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General Session Transcripts

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Introduction

The following report provides word-by-word transcripts of the General Session presentations from the 2019 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 having 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 & Pamela Aden
“Only The Beginning, So Get Ready...”

Gary Alexander: So now let’s move on to the next speakers. They’re wonderful speakers here at New Orleans since 1981, which was also my first year here. Pamela and Mary Anne Aden are co-editors and publishers of the Aden Forecast, a monthly investment newsletter now in its 37th year. Famed for its precise forecast on the precious metals markets as well as the Forex exchanges, the US and global stock markets, interest rates, bonds, the global economy.

Since 2001, they also publish Gold Charts R Us, a weekly trading service founded by the retired legendary investment advisor, Sir Harry Schultz, and with Omar Ayales as its Chief Trading Strategist.

They also now publish Richard Russell’s famed Dow Theory Letters, and they’ve known Richard since they met him at the offshore Blanchard conference in 1977. Way back then.

Aden Research also sponsors the Daily Pfennig written by Chuck Butler. The Aden sisters have been featured in all major publications including Business Week, Smart Money, Barron’s, Wall Street Journal, and Forbes. I believe Mary Anne Aden will speak first, so please welcome both Pamela and Mary Anne Aden to the stage.

Mary Anne: Thank you, Gary. Well, good afternoon, and I woke up this morning with my voice edgy, so I’m just going to speak for a few minutes to get started. And I’m sorry I can’t talk a little better longer.

But, anyway, I just wanted to mention that this has been such a crazy year. It’s been head-spinning, and it’s been something that is really unusual. I think we’re living through a very historically important moment, and today we’ll explain why we believe the world has pretty much turned upside down, and how this is going to affect the market.

What’s happening now is literally unprecedented. It’s never happened before, and it’s likely going to continue for a long time. So even though this is going to affect all of us in one way or another, the point we’re going to talk about today are going to be probably the biggest factors affecting all of the markets. And to begin, and I know other speakers have brought up the negative interest rate situation, but that is so important. We wanted to stress that because this has never happened ever in the 5,000 year history of interest rates that you have so many countries, all of the major countries, have interest rates below zero. It’s crazy, and it doesn’t make any sense, and it goes against all economic theories and realities.

So what it means, and I think Dana mentioned this last night, is that if you buy a bond for, let’s say, $1,000, and you wait, and at maturity you get $950 back. So basically you’re the lender, and you’re going to lend money to a borrower, and you’re going to give them a loan, and pay them for the privilege of giving them the loan. So it's really very backwards. It's crazy. And, again, it's never happened before, and it's just not the way the global economy is supposed to function. And it is a very big deal, and no one knows how it's all going to end up.

But we can make some assumptions, which Pam will be discussing in just a minute. And one of them is that we know the world economy is still growing. It's slowing down, but it's growing, and this normally coincides with higher interest rates. And interest rates were rising, but then this year, there was a total about-face, and now they're just plunging. And I think you'll see on this first chart, this is just what's happened this year, how dramatically rates have dropped. And this is in the United States.

Now, this is something that would usually happen during a recession, and not during a period of economic growth. In fact, the Fed during recessions usually cuts rates by about five percent, and with rates now at one-and-three-quarter percent, there's no room to cut without going negative, and we believe that's where they're headed.

So I'll stop now so you don't have to listen to my voice and I'll turn it over to Pam. Thank you.

Pamela Aden

Hello. It's great being here with you, and it looks like the leaders of the world are anxious, and a recession is coming, and the global economy has softened is what most people are worried about. We know President Trump has criticized the Fed, and he wants to keep falling, and a lot faster. He really wants interest rates down. You'll all remember how it was the abruptness about a year ago, well after, in January, when all of a sudden, right after the Fed raised rates, there they go down and down and down. Up till last week.

And so despite these efforts, the economy is still sluggish, and this alone is a sign something is wrong. It could be that deflationary forces are still hanging overhead, and the 2008 financial crisis. Or could it be the debt load has finally reached the point of no return? In the end, at some point, this is going to be a real problem, and it's becoming a drag on the world. The debt problem being a drag on the world. So far, it's being maintained.

But whatever the reason is, and at some point investors are getting tired of being penalized for trying to save money and obtain some income, and they'll go elsewhere. In fact, it's already happening. As you probably know, banks have been running low on cash, so central banks worldwide are printing huge amounts of money, and this could result in more upsets. One leads the other, and this means we have to stay flexible and be ready for whatever comes our way.

So now, what about the markets? How is this all fitting in? I've had a lot of questions about what's happening, but actually sometimes we think what's called the everything rise. Everything is rising. There's a lot of money, but there's not a lot of cash. It's very strange. But the US has been the favorite for many reasons for investors. Number one is it's the economy that's doing the best over all the other countries, so it's a lot of comparison there. It's also the only major country that has not had negative interest rates, at least not yet. So as low as interest rates are on the US, they're high compared to everywhere else in the world.

So even though the US interest rates are very low, it makes the bond market and the US dollar the safe havens of choice, so that's why the dollar has held steady. But President Trump also wants the weaker dollar, he doesn't want a strong dollar, to make the trade situation more attractive for the US, so the dollar may not stay strong for much longer. In fact, this past month, it's looking a little toppy and vulnerable.

Meanwhile, the stock market loves low interest rates. The stock market remains bullish and it's hitting new record highs, so that's still going on since 2009, and we are also cautious because the ongoing trade situation, which has been one of the main things that has made the market pretty much go sideways this year. Trade talk. Positive/negative has been the mover basically of the market this year.

But the winner in all this world of uncertainty has been gold and we believe this is going to continue. It's gold, silver, the precious metals in general, but palladium is another one we'll get to. That's almost not a precious metal anymore. And, in fact, we believe a huge bull market is just beginning, and it has a long ways to go. So this next chart, this is a clear simple gold chart, but it tells you that that saucer bottom bear market is over this year. This summer was the breakout.

So this is very important. The market has been rising for a few years, but it's been a quiet, moderate rise, but this breakout shows that it's heating up. But it's not surprising because this year has become a perfect storm in this era of negative interest rates, unprecedented economic and monetary policy, and international tensions, geopolitical tensions. It all favors a rising gold price. It is a perfect storm. It almost seems too easy, but it is a perfect storm. And gold is not only bullish, it's also set to be stronger than most of the asset classes. In other words, gold will likely outperform stocks and bonds in the years ahead. It may be years ahead because right now the stock market's strong, but there is a transition happening. And so that's why so far it's the everything rise. But we think gold will be the main beneficiary of all this in the end.

The environment has totally changed this year, as you all know. Since gold doesn't pay interest, it's actually now at a big advantage, especially with interest rates so low or negative, and so it can compete. And eventually gold prices could rise much, much higher. For example, if gold were to reach its 1980 high at 850 in those days, today's dollars are $2,500. But of course in real numbers, that would be a record high. Gold is much stronger than all the other currencies, and it's better because in the end gold is the ultimate currency, and we think that's being tested in this year and the years to come. It being the ultimate currency, the tangible currency that you can hold. This is what is seems to be building up to.

And so this next chart shows you ... That's really the gold price, and the real exchange rate of the dollar index, and the Chinese yuan. And you can see the difference, how much before they were not so far from each other, but the past year has really been different. And what's interesting on that chart, too, is during the trade war, you can see the yuan and the dollar index and how they interacted together, aside from the gold price. You can see they're back together again, but the yuan, they tried to get it down for the trade war. So there's been a lot of play on the currency market with the trade war talk.

And if we were to see a full blown currency crisis because of all the money that's being printed, gold could surge to even higher levels than that. So those are the things on a technical base we've always been watching. It's just all the precious metals rise together. Gold is becoming the ultimate currency. And those two things are very important for a strong bull market to continue and be sustained.

And the fact that China and Russia and many other countries have been buying tons of gold, as you've already been seeing with some of the speakers, and it's demand, it makes you wonder, why are the central banks all buying gold? Why are they so worried about it now? They're worried just like we are. It's a safety for them as well, and for whatever reason, because there's different reasons that they would buy gold, but whatever reason it is, the ultimate is safety and uncertainty is why they're buying it, of currencies in general. At this point, regardless of the outcome, gold has all the ingredients to be the biggest winner. The huge rise in silver, platinum and gold shares ... Well, platinum is starting to wake up, and the gold shares are also reinforcing this because it's in a true bull market and they all rise together.

Gold shares also breaking out of a longterm downtrend. Just to give you an example, this is the HUI index. That's since 2011. And while that doesn't look impressive on that chart, it just shows you there's a long ways to go. Like gold shares are completely bombed out. They have been versus gold versus everything. And so they have a long ways to go just to normalize, and so does silver. So for that reason, if only that reason, just to normalize would make them much stronger than gold in the couple years ahead.

Another very important point to seriously think about is this: what is the cause and effect of zero interest rates? And there's many, but one important one that just happened where the banks are now having big cash problems. That's the big thing that came out this last few months.

The repo market, which money people didn't really understand the repo market. It's used by banks to borrow money overnight from one bank to the other, and they have a very low interest rate normally. So it's like short term money in the banking system. In recent months, the repo market has been caught up in some turmoil. Due to the cash reserves at various banks, the Fed has been injecting cash into the banking system for the first time in a decade. Yeah. In the financial crisis of 2008 was the last time. And this was due to a very unusual surge in the repo rate, up to 10%. There was the Fed went to the rescue, as they always do. So this time, they don't want to have a slip up like they did last time.

So this brings up some very sobering points. The Fed knows that a sharply rising repo rate was an early warning sign in 2007 prior to the financial crisis, and it wasn't going to take any chances this time. And so we see this every day up until just now. It's still ongoing. The repo crisis has resulted in super easy money. The Fed's been flooding the financial systems with billions of dollars daily. You'll see it in the news. In other words, the printing presses are cranking out money that's been created out of thin air to rescue the repo market, and they are going to keep it all. They're not even planning to do anything with it. That's right. It's not a one-shot deal. It's still ongoing in the billions.

And the Fed's not alone. That's a worldwide thing. The countries are all doing the same. It's basically a free-for-all. And putting all these numbers aside, the bottom line is the global economy is fragile and vulnerable. Even though many are saying the system is much better shape than it was in 2008, and that may be true in some point, but in other ways it's not.

Global debt has skyrocketed 50% since before the financial crisis, which is another reason why low interest rates are here to stay. Lowerrates can help serve and help the debt problem worldwide. By keeping it low, they don't have to pay as much. This is helping the emerging markets, and this year actually, they're starting to stabilize. And it's concerning that these dramatic measures, like saving the repo market, totally switching gears to full on money expansion, along with a near zero interest rate and all happening during good economic times. That's what's pretty surprising is during good economic times this is happening.

It also makes us uneasy that the 2008 financial crisis was triggered by the subprime crisis. You'll remember that. At that time, no one knew what it was. They said, "I've never heard of it. What's subprime?" Everyone knows very well what it is now, but not then, just like repo today. We feel is a similarity. Different but similar. But here again, the repo market is exactly something everybody is talking about now. Like the subprime, it's a wild card, and we'll want to keep close watch on what's going and how it evolves.

One thing is certain, money printing is going to continue. There's really no other choice for the Fed and other central banks. This is what they're doing, so even though the Fed may not be calling it QE this time, it's very similar. It rhymes, as they say.

And so to sum up, all of the markets, they could keep the stock market on an upward track because all this money is coming into the system. It could keep it up. It's reaching record highs this week, and the S&P especially, and leading the way, and lots of money floating around during the past 10 years has been keeping the stock market very strong, and that there's no sign of an ending right now, but it looks like maybe one last leg up, as far as looking at timing of major rises. We'll show more about that in detail, but the stocks we like are the Dow Industrials, the DIA, and NASDAQ. Well, ETFs are always easy to buy, and the global 100 I-Shares. We like those just for just to give a few ideas of what we like.

And all the money's also going to be very of course bullish for the gold and precious metals. They will remain safe havens and strong markets. And silver, like I said, is poised to be stronger than gold, so we really like silver. And we like it buoyant, and ETFs and physical. And there's still time to buy. That's the beauty. If you don't have it, it's not too late. It's probably this quarter is going to be a great quarter to be picking some up, if you haven't yet. The bull market is in the early stages, and this is why we think it's a good buy.

And if you just consider that gold will be a profitable year this year if it closes above $1,285 in December. It looks like it probably will, and that'll be three out of the last four years an upmarket ended on an up year, which is good because this is the heating up year. So this has been a quiet market, and we think that's going to change for the coming year.

