut the corporate tax rate, you all know we have the highest corporate rate in the world. Capital gains rate is going to come down, and death tax. Hillary wants a 65 percent death tax, we want to get rid of the death tax entirely.

Remember I have that Steve Forbes philosophy when it comes to the death tax, remember what Steve Forbes used to say about this? "In America, we ought to have a policy that says no taxation without respiration." I think he was exactly right about that. Okay, I'm done so let me just show you one last point. By the way, there's Hillary's flat tax plan, how much money did you make, send it in. Very simple plan, doesn't get much more simple than that. Finally, because I – the time is up I want to show you – I want to make one last point if I may. What's the case for optimism? Because I am an optimist. I think the potential if we get this right is so huge, and it's because we are living in a digital age, and technology is so dramatically changing our world in such a positive way. The way I like to express this is by looking at old technology versus new. Some of you have seen me speak before, have seen this before, but it's an useful lesson, especially for younger people.

What this is measuring is how long did it take a new technology to penetrate, and really hit the average American. So the telephone you see that number 71, what that's telling you is it took 71 years from the time Alexander Graham Bell invented the telephone to the time the average middle class American could afford one. Electricity 50 years, radio is 30 years, TV 20 years. Now look at all the modern stuff; Internet access, iPods, cell phones. What's happening is as soon as these things are invented they're becoming instantly affordable. Even not just in the United States, but around the world. I was in Tanzania a couple of years ago, one of the most remotest villages where people are living like – the greatest people I ever met in my life, but they're living like it's the 16th Century. But you know what they all have cell phones. This is changing the world. So the final point I can make you want to know how the world has changed? Because I always ask these young people how many – when I give lectures on college campus; how many of you have cell phones, they all… How many have Internet? How many of you have iPods? How many – they all have this stuff right.

Then they look at me like duh, of course we have these things, because our kids – I have two millennials so I know this personally. They think living without cell phones, iPhones, iPods, Netflix, all this stuff is like living in a prehistoric era. So this is the last chart I'll show you, but I think it's nicely shows how the world has changed. *[Laughter]* Look at that. What movie is that from? That's Wall Street for those of you who remember, that's Michael Douglas playing the part of Gordon Gecko. That movie was made in '86 or '87, something a little over 25 years ago. Look at that thing he's holding in his hand it's a brick with an antenna coming out of it right. Now, here's the thing that will amaze you. Anybody want to take a guess at what that thing cost in 1987, $4200? By the way, that didn't have GPS system, it didn't have a camera, it didn't have live streaming, it got lousy reception. That cost $4200, and now they damn near give these things away for free. Ladies and gentlemen if we get our policies right, if we just get the government the hell out of the way, United States of America is going to see the biggest boom you ever saw. Thanks very much. Great pleasure to be with you. *[Audience applauds]*

P. J. O'Rourke
"Don't Vote: It Just Encourages The Bastards"

Presenter: So now I'll be introducing P. J. O'Rourke. And after this morning's panel when P.J, took part, I don't believe we need any further introduction. Your program, page – let me see. What a way to be – alphabetical. Who needs a page number?

He has wonderful books, and I hope you've read them all. I've read them all. They're just delightful to read, speaking of great communicators. He has written *Parliament of Horror, Republican Party Reptile, Holidays in Hell, Give War a Chance, Eat the Rich, The CEO of the Sofa*. And on a more serious note *[audio break]* the whole darn thing so you don't have to.

And let's welcome him to the stage now with his title "Don't Vote. It Just Encourages the Bastards, which is a follow on to his earlier recommendation to vote for Hillary, the Devil We Know. So please welcome back P. J. O'Rouke. *[Laughs]* Thank you.

P. J. O'Rouke: Thank you. Yeah, tough year. What can I do? Thank you all for being here. I mean, just thank you, not just being here, but being who you are. For being *[audio break]* because investment defines humanity. I mean, animals don't invest. If a dog has a surplus, he will eat it all up and vomit it, rather than give some of it to another dog in return for shares in the car chasing and the chewing of shoes, right?

Investment defines civilization. Barbarians don't raise money with debt and equity. They raise money by stealing or by *[audio break]* Bashar Al Assad to pay them to bomb hospitals in Syria.

Investment is one of the greatest developments in human history. If it were not for investment, all of the inventors, the manufacturers, all the business people who have brought decent living standards to the four corners of the globe *[audio break]* the way I do by asking my wife.

I am, however, a little daunted at speaking here to you investment wizards, because I don't know about investing. I don't know much about business in general. I was an English major. Or as they call it in business school, stupid. I mean, best investment that I made lately, I left $20.00 in the pocket of this suit coat when I took my family out for breakfast this morning.

I'm probably too stupid to be talking to you, as a matter of fact. But in fairness to myself, I'm not just stupid. I am a student of stupidity. I am a political reporter. I may not be qualified to speak to you about anything intelligent, but I am perfectly qualified to talk to you about politics. We live in a democracy ruled by the people. Fifty percent of people are below average in intelligence – mathematical fact. And that explains everything about the 2016 Presidential election.

And by the way, I am full of rights indignation about this election, because I am a political satirist, and this election is totally self-satirizing. I'm a political humorist and I cannot be funnier than Hillary's pants suits.

And I am a political commentator. I can't get in a word edgewise with Donald Trump interrupting all the time. So I'm not only full of rights indignation, I'm unemployed.

So the 2016 Presidential election, time to panic. It is absolutely just time to panic. I know the first lesson that you investors are supposed to learn is don't panic, stand to your plan, stay calm, be cool. To hell with it. To hell with me. I mean, if ever there was a moment of flip out and get hysterical, this is it. I mean, the 2016 election, this thing is in a death spiral. I mean, Donald Trump, he's been out there shooting himself in the foot while his foot is in his mouth and God knows where his hands are.

Hillary Clinton, she is on record as being willing to say and do anything – anything – to gain the kind of absolute political power in America that nobody's had since King George III. I mean, anything. She'll do anything. She'll go into a beauty pageant dressing room alone with Billy Bush and Donald Trump. I mean, she'll do anything to get elected.

I mean, things could, on election day, they could go as wrong as things can go, because there is nothing that has happened in this election cycle that indicates that things can't go that wrong. I mean, one political party could wind up in control of all three branches of the U.S. government – the executive branch, both houses of the legislative branch, and what with Elizabeth Warren and Gloria Steinem bucking for appointments on the Supreme Court, judicial branch as well, right? I mean, hell, with Roger Ailes out, the Democrats could take over the fourth branch of government, which is Fox News.

One party state – one party state. This is what we're going to get. And one party state, there go your checks, except for the big checks you'll be sending to the IRS. It'll go in your balances especially the balances in your investment accounts.

How bad can things get? Bad – really, really bad. How high can Federal income taxes go? Well, in 1954, Federal tax rates for income over $200,000.00 was 91 percent. That was what happens with a one-party state. And never mind that 1954, the one party was supposed to be pro business. Ike was president. Republicans have majorities in this Senate and the House of Representatives – 91 percent.

How bad can inflation get? In Germany, during 1921 and 1922, the inflation rate was in the tens of thousands of percent per month – per month. And that was Germans – Germans – smart central bankers in an industrially-developed country. I mean, inflation has been lots worse in third world countries. And judging by the kind of election we've been having, America is turning into one.

In my office, I have framed on the wall, I've got a little reminder of what can happen with government controlled fiat money. It's a Zimbabwe bank note for, I kid you not, $100 trillion – bank note for $100 trillion. Now, if you've got one of those when it was issued, you could, if you rush quickly, get to a bar and buy a beer with it - $100 trillion.

How lousy could the Supreme Court get? Well, it has been lousy before. I mean, right up until 1864, the Supreme Court ruled that slavery was Constitutional. Right up until 1954, the Supreme Court ruled the Jim Crow laws were legal. And with Elizabeth Warren on the Court, you could be the next Jim Crow. I mean, if you get caught crowing that you make more than the median income in the United States.

I mean, or what else could be worse even in discrimination. I mean, Victoria, the Supreme Court, it once upheld the Virginia Sterilization Act of 1924. The Virginia Sterilization Act of 1924 let Virginia force so-called undesirables, now known as basket of deplorables, to be operated on to keep them from having babies. And famed Supreme Court Justice Oliver Wendell Holmes, Junior, he voted with the majority. He said three generations of idiots are enough. I am glad he never met my family.

We're going to get a Supreme Court that will let the Federal government do what it damn well pleases. I mean, even the supposedly conservative Supreme Court of President Obama's first term ruled that the government could make us all buy health insurance. I mean, what will the government all make us buy next? Maybe we'll all have to buy a cat.

Now, I've got three large hunting dogs who love to chase things. I mean, my house is going to be a wreck. And also, my three large dogs are largely toothless. And when they catch the cat, the cat's going to rip them to shred. My vet bills will be through the roof. Although, by then, of course, President Hillary will have passed the Affordable Veterinary Care Act and we'll all have to buy pet care insurance.

If the government can force us to buy things, then the government can also force us to sell things. The Gold Reserve Act of January 30, 1934 required every individual in America to surrender all of his or her gold and gold certificates to the U.S. Treasury. And then the U.S. Treasury paid with paper currency, of course, paid $20.67 per ounce. That in modern money, that is about $372.41, which is about one-third the current spot price of gold.

And in this government confiscation of gold, this was not reversed until 1975. I mean, I recommend that if you own gold, you had better turned it into dental fillings and tooth caps.

`Because the government won't go around prying teeth out of people's mouths. Or will it? *[Laughs]* We'll find out when President Hillary passed the Affordable Dental Care Act.

But we don't need anymore Affordable Care Acts, because all medical treatment of every kind will be completely free in the new one-party state. How will doctors get paid? Well, the answer is poorly. Won't this cause a doctor shortage? No, no. The government will swiftly call into service alternative medicine practitioners – herbalists and homeopaths and phrenologists and tribal shamans and yoga instructors. So get ready to have your appendix by an aroma therapist cutting open your abdomen with the sharp edge of a healing crystal.

But I tell you something, this election was a mess right from the get-go. We started out with, what was it, about 110 presidential candidates? I mean, who were these jack legs, these high binders, wire pullers, Montebanks, swell head, bunkem spigots, boodle artists, floor flushers, and animated spittoons offering themselves as worth of America's highest office. I mean, did they take us voters for fools? Well, of course they did. But were they also deluded? Were they also insane? Were they receiving radio broadcasts on their dentures telling them that they should be President?

So finally the American public, rather heroically, I think, managed to narrow it down to five – to Cruz, Clinton, Kasich, Sanders, and Trump. Cruz, Clinton, Kasich, Sanders, and Trump – that is not a list of presidential candidates. That is the worst law firm in the world. That is a law firm that couldn't get Caitlyn Jenner off on a charge of Bruce Jenner identity theft.

I mean, has the Office of the Presidency diminished in stature until it attracts only the *[audio break]* or have our politicians shrunk until none of them can pass the carnival test you must be taller than the clown to run for President?

Back when all this began, it seemed to me pretty much as if the two candidates would, inevitably, be Jeb Bush and Hillary Clinton. And I trembled for my country, because members of the electric would go into the voting *[audio break]* and Clinton and think to themselves, "Gosh, I'm getting forgetful. I did this already."

And they'd leave without marking the ballot. Voter turn out to be six percent. The shuttle from the old age home would send a few senile Republicans to the polls. A Democratic national committee bus would collect some derelicts from Skid Row. And we would have the first President of the United States selected by a franchise limited to sufferers from Alzheimer's disease and drunken bumps.

I mean, what happened to Jeb Bush? What happened to Jeb Bush. I mean, Jeb had it all. His young – for a Republican – a Phi Beta Kaapa, successful businessman, the former governor of Florida, where balloting incompetence and corruption are vital to the GOP. Plus, he was rolling like a dirty dog in campaign contributions. And then it just all went wrong.

And it turned out that even Hillary, even Hillary didn't have a lock on her nomination. Hillary faced the challenge from, of all people, the screwy, kablooy, command *[audio break]* Bernie Sanders.

Bernie's a Socialist. Define Socialist. A Socialist is not just somebody who thinks it's okay to steal things. He thinks that's a blessing. Bernie believes that swiping your flat screen TV and giving it to a family of pill addicts in the backwoods of Vermont is a good deed.

Bernie claims he wants to make America more like Europe. Great idea, because Europe has had a swell track record for over 100 years now – just fabulous. I mean, ever since Arch Duke Ferdinand's car got a flat in Sarajevo in 1914. Make America more like Europe? Where do you even go to get all the Nazis and Commies and 90 million dead people that it would take to make America more like America?

And yet, in a way, we can see what Bernie's appeal was compared to Hillary. I mean, Hillary carries more baggage than the Boeing she used as Secretary of State visiting every country that later blew up in her face in her quest to fulfill the mission of the U.S. Secretary of State, which is to accumulate frequent flyer miles. She had Julian Assange set up – this is her State Department email server. She put the Dalai Lama on security duty at the U.S. Consolate in Bengazi.

Geopolitical conflicts of interest of the Clinton Foundation, they are so large, they have to be weighed on Chris Christy's bathroom scale. And at any moment, her ferret of a husband might slip his lease and get up to old tricks running up the pant leg of young interns.

Now, let's be fair. On the upside, Hillary is familiar with the White House. She knows where the extra toilet paper is stored, where the spare key is to the new missile launch briefcase, where that's hidden. It's on the Truman balcony, second pillar from the left.

And that leaves us with Donald Trump. Now, despite what I've said this morning, I decided I'm supporting Donald Trump. I'm supporting Donald Trump because of something the great political satirist H.L. Mencken said. Mencken said, "Democracy is the theory that the common people know what they want and deserve to get it good and hard."

Trump's chief domestic policy goal will be to on TV. He really likes to be on TV. And as President, Trump will get to be on TV all the time – 24/7. But it might not be such a bad thing. Because just spraying his hair during commercial breaks should keep Trump too busy to push any other bird brain domestic policy goals.

And Trump can yell, "You're fired," all he wants. It's going to make for a healthy turnover in Trump Cabinet appointees, since Dennis Rodman and Larry King and Vince McMahon. Plus, Trump understands the American economy. He'll grow America's economy the same way he grew his economy, with bad debt, bad debt, bad debt, more bad debt.

America's average household debt is now more than $225,000.00. And Trump has restructured $3.5 billion of his business debt and $900 million of his personal debt – restructured being the Trump way of saying that he didn't pay it. And we Americans know a leader where we see one.

Then you got to imagine Trump's foreign policy. Now, here's a guy who's under the illusion he's about ten times richer than he actually is, who believes President Obama was born in Karjackistan to the Queen of Sheba and raised by lima-assist wolves in remote forests of Harvard Law School. The last part might be true.

But Russia and China, Iran, ISIS, the Taliban, and Hamas, they're going to be paralyzed with fear. Who knows what this lunatic is going to do. Well, what he'll do is build hundreds of Trump casinos, Trump hotel, and Trump resorts in *[audio break]* Miran, Rocka, Kandahara, and the Gaza strip. And then all of them will go bankrupt the way Trump Taj Mahal, Trump Plaza Hotel, and Trump Entertainment Resorts did.

Trump's going to leave Russia trying to palm off eastern Ukraine on angry bondholders and China auctioning distressed property n the Spratly Islands. Hell, this might work.

Did you watch the debates? Were you able to make yourself do that? Hillary, it's just like biomechanical – worse than that, really. I mean, calling Hillary a robot is kind of an insult to androids. I mean, she's more like somebody trapped in a Hillary Halloween Trick-or-Treat outfit. It's like one of those creeps in Times Square trapped inside a Hillary costume, pestering tourists for small change.

If you peer at the mask, you can see this little panicked, furtive eyes darting around inside the eye holes. It's a cry for help, you know what I mean? "Get me out of here." And get her out of here is what the nation should do.

Meanwhile, Trump, Trump's the guy from the mailroom who somehow wound up with a job interview for national sales manager. Now, if you promote him, it's going to be a disaster. But if you leave him the mail room, he's going to take his pants down, sit on the Xerox machine, and fax the results to all of your customers, right?

We have two parties in this country. We have got the stupid party and the silly party. Now, as I mentioned, I'm stupid, so I vote for the stupid party. I'm a Republican. I vote Republican, because Republicans have fewer ideas.

But not fewer enough, not few enough. Homeland Security, the Iraq War, No Child Left Behind – no child left behind. What if they deserve to be left behind? What if they deserver a smack on the behind?

Nationwide testing program to determine whether kids are what? Dumb? You've got kids. Kids are dumb. Now, Democrats, Democrats say government can make us richer and smarter and taller, with a better healthcare insurance policy and ten strokes off our golf game. The Republicans say government doesn't work, and then they get elected and they prove it. Democrats say we don't know what's wrong with capitalism, but we can fix it. The Republicans say there's nothing wrong with capitalism and we can fix that.

Now, some people think politicians don't accomplish anything, because of partisan political bickering. No, no. We want them to bicker. We want them to bicker. The two most frightening words in Washington are bi-partisan consensus. Bi-partisan consensus – that's like when my doctor and my lawyer agree with my wife that I need help.

People say, "Oh, America is so polarized." Well, no, we're not, No, we're not. 1861, that was polarized. And I'm not seeing Fort Sumter taking any incoming at the moment. America's not polarized. We're just split on some issues. Half of Americans want more social services that other people will pay for, and half of Americans is other people.

Damn it, I'm a libertarian. I'm a libertarian. Well, okay, maybe not a capital L libertarian, because I can't say that the capital L libertarian party is making the kind of impact you'd expect in an election where the two major party candidates are so unpopular they seem to be engaged in a competition to see who can get unfriended most on Facebook.

I mean, I like Gary Johnson and Bill Weld. I wouldn't even surprise myself if I end up voting for them, but Johnson does seem if maybe sort of like you not only legalized but also utilized a certain recreational substance. Also, he thinks Aleppo is a brand of dog food.

And I am not at all sure what a former moderate Republican is doing on a libertarian slate, but Bill Weld does like to have a good time. And maybe he thinks running for vice president will get him invited to cocktail parties.

So Gary Johnson and Bill Weld, I'm thinking of it as the toke and tickle ticket. But anyway, I am a serious small L libertarian. I want all politics to go away. Libertarianism is not a political philosophy. Libertarianism is an anti-political philosophy. Libertarians don't want to fix politics. Well, I take that back. We do want to fix politics, the way you'd fix a cat, the way you would spay a dog, the way you would castrate a dangerous bull.

We libertarians mean to tame these political SOBs. We are going to teach them not to beg at the table, teach them not to bark at the moon, teach them to quit licking each other's you know what. We're going to teach politicians to heel. We're going to teach politicians to come when they're called. And more important, we're going to teach them the meaning of "down, boy," and watch them scurry away with their tails between their legs when we holler, "Get."

We're going to teach politicians domestic policy. Stay off the furniture. No politics on my bed. We're going to teach them foreign policy. Stop making messes on other people's lawns. We're going to teach them to roll over and play dead, because we're going to teach them term limits. When we toss our political power to a politician, that politician is going to bring our political power right back here and drop it at our feet and, "Good, boy, now get back in your kennel."

Or such is the fervent hope and dream of every libertarian. But I am afraid that that program is going to take a while. And in the meantime, we have got politics as usual. Like I was saying, we've got bi-partisan consensus.

In fact, bi-partisan consensus happens all the time. Because all politician, Democrats and Republicans alike, want government to solve every one of the world's problems, from curing cancer to getting the Kardashians off TV. They want government to do this. Government can't run a post office. I mean, government has trouble figuring out where mail goes, and mail has gotten our address right on the front of it.

Government's solving all the world's problems. This is expensive. And it's not just a "I don't want to pay more taxes personally." It is the big picture that gets me. America's gross domestic products, an excess of $14 trillion a year, America's combined Federal, state, and local government spending is $5.8 trillion a year. That's 40 percent of GDP. Government is spending 40 percent of our money. Ought to be enough.

I mean, if you're giving your college kid 40 percent of your income for an allowance should hold them till the end of the semester. Government is spending 40 percent of our money. Is government doing 40 percent of our work? Is government doing 40 percent of our laundry? I mean, if we go out over to Bourbon Street, is government tending bar, making sure that four out of ten hurricanes are on the house? When my spouse is feeling romantic and I'm tired, does government come over to my house and take care of foreplay? Actually, if Bill Clinton gets back to Washington, it could happen.

Not one of the enumerable presidential candidates whose interminable campaigns we have had to endure over the past two years has had a single word to say about the most important issues facing our nation – not a word. Not a word about national debt, the Federal deficit, or the infinite and infinitely expanding size and scope of government.

Well, Rand Paul was a minor exception, but as it turned out, Rand Paul was also a minor candidate. And I'll give you an example of government size that I just came across the other day. I was writing something about Federal poverty programs. And I wanted to know how many Federal poverty programs there were. And I went to the House of Representatives Budget Committee's website.

And this is what I found, and I quote word for word. Quote: "There are at least 92 Federal programs to help lower-income Americans." Let me emphasize that – "at least." There are so many Federal poverty programs that even the House of Representatives Budget Committee, run by Republicans, doesn't know exactly how many Federal poverty programs there are.

And I'll give you an example of government spending, one that's been around forever – Social Security. There is no money in the Social Security trust fund. And there never was. Because money is a government IOU. And the government can't create a trust fund by saying its own IOUs, any more than I was able to create a trust fund for myself by writing "I get a chunk of money when I turn 21" on a piece of paper.

Well, Social Security is just such a piece of paper, except it says I get a chunk of money when I turn 65. The government promises. Consult American Indians for a further discussion of government promises.

Politicians work themselves into a lather proving the benefits of government spending. Using that politician logic, I can prove anything. I can prove anything. I can prove that shooting convenience store clerks stimulates the economy. See, jobs are created in the high-paying domestic manufacturing sector at gun and ammunition factories. Additional emergency medical technicians, security guards, healthcare providers, and morticians are hired. The unemployment rate is lowered as job seekers fill new openings on convenient store night shifts. And money stolen from convenient store cash registers stimulates the economy where stimulus is most needed – in low-income neighborhoods, where the people who shoot convenient store clerks go to buy their crack. I mean, considering all the good that it does. I am simply flabbergasted that everyone in the House and Senate isn't smoking crack and shooting convenient stores this very minute.

And then there is the problem of political corruption. And I don't mean political corruption in the sense of politicians on the take, per se, although in the case of the Clinton Foundation, I do mean politicians on the take, per se. But what I'm really talking about here is the bigger problem, the problem that political corruption is a law of economics. When buying and selling are controlled by legislation, the first things that get bought and sold are legislators, simple as that.

And if anyone knows all there is to know about buying power and selling influence, it is the next President of the United States, whether that next president is a Trump or is a Clinton. But I tell you, I feel bad here. I feel like I'm being kind of a bring-down. I'm afraid I might be worrying you, and I don't want to worry you. I don't want to worry you. Because bad as things are, and bad as they are going to get – and they're going to get a lot worse – there still is always hope for investors in the free market – always hope – for a while anyway.

So I mean, politicians are not, no matter who, even if Clinton is elected, they're not going to take away all your investment opportunities, because, well – Ronald Reagan used to tell a joke about the way politicians treat investors. He said it was like the way the farmer treated the pig.

See, a traveling salesman is staying overnight with a farm family. When the family sits down to eat, the salesman notices there's a pig having dinner with them, seated right at the table. And the pig has three medals around his neck and a peg leg. And the salesman's a little taken aback. The salesman says, "Pig right now at the table having dinner with you."

"Yep," says the farmer. "That's 'cause he's a very special pig. You see those medals around his neck? Well, the first medal, that's from when our youngest son fell in the pond and he was drowning, and that pig swam out and saved his life. And the second medal, now, that's from when the barn caught fire and our little daughter was trapped in there. And that pig ran inside, carried her out, and saved her life. And the third medal? That's from when our oldest boy, he was cornered in the stockyard by a mean bull. And that pig ran under the fence and bit the bull on the tail and distracted the bull and saved the boy's life."

The salesman says, "Yeah, I can see why you let that pig sit right here with you at the table. And I can see why you awarded him the medals. But how did he get the peg leg?" "Well," says the farmer, "a pig like that, you don't eat him all at once."

Okay, thank you. We got some time for some Q&A. I think we do have some time for some Q&A. I don't have any answers, but I'm hoping you have questions. I mean, I just told you everything I know, but I could make some other stuff if you want. Somebody out there must have a question.

No? No questions at all? Come on. Some inquiring minds – sir, right there in the third row.

Audience: How do we fix it?

P. J. O'Rourke: How do we fix it? How do we fix it? We can't. That's the big news. We can't fix it. But it can fix itself. And you know how it can fix itself? By having a horrible crisis. No matter which of these two characters get elected President, they are going to be disastrous as presidents. And that is going to cause a shake up.

Now, the trouble with this is – I mean, it's like Social Security. The only time – Social Security will not get fixed until it is absolutely flat out broke and you go down to take your Social Security check. And I'm of an age to get one too. You go down to the bank and they laugh at you when you try to deposit that. When that happens, Social Security will finally get fixed.

We don't want to wish for a crisis, but the truth is that only a full-blown crisis is going to fix the American political system. And it is my sincere hope that in the wake of this election that there is going to be a split in both parties and that the nuttier elements of both parties will go back to the trailer parks where they live and stay there. But first we'll have to go through a lot of ugly stuff.

Someone else, please. Yeah. It's interesting, a lot of life is picking the right enemies. And the only thing that – Russia's a really good enemy to pick. I'm actually all for Russia being the villain of the day, because it's a broke villain. They are coming apart over there. Their economy is just coming to bits over there. And it would take a huge, huge and very unlikely rise in the price of oil to put them back on any kind of sound financial footing.

The other thing is that they – it's not just their economy, but there's all sorts of social statistics in Russia that are really unpleasant. Life expectancy if falling in Russia. It's the only developed country in the world where life expectancy is going steadily downwards, particularly for me, mostly having to do with alcoholism.

Their country's population is actually, especially if you leave aside their version of illegal immigration, their population is going downward. This is a power in decline. So if we're going to have an enemy, let's not have a power on the rise. Better Russia is an enemy than China as an enemy.

The problem of course being nukes. I mean, if things get really bad for them, do they unleash the nukes? I'm hoping, A, that Russia will be so screwed up by then that they won't work, and, B, no, Putin's an evil man, but he seems to be a rational player.

I am personally more worried about China. But China is *[audio break]* China has got a lot of surface glitter and a lot of surface power and a lot of surface sophisticated, but if you go just 40 miles outside any of the major cities, you are in another millennium. I mean, things have not changed out there since the Tang Dynasty. China's got a long, long way to go before this. But to get back to Russia, I think we're picking the right enemy there.

Sir?

Audience: Question for audience.

P. J. O'Rourke: Yeah, I mean, 5th grade – I mean, as Charles Krauthammer pointed out earlier, would the Trump got up to 5th grade level? I mean, for those of you – and most of you probably have who have had toddlers in your life. I mean, he sees at a toddler level. But yes, Trump is very effective. And really, what he's most effective at is not speaking at all. I mean, he's really brilliant when he keeps his mouth – I mean, I think he'd be 15, 20 points ahead if he had never said a another word, except, "Hey, hey, everybody, I love being here. it's the place."

So the last day, the night before, day before, whatever, of the New Hampshire primary, I'm doing a piece on the New Hampshire primary, and for BBC Radio, of all things. And I take my 16-year-old daughter with me as my grip. It's me, the radio producer, and I said, "You want to come along? And I'll get you a press pass. You can come along."

So we book end of the day. We went to see a lot of candidates do a lot of junk. But we book end of the day. We began the day with Hillary Clinton. And we book ended the day with Donald Trump. Let me tell you the contrast in the rallies. Not the people so much who were at the rallies – it's New Hampshire. Everybody pretty much looks alike, they got so much clothes on. You can't tell them apart. And we have zero diversity. I mean, we do have prejudice in New Hampshire, but it's against French Canadians, 'cause that's all we have.

So in the morning, we go to Hillary's rally, which is held in the combination café and auditorium at the Manchester junior college. And it's one of those junior colleges it was built out of concrete blocks in the 1970s. And you look at this building and you go only because – the amount of flood lighting and the amount of concertina wire could tell you whether this is a minimum security, Federal prison, or a self-storage unit, or a junior college.

So we go into this incredibly depressing building with the fluorescent lighting flickering. And Hillary gets up in her rally, which starts at like 9:00 in the morning. It's freezing cold. And she just starts droning. People say, "Boy, she is a mastery of detail." She's got a mastery of nothing but detail. It's all detail. And it's all in the same tone of voice. This is woman – she's so boring.

I'm looking at my 16-year-old. She's just like – I mean, this is a woman who could be giving away puppies to six-year-olds and make it boring. The kids would be going, "Oh, I don't know, I don't think so." *[Laughs]* It's like, "Dad, can we go home?" *[Laughs]* It's like how is this mind numbing? I have no idea. Even if I had given a damn what Hillary thinks about anything, I wouldn't have – but I was trying to report this, so I was trying to pay attention. I just couldn't do it.

Trump's rally that night is at the sports arena. And you go into the sports arena. And the sports arena is filled with people, and they're all having a great time. And the music is blaring. There are flags flying. And I got to tell you one thing about Trump is that he's got great – especially for a guy in his sixties like myself, and I think I'm a year younger than Trump – he's got a killer taste in '60s, '70s rock and roll. It's all the stuff I love. And it's like – not Rolling Stones, but not Rolling Stones that you hear all the time, like "Start Me Up," but stuff from like 12 by 5.

I mean, great old Rolling Stones. And he's blaring this music and people are hugging each other and flags are flying. And he comes out and he waves at the crowd. And when he goes back, my daughter says, "But Dad, he didn't say anything." And I said, "Yes, bonus."

Brilliant. It was but just a contrast between the two venues and the two crowds, the enthusiasm they got from that. So yes, it's better than a 5th grade level. Speak not at all.

Audience: Question from audience.

P. J. O'Rourke: Well, I think part of is the terrible process that people have to go through as presidents, their faces. If you see the before and people of people – except for George W. Bush – looks exactly the same when he became President, after he left office. *[Laughs]* But most Presidents age horribly in office. Like Jimmy Carter aged about 60 years in that brief four. And yeah, Obama getting gaunter and grayer. And they're having kind of a pretty bad barber at the White House. Yes, it makes it ears stick out more. He does look like Alfred E. Neuman It's sort of sad.

Gosh. I mean, nice kid, I think. I mean, but spent too much time at college and really never had a job. It's kind of performance like – yeah, I can't bring my – I don't hate him the way I hate Hillary. Because there's not enough there to hate, really. You know what I mean? I mean, it's like – he irks me.

The way I feel about Obama, I think a lot of you people will remember the same situation. Remember when you were taking that freshman survey course that you had to take for a required course in college? Like they required that you have like two courses in science, even though you couldn't understand science, didn't care about science?

I was taking rocks for jocks. And it's like one of those auditorium classes. There's like 200 kids in the class. And you got this pissed off graduate student teaching it. He is so angry that you are not interested in geology. He knows perfectly well how you feel about geology. How you feel about geology is that you have got the frat house's test from last year and the test never changes. *[Laughs]* And you've got that test tucked into your back pocket.

And he's mad about it, so mad that he actually, even though this class meets at, like freshman classes do, 8:00 on Monday morning, he takes attendance even though there are 200 people in there. That's Obama. Every time he comes on television, you know you're going to get scolded, because you're just not up to his standard of Harvard Law School or whatever.

Whereas Hillary is evil – evil. I mean, it's just evil. It's greed, the scent of greed, except that she's not – we're all greedy, or we wouldn't be here, right? But we're greedy for money. And money is not zero sum. The money that we make, if we make it lawfully, the money that we make, doesn't leave any less money for anybody else.

Being an investor is about creativity, of making things, making more of stuff. Wealth is not a pizza, where if I have too many slices, you have to eat the Domino's box. We make money by making more pizza.

Hillary is greedy – obviously, she's greedy for money too. I mean, there's no doubt about that. But I'll give her a pass on that. She's greedy for power. And power is zero sum. Power you have over me is power I don't have over myself. Power is zero sum. And when people are greedy for power – I don't care how ambitious people are – people can be crazy ambitious and want to be the biggest rock and roll star, biggest rap star in the entire world. Fine, there's always room for one more rap star, one more rock and roll star, whatever – one more famous – Brad and Angelina broken up. There's room for another famous couple. And if you want to be that, fine.

I don't care what people are greedy for, except power. When people are greedy for power, I get creeped out. And she is all about the greed for power.

Audience: Question from audience.

P. J. O'Rourke: Well, it's different for different situations. Why are college professors so liberal? Because they're my age. The heads of departments and the people who see else get hired and then gets tenure, they're all my age. And I'm a '60s kid. I'm college class from 1969. I was right in the thick of that. And we were idiots. We were, you may well remember or you may have been one yourself – I mean, we were just idiots. It was like you think these kids, the millennials are bad today, they got nothing on us.

I mean, honestly, we were so weird, we used up all weird. We used up all the weird. And then when it came through that natural – kids nowadays, when they go through that natural adolescent thing, where they have to be rebellious and weird, they had to pierce their lips and get all these painful tattoos and stuff, because we used up all the weird. We wore all the weird clothes. We had all the weird haircuts, weird slang, weird drugs. We used it all. And there was none left.

So anyway, we were a horrible, horrible generation. Most of us got over it, thank God. Those who didn't are still at college.

So that explains academia. Journalism is a different thing. Journalism got academic. It got academicized, or however one would go on to – however one would say that. Well, I'm old enough that when I first started in journalism, it was still a blue-collared trade.

I'm a mick. I come from Toledo, Ohio, from the Rust Belt. I come out of a blue-collar background. Okay, reporters used to be craftspeople. What they did was like, okay, you're growing up in a blue-collar environment, blue-collar ethnic environment. You like to read. You don't want to get up early in the morning and lift heavy stuff. You got two choices. You can be a newspaper reporter or a priest. So you're going like whiskey and women, or just whiskey?

Or as it turned out, whiskey and boys.

But anyway, a lot of us are going, "Yeah, whiskey and women, and free hockey tickets." So it was a craft. It was a craft like any other. Things happened, and you could go on the other side of the police line and look at that stuff. And you wrote it down. "A horrible car crash, oh, my gosh. You wouldn't want to see a thing like this. Car crashes are bad."

But then people started to go to journalism school. And I blame it all on the movie All The President's Men. Because all of these little world-saving twerps who were going to go into the Peace Corps decided, no, they would become journalists and they would tell truth to power. And so they went to journalism school, something I didn't even know existed. The way you got a job as a reporter when I was young was the same way Jimmy Olsen in Superman got it. You hung around the newspaper office until you got to be a cover reporter. And then you started out writing deaths elsewhere and you gradually moved up the ladder until you covered fires and crime and stuff, and other fun things.

So anyway, the whole trade of journalism turned into the profession of journalism, which is complete BS. And so that explains those two.

Then the third area of untrammeled liberalism is entertainment. And the reason for that is the leftist, fundamental left, belief is that deep down inside, people are good. Whereas the fundamental conservative belief is that deep down inside, people are rotten. And I was a foreign correspondent for 20 years. I covered any number of wars and rebellions and stuff like that. And I will tell you, deep down inside, people are rotten.

But an entertainer has to have the audience love him. So he has to have that deep leftist kind of belief that secretly people are good. Because he's trying to get that love from the audience. So this is why. There are expectations, of course, in all three fields, but that's the general reason.

They got the hook out, yanking me out here yet? I don't even know what time it is. We got time for one more question, I would hope?

Audience: Question from audience.

P. J. O'Rourke: Yes, sir?

Audience: Question from audience.

P. J. O'Rourke: It would be great. I mean, in that respect, I do support Trump, because, boy, the media got it coming. And I also think a lot of people who basically support Trump support him on the basis of Washington's got this coming.

But yeah, they would just be – I don't know, they'd be falling apart, trying to explain this away. And so it would be really good. It would be a big dose of some medicine they need, applied in an old fashion way. And Trump would provide the orifice. *[Laughs]* So I think it would be good.

Well, thank you all very much.

Chris Powell
"Gold Market Manipulation Update"

Moderator: Now I'd like to introduce our first regular general session speaker, Chris Powell. His topic is "Gold Market Manipulation Update." Chris Powell is managing editor of the Journal Enquirer in Manchester, Connecticut, where he has worked since 1967. His political columns are published in a dozen newspapers in Connecticut and Rhode Island. He and LeMetropoleCafe.com proprietor Bill Murphy founded the Gold Anti-Trust Action Committee in 1999 to expose manipulation of the gold market. So at this time, we want Mr. Powell to come forward and give us the latest insights on the sub-rosa activities going on in the gold market. Chris?

Chris Powell: Thank you, Bob. Since 1999, the Gold Anti-Trust Action Committee has been trying to get the financial industry, the mining industry, and mainstream financial news organizations to acknowledge that the gold market is aggressively manipulated by governments and central banks to protect their currencies and bonds against competition from a potentially superior currency and store of value. 2016 seems to have been the year when respectable people in the financial industry gave up on disputing this. Not that the GATA still isn't disparaged, rather respectable people in the financial industry have gone from denying that the gold market is manipulated to dismissing complaints of gold market manipulation because they say all markets are manipulated.