The writing is on the wall, and it's going to be a great bull market, and you'll be glad that you're in it. Like I said, we recommend gold and silver, physical and the ETFs. We also like silver and gold shares, and we also like platinum. We think, that too, is so lopsided, and it may stay like lopsided for a while longer, but we think it's starting to wake up. And in fact, palladium is just out of sight. We don't understand it anymore. It's really not moving. It moves more with the stock market than it does as a precious metal, and so we really don't have an opinion on that right now.

But longterm bonds, we've been recommending them. We still like them. We think gold and bonds move together, and they have for several years, and we think there's no reason for that to stop. It hasn't stopped. As long as they're together, they are safe havens rising together.

And more important to remember that these are unprecedented and very interesting times, but you also want to keep on the right side of the market, so keep updated.

So this is it. This is the end of the summary. We have a round table and a workshop later today, and we do hope you'll visit us. Thank you very much.

Peter Boockvar
"We're Not In Kansas Anymore"

Albert Lu: It's my pleasure to introduce our first speaker of the day, Mr. Peter Boockvar. Peter is the chief investment officer of Bleakley Advisory Group, a $4 billion wealth management firm. He's also the editor of The Boock Report, a market and economic newsletter. Previously, Peter was the chief market analyst for the Lindsey Group, a macro economic and market research 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 was an employee and partner at Miller Tabak & Company for 18 years, where he was the equity strategist and portfolio manager with Miller Tabak Advisors. His talk today is We're Not in Kansas Anymore. Please welcome Peter Boockvar.

Peter Boockvar: Thank you very much for getting up early. So I'm going to start by talking about negative interest rates and that I feel like we've reached an end game. When you think about the craziness of central banks and what they've done and what would take away that printing press of theirs and their ability to do what they wanted, originally, I thought it would be a rise in inflation, and that would temper the activism of central banks. But now, I've come to the realization that it's not inflation, it's what they've done to the banks and the profitability of the banks, particularly in Europe and Japan. So this is just an updated chart of the amount of dollar denominated securities. It's 13 trillion. It peaked at about 17. And I argue that these are the reasons why we've seen a reduction. September 12th, the ECB cut rates again and they initiated a new QE program, but there was an internal revolt within the ECB against these measures.

Now, Mario Draghi has had some pushback over the last couple of years to what he's done, but this was the most extreme version of it. You had obviously Germany, but that pushing back Australia now, the Dutch and some others that basically said this is pushing it too far. So on this slide, I include some of the quotes that some of these central bankers have given that tells you that Lagarde, who is now taking the reins from Draghi, is going to have very limited ability to press on with QE and negative interest rates, and that what Draghi announced on September 12th is probably the end of the road. And the reason is this is the European bank stock index. Since 2007, it's down 80%. Now, in Europe, most of the lending takes place through the bank channel. So by damaging the profitability of your banking system via negative interest rates and no yield curve, well, then you damage the transmission mechanism of your policy and you don't help growth, you actually hinder it.

So I argue that what the ECB has done is not stimulus. It's actually restrictive monetary policy because what they've done to the banks, and I think this chart is a perfect example of that problem that they now have. And I do think the internal dissent is becoming very reflective on this and realizing the damage that's been done. So we now have a rise in long-term interest rates because in response to what I talked about. And that after that September 12th meeting, we're now seeing a pickup in German bond yields. Now, they're still negative, but they went from minus 75 basis points to minus 35-ish in a rather short period of time. Now, part of that is optimism about a US-China trade deal, and we could talk about that later. But I think a lot of it is people are realizing that this is again the end of the road in terms of ECB easing.

People talk about what's Mario Draghi's legacy. He'll say he saved the Euro, he believes in the effectiveness of negative interest rates. And as you see here, I argue that he killed the European bond market, destroyed bank profitability, as well as the regions savers, its insurance companies, its pension funds, it's created a housing bubble in multiple cities. And bottom line is I consider negative interest rates poison in the financial system. And his legacy will be worse than Alan Greenspan's post 08-09.

So then we shift to the bank of Japan. Now, the bank of Japan has spent the last 20 plus years suppressing interest rates via a drop in interest rates and massive bouts of QE. They've even gotten into the stock buying business, owning about 75% of the ETF market. But we also actually saw a change recently. Governor Kuroda said he wanted higher long-term interest rates because he's finally waking up to what they've done to their own banking system, where regional banks are actually literally dying, while the bigger banks, their profitability has been destroyed. So he wants longer term interest rates. Now, it is very possible that he cuts short rates, another 10 basis points to a further negative. But he would be doing that in order to, in his eyes, steepen the yield curve.

So I think that this is a sort of a game changer. So you have what I mentioned with the ECB, you had the BOJ saying they want longer term interest rates. This is a chart of the topic's bank stock index. It's down 90% from where it was 30 years ago in nominal terms, 90%. So luckily, at least 30 years later, they're beginning to realize what they've done. And this helps to explain why they haven't been able to generate faster economic growth if you damage the banking system.

So I mentioned the German bond yields ticking up in response. This is a chart of the Japanese 10-year. Now, just to quickly say one of the policy initiatives was yield curve control, which meant that with short rates at minus 10 basis points, the BOJ wanted the 10-year yield to be no more higher or lower than 20 basis points. That was their yield curve control. And then in response to the sharp decline in yields in August, that 10-year bond yield got to almost minus 30 basis points. And then all of a sudden, the BOJ got worried about it. So this is in response to the commentary. So we've had a pretty short rise in rates, even though they're still negative now in Europe and Japan. And even the Swedish Riksbank, which was one of the first European central banks to go negative, they're now even questioning the effectiveness of negative interest rates.

So earlier this year, they raise rates from minus 50 basis points after initiating it, in I believe 2014, to minus 25. And even though the Swedish economy is weakening, they are basically saying, "We need to get out of negative interest rates. And regardless of what's going on, we are going to go back to zero come December." And I love the line that he said, "We are aware that many people think they are strange with regards to negative interest rates. And it's wild that what was supposed to be a very temporary policy is now almost five years in." And look at that last comment. If negative nominal interest rates are perceived as a more permanent state, the behavior of agents may change and negative effects may arise. Well, based on the charts I just showed you in terms of their banks, it's very clear that the negative effects have arisen.

So this is a chart of the US 10-year, which has risen also in sympathy because we're all in this together. So if we're going to see a rise in longer term interest rates in Japan and Europe, we're going to see it also in the US. Now, the cross currents will, of course, be economic growth. But I argue that not withstanding any slowdown in economic growth, just by no longer going deeper into negative interest rates, you can see a rise in longer term interest rates. And that's that slide here, making that comment. So getting to the economy, just going over some statistics, and this is actually through September, we're going to get an updated one this week on October.

This is the global manufacturing and services PMI index, taking all of the country specific ones and aggregating it into one number. And you can see it's approaching 50, which is the breakeven line between expansion and contraction. The manufacturing side is below 50, that is in contraction. But what's now happening is it's spilling over into services. This is a chart of a China GDP on a year-over-year basis, which in its last print for Q3 was 6%. Seems high, but it's the lowest level in at least the last 30 years that I have data. And the real number is lower than that. This is a managed number, but at least you can see the trajectory of Chinese growth particularly over the last 10 years.

This is core capital spending growth in the US, and you can see the steady decline. And where you can see, look in the middle of 2018, and the first two quarters of 2018, capital spending was actually pretty good in response to the tax bill, where there was a specific line item that encouraged companies to increase their capital spending by basically allowing companies to immediately expense depreciation. But in mid 2018 is when the tariffs started to pick up some steam, and you can see along with the tariffs came in decline in capital spending because if you have limited visibility because of trade tensions, well, then, of course, your natural response is to spend less on your business.

This is a chart of US exports. It's hard to see, but it's at the lowest level since 2018. This number was reported last week. It was the US export number for September, so this is reflecting the slowdown in global trade. This is the ISM manufacturing index, which came out last week and it is below 50 for now the second straight month. And we know the impact of trade tensions and tariffs had a direct influence on manufacturing. Tomorrow, we're going to get the ISM services number, and we'll see and measure to what extent it's spilling over into services. The September services number hit its lowest level since mid-2016. So that's already moderated to a three and a half year low. And this is a chart of the ISM services that I just mentioned through September. And again, this is going to be updated tomorrow.

Now, there was a lot of optimism on Friday with the BLS measure of payrolls. The payroll report was better than expected, particularly when you include the revisions to the two prior months. And it measures both private sector and government. But I don't want you to ignore also the ADP report, which came out last Wednesday, which measures just the private sector. And you can see the differential. Whereas the BLS is saying the three-month average and job growth is 154,000, the ADP report was more muted at 126, whereas the six-month average at 162 for BLS... I'm sorry for a 138 is only 112 for ADP. So take the BLS like the number, but understand that there's not necessarily corroborating evidence. We also got the services PMI from market, which is another business that surveys US businesses, both manufacturing and services and their employment component fell to a 10-year low.

Then you have the NABE Business Condition Survey, which said that hiring tensions went to a five-year low. And then of course, the employment component of consumer confidence, which also showed deterioration in the employment component. So again, don't take the PLS number in itself. And to me, the other numbers are just a natural reaction. If you have limited visibility in your business, you see these trade tensions, you're just going to take a step back. You're going to wait to see how this plays out. You're not going to fire people, but you're getting at least... your initial reaction is to limit hiring. And I do think we're seeing that in some other statistics. So watch in the ISM services number of the employment component to see which of the different surveys that confirms.

So we all hear from central bankers, "There is no inflation, there is no inflation." Now, understand that there are multiple inflation statistics. The main ones are CPI and PCE. And I'll explain the difference between the two in a second. But then each Federal Reserve District has their own measure of CPI or PCE. So Atlanta, and I'm going to show you the charts has... it's a sticky core CPI, Dallas has a trimmed mean, Cleveland has a trimmed mean, there's something called the New York Fed's Underlying Inflation Survey. Now, the Fed has chosen to only pick one number that they pay attention to, that's the PCE. Now, the main difference... and this is a chart core CPI, core CPI is running at an 11-year high up 2.4%, but when you hear from the Fed, they say there's no inflation because they look at PCE, which is only running 1.7%. And that differential between PCE and core CPI is actually very large.

And one of the main differences is that PCE has a bigger weighting to health care. It measures Medicare and Medicaid reimbursement rates, which we know the government artificially suppresses when they make that, whereas CPI is actually measuring out of pocket medical expenses that you actually experience. So PCE is artificially suppressed through those low reimbursement rates, whereas CPI's reflecting what you're actually paying out of pocket. Also, CPI has a higher housing component. Housing is obviously pretty important when it comes to measuring somebody's cost of living, whereas the PCE has a lower housing component. So that explains the differential. Now, CPI determines your cost of living adjustments if you're on social security and other things, but conveniently, the Fed looks at PCE. Now, imagine where monetary policy would be if PCE do not exist. It would be quite different.

So this is the Dallas Fed's trimmed mean PCE. So they actually take PCE, but then they trim it down and they get rid of a lot of the volatile parts. This is at 2%. This is the Atlanta sticky core PCE. This is at 2.6% year-over-year. This is the New York Fed's underlying inflation gauge at 2%. So, again, the Fed is conveniently looking at one inflation statistic and basing entire monetary policy on that one number and setting these others aside for reasons that I'm not sure, other than wanting to feel like they can give themselves license to change monetary policy as much as they want. So now, we have a Fed funds rate at one and a half to one and three quarters. So relative to these inflation gauges, real rates are below zero again, they're negative. So that means that the Fed is highly accommodative again. Now, if they look at the PCE, which is what they do, as I said, they are basically having real rates at zero.

So this is a chart now getting to the stock market. This year has been all about multiple expansion. The yellow line is the S&P, and the white line is earnings estimates for this year. So earnings estimates have steadily declined from about $172 a share as we enter the year. Now, it's at about 164, but the PE multiple has been more than an offset after the difficult fourth quarter that we saw last year. I want to get to the credit markets because I know yesterday a few speakers talked about the holes that are now being seen in the triple C area of corporate credit. Because when you talk about where are the excesses after all these years of QE and negative interest rates for seven years in the US, it was on the corporate balance sheets. And now, we're beginning to see holes on the lowest rung of the corporate credit market, the triple C area.