Of course, this response is an evasion. It fails to address the specifics and purposes of the manipulation of the gold market. That is, are all markets manipulated nearly every day by the surreptitious sale by governments and central banks of massive amounts of imaginary product? Are all markets manipulated every day so that the developed world can expropriate the resources of the developing world? Respectable people in the financial industry still find such issues politically incorrect; very bad for business. To avoid these issues, some of these respectable people even assert that central banks don't matter, even though central banks are authorized to create infinite money and deploy it in secret on a patronage basis making them the most powerful institutions in the world.

But the evidence of market rigging that has been exposed this year makes it easy to understand the transition from gold isn't manipulated to everything is manipulated. For example, in the class action anti-trust lawsuits brought in federal court in New York against the investment banks that operated the daily gold and silver price fixings in London, Deutsche Bank effectively confessed to manipulating the gold and silver markets, agreeing to pay $38 million dollars in damages and to provide evidence against the other defendant banks. The judge authorized the lawsuits to proceed to the discovery and deposition stage where a production of evidence is mandatory. So now the case may get very interesting. The production of evidence may reveal more government involvement with the banks that run the gold market.

A study published in July by a finance professor at the University of Western Australia, Dirk Baur, concluded that as GATA long has maintained, central banks rigged the gold market primarily through their leasing of gold, their creation of imaginary gold. This leasing vastly inflates what the world mistakenly understands to be its gold supply and thus suppresses the price. While gold's advocates like to say that you can't print gold, in effect, central banks print massive amounts of it. And while it is imaginary gold, people still accept it. Professor Baur's study is posted at GATA's internet site.

In August, JP Morgan Chase's Chief of Quantitative and Derivative Strategy, Marko Kolanovic, issued a report asserting that the rise in stock markets after the United Kingdom's vote to withdraw from the European Union was caused by central bank intervention. In January, a review of former Secretary of State Hilary Clinton's email correspondence, released by the State Department, disclosed an email from her political advisor, Sidney Blumenthal, asserting that France decided to overthrow the Libyan dictator, Muammar Gaddafi, to thwart his plan to use gold and silver to underwrite a new Pan-African currency.

In March, GATA consultant Robert Lambourne disclosed that the annual report of the bank financial settlements showed that the BIS, which had gotten out of the gold swap business, had returned to gold swapping in a big way. This signified that central banks lately had been moving gold around desperately to apply it where they believed its price most needs suppressing.

In August, the Netherlands Central Bank refused the request of gold researcher Koos Jansen to publish its gold bar list. This month, Austria's central bank, which had publicized its plan to audit its gold reserve, refused Jansen's request to publish its gold bar list and the audit. I mean, what good is an audit if you can't see it?

In recent year, the International Monetary Fund has boasted of increasing its transparency of its gold operation, but in September, gold researcher Ronan Manly reported that the IMF had refused to give him access to the records of those supposedly transparent transactions. These refusals, by the Netherlands and Austrian central banks and the IMF suggest as the annual report of the BIS does: that central bank gold has been moved all around for price suppression purposes and is badly over-subscribed. That the same gold bars reside on the books of many financial entities that many people and institutions think they own the same gold.

Speaking on March 31st to a financial conference at the Virginia Military Institute in Lexington, the president of the Federal Reserve Bank of New York, William Dudley, refused to answer questions from a GATA supporter in the audience, W. Ware Smith, Jr., about whether the federal reserve is involved with gold swaps. Smith's question about gold swaps followed his question about Germany's repatriation, a sum of its gold from the New York Fed. I'd like to show you a one minute excerpt from the exchange between Dudley and Smith. Cory, if you could run that video now.

Dudley: The gold – we hold a lot of gold at the New York Fed and it's almost all gold of foreign countries. A lot of the gold got there during the two world wars where people want a safe place for their gold. And the reality is, if countries want their gold back, we're absolutely happy to send it to them, so if there's any delay in the gold going back to Germany, it's because they – something on their end and I would think – and I'm not aware of any problems in getting their gold back. They've asked for their gold back not just from the US, but from a few other countries. There were some, I think, political issue in Germany about whether the gold was really there and so they, you know, they sort of like someone who wants to make sure that the money that they have under the mattress is still there, wanting to check on their gold. And we're absolutely completely comfortable with that. Any country that doesn't want to hold its gold at the New York Federal Reserve, we're very happy to make arrangements for that country to take their gold home. We have absolutely no skin in the game at all. It's completely up to those countries where they want to hold their gold."

Now you can't hear Smith's follow up question, but this is when he asked Dudley if the Fed is involved with gold swapping.

Dudley: I can't comment on individual customer kind of transactions. I want to ask for one more question 'cause I don't want to end on that question.

Now note Dudley's reply to Smith, "I can't comment on individual customer kind of transactions." But Smith had not asked Dudley to comment on any individual customer kind of transactions. Smith had asked only if the Fed is involved in gold swapping and, of course, in his previous reply to Smith, Dudley had discussed transactions with an individual customer, the Fed Germany's Fundus Bank. He had a whole minute to talk about those individual customer kind of transactions. When it was just, you know, whether Germany could get its gold back.

When Smith told me about his exchange with Dudley, I wrote to the publicist for the New York Fed, Eric Pajunk, seeking confirmation in posing Smith's question for myself. I asked Pajunk, "Is the Fed involved with gold swaps?" The New York Fed's publicist acknowledged my email and directed me to a transcript of Dudley's speech at VMI and to a YouTube video of Dudley's appearance there from which the video excerpt I just showed you was drawn.

But like his boss, the New York Fed's publicist would not answer my question about gold swaps. Remarkably, the New York Fed's publicist repeatedly refused even to acknowledge my gold swaps question. Now we already knew from a letter sent in 2009 to GATA's lawyer by a member of the Federal Reserve's Board of Governors, Kevin M. Warsh, that the Fed is indeed engaged in gold swaps with foreign banks and refuses to disclose the records of those swaps. So why can't Dudley acknowledge the Fed's gold swap business today? Because gold swaps are for surreptitious market rigging, making the issue too sensitive and the honesty by the Fed would lead to many more questions about the sensitive nature of market manipulation.

From the vast documentation GATA has collected of surreptitious intervention in the gold market by central banks, documentation drawn mainly from government archives, statements by central bankers themselves. Many of these documents quite current and from Dudley's clumsy evasion of the gold swap question, you can see how easy it has become to catch central bankers. All you have to do is corner them with specific questions about a document. Operating largely in secret is conspiracy. GATA's work isn't mere conspiracy theory. GATA's work is just traditional journalism.

That's why the most urgent issue for investors in the monetary metals may not be the surreptitious intervention in the markets by governments and central banks. Intervention that constitutes the destruction of the market economy and even the destruction of democracy itself. Rather the most urgent issue for monetary metals investors may be the cowardice, and even the corruption, of mainstream financial news organizations which won't report critically on central banking and expose its interventions.

Nearly every major mainstream financial news organization in the world has received from GATA a detailed summary of the documentation we have compiled. A summary containing internet links to the original documents. This summary is posted in the Basics section at our internet site, www.gata.org. But not one major mainstream financial news organization has pursued the issue.

My recent experiences with *The Wall Street Journal* and *Financial Times* may illustrate the nature of mainstream financial news organizations today. In April, when GATA was publicizing Dudley's evasion of the gold swap question, I wrote something in GATA's daily newsletter that got a dispatch to mainstream financial press. I sent this commentary to many financial journalists.

I received an indignant response from a reporter at *The Wall Street Journal*, Katy Burn, who identified herself as the *Journal*'s reporter, covering the New York Fed. I invited her to telephone me. When we spoke, Burn insisted that she often puts critical questions to officials of the New York Fed, including Dudley himself. She said she was ready to put to them questions about gold as well. She asked me to send her GATA's documentation. I agreed to do so, but I cautioned her that I already had provided the documentation to two other reporters for the journal at their request. Kate Kelly in 2010 and Greg Zuckerman in 2011 and that the newspaper had done nothing with it.

As I sent Burn the documentation, I told her I'd be delighted to provide more information, and since April I have updated her many times by email. But, as usual, the journal has done nothing with the information. Mainstream financial news organizations continue to prohibit critical questions to central bankers, especially about gold, the control of gold being the secret knowledge of the financial universe. Of course, Burn may have tried briefly to pursue the gold issue with New York Fed President Dudley, only to be instructed against it by her superiors or even by Dudley himself. Either way, I suspect that she is no longer so indignant about my criticism of her newspaper.

Two weeks ago, an editor for the *Financial Times*, Dan McCrum, wrote a column asserting that there is no explanation for movements in the gold price except what he called, 'Fashion'. McCrum's column was so outrageously mistaken and lazy, that I wrote to him that there indeed is another explanation for movements in the gold price: surreptitious intervention by central banks. I sent him the summary of GATA's documentation and urged him to review it. McCrum cordially replied, "Many thanks for email. Unfortunately, I feel it would be counter to the spirit of the column, were I to write more on the subject of gold.' But what if the spirit of the column was wrong? What if the column failed to acknowledge and examine the evidence? What if the column misinformed readers? McCrum's column wasn't journalism at all. It was just propaganda and disinformation.

Ironically we know from the State Department cables obtained by WikiLeaks in 2011, that the government controlled press in China has been full of reports about gold price suppression by Western governments. Those Chinese press reports were translated by the US Embassy in Beijing and cabled back to the State Department in Washington. China knows all about gold price suppression and the US government knows China knows.

This failure of Western journalism especially bothers me because I am one year short of fifty years in the newspaper business. I know that governments too often operate in secret and sometimes, facilitated by secrecy, will deceive and even do awful things. I know that as it is also a human enterprise, journalism is imperfect too. But if journalism won't even try to hold government to account, what will? As much as it disappoints me as an investor in the monetary metals, I can understand the mining industry's cowardice anyway, as it is a natural resource business and the most capital intensive business in the world. The mining industry is almost entirely dependent on government and the biggest investment banks which are, in turn, essentially government agencies themselves.

In contrast, journalism's calling is far higher and in the West its rights are far greater. As for GATA's calling, we increasingly are regarded as bad for the monetary metals business. Ross Norman, CEO of venerable London bullion brokerage firm Sharps Pixley, made this – Pixley made this point about GATA in a cordial exchange with me the other day. "GATA's complaints about manipulation of the monetarys metal markets," Norman wrote, "are discouraging investment."

Yes, as GATA chairman Bill Murphy has noted, the more GATA has established the governments and central banks are rigging the monetary metals markets, the less popular GATA has become with people selling monetary metals products. While some people still dismiss GATA as a mere touter of the monetary metals, the organization warns investors of what they are up against, even as we explain the potential consequences of the enormous naked short position in gold represented by the paper gold and gold derivatives that are underwritten by central banks. The logic of GATA's work is that the monetary metals are grossly undervalued. Undervalued by hundreds of percent.

But if, as GATA has concluded, surreptitious intervention by governments and central banks and not mere fashion, is the primary determinant of the gold price, and if the objective of that intervention is generally suppressive, would we help gold in free markets more by remaining silent about the intervention? Given their surreptitiousness and unaccountability in the gold market, central banks themselves plainly have concluded that exposure would demolish their policy, maybe even demolish central banking itself and help gold.

In this respect, GATA agrees with central banks. So GATA persists, figuring that if we can't easily make friends in the monetary metals industry, then we can aim for something else: fulfillment of the old maxim of the English common law which ennobled into Latin goes: *Fiat justitia ruat caelum*. Let justice be done though the heavens fall. Thanks all very much.

Robert Prechter
"Outlook For Gold, Silver And Oil"

Moderator: Good morning. We have a gentleman who has been attending this conference and speaking to you all for 36 years. His name is Robert Prechter. He's going to give you his outlook for gold, silver and oil.

And just a little bit about him. He wrote a book in 1978 – *Elliott Wave Principle* – which forecasts the 1920's style stock market boom. His 2002 title – *Conquer the Crash* – predicted the global debt crisis.

His firm, Elliott Wave International, forecasts stocks, precious metals, commodities and currencies for all-time horizons, papers on financial theory, and predicting election outcomes which you can access at ssrn.com.

You can read more about him at his website, Robertprecther.com, but right now you'll hear from him in person. Robert Prechter.

Robert Prechter: Good morning. I'm glad a few of you managed to get up early enough to come visit me today.

Well, my topic is the outlook for gold, silver and oil, and I'm going to approach this from a little bit different angle from most people. Most people look at fundamentals and they look at supply and demand, and we're going to look at something different – market psychology. I think it's the best way to approach markets, and I'm going to try to give you some examples of why I think that's the case.

We're going to start with the oil market because there's a nice little history on the oil market. If you were attending this conference back in 2006 to 2008, you'd know that oil was the topic on everyone's mind. And this is kind of a little example – these books I'm showing you up here – of the kinds of things people were saying about oil at the time.

I've been in this business for a long time. It was the first time I ever saw that much conviction about a single commodity market. Books were flying off the presses about how you need to be along oil. There was a thesis called *Peak Oil*, and that thesis was that the earth only had so much oil, it was running out, and we'd never have enough to keep us going. The price is going to go to infinity.

And you can see some of these titles – *The Coming Oil Crisis*, *Hubbert's Peak*, *The Party's Over*, *Beyond Oil*, *We're Not Going to Have Anymore*, *How You Can Thrive When Oil Costs $200 a Barrel*. So, that was the psychological environment of the time.

Now, what were economists telling you at that time? This is a quote from July 1st, 2008 just a few days before the all-time peak price in crude oil. This was in *USA Today*, and they were talking to some economists, so the writer says, "Efficient market purists cite Economics 101" – this is exactly what they're talking about – "concept of supply and demand as the main reason a barrel of oil has surged up above $140, up 50% just in 2008." In other words, the first half of 2008. And a senior market analyst explained it best. "You can argue that the economic fundamentals for oil are as strong as they have ever been in mankind's history."

That's what the economists were telling you. They were looking at the fundamentals. But we don't look at the fundamentals. We look at something different. If they were looking at something useful, they would have said, "Get out. This is your last chance." And that's what we said at the time. This is a picture we posted on the 9th of June, one month before oil topped out.

We use a model called the Elliott Wave model which has to do with the way prices are structured, but we rely very heavily on psychology, and that's what we were looking at. We had 97 percent of futures traders bullish on the oil market. Only three percent thought it was assure. So, we said, "The top of wave five" – that was the final move up – "in crude oil is fast approaching, so one of the greatest commodity tops of all time is due very soon." Now, that's the exact opposite of, "The supply and demand fundamentals are the best in mankind's history," because one of them says buy and the other one says you better get out.

If you look at that chart, you'll see the title on there – "Spike Top Due in Crude Oil". We thought it would get up as high as $160.00. It didn't even quite make it. The high was $147.50, and this is what happened right afterwards. That's the biggest drop in any commodity that I know of except for orange juice in the movie *Trading Places* if you saw that. 78 percent in five months. It's unbelievable. And that's supposedly strong supply and demand. Those are the best fundamentals in the history of mankind? No, they were the worst. That was the time to get out.

All right, so now it goes all the way down to $32.40 a barrel. Now, under our model, bear markets aren't over in one shot. Most people said, "That crash is so huge. That's it. Oil is going to go up from here and we'll never see that low again." We said, "No, bear markets are two step affairs. Down first, a partial rally, and then down again."

So, now I'm going to orient you. After it started, it made this low, in December of 2008 it started to rally, and it rallied all the way up to 2011. And this is a picture of gasoline. It follows oil very closely. *[Break in audio]* all the headlines involved. You can see that peak over in the middle where the headline says, "Higher Gas Prices Here to Stay". That came out on the 12th of July. The peak was on July 11th, so, obviously, the editor of the paper told his guy to write this headline on the day of the exact high. It came out the next morning.

Then you had the crash, and then you had this big recovery – a partial recovery. But people didn't see it that way. The economists didn't see it that way. They said, "This is the beginning of another move to the moon, so high prices are here to stay. Get used to outrageous gas prices." "No end in sight." That's the one I put in yellow. That's what they were saying. "There's no end in sight to this rise." And what's fascinating to me is it wasn't even at a new high.

So, what were the economists telling you then? Were they telling you *[break in audio]*? Of course not. They loved it because the fundamentals looked good. They were predicting oil at $200.00 a barrel, and they're telling you the supply remains tight. And of course demand remains strong, so this is why we think it's going to go up.

We had a completely different look because we're not looking at these things. We're looking at the psychology of the market. When there are too many people on one side, it's bound to turn around to go the other way.

So, this is a chart we published in May of 2014. Now, you can see the price of crude oil holding up above $100.00 a barrel throughout this period spiking back up toward it. And here in May of

2014 we said, "On the 31st of March, an amazing culmination of things occurred. First of all, oil's been making lower peaks. At the same time, 91 percent of traders in the futures market in oil are bullish according to the daily Sentiment Index. There is an all-time record long position among large speculators."

Now, a lot of people think large speculators are really smart because they have a lot of money, but they're not. When they're one-sided in the market it's going to go the other way. The only group that makes money is called the commercials. These are people who buy and sell oil as you would go into a grocery store and look for bargains because they're buying it for their companies. They're not speculating. And they had an all-time record short position.

So, the smart people are short, the dumb people are long, and 91 percent of the public thinks it's going up. We call that a deadly combination. It's not the best supply/demand situation in the world. It's one of the worst in terms of finance. And that's what happened thereafter. That was the second biggest drop in oil. It goes all the way down to $26.05.

Okay, so what are the supply/demand people saying now? Are they going to tell you, "Well, this is a bottom. It's a great buy."? Of course not. The fundamentals always look terrible at a low. That's what makes a low.

So, on February the 12th, 2016, this article appeared from Bloomberg. "The oil industry got together and agreed things may never get better. The thousands of attendees" – that's how many people were interested in oil – "seeking reasons for optimism didn't find them at the annual international petroleum week conference. Instead they were greeted by a cacophony of voices from some of the largest oil producers, refiners and traders delivering the same message." So, they're all on one side again. Okay? "There are few reasons for optimism. The market is overwhelmingly bearish." So, you can see how the fundamentals always push people into saying the wrong thing at the wrong time.

So, of course, what did oil do? It rallied. It's up 100 percent from $26.00 up to $50.00+. You can make a lot of money on a 100 percent move, and that's not even a big move on this chart. But psychology is the key. When people are lined up on one side, you want to be on the other side. And they're always going to give you reasons why they see this situation as continuing in the same direction.

When you see a headline like this – "Oil Is Now So Cheap Even Pirates Aren't Stealing It Anymore" – that's an extreme. That's a psychological extreme. That's telling you it's probably near a bottom.

Most people look at something like this and they go, "Oh, I shouldn't touch this market," and we look at it and say, "That's exactly when you should touch this market."

Okay, we're leading up to a gold and silver situation because gold and silver trades on the same ideas. When people are all on one side, *[break in audio]*

Here's a history of gold from the peak in 1980 at $850.00 an ounce, and then that long – two decades long – bear market period in 1999, 2001. And what do you think people were saying at the low? It was in February of 2001 *Barron's* did a big article. They interviewed everybody in the gold market from minors to traders and so-on. They couldn't find a single person who thought it would go up, and these are typical quotes from that article. "Nobody expects gold prices to turn up soon." "There is nothing positive on the horizon." "Bearish bets are at the highest level in years."

Now, most people read that article and they go, "Oh, gee, I better not touch gold. Maybe I should sell it short because all the experts say it's going down." We look at that and we say, "You know, everybody's on one side. It can't go down. There aren't any sellers left and they're all short."

Gold takes off. Gets up to $1,921.00 an ounce, and what do you think people are saying then? Are they telling you it's a good time to get out? Of course not. *[Break in audio]* and they are calling up and doubling up and they're buying gold on margin and they're going crazy, and here's just a few things that were occurring in the last $100.00 move up in gold. A Gallup poll ranked gold the best long-term investment there was. Now, Gallup polls the public. This is the public coming out and saying this is the best investment on the board. They didn't like it at $250.00 an ounce, but when it's getting close to $2,000.00 an ounce they love it. That's how it works.

A major international bank came out with a written report saying, "Fair value for an ounce of gold is $10,000.00." Now, it had already gone from $250.00 almost to $2,000.00. What's that? An eight times multiple. And now they're telling you it's going to do another five times multiple. That's a 40 times multiple from the low. And they're so confident they can say this. At the low they wouldn't touch it, but now they're telling you it's going to be 40 times. And, you know, if it had actually done that, then they would have projected it to $100,000.00. They just don't stop.

"Gold fever sweeps the criminal underworld." That's one of my favorites. Criminals are not great traders, but suddenly they decided they needed gold.

"The gold ETF surpassed the value of the entire S&P 500 ETF." That was brief, but it was true at the time. And there were 98 percent bulls among gold futures traders. Only two out of 100 gold futures traders thought they ought to be short.

Those are the kinds of things we look at and say, you know, "This is a peak. You need to get out of the way."

And gold went down pretty substantially as I'm sure all of you know. This carries it into December of 2015. Gold fell about 40-something percent. Silver down 70+ percent. Gold stock's down 80+ percent.

Okay, now I've been saying a couple times the fundamentals will fool you, so let's look at a really key fundamental factor and see if it worked.

Does the feds quantitative easing, which is a buzzword for inflating the hell out of the money supply, does it move gold prices? People in the gold market thought absolutely it'll move gold prices. When the fed decided that they would monetize a trillion dollars' worth of debt per year with an unlimited outlook, they said, "We're not going to tell you where we're going to stop." That should have made gold fly.

Well, here is a picture of gold and silver at the peaks in 2011 and the other peaks following that in 2012. The first arrow, which is about in the middle of the chart toward the upper side, that's when the fed announced it was going to start this insane QE where they're going to quintuple their money supply by buying $40 billion of mortgages every month, and the second arrow is when they doubled that – more than doubled that – and said they were going to buy $50 billion worth of bonds as well.

A trillion dollars a year with an unlimited outlook, and people in the gold market said, "Oh my gosh. It's going to go to the moon." Well, what did we say? Read that headline because this is exactly what we published in December 2012. It says, "The biggest inflationary fed commitment in history provides another selling opportunity in the metals." We walk in front of that bus. That bus is flying down the road and we go, "You can walk in front of it. It's not going to hit you." This is a sale, folks, and that's the only way to make markets work for you. You have to go against the crowd.

And here's what's happened. Those two arrows where the fed announced the biggest quantitative easing inflationary policy in their history by a huge margin, that line in the middle shows you the period of time when the inflating took place, and gold and silver fell throughout that period. Just went down and down and down. And when they finally stopped, there was actually a rally, and then the two metals went lower.

So, then they went lower into December 2015, and, again, what would you think? Do you think people would be bullish at that point? I mean gold is kind of a bargain now, isn't it? It's down almost by half. No, of course not. Only four percent of traders were bullish at the time. 96 percent said it's going lower.

And there was another fundamental that people were pointing to, and that was central bank activity. Central banks were buying gold.

So, let's check out another fundamental question. Does the central bank buying move gold prices? All right, here's a picture of the annual range of gold. That's up at the top. You see those bars? And, at the bottom, what I've shown here is the way people think it ought to work. The black bars show central bank buying of gold. So, they're buying it and pushing the price higher, right? And then the grey bars on the right side, that's then selling gold. And, look, gold came down. So, that's how people think the universe works in financial markets.

There's only one problem with this. If you have good eyes and you can look down at the right-hand corner of this chart, you'll see two secret words – fake data. This is the true history. Central banks were selling the market all the way up. They turned neutral the year before the high, and on the high year, 2011, they finally said, "Oh my gosh. We better start buying gold," and they've been buying it all the way down.

So, what's the real truth? They're not pushing the market up and down. The market's going up despite what they're doing, and all this chart shows you is central banks are lousy investors. And if you can understand that, you can time the gold market pretty well.

If you look at this, when do you think is the next time to buy gold? I can tell you when it is. It's when you see a down year and a grey bar. When the central banks finally give up and they start selling gold into a decline, that'll be the bottom because they're lousy investors.

Okay, this is what our guys Steve Hochberg and Pete Kendall published on December the 4th, 2015 'cause we look at things differently. We had patterns indicating a bottom. We had four percent bulls. We said, "This is a low," or they did, and this is their exact chart. They said, "Sharp rally imminent in gold." And that's what's happened since.

This takes us up to today. So, there's been a $200.00 rally in the gold market. And I'm going to tell you how you can update yourself on our opinion because I'm down to just a few minutes on this. But I'm trying to give you a background in how we approach markets and why we're different from everybody else.

Okay, now we're suggesting gold's in a bear market rally, silver's in a bear market rally and oil's in a bear market rally. That means there's more bear market to go in our opinion. What would fit that idea? Why might a number of commodity markets be in a bear situation? And this comes to my punchline. The biggest reversal of 2016 I think is going to be interest rates. If you look around, you will find that there are articles after articles saying, "Negative rates, they're going to get even more negative. They're here to stay."

Well, let me show you a little bit of history on the interest rate market. This is the interest rate on the 30-year bond going all the way back to the early 1940's. Interest rates started up in the 40's. They went all the way up – peaked in 1981. That was the all-time high. Then they had a setback, and they started up again in 1984. At that time, the *Wall Street Journal* came out with a four-page special report interviewing dozens of economists, including people in the administration, and they all said rates are going higher. The headline was, "Higher Rates Predicted for Rest of Year and 1985's First Six Months," so they're projecting 12 months of rising interest rates.

One of the quotes from an economist was, "It would take a miracle for rates to fall." And if you look in there, you'll see what we said in our letter. "Bonds are the buy of a lifetime." What we meant was rates are going to go down. Bond prices are going to soar. And here's what's happened in the 35 years since. It helps to be in the business for a long time. Grey hair counts for something.

All right, so why am I showing you this? I've shown you a lot of history about how psychology moves markets. Look at that headline on the bottom right. *Wall Street Journal* in July of this year, "Why Ultra-Low Interest Rates are Here to Stay." And we also had 98 percent bulls on the bond market there. In other words, looking for lower interest rates still.

How good is this timing? This is a daily chart taking you into the low of those interest rates. You can see the article came out two trading days after the exact low in rate so far. They've been kind of grinding their way up. Nobody's paying much attention. This is going to be the biggest change. I think rates over the next five, ten years are going higher. That's going to compete with all these other markets, and it can be part and parcel of why we think these other markets are in a bear situation.

If you want to know more about these outlooks, my colleagues who have been working with me for years, Steven Hochberg is going to be speaking tonight. He's holding a workshop, so you can ask questions and everything. He's got 150 charts with him. He's going to be talking at 6:30 PM, third floor, Elmwood room, so I hope you'll go see him. You know, at 6:30 you had to kind of skip breakfast to see me. I hope you don't have to skip dinner to see him, but I hope you'll find it's worth it.

Thanks for coming. I appreciate your time. Have a great time here at the conference.

Precious Metals Panel
Thom Calandra (MC), Omar Ayales, Peter Hug, Bill Murphy, Dana Samuelson

Moderator: Well, now comes one of the most popular features of the program, which is our Precious Metals Panel, and Thom Calandra will be the MC for that event. I'd like to have Thom come out, and the members of the panel will be Omar Ayales-Aden of the Aden Forecast, Bill Murphy of www.LeMetropoleCafe.com, and Dana Samuelson, an old friend of the conference and one of the longest time exhibitors and representatives here. Dana operates American Gold Exchange, and it's nice to see him Peter Hug of Kitco Metals on the panel this year. So, at this time, I'm going to turn it over to Thom Calandra, and I think you'll find this most edifying to say the least.

Thom Calandra: Yeah, thank you again, Bob.

Moderator: Sorry, it was only $12.00.

Thom Calandra: It's only $12.00. Yes, thank you very much. A very warm welcome to Bob and thank you, and the panel, there's so many issues that I thought we would also use this screen as a prompt. Excuse me, that's only the second time I've done that. By the way, you remember how I started that last one, I said, "Time is the best editor," and I think that hopefully we'll keep to our time. I don't know if all speakers have been. Hint, hint.

Guys, these are some of the things that represent all of your companies, and by the way, let's go to the big picture. I really don't want to be talking a lot on this panel, and I would really love for you guys to talk a little bit about the big picture. This is actually Omar's slide from Gold Charts R Us. Do you want to give us give us a minute on that, Omar?

Omar Ayales: Thank you, Thom. Well, I mean, this is usually I thought that this was going to be the first event of the conference, so how better way to start with long-term big picture chart of gold? This is just basically a gold since – what is it there? Since '68?

Thom Calandra: Since '68.

Omar Ayales: *[break in audio]* Clear uprising trend, and then a – so we can see also where actually it could eventually fall too, of course, in a *[break in audio].* As you can see how that dip, that recent dip actually is creating a new trend, and we can actually see gold potentially move a lot higher, but –

Thom Calandra: One of those charts that you sent me said "bull market confirmed." So what makes you – what are the reasons why you say "bull market confirmed." Is this some awesome secret you're developing in Costa Rica that –

Omar Ayales: Something like that. Something like that.

Thom Calandra: Okay. No, seriously, you are a believer that the bull market is confirmed. I want to be a believer, obviously.

Omar Ayales: I do, and actually, well, for the past maybe year or so, I believe 1050 was our low and ever since gold was able to *[break in audio]* level pretty much. There's different moving averages and technical indicators that we see, indicators that are telling us that it turned bullish. That, of course, mixed together with maybe different other world issues, slow economy still, lackluster recovery, global recovery, uncertainty everywhere. We see starting here with the general election, a lot of uncertainty there and just so many different things tying together with that up moving *[break in audio].*

Thom Calandra: To a question for you later about the trading that you seem to promote and also make money at in Gold Chart R Us, and whether you think it's good to be trading in and out of stuff. But I want to give people here – these are just some themes. There are a lot of these in a panel like this. I want to let these guys give you an idea of what it's like in their shops. So, Dana has been coming to this conference forever. He's a dealer. He's a coin dealer. Are you seeing something, anything that we don't know about that might be helpful, whether it's the buying and selling of product or equities?

Dana Samuelson: Well, I do think like Omar, we have seen a turn in the precious metals price in that we've had a hard bottom in a 1055. The biggest driver of the gold price for the last couple of years has been the relative health of the world economies, and particularly, the U.S. economy and the strength of the dollar versus other currencies. After the great crisis, we saw gold hit $1,900.00 and we've been in a downtrend since that bottomed last year. Because the U.S. dollar hit a peak and the U.S. economy was strong with GPD of about 2.5 percent in 2015, 2.25 percent last year. Now, we've got gold rising with the dollar still strong, and that to me is a bullish signal.

Now, as far as my own business is concerned, we've got a lot of savvy buyers. We've met a lot of people at the conference here over the years, and we've been recommended by a couple of newsletter writers who are influential in the industry. So our buyers tend to be a little bit savvier, and they like to buy the dips. So, for instance, we couldn't hardly give silver away a month and a half ago when it was 19.25 an ounce.

Thom Calandra: Yes, yes, you were talking about this back there.

Dana Samuelson: Yeah, and we have the correction over the last two months, and we've seen silver bottom at about 1740 in this cycle so far, and we've had a big buy-in wave come in particularly buying silver on this dip. Not so much gold, but silver because gold has led the way up and silver has played catch-up, and it tends to be a little bit more –

Thom Calandra: Smart money? Not that there's any such thing as smart money, but smart money is buying silver right now you think?

Dana Samuelson: Well, I do think that silver is undervalued relative to gold. I do think platinum is very undervalued relative to gold.

Thom Calandra: First time in a long time.

Dana Samuelson: $300.00 plus discount to gold is cheap to me. It's very cheap.

Thom Calandra: Unbelievable and platinum is ten times as rare in the ground as gold, ten times as rare. It's trading at a huge discount.

Dana Samuelson: I don't think palladium is necessarily cheap.

Thom Calandra: Oh, I know why by the way. Right, because of the Volkswagen diesel crisis and the labor problems in South Africa and stuff like that.

Dana Samuelson: Exactly.

Thom Calandra: But still, you've got to think that when they come out with that Mandela platinum coin and some other things, platinum price is going to roll.

Dana Samuelson: Yeah, I like it at this discount.

Thom Calandra: I love platinum more than anything except baseball.

[Laughter]

Peter, what are you seeing in your shop? Anything similar? For example, silver; you can't even get rid of the silver.

Peter Hug: Well, first, I mean if you want to get on to the topic that started the panel, my bullish gold here –

Thom Calandra: Yes.

Peter Hug: It really depends on are we talking from a technical perspective or a fundamental perspective? Fundamentally, I'm bullish gold. From a technical perspective, I need some more work to be done. We came up with a buy signal back in December of 2015, literally two days before the Fed. We were actually hoping for the Fed to raise rates, and said, "The day the Fed raises rates is the day you buy gold," and it never looked back from that level. However, when it got up to the 1376 range back in August, it had extreme difficulty getting through that level, and that was the March 2014 bounce level.

I was really looking from a technical perspective for that level to break up and to get it up to the 1425 because north of 1425, I see nothing but air. But it could not get through 1376 on two attempts, and then again on the way down and the Brexit bounce, it couldn't even get up through 1350. We then became less constructive eon gold from a technical perspective. Now, two weeks ago, when gold as bouncing and held 1250, we again became constructive technically and we think, as long as the market can hold 1250, I think short-term technically it's positive.

Bothered me this morning when I came in, gold was over the 200-day moving average, and within 2 hours as soon as the Dow turned around, the 200-day moving average was breached, and we have gold back $7.00 below the 200-day moving average.

Thom Calandra: I think clearly, Bill Murphy is going to tell you that's a diabolical plot from everybody who is anti-gold in the whole universe, galaxy, and spectrum, whatever, right?

Peter Hug: That's a technical perspective. From a fundamental perspective, there are a number of catalysts that are very imminent on the horizon. Obviously, the first one everybody talks about is the U.S. election, which I think is less of an issue for the gold market. I think both candidates are terrible. Both candidates won't get anything done. I don't think they're going to have bipartisan support, which will leave it all up to the Fed, which in my opinion will leave the Fed at lower or lowest interest rates on a real-term basis, negative rates probably for the next three years.

Thom Calandra: Peter, what about change of control?

Peter Hug: Well, I'm going to talk –

Thom Calandra: What if the democrats have control of every house in the U.S.?

Peter Hug: If they have control of everything, every house, then you can possibly quadruple the current U.S. deficit, which I think would also be positive, a positive for the metals. But there are issues coming up in December that nobody talks about. On December 4, there was a very significant vote by the Italians on a referendum to their constitution. If that vote comes out "no" it going to open the door to possibly the Italians leaving the EU, which in my opinion would be a worse outcome than the Brits leaving the EU. Because now then you have Spain, Portugal, Greece all with potential coming behind them.

You still have Brexit. That has not been resolved. We don't know how that's going to resolve itself from a growth perspective in Europe.

Thom Calandra: Peter, last year at this time, we had the Swiss referendum coming up, right? That turned out to be a little bit of a dud. As a 100 percent Italian and an Italian American, I will say that the Italians probably have a better chance of roiling the market in December than the Swiss had last year at this time. Can we –

Peter Hug: The one final point I'd like to make you ask to the question is have we seen anything different in our business? I mentioned to Dana out back, what I found very significant over the past four months is we look at our average sort of transactions on the internet on retail client base, and the average transaction size is about $14,000.00 give or take. We've noticed over the past two months that we have had substantial increase in large transactions of multi-million dollar transaction size where the client is actually taking physical delivery to a location designated by themselves.

That's a very unusual trend when you have big, big money buying physical of that size. It might be a precursor that the big money is now also worried about something. Again, I throw it out. It could be anecdotal, but –

Thom Calandra: Yeah, that's great.

Peter Hug: But it's something significant I have not seen in the seven years at Kitco.

Thom Calandra: That's something I would hold on to. Bill, you are a futures trader, and by the way, congratulations Bill for keeping the Le Café Metropole and Gata.org out of what?

Bill Murphy: Bankruptcy?

[Laughter]

Thom Calandra: Yeah, that would be a good one, yeah. Thank you, and Chris Powell too. *[break in audio]* you dealing in gold and, of course, the equities. Are you seeing larger transactions? What are you seeing that might be within the world of Le Café Metropole that is relevant? Like what the users are talking about because these are individuals mostly that subscribe to that service.

Bill Murphy: Well, a lot of people probably think of where I'd be coming from on this one. If anybody has watched the gold and silver markets these past many months have noticed how they've been bombed out of nowhere for no particular reason with thousands and thousands of contracts and headed up 1300 nicely. Then all of the sudden, it's down $60.00, and from our standpoint, and we do see it this way that what the gold cartel does and is able to get away with is by far the most important factor in the gold market.

As long as they can get away with what they're doing, that's the way it goes. We're talking about the election. Well, I think Bill Clinton said, "I didn't realize I wouldn't be running the show when I became president." So from our standpoint, the money and power behind the scenes is what's really going to count. So the question is how long can they go on with this? Many of us in our camp thought that the physical supply issues would become a bigger deal by now, and they haven't yet. They've been able to mobilize enough physical supply of gold and silver to get the job done. Yes, the paper market does the influencing, but if you don't back it up with some kind of supply, the sellers are going to back off.