So this chart is of credit spreads. As you can see on the right hand side, you are back to the highs of where you were in 2016 when it was mostly driven by a decline in a lot of energy companies after the collapse of oil. So we are now 980 basis points over treasuries in terms of the triple C spread. This is the leveraged loan index, which you can see is also rolling over. Now, part of this is because the Fed is cutting interest rates and a lot of leverage loans are floating rate. So floating rate obviously becomes less attractive when the Fed is cutting interest rates. But this is also in response to deteriorating credit quality.

And just a few line item comments from Moody's and S&P, so we have now almost 40% of junk rated companies now rated B3 and lower, which is a record high just above triple C. You can assume if the economy slows further, a lot of those B companies will spill over into the triple C lands. And about a third of the leveraged loan market is that lower quality rung right above triple C. CLOs, collateralized loan obligations, which own a big chunk of these leveraged loans do have limitations. If their credits that they own fall into the triple C bucket, they can't own more than 7.5% Of their portfolio and triple C's. So if a lot of those B credits fall into the triple C's, you will have forced selling in that triple C area. And that bottom one, as you can see, that downgrades are beginning to offset and exceed upgrades.

So here's a performance differential between high yield, meaning... and in this particular statistic, it's B's to the double B's that are up twice as much as the triple C's and just some more statistics from Morgan Stanley that about 4% of the leveraged loan index is trading below 80 cents on the dollar versus just 1% in change one year ago. And Wells Fargo saying that 9% of loans are now priced below 90. So the point is that you can see a slow deterioration on those low rated credits. This is a chart of total business debt. So this is corporate debt, this is partnership debt, this is total corporate debt as a percent of GDP. And you can see as of Q2, we are at a record high of about 74%. So this is where the excesses have occurred in this cycle, whereas the previous one, it was in household debt, the previous one was in tech stocks and capital spending.

So I want to talk about the dollar also. I believe that the dollar has topped out. And we have to look at the dollar as not just this one homogeneous thing. It trades against obviously a lot of different currencies. But when you hear about, oh, the strong dollar, the strong dollar, well, you can see the dollar is really no more higher than it was in 2015. Now, granted, this is a Euro heavy index, so just keep that in mind. But you can see that the dollar has really just been in trading range for now four years plus. This is the US dollar against the Canadian dollar, one of our largest trading partners. It's basically done nothing since 2015. This is the dollar against the Mexican peso. One of our largest trading partners has really done nothing since 2016 with all the issues that Mexico has had, particularly with their new socialist president. This is the US dollar against the Euro. Really, no higher than it was since early 2015.

So when you talk about the strong dollar, well, yeah, the dollar's stronger against the Argentinian peso. It's certainly higher against the Turkish lira, but generally speaking, the dollar is just been in trading range for the last bunch of years. This is actually the end. It's actually the end is where it was in 2014, and this is after all the money printing that the bank of Japan has undertaken. Now, this is the pound. The dollar certainly has been strong against the pound, but it's not because everyone loved the dollar, it's because of course Brexit. So you can see in the middle of 2016, the Euro went from about 150 to 120, when on June 23rd they voted to leave the EU. And now, we're beginning to see a rise in the pound because it looks like that Brexit is on the cusp of getting resolved, particularly after December 12th when they have an early election that Boris Johnson is most likely to win.

So I'm actually very bullish on the pound, and I have been this year, anticipating that even if there was a hard Brexit, what the UK economy needed with some resolution, whatever it would be, and I feel like that we're now finally coming to that resolution. So the pound to me is very attractive here right around 130. I can easily see 140, 150 if Brexit gets resolved, which I highly expect to in the early part of 2020 after their next election.

So the market has been elevated and set a record high because they think that the Fed is going to engineer a soft landing and there's going to be a China trade deal that is going to ease tensions and everything is going to be fine. But you have to understand that where the Fed has taken us right now, three rate cuts, they consider insurance, a mid-cycle adjustment. And they say the US economy is in a good place. But ask yourself is the US economy in such a good place that it can't handle Fed funds rate of more than one and a half to one and three quarters? And understand from here, now that these insurance cuts are out of the way, any further rate cuts from here is the Fed's way of addressing a deeper downturn in the economy. Any improvement in the economy, the Fed's not necessarily going to be raising rates anytime soon, but then we may see a rise in further long-term interest rates.

I argue the Fed is pushing on a string. I think when you're cutting rates to low levels from already low levels, you're not going to have the stimulative impact. The 10-year yield has fallen dramatically because of the fallen overseas yields. And that's already helped the housing market, no question. But that wasn't because the Fed cuts on the short end, that was because long end rates fell in response to what was happening overseas and also in response to a slowing economy. But is a business going to go and invest because the Fed just cut from

2% to one and three quarters? Someone who's more looking to buy a car, well, the average price of a car right now is 60% of median income. It's at a record high, subprime delinquencies are rising in autos. So a small cut in interest rates is not going to matter. So we're pushing on a string. And keep in mind that with this China trade deal, while we're not going to get the December 15 rate tariffs, the existing tariffs on $360 billion worth of goods will remain in place unfortunately. And that's going to be a continued drag on global growth.

So this is a chart and how I like to measure asset prices. This is total net worth as a percent of disposable income. So net worth being your house, your money markets, your stock portfolios, your bond portfolios, basically all assets as a percent of disposable income. And actually, assets minus liabilities as a percentage disposable income. So look at disposable income as sort of GDP. So it's asset prices relative to GDP. And you can see it's 700%, it's well above where it was in '07, and which was well above where it was in 2000. So when you want to talk about how we're an asset-priced dependent economy, this is the chart. This is a bubble, an everything bubble.

So just wanted to leave with some investing ideas. Gold and silver, I know we've all heard the bull case. I am certainly a big bull. I think that with still a world of negative interest rates, with real rates falling, with inflation not falling as much as the Fed wants to tell you it is, that gold and silver will still be a very profitable investment in the next one to two years. And that if the bull market has resumed, which I think many of us believe it did in the summer 2015, the new bull market usually exceeds the peak of the prior bull market, which means above 1,900 in gold and means above $50 in silver. Last year I was a bull on Greece. The main reason for that case was I was expecting Kyriakos Mitsotakis to be the new prime minister, very business friendly agenda. He did win and Greek markets did celebrate. And I think Greece is officially open for business, whereas the previous prime minister or president, I should say, was basically left of Bernie Sanders.

When looking out over the next 10 years in terms of where to find profitability, profitable opportunities in inequities, I think emerging Asia is going to be much more attractive than Europe and the US, Singapore, Indonesia, South Korea, China, Hong Kong, which is obviously part of China. I will make the case for European and Japanese bank stocks. If I am right, that negative interest rates won't get further negative and that we may actually get a rise in longer term interest rates and these banks may actually get a yield curve. From a theme standpoint, I'm going to be positive on Carnival Cruise and Royal Caribbean on the theme of a global aging population and a rising global middle-class, and they love to travel. And you want to talk about the cruise lines being a still small percentage of the travel spend. There's a lot of room, not only for them to gain market share within that pie, but also gaining new customers for, again, people that are retiring and those that are making more money. And for a yield play, Philip Morris International.

Now, before I get to Philip Morris, I'm just going to go through some charts. This is the Greek ETF. And you can see that of the 2018 low and with the election, it's had a nice bounce, but it's still well below where it was in 2014, GREK is the symbol. Emerging Asia, these are just some countries, and I list their earnings estimates. And also, keep in mind, emerging countries actually did not behave like the ECB, the BOJ and the Fed, they did not go to negative interest rates, they did not embark in QE. So if you want fixed income opportunities, you go to emerging markets to get fixed income opportunities where you can get 5%, 6%, 7% yields and you can capture some currency gains.

As I mentioned, European and Japanese bank stocks, can buy Japanese banks down 90%. You can buy European banks down 80%. If I'm right, that long-term interest rates rise, they will be a beneficiary as I mentioned. This is some statistics on valuation statistics on Carnival and Royal Caribbean trading at about a 10, 11 times earnings with pretty decent dividend yields. Now, these companies, their businesses could get impacted in the short-term if the economy turns down, it's certainly discretionary spending. But if you're looking for a mega 10-year trend with a business that has a lot of tailwind, I believe it's this.

And to Philip Morris, so Philip Morris, their investor presentation, the headline says, "Core strategies for a smoke-free future." This is the non-US tobacco business. Altria is the US business. These companies want out of the combustible cigarette business. They want to shift everyone to vaping and e-cigarettes. And Phillip Morris has an FDA-approved product called IQOS, which Altria has the rights to sell in the US. Phillip Morris is selling it outside the US. So while you read about Juul and you read about all the issues with kid's vaping, tainted e-cigs, there is actually an FDA-approved e-cigarette. And as a heat-to-burn technology, the Philip Morris, it now makes up 20% of their business. And over the next 10 years, it could very well replace the combustible cigarette market and at a much safer way because it's the tar from burning tobacco is what kills people. And in the US, there's still about a half a million people a year that die from smoking cigarettes, there are 16 million people a year that are afflicted with cigarette-related issues.

So moving to e-cigarettes, because this whole vaping thing will get cleared up and there will be FDA approval, is a much safer option. You can get almost a 6% dividend yield trading at a more reasonable valuation relative to the S&P. And if you want to get more adventurous, Altria, which is the US business is yielding about 8.5% trading at about 11 times earnings. As I mentioned, they have the US rights to this IQOS product. They do own a piece of jewel. Jewel will go through an FDA process. They will ban a lot of the flavored e-cigs that have been the problem with youth vaping, but it will be a viable product and it will hopefully get a lot of people off smoking regular cigarettes. And it's the smoking the cigarettes and the tar that kills people, nicotine is just the stimulus just as caffeine is. So with that, I want to thank you for coming this morning and hopefully I'll see you next year.

Booms, Busts & Bubbles Panel
Albert Lu (MC), Mike Larson, Peter Schiff, Grant Williams

Albert Lu: Would you please help me by giving a round of applause to our Booms, Busts, and Bubbles Panel, Mike Larson, of Weiss Ratings, Peter Schiff, the Founder of Euro Pacific Capital, and Grant Williams, author of Things That Make You Go Hmm, and Co-Founder of Real Vision?

I'd like to spend some time first talking about the status of banking and the economy cycles, where we are, where we're going to be, and then maybe end the discussion with some recommendations from the people up here. I'm going to start with Mike Larson. The panel is Booms, Busts, and Bubbles. And so far, if you're an equity investor, the boom has been pretty good. S&P is up over 20%, year to date. Yet, a lot of people seem to hate this bull market. Why do people hate it? Do you hate it, Mike? And why do so many people seem to hate this bull market?

Mike Larson: Sure. I think a lot of it has to do with the nature of how the market changed in the first quarter of 2018. If you look at the pre 2018 period, pretty much most, if not all sectors, were participating, it was your offensive type stuff, that was doing very well. Your defense of investments were underperforming. It was a much broader based, bull market, essentially.

But what's been changing since then, is the nature of that market. I mean now, I always joke that it's the boring stuff that's doing well. If it's utilities, staples, REITs, those kinds of things have been outperforming, banks, transports, all that stuff that you'd buy in a strongly growing economy, has been underperforming. A lot of stocks just haven't been participating, the small caps and so on.

One other thing I'd add is, the year to date comparisons look great, right? But that's because we have this V shape meltdown in December, and rally in January, the S&P has made very little progress really since January 2018. A few percentage points, whereas gold, treasuries, all that stuff, has dramatically outperformed the market. I think it's not people chasing the market, because the market itself has a totally different character now, than it did before then.

Albert Lu: We've had these wonderful gains in the market, yet there have been signs of slow down. There have been sings of crisis, actually. Not too long ago, we experienced a funding squeeze, in the banking sector, which caused The Fed to act, by injecting liquidity into the system.

Apparently, there's not as much liquidity in the system as The Fed thought. The question is, I'll direct this to Grant, banks could've invested their excess cash in the repo market, and provided liquidity, they didn't. Why didn't they do it? And is this indicative of some greater problem in the economy?

Grant Williams: Well, look, the repo situation came kind of out of nowhere, for a lot of people. They've gone from 45 billion to over 100 billion in short orders. There's clearly a problem there. I actually did a lot of work on this the last few weeks, and spoke to a lot of people about it. Anyone that tells you they know the definitive answer for what's going on, is making it up, because I've spoken to some really smart people. Everybody's got a different explanation for it.

The conclusion I came to was, I think what I started out with is, that clearly there's something wrong. This doesn't happen, as a normal course of business. And when it does happen, it tends to signal there's stress in the system somewhere. It's either a liquidity problem, in which case someone doesn't have cash, and the other banks aren't willing to lend them that cash, unless they're going to get 10% overnight return on it. The last time we saw this, was 2006, 2007, going into that point in time. The reason the banks weren't lending at that point, was they looked at their own balance sheets, realized the state they were in aso they were afraid that everybody else was in the same boat.