So, yes, I'm in the camp that is extremely bullish. I don't think you're going to have a managed retreat like you had the 12 years after the turn of the century where they allowed it to go up a certain amount of each year. This time I think when the S hits the fan, so to speak, it's going to be explosive, and we'll have to see if that pans out. But I think something is going to service out of nowhere that – some kind of black swan that we're not aware of because if they're aware of it, you can sure they're going to counter it.

There was a big deal made about Deutsche Bank lately. "Oh, it's terrible, terrible." *[Laughs]* Don't even hear about it in the last few weeks. So, it's going to come, and they've taken this way, way too far, and it couldn't be a better time to be all on top of gold and silver because it's coming.

Thom Calandra: Bill, can you explain to the audience transaction risk and how that might be a factor?

Bill Murphy: In terms of the gold cartel?

Thom Calandra: Yeah, institutions not wanting to do deals with paper. As you know, one of the big – not the pension funds, one of the big endowment funds in Texas where you live actually took a position in gold. My point is that transaction risk is something not many individuals think about when it comes to bullion, but it's something very real. Not wanting to have the risk of paper. You're seeing all these currencies go crazy now since '08 every once in a while, right? We never used to see that. You wake up, the pound is all of the sudden $1.25. When did that happen, right? You see 2, 3, 4 percent changes in cross currency moves. You see –

Bill Murphy: Well, my main colleagues here are much better qualified I think to deal with when it comes to physical gold and transaction risk than I am.

Thom Calandra: Yeah, let's let somebody else address that as well.

Bill Murphy: Pardon?

Thom Calandra: When it comes to transaction risk, are we seeing some customers use bouillon to shelter their wealth, to help them preserve their wealth as opposed to speculating or collecting? Dana?

Dana Samuelson: Well, I think absolutely. There's three vehicles. There are ETFs, there are mining shares, and then there's physical. I think that we haven't had any problems with ETFs. They're a good vehicle to trade on paper effectively and competitively. Mining shares, as you know, have done very well in this run-up. They've done exceedingly well, but they're volatile. But I think this points to what Peter was talking about, which is we're seeing some larger physical transactions, which means usually the larger investors, multi-millionaires, they don't want physical as much because what they can buy is significant and there's storage issues, and then there's safety issues.

But when that money starts to migrate into the physical sector, it means that they want some real insurance, not just paper insurance. They want some physical insurance. So, to me, that means that the – it's not transactional risk so much as they just want to protect themselves with a stronger insurance policy than they might have on paper.

Thom Calandra: Right. I belong to an exercise club and one of the guys, his name is Caesar. He's originally from Switzerland, and he lives in Marin County, California; works for UBS as a physical mail specialist. During part of that five-year horrendous streak that we had that hopefully ended last November, they actually, UBS were offering free storage and insurance on bullion purchases and deposits of more than $1 million. Then they graduated up to more than $10 million, and then more than $25 million as a loss leader. In other words, as a way of attracting new customers. Now they don't have that anymore. So now they're getting the business that they want without having to offer these freebies. Is that a good indicator?

Dana Samuelson: It think it's a sign of a healthier market.

Thom Calandra: Yeah, right.

Dana Samuelson: Obviously.

Thom Calandra: Yeah, I think so too. Can I switch for a second, just the topic to trading that I brought up? Omar, when we talk about charts and stuff like that and I get the reports from Gold Charts R U, which is the service of Pamela and Mary Anne Aden's – the Aden Report, the Aden –

Omar Ayales: Forecast.

Thom Calandra: The Aden Forecast, thank you. I mean, you show that you've had gains this year from trading dust versus nugget, from buying this and selling that. Would you espouse and endorse in and out trading of equities and other instruments in order to – based on technical factors? I mean you seem to.

Omar Ayales: Well, definitely. I think technicals will allow you to identify a specific exit level at any particular moment. Of course, we have to look at fundamentals. We have to look at the mines themselves. You have to look at what's happening in the world, where we are in the market and if it's the right moment. Definitely, regarding gold shares. Well, this chart that you are just showing –

Thom Calandra: Your chart, by the way.

Omar Ayales: Yeah, this chart is – basically, what I wanted to show with this chart was basically that gold shares have with the upside potential that it has versus owning the actual physical gold or bullion. I think that there's definitely something to say, something has to be said about the fact that people are taking physical deliveries versus just trading paper. I think there's a psyche there of people having – so maybe some ultimate type of fear or uncertainty. With respect to gold shares, it's definitely a great – it's going to be a great opportunity in the years coming to actually be able to make great profits, even more so than with physical gold themselves.

If you see this chart, how gold shares are so much depreciated versus gold. Actually, if you look closer, the times that gold shares have outperformed gold usually have been usually when there have been economic growth or the stock market has been strong. This last time, I think if you see gold shares being able with the potential to go up to the top side of the trend, which would be probably a move that could take four or five years –

Thom Calandra: Last year right after our panel, Bob Prechter, I don't know if you remember, he gave this overview before he went into this presentation. I think Bob's presenting on Friday. Anyway, Robert Prechter said, "Look, let's face it. If you look at the history of metals equities trading in our lifetime, like let's go back to the '60s, it's not easy. It's all about timing." Would you agree?

Omar Ayales: Definitely.

Thom Calandra: Yeah. It's very few times when it's easy to make money. The last five or six months or seven months have been easy except for the past month.

Omar Ayales: Also, wait a second. Just to add to your comment, Thom, I think that, of course, the shares could always offer a great opportunity, but as long as gold is performing, I think one great thing that Dana mentioned regarding the U.S. dollar being strong and especially in the recent maybe month or so.

Dana Samuelson: Yes, it's risen fairly well in the last month alone.

Omar Ayales: Gold pretty much the only asset who has fared, who has maintained its value respective of that.

Dana Samuelson: Well, to see gold hit 1250 and actually firm up and not decline further in the face of a stronger dollar like we've seen in the last couple of weeks, I think, is a pretty good sign. I'm not sure the weaknesses that were in this particular cycle is entirely over.

Thom Calandra: But, Dana, that oversees gold, oversees denominated gold dynamic, right? Can you lead into that a little? So, in other words, stronger dollar, stronger gold or even steady gold means close to record prices for gold and other currencies. It's also very helpful for mining equities in countries outside of the USA that are reporting expenses. Let's say, in those currencies.

Dana Samuelson: Right. Well, gold is inversely correlated to the dollar, so if the dollar gets stronger, gold traditionally gets weaker. But it goes up in other currencies with a stronger dollar, and that's what we've seen. So I think that we're in a pretty good place right now with gold. I think we've got a pretty good bottom in place at 1250. We still might test a little lower, maybe down as low as 1210.

If the Fed says in November that they're going to raise rates in December, I think we're going to get a situation just like Peter described where you made an excellent buy call when the Fed raised rates last December at 1055. I think we might have a second opportunity like that right in front of us where if the Fed announces that they're going to raise rates, which they probably will, their November meeting for the December meeting, we'll see some short-term weakness in gold. It will probably give us one of the better buying opportunities we're going to have in this cycle. I would look to buy aggressively, especially around 1200.

Thom Calandra: Yeah, it's almost impossible to not talk about interest rates when you're talking about commodities. Thank you, Dana. That's why I say "ugh", interest rates "ugh." That's all we hear. Mostly the big talking heads are always talking about interest rates and their influence on gold. I'm kind of curious, does the oil market and dollar denominated oil – oil has been having a great run here the past three weeks. Does that affect other commodities, just the outlook?

Dana Samuelson: The run on oil, you mean or interest rates?

Thom Calandra: Yeah, what's happening in oil could have an effect on platinum and gold?

Dana Samuelson: Well, its' really depends on what's driving the run in oil. I mean, right now it's being driven by the perception that this OPEC meeting including the Russians is going to generate production cuts, and I don't see it. I mean, they're already squabbling about it now, and oil has come down some $2.00. You've got Iran, they're going to honor their quotas? I doubt it. I think oil on a sustainable basis will go higher if the economic recovery takes hold, and I still think the economic recovery in the U.S., certainly in Europe, certainly in Japan *[break in audio].*

My bet would be oil would not collapse. I think we've seen the low at $26.00, but possibly down around $40.00, $45.00 would be a target in my mind. On the upside, if oil went up irrespective of an economic recovery, that could have a very positive impact on the metals because the psychology will maybe now try to shift to, "God, is there an inflationary scenario developing here with oil being a primary candidate to sort of reflect inflation in everyday consumer life?"

I think the central banks, whether the Fed goes a quarter to me is irrelevant, but I think the central banks, especially in the U.S., Europe, and Japan are going to have a very, very loose monetary system and on a real basis inflation adjusted, a negative interest rate policy for years to come; whether it be two years, three years, five years. In that scenario, once inflation if *[break in audio]* they are going to be so far behind the curve that I can almost see another 1970s type of scenario when the Fed just couldn't catch up. Ten they finally had to take interest rates to 18 percent to finally stop momentum, and gold went from 100 to 850.

Thom Calandra: I'm very excited about inflation. I know, I mean we were taught – when I was a reporter at *Bloomberg* – oh, my wife is excited about inflation. She says I need to gain weight, so I'm working on that, but when I was a reporter at *Bloomberg* in London – anyway, when I was a reporter at *Bloomberg* in London –

Dana Samuelson: Your jokes don't carry very well.

Thom Calandra: – our main editor who is still pretty much of a legend said – and Mike too, Mike Bloomberg said, "Inflation is the one thing that rules gold in the long term." If we do see a greater inflation as we've seen in some of these recent numbers, it could be unbelievable for the metal. Bill, I mean, you're a traditionalist. You've been around. You remember the '70s, the '80s. Tell us a little bit about inflation. Give us a little sense of what happened there in the early '80s.

Bill Murphy: Well, it's interesting. I agree with what Peter says, but I might look at it a little differently. For me, this interest rate talk is a joke. Price action makes market commentary. We're talking now about what happened in the late '70s, 1980s – 16, 17, 18 percent interest rates. Even five years ago when gold was at 1900, where were interest rates? And now we're going to get all in a fluster about going up a quarter of a percent? It's really sort of ridiculous, but again because of the price action, because of what happens, because of what this gold cartel has been able to do, it becomes an understandable topic, and I certainly understand why.

But if you step back and look at the kind of things we're talking about and what gold did when we had the biggest interest rate numbers in history, that's what's coming. I think when we were talking about this inflationary number and Peter said negative interest rates and stuff like this because they're behind the curve, that's what's coming. From our standpoint, this is when the gold cartel gets themselves in trouble and all of the sudden the demand for the products, gold and silver is going to overwhelm them, and that's when things take off.

Thom Calandra: Can somebody address – I want to throw out a concept here that people don't think about – thank you, Bill – a yield on gold. I was at one of those crazy conservative conferences in Las Vegas in July. It was actually kind of interesting, Freedom Fest and I don't usually go to those kinds of things, and I went to some rally also where they had every republican lawmaker in the country on some cornfield in Nevada or some horse field, I should say. But the idea of yield on gold, which one company at this conference was espousing, how are these products structured? Do they have derivatives?

Can anybody address – so in other words, you have these gold-yielding instruments where gold actually gives you a yield every month. I'm starting to get phone calls about these things from cold callers, like the recorded, "Get a yield on gold today." That kind of stuff. Are you guys into that? I mean, do you understand any of it?

Peter Hug: I don't think it's a matter of understanding it. I mean to the point of interest rates, there's also one other thing that is *[break in audio]* probably no later than 2018 and the Basel III Accord has now passed *[break in audio].* It's unlikely to be overturned. The banks that do leasing for gold are going to have to fund that leasing with long-term capital, not short-term capital, which means leasing costs are going to go up substantially over the next two years, or at least in 2018.

Thom Calandra: So it's just a way of lending your gold to these –

Peter Hug: Well, lending the gold to the refiners, to the junior miners, so I mean that's something that needs to be on peoples' radar if they're looking forward to 2018 in that *[break in audio]* straits on gold, we have one in Canada in Toronto.

Thom Calandra: Really?

Peter Hug: Being who I am, I called the guy and I said, "Okay, what's the deal here, buddy?" and he said, "Well, I'll pay you 2 percent on your gold," and I said, "Two percent on my gold?" I said, "What kind of gold is it that you'll pay me 2 percent on?" He says, "Well, first thing you have to do is you have to buy the gold from me."

I said, "Okay, so I'll buy the gold maple leafs from you, and then what's the deal?" He says, "Then I'll keep the gold maple leafs, and I'll pay you 2 percent on them." I said, "So what do you do with the maple leafs?" He says, "Well, I use them." So what he was doing was basically because he couldn't get funding from this bank, I'm assuming, or he didn't have capital of his own, basically he was borrowing money at 2 percent to generate an inventory.

Thom Calandra: Yeah, sounds like a check swap. Have him killed.

Peter Hug: Have him killed?

Thom Calandra: By the way – well, okay.

Peter Hug: But other people will pay you interest on gold. I mean if you look at the Basel III Accord, if that takes place, and let's say the banks do leasing now not at whatever half a percent for a six-month lease, they do it at 2 percent or 3 percent where their long-term capital is. What's to stop a refiner to go in and say, "Look, I'll pay you interest for my pipeline," and people can buy gold, leave it with the refiner, assuming you trust the refiner, get 2 percent, 3 percent yields on your gold. They get their pipeline gold so they can manufacture product. You get a yield on your gold. I mean, I can see it coming.

The Toronto dealer, somebody after I spoke to him – I wouldn't go near him, but I can see legitimate avenues where people somewhere down the road will pay a yield for them to be able to use your gold. I mean, it's done all the time in the industry. That's how banks finance mines and that's how banks finance refineries. They get a yield on the gold. You have to trust the borrower. That's the key question.

Thom Calandra: Peter, did you know during the internet boom, right, your broker would actually call you and say, "You have shares in your account that are so heavily shortened we can't even locate them, and we're going to give you an interest rate – " at the time, it was 4 percent or something – "on your shares as long as you hold them in your account." That actually happened. So this is a little bit like that.

What about the visible gold? You two guys are coin dealers. Does that come up? Do you know like 85 percent of the entire world can't even afford a quarter of a gold ounce coin? So how do you – do you have any interest in people wanting smaller units of gold? What if gold goes to $4,000.00? What if gold stays right at $2,000.00, which it'll be before the end of the year, I think. What happens there? You're cutting off a huge amount of the market. It's like the Indians saying, "We're not going to pay a premium," although now apparently they are paying a premium.

Peter Hug: Well, the manufacturing premiums for the smaller items create a higher premium for that same ounce of a gold in a 1/10th ounce form or a 1/4 ounce form than a 1 ounce form. So the people that buy divisible gold, we call fractional gold, they're worried about having spending money in the event of a crisis, real money. That's one of the real lures of silver also. I mean silver is really the classic spending money in a crisis where gold is your backup. A $10.00 bill versus $100.00 bill.

We deal with a lot of European gold coins, which are smaller trading size coins that were made in the teens, 20s and 30s that you don't have to pay a manufacturing premium on these days. You can buy them from the marketplace at a lower premium than you would pay a mint to make a 1/4 ounce or 1/10th ounce gold coin. Swiss 20 francs, British sovereigns are a classic.

Thom Calandra: Yeah, so let me throw something at you. We were talking about this kid's Ph.D. dissertation, this 38-year-old guy. They were here last year. They didn't present this year, but his thesis, Adam from Theorum, is that as the gold price goes higher – it's kind of contrary. Let's say gold goes to $2,000.00 to $2,5000.00 to $3,000.00, more gold would be hoarded, right? So gold will be less spent and people will want to spend the paper before the gold. So the gold supply will diminish at an accelerated pace with a higher price. Does that make sense?

Peter Hug: Yes.

Thom Calandra: Yeah.

Peter Hug: Yes.

Thom Calandra: Bizarre, isn't it?

Peter Hug: Well, the public at large likes to buy high and sell low. That's a classic symptom.

No, I'm serious

Thom Calandra: And hoard high. Hoard high and dump low, right?

Peter Hug: Right, no, classic because think about it. When we had the crisis, I mean, the reason gold got to $1,800.00 because they didn't trust the economies or the paper money and they were worried. I mean, that's why it got as high as it did, and nobody wanted to sell then. Very few people were sellers. That's why the price went so high. There were a lot more buyers than sellers. So when we get another run, and the debt trap, I think, is set. With an inordinate amount of debt around the world these days, I think the trap is set. Whether it springs or not is another story, but if Italy decides to get out of the EU, I mean, they're much bigger than Lehman Brothers. *[Laughs]*

Thom Calandra: Andiamo Italia, si, si. *[Laughter]* Vamano, vamano, go, go.

Peter Hug: But there are a lot of black swans out there, and if one of them comes home to roost, like Doug Casey likes to say, and the potential for it to happen is great, you're going to see gold run. When that happens, you're going to want – everybody is going to want it. There's going to be higher premiums, higher prices, and probably delivery delays.

Thom Calandra: Well, could that be a span, a short span, a long span where physical actually outperforms equities, metals equities?

Peter Hug: Oh, I'm not an equity expert.

Thom Calandra: But it could? I mean, anything's possible.

Peter Hug: But yes, yeah, I think so. I think so.

Bill Murphy: Well, I mean, yeah, if you looked at a premium base, last August, August of 2015, there was the mints in their ultimate wisdom in June figured, "Well, there's not going to be any demand coming into the summer," so they curtailed their production. Of course, they curtailed it just as silver dropped and got down under $15.00 and the S hit the fan, and everybody wanted silver and there was no product. Silver eagle premiums were as high as $9.00 over the spot price. I mean, we advised our clients, "If you want physical silver, don't buy physical silver. Take the risk. Buy an ETF, buy a futures contracts, something, and let those premiums come down," and they did.

Four months later they were back down at $3.00, $4.00, but there were people that were falling over themselves paying $10.00 premiums for silver coins, and that's my concern on the upside of this market. If we have a black swan event, then I'm not concerned whatsoever because I think everybody jumps in and more and more people will jump in. What I'm worried about is a market that ladders its way up. Back in December of '15 when we suggested it was a buy, we said, "This would not be a one-way street like it was in 2008. This would be a laddered approach. There's going to be ups and downs." The problem is on a laddered approach, between 2008 and October 1st of this year, there are 345 million silver eagles on the market. That's 10,000 metric tons.

I would guess maybe 1 metric ton of that or maybe 10 metric tons of that has come back into the bid side of the market. There is a huge amount of silver and gold physical in the market from that last run. So if you get a laddered approach, what you're going to end up getting is if it doesn't break through certain levels at a certain time, people will sell and that'll bring the market down. But if the underlying trend is higher, get a ladder higher through those levels, and then people will chase it. But I don't think people will chase it until we get highs of silver over $21.00 and gold back over $13.50.

Thom Calandra: We have four minutes left, and I'd like to end on a – we can show that slide for Conclusions delusions. Thank you, but to harken to a traditional and relatively worthless practice here at the conference – no, just kidding about that part – of making a forecast that goes short term, let's say, year-end and then year-end 2817. Now, you can make that forecast any way you want. You can do it with gold, platinum, silver. You can do it with equities. You can do it with charts. Omar, you could do it for this week, you know what I mean? I don't care, and I would ask that each of you keep it less than 53 seconds. *[Laughter]* Bill, would you start?

Bill Murphy: I didn't do so well with my last forecast, but I agree with Peter. If we get over above 21 in silver, I think it will explode. A lot of us can't figure out where it's come from. It will just take off. As far as the shares go, it was 5 to 8 years of misery. It finally got daylight. Now they punished a lot of the big names and the little names, and I think when they take off, it's going to be historic next time because the public will come in. The public is just not there yet at all, at all, especially with the Dow hanging around 18,000, 18,200. So, I think the next year when we come back there will be a lot of smiles here; not frowns.

Thom Calandra: Thank you. Next? Peter?

Peter Hug: I think the market will be higher at year-end than it is now.

Thom Calandra: Well, that's fair.

Peter Hug: I can throw a number on it if you like, but –

Interviewer: I mean, I'll talk to you afterwards with an outlook like that, I guess, for sure. Dana?

Dana Samuelson: Yeah, in the world of negative interest rates and high debt, I do think the metals are going higher. I think, as Peter said, 21 is a key resistance point for silver. Above that, we've got a lot of breathing room, higher to 25 and then above 25 there's a lot of running room with gold. It's got to get over 1375, and if it can get over that, there's a lot of room to 1500, 1550. I think we're looking towards silver at $25.00 and gold north of $1,500.00 in the next 2 years probably.

Thom Calandra: Mm-hmm, absolutely. Omar?

Omar Ayales: I agree with Dana 100 percent, especially if different things start evolving monetary policy-wise, fiscal policy-wise, if we start seeing shifts in governments starting to give more incentives for business to start revamping, lowering taxes, which comes with nationalism. Like Peter was saying, if Italy starts to leave – decides to leave the EU eventually – with Brexit, Trump, and the U.S., who knows? If these things start happening, we start seeing the velocity of money picking up, inflation picking up, we can see gold, silver rise crazy.

That other chart that we had shown by 2020, which is one of the cycles that we have, that we mention in our issues, we could see gold $3,000.00 *[break in audio]* things develop. But, of course, you know 1375 for the shorter term, 1375 is definitely a very important high that has to be surpassed; 1526, 1536, which was the *[break in audio]* really important level. If 1375 is broken, I definitely see 1500. Same with silver. $21.00 is key, and then I think probably by next year $25.00, $28.00 in silver would be reasonable.

Thom Calandra: Well, I can say *bravisimo* to that because I'm in Rob McEwan's camp on that one and in Omar's camp, I think we'll see $2,000.00 gold before the end of the year, U.S. gold or early January. But, like I said, it's a forecast. Take it for its worth. We're going to close out this conference – not the conference. Sorry, Brien. Close out this panel. I just wanted to put in a plug for that new program. It's actually not so new.

Narcos, it's been out for a few years. I love watching that thing. It's in Spanish, and I always think of Bill Murphy when I watch *Narcos*, right? It's a great program. It's from Medellin where I used to live, and lots of it is in Spanish, but they're always talking about the cartel, right? The cartel, the cartel. Bill, why don't you just take some of that heavy artillery they use and spray them all, this cartel that you keep talking about, with real bullets?

Bill Murphy: On some of these bad days, I'm glad I don't have a gun.

Thom Calandra: Yeah, I know. Well, you live in Texas. Damn. Anyway, I want to thank you all and wish we had time for questions, but we don't. Terrific panel. I hope to be here next year, and it's great, great people. Thank you.

Gwen Preston
"How To Bet As The Bull Begins"

Moderator: At this time, we're going to bring Gwen Preston to the podium and her topic is 'How to Bet as the Bull Begins.' After years with the Northern Miner, a very prestigious publication as many of you know and alongside Marne Catoosa at Casey Richard in 2014, Gwen Preston saw mining hit bottom and knew she wanted to participate in the pending rally independently and proactively. Thus, was launched Resource Maven, a chronicle of Gwen's market insights and portfolio moves. Gwen knows mining people and projects. She understands how to turn the big picture trends into specific investment opportunities. She knows who to follow and what they are doing and Gwen often advises partial sells on performing stocks which is one of the biggest problems in mining stock investment is people simply don't sell. They have a buying plan but they have no profit taking or liquid. Gwen often advises partial sells on performing stocks. I wanna emphasize that. Managing risk by lowering costs and increasing upside potential. With a technical background, a strong network and years of experience, Resource Maven knows how to find and hold value in this intensely, cyclical sector. So at this time, Gwen, the podium is yours.

Gwen Preston: Good late afternoon, everyone. It's very nice to be here. I always thank Brien very much for the invitation to come down and speak. I realize that we're running a little behind and that there's an event happening afterwards. I will try and get you there but I do have some things that I'd like to talk about. Basically, what I wanna talk about is we've had a very intense rally in the mining sector this year, as you're all, I'm sure, aware, but it's easy when that kind of thing happens, to focus in on the areas where you are comfortable. So maybe you like project generators, maybe you like major gold miners, maybe you like silver explorers in Mexico. That's fine but I think it's very important to remember that the portfolios that are going to do the best in the coming bull market as a whole are those that are spread across a range of opportunities and that range has to include commodities, it has to include stages of the game, in terms of the companies and it has to include different business models. So I'm gonna go through that mostly.

First, I wanna talk a little bit about gold and the mining bull market. Not a huge amount, 'cause I know there's a lot of other speakers who are planning to address that topic fulsomely over the next few days. The bull market is catching its breath right now. We've certainly had a pullback in the last few weeks, months. These are the reasons that I see for this gold fueled mining rally to still have legs. We're looking at an interest rate situation globally that is very supportive of the yellow medal. Similarly, on the debt side of things, I know this audience is very comfortable with those kinds of arguments, there's definitely issues in the bond market, probably a bond bubble going on. There's also that question of if the equities do turn down, bonds aren't really available as a safe haven because you can't cut interest rates and help bond prices rise. So that safe haven tool is removed, which is also very supportive of gold. Equities are likely overvalued and then there's gold, which just offers reliable cyclicality, we've seen it over and over, decade after decade and a rare offer of security and value in this context. The defining characteristic of a bull market is higher highs and higher lows and I'm just throwing a bunch of charts up here to slide in next. It's hard to prove a pattern when a market is still as young as this one but these charts generally do still show higher highs and higher lows.

So we're looking at gold, silver, there's two gold explorers on this, gold developer. We're still looking at higher highs and higher lows. This market is still intact, it's just taking a breath and that's part of a bull market, for sure. In the near term, what do I think is gonna happen? I shouldn't try and speak for anyone else. Clearly, the U.S. dollar is a big challenge for gold. There isn't necessarily an obvious end to that. Whatever you might think about the valuation of the U.S. dollar fundamentally, but it's really important to know that gold can and certainly often does rise right alongside the green back. My overall prediction is that we have the rest of this year, gold is likely to remain pretty range-bound for those reasons, which are, gold never performs very well in the fall, October is a bad month and November is even worse, so we can't expect that to change. It's a very well-established pattern. The election is a big variable that may end up being a boost but until it happens, it's certainly a hindrance on gold.

The December Fed meeting, clearly very important. Tax gains selling, which is a nice thing to say after all these years of everybody fretting about tax loss selling at this time of year but there's a lot of people who booked a lot of tax losses in the last few years and they’re looking, why not take some gains tax-free because you have all of those gains sitting there. So there's gonna be some tax gains selling and then this chart is just about how corrections often play out in gold after a strong rally. And the main point is whether it's W-shaped or a W with an extra leg. It's an oscillation, it's never just down and back up again. Corrections take a little while to play out. So we have to get through a bit of that W pattern and it just takes some time, it takes some movement, but if this is the scenario and I know the fellows in the panel before were speaking to this to a certain extent, I think we're looking to a 2017 that is starting to set up to start out the way that this year did, which would be absolutely fantastic. So how did this year start out? Sharp and strong, absolutely. It took a lot of us by surprise how sharp and how strong those moves were. You guys are familiar with the numbers the way that I am but gold majors up more than 100 percent, juniors up more than that, explorers, if you use the venture as a proxy, which has its own problems, but anyways, up something like 60 percent and within that, some incredible out performances, right? We had some stocks that just really shot through the roof. That's fantastic but a lot of people did miss out on at least a good number of those opportunities and that's because the market moves so quickly and broadly that we weren't all positioned in all kinds of opportunities.

So that's sort of what I wanna talk about today, is all those kinds of opportunities so that if 2017 is setting up to start the way that this year did, you can be better positioned for this time around. So looking at opportunities, one of the things you wanna look at is the different commodities that you want to be positioned and clearly gold is the obvious contender. It's driving a bull market, interest remains very strong in gold. This chart flows into a gold ETF, the GLD, that remains very strong, despite the correction that we've seen recently. There's things like Indian Gold Premiums are up, which we haven't seen for a long time. The price keeps testing important levels and finding support, rather than falling through them, that higher highs and higher low patterns looks to be pretty solid. So gold is there and there's lots of fundamental reasons to be pretty confident in that and then there's gold equities.

Yes, gold majors absolutely loved the rebound last year. Kinross, which is the chart here, it was up 230 percent from January to August. That is pretty darn good for just a big gold producer, right? Not the kind of leverage that you often see but opportunity exists today in gold equities, using majors as an example, for two reasons. One is that they've fallen back, on average, 20 percent. Kinross is off 43 percent in the last few months, so there's a bunch of that opportunity just handed right back to you, if things are gonna go again. And then if you compare Kinross, if you look back a bigger picture chart, it would take 350 percent for it to reach its 2009 high from here. So both in terms of the recent pullback and in terms of the big picture context, there's still a lot of room in the gold market. Silver, gold's wilder sibling, if you want to call it that, usually swings more wildly, often lags time-wise but has started to get into sync with the yellow medal at this point. The opportunities, I say, aren't as abundant or obvious.

We talk about gold equities all the time, gold explorers and gold producers but there's absolutely opportunities on the silver side, you just have to be a little bit more dedicated to find them and largely, because silver is so dominated by -- there's so much silver production as a byproduct, but you can absolutely get direct exposure to silver as well. Those are the obvious ones, but just some of the other contenders, good old zinc, it's up 60 percent this year, which is a big move and a lot of us are very pleased to see that but the chart along the bottom there shows the zinc price going back six years and it's been pretty range-bound. So 60 percent is good but it's just keeping it in the place that it's been. The thing is, though, at some point, zinc has to move up. The zinc covered on the new production story side is pretty much bare. The zinc price has been so terrible for so long that there just isn't much left.

There isn't much out there that can be put into production. So we always have these questions about whether all this excess Chinese capacity to produce is going to get in the way of a rising zinc market. The answer is unclear but that question only determines a little bit of the when, not if zinc prices will rise. They will rise, it just is a little bit of a question of when. So zinc is definitely a contender if you're looking for some commodity spread in your portfolio. Here's another one, lithium. I'm no huge lithium bull but it's a really interesting sector. This is the spot price chart. It took off like a shot this time last year, as it became clear that the demand for lithium batteries is ramping up dramatically and lithium supply is not going to be able to keep up. Now, what does the spot price mean, lithium's a complicated market? I don't have time to get into all of those details right now but opportunity exists because that spot price move is going to catalyze some price increases on the contract side.

That's coming still, that's pending pretty soon. There's seasonal variation in the lithium market, there's things like China's about to announce. It's 2017 electric car and bus subsidies. That's the kind of thing that can really move the lithium market. You have to be paying pretty close attention to know when that sort of news hits but it means that there's opportunity there. Lithium is a really interesting market and there's definitely going to be some big gains from stocks in that sector. I was talking about contenders, other contenders, then there's the underdogs. So copper. Copper demand rises with population and green energy. Those things are increasing, therefore copper demand is increasing. It's very clear an obvious pattern. Supplies are sufficient today, for sure, and in the near term, especially because there's been a fair bit of production that has been shuttered but the long term -- question of your timeframe. Copper equities are very inexpensive right now. So if you have a sufficiently long timeframe, we're not talking decades, we're talking numbers of years, copper offers some incredibly good upside as well. Uranium is probably the most contrarian metal out there today.

I, and others, expected the price to start moving already this year because the supply gap that the chart shows is absolutely on its way. That hasn't happened because of excess uranium supply in the spot market since Japan isn't using the uranium that it used to use but we're in this sort of stand off between utilities who use it and producers. At some point, utilities are going to have to blink and they're gonna have to start signing new contracts 'cause none of them want to be left caught out when that supply gap hits. It's a really bad idea to let your nuclear reactor run out of uranium, like it does not go over well with anyone. So they won't let that happen. At some point, someone will start signing new contracts and all of a sudden, there will be a flood of new contracts and those contracts will come at higher prices 'cause producers will demand that.

So those are some of the commodities that you need to think about. Not just gold but there's a lot of other opportunities out there on the commodity front. Then, there's sort of stages and approaches to the game. Your preference, when it comes to the type of company that you like probably relates to your risk tolerance and that's great, but it's also important to know that -- in the exploration development and production game have merit, major producers. We looked at this already when I showed, was it the Kinross chart? Gold Corp., I mean, the chart on your left is Gold Corps' games this year. They're great but really, that little blip on the corner of the right hand chart, there's a lot of room left for gold majors to move. I'm gonna rush a little bit here 'cause my talk's probably too long and I think there's places where people want to go. Mid-tier producers. The bear market was really marked by major miners having overspent and overpromised and taking on too much debt and that marred things for them, badly. Against that backdrop, investors are really loving the smaller producers, the mid-tier producers. Fewer operations means that they have lower, more manageable overhead costs, they have more managed, better managed debt loads.

They did the same things as the majors did in the bear market so their costs are very well-managed right now, so cash flow is looking good and that means that they're able to act on some merger and acquisition opportunities. So these are some share price charts, two today, so even including the corrections that haven't been that significant for some of the mid-tier miners out there. Then there's the small and new producers. This is actually a fairly small group because a lot of small producers didn't survive the bear market and hardly any mines got built during the bear market. That's just sort of a reality of bad markets, right? But those that did are now doing really well. So two examples, I mean, Rock's Gold is a rare mine that got built during the bad market and investors are loving it for very good reason. It could be a very good, profitable company in and of itself, the way that the mine was built, the assets they have, the exploration upside and the fact that they designed their mill so that they could really expand it at very minimal cost or they could get taken out for all of those same reasons. Both good outcomes for investors, both reasons why the share price is performing so well. Caledonia mining is not a very well known name. They own most of a gold mine in Zimbabwe of all places but their share price has been killing it lately. They reinvested in their gold mine during the bear market, now their production is set to almost double over the next few years.

Great time for your production to be rising and the costs are almost already sunk and they pay a dividend, not a very common thing in our market. Developers. Not that many assets are being built right now. Again, that's a fallout from the bear market but straightforward projects with good economics, that part's very important, that are located in the functional jurisdictions will get built or bought, especially if they maintained any momentum during the bad years and you can see that investors are betting on these groups. It's a small list, those assets being built, but if you expand your definition of a developer a bit to include those that are going through permitting and engineering. Permitting and engineering is the most boring time to be watching a project, right? It just seems to take forever. It's very important but it takes a long time. If you can make yourself have enough of a timeline that you can incorporate that boring phase, when those catalysts are reached, you really see share price moves.

So this is just one example you can see how the share price moved when permits and mine finance were secured and when construction got underway. You don't wanna be getting in after those things have happened, you wanna get in before, even though that phase seems boring, success really matters, it really pays. Then there's the exploration front. Explorers of all stages are now moving. It doesn't happen right at the beginning of a bull market, but it doesn't take a huge amount of time for that to get underway. Clearly, explorers offer the highest risk but they also can offer the highest reward. In making those kind of determinations, what you need to know is your necessary level of confidence. Are you okay with the geophysical targets that haven't been drilled before? If you are, that's the highest risk, highest reward category. Maybe you prefer to have a drill into it already. Maybe you prefer to be in after several drill holes have been in. You kind of need to develop that knowledge a little bit on your own but really good. Then, there's some other business models, right? Project Generators is a business model that certainly deserves consideration. So project generators, the key is they use a really strong technical team and an ability to operate often in jurisdictions where others aren't comfortable or familiar, perhaps, to establish a portfolio of projects but then they don't spend their own money on it. They don't spend your shareholder dollars on it, they find partners to come in and spend money advancing their assets. It's a really strong model that does its best to limit dilution for shareholders while adding value to the portfolio, right? Bear market was actually great for these guys 'cause it gave them an opportunity to gather a whole bunch of new assets that they can now go out there and find partners for and advance during the bull market.

Another business model that needs some attention, royalty and streaming companies. These start from the very smallest. Guys who have a few royalties on a few assets in Nevada because they have particular expertise. The biggest, right, Franco, Nevada. It's a very sustainable business model; these guys outperformed during the bad years because the business model is so -- as long as they can answer some of the questions that are usually thrown towards these -- what did they do in the downturn, what is their plans for growth, then they deserve consideration in your portfolio. New debuts is an interesting category. It's a big of a catchall but really, it's the companies that are only just getting underway now by experienced management teams that spent the bad years figuring out how they wanted to make the most out of the next bull market. There's all kinds of answers to that question from teams that went out and bought old mines that they're restarting to teams that went and gathered exploration projects that they're going to vend out in a project generator model. There's all kinds of answers but if it's a good team with a good vision, then these things can really get hot right out the door. So it's an interesting category to pay attention to as a bull market gets underway.

So when you're looking at how to plan your mining portfolio, if you are in agreement with me at all that 2017 could start out pretty well for our sector, you want to make sure you've at least considered the opportunities across all of these sectors. You wanna have different stages of the game, you wanna have consideration for different business models, you wanna make sure you're not only in gold, you wanna have exposure to other commodities. That's really important. If things get going, I always recommend taking money off the table at some point. If you're in a high risk high reward exploration stock and it goes up 300 percent or 500 percent, if it comes back down again because the next set of holes misses, I don't want anyone complaining to me that they're back down again because you should've taken your initial capital off the table. That's the nature of high risk high reward speculation. And then, as part of risk management as well, I think it's pretty important to pay attention to opportunities to increase your returns. Seasonal fluctuations like the fact that right now is usually the lowest time in the year for gold equities, those really matter. That can really increase your returns by 10, 15, 20 percent, just literally by buying in October and selling in March. You get that kind of gain almost every year and then financings is another thing to pay attention to.