The fact that this is happening again, really means we should all be paying attention to it, because it's not normal. It signifies stress, and even though that stress hasn't manifested itself any way yet, the fact that The Fed has had to start QE, and when they tell you it isn't QE, you can ignore that. This is exactly what they're in there to do with QE. They are in the markets to the tune of hundreds of billions of dollars, and there is a reason for that. If you want me to give you a reason for the repo crisis, I can't. I've looked, I've spoken to a lot of people, I've had 10 different explanations, all of which are credible, none of which seems to be the absolute answer. But if anybody is listening to the people who say, "It's nothing to worry about. There's nothing to see here, move along," don't do that. Pay very close attention to it, because it's the first sign of some kind of stress, in the part of the system where the last crisis emanated from.

Albert Lu: Defenders of this action, have said that, "Look, The Fed always injects emergency liquidity. In fact, that's what its job is." They've said that even though we're 10 years in, this is a mid cycle adjustment, not end of cycle. Peter Schiff, I don't think you're buying this argument. Why not?

Peter Schiff: Well, I mean first of all, I disagree a little bit with Grant, that what's happening now, isn't the first sign of trouble. I mean, we really had the first sign of trouble in the fourth quarter of last year, when the market collapsed, we had the worst December, since the early 1930s. That caused The Fed to have to completely do an about face, in its monetary policy. It went from raising interest rates, to now cutting interest rates.

When the market started to buckle, because The Fed had moved rates up to two and a quarter, two and a half, that was really enough to break the camel's back. That was really the first sign of stress. And so now, the resumption of quantitative easing, is really the second. The Fed has now completely reversed course on both. It has failed to normalize interest rates, it's failed to shrink its balance sheet. It's now on the course back to 0% interest rates, and this QE4 is going to be bigger than the last three rounds combined. As I mentioned yesterday, I think the balance sheet in the last seven weeks, has grown by $250 billion. That is not a small number, that is a lot of bonds, or debt, that The Federal Reserve has monetized in a very short period of time. I think this is the tip of a very big iceberg.

To me, the evidence is clear, that the air is already coming out of this bubble. It remains to be seen, whether or not The Fed and other central banks will be able to stop it from deflating. I don't think they can.

Mike Larson: You know, if I can just pick up on Peter's point about stress, and where you can find it. This market environment, in this cycle, corporate debt has basically been the mortgage debt of this cycle. I mean, if you look at what happened to the mortgage market 10, 15 years ago, you're seeing a lot of the same insanity, and dumb deals being offered, and foolish behavior on the side of corporates this time, versus consumers. And you're also starting to see debt spread, especially at the very low end of the credit scale, triple Cs and so on, where the spreads are widening out. They're doing it pretty persistently, and it's also starting to infect the higher end of the debt market a little bit, its gradual process. But the same kind of stuff that you saw happen to mortgage bonds, before that bubble started to pop, is starting to happen in corporate. Again, it's subtle, but it's there.

Albert Lu: I want to ask Grant another question, but maybe he won't be able to answer it. And that is, to Mike's point, the spread between Triple C and Double B Bonds. Some people have speculated that this liquidity crunch that we saw in the short term markets, could show up all over fixed income. Have you seen any evidence to that?

Grant Williams: So, that was to me?

Albert Lu: Yeah.

Grant Williams: Sorry.

To your point, it could show up anywhere. I mean look, Peter's absolutely right. The stress did start with the market bucking against what Chairman Powell did. It wasn't a surprise to anyone that's been paying attention. We all knew there was no way they could normalize rates, whatever normal is.

The fragility of the system, a system overloaded with debt, which has been for many, many years now, and the solution has always been more debt. We now have, to Mike's point, a corporate bond market that is on the very edge. I mean, this thing could topple over at any point in time.

What amazes me, is that we're back here so soon, 10 years after the event. I think the first question that you asked Mike about, whether people like this market or not, I think anyone that pays attention, has hated this market, because they've had every reason to. You should hate this market, because it's built on the sand.

Anyone that hasn't been paying attention, probably loved it. Their 401K's been going up, week after week, for reasons they couldn't really fathom.

Peter Schiff: The surprise to me, isn't that it's happening so soon, but that it took so long. I can't believe we went 10 full years without this. But another sign of stress, that has also emerged, that maybe people are downplaying, is look what's happening in the IPO market, with the money losing companies. We had a couple of very high profile IPOs, that came out, and their first trade was actually below the IPO price, which is something you never see. I mean, the syndicate really wants the support an IPO, and these things were opening below the IPO price, and then collapsing from there.

And then, you had other high profile companies, that had to pull their IPOs, they couldn't even get them off the ground, because there wasn't any demand. The biggest disaster, now being We Work, which was being valued in private venture financing at $45 billion, and is basically worthless. You had soft bank came in, and they put some money, just to kind of save face, so they didn't have to write off all their investment, so they threw some good money after bad.

But the fact that all these things are imploding, shows you that that stress is building up, because they can't get the capital anymore, to keep these ponzi businesses going.

Mike Larson: I think, the important thing that Peter brings up, on the performance of these IPOs, is that if you go back to the dotcom cycle, when that topped out, everyone thinks, "Oh, the NASDAQ started crashing March of 2000," which is technically correct, but a lot of this second and third tier IPOs, the really junky, lousy companies, were starting to crash about six to eight months ahead of that. Really, in the second to third quarter of 1999. You're seeing some of the same thing happen now, where we're all talking about, "We Work and Uber and Lift, because these are big, well known companies." But a lot of these lousy, second tier, Chinese names in biotechs and so on, they've been crashing 40, 50, 60% percent, behind the scenes. It's definitely a development that is different from what you saw, prior to last year.

Peter Schiff: Oh yeah, the IPO index. And in fact, I think this year, we set the record for IPOs of money losing companies. The percentage of companies that IPOd, that are still losing money. I mean normally, you wouldn't even bring a stock public, unless you had proved that you had a viable business model. The whole idea about tapping into the public markets is, "Hey, I've got this great business. It's making a lot of money, I just want to scale it up. If we just had new capital, we could scale this thing up, and we would make even more money."

But when you're still at the experimental state, and you haven't even proven that you have a viable business, yet you're going into the public markets ... and this year, we topped out the peak of 2000. But look at all these prior IPOs, they've imploded. A lot of these stocks are down 80, 90, more than 90%. I mean, some of these crazy ones ...

Grant Williams: Can I just say one more thing about this We Work phenomenon? Because I think you brought that up, and it's so important. We Work crashed before it went public. The members of the public didn't see it. I'm sure we've all been reading about it in the New York Times, and it's kind of a funny story, about this crazy, surfing, six foot five, long haired guy, and all these crazy things that he was saying.

The important thing about We Work, is nothing happened. Nothing changed. All the things that were going on that you're reading about in the New York Times, and smiling at, was going on from one billion evaluation, to a 47 billion evaluation. The only thing that changed was, one morning, we woke up, they filed their S1, to IPO. People read it, the same journalists that had been talking about what a great business idea this was, and they started to pick holes in it. That's how fragile this whole thing is. They were talking about $60 to $90 billion evaluation, this thing at IPO. The press read the S1, and you just couldn't ignore it anymore, it was so ridiculous. They started writing stories about it, saying how ridiculous it was. Boom, $60 to $90 billion of value, vaporized, in three weeks. That's how fragile this is.

Mike Larson: And you know, you point out that people are laughing about it. And it is, it's funny, it's a funny story right now. But what I don't think people are doing, is thinking about the second and third round impacts of this. I mean, look at how much venture capital money has been squandered by these companies on office space, hiring workers, basically buying each other's products. Who do you think uses all the slack licenses? It's all these tech IPOs. What's going to happen, as those things start to hit?

I mean, you go back to the dotcom bust, and again, it was empty offices, it was housing values falling, it was layoffs rising, all that stuff. It's not just San Francisco, it's places like Seattle, New York, a lot of metros are exposed to that. I think that's going to be what happens next, in the cycle.

Peter Schiff: We Work is the biggest tenant in New York.

Mike Larson: Yep.

Peter Schiff: It's the biggest tenant in Chicago. Even in London, it's the biggest office. And look, all of this is mal investment, what you talk about. None of this would have happened, but for artificially low interest rates throughout the world. These companies never could have attracted capital, if they actually had to pay for it, if money wasn't free. But when you have this type of misallocation of resources, when you have interest rates held artificially low, for this length of time ... as I pointed out when I made my talk, we had the worst recession since the Great Depression, because of the mistakes that were made when rates were down at 1% for a year and a half. It took another year and a half to normalize them.

Imagine the enormity of the mistakes. It's not just We Work. We've had artificially low interest rates for over a decade. We've had all this quantitative easing. You've got negative interest rates, in many part of the world. This is the biggest misallocation, this is the biggest credit bubble, that the world has ever seen. Busts are always proportionate to the booms that create them.

Albert Lu: One thing that's true about this Fed intervention, that they point out, is that this is on the short end of the curve. These are treasury bills, not identical to this QE. However, what is going to happen when they stop doing what they're doing now? Anyone want to take that?

Peter Schiff: They're not going to stop, that's the point. And even though they're buying short term bills, when those bills mature, they're just going to roll them over. It doesn't really matter what the maturity is, if they're always there with a bid, they are just monetizing government debt, because the debt is too large to find private buyers at any interest rates that the government can afford to pay, or that any over leveraged borrowers can afford to pay.

Mike Larson: You know there's the no good deed goes unpunished expression. I think in central banking it's, no bet goes un ... I mean, these ideas spread, "Hey, let's go to Zerp. That's not enough, let's go to Nerp." Japan's been doing this stuff for what? Three decades now? And we have proof it doesn't work. Europe's been doing it for 10 years, we have real world proof that this stuff doesn't work, but it doesn't mean it's going away. It's like anything, just pass that bad idea around the table.

Grant Williams: I think yesterday, I don't know if you read the newspapers, but Christine Lagarde, who's going to replace Mario Draghi, as the head of the ECB, let the veil slip when she was being interviewed. She said, "The people should be happier to have their job protected, than to have their savings protected." Now that, is the biggest clue that they've given you, as to what's going on here. This is about, we need to keep employment up, to hell with savings. And you should be grateful to us, that we are keeping the job markets stable. It may cost you the interest on your savings, but we're not going to protect them anymore.

Peter Schiff: But eventually, it's going to mean the wages aren't going to buy anything either.

Grant Williams: Right.

Peter Schiff: What good is your job, if you can't earn anything that buys what you need?

Grant Williams: Exactly. But this is how they think, this is how they think.

Albert Lu: We have an election coming up here. What do you think about the optics of The Fed, just blatantly monetizing government spending? Are the optics of that going to be too much at some point? Or you think they can keep doing it? Peter?

Peter Schiff: Well, I mean, nobody seems to care right now. If you'll notice, if you ever watch any of these Democratic debates, there hasn't been a single question about the debt. Like, "What are you going to do about the debt?" The Republicans, who actually shut down the government, all those government shutdowns, was all about the debt, when Obama was running these big deficits. We're running even bigger deficits now. The Republicans are certainly not going to talk about the debt. The Democrats are not going to talk about the debt. It's not even going to be an issue in the presidential election.

The only way the debt is going to become an issue, is if it becomes a crisis. It's going to have to be dollar holders, foreigners. There's going to have to be a collapse in the dollar, in the bond market. It's a debt crisis, that's going to bring the debt to the forefront. Other than that, everybody's going to ignore it. The problem is now so enormous, there's no point in even talking about it.

Mike Larson: It's very much ... there's people, there's some of us that follow these markets closely enough that again, you can see some of these cracks out there. But like Peter said, it's not capturing mainstream, it's not a hot topic in Washington, and so on. But just like you go back to that 2006, 2007 timeframe, where you started seeing it at the edges of the mortgage market, that's kind of what you're seeing now. That's why I think the timeline to when this becomes a front page of the Wall Street Journal crisis, is getting a lot shorter than it was 24, 36 months ago.

Albert Lu: Some people will argue that the economy can grow its way out of this situation. Is there any chance of that happening? Grant, you're laughing.

Grant Williams: Yeah. Look, can the economy grow? Of course it can. Can it grow fast enough to outrun the debt? I don't see anything that suggests there's any chance of that happening. When you talk to people about the kind of stuff that we're talking about up here, and the kind of stuff ... Peter's on the record, talking about this stuff for a long time, very eloquently. These are big scenarios, they're painful things to think about, and people don't like talking about them. When you talk about collapses and crashes, and Great Depression and stuff, people write you off, say, "You're a doom monger."