Whether you can participate in financings or at least paying attention to when financings come free trading 'cause that can create pressure on a stock price, whether it's you wanna get out before that happens or whether it's you want an opportunity to enter. So the message here is that opportunities continue, discoveries happen all the way through a bull market, new vehicles are still debuting, developers and producers gain value and get bought as this market continues. So don't think that you missed out because 2016 already happened. Things will continue to happen and 2016 is looking pretty good. The reason that I'm talking about all this, this is exactly what I talk about in the newsletter that I write. It's a weekly publication. If you want any more information about that, I'll be at the drinks event that we are all just about to head to across the way. I also have a workshop tonight at just before 8:00 and I'll be here all week. So thank you all very much.

Peter Ricchiuti

"Do These Earnings Make My P/E Look Big?"

Moderator: Rick Rule gave us back a minute so I could introduce Peter in a way we've been chatting backstage, so we have a lot in common. We both came to Louisiana 1983 and the economist proceeded to tank at that point. I don't think we were blame, but my first month here, gold was over $500.00, a two-year high. First month, it lost $40.00 in one day and kept going down until 1985. And then we hired Brien Lundin and gold started going back up. That was a very lucky hire.

And this man was very impacted by the fall of the price of oil. And both were related to the fact the dollar was extremely strong in the early '80s. He was a manager of the State's $3 billion investment portfolio as assistant state treasurer for Louisiana, so it hit the state in the pocketbook when oil fell in the early '80s to mid '80s.

Now, Peter Ricchiuti has been here many years. I always enjoy his talk and you will too. He's the business professor you all wish – I wish I had in college – humor and ability to teach and lead the kids into primary fundamental and technical analysis of local companies has been really trendsetting in the nation's business programs.

He's a top professor at Tulane University's Freeman School of Business. He's spoken to over 1,000 people in 47 states, including nuns, tin can manufacturers, money managers, water park owners, insurance professionals, and NFL players. He's even given a couple of TED talks.

Now, with a *[audio break]* for the sixth straight quarter, his question for us is: Do these earnings make my PE look big? Peter Ricchiuti.

Peter Ricchiuti: Thank you. I appreciate that.

Oh, I love the Southern veranda here. This is really something. When you Huey Long were here, there's a – this is a nice setting. This is all working out in here. I know a lot of you came out here to hear me, because you were out of Ambien and you heard it was a business professor. We're going to make this a lot of fun here today. I've got some things to say that probably go against some of the other speakers, but that's what kind of makes the market. Don't take of this too seriously.

I wanted to talk a little bit about oil. Louisiana's the third largest producer of oil and gas in the country. And it has been a hell of a ride in the last couple of years. So I want to talk about where that stands. I mean, one of the first things you need to know is Saudi Arabia is the low-cost producer. And they have one asset and one business. It's not like they can come out and go, "Geez, I guess we'll rely on our top furniture manufacturing," you know? This is all they do. They don't even do that. They have other people come in and do it for them.

And so as the low-cost producer, if you wanted to increase market share, what you would do is lower prices and basically kill off the high-cost producers. And that's what they did. Now, everybody in Texas, Louisiana, Alabama, Alaska, and North Dakota are all screaming about it. But it's exactly what we would have taught them to do in business school.

They are in the perfect position to lower prices and knock off the competition. And the reason they want to do that, the reason they want to increase market share, is that they want to share every drop they own and use these revenues to diversify the economy, because they feel the age of oil is coming to an end. In 10 or 15 years, you're going to see the demand for oil start to come down. And that's going to be a big deal. And they don't want to be there for it.

And so there's even an IPO coming of Saudi Aramco – an IPO of the Saudi oil company. You don't do that when you think the future is great. You do that when you're trying to sell of pieces and to diversify. And I think this is going to be very, very, very interesting. I think we'll have to see a couple of news items that came out in the – two months ago, one of the most interesting stories came out, and that is the three German manufacturers of cars – Volkswagen, BMW, and Mercedes-Benz – announced that by 2030, they will no longer produce an internal combustion engine.

Ford came out and said by 2020, 40 percent of their vehicles will be electric. This is a big deal. Seventy-one percent of oil is used for transportation. So this is not a very good sign for the oil industry. I mean, I think we're going to lose a lot of companies, particularly the smaller companies. And the ones that are alive may wish they had in fact died. So let’s see where things go.

Now, the economic impact is interesting. Lower prices at the pump are the equivalent about a $200 billion tax cut for U.S. consumers. And it's also the kind of tax cut that has the biggest push, because it helps the middle class more than the rich. In other words, they spend a higher percentage of their income on money at the pump.

It's good news for retailers, U.S. manufacturers, and other businesses, such as the airlines. The airlines are doing great. Now, these guys haven't made money since Kitty Hawk, so it's been a while. Every seat is full on the plane. As people flying out, I was in the jetway in Dallas a couple months ago, and a guy came up to me. And he smelled like alcohol and he's telling me how "I've never been on a plane before." And I thought, "Damn, snakes have been on a plane."

This is a big deal. *[Laughs]* So the airline's largest cost has been cut in half. In fact, I heard of one airline – I don't know if you saw this, but this was so amazing. One airline is now, for additional revenue, is now charging for a emotional baggage, which I thought was great, really.

The fear of commitment, $125.00. So it is – and I saw a story about six months ago that I just thought was so funny is German Chancellor Merkel that's trying to save Greece and hold together after Brexit and all that, she's working very, very hard. And of course she's been flying all over Europe. And I saw this in the *New York Times* about six months ago. And of course every time she lands, she has to go through Customs and security like everybody else.

So she landed in Orly Airport in Paris. And so she gets there and she has to go through Customs. And of course the French Customs officer is there. And he goes, "Just two questions. Nationality?" And she says German. And he says, "Occupation?" And then she goes, "No, we'll just be here a couple of days."

So there are so few good Nazi jokes now.

The other thing of course that's happened is that UFOs have been defanged. I would called this the lagniappe part of what's happened – lagniappe being the Louisiana term for a little something for nothing. And that is the real people that hate the U.S. – Venezuela, Iran, Russia – are all broke. Now, they couldn't throw a blender at us. So this is actually some pretty good news.

Now, the distinction is electricity is generated by natural gas, coal, solar, and wind. But planes, trains, and automobiles are run nearly entirely by oil. So when we talk about oil, what we're thinking in here is that the Raleigh competitor to oil is what's going on with Tesla.

I taught at Tulane for 30 years now. I've been teaching there for so long that now undergrads are coming up to me and saying, "My mother had you." It's like, "Excuse me, what are we talking about here?"

But a student from 20 years ago came in to visit me this summer and he's a renewables analyst on one of the big Wall Street firms. And he said he had just visited Tesla's battery facility in Nevada. And he said the two things he came away with is once he walked in the door, he realized he had the lowest IQ in the building. And investment people usually don't say that.

And secondly, when he talked to the people in there, they had eyes like saucers. They were like attention surplus disorder, where they were so excited, because they were very, very close to the big breakthrough. So I think that is really – when we come back a few years from now, I think that's going to be the big story.

Electricity, of course, is generated by natural gas, coal, solar, and wind. The electric cars, that's what they're going to have to get the situation. One of the things people talk about is there aren't enough charging stations. But I think that's really a chicken and egg kind of situation.

But electricity is generated by gas, coal, solar, and wind. Natural gas, the demand for natural gas, is through the roof. And it is going to continue that way. And the shipping of L&G abroad is tremendous opportunity. You go down to Lake Charles, Louisiana, Cameron, Louisiana, and you see what these facilities are. And it's incredibly impressive.

Coal, I think has had it. I think the last piece of coal will be found in the stocking of naughty children. And say what you will about Santa. I mean, he does know where all the naughty girls live. So let's give him that. So good guy to know.

And then solar and wind, one of the things that happened a couple of years ago was gas – there was more fuel generated by gas than there was coal. That is a shift that hasn't happened in 100 years. It's a really, really big deal.

Let's see, natural gas has a more positive outlook. It's domestically produced, cleaner burning than oil. Demand is significantly lower than it is around the globe. So that's big, big advantage for U.S. manufacturers.

This is really what things are going to look like when we look at where energy demand is going to come from – electricity, for instance. It's going to be huge. Energy demand just keeps growing. The question is what do these fuels get in terms of the slices of that pie? And you can see at the bottom, oil and other liquids is very, very small in this area.

Coal, the generation of coal, coal is going to have a lower piece of the pie. Nuclear is going to go down. Renewables are going to go up. And natural gas is going to go up. And everybody sort of knows this. And that's what we're looking at going forward in here.

Let's see. I heard a good one the other day. There was two inmates. And the warden comes to them there in Death Row. And the warden says, "All right, you're going to be killed tomorrow. But you get one last request." And he says, "What would you like?" he asked the first inmate. And the first inmate says, "Just before I die, I would like to hear once again that song Achy Breaky Heart." And he goes, "All right, we can do that." And he asked the second inmate, "What would you like?" And he said, "Kill me first."

That's the way I feel on this stuff. *[Laughs]* Profits count a lot. Why has the stock market tripled since '09? Why are we at new highs? Well, the real reason is corporate profits. Corporate profits are the driver.

You see, since World War II, corporate profits are up a hundredfold. Stock prices have risen about ninetyfold. You can see the driver for stock prices for the markets, the indexes, and individual stocks is ultimately corporate profits. And corporate profits in the last seven years haven't been good. They haven't been great. They have been flat out phenomenal.

Now, you'll never hear this, because it's not like a CEO is going to testify in front of the Senate and say, "Sir, Senator, we're just making too much money, if there's something you could do."

It's just not going to happen. So what you have to keep your eye on the ball on is corporate profits. The rest of it is noise. And rest of it is meaningless. The rest of it is like the buffet at a strip club. It just doesn't matter. I figure in New Orleans, that would be the one to go.

These are corporate earnings, as measured by the S&P 500. You can see in 2011, it was at a record high 96. Then we went to 97, 107, 114. Last year, we came down a little bit. And the reason we came down were two factors. Energy stocks make up about nine percent of the S&P 500, and their profits were off 70, 75 percent. And the other was the very, very, very strong dollar, where U.S. multi-nationals did well with their businesses abroad, but when those money came back into the U.S., it took a haircut. We think it'll bounce back in '16. And we think '17, we'll get up to $125.00.

The big surprise you're going to see over the next couple of years is inflation is going to come back. We haven't seen inflation in about 30 years. And there's two ways to measure it. People look at metals prices or oil price. That's what determines inflation. It's really about two things – capacity utilization – in other words, how much slack is left in the economy. What are plants operating at? When they operate at 80 percent or above, you start to get inflation. And right now, we're at 78.2 percent and rising. So we're almost there.

And then unemployment, when it gets to five percent or below, you start to get wage price inflation. We're already there. And that's going to be the big surprise. Wage price inflation over the next 18 months is going to be about 4 percent. And that's something we have not seen in a long, long, long time.

Interesting is a lot of political talk about manufacturing jobs that have been lost. About 25 point of those jobs were lost to cheap labor abroad. But 75 percent of those job losses in manufacturing are due to automation and robotics. And it's kind of hard to argue against productivity.

People ask if we're going to have a double-dip recession. I don't see it. Everybody's been talking about it for a long time. It just doesn't happen. I need to see housing starts. I believe we're going into a double dip, but I need to see housing starts high but falling, and they're not. They're low and rising. We just came out of the bottom of the housing market.

I need to see average weekly hours worked high but falling, and they're not. They're high and rising. It may still be tough to get a new job in the United States for some people, but if you're working, they're asking you to work more and more and more hours.

And the third is the inverted yield curve. I need to see short-term interest rates higher than long-term interest rates, and it's just not happening. You can see the ten-year treasury's at 175. The three-month bill is at 0.45 – 175 minus 45 is a positive 130 basis points. So it's positive. It's telling you that the economy in 2016 will be stronger than it was in '15 and that '17 will be stronger than '16. And you can see the couple of times when they've gone below that line.

In 2000, you had the inverted yield curve short-term rates higher than long-term rates. It signaled the '01/'02 recession. You saw it again in '07. It signaled the '08/'09 recession. The yield curve has been right since the earth cooled. But we tend not to use it. We usually send a reporter out to a Wal-Mart somewhere and ask them, "Are you scared of losing your job? Do you think the economy's bad?" It's like, "That's right, I'm scared, real scared." It's like, "Back to you, Bob. People are scared." This is ludicrous, what we're doing.

The answer's in the *Wall Street Journal* every single day. But where are we in this recovery? I think that's always an interesting question, is that I think we're probably in the late innings. The last three economic recoveries have lasted 90 months each. We're in the 85th month. I do think, using baseball parlance again, the recovery has been so tepid. In other words, we've been growing at about two, two and a half percent a year. We need to be growing at three, three and a half percent to make it feel right. And I think that's going to mainly go into extra innings. I'd be surprised if this doesn't become the longest economic expansion in American history.

Recessions – a lot of people worry about recessions. A lot of people only saw that last recessions. And it's not a very good example. That was a whopper. It lasted 18 months, in '08, '09. GDP fell at a quarterly rate of five percent and unemployment rose about ten percent. An average post World War II recession has lasted about 11 months, with significantly smaller contraction in GDP and many fewer layoffs.

You can see what's happened with the economy. We fell off a cliff in '08, '09 and we've basically been positive every since then. I was once on a panel abroad, where people were saying it was going to be a U-shape recovery. But there was one guy from San Diego. I laughed. He said it was going to be a bathtub-shaped recovery, which I guess was shallower and longer, little claw feet – kind of like a giant Cialis ad. And really, how are you going to have relations if you're in two different tubs? It's always ads, always on the ball game.

Let's see, one of the reasons the economy is not growing faster is what corporations are doing with their money. Since 2009, corporate earnings have been amazing, but almost every penny of it has gone to stockpiling cash, mergers and acquisitions, and shared buybacks. Very little has been reinvested back in the U.S. economy in plant and equipment. And so we see that.

Right now, U.S. corporations are holding $1.5 trillion in cash earning – what's that number? Zero. And for perspective, $1.5 trillion is the GDP *[audio break]* if you want to know how much money and how bizarre it is that that much money is on the sideline.

Then the shrinking money – this doesn't have numbers on it, but I will tell you what it is. In the year 2000, there was 6,600 publically-traded companies in America. Today, there are 3,300. We've lost half of them, and the number's worse than that, because it's a net number. It includes all the IPOs that have come in. And one of the things you got to look at there in M&A is certainly when companies merge, usually there's layoffs, so it's not very good for the economy, but the other thing that happens is when companies merge, 70 percent of mergers don't work.

The reason is companies overpay. And you know the old adage that was set – the reason it comes out that way is sellers know more about what's being sold than buyers know more about what's being bought. And that's a big difference.

And then the other thing that's happened is share buybacks. U.S. corporations have spent $3 trillion buying back their own stock. And you can see what happens here. We know that earnings per share is what drive stock prices. Well, they're taking the profits and buying the shares back. So if you keep making the denominator smaller, you will make earnings per share higher. I don't think that's very good quality earnings, but it certainly has worked.

The bottom line is that I think they're not reinvesting very much in the economy and that we're eating our own seed corn. In other words, very little has been invested out there to be harvested later. Research has shown that investors who traded the least outperformed those who traded the most by about seven percent points annually. I think we all knew this. But finally, two professors at Cal did this. And that's Eric Clapton. I wanted some reason to put in Eric Clapton.

Financial myth busting – you hear people talk all the talk. The reason people don't do better with their money, you just sometimes hear, "I don't want to be involved in the market when unemployment is high." Well, the truth of the matter is that the stock market has done better when unemployment is high. Another thing you hear is, "I don't want to be involved in the stock market, not with the Democrat in the White House. My daddy told me that and my Pappy's daddy and my Daddy Pappy daddy," which is great, except for that's not correct either.

In Clinton's first term, the market was up 99 percent; the second four years, up 83 percent. Bush's first term's down 6, second term down 26. Obama's first term up 101 percent. We're up 59 percent so far in this area. So I don't think the 101 percent and I think, "Geez, if Obama's a Socialist, he's not a very good one." So we will have to see.

And of course, the banks are giving all this information. You read about them all the time. But the banks, they seem smart. But these are the same people that gave us the Braille keypad on the drive-up ATM. So just a thought, just a thought there. "Go ahead and mark the deposit."

And let's see, what do I worry about? I worry about restrictions on free trade. I think the key to the U.S. economy is in export. I don't want any kind of trade war. Gold and bonds – gold is like religion. You either believe or you don't believe. You either think it's a great store, house of value, or you think it's a doorstop. I'm sort of at the latter.

Bonds I think are a very risky investment right here, because bonds, when interest rates go up, bond prices go down. And people don't remember that anymore. It's been so long since it's happened. I run into people all the time that say, "Oh, my husband and I, we wouldn't be in stocks. They're too scary. We have all our money in long-term bonds." I always think to myself, "Yes, you're going to call your brokers in about a year and go, "Excuse me, what are these parentheses in my account?"

So this is what we're facing. On the immigration side, another big political issue, 40 percent of the Fortune 500 were started by immigrants or their children. The foreign students, about a million foreign students in the U.S., they're totally the best students in the class. They're going home at night, creating trading algorithms and my U.S. kids are playing beer pong. So it's sort of easy to see how this happened.

Everywhere I go, I hear people tell me how America used to be better before. It used to better. It wasn't better. Things are getting better for most of us. The babies born today are the luckiest crop in history, said Warren Buffett, and it's true. It's true. And I love the visual of a crop of babies. That's my favorite part. The, "Oh, look at them go. They're knee high now."

So the average American today enjoys access to better transportation, entertainment, communications, and medical services than the robber barons did in the 1930s. That's the truth. Sometimes when people tell me it was better before, I bring up one word: dentistry.

"Yeah, take it off, take it off. Make it go." The U.S., things are terrific. All these advancements are coming out of the United States of America. We've become a science-led economic juggernaut. In energy, we're producing more and using less. Technology, cloud computing, mobile devices are helping productivity. And then life sciences, breakthrough products, personalized gene therapy, synthetic skin, it's all coming out of the United States of America. I don't know how anybody can miss this.

Interesting though, we have a lot of people in the country, they're science skeptics, conspiracy theorists. They think climate change is a hoax, vaccinations cause disease, there's no such thing as evolution. My favorite one is, though, that people think we actually faked the moon landing. And I think that is ridiculous, because I think we all know that Louis Armstrong walked on the moon.

Because it was a big day here in '69, a local kid – it was terrific.

And let's see, this is what we've been hearing for six years – fiscal cliff. Kiss your mamas goodbye. The economy gets stronger, the market gets stronger. Sequestration – restring all your guitars. The economy gets stronger, the market gets stronger – Obamacare. Pack up all your stuff. The economy gets stronger, the market gets stronger.

Greece – we worried about Greece. Now, I think two years we're going to go, "Greece, oh, yeah, the musical with John Travolta." That's what that – when I'm going to remember that. Cyprus – we worried about Cyprus for six months. We don't know where the hell Cyprus is. It's a really nice wood.

And Brexit. You remember Brexit? We went into a panic and it was like, "Oh." What was it? Oh, I don't know what that was.

And rate increases – there are going to be rate increases. There's going to be one this year for a quarter of a point. There's going to be four next year for a quarter of a point. And it's not going to derail the economy and it's not going to derail the stock market. That's the big surprise. I hear people complaining about the Federal Reserve now. "Oh, they don't know anything." I have friends at the Fed. I have former students at the Fed. They are smarter than me. They're better dressed. They have less body fat. These are great people. I worry about when public elected officials start talking about the economy.

You hear them come out and go, "It is has just been revealed to me that some of our imports now come from other country." Ha.

Yes, stick with the Fed. The Fed's okay. This is what we're missing. We're adding about 200,000 new jobs each month. Consumer confidence is a 11-year high. Bank loans are steadily rising. Energy independence, which is priceless. The unemployment rate is at an eight-year low. And record corporate profits and lost of cash. That is why the stock market it at all-time highs. It's not listening to the spin. It knows what really counts.

I think what we need – and I think every politician sort of agrees, if they could finally cross the aisle – we're going to need to lower the corporate tax rate. It's the highest in the world – and straighten it out. It's all Byzantine now. We need training for higher-skilled manufacturing. We're never going to make forks and spatulas, but high-trained skill, and rebuild the nation's infrastructure, which has fallen apart in roads, port, and research labs.

When people tell me that they have – they think the economy's a house of cards, I always come back with this quote from Tim Duy. As long as people have babies, capital depreciates, technology evolves, and tastes and preferences change. There's a powerful underlying impetus for growth that is almost certain to reveal itself in any reasonably well-managed economy."

Capitalism works. The wind is at our back. You have expansions usually of seven to tens years. Then you could have a cleansing process. And then you go up and we keep reaching higher and higher highs. In the last five years, I keep hearing the four most dangerous words in finance: This time it's different. And it's never different. It never is. It's the same thing over and over again.

Now, the seven most dangerous words overall are, "Hey, we're getting the band back together," but that's a whole separate problem. But let's see, this is the book I wrote last year, *Stocks Under Rocks*, about great investment ideas and also what we do at Tulane. And I put this thing. I just have two minutes with you left here, but I put this on your tables. I sent them by mail. So I always get nervous when I send things by mail. But I hate people who trash the post office. People go, "Oh, I can't believe it's 49 cents to mail a letter."

I always want to look right them in the eye and say, "Hey, pal, if you take from the day they pick it up to the day they deliver it, what is that? It's like a penny a day. That's nothing. So stick with your post office."

And what is this? This is just a summary. You can see all the students' research reports. We basically we go out – I have 200 students. I break them up into teams of five. And each team is assigned to one publically-traded company. And they write a 20-page investment research report on it. And it's been a lot of fun. They go out to thousands of investors. And it's been wonderful. We sent 800 students in this program onto jobs in the investment world.

A couple things: We have a big conference on the first page. Every spring, it's the first week in a jazz fest. We get to meet the executives of these companies.

On page two, you see there's our students meeting with a small publically-traded company, Bristol, and they're going on a helicopter trip to the offshore oil rigs, which is pretty cool. We do have the best trips in the world. We take flights to offshore oil rigs. We go to steel mills. We go to chicken processing plants. If you've never been to a chicken processing plant, do take the family. That is a terrific outing. It really is.

And I want to clear something up. After a couple years of therapy, these kids are fine. And that's really what's important.

On page three, you see Howard Marks, a very famous investor, came in to see us. On page four, you see Mario Gabelli. He was a speaker at our conference a couple years ago – personal hero of mine.

And the graph above that is about a few years ago, one of the local banks wanted to use the students' research on these underfall stocks in the south and created a brick and road mutual fund. And it's got $800 million in it. And it's outperformed 99 percent of the nation's mutual funds. So it's been pretty wild.

And then if you open up to the middle – and all I've got is about five seconds – but if you open up to the middle, I know a lot of you guys haven't opened a magazine like this in some time. And it's like, whoa, now when you open it up, it's like, "Where? It's an ad for Chevelle. What happened to the girl?"

But you can see the little companies we follow. I just wanted to show you that. You see Cal-Maine Foods, the number 41. That's a good example. We find companies that aren't very sexy, but they have good balance sheets, management owns a lot of stock, and a decent profit margin. And I remember we wrote a report about them – started 23 years ago; I've been doing it every year – and I sent the report to the management. I said to management – management called me and they go, "Peter." This is from Jackson, Mississippi. "You did a great job on that report. Please tell the students what a great job they did." I said, "Sir, Mr. Adams, I'll do that."

He said, "Now, you did make one mistake." And I said, "What was that?" He goes, "Well, you referred to us as egg producers. We're egg distributors. The hens are egg producers." So that's a mistake.

City boy problem. Thanks so much for having me. I appreciate it. Thank you. Thank you. I appreciate it.

Rick Rule
"The Speculators Edge, Bull Market Techniques"

Moderator: Rick Rule needs no introduction. However, there may be some people here for the first time who do not know Rick Rule. He's been coming here for 30 years. He is founder of Sprott Global Resource Investments, president and CEO of Sprott U.S. Holdings, a 35-plus-year veteran of resource investment business. He's been to many conferences and he's omnipresent here at this conference over those last 30 years. He's going to talk about where do we go from here and profit strategies for a bull market. Welcome, Rick Rule.

Rick Rule: Thank you, Gary. And good afternoon, ladies and gentlemen. I'd like to begin this talk, as I always begin my talks down here in New Orleans, by thanking Jefferson Financial and Brien Lundin and the sponsors for this thing. Putting on a conference, as I've learned myself in the last few years, is analogous to herding cats. It's a real hard thing. So what I'd like you to do is join me in a round of applause for the employees of the conference sponsors and all these folks.

There's a lot of familiar faces in the crowd. There's a lot of you that have been coming here as many years as me. I think this is my 29th year at this conference. And I think it's also appropriate at this point in time to dedicate my speech, which means I have to make a good one, to the memory of Jim Blanchard, who founded this conference. For those of you who know him, he's a hell of a guy.

It's useful in a sense to talk about Jim Blanchard too in the context of this speech, because Jim Blanchard was a great investor and a true contrarian. He had the real good sense to understand that most of what we learn with regard to economics and investing is either a lie or unwitting untrue.

He also had an uncanny sense, that I learned from him, to, when he was right, take the money. He had a great ability to speculate in junior mining shares, because he had a great empathy and understood the market. But when he made an awful lot of money in the mining share, he was always careful to scrape a couple million dollars out of the money and get it out of harm's way, a lesson that took me one more cycle than him to learn.

Past his prologue, we're going to talk today a little bit about bull markets and about a gold market and about a natural resource bull market. We're in the gold bull market. We're coming in to a natural resource bull market. But the truth is that bear markets, like the one that we've been through, beget bull markets. And bull markets beget bear markets. So remember, at some point in time in the market that's coming up, when you're congratulating yourself on how smart that you were, that you got to make the money and you got to take the money. You got to get it out of harm's way before that bear replaces the bull.

I'm not going to spend the rest of the day making you sick, telling you that further losses are actually inevitable. But the truth is always remember that bear markets are the authors of bull markets, and bull markets are the authors of bear markets.

I'd also like to do one more thing before I get to work. There's about 100 folks in this audience here, the conference audience, that are clients of Sprott. That means about 300 of you – 300 of you aren't yet clients of Sprott, which is a pity, but I'd like to take this moment to welcome all of the Sprott clients in New Orleans and thank you for coming down here, learning more, and becoming better clients.

So I'm going to talk today about the bull market I believe we're in in precious markets, and the bull market that I think we're coming into a couple of years likely, maybe quicker, in the rest of the commodities and how to participate, or at least how we intend to participate in these markets. This is my, depending on how you count, fourth or fifth cycle. And I hope by now I have learned some lessons that will be valuable to you.

I was also asked by the conference promoters to talk about things that were topical in the context of my speech. And so I'm going to talk about the elections in the context of this markets, but only very briefly. The truth is, if both candidates were in a crosswalk and I was in a car, I wouldn't hit the brake for either of them.

But the politics of the country impact the economy. And they impact all markets. And the one political thing I want to say is when I look at the political process in front of you – in front of all of us – and I talk to you all about the way you vote and the people that you vote for, I have one little piece of advice for Congress and one piece of advice for all voters.

And there's a little saying that I want you to remember, because it's the best single saying in personal investing and in economics that I know of. It goes like this – it's a Southern saying, by the way. It's appropriate down here: When you're outgo exceeds your income, your upkeep becomes your downfall. I'll do it one more time. When your outgo exceeds your income, your upkeep becomes your downfall.

In politics, it seems to me that the single most pressing issue in front of us is the fact that collectively at the Federal level, we owe $20 trillion – that's 20 with 12 zeroes – on balance sheet – state, Federal – I mean, pardon me, state and local is worse than that. That's the only political comment I'm going to make. And I think it's the only political comment that has to be made. And I think it has more impact on markets and more impact on everyday lives than anything else.

And I think taking that sort of statement to its logical conclusion and combining it with the fact that although our debts are at record levels, our interest rates are at record low levels, teaches us a bunch of things about what we want to do.

People in this crowd are associated with the gold narrative. Me standing up here telling you about the merits of gold is sort of like a preacher on the outside of town, asking the choir if they believe in God. I understand you get the gold narrative. But what I think is different, what I think you have to bear in mind with regard to this gold market, what I think you have to bear in mind in terms of the – not just in inevitability, but the imminence of a gold bull market – is that something really truly has changed. And that's zero or negative interest rates.

Six years ago, if any of you asked me, "Should I buy a million dollars worth of gold, I would say, for insurance purposes." But understand that that gold is going to cost you $60,000.00 a year in rent, because you could buy the U.S. ten-year treasury for a six-percent yield. So buying gold, you're foregoing $60,000.00 a year in income – a real rent. That same number now is $17,000.00.

Jim Grant, who I hope you all heard speak a couple days ago, describes the U.S. ten-year treasury as, quote, "Return-free risk." Write down return-free risk and think about it as a concept. What's important is because in my life, gold has traded inversely to the real interest yield on the U.S. ten-year treasury. And the U.S. ten-year treasury now has a negative real yield. That's important too, because it means that the instrument that competes with gold in the fear trade is no longer viable competition.

I'm not the kind of person who's going to come to the podium and tell you that the U.S. dollar is going to zero and that the U.S. is going to default on the bond. I don't believe that. I don't even believe that gold will defeat the U.S. ten-year treasury historic value, although I think it ought to. I just think it's going to lose less badly.

Recent studies have shown that about one half of one percent of the investable assets in United States are in precious metals or precious metal equities. Write that down – one half of one percent in precious metals or precious metals equities.

In 1980, at the heyday of this conference, the same number was eight percent. In 1980, at the top of the gold market, or former top of the gold market, eight percent of investable assets in the United States from precious metals and precious metals equities, the same number now is one half of one percent.

Over the last three decades, gold and gold-related equities, market share of U.S. investable assets, total U.S. investable assets, has been one and a half percent. If you believe in mean reversion, which is really the history of finance, what that means is that never mind the market share of gold regaining its former status. If it just reverted to the three-decade mean, demand for gold and gold-related equities in the United States, with about 25 percent of world investable assets, triples.

So my thesis is that gold won't win the war, but it will lose it less badly. And as a consequence of it losing less badly, both gold and the gold prices should do extremely well. And I think that the trigger will be negative real interest rates.

People say if the interest rate goes up, isn't that bad for gold? Anybody remember the 1970s? The interest rate went to 15 percent and gold went from $35.00 to $850.00. Gold can sustain higher interest rates. It's the real interest rate that matters. If the rate of inflation is 18 percent and the interest rate is 15 percent, the negative rate is 300 basis points, which is very, very good for gold.

So I believe that we're in a gold bull market. I believe right now that gold is taking a rest, which is normal and natural. The truth is, those of you who have been in these markets for a long time know that you can have ugly cyclical declines in a secular bull market. Uglier still, magnified in the junior gold shares and the senior gold shares, and we're seeing that. But the truth is, in the gold market, volatility is the hallmark of the gold market. And 30 percent declines are normal and natural, if unpleasant.

The truth is, however, if you're psychologically prepared, if you understand the nature of these markets, volatility becomes a tool, not a risk. And I want you to think through that too. If you believe that the secular bull market is intact and you believe that negative real interest rates will persist, there will be times when you want to be a seller – pardon me, there will be times when you'll want to be a buyer. And there will certainly be times when you see gold gracing the covers of all the major business magazines in the country. And at that point in time you'll probably want to be a seller.

So we've talked about gold's market share. I want to talk about one new things with regard to gold before I move on beyond gold. And that is this: There is some new techniques for gold share investing. And I'm embarrassed to say that despite the fact that I helped create one of them, I haven't been very good at utilizing it. Those of you who are my clients know that my favorite form of gold equity investing is the private placement.

The private placement, because I love warrants. I love to have the right, but not the obligation, to buy stock at a fixed price over a fixed period of time in anticipation of some outcome. And one of the mistakes I made this year is pursuing alpha – that is, keeping money set aside for private placements while a market was moving up. I forgot about beta. In other words, with about $50 million in partnership money, I sat out of 100 percent upswing in the gold market. In pursuit of alpha, I left $50 million worth of beta on the table.

I'm going to talk in my workshop this evening about how you can have your cake and eat it too. In other words, how you can capture beta while you're seeking alpha. These new ETFs, of course the Sprott EFT being the finest of all of them, are wonderful ways to invest in the junior mining sector without taking single company risk and without taking the liquidity risk that often accompanies individual issues. And I'll talk about how that works in a mining share portfolio.

But I also want to talk about moving beyond gold. The truth is, those of you who are at this conference last year, will remember myself, but not just myself, several speakers saying, yes, gold is going to do well, but that doesn't matter. The gold shares are so cheap that they will do well without gold. None of us, I don't think – well, maybe Doug Casey, but nobody else – believe that we will get the kind of response in the gold shares that we have enjoyed between then and now. Hundred percent moves in the index and 500 percent moves in some of the issues.

That's rare enough performance that nobody who is honest with him or herself can say that they had intended or anticipated or forecast that type of move. And what's interesting about the move is that after 100 percent move in an asset class – in other words, after the price is doubled, which is a different way of saying after the asset classes become arithmetically precisely half as attractive, more people are attracted to it.

We all describes ourselves in this audience as contrarian. But the truth is that we really want to be contrarian when it's popular. And there's a problem with that concept. I'm not suggesting to you that the gold price can't – I believe it will – go up. But I'm not suggesting to you that the game in the junior games is over. I think we're in the third inning of a nine-inning game.

But I do want to point out that this is becoming a crowded trade. While the big money is ahead, my suspicion is that the easy money has been made. Now, why would a gold broker say the easy money has been made? The reason is because I want to introduce you, I want to get you into a way of thinking where you go to where other types of easy money could be made. There's whole other classes of commodities that haven't moved, except for down, in the recent past.

It's funny that if you look at a material where you know there's going to be ongoing demand for the material, where you know it's essential for life itself, and the commodity falls 50 percent in price, which is a different way of saying that the commodity has gone on sale, that people are discouraged by that. It's strange, you know?

If you were walking through the mall across the street, walking down there, and they had a store over here on the left that said 50 percent off sale, you'd be on that like white on rice. But when an investment asset falls by 50 percent – in other words, when it goes on sale – people don't like it. It's a very odd circumstance. So I'm going to begin to talk to you about thinking about goods that are on sale – not goods where the thesis has been supported, where the narrative has been supported, by price moves in the recent past. But rather, investment topics where either the price of the commodity has to go up or our life is going to change. And we're going to do a little audience quiz right now. Those of you who are in the roundtable will have to suffer through it one more time.

How many people believe in this room – show of hands – that if we came back to this conference six years from now, walked in this room, hit the switch over there on the wall, that the lights would go on? How many people believe the lights are going to go on here six years? That means all of you believe in higher natural gas prices, higher coal prices. Well, you don't need higher coal prices right now. They just had their move. Higher uranium prices.

Because the truth is that all the stuff that we make electricity out of is priced below replacement cost. Think about uranium, which is 16 percent of America's base load power. I know Obama doesn't like it, Mrs. Clinton doesn't like it, and all the big thinkers don't like it. But it's 16 percent base load of power.

Now, in the uranium business – and I'm just using uranium as an example – it costs us between $60.00 and $65.00 a pound, including cost to capital, to make this stuff. And right now, we sell it for $19.00 a pound. Let’s round it off to $20.00. So you make the stuff for $65.00. You sell it for $20.00. You lose $45.00 a pound. You try to make it up on volume. It's problematic.

Either the price goes up or the lights go out. Those are the only two options we have. And you have to decide for yourself what you think is more likely. Will the price go up to replacement cost or will the lights go out?

Let’s take another example. How many people in this audience drove to New Orleans? Okay. How many of you believe six years from now, when you're coming to this conference – and I hope you do come to this conference – it's worked well for me for 29 years – how many people believe when you come to this conference and you go to stick the key in the car and turn to the right that the car will start? How many don't believe the car will start?

If you believe the car will start, that means that you believe in higher oil prices, because again, we're making oil for $62.00 a barrel, fully loaded, including cost to capital. And we're selling it for between $45.00 and $50.00. Let’s take the high number. We lose $10.00 a barrel and we're doing it 95 million times a day *[laughs]*, 365 days a year. Trying to make it up on volume again.

We have one of two choices. The oil price goes up or the car won't start. Now, I know some of you are rich enough that you can own an electric vehicle. So in that case, you don't have to buy oil, but you do have to buy more uranium, because you have to power that car with something.

There's a young women who used to be in our office building a couple years ago. Downstairs from me there's a state representative. And she was what you might imagine as a government employee. She had a bunch of bumper stickers about salamanders and nice stuff like that.

And she had an electric car. And I went up to her and I thanked her. I said, "Ma'am, those of us in the mining business really thank you for that coal and nuclear-fired car. If it wasn't for you, we wouldn't have enough to eat."

The point of all this, other than making fun of the political class, which I love to do, is to point out to tell you the inevitability of other bull markets and natural resources, because we like to do things like drive, like eat, like stay warm, and enjoy electricity. The truth is, looking forward, there will be bull markets in base metals. There will be bull markets in agricultural markets. There will be bull markets in general metals. There will be bull markets in energy, because if there aren't, our way of life will be very different and distinctly less present – less pleasant, I'm sorry.

And anticipating those bull markets and moving into those equities the same way that some of you had the foresight to move into the gold equities, will prove equally rewarding. How many people here remember the bull market in resources that we enjoyed in the 2002 to 2006 timeframe? One of the best of my careers, one of the most amusing, if I can use that word, financial event that you can enjoy is a concurrent bull market with gold moving and the rest of the natural resource class moving.

It's the only real financial experience I have where both prime motivators in investment – fear and greed –reinforce each other. Fear of running out, greed with regard to momentum. And my suspicion is that sometime in the next two or three years, we have a bull market that involves both the precious metals markets and the rest of the commodities. And that will be truly spectacular. I'm not suggesting to any of you that you transfer out of gold stocks, although I will suggest to some of you – I know some people in this room have a – too much of – worth in junior gold stocks. They've had 200 or 300 percent gains and they're wondering what to do.

That's a very different question. Take your original capital off the table. Enjoy the game. If you have an investment class that's highly speculative, that's up 300 percent, we have a saying at Sprott called the point of no concern. That is where you sell enough of your stock that you have your cash back and you paid the capital gains tax. The rest of it is the point of no concern. We use that to contrast it with the point of no return, which is where you hold too big a position into a bear market.

It is my contention that looking beyond gold to other commodities – commodities that will change in price a year from now, two years from now, three years from now, and in particular looking at companies where you have the opportunity to participate on a private placement basis in public companies to provide them with the sustaining capital necessary to stay alive until the market turns.

There are companies, small companies out there, that have deposits that have had $150 million spent on them that have $10 million market caps. Companies, as an example, that have copper deposits that would make money at 350, but make no money at 250. Companies that may have $10 million market caps now that would have $200 or $250 million market caps at normalized copper prices.

And the idea that I'm going to pursue is I'm going to try and provide these companies with the capital necessary to stay alive for two or three years so that you preserve the upside associated with the deposit. But in return for providing capital to these companies, when everybody else wants to be in the gold business, or *[laughs]* a negative rate of return ten-year treasury, in return for committing my capital in a sector that's not hot, I'm going to ask these guys for five-year warrants.

It's very important when you're in the private placement business. This is going to become an advertisement for my workshop later tonight, but it's very important when you're in the private placement business and you get this warrant to get a real warrant. Can you imagine how sad you might be if you had a two-year warrant and it took three years for the underlying commodity that you were speculating on with the warrant to turn? In other words, your warrant became useless.

So my thesis is if I'm providing the capital that's necessary for the company to stay alive, at a period in time when nobody else will provide them capital – in other words, when I can get a really good deal – part of my good deal is to preserve my optionality by way of a warrant for long enough that when the commodity turns, I'm still there to take advantage of it.

So one more time, I want to encourage you to understand that the gold market, though volatile, though cyclical, is early in a bull phase. I want to tell you that you need to own gold for insurance purposes. You need to own the stocks for alpha and for beta. But these stocks are cyclical. You have to be able to stomach 20 and 30 percent declines. You have to take profits periodically and get the money off the table.

But you also, if you're a speculator, if you're attracted by the 100 percent gains, by the 200 percent gains, that you and/or your neighbors have gotten in the gold stocks to understand that that was the easy money. And the easy money now is going to be in commodities other than gold. It won't be easy for you psychologically, because there's been no recent experience to justify the narrative, but that's precisely why those are cheap.

I'm going to talk a lot more about these strategies – here comes the commercial – in my workshop tonight at 6:15. This won't be a general. This would be a really – a how-to and what-to session. It's at the Chasse room, which is on the third floor of this complex. I think many of you know about it.

We'll talk about We'll talk about really how to capture beta in both the general commodities markets and specifically in the junior gold markets. And we'll talk about the private placement techniques that have worked so well for us in the past. And what we're going to do differently next year and the year after with regard to private placements. This is part of the discussions is probably particularly appropriate for investors who are financially and psychologically able to do private placement investing, which may not be appropriate for all of you.

But for those of you who are, if you're going to be in the junior stock market, if you're going to take the risk associated with the junior stocks, not taking advantage of the warrants – in other words, not getting the optionality, if you will, on steroids, is a large mistake. You need to prepare yourself to participate in the private placement business.

The second thing that I'd like to draw your attention to. How many people in the room are Sprott clients? Great, so a lot of you. For clients, we're doing a workshop tomorrow morning, Sunday morning, at 9:00 AM. Now, I know some of you were probably planning to go out and have some fun tonight, so you may not make it to the 9:00 AM session or you may come straight from wherever you were to the 9:00 AM session. That's okay.

For those of you who aren't yet clients – in other words, for those of you who have made a mistake in the last year – we'll take an aggressive approach and assume that you're going to become clients. So you're welcome too. It's a Sunday morning session, 9:00 AM, also at Bell Chase room on the third floor.

Finally, two more things: Come by our booth. We have exhibitor stock charts here. We have a stock chart of every public company at the show. It's useful. It's not the only determinant of a good company, of course, but it's useful when you go around and talk to the exhibitors that you have the price data with respect to how their markets have done over the past 12 months. And when people talk about their accomplishments over 12 months, it's interesting to have that confirmed or not confirmed by the stock chart. And it's interesting when you're asking the companies about how their investment decisions might impact their market price, that you can look through the stock chart and determine whether, to your satisfaction, past is indeed prologue.

You will also notice on the stock charts that all of the exhibitors that are here that are owned by Sprott are designated in yellow. Please understand that these aren't investment recommendations. These are what we did with our money. There's no suggestion that it's efficacious and that you should do it with your money. These are for disclosure purposes only.

It's interesting that because I am a licensed stockbroker, I can't give you recommendations if you're not my client. I don't know you well enough. That's a bad thing. It's against the law. But I'm required to disclose to you. So if you hear something from me that sounds like a recommendation, understand it's not. That would be illegal. It's disclosure, which is required. I hope you all understand that subtle difference.

Finally, for those of you who are or are not Sprott clients who are interested on what we think on a fairly continuous basis, we have a periodical. It's called a periodical, because we publish it periodically, rather than on a regular schedule. We publish it when good thoughts occur to us, which sadly doesn't happen on a daily basis.

And unlike anything else in life, I absolutely, positively guarantee – guarantees are illegal for us too – but I can guarantee you this: I absolutely, positively guarantee you that you'll get your money's wroth from this, because it's absolutely free. Come by the booth and sign up for Sprott's Thoughts. If you think you qualify, please come to the workshop tonight. If you are or would like to be a Sprott client, please come to the client-only session tomorrow.

And please, please, please participate in this market. Participate by owning precious metals. The catalyst is in – zero interest rates is truly the catalyst. The narrative, you all know the narrative, the $20 trillion deficit. That's the narrative, the off balance sheet liabilities. That's the narrative.

Own the gold shares. There's an interesting thing with regard to the gold shares. The companies committed so many sins in the last bull market that I suspect that there going to be on good behavior for the next two or three years. That's an important difference. The gold shares will perform better in this bull market than they performed in the last bull market, because they won't be so stupid.

But finally, please be prepared to move beyond gold. Please be prepared to move into sectors that either scare you or bore you, because they are genuinely, rather than relatively, cheap. Remember how afraid you were of the junior gold shares last year after a four-year bear market? It's hard getting spanked every day for four years.

But the truth is that disappointment is the author of the site for bargains that have caused you to enjoy the gains that you have all enjoyed this year. Ladies and gentlemen, thank you very much for coming to the New Orleans conference. Those of you who are my clients, especially thank you for coming to the conference. I look forward to seeing all of you in the next day. And I look forward to seeing most of you next year. Thank you very much. Bye-bye.

Peter Schiff
"The Stimulus That Never Ends — How To Invest When Rates Go Negative"

Moderator: Peter Schiff is a very omnipresent speaker on television. And if you watch any of the financial channels, he has been one of the very few analysts before 2008 to call for the crisis of the magnitude that we actually experienced in 2008 and '09. He is CEO and chief global strategist of Euro Pacific Capital, an SCC registered investment advisor and full-service broker.

As a result of his frequent media appearances and written commentaries on the economy, stock market real estate commodities, gold, currencies, and politics, he's become one of the most recognizable figures in the financial world. He wrote a bestselling book, *Crash Proof: How to Profit from the Coming Economic Collapse*, published in 2007, as I said, the year before it happened. His most recent book, *The Real Crash: America's Coming Bankruptcy*, published in 2014.

He's also the owner of Schiff Gold, a company specializing in the sale of gold and silver bullion. And he unsuccessfully sought the Republican nomination for the Senate in 2010 in his home state of Connecticut. But there's never any such thing as an unsuccessful run when you get the message out in front of the public, as he did during that campaign. So please welcome – his speech title is "The Stimulus that Never Ends: How to Invest When Rates Go Negative" – Peter Schiff.

Peter Schiff: Thanks. I appreciate the introduction, although I'm not financial television as often as I used to be. I guess they're getting tired of the message or the fact that I've been right. Also, I guess the title of my talk has something to do with investments. I'm not going to talk about investments. But I am going to talk about investments tomorrow. I have a workshop at 6:30 and I'm going to get to the investment portion of really my presentation at that workshop. So don't make any early dinner reservations – 6:30 I think to what, 7:15? I don't remember what room it's in, but if you can't make that workshop, I will be at my booth. I'm in booth 223 and I'll be there all day tomorrow. So if you want to talk about what to do with your money and how to invest your money, I'm happy to have that conversation at my booth. But again, hopefully everybody can attend the workshop.

Let me talk about the first part of the title, really what's going on with the economy. I was here last year and I gave my talk. And at that time, the mood was pretty somber in the metals mark. Gold, we were nearing the bottom, 'cause everybody was convinced, oh, the Fed's about to start raising interest rates. They're going to normalize interest rates. And we all know that higher interest rates are going to hurt gold. And it's going to help the dollar. And so a strong dollar is going to be bad for gold. And that was the mindset in October of last year.

And if you remember what I said during my talk, first of all, I said that I didn't even think the Fed was going to raise rates, even though everybody was so convinced that they were. I said I didn't think so. But I did say that if the Fed makes the mistake – and it's only a mistake from their perspective, not from what the economy actually needs – but I said if the Fed makes the mistake of raising rates, they'll only do it conceive. Because, I said, the minute they do it, the stock market is going to tank and then they're going to have to take it back. They're going to have to dial back the expectations, because they're not going to like that.

And of course that's exactly what happened. The Federal Reserve did raise interest rates in December of last year. But if you remember, most people, when 2015 began, people were arguing whether the Fed was going to raise rates in March or wait until June. So they were expecting the Fed to raise rates all year. And I said from the beginning of the year that they wouldn't do it at all. And it didn't happen until December, the last two weeks of the year. And I think the reason that the Fed finally raised rates – it wasn't because they wanted to, but I think they thought their backs were to the wall and they thought they would lose credibility if they didn't lose rates. So they raised them even though they didn't want to. And the markets reacted the way I predicted.

In fact, when the Fed raised rates, it bluffed that it was going to raise rates four more time this year. So not only was it one rate hike, but it was the anticipation of all the additional hikes that spooked the markets. And in fact the stock market got off to its worst annual start in history – in history. And that's not unrelated to that rate hike.

But what happened to gold? Exactly what I said was going to happen. I said if the Fed raised rates, maybe we'd get a knee-jerk reaction where gold might temporarily go down, but then it would be a buying opportunity. And that's exactly what happened. I think the day or two after the Fed raised rates, gold got down to – or the next day it got down to $1,050.00. And then it just went straight up, back up above $1,300.00, before pulling back.

And I remember they brought me on CNBC the day of the rate hike. And they were trying to say, "Well, Peter, you're wrong. You said if the Fed hiked rates, the price of gold is going to up. And look, it's not up." And I said, "Well, you got to give it a little bit more time." And of course it started to go up almost immediately after that interview. And we didn't even get a correction a little bit until recently.

Because now all of a sudden, just like October of last year, they're all talking about rate hikes again. Right? Now all of a sudden, oh, the Feds are going to raise rates in December. So obviously that's going to be bad for gold. Why? Was it bad for gold when they raised them last December? No.

And what's different about the rate hike that everybody is expecting now vs. the rate hike everybody was expecting then is back then people actually believed it was going to be the beginning of a normalization process. Now, more people have reached the conclusion that this is going to the end of it, that the Fed is going to stop. Two rate hikes is all they're going to do if they even manage the second one.

Because I still think that they're not likely going to raise rates against in December. I mean, there's still a lot of economic data that's supposedly going to come out. The Fed keeps claiming that their data depended. Meanwhile, the data that they depend on just keeps getting worse and worse. And they don't want to acknowledge it. And I think I mentioned it on a panel earlier today, I think politics are playing a big role in the Fed's reluctance to acknowledge the underlying weakness in the economy. And of course, they want to pretend that all their policies are effective, so they have to pretend that the economy is actually recovering. That's what's been driving their rhetoric, to talk about how strong the economy is, talk about how they're getting ready to raise rates, because after all, if the economy is strong, we should be raising rates.

But then they don't actually raise rates. Because when they raise rates, then they prove how weak the economy is. Because this is not a recovery. I said this when I was here last year. The Fed did not create a recovery. The Fed's policies actually prevented the economy from recovering. All they did is reflate the bubbles to the detriment of the economy.

Sure, they got the stock market to go back up, they got *[audio break]* although that doesn't necessarily benefit that many Americans, because the home ownership rate is now at a 60-year low. So a lot of the people benefitting from rising real estate prices are the hedge funds that bought all the property out of foreclosure with cheap money. But how about the average America who's paying rents and those rents keep getting jacked up every year, along with their healthcare bills, which are now apparently going to really shoot up next year.

What we need to have a recovery is *[audio break].* We need savings. We need underconsumption. We need capital investment. We need increased worker productivity. We need more output. All the things that we need are not happening, because all the resources that would enable that are being siphoned based on these low interest rates to speculation, to support excess government spending. And so we never actually had a recovery.

In fact, even if you look into statistics, this is probably the first time in history where the recovery is worse than the recession that we supposedly recovered from. I mean, if you look at the average America, he's worse off today than when the recovery began. What kind of recovery is that, when you get sicker?

And they like to point to the job market, right? Barack Obama and – oh, look at all the jobs I've created. Well, now we find out even Donna Brazile, one of the emails that got leaked that no one cares about, because they're wondering which woman Donald Trump kissed without permission 20 years ago. But in one of these emails, it came out even one of the President's biggest mouth pieces about how great the economy is, in private, just like Hillary Clinton, she has a private position that's very different than her public position. She's saying that everybody is miserable. Sure, we have a lot of jobs, but they're lousy jobs. They don't pay anything. They're part time. And people are spending half their money on rent.

I mean, that is the secret to the Obama recovery, is destroy full-time jobs with Obamacare and force companies to hire part-time workers instead, because when you're only hiring part-time workers, you need more of them. So when Obama destroys a high-paying full-time job and two low-paying part-time jobs take the place, he claims credit for creating a job.

So this is what's going on. So we've never actually had an economic recovery. We've had a gigantic bubble. And that's why the Fed doesn't want to raise rates, because it doesn't want to let the air out of that bubble. But the problem is the air is already coming out of the bubble. In fact, if you look at where the GDP is now, the last – we get a GDP number that's coming out tomorrow – but the last three quarters, the average has been just one percent.

I mean, if the Fed is really data dependent and we've just had the three worst quarters of the entire so-called recovery, why are they raising rates? Why didn't they raise them years ago when the GDP numbers were much stronger? I think it's because the Fed understood the phony nature of that bubble and they didn't want to do anything to prick it. Certainly they didn't want to prick it before Obama left office. I mean, they remembered how back it worked out for Bush, because that bubble, the real estate bubble, which the Federal Reserve inflated, burst before Bush left office. And that's why we have Barack Obama. The reason that he won is because things were so disastrous under Bush.

And so the Fed didn't want this bubble blowing up before the election. They want to help Hillary Clinton get elected. And so they need to keep this bubble full of air as long as possible. But I think even without the rate hikes, just that one little rate hike – in fact, and I mentioned this a year ago, the Fed really started raising rates not when they actually raised them. That was basically the end of the process.

The tightening really began with the taper talk. Remember, they were going $85 billion a month of quantitative easing? And then they started talking about tapering. That was a tightening, because they were using forward guidance to let people know that they weren't going to be providing as much stimulus. And then they gradually tapered.

All of that was the tightening, so that by the time the Fed actually raised rates, they'd been tightening for years. And that's why you saw the economy roll over the way it was, because without all that cheap money – it's like if you're addicted to heroin and all of a sudden you get less drugs, you're not going to stay high anymore. You need a certain amount of drugs in your system. You built up a tolerance. And if they dial it back, it's not just taking it away. It's just having a less of a dosage.

And so the economy already starting rolling over. But a lot of people thought, well, typically we have two or three years after the Fed starts to tighten before the markets roll over or before the economy goes back into recession. But we had had tightening for two years and people didn't notice it. But that's exactly what happened.

And now we're basically on the doorstep of another recession. And now with the Fed is talking about raising interest rates as we're beginning a recession. See, normally, when the Fed creates this business cycle, they lower interest rates to get us out of a recession. And then as soon as we start coming out of it, they start tightening, right? And they start raising interest rates as the recovery is gaining momentum.

Well, we've waited seven years. This is one of the longest recoveries ever. Now, it's the weakest recovery ever, no question. We've never had a recovery this week. Of course, we've never had a recovery with more stimulus than this one. So despite record amounts of stimulus, we've had the weakest recovery. Yet it's one of the longest.

Why do they think it's not coming to an end? How could the Fed – like the Fed's about to start tightening as the recession is ending – rather, as the recovery is ending. And I think there's a good chance that we're already in recession, despite the fact that the numbers still show modest economic growth. I think that a lot of that is a function of the GDP deflator not being accurately reflective of the increasing prices.

So I think if the economy is growing only slightly, but you're understating how bad inflation is, I actually think that we're already in recession. In fact, I think if the government accurately measured inflation in the GDP deflator, I think we would find that we've been in a recession for the entirety of this recovery, which makes a lot of sense, based on the anecdotal evidence I already mentioned. But if you look at a lot of other data points that measure the economy, we're seeing economic data that you never see outside of a recession.

Now, people are trying to say, well, maybe this is the new normal. This is just the way it's going to be. This is not the way it's going to be. It's not like a new normal. This is the consequence of what the Fed has done. Because in order to have a real recovery, we have to first have a real recession.

The recession is the positive part of the process, of the business cycle. It's the good part. I mean, it's not the fun part, but it is where all the mistakes of the past are rectified. It's where we clear out all the misallocations and malinvestments and we lay the foundation for a real recovery. Well, we never laid that foundation. The Fed Reserve preventing *[audio break]* corrected. In fact, the mistakes were amplified. And now I think the economy is in worse shape than it was leading up to the financial crisis of 2008. And I think the recession that would ensue when this bubble bursts would be much larger than what we now call the rate recession. And I think the Fed Reserve is a little bit more cognizant of the risks, which is why interest rates are still as low as they are and why the Fed has not reduced its balance sheet at all.

Remember, that was another thing the Fed was talking about. Not only were they going to raise interest rates, but they were going to shrink the balance sheet. They haven't shrunk it by – when Ben Bernanke first launched QE1, he went before Congress *[audio break]* that were actually annoyed or worried about this and they said, "Look, you're monetizing the debt. This is not going to end well."

And Ben Bernanke looked right in the eye of whoever the Congress asked him the question and said, "I'm not monetizing the debt." He said, "Monetizing the debt is when a central bank becomes a permanent source of financing for a government. He said, "We're not doing this permanently. This is temporary." He said, "We're just buying these bonds, because it's an emergency. And when the emergency is over, we're going to sell the bonds."

Well, the recovery is almost over and they haven't sold a single bond. It's been eight years – seven, eight years – and not only have they not *[audio break]* every time a bond matures, they roll it over. Every time they get interest on the treasuries, they buy more bonds with that interest.

And so here we are now. We've just gone through the entirety of the business cycle and interest rates were never even close to normalizing. And now we're either already in or about to end a new recession and interest rates are barely one half of one percent. And the balance sheet's $4.5 trillion. So where do we go from here?

Well, now the Fed's got to start its next easing campaign. We got to lower rates, but they're basically at zero, so how low could we go? Well, now, the next thing that they can do is cross that rubicon and go into negative interest rates, which will do even more damage than zero. And I think they're going to restart another quantitative easing program.

So the markets now are still kind of prepared for the Fed to hike rates. But what they really should be preparing for is the opposite, for the Fed to do another round of stimulus, not because it works, but because it failed. See, because it failed, that's why they're going to have to do it again, right? They never learned from their mistakes. It would never dawn on central bankers that cheap money is the cause of, not the solution, to our problems. So no matter how cheap the money gets, they just want to make it cheaper. And so if zero didn't work, well, then negative is going to work.

And so I think if the Federal Reserve does hike rates against in December, just like they did last year and kind of make it an annual ritual, I think they're going to regret it again. I think the markets will react negatively to it, unless the reduction is accompanied by some strong language to the effect that this is it, we're done. This is all we're going to do.

But I think in either event, that would be a very negative event for the dollar and a very positive event for gold. Because then I believe people will start to figure this out. Because the whole reason that we had that big rally in the dollar that went on – this year the dollar's been kind of flat – went down a little bit and came back up. But the last few years, you had a very strong dollar and that hurt commodities, hurt gold, hurt emerging markets. It was all based on the belief that the Fed's policies worked. And because they worked, they were no longer needed, so they could normalize interest rates, shrink the balance sheet. And that's what rallied the dollar. It was because people thought these programs could be successfully ended.

And my point the whole time was that they can never end, that they are going to be here indefinitely. Because once you build an economy based on cheap money, you just can't take that cheap money away. It's like you can't get high on drugs and just say, "Okay, I'm going to stop taking drugs, but I'm going to stay high." It doesn't work that way.

You can't lower interest rates, because whether the Fed lowers interest rates, what do they encourage everybody to do? Go out and borrow more money. Well, what happens if the cost of servicing all that borrowed money goes up? Well, you can't afford it. I mean, what was it that pricked the housing bubble? It was all those subprime mortgage loans resetting to rates that the borrowers couldn't afford. Yeah, they could afford the teaser rate, but they couldn't afford the ultimately higher rates.

Well, we can afford a teaser rate of zero percent. I mean, we've got almost a $20 trillion national debt. You think the U.S. government could fund that if it had to pay a real rate of interest? No. It can barely afford it with rates at zero. But if rates went to two, three, four, five percent, I mean, there's no way. We'd have to default.

But it's not just the government that is all levered up. What about the corporations? Why do you think the stock market's so high? Because companies are growing their earnings? No. Because they're buying back their stock. Where are they getting the money to buy back stock? They're getting it because they borrow it. Even the cash that they have on their balance sheet was borrowed. It's all based on leverage. I mean, if you look at plant and equipment, U.S. companies haven't invested in plant and equipment since the oldest 50, 60 years.

And individuals were levered up. We got an automobile bubble. We're just starting to see more evidence that there's a glut of used cars now. Used car prices are starting to come down. Defaults are starting to rise in the subprime auto sector – very reminiscent of what happened in subprime with real estate.

But look at the student loan debt. Look at what's happened to that in the last few years – off the charts student loans. You think these kids are good for this money? I mean, they've got worthless degrees they paid a fortune for them. And there's no job jobs. And look at it, they've got all this credit card debt. And some people try to pretend that we've somehow deleveraged during this recovery. We haven't delivered at all. We're levered up to the max.

I mean, yes, in some respects, household debt has gone down. But that's only because the mortgages are gone. But so is the home equity. So yes, fewer people have mortgages, because they don't own homes anymore. They're renting. But if you just look at credit card debt and auto debt and student debt, it's all new highs. And then look at corporate debt and then, again, look at the government. It's not just the Federal government. Look at all these municipalities that are all levered up.

They always say, oh, yeah, it's a great idea. Money is really cheap, so let's just borrow more and more and more. But what happens when interest rates go up? That is a problem. One of the things that people say – or one of the things that even Trump says when he's campaigning – is that, well, we should take advantage of these low rates and refinance the debt. That's impossible. The government can't borrow for 30 years, because the rates would go up. That's the reason that they borrow in the treasury market. They sell T bills, because if they try to borrow on the long end, the rates would spike up and they couldn't afford it. So they keep borrowing on the short end.

So what I think is going to happen is when the Fed either raises rates in December and pretty much admits that that's the end of it or they don't raise rates, because the data is continues to come in weaker than expected, I think we're going to get a big turnaround in the markets, in the dollar. And I think people are then going to come to the conclusion they should have come to years ago, that there is no way out.

If you remember, when the Federal Reserve first started this quantitative easing programs – and I said it here when I was – I've been coming to this conference for a long time – but I initially said, when they first did this, when they first lowered interest rates to zero, I said they checked us into a monetary roach motel. And why did I say that? Because, look, once you've done this, there is no undoing it. You can't.

And then when they started with quantitative easing, everybody thought it was a temporary thing. I said, no, this is like trying to put out a fire with gasoline. It's not going to go out. And then you're just going to need more gasoline. And I was saying back then that I thought we'd have more QEs than Rocky movies. And so far there's been three, but what did we have, seven Rocky movies?

So once they come back and they do this next round of quantitative easing, I think people will realize, wait a minute, there is no exit, there is no way out. And then it's a game changer. Because what's kept the bid in the dollar, what's kept the bid in the bond market, is the belief that this has worked and that it can be ended.

Meanwhile, the official measures of inflation have already started to turn up. We've now had a core CPI above two percent for the last 10, 11 months in a row. But during that time period, the headline number has kind of been held down, because we had this big drop in the price of oil.

But I think the only reason we had that big drop in the price of oil was because of the expectation of a stronger dollar that was going to be fueled by rising U.S. interest rates. Well, meanwhile, oil prices have now recovered from the lows of about 30. We're now about up at around 50. But I think when the dollar rolls over, because people realize that those rate hikes that they anticipated aren't going to come, this isn't even going to be a buy the rumor, sell the fact. This is going to be a buy the rumor and sell, because the rumor was false. We're not going to get anywhere near what the markets had priced in.

And so as this happened, and now you start to get rising energy prices and other commodity prices on top of rising core prices, that Fed's two percent inflation target is going to look like a distant floor. Because they're going to be looking down at that two percent.

Now, the market expects the Fed to raise rates if inflation is above two percent. Why? Well, because they keep talking about why they're going to do it. But they're only talking about it because they can't do it. It's like the opposite of Teddy Roosevelt who walked softly and carry a big stick. Well, we have no stick, so all we can do is talk as if we had one.

But when the interest rates get above – the inflation rate, rather, gets above two, two and a half, three percent, the Fed will do nothing. And in fact, the Fed has already dialed back expectations for a rate hike based on higher inflation by embracing it. They're talking about, oh, we need more inflation or we can let the economy run hot for a while. And they're saying, well, inflation is good for us. Or they're saying that, well, we were below two percent for so long. So now we can be above it for a while just to kind of even it out.

Well, the reason is because the Fed can't raise interest rates to fight inflation, because if they do, they'll prick the bubble they don't want to prick. They'll crash the stock market. They'll crash the bond market. All the big banks that we shouldn't have bailed out in 2008, they'll all fail again. And not only will the shareholders get wiped out, but the depositors will get wiped out next time, because there will be no bail outs.

So in order to prevent that from happening, the Fed is not going to want to raise rates, which means inflation is going to keep getting higher and higher and higher. Meanwhile, I think as the cost of living goes up for Americans, which it will – and not just for health insurance or rent, but when food starts getting a lot more expensive, and your utility bills, and everything starts getting expensive, and people are already loaded up on debt, they're going to be cutting back on their spending. And i think a lot of these part-time job that had been created over the last few years, as bad as they are, they're going to be lost.

And now we're going to see the non-foreign payrolls going negative. And the unemployment rates starting to rise. And of course a lot of states have foolishly enacted higher minimum wage laws. And of course that's going to compound the problem for the unemployed.

But now we're going to have a situation where the economy is contracting and inflation is accelerating. Well, what is the Fed going to do? And more important though, how is the market going to react to that? I'm not the only one that it's going to be stagflation. Alan Greenspan, that's his forecast. He's saying it.

And I don't know why people always want to look at Janet Yellen and act well what about Greenspan? I mean, he was a Fed chairman. I mean, wasn't his opinion more valid than hers, just because she happens to be the current chair? I mean, I think that she knows a lot less about economics than he does. And in fact, I think he understands a lot of the mistakes that he made. He's just reluctant to own up and accept responsibility for it.

And I think that the stagflation that we're going to get this time is going to be a lot worse than the taste that we got back in the Carter years. Because I think the economy is fundamentally in much worse shape structurally. I mean, one of the things that Donald Trump is correct to point out is the enormity of our trade deficits.

But these trade deficits don't result from bad negotiators. They result from big government. They result from regulations and taxation that have made America uncompetitive. And the result from artificial low interest rates that discourage us from saving, which is the real source of economic growth. And instead we've created this phony bubble economy. And we're now in a much worse position economically.

I mean, in 1980, we were still the world's greatest creditor nation. We still had trade surpluses back then. We had a much more robust manufacturing sector. And the national debt was a fraction of the size that it is today. So I think this time around, this bout of stagflation is going to come with a lot of stagnation and a lot more inflation than the last time. And I think this whole pretense that the central bankers know what they're doing and they solved their problems, more and more investors are going to be able to see through it. And I think we're going to see a violent reaction.

And a lot of people are worried that, well, what if it's like 2008 all over again? I don't think it's going to be. Because if you remember, when 2008 started, the dollar had fallen for seven consecutive years. It was at an all-time record low. Remember, the dollar index was at 70. Gold was at 1,000, after having been below 300 in 2000. Gold stocks, remember how much gold stocks went up from 2000 to 2008? Oil was at $150.00 a barrel in 2008, up from $20.00 in 2000.

So everybody was loaded up in a certain trade. And then they got surprised by 2008 and they unwound those trades. Well, everybody is all loaded up on the opposite side of the boat right now. Everybody is along the dollar. In fact, when this year started, hedge funds, first time ever, were short goaled. What a lousy way to start this year, short goal. But they were short goaled. They were along the dollar. They were short the Yen, they were short the Euro. Everybody is wedded to the philosophy that, hey, this QE worked. The U.S. is going to be divergent monetary policy. We're the cleanest dirty shirt in the hamper. Everybody has the same trade on. They're all along the dollar. They're short goal. They're short oil. They're the exact opposite of the way they were in 2008.

In fact, if you want to look to the last period of time when investors were lined up like this, you got to go to the last bubble, which was 2000, 2001. This is exactly the way people were positioned back then. Gold was at the lows, the dollar index was 120, everybody was optimistic. Alan Greenspan was the maestro. Nothing can go wrong. We were going to pay off the national debt. Surplus is as far as the eye can see.

The mentality that we have today is much more like the mentality in 2000 than it was in 2008. And the markets are positioned the same way. With that, I'll close the comments, because that really leads into the opportunities that I see now in the market, the way to play this. And the way to really make a lot of money is to figure out something where everybody is wrong, and then take the opposite trade. That's how we were able to make a lot of money shorting the subprime market in 2007. Well, that's when we got paid.

But when you see a trade where everybody believes one thing and you find a way to bet that they're wrong, you can make a lot of money. And I think that's the situation we're in now, where everybody believes one thing, at least everybody who controls the larger pools of capital. They're all positioned the wrong way. And you still have a chance to position yourself against that trade before it blows up.

Anyway, I guess I'm over time, right?

And don't forget, it's 6:30 tomorrow.

Mark Skousen
"The Role Of Real Estate In A Safe Haven Portfolio"

Moderator: .Next up, you've seen him, you know him. Mark Skousen. This afternoon he's going to send out a message with regard to the three greatest threats to your wealth today, the government, bad investments, and betting the wrong way. You know him, but do you know that he was recently named one of the top 20 living economists in the world.

Mark Skousen: Living, living.

Moderator: Living, always a plus, always a plus. In 2014, he was appointed a presidential fellow at Chapman University in California. He has a unique distinction of having worked for the CIA, non-profits, FEE, and several for profit companies. In 2004, 2005 he taught economics and finance at Columbia Business School and Columbia University. Since 1980, Skousen has been editor and chief of forecasts and strategies a popular award winning and investing newsletter. He's also producer of his crowing jewel, I think, Freedom Fest. Very proud of that, the world's largest gathering of free minds which meets every July in Las Vegas and listen to this. This is impressive if you really focus. Based on his work, the structure of production New York University Press 1990 and 2007, the federal government is now publishing a broader more accurate measure of the economy, gross output, GO, every quarter along with GDP, it takes some muscle to get something like that done. Thank you, sir for your mind and your talent and we look forward to your message.

Mark Skousen: All right, thank you, Lindsey, thank you very much. Very nice to be here. I've been at all of the New Orleans conferences except the very first one. I missed that one, but I think I have been to everyone since then. And if you can claim the same, John, one of the few. You are a trooper. Anyway, it's a real pleasure. I always enjoy coming to New Orleans and talking to you about what's on my mind and particularly I decided to talk on a theme which I think is really important the greatest threats to your wealth today and I don't think it's the clown, well it could be the clowns in Washington, certainly that could be the case, so here is my picture here of two threats, it doesn't matter which one of these guys, guy or gal gets elected, it's gonna create a lot of uncertainty on what were happening.

And I love this quote from Judge Gideon Tucker that I have in the maxims, "No man's life, liberty, or property is safe while the legislature is in session." And that needs to be amended because with executive orders, it can happen at any time. It doesn't just have to be when congress is in session, because these clowns in Washington can with a stroke of the pen create havoc in the marketplace and take away our life, liberty and property and that's one of the big dangers, but I am talking about three threats to your wealth today that I think are extremely important.

And I'll tell you a story, so I spoke at the money show, at the San Francisco money show back in the 1980s. I as a regular at the money shows. And I gave a talk. I had just come back from Crater Lake and it gave me a whole new view of the world. If you've ever been to Crater Lake that's heaven in southern Oregon and so after going to Crater Lake, I came to the money show and I said, you know, the greatest threat to your wealth today is normally Theo government. That's the topic that I always talk about, the first threat to your wealth is the government. The big three is inflation, taxation, and shall we call it, strangulation rather than regulation, IRS being an example, the federal reserve who is determined to increase inflation and unfortunately at some point there were gonna succeed. Taxation, the level of taxation is going up. It's not included in the CPI as part of the cost of living, extremely dangerous. Certainly these are areas in my workshop tonight, I am going to talk in particular about minimizing taxes and one of the things that people, I notice that Dennis was talking today, Dennis Gartman about why he's not worried about the deficit, and it reminds me of a story and this happened at Arizona State University just a couple years ago.

There was a keynote speaker who was a treasury, former treasury official so he could speak his mind, and this former treasury, he gave a speech about what government is doing to improve our lives and all that sort of thing. And when he was through, he was asked a question by the attendees. And he said, what about the national debt and he said, I'm going to tell you something that you've never heard before, we in the treasury are not worried about the deficit because we have a secret weapon. The treasury department has a secret weapon that is going to cause the automatic pay off of the national debt, maybe not the entire amount, but it's gonna take a big chunk out of the national debt so we don't even worry about it.

And they said, well we want to know more about this and he says, it's RMD. Does anybody know what RMD stands for? If you are getting towards the age of 70, you know what RMD is required minimum distribution. Write that down. Notice none of you are taking note, what are you doing? Just listening to me? Take this down, RMD, required minimum distribution, so what happens is the government is basically requiring you to start taking that money out of a tax free account, a tax deferred account and that becomes taxable and that money is going to get back into the treasury, just like they've been increasing social security payments which you have already paid taxes in when you paid into social security and when it goes out, you pay it again. They have these secret weapons folks that are going to-, that maybe it will cause them to increase spending even more but in any case, that's why he wasn't worried about a treasury because you and I are going to pay for it.

So, minimizing your tax burden, I'll talk a little bit about that in my workshop as to ways to reduce your chances of having problems with the RND. Now the second threat to your wealth is bad investments. And I have this great quote from Warren Buffett, you know one of the reasons I compiled the maxims of Wall Street as a book. I have been collecting these sayings since 1982 and I finally put them all together in a book and I put them by category and sometimes these one liner pithy statements have a really profound effect and Warren Buffet says, above all, avoid big mistakes. And what do we mean by that? Well, I'll give you an example, investing for the long run. If you are going to invest in the long run, this is from Jeremy Segal's famous chart in his book, Stocks for the Long Run. If you haven't, this is required, this chart is required by my students at Columbia University and at Chapman University.