The important thing is to talk about this stuff. I always say to people, "Look, history suggests that this is not just a possibility, but after a while, it becomes a probability. You have to understand history, read about it, think through what these extreme events might mean to you, and then decide whether you want to do something about it. No one's going to force you to do it." Coming to things like this, and listening to people talk about it, is the first step.

In the same way that there's a not 0% chance of another Great Depression happening, there is also a not 0% chance of some magical growth fairy coming out of somewhere. I can't see what it's going to be. Everything I'm seeing in the sectors they're talking about growth, which is technology and healthcare, are probably going to exacerbate the problem, by reducing the need for jobs and expanding the lifelines of all the people who are going to be on Social Security and Medicare.

Is there a chance it could happen? Yes. I think it is a wild tale event, that you have to think about, and then perhaps think about what to do with the other challenges.

Peter Schiff: I mean, the debt is already growing faster than the nominal GDP, already. But if you look at where the political winds are blowing, they want more tax cuts, they want massive increases in government spending. Even though the Democrats are talking about taxing the rich, the amount of tax revenue they're actually going to extract from the rich, is going to be a fraction of what they are estimating. They want to tax the wealth. Well, they're going to destroy the wealth, that they're trying to tax. They want to tax all the financial transactions. Well, the transactions are going to stop happening, if they try to tax them. They're going to move offshore.

All of this Medicare for all, and free college, the trajectory of the debt, unless there's a crisis to intervene, the debt is just going to start to grow exponentially faster than the economy. The real problem is, what happens when interest rates go up? That is the key, because the only reason that we haven't had a debt crisis yet, is because they've been able to keep interest rates artificially low. But by doing that, they keep making the problems bigger and bigger.

I remember during the housing bubble, one of the arguments I used to have with people, when they used to show me these charts, and I used to talk about all the mortgage debt, and they would say, "Yeah, but it's okay because look at all this home equity." And they would always compare the mortgage debt to the home equity. My point would be, "Well, how do you know the home equity is always going to be there? What if real estate prices come down?" And then I said, "What about all these people who have arms, or teaser rates, what happens when the mortgage goes up? Because the home equity can go away, but the mortgage debt doesn't. The mortgage debt is still there."

So people couldn't connect these very easy dots. Just imagine how bad it would be, if something that they didn't think could happen, could happen. What would happen if interest rates went up? Because it's not impossible that they will.

Mike Larson: I think the biggest issue for this cycle, and outgrowing the debt, or whatever, is that theoretically, or usually in an economic expansion, your deficits come down, you don't have to send as much on jobless benefits and all these other social programs. You sort of rebuild the kitty, if you will. But that didn't happen in this expansion. We just kept on spending, and kept on running multi hundred billon dollar deficits, and now we're on track for a trillion or more next year, throughout an entire economic cycle. That's the real issue. There was none of that even economic benefit, you would typically get during this expansion, in terms of the government's balance sheet.

Peter Schiff: And one point also, I forgot to make too, just like with the housing market, when interest rates went up, that brought home prices down, automatically. It made houses more expensive for people to buy. That immediately ate into the home equity.

Well, the same thing. If we get a big, sharp rise in interest rates, US GDP is going to implode, because 70% of the GDP is consumers spending borrowed money. When you have a collapse in consumption, which would follow an increase in interest rates, not only is your debt going up exponentially, but now, your economy is shrinking. Now, the debt as a percentage of GDP, is getting even bigger, because the GDP itself is falling, as the debt is going up.

Albert Lu: I'd like to talk about the consumer, it's largely a consumer driven economy here.

Peter, you made a really interesting observation on your podcast recently, about people taking loans to buy mattresses. Mattresses used to be among something that you sleep on, something that you would save with, that you would actually stuff stuff under your mattress to save. Apparently now, people are taking mortgages out on them? This has become collateral? Can you talk about that, Peter?

Peter Schiff: Yeah, well look, it was a six year loan. But the idea that consumption drives an economy, is sheer nonsense. That's like saying the caboose drives the train. You can't consume, unless there's something to consume. You need to have production, before you have consumption. In order to have production, you need to have capital investment. In order to have that, you have to have savings.

You can't have the consumer driving an economy, but what you can have, is a consumer driving a bubble. And that's what we have, we have a bubble, driven by credit and consumption. But what's really making that possible, is the savings and production that are taking place in other parts of the world.

Mike Larson: Sorry, I didn't mean to interrupt.

Peter Schiff: Yeah.

Mike Larson: The consumer goods story is funny. It made me think, a couple years ago, I was doing a lot of research on the auto sector, and I coined the term car-gages, because it's basically like a mortgage. I mean, you were talking about an eight, nine, ten year car loans. My first home, I bought with a 15 year ... I had a 15 year mortgage. You're talking about car loans that are almost that long. You can see what's happening, as a result of not being able to extend terms, or pump up that market anymore. What's happening now? Auto sales are flat lining, and rolling over. You see production plans are probably going to be slowed. You can see that once that credit impulse runs out of steam and you can't push the envelope anymore, what's left, as far as consumption? The money's certainly ... if you can't borrow it, you're not going to have it anywhere else.

Peter Schiff: And they're depreciating assets. You loan somebody money to buy a mattress, what's a used mattress worth ff you have to go repossess it? The guy's got six years to make the payments on a mattress? But they're able to collateralize these loans, and some idiot is buying these mattress loans.

Albert Lu: How about some type of synthetic structure?

Let's talk about the year coming. We have a shaky economy, but one thing that seemed to work for President Trump, was a combination of fiscal stimulus, corporate tax cuts, low interest rates, talking up the economy. If you were running for office, assume that you could do what you wanted to keep the thing going temporarily. Let's not talk about getting rid of the central bank and all this stuff. Some weird potion, that you could put together, economic prescription, that you could put together to get us through a few more years? What would you do?

Grant Williams: I'm English, so can I ... I can sit this one out, I guess.

At this point, I think the question answers itself. What would you do to get us through a few more years? That's where we are now. We're not, "How do you reinvigorate the economy? What do you do to keep this thing together for a few more years?" We know what they're going to do, they're going to jam interest rates to the floor again, they're going to print money, they're going to do all the things they've done.

But look across in Europe, look at Germany. A powerhouse economy, you can hardly be accused of calling the Germans spendthrifts. The German economy is going into a recession now, it's going to be a really serious recession. Their manufacturing industry is struggling, car sales are struggling, to your point Mike. This is not a US phenomenon, this is a global phenomenon. We have a global slow down.

In previous periods, when for example, everyone looks at Japan. They say, "Well, Japan managed to muddle through for two decades. It was the second biggest economy in the world at the time. Well, yeah, but Japan was on its own. It was struggling, when everybody else was doing okay. The US was doing okay, Europe was doing okay, and we had double digit growth in places like India and China, which helped even out the detriment that Japan was contributing to the world economy. Now, we don't have that. The US has weak growth. Europe is arguably in a recession, wherever you look across the continent, and China now printing 6% GDP, which sounds great to us. That's not enough to move the needle in China.

Trying to keep this thing together for a few more years, becomes a local problem, as opposed to a global concerted effort, which is what we saw in the first few years of the post 2008 era. It really has become every central bank for themselves, which is reflective I think of Trump's comments about power, and what he's doing. That's a very dangerous place to be, because you can try and keep this thing together for a few more years, with low rates and more debt. Ultimately, it's not going to work.

Peter Schiff: And the reason that this is global, is because you have a these central banks making the same mistakes. It's artificially low interest rates, that have enabled too much nonproductive debt, too much government debt, too much consumption debt, that is weighing down the economy, and has allowed all sorts of crazy schemes to be financed, like We Work, at the expense of real production.

I think that the real epicenter of this, was everybody trying to match The Fed, and trying to keep their currency from rising against the dollar, so they can keep exporting to a bankrupt nation, and preserve that status quo. And now, everybody believes that we need inflation, because they don't want their currency to go up, because they think that's the worst thing that can happen to you, is that your currency buys more.

But trying to keep this going. Any politician ... the longer we keep it going, the worse we're making the problem. That is the reality. It's delaying the inevitable, at the expense of making it worse. Trying to just get the debt bubble to be even bigger before it pops. I mean yes, that always benefits the politician, because his horizon is the next election. But we should be thinking about the actual country, about the longterm health of the economy, not who's going to win the next election?

But yes, it makes it very difficult, if I were to run a campaign, based on swallowing some bitter medicine, and somebody else is selling snake oil. We don't have to do that, we can all just buy more stuff, and have more free stuff. It's very hard to outvote the guy that's promising something for nothing. Not a lot of people are going to respond to just promising freedom. That's what we really need, is freedom from government, individual liberty. But nowadays, people don't want freedom, they just want free stuff.

Albert Lu: Peter, I'll remind you that you actually did run a campaign.

Peter Schiff: I know, and I didn't win. See?

Albert Lu: Mike Larson?

Mike Larson: Well, there's been this narrative that it's mostly just trade in this fight with China, and this tariff stuff that's holding the economy back, and if Trump just shakes hands with the Chinese, then we'll be off to the races again. But I mean, that couldn't be more wrong. I think what we have going on here, is a much deeper, cyclical turn, credit cycle that's coming to an end. It's not ... if I had to put it, I'd be like 80/20 saying it's the cycle turning, 20% trade and tariffs, versus the other way around, which is what I think a lot of people think.

There's an idea that if Trump comes on TV and says that we've reached an agreement, the market's going to go up 10,000 points, and the economy's going to grow for anther 10 years. I find that absolutely fanciful.

The yield curve is telling you that we're at the end of this cycle. The way the different stock market sectors are behaving, is telling you that we're at the end of the cycle. The stuff we talked about earlier in the bond markets, is telling you we're at the end of the cycle. It's almost, in my opinion, everything's baked in of what's coming pretty much. Trump can say or do what he wants, and The Fed can start this theoretical idea that they're cutting just like '95 and '98 all over again. They're just wrong.

Albert Lu: I think the fundamentals are either negative, or turning negative. I think most of us agree that we're end of cycle, things are starting to turn. My question is, what's taken so long? It has looked like this for a while. Peter, your critics will say, "Yeah, he got the housing bubble, 10, 12 years ago, but he's been wrong ever since." I think even you would agree that it's taken longer than you thought.

Peter Schiff: Yeah. But also, people forget. You see the clips of me when they used to have me on CNBC, or Fox, in 2006 and 2007, talking about the housing bubble, but I was talking about it five, six years before that. I wasn't on television, but I was still talking about it at conferences like this. I mean, the housing bubble was actually going on during the dotcom bubble. It's just that when that bubble popped, all the air went to the housing bubble, and that bubble kept getting bigger and bigger.

When you see these bubbles, and you understand how they're created, you do see them well in advance. But obviously, if you sound the alarm far enough in advance, people begin to ... you lose some credibility because, "Oh, you've been saying this for a long time."

But I think the main reason that we've been able to delay the day of reckoning for as long as we have, is because enough people bought into this myth, that QE worked, that it was reversible, that 0% interest rates worked, that they were temporary. You had a lot of people around the world, that bought into this. I guess the bigger the bubble is, the longer it takes to pop, and this is the biggest one yet.

I do think that Trump winning, kind of kicked a little life into it. I think we would have popped already, we would be in a much different place, had Hilary Clinton won. We were able to kick the can down the road for a few more years. But if you look at everything that's happening now, a lot of the forecasts that I've been making for many, many years, are now coming true, and the mainstream is still oblivious. If you just get your financial news from the conventional media, you'd have no idea that there was anything to worry about. But that was pretty much the way it was in 2007/2008, with the exception of the times that I was on, you would think everything was fine.

Albert Lu: I don't know if anyone had a chance to check out that screening last night, but this is how long the economic expansion has been. You guys look like college students, in that movie, predicting the collapse. It's extraordinary.

Grant Williams: I would just add to that. Peter gets a lot of flack for that stuff, but the simple truth is, it took $4.5 trillion of printed money, to stop what he was talking about, happening. If you throw $4.5 trillion at a problem, the chances are, you can mend it temporarily.

The guys in this room, who take the time to engage, and come to things like this, and listen to people who aren't in the mainstream media talking about these problems, you're ahead of the curve because for the most part, the mainstream don't talk about this. That is where most people get their information from.