So, stocks are clearly the winners. They are ahead of bonds. They are ahead of T bills. They are ahead of gold. They are certainly ahead of the dollar as far as an investment is concerned, so why not invest for the long run in stocks. That's the strategy I used. I just interviewed Tom Gardener of the Motley Fool and he has the same approach. He's not a short term trader, long term trader and that's how you can get the ten baggers and the 50 baggers that Peter Lynch and Tom Gardner are pushing for. So, I since there is a lot of interesting gold, look at this chart, I mean, this chart really says it all, so if you have your choice between investing in traditional, industrial stocks, the S&P 500 which contains all kinds of stocks or you are going to invest in the gold miners ETF GDX, look at the difference in chart. So, this kind of reinforces what we said on the panel here unless you are going with something like Franko Nevada and some of these very exceptional cases, gold stocks, mining stocks, penny stocks, whatever you are investing in, they are burning matches. They are burning matches and if you hold them on long enough you are going to get burned. I perform this with all my students. I strike a long match and I start passing it around my students at Chapman University and they keep passing it around till finally someone drops it or is burned in the finger and I said that applies to most penny stocks.

You need to keep that in mind. If you have doubled and tripled your money, you need to take some money off the table. Another great quote, if you have doubled your money, take your original investment out. I used that same approach myself, so anyway, that's the chart I wanted to show you, extremely important. Third threat to your wealth is bad timing. So, this is incredible chart that I don't know how many of you have seen this before. Richard Bernstein has performed this chart. He did this study from 1993 to 2013, a 20 year period of time and he has got various indexes so the top performing one is the energy index fund so these are indexes, ETF indexes for 20 years in these various categories and if you go down the list and you have to look at them, even the S&P 500 if you invested in that gave you a return of almost 10 percent a year, annualized for that 20 year period. And you even have T bills you've got bonds in there, all of them out performed really well.

Now look at the red, the little red mark. That's the average investor. The average investor had a little bit less than 3 percent return annualized. Now how did Richard Bernstein find out what the average investor is? Because he was actually allowed to go into brokerage firms into brokerage accounts and look at what individuals did buying and selling. What they bought and then when they sold and what positions they took and their average return was less than 3 percent. It underperformed a money market fund, that's how bad it was. And so you have to ask yourself the question, why? What went wrong with individual investors on something like this? And I say there is two reasons, one is cherry picking, trying to find the hot stock and you look for the hot stock and you get into it. You buy at the right time, you sell it at the right time. Hopefully, and you do really well. The problem is that most of the time it is extremely difficult.

I have been writing my newsletter now for 36 years. I would like to think that I have improved in my ability to recommend individual stocks and I think I have got the formula down, but it took me at least 25 years to figure out how to do this, so experience does count and I hope those that are subscribers to my newsletter you'll stay with me because I have a goal. I have written my newsletter for 36 years and I plan to in the year 2030, I plan to write a book called 50 years on Wall Street, talking about my experience, but according to the Hulbert Financial Digest I have outperformed the market for the last 15 years. I would hate to see what that record was before that time period. So I would like to think that I have improved with time. So yes, I found that individual investors, they love stocks. If I just recommended ETFs, if I just recommended mutual funds, you know how many subscribers I would have? John? Maybe John, you would be the last one, down to nothing.

People love stories so I am giving you what you want, but we are putting together an it's just a portfolio of a dozen stocks, I have copies of the newsletter at my workshop number two, it's bad timing, so not only do you have to pick the right stock, but you have to do it at the right time. Peter Lynch, *One Up On Wall Street*, wonderful book. What did he mean? One up on Wall Street, outperforming the market, so the Magellan fund that he ran for 15, 20 years back in the 70s and 80s, I think he retired in 1990, he told me an interesting thing. He said, you know, it's a funny thing, that even though I had the best record, the best record of a mutual fund during this time period, the average share holder lost money in my fund. And I said, Peter how is that possible. And he says, the answer is pretty simple, they tried to time the market. They didn't stay with me long term. Get out when the market was dropping. They didn't get in when the market was turning around and so as a result, they were not able to perform as well as the Magellan Fund itself.

So, I love this quote from Steve Forbes, it says, "Everybody is a disciplined long term investor until the market goes down." And that is very telling. Another great quote. So one of the reasons of the bad timing are the doomsayers, which we hear a lot of. We hear a lot of negative news at these conferences. I mean, I probably hold the Guinness book of world records for attending conferences and listening to what attendees and investors and subscribers are thinking and saying. They are getting im-bombared, you are getting bombarded with statements, now this is from Ron Paul, congressman Ron Paul, I was a big supporter of him as I think his policies are really fantastic, but when he puts out stuff like this, I'm telling you I get letters from subscribers and they get worried with statements like this.

The truth about the economy is terrifying. Former US Presidential Candidate, and 22- year congressman predicts the next huge disaster for America, worse than 2008, okay, in 2008, how far did the stock market fall? Who knows? What percent? From top to the bottom? 55 percent. Black Monday, October 19, 1987, who remembers that day? I do because I celebrated my 40th birthday, right Jim? That's right. Jim has the same birthday that I do, October 19th. So I remember that day. Stock market fell what percent in one day? 22 ½ percent. And the Great Depression, how many of you remember the Great Depression? John, no. All right, 1929 to 1932, how far down did the stock market crash. You are getting closer. 90 percent. You are telling me Congress Ron Paul is telling me that the Stock Market is going to fall by worse than that? That is, as Doug Casey says, the end of Western Civilization.

That's not only the end of Western Civilization, that's the end of Eastern Civilization, that's the end of the world and, ladies and gentlemen, the only way that's going to happen is if we have a second coming. That's how we end the world. We don't end the world with a total collapse and the stock market, although the apocalypse does sound a little bad if you read Matthew 24, that' true. Maybe that's what he's talking about, but I don't think it's coming around the corner, these guys are predicting it. There is even a promotion out there right now, on Yahoo finance, have you seen it? The stock market is going to crazy 80 percent this year. Now they started this prediction advertising in February and March so they had some time for it to happen. Now, they are running out of time. The stock market is still close, within five percentage points of an all-time high. So who are you going to believe?

You see, that's really the danger that you face with these kind of negative type comments. So, of course one of my favorite people, as you can see here, as you can see here, this is actually a real photo of me meeting Warren Buffet and you see, I'm giving him advice. Do you see, I'm pointing out something? He's listening to what I have to say, but actually what I was telling him at this point when I met him was I showed him a gold coin that I carry in my pocket and I said, do you collect any of these and you'll be interested in this comment. And so I said, do you collect any of these gold coins, and he says, my father Howard Buffet who was a congressman and very much a free market conservative republican, he collected these silver coins and gold coins and so forth and I still have that collection he said, but then he paused and he said, "But I collect businesses and friends." And he walked away. So, so much for that. But anyway, actually, he is a friend.

I attended his 50th shareholder meeting, Berkshire Hathaway, and it might be an opportunity for me to tell a little story. I am going to do an autograph session right after this session at the lunch break, so right after the talk I'll be right out here at the table, right around the corner. Jim knows where it is. And I'll be signing autographs of The *Maxims of Wall Street* and I hope you'll pick it up. By the way, Dennis Gartman put this, has it on his desk and refers to it quite frequently for his own newsletter, so I hope you'll take a chance to come by and buy a copy $20 for the first copy and $10 for all additional copies. But I want to end by telling you a personal story.

So in the 1990s, I lived at home in Winter Park, Florida on Lake Virginia right across from Rawlins College. I still have this home, but back in the 90's my family was growing up. I was working at home and I took a vow. I took a vow that whenever my children would come up and ask me to do something, run an errand, take them to school, take them to scouts, take them to a movie, go out and water ski or wakeboard on the lake, I would drop whatever I'm doing and I would go and do this thing for them. I took it because I don't know how many of you have heard the song The Cats in the Cradle and the Silver Spoon, a wonderful story about, actually not that great of a story because it's a story of a man that's so busy that he doesn't have time for his kids and then when his kids get older they don't have time for him.

And so it's a Harry Chapin song, you all heard of that, that old song, the Cat's in the Cradle. Whenever I heard that I thought, I'm not going to let this happen to me, I'm going to take a vow to spend time with my children, which I try to do and I was able to do this really well until one day I was under a hard deadline with Jim Michaels at Forbes Magazine. I was a columnist at Forbes Magazine and if you didn't make this deadline you were in big trouble because it was a blank space that would appear in the Forbes issue. So, I am working on this deadline due in an hour and here my son, my 15 year old son comes up and says, Dad, can we go wakeboarding? And wakeboarding takes at least an hour.

So I had my first real test of this vow that I had taken with my son. And finally I said, you know what the job is not worth it, I'm going to keep that vow and we went out and water skied and wakeboarding, had a great time, came back. Told Jim Michaels sorry I was late, but I would try to get this to you as quickly as I could and it worked out. So that was fantastic. Fast forward 25 years later, 2015, I see that Warren Buffet is having his 50th shareholder meeting at Berkshire Hathaway. I buy two tickets and I call my son up and I said, "Todd, would you like to go on this trip just the two of us together." And he said, "Dad, you couldn't have chosen a more tougher weekend." I have a hard deadline Monday morning with my job and I have a big celebration with the Gators game and with Merriweather boxing match and all of this is going on. And we are having people come over to the house and so on, so I really don't know if I can make it. Let me think about it."

So he thought about it, didn't hear back from him, two weeks later I said, Son, I emailed him, because I didn't want to put pressure on him, I said, I've got the tickets, I've got the airline tickets, what do you say? And to his credit, he said, "Let's go." Ladies and gentleman, that's really what life is all about, isn't it? It's our family. It's making commitments and this country is still a great country despite all the talk about trouble and so forth and I leave this with you in hope that you will never give up on the United States of America. Thank you very much. See you out here for the signing.

Summit on America's Future

Gary Alexandar (MC), Charles Krauthammer, Stephen Moore, P. J. O'Rourke

Alexander: And now the event nobody wants to miss. It has a great heritage in this festival, this wonderful Octoberfest here in New Orleans every hear. It began over ten years ago as a debate between the Democrat, Republican, and Libertarian points of view and have had classic debates over the years. Howard Dean versus Carl Rowe was memorable. Susan Estridge versus Anne Colter, that was a catfight of historic proportions. We had Doug Casey versus James Carville, and Carville also versus Krauthammer. That was another wonderful one. And this year, I think we have a replication of the panel we had four years ago during the Romney versus Obama. I'd like to bring them out now and they will be

Charles Krauthammer, whom you've heard from this morning. There he is *[applause]* and another panelist you've heard from, Stephen Moore. *[Applause].* And making his appearance here with a speech coming later this afternoon, humorous columnist P. J. O'Rourke. *[Applause].*

I've just been informed that we have a special addition to the panel today who has made great headlines in the past 24 hours. Would you please make your appearance on the stage, our special panelist? It's *[crosstalk and laughter].* That brings out some of the flavor of this particular election. I want to piggy back on some of the things that our first two speakers said this morning. Steve Moore said the popular bumper sticker is, "I already hate our next president."

In that regard, I want to inform our panelists of one of the polls that we took of the audience last night. A speaker name Louis James said, "Now, be honest with me. I don't care who you vote for, just raise your hand if you are excited and enthusiastic about your candidate as the right candidate for our country at this time." And guess how many people raised their hands out of an audience about this size? Six of them did. Six raised their hands. That's about one to two percent.

Now I'm going to enter the forbidden territory of actually asking you to name names that you like. I'm going to ask for hands, for a show of support, how many are voting for each of the four candidates and then "None of the above" is your fifth choice. You raise your hands, but also cheer or holler if you're enthusiastic about that choice.

Okay, first, who wants Hillary Rodham Clinton. *[Crosstalk]*.

How many want Donald J. Trump? *[Cheering and applause].* That's pretty close to half the audience, maybe a little more.

How many want Gary Johnson, libertarian? One.

Okay. Jill Stein, Green Party?

None of the above? *[Cheering and applause].* Libertarians are still in the minority, but they'll be a bigger minority this time around.

We've already heard who our panelists will vote for and I'm going to ask them to defend their choice. I want to ask a kicker question to each of them. I'll start with P.J. O'Rourke who hasn't talked yet in the conference. P.J., you're a noted libertarian. What does a libertarian candidate have to do if they're not two governors of democratic states who ran as candidates, got reelected, and cut the spending in that state? What more do libertarians have to do to earn your vote, P.J.?

O'Rourke: I suppose look vaguely awake on television would be my first – there's this whole side to Gary Johnson that's just – how could a libertarian screw it up this year? What better opportunity could you possibly have than the two most despised political candidates in the history of the American presidential race? If not now, when? It seems to me that Gary Johnson could stand up there, sort of doze off a little bit and be utterly confused about where fighting is going on, every conceivable point, and still garner 55 percent of the vote, but apparently not. I am, I got to say, just mystified and cast into despair by this. Are we so locked into – we have political schizophrenia in this country. We have crazy democrats and we have crazy republicans. I'm thinking that we need to split our personality further and find some new form of insanity. I really think obviously, we're going to need to get worse before we get better, but I got to tell you, I am mystified why there isn't more support for the libertarians even though they are running a really lukewarm ticket.

Alexander: Well said. I just hope they get some votes so they can have a little exposure on the debates and panels next time around. Steve Moore – we'll go down to panel nine here. Steve, you made excellent case for Donald Trump's tax policies, and they are indeed lightyears ahead of Hillary Rodham Clinton or any other alternative. That's one side of Donald, and how can you ignore now some of the illiberal sides of Donald such as the tariff warnings, the wall, some of his unhinged comments including a tweet to our fellow author up here, Charles Krauthammer, about his book sucks. That is not a presidential action. You've got to take the whole package. How do you accept the whole package of Donald beyond his tax policy?

Moore: That's a great question. By the way, the democrats are accusing Trump of sexual misconduct. This is the party of Wiener and Holder *[laughter]*. Let me actually – it's a serious question. Let me tell you just a quick story. It takes about two and a half minutes to tell, but I think it – because I get asked all the time, Charles, that very same question, "How could I possibly endorse somebody like Donald Trump?"

The story goes like this. I knew 17 of the 18 candidates who were running for president on the republican side of the aisle. The only one I didn't know and had not met was Donald Trump. I had never met him. About almost exactly a year ago, I get a call from my friend Corey Lewandowski. Corey is the one who was the original campaign manager for Donald Trump and I'd known Corey. He said, "Would you like to meet Donald Trump?" and I said, "Sure, I really would," because at that time he was more of a curiosity, right Charles, than a serious candidate.

I'll never forget this. I went to Dallas. He said, "He's going to do a little political rally at the airport in Love Field in Dallas, and go to that. After the rally, you have some face time with Donald Trump." So I went to it. I got there a little bit earlier, so I went to this Hangar Six at Love Field. I show up there, P.J., and there were 6,000 people there. 6,000 people. Since I got there about an hour early, I just went into the crowd and started talking to these people. It was really very interesting, Gary. I met schoolteachers, and bus drivers, and construction workers, and soccer moms, a lot of veterans, a lot of motorcycle – there were probably 100 motorcycles parked there. Not motorcycle gangs, but seniors who were driving around in motorcycles. They all basically said two things. One is, they don't like Barack Obama at all, but they're not too fond of the Bush years either. The one term that I heard more often than any from these people is that they felt betrayed – betrayed and ignored by both parties, frankly.

I'll never forget after that, when I met with Donald Trump, the first thing I said to him, Gary, was, "Donald, I don't know if I love you, but I sure love your voters. I think these are – there's tens of millions of people around the country in towns like York, Pennsylvania and Grand Rapids, Michigan. We go to Rockford, Illinois. These are towns that have been decimated, literally, by the last 20 years. These are people – I mean, I thought Trump's strongest case that he made was at the convention when he said – remember when he said, "To all the people out there in middle America who believe that no one is listening to you and no one is attentive to your real economic concerns –" and cultural, I think there's a cultural element to this too. He said, "I will be your voice." These people are screaming for a voice. I think they need to. I think the demise of the democratic party is that they have completely ignored working class America. If Trump wins, I think this will be a realignment. I've heard you make this point, Charles. I think you're right. If Trump wins, I think the republican party – the elites of the republican party will not have the power they did. It will become less of a conservative party that Reagan made and more of a kind of working class party.

I'll turn this over to Charles, but just say that I watched you on Fox News the other day when you talked about the implications of a Trump victory and defeat. Where I disagree with you, Charles – and I very rarely disagree with you – is I think this is a highly consequential election.

I always say there's five C's. The five C's are the reasons to vote for Donald Trump. HC, PC, OC, SC, and TC. HC is he's not Hillary Clinton. PC is he has taken on the scourge of political correctness. SC is that we are going to have control of the Supreme Court for a generation if Donald Trump wins, and TC is that we're going to cut taxes. And Charles, I think those are very positive reasons to go out there and vote for Donald Trump.

Alexander: Thank you, Steve. That is very welcome news for Hillary's disparagement of those voters that you like. She called them a basket of deplorables.

Moore: Exactly. She believes that. She believes they are deplorable.

Alexander: Charles, I have two questions for you, but I'll separate them. The first one being, when we met here four years ago, I remember you saying that the republicans were not fielding the A team. By that, you meant Jeb Bush, Marco Rubio, Ted Cruz, Chris Christie, and John Kasich. This time around, they did field the A team and they got squashed by what you might consider the team owner. Rather than the all-star basketball team, you've got an aging business man owner who walked out of the stands like Mark Cuban or something and took over the election. Was that itself somewhat rigged? Was there something having to do with the way that those major candidates were weaned out that brought Donald the nomination? What happened to your republican A team, is my question.

Krauthammer: Well sometimes the people are wrong. *[Laughter].* I don't want to draw a direct equivalence, but Germany 1933, Guatemala 1954. Look, I respect the democracy. I respect the result. Donald Trump is a candidate. I was against those who, after he won Indiana and had it wrapped it up, wanted to find some way to rig the convention and deny him the nomination. You can't do that. Party elects a guy; you go with the guy. I'm not going to support him, but you can't strip the nomination away from him. Incidentally, I wanted to say when you were introducing us, giving the history of this panel, that I was on with – as you mentioned – with Q Ball. Remind me.

Alexander: James Carville.

Krauthammer: At my age, I only remember nicknames. This is not exactly his audience, so at one point he said, "I feel like a fire hydrant at the New York Kennel Club." I began my rebuttal with, "James, allow me to lift my leg up." *[Laughter].* I remember that kind of thing.

Alexander: I do, too.

Krauthammer: I'm not sure where I'm going to start in answering Stephen. Let me just declare I've been against Trump. I think he's a disaster for the country and for the republican party. But as I wrote in my column last week, I could never vote for Hillary Clinton. To me, it's a choice between corrupt and crazy. I'm an expert in crazy. In some ways, a kind of sort of corrupt, and neither of them is someone I could in good conscience support. Now I'm lucky because I live in Maryland where it makes absolutely no different which way I vote because it's the bluest of the blue. I think it's more democratic than Massachusetts. None the less, I could not in good conscience support either candidate.

For Trump, it's not so much the policies, which I don't particularly agree with. I'm a more a conservative than a populist. I worry very much about stirring up the kind of passions that Trump has. As I said in my talk, the grievances are very legitimate, but that's the wrong guy leading them. There's a way to be populist and respectful. You mentioned the attack on political *[audio skips]* have gone infinitely beyond political correctness. Political correctness is the discouraging or punishing *[audio skips]* – it's face true, but because some people say they are offended, want you to hold back. Yes, but you don't call Mexicans rapists. You aren't being courageously a power of political correctness by saying that. You are being rude and indecent. There's a certain decency and decorum in speech. By going over that, it's not to be applauded. It is to be deplored. I think he's lowered the level of political discourse in the country to a point from which we may not recover. It may be permanently lowered. *[Audio skips]* tax policy. I would wonder what Steve would think about Ivankacare, which is that huge program he unveiled for government control of basically child – enshrining in a tax code, government mandates about *[audio skips]*, which I would think that Steve would oppose, which shows you that he has no firm ideological base. *[Laughter].* As I said, I'm not even sure he would recognize a coherent political ideology if it slapped him in the face, although he would immediately respond with an insult.

My problem is the personality. To my surprise, I woke up one morning a few months ago and there was a new Hillary Clinton ad of people saying that Donald Trump can't be entrusted with the nuclear codes. To my surprise, I was the last one in that ad. It was something I'd said on O'Reilly. I went on O'Reilly 15 minutes after the polls had closed and the Indiana primary that essentially ended the campaign. It was that night that Cruz withdrew. I hadn't kind of formulated an answer in my head as to what I would do because I wanted to put it off, but O'Reilly of course asked me right away. I just went with my gut which is I could never vote for somebody whom I would not entrust with the nuclear codes. That appears in the ad, which earned me even more angry email than I normally get. Emails such as, "How much did they pay you in sheckles for saying that in a Hillary Clinton ad?" Of course as you know, I wasn't asked. I didn't give permission and said, "You're allowed to use." A lot of people say the best part of that is how they cut the ad. Immediately after I said that, they cleverly had one second of O'Reilly on a split screen responding. He responded thus: *[makes sighing sound]*, so it makes it look as if he was concurring with me. He wasn't. He thought I was the hopeless one. The man is too unstable, too personally vindictive.

I try not to talk about psychology precisely because I am a psychiatrist and I vowed 30 years ago that I would never evoke whatever authority I have from that credential in politics. I don't believe that psychiatrists have any special insight, particularly into normal people, and that it's an abuse of authority to pretend that you do. It's also one of the reasons that I quit psychiatry, but that's another story.

I did write one column about a month ago where said that I had originally thought that Donald Trump was an 11-year-old. Then I wrote, "I was off by ten years." *[Laughter]* He has this really – and I say this as a layman. This is not with any particular psychiatric insight. He has the insatiable needs for attention, publicity, praise of an infant. That is the most indelible characteristic about him and it makes people think that he just haven't reached – we have an election here this year between a criminal and a 12-year-old. That's not a very good choice. It's that that really makes me think that you can't have him in The White House. I understand all the reasons Supreme Court – and I refuse to accept responsibility if and when Hillary becomes president and does all these awful things because I was against him in the primaries. It's the ones who supported him in the primaries who foisted upon the party the least qualified, least stable, and the most unelectable of just about all the candidates – well not all of them, but most of them on the dais in the republican debates. I saw this coming and I knew I could never support him from the beginning.

Let me just give you one example. We talk about maturity level. In the last debate – the third debate – remember what happened when Hillary said that Trump was a puppet of Vladimir Putin? Remember what he said? He said, "No puppet. No puppet. You're the puppet." *[Laughter]* That's not exactly Lincoln Douglas. That's not even middle schoolyard talk. That's more elementary school. There are other stories. I don't want to go into them. Let me just end by saying this. I respect Steve for his choice. I understand exactly his arguments. I think Hillary would be a disaster for the country. I just happen to think that the risk for the country – I'm talking about real time crisis risk for a man who demonstrably knows nothing about the world, foreign policy – is such that even though I know all the risks with Hillary on domestic policy – and you could say foreign as well for all the mistakes she made – that to me, that's the decisive element. You can't trust the greatest superpower in a world this unstable to somebody – if somebody had asked Trump, "What's your policy on Aleppo?" I'm not sure he would have answered any more cogently than did Governor Johnson. That's my redline.

Alexander: For those of you living in Louisiana, that we had a similar election choice about 25 years ago, we had Edwin Edwards, a crook, running against David Duke. The most popular bumper sticker was, "Vote for the Crook. It's Important." I don't know if there's any particular parallel there, but Charles touched on it.

Krauthammer: Do you have any copies of those for me to take home? *[Laugher]*

O'Rourke: I think it's kind of important, actually. I would like to frame an argument in favor of Hillary. I think the reason for this is just partly for civil discourse because we despise her up on this panel, and your show of hands except for the one guy who needs to talk to Charles in a professional capacity – put his hand up back there. There was a show of hands of support for Hillary. But is there any conceivable – given the lunacy of the choices – given the gravity of the election, is there any conceivable reason to vote for Hillary Clinton? I think I can give you two reasons. While detesting the woman from the very bottom of my feet and everything that she says and she does – she's like a scary Halloween kid too big for trick-or-treating – way too big for trick-or-treating – in a Hillary costume and you see these furtive little eyes darting around in there and she wants all your candy. It's bad. She's bad. *[Laughter]* But I conform two arguments for voting for her. One is that I consider her to be wrong about everything, absolutely everything –

Alexander: That's an argument for her?

O'Rourke: Yes, because she is wrong within the normal parameters of wrong. She is wrong in the way that we have experienced eight years of wrongness. We have survived them. We know how she will be wrong. We have experience with how she will be wrong. We, I believe, can endure how she will be wrong. Donald Trump is, as Charles pointed out – I've raised three kids and I've seen each of them go through that stage at about three which Donald is in. You just don't know what part of the dog they're going to grab. You just don't. They get a little older, they might grab the tail. They get older yet, they might stick their hand in the dog's mouth. At a certain age, you just don't know what they're going to grab on the dog and you just don't want to be around when it happens.

Krauthammer: He's already told us, hasn't he?

O'Rourke: So wrong within normal parameters of wrong. That's my one pro-Hillary argument. The other pro-Hillary argument is no matter what happens, no matter who wins this year, it is going to be an utter catastrophe for the republican party. It's going to be a disaster for the republican party. I'm probably the one person who is willing to say, "I am a country club republican." I don't actually belong to a country club because none will have me, but I'd like to get in one. The pool, the golf course, all that stuff. I am a country – anyway, it's going to be disastrous for republican party. I can think of no better party builder – no better person to rally around, to reconstruct the republican party and put it back in power and in charge, not only of the presidency, but both houses of congress and of course of the sympathetic Supreme Court, and that would be Hillary Clinton. If Hillary Clinton can't unify the republican party, then I think we should just throw the thing out of the window and just start over.

Alexander: That's an important question and it leads me to something that piggybacks on what Charles said. I was going to ask him this question, but maybe I'll just paraphrase what Charles said and then ask you others to comment on it. Toward the end of his talk, he said, "What happens to the republican party after this election if Donald Trump loses and still remains an active voice in the party? There could be a populist wing of the republican party which could become a permanent wing. Paul Ryan might have to be sacrificed because he betrayed Donald Trump." Those are some of the words that Charles said.

William Weld, the vice-presidential candidate – and by the way, do you agree with me that the VP candidates are better spoken in most parties?

O'Rourke: All three.

Alexander: He harken back to the birth of the '40s and '50s, 1840s. The Whigs and the democrats. The democrats begun by Andrew Jackson. The Whigs had four winners in The White House in the '40s and' '50s, but they broke up in the '50s over the slavery question and others into a know nothing party which was populist and nationalist –

Krauthammer: At least they admitted they knew nothing, which puts them a level above what we've got now.

Alexander: – and the birth of the republicans in 1856 and then Lincoln won in a four-way election. Four candidates won at least one state in the electoral college in the 1860 election. After that, the republicans won eight of nine elections and 11 of 13 before FDR. The only democrats between Lincoln and FDR were Wilson and Grover Cleveland. The republicans dominated, and then we've had kind of a back and forth ever since then. That's kind of a long way to ask, do you think there will be a breakup of the republican party into two wings and maybe even the democratic party into the Bernie socialists. Steve, can you –

Moore: It's a great question. Let me just briefly address the things Charles said because, Charles, that's about the most persuasive case I've heard against Donald Trump. I think you hit all the buttons and you're exactly right about the flaws of this candidate.

Krauthammer: You can stop right there. *[Laughter]*

Moore: By the way, I don't think any of us are here to influence your – you've all made up your mind who you're going to vote for, but I would just say this – by the way, in listening to both of you, I don't know if this election is between the lesser of two evil or the evil of two lesser. But anyway, look, here's where I disagree with you with all due respect. I believe this country is in a culture war today. I do. I think the country is as polarized as any time maybe since The Civil War. Truly. I think that the democrats are on Venus and the republican – the conservatives – are on Mars. I think the left is completely out of control in this country and I'll just tell you one quick story.

I'm on the board of a group called ALEC. You know ALEC is the state legislative group and the liberals hate ALEC because it's pro-business and blah, blah, blah. Because they're so out of control, these leftists, every time we have a meeting we have to have security everywhere to keep out the Black Lives Matter people and blah, blah, blah. About three weeks ago, we had one of our board members. We were in Pittsburgh at a little Hilton hotel in a boardroom there. There are about 18 of us on the board. Most of them are state legislators. We had one security guard. What happened was, all of a sudden, there was this banging and clamoring and yelling and screaming. All of a sudden, these 25 whacko leftists came into the room and surrounded us. They looked like they were in their mid-20s or 30s and they were crazy. They surrounded us in a very menacing way and were shouting at us, and spitting at us, and shouting obscenities at us. I have to say I was truly afraid. I thought, "These people are crazy. What if one of them has a gun?" It took about 20 minutes for the security people to finally come in and take these people out and they're, "Get your hands off me you f'ing pigs and blah, blah, blah." This is the modus operandi of the left. I've confronted it on college campuses. I don't know if you guys have, but their idea is to shut us up and shut us down. It's out of control.

One of the reasons I feel so passionately that we win this race despite all of these things that you said about Donald Trump that are true, these people have to be stopped. The left is on a rampage in this country and I think they're destroying our country politically, culturally, and economically.

Your question about what happens to the party if Trump loses, I think there is a very serious possibility that the republican party splits into two. I really do. I know these Trump voters. They are ferociously loyal to Trump and they will never forgive the Bush Romney wing of the party who was trying to undermine his victory. We've lived through – the establishment always says, "You've got to vote for Dole. You've got to vote for McCain. You've got to vote for Romney. You got to vote for Ford." They have not lifted a finger for Trump. In fact, they've done everything they can to stop him from winning. In fact, the political establishment wants – not counting Charles, who I think has a conscientious – a very conscientious objection to him. But a lot of these people in Washington hate – the Republicans – they hate Trump because he is a disruptor. He is to the Washington establishment what Uber is to the taxicab industry, right? It's no surprise that 98 percent of the lobbyist's money have gone to Hillary Clinton. Of course, she's raised a billion dollars.

By the way, is there any greater hypocrisy of Hillary Clinton running around saying, "We have to get reverse citizens united and get all this special interest money out of politics." It's like, "Hillary, you're the queen of special interest money."

I do think there could be a split between this kind of populist wing of the party – and I think I heard you say this the other night, Charles, on TV – and the kind of establishment party. I hope that doesn't happen because if you get a split in the party, I think that probably only benefits democrats.

One other quick thing to think about in terms of if Trump wins, and I think this is why the democrats are – they will lie, cheat, steal, they will kill their first born to win this election. It is because of this. In America today, if you look at the states, two-thirds of the state legislatures are controlled by the republicans – 66 of 99 chambers. 31 of the governors in America are republicans in most of the big states. The republicans have the biggest house majority they've ever had, at least in 50 years. They control the senate, and if Trump wins, they will retain control of the senate. If republicans win this election, for the first time in our lifetime, republicans will control every single level of power for better or worse. That means the republicans conservatives have generational control of the supreme court and we get to get rid of that idiot Janet Yellen out of the federal reserve. Those, I think, are very positive reasons to vote for Trump.

Alexander: But Steve, didn't the republicans control in Bush's first six years?

Moore: They didn't control the – did they control the summit? I forget whether the republicans controlled the senate in the first years. If it was, it was like 50 50. I don't remember.

Alexander: P.J., do you have any response to the splits in the party possibility before I get back to Charles?

O'Rourke: Oh yeah. I turned over to Charles because of his superior knowledge in this field about personality reasons to be wary of the Trump candidate. I am wary of populism. Populism simply worries me. It doesn't just worry me on the Trump side of things. Bernie Sanders came very close to snatching this nomination away from Hillary Clinton. Bad as Hillary Clinton is, Bernie Sanders is much, much worse. I mean, yes, she is a criminal, but he is someone who believes in criminality. He actually thinks it's good – a mitzvah – to take your property away from you. There's no possibility – criminals, even if they're psychopaths, at some level they realize that what they're doing is contra norms. He wants to change the norm in favor of criminality. Bernie Sanders was Donald Trump for people living in their parents' basements, unleashing the tide of populism – it's conceivable, as Steve says, that both parties will split, and that there will be a populist wing of each party, and that the results will be ugly.

The democratic populists, we just heard a description of their behavior, of how they like to conduct themselves. We, in this room, are all probably a little more familiar personally with a certain kind of republican populist who is always just like an inch away from saying, "The Jews own all the banks." We know that type, right? I am exceedingly worried about this, and it's a worldwide – it's a global phenomenon. This isn't just the United States. Brexit was a populist movement. The right wing nativist parties in Europe are populist movements. Putin is a populist movement. I would say even Chi Jing Ping with his anti-corruption campaign and his sort of neo-Maoism is a populist. Duarte in the Philippines. The Columbian people's – not that they were necessarily wrong, but the Columbian people's rejection of the peace accord there. There's a lot of this going around. Some of it is benign. Some of it is even admirable.

Alexander: Brexit was a good thing, wasn't it?

O'Rourke: It is to be determined. I'm not saying that all of these are bad things. I'm just saying there's a lot of it going around and some of it has a dark side.

Alexander: One of my great hopes is Paul Ryan will be a force in the house to resist either Donald Trump or Hillary Clinton. He's a principal cost cutter in my view and a great write in candidate that Charles has brought up. I fear the fact that he might be commandeered and kicked out of that office and replaced by some toady who might do Trump's will or Hillary's will. Is that possible, Charles, that we don't have a constraint coming out of congress against a runaway presidency?

Krauthammer: I think that's right and it's also very odd for people who are truly conservative, committed to the cause, who have been working at it for decades would settle on Donald Trump. I was very sympathetic to the Tea Party. That's not establishment. They wanted to kick over some tables, which is fine. It's not because Trump is a disruptor. I was a big supporter of the Tea Party, but they were acting in the name of constitutional conservatism. They believed in liberty. They believed in controlling regulation, and taxation, and overburdening. Donald Trump doesn't believe in any of this, if he believes in anything at all. The idea that he's sort of the heir to the disrupting impulse of the Tea Party is nonsense. He's a disruptor, but he has no respect for constitutional limits. Look at the way he talks about he picks up the phone, he'll call the head of Ford Motor and say, "You can't put this factory in Mexico. If you do, I'm going to slap unilaterally on you tariffs of 35 percent." You can't do that. The great objection of conservatives against Obama, among many, is the damage he's done to the separation of powers and the respect that we traditionally have for the limits of the office of the presidency. To unilaterally legalize five million illegal immigrants, it's a travesty. Obama himself said 22 times that he doesn't have the power to do that, and then he goes ahead and does it.

Then you get a Donald Trump who talks about slapping on tariffs, about all the things he's going to do. He's a tremendous authoritarian streak and that's exactly imitating the object of conservative opposition. This is sort of ironic that the anti-establishment republicans are the ones who settle on a man who is doing exactly – he's in the image of Obama, but would do it even with more prejudice, and his ignorance doesn't help. When he was at a meeting with the congressional republicans – I think it was about six weeks ago – he was asked in this session whether he believes in article one of the constitution, meaning congressional independence and to some extent, supremacy. His answer was, "I believe in number one, and number two, and number nine, and number twelve. I believe in all of them." There are only seven articles in the constitution. *[Laughter]* He clearly has never read it. I don't think he's read a book either, including his own.

It reminds me, Charles Barkley was once hit with a quote out of his autobiography, which he resisted and said, "I was misquoted." And this is the essence of populist. He says in his acceptance speech, "I'm the only one who can solve this." That's how you talk in Argentina and Venezuela. I don't think he's Hitler and I don't think he's Mussolini. I think he's closer to Hugo Chavez. He says, "Trust in me." In Latin America, their entire history of the last 100 years is to follow the man on horseback. Generally speaking, it's a *[foreign word spoken]* out of the military. Here, it's out of business and out of television. I don't understand how a conservative who truly is committed to limited government would be for Trump and doesn't see the threat that he would pose. I understand when you've got Hillary on the other side, it's not an easy choice, but I think you've got to do what I'm going to do, which is to duck the choice and to write in somebody. I'm going to write in Paul Ryan.

Moore: I'll answer your question, how a conservative can support Donald Trump. If Donald Trump wins this election, I just cannot wait to read the New York Times on November 9. Won't that be an amazing thing to watch on MSNBC? The left will go into a depression and the enemy of my enemy is my friend.

Alexander: We've got about ten minutes left and I have a couple of quick questions planned. One is the third branch of government, Supreme Court. All of my left-wing friends on my little island in Washington State say it's so important to get these Supreme Court justice nominations correct. Considering who might be president and the construction of the senate, is it really that important? This is how I answer them. I say, "Okay, suppose we have a far left Supreme Court and they want to take away your guns or register them, or take away your gold or register it." How many Americans would do that? How many would actually comply with that kind of a law? It's not like the meek 1930s when we did turn in the gold. Look at the other side. Say there's a complete right wing thing and they tried to take away Roe v. Wade. Would the women of America accept that? There would be a state that there could go to. If you're one person fighting it, you might be a criminal. If you're 40 million fighting it, you're a political force. My question to all you three and starting with P.J., is it really that vital and important as most people are saying about the Supreme Court nominations of the next president?

O'Rourke: Almost, but not quite. I think you hit the nail on the head as there's only so far you can push the American people, you know what I mean, on the subject of guns, for instance. Nobody even knows how many guns there are in the United States. There's certainly one for every adult male. There's probably one for every adult and there may well be more than that.

I tell you a great story about gun control. I was in Georgia. Not the state, but the country – the country of Georgia after the Soviet Union broke up. There was internal fighting there between the communists and the reformists and so on. All of a sudden, everybody's got guns. I said, "Wait a minute. Until about 15 minutes ago, this was the Soviet Union. Where the heck did the guns come from?" They said, "Oh, well when the communists took over, we took the guns, we smeared them with lamb fat, we rolled them in canvas and we buried them." I'm going, "Wait a minute. That was like 70 years ago. Nobody is even alive." They remembered where they were buried. *[Laughter]* Incidentally, if you're going to be burying your guns – and I may be burying mine depending on who wins this presidential election – apparently lamb fat *[laughter]*, there is a marketing opportunity there. At any rate – because these guns worked – everybody in Georgia had stuff dating back from World War One and some odd ball stuff. But yeah, there's only so much you can enforce it.

There's one caveat there, is that we already – and a supposedly conservative Supreme Court – the Supreme Court agreed the government can make us buy things. Insurance, make us buy health insurance. If they can make us buy things, that means they can make us sell things. Also, what are they going to make us buy next? A cat? I've got four hunting dogs and they love to chase things. My vet bills – and they're four kind of stupid hunting dogs without much teeth and when the cat gets a hold of them, they're going to be ripped to shreds. My vet bills are going to be through the ceiling, but Hillary will have passed veterinary care *[laughter]* – affordable veterinary care.

Moore: I think this is the most persuasive case for Trump. I do think we lose control of the Supreme Court for a generation, and I think they're not going to take our guns. You're exactly right, but I'll just give you on example. One of the most impactful Supreme Court decisions was a five four decision a few years ago. By the way, almost every important Supreme Court decision in the last ten, fifteen years has been five four one way or the other, so it matters a lot who gets the next three choices. I'll just give you one example.

When the Supreme Court made a horrendous decision that is called the endangerment finding. You know this one that says carbon dioxide is a pollutant. Nobody gets sick from carbon dioxide. Without carbon dioxide, there's no life on earth. It's the craziest thing. In any case, think about the real-world implication of this. I live in Virginia. We're a coal producing state. I go to these coal towns in Virginia today, Charles, and I see what these liberals who care so much about working class people have done. It is inhumane. These towns that were once vibrant third fourth generation coal towns where you had maybe a little steel plant and people working middle class jobs, great patriotic Americans. They've been totally vaporized by these regulations. Those people are all out of work. They're all in unemployment lines. There's meth all over the place now. Hillary's solution, by the way, is so classic liberal. She's like, "I'm just going to pour all this more money into Appalachia and we're going to make it all fine again." It's like, "Hillary, they don't want your goddamn money, they want their jobs back," right? They want their jobs back. I do think that the Supreme Court can have a very, very big decision on our life and I don't want Hillary Clinton putting three more Sotomayors on the court. I really don't.

Krauthammer: Steve, in that particular instance, that was not a constitutional ruling. That was an interpretation of a statute. All it takes is for the legislature to pass a bill that says, "With one exception, CO2." That's what, eight words? That's all it takes, and for that you need control of the house, you need 60 republicans in the senate, and you need a republican president. You need a republican candidate who can win the presidency without Anthony Weiner, of which there were a dozen on that stage.

So yes, I think it would be a terrible price to pay to have the court be stacked with liberals, as it undoubtedly will be if Hillary wins. That's something people should have taken into account during the year-long primary campaign when Trump was the most clearly unqualified candidate. He was popular and he won fair and square, but that's the tragedy. The tragedy is exactly what Steve said. Barack Obama has driven the democrats into the ground. They've been wiped out in the states. They've been wiped out in the state legislatures. They've been wiped out in the governorships, and as he said, the lowest democratic representation in the house since 1929 and a republican majority in the senate. All that was left – I was watching those debates, and I thought, "Just give me one of them." I have my favorites, but just give me one. This is a year where they throw the bums out after two terms, where Hillary is the weakest candidate ever created. You couldn't make her up if you tried to and we can have it. We nominated a guy who gets in a debate and says, "No puppet. No puppet. You're the puppet." It seems to me, that's where the tragedy is because with a republican in The

White House and a reformist Paul Ryan in the house, there was an agenda ready to go to modernize Reaganism, to precisely address the questions that Trump and his constituency have raised about the losers in the new economy to precisely answered questions like – we are now in sort of the end stage, the far end stage of the welfare state.

I'm grateful for social security. I think it was a good thing to do, but when FDR created it in the '30s, average life *[audio skips]*. It's now 80. It was intended to prevent the elderly from living in destitution. It was not intended to provide subsidies for the green fees for a generation of boomers for a third of their lives, which is what it is now. There are ways to fix that. The democrats, being reactionary liberals, are completely stuck on preserving every inch, and every outline, every structure, every timber in the edifice of the welfare state, whereas we have republicans – young republicans in the house centered around Paul Ryan and incidentally *The Journal of National Affairs*, which you all should subscribe to, that actually wants to modernize – not with dreams, not with saying, "I will bring back jobs."

Donald Trump said in his acceptance speech at the convention, "I will –" He didn't say I will reduce. "I will eliminate crime and violence in America." You may not believe me. Look at the transcript. When I heard it, this is such obvious sort of schoolyard demagoguery. Who says, "I will eliminate crime?" You say, "Reduce." But he has this grandiose idea of one-man rule – of authoritarian rule – and we had it within our power – perhaps we'll have it one day. At this point, when the democratic party is at its' lowest ebb to elect just a normal, breathing, sentient conservative republican, of which there are many, to really change the country and the structure of the country, and we may have blown it.

Alexander: We only have a couple of minutes left. Did you have a comment, now?

O'Rourke: No, I just want to go out precisely because I agree with Charles about Trump – I think we should go out on a cheerier note and insult Hillary a little bit. *[Laughter]* We were talking about this backstage –

Alexander: You mean your candidate, Hillary?

O'Rourke: My candidate, Hillary. The one I can construe. The devil we know as opposed to the devil –

Krauthammer: Either that or my prescription pad.

O'Rourke: Yes. Actually, I think both could be handy at the moment. It is wonderful to see the events of the past – what is it, only 12 hours now or so? We were talking about this backstage where the most secret information in the American government has would up on Anthony Weiner's laptop? *[Laughter]* I was saying there's some underage girl out there who not only knows more about Anthony Weiner's private parts than she should

	or anybody should, but who also knows our nuclear launch codes. *[Laughter]* Then Charles pointed out –
Krauthammer:	She speaks Russian. *[Laughter]*
Alexander:	We're out of time, on that note. We thank our panelists very much.

The Real Estate Guys (Pre-Conference Workshop)
"Investing In The Original Resource— Real Estate Niches That Make Sense Today"

Robert Helms: Well good afternoon, ladies and gentlemen. We're gonna start the next session a little early, and that way there may be room for questions. My name's Robert Helms. Thanks for coming, not only to the New Orleans Investment Conference, but for coming early. So two pre-conference sessions today, and then lots of stuff. Anybody here for the first time? Anybody at the conference for the first time? Wow. Lots of folks. Excellent. You're gonna dig this. This is our fifth year here as *The Real Estate Guys* radio program, and the first year we didn't quite know what to expect. We like to go out and see a lot of different conferences and get our minds around information, and even though we're real estate guys, most of the things like oil and gas and gold and silver come out of the real estate, so we've always been interested. Not only that, before you're an investor of – like a real estate investor, you're an investor. And so we're always concerned about the various types of investments out there, try to keep our head in the game. So we're gonna talk today about investing in what we call the original resource. That's real estate niches that make sense, and we'll talk about some niches and hopefully give you some food for thought, and then of course see you around the ranch the rest of the week and the weekend here. It's gonna be an extraordinary event.

The radio show is now in its 20th year of broadcast, and we're one of the top real estate podcasts. Anyone listen to podcasts? Yeah. It's a great way to get all kinds of good information that comes to you. We're now heard in 191 countries and one of the top investing podcasts, which is absolutely astonishing to us. We started as a small-town radio show. Our small town is San Francisco, by the way, where we still broadcast on the radio, but now heard all over the world via the podcast. This is the co-host of *Real Estate Guys,* Mr. Russell Gray. He's gonna be up here in just a second. If you're interested in learning about the podcast, easy to find on iTunes and a free episode every week. We talk about real estate, certainly, but we also talk broader-picture economics. Many of the folks – in fact, Adrian Day, who you just saw, was on our show about 12 weeks ago. We talk about lots of different things when it comes to investing. So the real thing is why are you here? You made a decision to come all this way to New Orleans – unless of course you live here. Then it wasn't that hard of a decision – but to spend some money and to spend some time, and only you know the answer, what you're looking for.

For those of you that are new, I will tell you this. There are great sessions that happen, and you're gonna meet some amazing folks, many of whom are used to speaking, some of whom aren't. They do what they do to live, thrive, and survive, and they get up here or on a panel, and they may not articulate as well, but if you get them in a private conversation, look out. And then of course across the hall tonight we'll open up the exhibit area, and you get a chance to further that conversation not only with the folks that are speaking but with each other, because we find this tremendous value in talking to other investors. It's a difficult time. Right now there's a lot going on. Something about an election coming up. There's uncertainty. It's an odd, odd time to be an investor. Now I mentioned we've been coming to this conference for five years, our fifth year. It hasn't been a great five years for the mining industry, and traditionally, this being a resource conference, the attendance has actually gone down. Well this year attendance is back up. I guess something must have happened. And yet, it is a difficult time to get your mind around all of these mega trends. You're gonna enjoy the presentations over the course of the weekend, because the speakers are fantastic and they've researched a lot of this, and I know you'll feel a lot more confident moving into this uncertainty by Saturday night. But still, we have a lot to think about. So right now I'd like to bring up the co-host of *Real Estate Guys* to talk about some of these trends. Please welcome Mr. Russell Gray.

Russell Gray: Alright. Thank you Robert. Alright, so I – again, I didn't mean to be standing there lurking behind him. I think I was supposed to stand there before he brought me out, but there you go. Really appreciate you all being here. I don't know how many of you have been here – I guess most of you've been here before, so maybe you remember us from last year. My role on *The Real Estate Guys* radio show is financial strategist. So what I do is a try to look at what's going on in the macro. I try to understand some of the trends that we all think about as investors and then apply those to real estate. One of the things I've noticed about real estate investing is that most people who invest in real estate are very transactionally-oriented, and they're very much in the weeds. Any active real estate investors in the room here? Okay, so some of you. So you know what I'm talking about, right? As a class of investor we tend not to pay attention to the big picture, and I was in that category myself in 2008, and then a big megatrend called derivatives and mortgage-backed securities and all kinds of things going on. And so prime came along, and it blew me up pretty badly, and I got a lesson from that which is even though real estate is a real tactical, practical, hands-on type of investment – or can be. It doesn't have to be. We'll talk about that in a minute – but what ends up happening is you sometimes forget to look at the big picture, and the big picture can affect you. It would never occur to me in a thousand years what was going on in off-balance sheet transactions with megabanks around the world could hit me in Main Street, but it did, and maybe it hit some of you or you saw some of that.

And so coming out of that we spent a lot of time coming to conferences like this, hanging around with people like Peter Schiff and other folks that pay attention to those big trends, and so now for the last several years since that happened I kinda spend most of my time trying to figure out how to share that with people in a way that makes sense. And so how do you take these megatrends and then invest strategically? So I am gonna do a little bit of – not doom and gloom, because the flipside of everything going wrong means there's an opportunity, but to understand the opportunity you have to understand what the challenges are.

So obviously one of the things that I think a lot of people in this room are aware of are growing deficits. If you look at the chart it's pretty obvious that since 1971 when we really came off the gold standard and any real accountability in spending, the government has just been out-of-control spending. And they do that not just in terms of dollar amounts, but in terms of a percentage of GDP. So they just continually spend, spend, spend, spend, spend, but without any real restriction on that, at least not yet. Three years ago I think it was, came here and we talked about what was going on in China after having watched China respond for three years and began to see the moves that they were making to undermine the dollar. Of course many of the things that we talked about in 2013 have since happened. Just last month the Yuan got added to the SDR basket, which some of you may have been following, and I think a lot of people are waiting to see how that all plays out. It's a slow-moving change. It's a slow-moving trend. But these – that's why you have to watch them. It's easier to fall asleep at the wheel, especially if you're a real estate investor. So growing deficits.

Growing debt. When you keep growing deficits, something happens. You keep piling up debt, and this chart is just ridiculous. It can just show – it just shows how really bad the debt problem is, and one of the stats I heard I didn't have time to look up, and maybe some of you are familiar with it, is that at the rate of growth it's exponential. And if you know exponential it means would you rather have $1000.00 a day for 30 days or would you rather have a penny a day, doubling – a penny day one, two pennies the next day, and doubling and that compounding effect – by the time you get thirty days out you're in the millions and millions and millions of dollars. And so it's really interesting to see how slowly something can happen, and then all at once. And I think a lot of us sense that we're kind of at that point in time where that all-at-once is probably gonna happen on our watch. And so we have a lot more to think about than a lot of our investing predecessors have had to, and this growing debt problem is one of them.

Response to that by the federal banks I think we all know, and this is not in the central banks but sort of all around the world – has been currency expansion. Rapid, unprecedented, out-of-control currency expansion. Print, print, print, print, print. And they seem to think that that's okay because they haven't had the runaway inflation. In fact they're still struggling to get their "target" inflation. The concern is is that they're gonna overshoot by a whole bunch and lose complete control, and the response to that would have to be rising interest rates, and of course the effect of rising interest rates on most balance sheets' bond portfolios, if you've been following rate-ilo is even 100 basis points moves in a interest rate would wipe out over $2 trillion in balance sheet wealth. And when you look at the derivate effect, balance sheets hinge to other balance sheets where one bank's asset is a liability of another bank, and they're balancing that off on this mark-to-market, when, as soon as that rate goes up, those bonds go way down in value and the collateral goes bad and cash calls start happening. That's what happened in 2008, and as Peter Schiff I'm sure will bring up when he talks at this conference, he'll remind us all that everything that was wrong in 2008 is wrong worse today on steroids. Of course with that said, if you recall many, many people, especially people who are in real estate, ended up becoming phenomenally wealthy over the last eight years in the wake of that. So it isn't all horrible. You just have to understand where the opportunity is and where the problems are, and then how to structure, 'cause just being in real estate's not enough. Obviously a lot of real estate investors got wiped out, so it's bigger than that. It's how you're in real estate, where you're in real estate, and we're gonna talk about some of that in practical terms. This is just a little table setting.

Another big megatrend out there is aging populations. This chart's kind of interesting. It shows the percentage of elderly people project in 2050 based on demographic trends. Harry Dent is a guy that's pretty famous for following demographics, and you can see that blue checkerboard shows that 30 percent or more of those populations. Most of the developed nations are gonna be 30 percent elderly by 2050, and that creates all kinds of problems for social systems and the social contract that many governments and corporations have with the people. And that burden is gonna fall upon the next generation, the millennials. We spend a lot of time on the show addressing that and trying to help equip them because they're really gonna have to clean up a mess. Some of this is man-made. Some of this is just a natural cycle. It doesn't really matter. There's plenty of blame to go around, but blaming doesn't help anybody. You just have to understand what it is. As Jim Collins says in his book *Good to Great*, "You have to confront the brutal facts," and these are just some of the brutal facts. These are trends that are happening whether we acknowledge them or not.

Manipulated markets. I'm sure that that's a popular theme here. I'm sure that Bill Murphy will be talking a little bit about that and gold. Many of the conspiracy theory manipulations, and you know, I mean, if you've been following the election a lot of conspiracy theory stuff has turned out to be *[audio skip].* It's no secret that banks manipulate interest rates. Libor was a big scandal. They've been caught manipulating the metals, at least on an individual basis. There's been all kinds of fines paid. You've got central banks overtly now buying stocks, either directly or indirectly. You've got the corporate debt. I'm gonna talk about that in a minute, how corporations are borrowing money at dirt cheap rates and buying stocks. It's the way the central bank can indirectly prop up the stock market. So when you have manipulated markets it's awfully hard. It's like going down the road and having your gauges just moving all over the place without any direct correlation to what's really going on under the hood. So how do you drive? How do you know the condition of your vehicle? Very difficult as an investor. So these are some of the challenges that we face.

So the theme that we've had for the last five years when we've been coming to this investment conference is that when the market is chaotic, when the financial markets are extremely volatile, when the indicators that we use to make decisions are manipulated and untrustworthy, you have to really, really dumb it down, and you have to invest in things that are real and essential. And we think real estate falls into that category. It's not the only thing that falls into that category, but it's gotta be pretty high on the list, right up there with food and commodities and energy.

So let's spend a little bit of time and talk about this concept of what investing is. We deal with this a lot on the radio, because a lot of people consider themselves to be investors when they buy properties, fix them up, and sell them for a profit. They call that investing. And that isn't really investing. That's a job. You're in the job of buying houses, fixing them up, and selling them for a profit. It's more like trading. Some people just buy things and hope they're gonna go up, and they don't have to put any effort in. It's much more like passive speculation. A lot of people, the mantra is "buy low, sell high," and the roundtrip reward is a pile of cash. Of course if you end up with a pile of cash with no yield you got a problem, right? So the key, the way we look at investing – investing is buying something that is a long-term storage of capital. So you put that capital into this asset, and what you're exchanging it for is a passive share of the productivity. So if you buy a stock that pays dividends, as Peter recommends, then you're getting paid income on your equity. You're not interested in selling the stock. You're interested in making your profit on the income. So the price of the stock after you've purchased it is really irrelevant unless you get excited about your balance sheet. Our friend Robert Kiyosaki would tell you to spend more time concentrating on your cash flow statement.

Interest on debt – if you're on the other side, if you don't wanna buy equity, you make loans. You buy bonds, or you make direct loans, which is easy to do in real estate. You can loan against real estate and collect income from the owner in the form of interest. Right now that's tough to do because the rates are low, and that's made real estate very popular because the rents in terms of a yield on capital are quite a bit better than the yields are on bonds or any other type of a paper asset. But they key is in investing, the way we look at investing, when you hear *The Real Estate Guys* say the word "investing," we're talking about cash flow on deployed long-term capital, not buy low, sell high. That's speculation. Alright. You wanna come up and do this, or you want me to keep going? I'm just gonna keep going, alright? In the interest of time.

So one of the things we look for in an investment portfolio or an investment asset is stability, and if you think about real estate in terms of what makes something stable, besides the physical attributes of stability, real estate is tangible. It isn't a paper asset that can disappear. It is a physical asset that doesn't disappear. It's immovable. It's enduring. Real estate will be here long after you and I are long gone. And it has transcendent value, meaning that people will always need real estate to live, to work, to grow crops. Even in the most basic forms of society, if we had an apocalypse, as long as there's human existence real estate will have value, and people are going to need it. And that's because it's essential. It serves basic human needs in the production of food and provision of housing and all of that. So common sense says real estate is very, very stable. It's the financing structures that make real estate unstable, and you have control over that.

Let's talk about real estate from a diversification point of view. A lot of people like to use diversification as a way to mitigate risk. Great strategy. You can – a lot of times diversification can actually offset the benefit, so you neutralize the benefit. In other words if you buy both debt and equity, then you're on both sides of the equation, which means that in either case one's up, one's down, one's down, one's up, but it just kind of – they negate each other. Real estate can work a little bit differently, and when it comes to diversification it breaks down to three basic categories.

The first one is geographic. Real estate's not a market. We think about the real estate market. There is no real estate market. When you buy an ounce of gold or a share of Apple stock or a bond, it's the same price pretty much anywhere you buy it. If you place the order in Japan or if you place it in California or you place it in New Orleans or in Canada, pretty much globally that is a commodity, and it's exactly the same. An ounce of gold is an ounce of gold is an ounce of gold with some minor variations, and the same is true of the share of stock or any other paper asset. But real estate's not like that at all. Real estate is unique right down to the street, to the ownership, to the condition, to the utility, to the benefit to the owner. Very graphic. Inherently inefficient. Very hard to manipulate, at least directly, because you can't buy it in bulk. You can't dispose of it in bulk. You can't easily create derivatives in it. They've done it on the mortgage side, but you can insulate yourself from that through your financial structures. So when you're investing in real estate, you're not investing just in the land or the structure, but you're actually investing in the local economy and the specific utility of that particular building, or if there is no structure on it, for example farmland, and the jurisdiction it's located in. Landlord laws and development laws and the ability to use the property vary from jurisdiction to jurisdiction, and so you can be strategic about where you want to choose your real estate investment. From a product-type, products serve different specific demographics. An apartment building serves a very different need than a high-rise office building, serves a very different need than a hospital, serves a very different need than a farm or a distribution center. They're all very, very different. They serve different customers. They derive their income from different segments of the economy. So you can be very diverse within real estate and never leave the world of real estate. You can spend all of your investing time in real estate and achieve plenty of diversification.

Currency risk – now this is an interesting one. I spent a little bit of time on that I think two or three years ago, but a lot of people don't think about this because – how many of you realize – and I'm gonna show you in a minute, graphically – but the dollar has a long-term trend? Which direction? Down. And so if know that, typically if you were going to play something that you thought was going down over the long-term what would you want to do? Short it. Well how do you short the dollar? You borrow. And real estate gives you the opportunity to do that and let someone else make the payment. And you can actually get positive arbitrage, meaning you can borrow at one rate, say three or four or five percent, and then get a yield on the deployed capital that could be ten or twelve or fifteen percent. So you can make positive money on the spread, and you can be short the dollar. If you get inflation, it's obviously where you wanna be, and you also own an asset that goes up. But what if you get deflation? Have you thought about that? If you get deflation it seems to be problematic, because the price of the real estate would go down. You potentially would lose your equity, but if you've invested for the cash flow, one of the things that we found out when the markets crashed in 2008, is when property values were dropping 50, 60, 70 percent, rents were only dropping five or ten, and they came back pretty strong. If you followed the rental trend, it's been one of the big problems for the American consumer out there - rising healthcare costs and rising rent. And so if you're on the other end of that equation as a real estate investor you've been the beneficiary of rising rent. So even though we've had deflation, if you will, at least in terms of wages, you actually had inflation, or positive purchasing power growth as an accumulator of rental income. So think about that a little bit, because you can actually play both side of the fence with real estate, and real estate is somewhat unique in that.

Real estate is super simple. I mean, most people understand the business model. People either live or work or pull things out of the property that you own and pay you a percentage of it in the form of rent. Pretty simple. And so if you think back in your own personal life, through however many cycles you've been through. If you went through the 2008 cycle, I'm guessing looking around the room pretty much everybody in this room went through that. If you were in the previous one in the early '90s or the one before that in the '70s, maybe even in the '80s, you think about it, all the ups and downs, presidential attempted assassinations, wild elections, challenged elections, maybe one we're gonna have again, stock market crashes in '87, all that stuff. Think about your own personal life. Every month you make your mortgage payment. Every month you pay your rent. I'm not saying it isn't prone to some of the vacillations in the macro-economy, but it is certainly on the more stable end of it. The vacillations are very small, and sometimes we forget that, because we get all panicked about the value of the property. The only time a property value matters to you is when you buy it and when you sell it. Maybe when you refinance it. The rest of the time it really doesn't matter. What matters is the production of income. And so it's a very simple business model, a very stable.

So here's some of the keys to profiting in real estate. Exploiting inefficiencies. I just mentioned it's not a commodity. It isn't a market. People can't mass buy, mass sell. Not easily manipulated. And so there are people who have unique ownership situations, and they don't want the property for whatever reason. They're willing to make a deal. There's just a lot of inherent inefficiencies in the way real estate gets traded. Because of that, if you're in the space, you can exploit those. You can get good deals, if you will. Much harder to get a good deal in a publicly traded asset, like a stock or a bond, where everybody is in electronic exchanges trading at lightning speed. Real estate does not work that way. So there's a lot of inefficiencies.

You can leverage insider knowledge. You can't do that in paper asset markets, especially publicly-traded markets, but you can definitely do it in real estate. [audio skip] that nobody else knows about. You can be the only person who has an opportunity to acquire that property if you have the relationship. You're gonna find out in a little bit how important relationships are in our business. There is no exchange where you can go in and do real estate effectively. It's really based on being part of a network of people that are active in this industry. It's hard to do, but once you're in it's not that hard to do.

I already talked about hedging against both inflation and deflation, and the other thing is you can use real estate to invest with the long-term trends, which presupposed you're paying attention to them. And the reason that's important is because if you're a hot-money investor, if you're chasing charts and doing technical analysis and trying to figure out where the money is and getting on the right move of it, you gotta be smart. You gotta be fast, and you gotta hope you're faster than the pros. I'm guessing most of us in the room would rather have a life and not live that way. I did a little day-trading for awhile. I got over it real quick, because it just – it was fun for a little while, and then it got to be really tedious and scary, and I had one trade unwind 37 positive trades, and I thought, "You know what? I'm not qualified to be doing this. I need something boring and stable." And so with fundamentals, you're buying the fundamentals. The challenge in manipulated markets is the fundamentals don't seem to matter. It's the hot money and the manipulations, and so where can you go where fundamentals do matter? Real estate is one of those places where the fundamentals really do matter, and it's very hard to paint the tape, if you will, when it comes to real estate. So keep that in mind.

So I'm gonna talk a little bit about macro-trends, and then I'll have Robert come up and talk about some specific niches that we've identified that you may wanna take a look at too. And the good news is we're not here to sell you anything. We're not gonna invite you to come to our booth and come buy properties. We don't have anything. We're just here to share ideas and information. That's the bad news. The good news is there are lots of people here who do have some of these products and services I'm gonna be talking about, and I would really encourage you to go see them within the context of understanding how you can put them into your portfolio strategically, and the role they can play. We're gonna do some other sessions also tomorrow night that are gonna be talking about the role of real estate in a safe-haven portfolio. If you're a little nervous about bubble levels and some of the paper asset markets and how unstable some things are and you're looking for a little bit more stability, then you're gonna wanna come to that session. We can get a little bit more in depth.

Let's talk about these macro-trends real quick. This is the dollar. Most of you are familiar with that. That's the purchasing power of the dollar, long-term trend. Pretty obvious. And that's just from 1975. You go back to 1913, and it's even worse. So I think that's self-explanatory. Next one here is interest rates. I think we're probably pretty familiar with that. Most of us have been paying very close attention to the Fed policy with respect to interest rates. That little blip at the very end after all those years of flat-lining – of course if this was like – any physicians in the room, if you walked in and saw somebody's heart chart looking like that, what would you think? Patient's dead! Right? What's wrong with this? What's wrong with this economy that there's no interest rates? If this economy was really strong don't you think by now we would have raised interest rates? They're scared to death to raise interest rates. So that's a problem, but it's also an opportunity. At any rate, we'll see if they actually raise it. They're gonna rattle their swords again, but again I go back to that recent quote by Ray Dalio. I think it's on Zero Hedge. You can find it there, but if you Google it you'll find it. He estimates that if they were to raise the interest rate by 100 basis points it would yield a $2 trillion asset loss and could set off a real firestorm of defaults. So that's a scary proposition. I'm betting they're not gonna raise rates substantially any time soon. I don't think they can. I think they're in a corner. I think what they're gonna end up having to do is print more, but I could be wrong.

This is total consumer credit. Again, pretty self-explanatory. When you can't get people to actually have an economy where people can go do productive work when you've off-shored all your manufacturing and the only thing you can do is continue to run up debt and pretend that you're prosperous when you aren't really because you're not productive, then the way you do that is by financing. If you have a job and you have an income and you have a lifestyle, and then you lose your job but you have a huge credit card, and for whatever reason the credit card company just never, ever really puts much pressure on you and keeps raising the credit limit, then you can continue to live high on the hog. Your neighbors never know you're broke. People around the world look at American and think that we're rich 'cause we still live great. The challenge is, is every time they raise the credit limit they lower the interest rate so that the same amount of productivity or even declining productivity can do the debt service. If I have a $10,000.00 credit limit and I can spend $200.00 a month to service it and my interest rate's 24 percent, and they need me to spend more money, they can raise my credit limit to $20,000.00, lower my rate to 24 to 12, my $200.00, and then I max it out. Now I'm at $20,000.00. And they say, "Well we need the guy to spend more. Raise it $40,000.00. Lower the rate to 6. Max it out. Wow he's at 40." Yep?

Male: Does this include home-equity loans?

Russell Gray: Credit-owned, securitized, outstanding personal-consumption expenditures. I don't know for sure the answer to that. But I think – the point that I'm trying to make is that debt – consumer debt's a problem, and the answer has been to lower interest rates and raise limits, but we're at the zero-bound as I showed by the previous chart. Any attempt to raise interest rates without a corresponding increase in productivity is going to collapse people's ability to continue to spend using debt, and so that's gonna be a problem. As landlords we pay attention to interest rates. Most of our tenants are in debt. So we pay attention to what's going on in oil because they buy gas, what's going on with healthcare because they're paying insurance premiums, what's going on in wages and taxes, all of the things that affect the working-class folks. Now that may sound terrible for real estate, and I've had this debate with Peter Schiff many times, and his concern is that nobody will be able to pay their rent. Well that would be fine if you put it all in a blender and it was all the same everywhere, but that's not what happens, because as you'll see, people will move from an expensive market to an affordable market to survive. And when they do, the expensive market is the loser, if you think Detroit back in the day, once the richest city in the world, two million population, but because of the policies there drove industry out and pretty soon the people left. Prices went down. But they moved to other places that did well, and that's the point. And if you understand that basic trend, then you can get in front of it.

Coming back to the little thing here, this is corporate debt. You can see the trend. Corporations going into debt. A lot of that has been borrow cheap from the Fed, go buy your stock back. Goose your bonus pay. Hold your stock prices up. It's a way that the central banks have been able to float money through the corporate market without having to buy directly. Again, raising interest rates would begin to create problems for that.

Coming back to the aging population and workforce, you can see 1950 there was nearly 12 people per 1 person over 65 years old, and they're projecting in 2050 less than 4. When social security was conceived it was 33. So the trend is obvious. It's a problem. Long-term it's a problem. Absent all of the financial woes with respect to central bank policy and the misallocation of funds through unusually low interest rates, at the end of the day just the demographics alone are gonna create a problem. But remember, what's the flipside of every problem? An opportunity. And so the key is how can we look at these trends and find some opportunity?

Here's one more trend. World population development. The green section, the big slice of the pie, projected into 2050 are developing countries. The yellow on the bottom is the industrialized countries. That alone, if that's correct, tells you there could be an opportunity outside of markets that we're used to investing in. As real estate investors this is one of the hardest things Robert and I had to get over, because we were domestic real estate investors, and then we started looking at this stuff. We thought, "You know, we need to open up our horizons. We need to start looking offshore." We listened to Peter talk all the time about how important it was to buy non-US stocks. We said, "Well does that same principle apply to real estate?" And the short answer is yes, it does. But when you think about investing in real estate offshore – I mean, how many of you that's a little intimidating? It was intimidating for us. I mean what's the prices – oh this is too hard, not do it. Just stay in the Wall Street casinos and take your chances. You know, at some point you have to make a decision, so we're here, I hope, opening your mind up a little bit to some of the potential that real estate can offer. So I'm gonna have Robert come up, and he's gonna bang through some specific niches and talk about why we think these particular niches are particularly appealing right now. And if you listen to what he's saying in the context of these trends and challenges that we've just talked about, you'll begin to see how you can apply some of that stuff to the product classes, and then it narrows your focus. You say, "Well I don't have to learn all of real estate. I just need to learn a few different classes and learn how to do that well and build some strategic relationships." So Robert, why don't you come up and do that?

Robert Helms: Alright, Russell. Great! Thank you sir. So there's lots of different things to invest in when it comes to real estate. When you think real estate, you might think about the house you live in, but there's all kinds of different real estate, and Russ talked about how there's no such thing as a real estate market. People say, "Well how's the market?" Well which market? The industrial market? Or the agricultural real estate market? Or the market in Cleveland, Ohio? Or the market here in New Orleans? It's not only that there's not a market. Real estate isn't an investment class. It doesn't work the way other investment categories do, and here's why. You never, ever in your life have to invest in the stock market, in gold, in oil. There's no requirement. It's 100 percent discretionary. And yet it is nearly impossible to sit out the real estate market. You have to interact financially with real estate – own a house, rent a house, own a building, rent your office space, go on vacation, stay in this hotel. So because that, there are those inefficiencies that you can exploit.

The way we look at real estate investing typically is something called a cap rate, a capitalization rate, or return on the money you invest, and as more investment is chasing any particular category, then the return tends to come down. Right now cap rates are being squeezed in a lot of types of real estate, like multifamily. There's just a lot of money chasing the right deals. And so we're gonna talk about some potential niches, and as we go along, be open-minded about it. Go, "Wow! That might be interesting." Or you might hit one where you go, "You know, that's not for me." And it's all okay. Just trying to talk about a bunch. So one that people don't think about is a way to make return from affluent people, not just being a slumlord and getting those low rents, is resort property. All over the world there are places people go on vacation, and they tend to pay a premium, and it's a way to also look at, if you're interested, diversifying. There is certainly resort property in the US, maybe even in the state you're from, but lots of you don't live in a resort-oriented town, and so I like to say, "Live where you wanna live, and invest where the numbers make sense." I don't mean you have to go and buy a hotel somewhere. There's lots of ways to invest professionally alongside folks just like you would in any other area. It's also, perhaps, if you like to travel, a way to deduct some of your travel expenses. We're not tax professionals, but you might talk to yours about that. I also know I don't spend a lot of time in some of my investment property, 'cause I'm not really sure I wanna especially be there at night, but resort property – there's a personal enjoyment factor, or there certainly could be. And there is a way that you can partner or come alongside folks that are doing this, and we've actually got an entire presentation about resort property. If you're interested in that you can send a quick email to resort@realestateguysradio.com and go into great detail.

Let's talk about another interesting particular niche. So when I say "niche" it's just a style or area of real estate, and this offshore. Now you can marry those two, resort property offshore, but this is an idea of investing somewhere else. Russ said, "How many of you would think"- there's issues learning international. Some people think, "Well it's hard to invest internationally," and it is, but also how would you feel about having all of your investment capital tied to one nation's currency and economy. This can be a great diverse way to protect your wealth. Many of the offshore jurisdictions – and we're not talking about the nefarious "don't do this" and the seven things your tax person doesn't wanna know – we're talking about legitimate, transparent, reportable ways that you can get some wealth offshore and protect it that way. There's also a privacy factor to consider. We kind of look at it this way. When you start as a real estate investor or as an investor, we're interested in taxation, asset protection, and privacy, and early in our real estate career it's probably tax. We wanna pay less tax so we have more to invest. Once you have some assets that you've invest in, now asset protection becomes critical. At first, if you don't have any real estate or any other assets, then don't spend a lot on asset protection. Get some good insurance. But ultimately there are vehicles and structures we use once we have a portfolio of real estate investing. And then ultimately you get a stage where perhaps privacy is the most important thing. And this litigious society - and most of the lawsuits on planet earth originate right here in the United States. People can sue you for any time for any reason. So one of the best defenses you have against all kinds of things that could go wrong in your life legally is to be hard to find. Robert Kiyosaki says to, "own nothing and control everything," meaning we don't often put real estate in our own names. We use structures and so forth, and internationally there's even better privacy. And of course it's a way to diversify your income stream. Offshore income, meaning a different economy. We're in a couple real estate markets that have – one in particular in the last 11 years, the prices have not gone down. They've gone up every year for 11 years in a row. Well in the US that is not true. In the US lots of years we saw the prices go down, and so there's diversity that way. And there's also a plan B, what Doug Casey would call "having a bolt hole," a place you could bolt in the middle of the night and hold up if you had to. So there's reasons to at least consider offshore property, and if you limit yourself just to the real estate market in the US, you're missing a whole bunch of stuff. So there's another thing to consider. And maybe a couple of those together offshore and resort or offshore or this one – farmland.

Now agricultural real estate investing has gotten our attention the last few years. It's like gold with a yield. It's a physical asset that yields a harvest, and the harvests are all kinds of different things. You could invest in fruits and vegetables and coffee beans and coconuts and things that have yield. You can invest in timber, that only has yield every 15 or 25 or 100 years. You can invest in all kinds of agricultural property and get income from things that are essential. People have to live, and there's a calorie crunch on the way. Whatever's causing population continues to happen, and there's gonna be more, not less, people in the world, and they gotta eat. And real estate in terms of agriculture is a global commodity. If you go to a marketplace and say – we actually looked at a pretty interesting building right here in New Orleans, just about six blocks from here that came on the market 15 years ago, and it was at such a good price it was almost free. And really, really interesting property, but it was all about the drivers right here in New Orleans and what was happening and where it was going and what the inefficiencies were. It has some functional obsolescence. A big building with 600,000 square feet and zero parking. Problems you'd have to figure out right here locally. Crops are not necessarily a local phenomenon. They're shipped all over the countries and, in fact, the world. And so it's not about getting the market right in terms of what's gonna be appreciated or even cash flow, because these kinds of things can be exported and are, and it's renewable. Plus there is a ton of value growth over time if you study this. So I'm not trying to convert anybody to this thinking, but there are definitely some time and to think differently about real estate. And the other thing is when you have crops as tenants, they don't call you or your property manager in the middle of the night. They don't complain when things happen. They just grow, and that's a cool part of farmland.