Guys like Peter, and Mike, and I, can sit up here and talk about this stuff, and people will point and say, "Well, you know what? These guys have been saying this for a number of years now." That doesn't mean the signs that we're talking about, the reasons to be concerned, aren't real. It just means that until the people outside this room actually become aware of this stuff that you guys are in here learning, the problem doesn't manifest itself. But then, it manifests itself really, really fast. That's what being in rooms like this does. It prepares you for that eventuality.

Peter Schiff: But then when it does happen, then the mainstream says, "Well, this is completely ... nobody could have possibly forecast this. This is 100 year flood. This is just ... oh."

Grant Williams: Yeah.

Peter Schiff: Because that's exactly what they were saying in 2008. I remember when they had the hearings in 2009, they wanted to look into why we had a financial crisis. I tried like hell to be included in the hearings. I wanted to explain why, and they wouldn't have me. There wasn't a single person at that hearing, who forecast the crisis in advance. And of course, everybody blamed a lack of regulation. Nobody blamed The Fed. Nobody blamed Fanny or Freddy. Nobody blamed any of the real causes of the crisis.

So yeah, when this thing happens, it's going to be like, "Well, nobody could've seen it. Oh, Peter Schiff, well he's just a stopped clock."

Mike Larson: I think Grant's point about how things can happen very quickly, is incredibly important, especially with the example he brought up earlier about We Work. Again, from $47 billion to whatever, $4 or $5 billion theoretically, and maybe 0.

Peter Schiff: 0.

Mike Larson: I mean, how long did that take? Like you said, it's not that people didn't know this Adam Newman was doing all this silly stuff with his company, and so on, or that this company ... you had people tsk tsking their real estate strategy saying, "Oh, it doesn't make any sense. This company is just a real estate company. Why is it valued like tech?" And then, like that, it's gone.

That's why as an investor, you have to be prepared and proactive, about getting ready for something, and knowing about it, because when the time comes, things will move a lot quicker than you really expect.

Albert Lu: Mike, I think that's a good point. The idea of being proactive, because these things, the turns from boom to bust, seem to be so difficult to predict. One question that I've wanted to ask Grant Williams for a long time, is about your guests on Real Vision. You have so many experts on Real Vision, many of whom actually predicted and profited from the housing bubble, and that whole meltdown. So oftentimes, the next thesis, is off base, or it takes long to formulate whether it's Japanese bonds, or the Chinese economy, or gold, or whatever.

I'm wondering if there is a common thread among all those sort of misfires? What do the experts, who are very smart obviously, and very successful, is there any commonality to their failures? Meaning, making a prediction, that's obviously a long shot, but seems plausible, and not coming true?

Grant Williams: Yeah. I think it's interesting that you call them misfires, because some of these guys, are the smartest investors in the world. They think these things through, and they come up with a very smart framework, that controls every eventuality, and they believe, "Okay, now I've got my ducks in a row. This is the way to represent that trade." And then, it doesn't happen.

But what the really good investors do, is they structure these things in such a way that they can stay at the table for much longer. And so, it's not about going all in on a single bid, it's about hedging your risk, and it's about being nimble with that, as the probabilities ... you have to reassess the probabilities, depending on responses to various crises.

Look, I mean, smart investors are more and more talking about these outcomes that we're talking about, as more of a probability now, than a possibility. But again, you have to handicap that probability. For everyone, that probability is different, it represents different risk paradigm for everybody.

I think this idea of demonizing people who are supposedly smart, and come up with these great ideas, and then they don't work out, is just wrong. It's completely the wrong way to look at it. If the reasoning is sound, as Peter was back in 2006, okay, it took two years for everybody else to wake up and go, "Wow, whoever that shouty guy was on CNBC, he was right." It didn't mean that Peter was wrong. It meant that the timeframe was elongated by various reasons. And now, the timelines are getting stretched even more, because they now have unlimited funds to throw at these things. At some point, it's going to matter. The trick is, can you stay at the table long enough to realize the profits? That's where the pros differentiate themselves.

Mike Larson: One thing I think it's important to understand too, is these things, it's a transition. You don't go from a bull market to a bear market overnight. But then once you get to that point, that's when things happen fast.

I mean, we all think of the year 2000 as being horrible for the market. And yeah, if you own tech stocks, the tech ETF was down 42%. But if you owned REITs and utilities, they were up 20, 22% that year. It was a transitionary period. Eventually, everything rolled over, but that was a long period of time, 12, 15 months or so, where you were kind of topping out. It's important that you know that, or that people understand, it doesn't happen overnight, but once people recognize it, and investors as a whole realize what's going on, that's when the timetable accelerates.

Albert Lu: If you're really, really early though, at some point, you have to admit you're wrong. Correct? How much runway are you willing to give a thesis? Before you say, "Well, that thesis was wrong."

Mike Larson: Well, I mean, I look at ... again, we were pretty aggressive, the kinds of things I was recommending, heading into the first quarter of 2018, because our own Weiss rating data was confirming the market moves. And yes, I had these longterm concerns, but you didn't really want to fight it.

Since that period, our in-house data is showing less breadth and participation at every S&P 500 high since then. The bond markets diverged, the credit markets like we discussed, have diverged. Volatility markets have diverged, and sectors, a lot of sectors aren't participating. You're seeing a lot of this stuff that you would expect happen at the end of a move, at the end cycle, and that's kind of cuing you in that something else is underway. I think that's important to pay attention to.

Albert Lu: Yeah. Great. Just a couple minutes left.

Mike Larson: I don't think-

Albert Lu: ... guys. I just want to ask, with the few minutes we have left, what is your biggest economic concern over the next 12 months? And what can investors do to protect themselves from that outcome? Peter?

Peter Schiff: Yeah. Well again too, a bubble getting bigger doesn't mean you're wrong, just the bubble gets bigger. You want to just have investment strategies, that don't have a time limit, that you have the staying power. The only question is, sometimes people don't have the mental fortitude. They get tempted to join the party, if they think they're missing out on some gains. But the party's going to end badly. A lot of these paper gains are going to evaporate. The last two times the market about cut in half, The Fed was able to bail everybody out. I don't think they're going to be able bail fail everybody out again.

The biggest, I guess my biggest fear, would be that we don't collapse. The longer ... if we go another year, the longer this is enabled to continue, the bigger the bubble get, the worse it's going to get. I mean possibly, would it be better if we could just hold off until maybe Trump is reelected? So we don't get Elizabeth Warren or Bernie Sanders? That might be a slight positive, but I don't know. It's hard to say.

But I think that the economy could go into recession, in a way that's obvious to everybody, in the next year. That pretty much assures that the next American president is going to be a socialist. It's a very scary thought.

Albert Lu: Peter, just a followup question on that. That's a good concern. The concern that this thing will keep blowing up? And if that happens, what should investors do? Should we go out and try to get some of that yield? Or get some of that-

Peter Schiff: No.

Albert Lu: ... returns?

Peter Schiff: No, you're talking about picking up pennies at this point, in front a bull dozer. The market topped out really, in January of 2018. Most stocks have done pretty badly, over that time period. And so, people should still be investing in the precious metals, and the mining stocks, and some of the emerging markets, and a lot of foreign stocks that represent much better evaluations.

You look at a lot of the foreign markets, they're still way below their 2008 highs, as opposed to the US market, which is way above it. For people who want to invest, and are looking for returns, there are plenty of places in the world that you could take a lot less risk, and get a lot more upside, than trying to eke out the last bit of the bubble in the US.

Albert Lu: Okay, let's go with Grant Williams. Biggest concern? And what you think people should do?

Grant Williams: I think everybody in this room has done, what I think is the most important thing, and that is to educate yourselves. I think it's really important to read history, to understand what's happened before at these points in history, they're all back there. Go read about 2006, 2007, 2008. Read about the Great Depression, what happened going into it.

I think anyone that can actually sit down, try and understand history, and understand what the possibilities are, can then handicap their own ... the damage it would do to their own portfolio. That's incumbent upon all of us. It's great to come and listen to people give you ideas, but the greatest single thing you can do, is go home, take these conversations seriously, weigh them out, and decide. If you think the three of us up here are full of it, that's fine. Discount everything we say, go and put all of your money in index funds, and enjoy the ride.

But if you think that what we talk about might, if it happens, affect your portfolio, go home, sit down, think about what you hear, not just on this panel, but on every other panel, every other speaker here, and assess what that means for your portfolio. And then, don't be afraid to make adjustments. Don't be afraid to do something different than the guy next door, who's in the index funds.

Albert Lu: Finally, Mike Larson?

Mike Larson: Sure, I'll try and be brief. You know the Orange is the New Black show? I think corporate is the new mortgage. My biggest concern is absolutely, what's going on in the corporate debt market. That's where I think the center of this next crisis is going to be.

As an investor at this stage, we've been advocating since the first quarter of 2018, carry much higher cash levels than you did, throughout the rest of the bull market, rotate out of offensives, and into a smaller number of defensive type sectors. Again, utilities, REITs, things like that. But again, those are rentals, not longterm holdings at this point. Be prepared for what's coming next.

One of the main reasons, I'm not a traditional gold bug. Brien and I have had that conversation a lot of the time, but I consider gold to be a fantastic, chaos insurance investment, that you want to own now, and have a much higher allocation to than you would have from 2009 through 2018.

Albert Lu: Gentlemen, that's all we have time for. Great job. Thank you very much. Please join me in a round of applause for the panel.

Sean Brodrick

"Make A Fortune In Marijuana Megatrends"

Gary Alexander: Sean Brodrick's life has been filled with a quest for the best in natural resources. It's taken him from the diamond fields north of the Arctic Circle to mining projects at the bottom of the world, to an ancient city of mummies and silver, to wild Alaskan mountains where flakes of gold washed down crystal clear streams. I didn't write this, but it's beautiful writing. Now, he's partnered with Weiss Ratings to mine the enormous potential in marijuana stocks with the help of the Weiss cannabis stock ratings. He's already guiding his readers to triple digit percentage gains. He's the editor of Weiss Ratings Monthly, Wealth Mega Trends and his premium newsletter, Marijuana Millionaire Portfolio. His subject today is Make a Fortune in Marijuana Mega Trends. Please welcome Sean Brodrick.

Sean Brodrick: Hi there folks. Thanks for showing up. There aren't a lot of people here, which is good. You know why? Because I'm going to give you guys the good stuff and the rest of them can go hang themselves. It is funny that he takes marijuana for his knee. I take CBD for mine. Hands out here, anybody else who takes either of those things? Yeah, I mean, it's amazing, isn't it? I thought I was going to have to have knee surgery, but now, I mean, I'm out there dancing. It's great.

Well, I only have 20 minutes here and I tried to include a little room for questions, and I see it's already counting down, so we'll get to it and we'll see if we can save a little room there. Do my screens come up or how does that work? I'm pressing the green button. Can you go back one? I have to ask the invisible powers to be. Back one more. There we go. Okay, that's me. Okay.

Cannaboom ... Excuse me. Are we facing cannabis doom or cannaboom? This is the kind of market where the phrase, "It was the best of times, it was the worst of times," was written for, right? Because we have seen a tremendous bull market. We saw a bear market. We saw another bull market. Now we've had the longest worst bear market in cannabis that anybody has ever seen, and it's left some really big investors scratching their heads saying, "What the heck is going on?" I go to cannabis conferences where I sit down next to a very large investors, not just in size. I mean, they have a lot of money, and they are really trying to get a grip on this. They are buying the stocks that they think have real value in them and I think there are stocks with real value in them, and I'll be talking more about a lot of those in my workshop, which is almost immediately after this up in Churchill 1C, I think it's called. So we'll have that. But so this is a question that we're all wrestling with at this time.

Now, there is a mega trend going in the cannabis space. Mega trends is one of the things that I cover for Weiss. It's a thing I've been fascinated with pretty much all my adult investing life, because the thing about a mega trend is if you catch the mega trend right, it makes it so much easier for you to make money and you end up looking smart by comparison, and the legal pot market should hit $15 billion next year and $20.9 billion by 2022. That's a giant compound annual growth rate. That is the kind of thing where you can make some serious money, and I'll have some picks here for you soon.

Across America, there is a super majority of people who favor cannabis legalization. 68% of Americans favor legalizing marijuana. It's up from 12% in 1969. The drug war failed. We have to take another approach to it, and legalizing seems to be the smart thing to do, the end of marijuana prohibition. Anyway, so you can see the big trends that are lining up here for it. However, we do have a bear market, and don't let anyone try and tell you otherwise. This is the big US ETF that is focused on cannabis. There's a whole handful of them now with fun symbols, like YOLO and POTX and all sorts of stuff. This is the big one in the US. There's one in Canada that's older, but for the US stocks, this is it and it's still in a downtrend, and it did bounce off its lows, so some people are trying to call the bottom, but we really need that trend to break. And right now the downtrend is in place.

But let's look at the big picture. Let me jump in the history way back machine with you. And if you look at the top chart there, there's a stock that peaked in 1999 and spent the next few years sliding lower and lower, under 10 bucks a share. But if you look at the longer term chart, that loser turned out to be Amazon, and it went into a massive win. And the reason I put this up there is because what happened with Amazon has some similarities to things we see in the cannabis market right now. Amazon had good ideas. It was riding a massive mega trend, and it had solid execution. All those things equaled Amazon success.

Now, what are the similarities? That's on our next screen here. Consumer attitudes. When Amazon first pushed its model, most people couldn't figure it out. Buying something online seemed weird. You wanted to hold things in your hand. You didn't want to just pick them off a computer screen. I don't know if any of you can think back that far, but many people thought that was very unusual. Well, what is changing for cannabis companies right now is their consumer base.

And I actually think this is kind of a small mistake some cannabis big companies are making in that they're always happy to tell you how they aren't aimed at stoners. They're aimed at soccer moms or senior citizens, which is by the way, the fastest-growing group of cannabis users, and they have good reason to. They have aches and pains and stuff like that. Cannabis helps them out. I don't think they should get rid of the stoner base or just be so easy to move away from it because if you're trying to promote something with sports, you want the rabid fans along with the people who only watch football every Sunday. But the base of consumers in the cannabis space is spreading out, and so that's changing, too.

Financial transactions. For Amazon, the big thing was getting people to use their credit cards online, which many people refused to do. That was one thing that really held up the company early on. For the cannabis companies, it's that you can't use a bank or a credit card. You have to pay in cash. There is something called the Safe Banking Act, which was passed by the House of Representatives. It's in front of the senate now. I'll be addressing that in more detail. It's a slow road forward, but they are making some progress. And so just like Amazon couldn't get anybody to shop with a credit card at first, or at least not most people, but then everybody warmed up to it except my 80 year old mother who whenever she wants to buy anything on Amazon, she calls me and has me buy it because she still doesn't trust it, but this is going to change for the cannabis companies as well. They'll be able to use credit cards, they'll be able to use banks. It's going to shift things for them tremendously.

And then there's the customer interface. I don't know if anybody shopped on Amazon in the early days. It really wasn't an attractive website. It had competitors with better websites. What Amazon did was it made itself the most user-friendly interface on the web. And cannabis dispensaries, probably few of you have been in them, and they do vary wildly from state to state. You can't compare a dispensary in, say, Colorado to one in Florida. Nonetheless, none of them are Macy's. They are not good places to get, say, impulse shopping and that kind of thing. So I expect that interface to change. We'll also have online shopping, but it's all going to take time to actually make that work.

And so just to get back to this screen for a bit, we saw Amazon run up and then fall off and everyone thought that was over. I know it's hard to remember those days, but there were plenty of people ready to stick a fork in that and declare it done. But in the big picture, it really was just a bump in the road. You can barely see where that first chart is in the second chart, and that's probably what we're going to see happen in the cannabis space. So there are threats to the industry to go along with that bear market that I just showed you. After you're listening to all of this, you'll be thinking, "Does this guy really like cannabis stocks?" There is value there, and I will get to that.

But the things that are threatening the industry now, we have the vaping illness. More than 1,800 people have gotten sick because of illegal vapes, which are made by black market folks to put in different flavorings and they put in heavy metals, which happened to kill people and stuff like that, or it could be other things in there. They're not really sure. There's different things it could be. Self-dealing by the cannabis company CEOs. That's a real problem. We're seeing that in some major companies and some have been slapped down. Some boards had to throw the CEOs out, but that is a thing that will constantly weigh on this industry. It has to straighten up and fly right.

Share dilution. Another way, right? Well, many of them want to expand as fast as they possibly can and to do that, they are diluting and that is ticking the heck out of the existing shareholders who are seeing themselves diluted to oblivion. Corporate blunders. Well, I mean, we see these all the time with CannTrust and other companies, Hexo. I mean, they are just making some terrible decisions, usually out of haste. I'm not saying anyone's evil, but they're rushing so much, they make really bad decisions.

Impossible expectations. And you know what? I see marketing in this. I've had marketing in my own products. I know why expectations are so high. But that is one thing really weighing on this space is people are saying, "You know what? If these impossible goals weren't met, then more realistic goals probably won't be met either," so we need to come back to reality on that. And then there's the Washington DC swamp. I think you've all heard enough politics here today, so I'm not even going to get into that. But it's a swampy place in Washington. It's holding back marijuana legalization.

Nonetheless, there are big trends that you can watch this year and beyond. And as I'm someone who plays mega trends, they can be very profitable. One is CBD from hemp is growing faster than pot. For one thing, we've actually seen legalization, or mostly legalization. You still can't fly on an airplane with it for some reason or another or else if you get caught, it's a problem. It's mostly legal, though. There are some states where it's not and there have been trucks pulled over and they take all the hemp out of it and all that stuff. But we are approaching full legalization in hemp, and why that's important, when things are legal, then business becomes very much easier to do so. So if you can invest in those companies that deal in hemp and CBD, you have one leg up on, say, a company that's pure cannabis.

And then there's the commoditization of cannabis. That is, it's a weed. It grows. It grows rather quickly. And what many of the big companies are finding is it's easy to grow. It's very difficult to actually grow high quality weed. This is something I'll be talking about in my workshop a little later. But you can grow a lot of it and you can grow it cheap, and then what are you going to do with it? South America and Africa will out-cheap you at every turn. It can't be imported from there now, but it will happen further down the road. And so companies that are racing to build out greenhouses could be in for some serious awakenings down the road. So look for value beyond bulk growing. If a company advertises that it grows a lot of marijuana and it's expanding how much it grows, that is not a company that I'm actually going to race to embrace. I want something that's really value added and growing cannabis is not really value added.

Intellectual property. This is the thing companies should be looking at, and there are companies working on intellectual property and some fantastic things going on. Medicines, for example. I mean, software. There is a great company I can think of that wants to tag every seed that's grown into every plant that's grown into every bud that ends up on a shelf and stuff like that. And they can do it, too, and it's actually not that expensive. That's the kind of software company you might want to have. Now, at some point, Oracle might decide it wants to do that thing, and so that's a risk that the company will face. But intellectual property, the right intellectual property, could make you a fortune in this space.

Micro encapsulation, which marijuana foodies are really going to use. How many people have had a marijuana edible? Anybody, that you'll admit to? Okay. So here's the thing, is that quality control and the control of how strong cannabis is in a food is very hard to do right now, because when you put cannabis in a food, even as a powder, it tends to group in one place and clump and stuff like that, so one brownie out of the pan will not give you much at all and you'll say, "Hey, there's nothing in here," and the other one, which is right next to it will knock you on the floor. However, it'll take an hour and a half to take effect, by which point you may have eaten two more brownies, so God help you at that point. So they are coming out with new processes to really refine and make the stuff that goes into food much, much smaller. Much of it's rolling out in the next year, and that's going to change the space. That's going to change it in a big way for anybody who uses edibles.

Also, one of the new processes that is being pushed forward actually makes the buzz from cannabis come on faster. Right now, like I said, you have to wait an hour and a half. Well, if you're out on a night on the town, that's no good, right? You have three edibles and then you're just a complete bag of giggles by the time you hop in the cab going home. You want things to act more immediately and not hang around forever. So that's all coming. That's a big trend.

And then you've heard of THC, which is the stuff that gets you high. You've heard of CBD, which is more health-oriented. There are actually 113 of those little things in there and nobody knows what they do, different substances in the cannabis plant, and research was banned for years. It's still illegal, but some people are researching it anyway. And so we are going to see some amazing stuff come out of here, some of which may be useful. So that's a trend to watch, as well.

Pharmaceuticals. I did talk about this a bit. I mean, this is one of the things that we concentrate on in my publication, because there's so much potential there. There really is. There are some miracle drugs or potential miracle drugs in the cannabis space. Many of them are in the pipeline. That takes forever, because they have to make sure that if you take too much of it, it won't make one leg shorter than the other, but that is working through the pipeline as well, and we'll see some really great things start to happen there.

Federal legalization. I used to think that we'd probably see legalization before the next election, because all the Democrats are for it and I thought President Trump might take that away from them. However, Mitch McConnell is anti-cannabis, which is funny because he's pro-hemp, but he's from Kentucky. It's the bluegrass state. He wants to turn it into the hemp grass state. And so he loves hemp a lot. He hates cannabis. And so he's blocking the passage of the bill in the senate, at least as far as anybody can figure out. They did put things ... and here I'm referring to the Safe Banking Act, because that's the bill that everybody needs passed. They put things in there specifically to appeal to him, but he hasn't moved on it yet. Now, I'm not Carnac the Magnificent. I can't see the future. Maybe he'll come around early next year. I don't know. But as long as he blocks it, then we'll see things really slow down. So I don't expect this to happen in the next election cycle. However, it is coming. And you'll see people taking positions ahead of that.

And then we have the silos. Every single state, because cannabis isn't legal on a federal level, every single state is its own cannabis market, which means that any multi-state operator, as we call them, has to build a separate cannabis company in each state and then replicate it in the next state and replicate it next state and on like that. And so when things do become legal nationally, you are probably going to see merger mania like you've never seen before. Now, I do have to mention one complication, which I'll go into more in the next session upstairs, which is one of the groups that is fighting against legalization is the multi-state operators, and you can come upstairs and I'll explain that. I don't have time now. I'm down in my last three minutes.

Geo-modifiers, making pot from yeast. When you want aspirin, you don't go out and take bark off a willow tree and then grind it up, do you? You just buy something that comes out of a factory. In the future, and not that far away, much of the marijuana that is consumed in this country will come from a factory. It doesn't need to be grown. You can switch up yeast and other stuff to make all the THC you want and make it in much more predictable ways. You don't have to depend on the weather. There are great companies working on it, and so I'll have more picks on that again in my next session.

Top pick. Charlotte's Web. What are they about? They're about CBD, right? CBD, which I said is mostly legal in the US, all right, it is the biggest hemp brand by market share. Its products are carried in more than 7,000 retail locations. eCommerce sales spiked 32% in the last quarter. They sell CBD for dogs and many people like their dogs more than their kids, and it turns a profit. So you put those things together. Now, why is the stock down a lot like many of them are? The reason is because the entire industry is being dragged down. So you can buy good stocks at a real bargain.

Top 10 companies growing revenue like a weed. This is what attracted us all to this industry in the first place. It wasn't the pot parties. It's the fact that some of these companies are growing their revenues at astounding rates. It's nuts. And so this is the kind of thing that attracts us to it and that is still going on. Despite the carnage in the industry, we are seeing revenues for select companies ramp up and accelerate. There are great companies in this industry. I think they will be left standing when this whole thing shakes out, but the next leg up of the big cannabis boom may be sooner rather than later because things have already been pounded down into the dirt. And so there is so much negativity in this space that it won't take much to flip things around, and that's what I'm expecting happen. That's it for me, I guess. I do have 30 seconds for any questions, or else you can just come up to my presentation upstairs. Yeah, right there.

Speaker 3: Do you have any samples?

Sean Brodrick: Do I have any samples? I do not. No, I'm sorry. For one thing, I fly in from Florida. That would be crazy at this point. I mean, you don't want to end up on the TSA watch list. Anyone else? Nope. Okay. Well, I'll see at least some of you upstairs hopefully. Have a great rest of your conference. Thank you very much for listening.

Matthew Carr

"The Potential $1 Trillion Market Investors Can't Ignore"

Robert Helms: Matthew Carr has spent nearly two decades covering the financial markets. Since 2009, he's been with the Oxford Club, primarily serving as the financial publisher's Chief Trend Strategist. His expertise in cannabis, technology, small cap, and cutting edge trends has helped him win the Oxford Club's Peak Performance award for the top portfolio in four of the last six years. And he set two records for the largest gains in the company's history. He spearheads the e-letter, Profit Trends. Now the newsletter, Strategic Trend Investor and Trading Services Viper Alert, Dynamic Fortunes and Trailblazer Pro. And he also writes a weekly column called, Beyond the Bong. You guessed it, that focuses on evaluation of cannabis companies. And he's the host of the weekly video segment, Cannabis Now, in which he interviews leaders in the cannabis industry. And please welcome to the stage, Mr. Matthew Carr.