This is kind of a unique niche. The graying of America and other countries is pretty obvious, and we're starting to see a big uptick in real estate that is in the various life cycles, but one that's super interesting to us is assisted living, and the idea that there are folks who want to have some level of independence as they age, but also maybe they lost a spouse, maybe they don't have family in the area. They wanna cohabitate with folks who are like them, and they'll have a social life, and they'll get together regularly. And we're not talking about necessarily big institutions as much as the small individual houses and smaller unit properties that are around. So another way to profit from the affluent, because it's not about the person staying in your residential assisted living home or building. It's about the folks who are paying for them, which are either their kids, their family, or insurance. And this is a growing demographic for sure. Many of the folks we know in this space are buying [audio skip] lose any sleep over in great neighborhoods, but they're buying the old McMansion, the six bedroom one-story home and actually creating a scenario where there can be ten or twelve residents, and the income potential is pretty amazing. So just another interesting niche to think about today.

On the other end of the spectrum, mobile home parks are a great way to amass land and land bank and still retain cash flows that are pretty superior. And there's one good thing about home park, and that is that your tenant isn't totally a tenant. Many of them own the home. And so you are the landlord of the dirt. They own the home. They may own it outright, or they may be making payments on it. Their likelihood of paying their ground lease or their space rent is pretty high. They're just gonna move out when they paid $10,000.00 or $20,000.00 or $100.000.00 for the home, or if they're making a payment on it. So interesting niche, and there's high cash flows in this niche. Now it is high management as well, so I'm certainly not suggesting that those of you looking for a hobby go out and buy a mobile home park, but there are some great opportunities here as we're seeing this trend continue.

And then there's always affordable residential property, what we like to call recession-resistant pricing, houses that are just below the median in an area that has vitality, where there are jobs. One of the metrics that we look at is what we call net-in migration, and if there's a market where more people are moving in than are moving out every month, what generally happens to rental demand? It goes up, and over time rents go up, and that's not true in every market, but the markets that have a positive net-in migration are good markets to consider to own single-family houses. Now some folks don't wanna be tied down to a particular neighborhood or certainly don't wanna be managing the home themselves. You can own the home and have professional management. That's certainly what we do on our portfolios. But there's also ways to come alongside investors that are buying groups of houses in different markets. We've seen private investment funds that are limiting their number of investors, but they have a wide-range of markets they might be in, three, four, five different market places, and so that can be interesting to folks too. So there's still a lot of possibilities when it comes to condos and townhouses and single-family homes, but it takes some education of course to figure that out, and market selection's critical. Not every rental house everywhere makes sense. Now over time an investment in real estate has the ability to both cash flow and create capital gains, but Russ talked earlier about the buy-and-hope strategy, just speculating on the price increase, isn't the way to go, especially sailing into some of the economic headwinds that we've been talking about.

Now let's talk about some of the US market considerations. When we look throughout the US market – and you could parlay this to other markets – but here we have certain states and jurisdictions that are more tenant-landlord friendly and more business friendly than others. And so rather than just pick the state you live in, again I say live where you wanna live but invest where the numbers make sense. There may be a state where it makes better sense. There may be better opportunity. They might be more landlord- and business-friendly. And we look for infrastructure that's already built. Infrastructure takes millions and millions and billions of dollars, and you can follow the cement and take a look at the plans and those that have come before you. Most of the big public plans when it comes to infrastructure and government spending on amenities and real estate projects is public information, and it's – I won't say easy to find if you know where to look – but it's discoverable. And the other thing is that there's certain states that have less tax to pay. Now we're not tax professionals, but real estate has some incredible tax advantages. Robert Kiyosaki, the best personal financing seller in history, says that if you study a nation's tax code it will show you where that government wants you to invest, and we have some of the best tax advantages in real estate, and obviously there's other asset classes that have good tax advantages as well, and that's because the government wants us to provide safe, affordable, clean housing to folks who need it. The American dream is to own a home, at least it used to be, and maybe folks don't wanna own a home. A lot of the millenials don't think that way. But if they do wanna own a home and they can't yet, I'm good with that. They can rent from us.

And then you can be very strategic about what we call submarkets. You can't say, "Well I'd like to invest in the state of Texas." That's not enough information. There are markets in Texas that make zero sense, and there's some great markets in Texas. Jobs is one of the reasons. So lots that we look at. When it comes to thinking about foreign markets, markets outside your own market if you're a US citizen, then think about things like how close it is. I just spent a weekend with a couple of guys from Melbourne, Australia, who are investors, and they're coming to this part of the world, and that flight is crazy. Seven movies, two meals, and they're here, but to make that flight a lot is pretty difficult. We looked at Australia and invested there a little while ago, and thankfully it's a hands-off investment, but it's not very close. There's a lot of great markets that are close in terms of time zone, proximity, the ability to conduct your business in the language you speak, things like that. And then certain jurisdictions are just more friendly to foreigners and specifically to Americans than others. And you may have a reason to consider an investment in a market somewhere.

There are folks that are gonna be in the exhibit area. They're talking about investing in different markets and different areas. Some of them [audio skip]. We're talking to exhibitors. There's some presentations over there. So maybe pop in on one of those and see what these places have going for them. I know last year we learned a ton about a couple of strategic locations when it came to agriculture. It's like, "Wow I didn't know that was the case," and we learned a lot. And then there's the due diligence [audio skip] is the government. There's interesting – if you've only ever invested in real estate in the United States, then you would probably insist on having title insurance, but as you travel around the world you soon find out that the rest of the world thinks we are crazy for paying a third party to insure title, which should be the government's job and is in many marketplaces. So it takes some time to learn.

Now Russ had leverage up here, and there may be leverage available in other market places, but that's not really the point. The point is in some markets there is no leverage. And that is a level of safety and security – we know of many foreign markets that can create high single- and low double-digit returns with no loan, meaning you're in for cash and nothing can take the property away from you. Now you can't say that in the US. Even if you own a property for cash, the government could take it away if you don't pay your property taxes, but there are jurisdictions that don't have property tax, and there's other ones that have extremely low property tax. I was just in a market looking at a $600,000.00 property, US value, and the property tax is $90.00 US per year. Crazy. Now the downside of low taxes is they don't have a lot of money to do stuff with, so that's often left to private developers. So foreign markets might be worth looking at.

So how do you get from here to there? How do you invest in a market? Well you certainly can invest individually. One of the great things about real estate is you can own it, what we call fee-simple title. You could own it in your own name. We'd probably recommend considering an entity of some sort, a structure to own it in. But it would be your individual investment. Leave it to your heirs, the cash flow or the equity growth. You can put together a group of investors, what we call a do-it-yourself syndication. The term syndication in real estate just means we're gonna take money from several different investors to go do a project probably beyond the scope of one any one of use could do individually, but you might do that right in your own rolodex. You might know another couple of people that wanna invest in, say, a single-family house, and you go, "Why don't we come together? We'll all throw $50,000.00 in the hat. We'll go out and buy a property." Well you just better make sure there's a level of trust and probably some legal documents around that.

The other thing is a private placement. We did our talk last year on this, which is there's a new opportunity – and there's always been an opportunity – in private placements, non-registered securities. But they're even more so today. Because of the jobs act there's great, great opportunity to come alongside an investor who's got a great track record or a real estate developer or an agricultural operator and invest in a private placement. And often those have better returns and you go closer to the person who's in charge of the investment than you would in the last one which is a public offering, but there are great public offerings too in real estate. Real estate investment trusts. There's lots of ways and mortgage pools, places that you can invest. Get alongside the benefit of real estate but not have to get your hands dirty. We're not big proponents of self-management. Maybe when you start. If you're brand new to real estate investing and you have the interest and you have the time to figure out how to rent it out. I was an onsite residential manager for five years for a big apartment building. Boy, I learned plenty in those five years, including that that wasn't the job I wanted to have.

So lots of different places to invest. Lots of different types of real estate investment. And then lots of different tools and ways to do that. So what are the keys to success? Our motto at *The Real Estate Guys* has for many, many years been, "Education for effective action." Just like anything you've invested in, I hope you spend some time studying it. That's what we're here to do these next few days, is to learn. We're gonna learn from some amazing folks. But if you just learn and you just take notes and you just write down stock tips, I'm not sure that you're gonna get the same result, and if you never do anything with what you learn then why'd you come? So that's the first part, is education. Once you're educated, now the key to many investments is relationships. Maybe not in the general equities market, but certainly when it comes to things like junior mining, certainly when it comes to real estate investing. It's who you know and how they know you and can you get in the deal flow? The best deals don't get advertised to the public. The best deals in real estate are not on the local MLS. The best real estate deals go to folks who are already in the game. And you can get into that deal flow. It just takes time and building relationships, and then of course you gotta do something. You have to actually take action. You won't profit from real estate you don't own. You don't have to own it yourself. You can own it in a group. You can own a share of a REAT, but if you don't pull the trigger on it, you're not gonna see the benefits of it.

So we're, right now, gonna give away some silver. It's hard for us to give away real estate. We could bring a big pound of dirt up here, but we're gonna give away some silver, so to talk about that let's welcome back co-host of *The Real Estate Guys* radio program, Russell Gray.

Russell Gray: Alright. That's awesome. So we didn't plan to have this many people, so thank you so much for being here. I can tell that the gold sector, in particular, has done pretty well these last 12 months, because last time we were here the breakout session, the pre-conferences workshops were much small. Got a tall gentleman back there named Michael who's a good friend of ours waving a yellow form. If you would be kind enough, if you're interested, to take the form and fill it out. It is a [audio skip] interested in what you got out of the presentation that you liked. Maybe you came into the room thinking you were gonna get something we didn't deliver. We'd like to know that so we can get better. There's a chance at the bottom to ask for a follow-up if you're interested in learning more about any of the things we talked about. Again, we don't sell any of this stuff, but many of the exhibitors who are here at the New Orleans Investment Conference in the real estate space we brought, because Brien came to us and he said, "I'd really like to expand what we're doing for our audience here at the New Orleans

Investment Conference, and we'd like to have some coverage of real estate." And Robert and I really don't have an agenda, so we're just here to talk about the things that we do, the things that we are interested in, why we think real estate makes sense in specific [audio skip], and then we go out and we recruit people who actually do those things who can help take your education to the next level and teach you about them but also help you actually implement what you learned. And so if you're interested in doing that, you check that off, and then what we'll do is we'll just send you – we don't call you – we'll just email you information about whatever you asked about. We have a newsletter we put out from time to time, and we talk about some of the things you've heard today. We talk about what's going on in the macro world and how it affects real estate investors and how a strategic real estate investor might position themselves based on what's going on in the world.

We have an annual Summit at Sea, which I'll share with you here. I'm very happy. This is our 15th year coming up now in 2017. If you've ever booked yourself to go on one of these investor cruises and had the cruise cancel, you'll know that these ships are not easy to do, but we've done it successfully now for 14 straight years, and this'll be our 15th year. We've got Peter Schiff coming back with us I think for our fourth or fifth time, so when you hear Peter talk here, if you're interested in really spending time with him, getting to know him as a person, his wife Lauren. They come every year. You have dinner with them. You hang out at the beach. I mean it's a group probably no bigger than this room. We're all together on a ship for seven days plus two days in a hotel, spending time. G. Edward Griffin wrote a book called *The Creature from Jekyll Island*. Are you familiar with that? So this'll be his third year. Ed is just an amazing man, amazing mind, and we've got him coming. Brien Lundin, our host for the New Orleans Investment Conference, is coming for the first time. Last year he participated in our gold panel when we were on land. Last year for our gold panel we had Simon Black from Sovereign Man. We had Robert Kiyosaki, wrote *Rich Dad Poor Dad.* We had Jim Rickards come in via video feed. We had Anthem Blanchard who many of you know. His dad actually founded this conference way back when. We had – who else did we have? David Smith from *The Morgan Report* and Brien. So we had such a good time with that. So this is a lot more than just real estate. If you wanna go to just a world-class investment conference where you get a chance to interact with investors, high-level people from all over the world. It's not cheap to go, but because it's not cheap to go you're in a room full of a bunch of people that are substantial. They're successful. They have valid things, and we all engage. We have a fabulous time. We do seminars. We do panels. We do round table discussions. All kinds of stuff.

Robert Helms: So Michael has informed us that we ran out of forms, so sorry. We've done that two pre-conferences before, and the room hasn't even been a third of this size, so as Russ said, thanks for coming, but if you didn't get a form if you just wanna take a sheet of paper and put your name and email address on it, and that way you get entered into the silver. We don't want you to not win a silver coin simply because we ran out of forms. So if you'd like to – you don't have to do that, but that way at least you'll be in the drawing, and we'll collect all those in just a minute and have a drawing. So any piece of paper's fine, and we'll put you in the drawing that way.

Russell Gray: Yeah. So if you're interested in coming on the summit, just write that down. Michael has flyers on this particular event. We have a booth here once our booth stuff arrives. We had a little airplane mishap today, so our booth stuff's not here for tonight, but we'll be there tomorrow and through Saturday. You can pick up a flyer and learn more about the summit and talk with us a little bit about that. Let's see, what else. So we have two more presentations we're going to be doing here. We have a general session tomorrow night at 7:40, and our topic is the role of real estate in a safe-haven portfolio. So we're really gonna talk specifically about how real estate can provide a yield on your capital probably a lot better than those of you who are investing for yield are getting. If you're trying to churn capital gains for yield that can be risky business, and if you're inclined to try and find yield that's higher with some of the safety factors that we've talk about we'll talk about how to do that. Wealth preservation – a lot of people park their wealth in real estate until whatever happens with the currency du jour is figured out. Real estate typically retains its value as does things like precious metals. And then you can hedge both against inflation and deflation, as I mentioned, because you're on both ends of it. You're generating a currency, whatever the currency is, but you can probably be sure that if the currency were to change then people who are living in your property are gonna pay you 30 percent of whatever the currency is. And so that can be pretty solid, and of course the inflation side is just being on the right end of owning the asset and using debt to be short the dollar. So we'll talk a little bit about that. We only have 20 minutes, so to follow that up, right after that, five minutes later on the third floor, we're doing Main Street investing, how you can opt out of the Wall Street casinos.

If you're really interested in some of the things we've talked about but the whole idea of going out and looking at properties on your own and finding properties and cutting deals and putting management in place – I totally get it. Very intimidating. So if you're the type of person to say, "Look, I just wanna enjoy my life. I wanna have someone do that for me," then that's really what private placements are. Syndicators, people who sponsor a private placement, they do all that heavy lifting, and they do it to pick up a small management fee on your capital for running the deal for you, and then they get a profit-sharing on the back end, not unlike a hedge fund manager. The difference is you're not investing in paper assets. You're investing in real assets. You get to deal directly. You have a personal relationship with the person putting the deal together. You can certainly go visit the property. It's much easier business model to understand for some of you that have invested in tech companies or even some of these junior mining. I mean, maybe you're in the space. I still listen to this, and I don't understand really the risks. I'm not putting it down. I'm just saying I don't understand it yet. Real estate is easy to me to get the business model.

So we're gonna be talking about how to do that. We have 40 minutes for that presentation, so if you're intrigued about this idea of how can I invest in real estate, Main Street investing without having to cycle my money through Wall Street and the public, manipulated exchanges, that's gonna be the session for you. Michael also has flyers on these to remind you, so on your way out if you wanna just go see Michael he can hand that to you. Otherwise, come to our booth and grab one, but we'll be in this room tomorrow night at 7:40. So did I stall long enough, I think? They didn't give us a countdown clock, but if you got your forms ready just pass them to the aisle and then we'll come up and down the aisle and grab those.

Robert Helms: So actually they did give us the countdown clock. The way that Brien keeps his event right on time – and if you've not been to one of his events you'll see that over the next few days – is with the clock here. And we still apparently have 60 minutes, so we're just gonna keep going.

Russell Gray: Now they're fixing it. We've got three minutes.

Robert Helms: Oh now we're down the three minutes. So quickly we'll go those in and we'll do our drawing. If you've not been before – and there were some hands, first time at the New Orleans Investment Conference – a couple things you should know. It is jam-packed. There is stuff from early in the morning until late at night. There's food close by in the hotel, and at all the breaks, oh my goodness Brien and Emily take such good care of us. There's – like tonight. Tonight we've got our cocktail reception just right across the hallway in the exhibit area, and it's a bar and wonderful New Orleans food, and so come to the stuff. Ask questions. Get involved. But remember, you're in New Orleans, and so there's world-class food here. There's a great number of things you can go see if you have any downtime, but get your brain around brains. You may learn a ton from the folks speaking, but my guess is you'll actually learn more from talking to each other afterwards, once you've been in sessions and so forth. So for The Real Estate Guys, we sure appreciate you guys coming today. My goodness, what a great showing, and we're here the entire time. Love to talk real estate, and really anything else.

So we're gonna do our drawing, and just because you don't get the silver coin doesn't mean you're not a winner, but we appreciate that. And then come on by the booth and we'll give you the rest of our shameless propaganda on our seminars and the things that we do. Our motto is, "Education for effective action," and that's why we come to these events ourselves. One idea is all it takes at a conference of this duration that you do something with to get a return on your investment. It's a time commitment. We're here for four days. It's a monetary commitment for hotel and flights and registration, and as investors we demand a return on our investments, so you'll find that here if you look, and just some really, really great folks who are speaking. Now one of the things The Real Estate Guys don't do that many other of the speakers here do is give you a stock recommendation. So we don't, but today for this group we have decided to make just one pick for you, and that is – write this down – YOU. Your best investment is you. It is in you. That's what we think. So thank you very much. We've got 47 seconds to draw one of these forms, and we'll pick a winner. Okay, now I can't look if I'm drawing it because some are yellow and some are white, so there's the winner. Alright it is a yellow form, so if you win come running down here like you won on *The Price is Right*. For a silver eagle it's Dwight McGlee. Dwight McGlee. Dwight, alright. Good job! Come on down. Alright, here you go. Hey thanks so much, and we'll see you around the ranch. We'll see you on the radio. Have a great conference.

The Real Estate Guys
"The Role Of Real Estate In A Safe Haven Portfolio"

Moderator: *The Real Estate Guys* is a radio show that's heard since 1997, almost 20 years, in over 190 countries if you include the podcast version. The notable guests have included Steve Forbes, Peter Schiff, Donald Trump, James Rickards, Mark Skousen, Robert Kiyosaki, many others, and you can listen online or subscribe to their newsletter at therealestateguysradio.com. They're going to talk about the role of real estate as a safe-haven portfolio. The two guys will speak separately and in order, but first speaker will be Robert Helms.

Robert Helms: Thank you sir. Alright. Hey, good evening. My goodness, you guys are – oh look you're still here. Weren't you here at 7:00am? And here we are in the home stretch. We're the headliners, last of the day. So thanks for sticking around. We're gonna talk a little bit about real estate, and great to hear Nick talk about real assets, about gold, about land, and of course obviously Alex Treesappen on land. We like all those kinds of real estate plays, and really at the heart of it, what we're gonna talk about tonight is, "What is the role of real estate in your portfolio, but in a safe-haven portfolio?" What does that mean? Well, we're gonna talk about just a couple of things, obviously just 20 minutes tonight, and then if you're interested our workshop is gonna be just that. It's not slides and us pontificating. We're gonna have a discussion and happy to talk all things real estate, and we'd love to have you if you're not [audio skip] education as an appetizer and then have a good night in New Orleans. So if you haven't heard us before we're a podcast, primarily. Still on traditional radio in our 20th year. You can find us in the investing section of iTunes, and we're always up there in the top 20 or 25, which is great. Just go to realestateguysradio.com on iTunes. You can learn all about subscribing to the show, which is free. It's an hour a week, so it doesn't take a lot.

So here we are at this conference at this interesting time in the economic world and political world and all of that, and we're gonna talk tonight about really the threats to your wealth. One threat to your wealth is the U.S. dollar. Now as you heard Peter Schiff say just an hour-and-a-half ago, this year the dollar's been up and down but about even, and Russ has some ideas to share with you about that exactly, and where it might be going, and specifically how real estate can hedge against which direction the dollar may take. Also we're in a very unstable financial system, clearly, and it's a house of cards, and you've heard it from a lot of the speakers and will continue. So what do you do in that case? And then finally an area we haven't heard too many folks talking about yet, and that's the financial predators that are here today and here in the future. So to talk about those things please welcome co-host of *The Real Estate Guys* radio program, our financial strategist, Mr. Russell Gray.

Russell Gray: Thank you sir. I appreciate it. Alright. Thank you for hanging out all the way to the bitter end, so I really, really appreciate that. We've got 20 minutes to try to deliver a message, and when we're in a house like this, and maybe some of you already have drunk the real estate kool-aid and you kind of get it. How many of you were at the pre-conference workshop we did? Okay so I'm not going over anything that we did there, but I do wanna hit some things, and it's really more about opening your mind up to the potential of real estate to provide stability and income, hedges against both inflation and deflation, privacy, asset protection, diversification through jurisdiction. And so all that sounds like a lot, and my goal in the next 17 minutes is to kind of pull all that together for you in a way that'll open up your mind to continuing the exploration of the potential. Obviously in 20 minutes, can't give you an MBA in real estate investing, but at least give you some ideas.

So the first thing we'll talk about is a dollar. If you wanna have an understanding of why something is a good fit – in other words, what a solution is – you really have to get your mind around the problem. I don't wanna belabor this. I think it's pretty clear to most folks at this conference that the dollar has a 100-plus year history of falling, losing in purchasing power. This just shows you from 1975 until today what's been going on, and that's kind of – that's substantial loss of purchasing power. So the dollar isn't really a great long-term store of value. I think most of us recognize that. The bigger issue – we've been talking about this here at the conference, at least as far as *The Real Estate Guys* the last three years – we've been talking about how the dollar is on route to losing its reserve currency status. Last year Jim Rickards was talking about that and has talked about that quite a bit, and it doesn't mean it's the end of the world. It just means it's a big change, especially a big change for Americans. The British Sterling was the world-reserve currency until 1944, and Britain's still around and they still have an economy. It's not the end of the world, but their role in the world changed. And the same thing is probably gonna happen on our watch. Don't know if it's gonna be next year or five years from now or ten years from now, but the odds are high that somewhere in our future the dollar's gonna lose its reserve-currency, and so it's just things you can see coming and things that you may wanna consider planning around. And I think that the concept of real estate insulating you from some of the negative effects of that is one of the things that I'd like you to consider as you're contemplating whether or not real estate fits into your portfolio.

Another thing that's interesting is this concept of the dollar being strong. We talk about, "Oh the dollar's weak. The dollar's weak. The dollar's weak," and people for the last three or four years have been with all the quantitative easing, "Well the dollar is gonna crash. The dollar's gonna crash," and that hasn't happened. In fact, the dollar's gotten stronger. It's just so interesting. So I had a chance to talk to some people, and I'm certainly not a currency expert, but because of what's been going on I've decided that it behooved me to study it and hang around with some smart people. And I think – I don't have many talents, but one of the things I'm pretty good at is listening to really smart people and then dumbing it down so a guy like me can understand it. And so I came up with this way of explaining it, and I tested it on a couple of currency experts to see if they thought that it helped – if it explained properly what was going on, and they said it did. So I'll share it with you. I don't have the visual on. I'm just gonna kinda do it like this.

But if you can imagine a ship on the sea, and below the sea is underwater. You're drowned. You're dead. It's over. And so the ship is the currency boat, and there's all kinds of different passengers, all different types of currencies. And in the back of the boat is the Zimbabwe dollar, and at the front of the boat is the U.S. dollar, and you can order all the rest of them in between however you want to. Well as the ship begins to sink, as the currencies begin to sink, some of them go under water and they completely fail, and while that's happening people are running from the bottom of the ship up to where? The top of the ship. And so it's actually creating extra demand for what is remaining as a safe haven. But if you're just climbing to the top of the boat, and the basic boat is sinking, then you can project that the inevitable is that at one point all the currencies are gonna fail, and you're just gonna be the last one holding the bag. Well, fortunately on the boat there's these little life boats, like things that are real, like precious metals. And they're real money, and they hold their value, and so as people are scrambling up to the top of the boat, if you look at the boat and the dingies, the little things hanging off here, as the boat goes up, it gets easier to get in the boat. It's gotten easier to get into gold as the price of gold has come down, because the dollar got temporarily stronger. The question is which do you trust better? The sinking ship or the lifeboats? And so think about that, because that's the difference between paper assets and real assets, fiat currency versus real money.

And so based on the conversations I've had with people and my observations since I started studying currency, I think the strength of the dollar is temporary. That creates temporary opportunity to reposition yourself, and it can be tempting to try to ride it out to the very last minute, but the problem is then when you go to get in the boat, if the boat seats are all taken then you're left holding the bag. So it may be the safest currency, temporarily, but the recently-strong dollar's done something that's interesting combined with low interest rates – has created a lot of demand for the income streams produce by real estate. If you don't follow real estate you may not be aware of it, but the apartment sector has been the hottest real estate sector in real estate for the last few years. And that's because the yields on debt have come way down and people are looking for income. And the other thing that you find out is that when the dollar gets strong, is that income becomes a lot more valuable. In other words we've experience actually deflation, and what was real estate's response to deflation? It's been strong. Isn't that interesting? And yet at the same time, with real estate you can have a lot of debt, which is being serviced by the income, and so you can be short the dollar by being in debt, that goes up or holds its value relative to a sinking currency. So real estate is the only asset I know of – and there may be things I don't know, maybe you know – but it's the only thing I can think of that allows you to play both sides of the fence, both inflation and deflation. And this isn't theory. We've seen it happen. And if you go back and look at what's gone on in the real estate space relative to the strong dollar, the real estate has been very strong. Income becomes more valuable.

So safety tip number one is, "Focus on income over appreciation." Right now we've been so beaten down with yield investing we just are accustomed to churning our portfolios trying to buy-low, sell-high and create cash flow from the church, but that can be a dangerous game. So certainly there's a place in your portfolio, but if you can acquire real streams of income and focus on that it doesn't really matter what the asset value is. It only matters that the income is stable. Now we know in 2008 when the world went to hell, real estate income was solid. In fact, even though real estate was the epicenter of the crisis, real estate has done extremely well over the last eight years, and that's because it produces income, real income. So the concept there is that safety in your portfolio is having real income. Peter talks all the time about the importance of dividend-paying stocks for the same reason. It doesn't matter what the asset value is. It only matters what the income is. And then favor assets with income that you actually have some influence over. It's one thing to buy a dividend-paying stock, but you don't have any way to influence it, really, in terms of the bottom line, unless you're running the company, unless you're a huge shareholder and you have some sway over management. But if you own a property, if you own an apartment building or something like that, you can actually make management decisions that can affect the bottom line. You can force the income to go up through better management, and when you do that in real estate more income is more equity. You literally create equity when you create more income. It should be that way in the stock market, but paper asset markets are manipulated. And because they're manipulated, people get in front of you and they reap the gain. So fundamental investing is very difficult to do in the paper market, because the technical traders take it all. But fundamentals matter in real estate much more, because you can't manipulate those markets, at least not anywhere near to the scale you can with paper. So real estate is very stable for that reason.

There's another big risk out there – counterparty risk. I hope you understand counterparty risk. If you own an asset that is simultaneously someone else's liability, like a bond or a pass-book savings account, then the only value your assets has is based on the credibility or the ability of the person who holds the asset to pay you. If they fail to pay you, your asset is worthless. The reason the Fed can't raise interest rates right now is because it blows up the value of bond markets that are all highly leveraged. And so when those balance sheets blow up and the cash calls come it collapses everything. They can't let that happen, and so they're trying to offset that by pumping up the stock market, and we talked about that in our pre-conference. If I can get corporations to borrow cheap money and buy back their own stock, it lifts the stock market. People feel like they're wealthy, but they're yield-poor. Another reason why real estate has been very interesting to people.

So safety tips here – income from real assets, not liabilities that can be defaulted on. If I have an apartment building, it doesn't default. There's no default on the income stream. The person paying me doesn't go bankrupt. Maybe one person does, and here's the other thing. Hold assets where the payer can fail without destroying the asset value. If I hold a bond in a failed municipality, that bond is worthless. Hold assets where the default payer can be replaced. If I hold a bond issued by somebody, and that company goes bankrupt, then my bond is worthless. But if I'm renting out a property to someone or an organization and they go bankrupt, I can put another person in it. I don't lose the asset. I lose the income, but I can replace them. You can't replace the person who owes the obligation on a bond. There's no reason to take counterparty risks in your portfolio, because real estate can do anything you wanna do, from a paper asset point of view, better and safer. It's just a lot of people just don't know how to do it, and so the investment is to learn how to do it or to align with people that are good at doing it. I encourage you to visit with them.

The third area of concern is financial predators. Governments and people do desperate things in desperate times. If you've ever been fined by a municipality for some minor infraction and given a fine you completely didn't deserve, that's a desperate municipality shaking down the citizenry to try to raise revenue. And I could give you example after example after example. Just look around you. And these municipalities don't have the ability to print, so they have to sue, or they have to fine. They have to raise taxes. These are all threats. People run around suing people. This is the most litigious society in the world, the American society, and so people can sue you at any time for any reason. So there's just a lot of financial predation out there, and the thing you have to do is organize yourself in such a way so that you limit your risk, and we'll talk about that in just a minute.

So safety tips – hold assets outside the financial system. Now that may seem very foreign to you, but everything that you own – every brokerage account, every stock, every bank account, every bond, everything that's indexed to your social security number – is easily searched, easily found, by desperate governments, by financial predators, frivolous lawsuits, judgments against you that aren't deserved, and on and on and on. But you can hold real estate outside the financial system. Use privacy structures to hide in plain sight, and I'll tell you a little bit about that in just a second, because you literally can own a property that everybody can see and nobody can know that you own it. It's perfectly legal. You're not hiding anything except the ownership so that you're not low-hanging fruit, as you'll see in a second. Reposition your equity to safer assets. I wish I had more time to explain this. The idea – if you have equity sitting in a property right now, you can take that equity out of the property. You can move it into something like gold, land, in a foreign country, fine art. You can put it in anything you want to, and as long as you understand how to work the arbitrage on the costs and then you buy something that produces enough income, like another piece of real estate to service, you can make money on the spread. If I can borrow at four and invest at eight, then I free up some capital that I can put in something that doesn't produce anything except hide or protect my wealth. And so it's more complex than I have time to get into here, but I want you to understand that that's a unique thing you can do with real state. You can harvest your equity. Take your profits if you want. You don't have to let go of the underlying stream of income or the upside potential for the tax benefits.

So strategic real estate investing really gives you these benefits as far as a safe haven goes. I call it huge tax advantages. There was a big scandal that Donald Trump didn't pay taxes. Well, duh.

He's a real estate guy. Real investors don't pay taxes, because they get to write off their passive income against their passive losses. This building, according to IRS code, is deteriorating in value every year. That is a loss to the owner, and they get to write that loss off. Except there's no cash coming out of their pocket, and so they get to write the loss off against real income coming in, and it wipes out the tax. It's not criminal. It's the law. And it's easy to do. But if you're not familiar with it you don't know how it works. When you have a stream of income – if I buy a mortgage and I'm holding a mortgage against a property with 30 or 40 percent protective equity, I have really, really strong collateral against that income stream, unlike a bond where if they default I'm stuck. And then I can take the property over and I can rent it out and all the other benefits of being on the ownership side. You get much higher yields on capital through real estate investing than anything that's going on in the paper markets right now. That's why so many people are being attracted to it.

You get much reduced counterparty risk. In fact you could almost say there is no counterparty risk. Really there's nothing like the counterparty risk. You're insulated very much from the counterpart risk that's going on in the financial system because you're stepping outside the financial system, out of the paper realm into the realm of the real assets. If you got gold in your safe and you got real estate in your portfolio, you are largely insulated from the major blowups that can happen in a very fragile financial system. Super, super strong assets protection. It may see counterintuitive to have a big old building somewhere that people can see, but if it's structured properly, there's nothing to take. I mean, there's the income stream. Maybe they could put a claim on it, but you might even use the financial structures that make that a bitter pill to take. You can strip out all the equity. You can use ownership structures and make it very, very difficult for someone to take it from you.

Superior privacy – with FATCA – maybe some of you are familiar if you have off-shore accounts or off-shore ownership of anything, you have all these forms you have to file. But with real estate you don't have to file those forms, if you own real estate in your own name outside the country. So check with your own CPA, but that's my understanding. And as I've shared it helps you hedge against both inflation and deflation. So there's a lot of things to like about strategic real estate investing.

So here's kind of putting it all in a picture. We use this graphic from last year's breakout session. We'll talk more about this in the next session. How do you climb up the tree? If there's predators chasing you out there, you wanna be as high up the tree as you can. If right now your assets are primarily paper assets, bank accounts, brokerage accounts, properties in your own name, and you have a slip-and-fall or you back your car over somebody or somebody makes some bogus claim on you in your profession or whatever, all of your assets are just hanging out to be leaned, to be stolen, to be seized, to be claimed, to have judgments put against them. It makes you a big, fat, juicy target. There's just no reason to be hanging out low on the tree in today's environment. It's just a matter of a little bit of education and some solid financial guidance and professional advice. So if you move up and you go to domestic real assets, if you use private placements instead of publicly traded stocks, nobody knows who the owners are. There's all kinds of projects going on right in your neighborhood that are own privately, and you have no idea who those people are. You can use private entity structures, private banking. There's things that you can do that take you off the grid, if you will, and insulate yourself. If you wanna go a little higher you'd use international structures. There's a lot of reasons to do that. I'll give you a personal example.

2008 - I shared in the pre-conference workshop. I had a mortgage company. We were doing great. I ran all my businesses on my credit cards. I had no working cash. I had working credit lines, and that's what I used to run the business, and then I had a huge portfolio of domestic real estate that was levered to the gills, operating on negative cash flow, and my thesis was I was using the cash flow from my business to pay the cash flow on the equity or the speculative side of my real estate. What I didn't realize is the common bond through all of that was the credit markets, and when the credit markets blew up, most of that unwound and it was a big mess. Note to self: I don't wanna have single-point failure. Fortunately before that happened I'd started investing internationally, and because of that my international holdings were safe. And so I was able to rebuild based on that, and so I know this one very well. It's much better to be at the top of the tree when there's predators out there, so these are things we'll talk about in the next session.

So if you're interested – Sean are you out there somewhere? Yeah. So we've got some forms. If you are interested in learning more, here's what we've got. We've got a free newsletter, email. Just come out. Give you ideas to think about. If you don't like it hit "unsubscribe." We won't bother you. We'll send you an email every time we release a new podcast, which is once a week, and you can listen to it. You can learn that way. Once a year we do an Investors' Summit at Sea. It's a conference on a cruise ship. If you're having a good time at the New Orleans Investment Conference, but you know, you stand in line for two minutes in a booth to have a conversation with somebody like a Peter Schiff or a Brien Lundin, imagine spending an entire week on a cruise ship and having dinner with them every night, and breakfast, and lunch. It's a small, maybe 140 or 150 people. We have a great faculty. Peter Schiff will be with us this year for the third or fourth time. We're gonna have G. Edward Griffin, who wrote a book called *Creature from Jekyll Island*, back with us for the third year, talking about what's going on with the Fed and money. We have Brien Lundin coming for the first time, talking about precious medals. And I could go on and on with many of the people, some of whom you know. We are continuing to recruit faculty, but if you're interested in, just check that off.

We put together another thing to help people find the opportunities, and that's an investor registry. Think like a bridal registry. When you're getting married, if you can remember that far ago – mine was 38 years ago – you fill out the little bridal registry. "Here's the things I want." Right? Well you can fill out an investor registry and say, "Hey these are the things I'm interested in." When those deals come across our desk we'll tell you about them, 'cause one of the hardest things about real estate investing is getting into the deal flow. There are no public exchanges. It's very difficult to find the deals unless you're connected. The good news is *Real Estate Guys* are pretty connected. We've been kicking around a long time. We've got great relationships. We're also working on a number of training courses, because people continually want us to be able to train them in strategic real estate investing, so we just completed our first real estate investing course, 70 videos. We're gonna be releasing that in the first quarter. We're gonna be introducing webinars and seminars, workshops, all kinds of things, teaching strategic real estate investing. If you're interested in education and learning how to do real estate, we don't have any real estate to sell you, but we will help you learn how to do it and introduce you to the people who can help you do it, lots of options. You can do that. That is the summit. We are gonna be upstairs in the *NOW Magazine* room on the third floor, in the Elmwood room. I encourage you to come out and hang out with us for another 40 minutes. We're just gonna talk, answer your questions, have a real-time dialogue. It's something we enjoy doing, no speed-talking. So thanks for letting me go a minute twenty over. I appreciate it. I appreciate your time and attention. Thank you very much.