Matthew Carr: All right. Thank you.

Good afternoon everybody. Well, what I want to talk about this afternoon is a market that 20 years ago, no one would have thought was possible. Let alone 10 years ago, no one would have thought you could legally invest in or sell and make money from. But I believe it's actually going to be the sector that could deliver the best returns over the next five years. Back in 2017, I made this really bold prediction. I said that the global, legal cannabis market would reach 200 billion dollars by 2030. That is a 1,300% increase from where it was trading and what it was worth in 2016.

And when I made that prediction, a lot of people scoffed, right? They laughed. They thought it was loony. They thought it was overly optimistic. But here's the crazy thing. Just two years later, my project is an outlier. Not because it's over the top but because it's too conservative. A lot of people, and a lot of the CEOs I talk to see this market being two, three, sometimes even five times as much as that 200 billion, with all things considered. And I'm talking Hemp, CBD, as well as legal cannabis and recreational.

And that just goes to show that the nature of cannabis, right? It really is an industry that's growing like a weed. There is no industry changing as rapidly as cannabis. There is no industry changing as fast as cannabis. And so what I want to talk about today is kind of the good and the bad that has plagued the industry because of these growing pains.

Right now, we are fast approaching the holiday shopping season. This is the time of the year where everybody splurges and busts their budgets. And then it turns into the season of returns. Where we get all these unwanted gifts and we want to take them back to the store in exchange for store credit. That's an image that I kind of want you to keep in mind with the first part of this discussion.

Because over the last couple of years, we've had a number of major milestones hit in the marijuana industry. Exactly, almost a year ago, Canada became the first G7 country to begin adult use sales or recreational sales nationwide. In the midterm elections last year, we had more states join the growing number of marijuana legalizers. We now have 11 states that have legalized adult use. Another 33 states that have legalized medicinal use. And this is a market that I believe is going to be worth 80 billion dollars by 2030. So that's a big part of my original 200 billion dollar projection.

This year, what we also had, was this Safe and Secure Fair Enforcement Banking Act or the SAFE Banking Act not only clear the House committee vote, but also a floor vote. It is the first piece of pro marijuana legislation to ever get that far in Congress. And then, we've had another couple of major milestones hit. Recently, a big multi state operator, Cresco Labs, announce the end of the waiting period under the Hart Scott Rodino Antitrust Improvements Act of 1976. I know it's a mouthful and it doesn't seem like much, but this is something that is one of the last sort of final pieces of its takeover, 820 million dollar takeover of another company called Origin House. And it has another acquisition that has also cleared those HSR approvals, which is [inaudible 00:05:13].

This is a big moment for Cresco. But it also represents kind of a big moment for the marijuana industry at large. Because last year, I predicted that marijuana M&A would go into overdrive this year. That we would see all these deals take off. And sure enough, that's exactly what happened. We saw prices ... Share prices of these cannabis stocks hit highs as there's this buying frenzy and we saw record deal after record deal after record deal.

But then, a strange thing happened, none of those deals have been approved. As investors, we became pretty much akin to listening to pro forma revenue. Now pro forma revenue is a company saying, "This is how much revenue we would have if all of the acquisitions and mergers that we've planned or taken action on have been okayed. But none of that has happened."

So for pot stock investors, this was very frustrating. And we got kind of sick and tired of this lack of HSR approvals. And this is something that has really weighed on US cannabis shares in 2019.

The US marijuana index has fallen more than 50% from its 52 week highs to its 52 week lows. And that's because the Department of Justice is out there and it's asked for more information on these mergers. It has asked for more information, then more information and more information. Just this year, the agency has filed at least seven second requests for information regarding mergers. In fact, if a company doesn't receive a second request from the DOJ, they release a press release. Like hey, it's moving forward for us.

And now what's happening is we're getting some mixed signals from these fatigued companies. Recently, on the bright side, Harvest Health and Recreation, another large multi state operator here in the United States. Well, they said that their Verrano deals as well as their Canna Pharmacy deal, they expected to see closed by the end of the year. Curaleaf, another major MSO, multi state operator, here in the United States has two big deals. Two of the largest in US cannabis history that it believes are going to be approved by the end of the year.

But we'll have to see what happens because this is super optimistic. Because on the other end of the spectrum, there have been companies like Medmen. Medmen Enterprises, a multi state operator focused in California. Last year in December, it launched a 682 million dollar takeover of PharmaCann. Recently, it abandoned it. It walked away. And one of the reasons ... The main reason that it walked away is because of what's happening right there. Because we've seen shares of cannabis stocks get completely clobbered. There's no point in paying 682 million dollars for an acquisition that has declined so rapidly.

Does anyone know what Medmen's market cap is today? 188 million dollars. So it had this big 682 million dollar acquisition that it just had to step away from. Now I still like that company. It's still a great company. But I think this is just one of the first steps that we're going to see. Because at the same time Curaleaf, just this week, just days' ago, announced that it was scaling back its acquisition of Select Brands. Cannabis companies do not have access to banking or financing. Excuse me, financing like a normal company. So how they have to pay for acquisitions is through offering shares.

So they scaled back this acquisition from 95.5 million shares all the way down to 55 million. I'd wager unless something major happened. Unless we see some major momentum in this marijuana M&A in the United States, these two situations are just beginning. This is just the leading edge. And I expect a bunch of re-negotiations or walkaways of all those deals that have launched because of how far shares have pulled back. In fact, as much as 50 to 70 percent of all these deals could be re-negotiated.

Now for American MSO or American multi state operator investors, this is actually kind of a bittersweet scenario because one, we don't have to deal with that share dilution. But two, you're losing that access to a much larger market. That's one thing I wanted to talk about.

The other thing, which is a good thing, is something that also just happened recently. And this is something that I've been preparing pot stock investors for, for over the last couple of years. And that is the legalization of cannabis 2.0 products in Canada. There we go.

On October 17, Canada legalized cannabis derivatives nationwide. This includes capsules, beverages, concentrates, edibles, topicals, tinctures, vape pens. When they legalized adult use last year nationwide, it was just for dried flour. For licensed producers in that country, Canopy Growth, Aphria, Aurora Cannabis, yada, yada, yada, this is where earnings and revenue can really start to go into overdrive and really start to take off because these are all higher margin products. Now I'm not going to beat around the bush. It's been a very difficult year. Difficult six months for cannabis.

Canadian producers, which are kind of like the blue chips on the industry, they have been rocked by increasing losses, missed expectations and that's from Canopy Growth, from Tilray Hexo which just released fourth quarter earnings and then withdrew all of 2020 revenue guidance.

We then had the Can Trust scandal, where they were stupidly growing product in five unlicensed grow rooms. They lost their license. That set off a bomb across the entire cannabis sector. And just to get back into good graces with Health Canada, are having to set fire to burn 77 million dollars worth of product. For the past six months, these things from the Canadian side have really weighed on the sector.

So the North American Marijuana Index which is made up of both the US and

Canada fell more than 50% from its highs. For the Canadian companies, they're down more than 64% from 52 weeks highs all the way down to their lows. And we're still hovering around that level. In fact, shares of Canadian cannabis companies are back to where they were in 2017. So this has been a big, huge change in fortunes for them.

Now the question is, with cannabis 2.0 legalization, is there a turnaround in store? And I would say well if we have like a little magic eight ball, I'm going to give it a shake. Our answer might be all signs point to yes. That's because between now and 2024, the Canadian cannabis market is going to grow at a compound annual growth rate of 22.5%. And here is where the impact of that cannabis 2.0 legalization comes in. This cannabis ... Canadian cannabis derivatives market, which is very difficult to say, especially five times fast, is expected to be worth more than two billion dollars per year.

The biggest piece of that is anticipated to be edibles at 1.2 billion. Then we have beverages at 393 million. And that's followed by topicals, concentrates, tinctures, and capsules. Now think of all of those licensed producers. And they've been reporting losses quarter after quarter after quarter. They've been building out inventory. They've been ramping up production. But they've been forced to sell their lowest margin product which is dried flour.

Now, in the months ahead, this is where everything will begin to shift. This is where their businesses will begin to change. And this is why I was preparing investors for this in 2017. And this is why I also preach that cannabis investing is a five to 10 year opportunity. I run a reefer retirement portfolio in one of my publications. We have dividend paying cannabis stocks, as well as some MSOs and CBD companies.

Because we're looking at the long run. We're going to take our licks in the short term, but I believe in the long run, we're going to win this marathon. I also want investors to keep in mind, we have real world data from the most mature legal marijuana markets in the world. That's here in the United States, Colorado, Washington, and Oregon. Once these derivative products hit the shelves, they begin to take up the majority of the market.

For example, back in 2014, when Colorado legalized cannabis, more than 70% of sales came from dried flour. Now that's less than half. We also know something extremely important. Outside of the current vaping crisis in the US is that smoking is bad for you, except for some reason in New Orleans. I've seen more people smoking here than anywhere else. But consumers are more willing to partake of cannabis in alternative forms. And it's these alternatives that draw new consumers into the market. And this chart right here shows that in the United States, as this vaping crisis has unfolded over the last couple months because of these illicit markets. Edible shares, have taken off. Like their percentage of the market has increased, especially once we saw that first death from vaping back in August ... At the end of August of 2019.

This all spells good news for Canadian cannabis 2.0 legalization because it's projected to bring three million new customers to cannabis. Which in a market the size of Canada really that's pretty significant.

Now in the intro, it was talked that I do a weekly video segment called Cannabis Now. And in it, I interview the CEOs of cannabis companies. I interview people on the legislative side. Advocates. Doctors. The doctor that we've been ... That's been a part of our group since 2018 actually told people not to use vape pens because of his concerns. But here I am talking a couple months ago to Greg Engel who's the CEO of Organigram which is one of Canada's big seven.

And what we were doing, we were talking about how the company was preparing for cannabis 2.0 legalization. And the important thing is ... Is they believe that they can produce an infused beverage that can compete with beer. In fact, like we talked about here, is saying that beverage and alcohol prices in Canada are higher than they are in the US. In fact, they can be two to three times higher. And so if people are looking for the most bang for their buck, they're going to turn to an infused beverage instead of a beer.

Now this market is also why Constellation poured four billion dollars into Canopy Growth. It's why Mulsanne Course teamed up with Hexo. It's why Anheuser Busch teamed up with Tilray because we know that this is going to be a big market.

These are just kind of some edibles opportunities that I like, not just here in the United States, but also in Canada. At the top is a company called Plus Products. It is a gummy producer out of California. Gummies are the number one selling edible in this country. Seven of the top 10 best selling edibles are gummies. Plus Products owns several of those. Dixie Brands has a deal with Arizona Tea to produce infused beverages. And then New Age Beverages is another company that I like in the CBD infused space.

This is expected to be over a billion dollar opportunity by next year. Because CBD in and of itself is projected to be a 21 billion dollar market just in the next two years and if you don't believe that's going to happen, you can buy CBD anywhere and everywhere.

The other two companies on here that I like are a sector that I think is very, very, very powerful. And that is extractors. That would be Neptune Wellness Solutions and Valens. Extractors have been outperforming the cannabis companies. In this year, they're more on the wholesale side. All of this derivatives need to be produced and made by somebody. And that's where a company like Neptune Wellness comes in. They have contracts with Tilray, Green Organic Dutchmen. This is a big opportunity for that segment of the market.

Now here's the thing. So we have a situation where cannabis shares are trading at their lowest level since 2017. We have pro marijuana legislation moving through Congress. We have US M&A making some sort of headway, either it's going to be re-negotiated which is a net positive, I believe. Or we're going to start seeing approvals and we have cannabis 2.0 legalization taking place up in

Canada.

I actually believe this is a moment for a turnaround because I'd expect some short term volatility, especially until that derivatives market gets up and running in Canada. Those Canadian producers are the big blue chip leading edge. Everything moves on those. But look at this way. If you missed the run up in cannabis shares in 2017. If you missed the run up in shares in 2018. Or if you missed the run up in shares in early 2019, whereas still closing out triple digit gains on positions, well you've been given another gift just in time for the holidays. I believe that long term outlook is extremely bullish for cannabis. Shares are trading at a deep, deep discount. And so this is an opportunity that I don't believe investors should let go up in smoke. Thank you.

Doug Casey

"The Triumph Of Socialism"

Gary Alexander: Doug Casey hardly needs an introduction here. He's been at this conference 40 years since 1979. Before his big famous breakthrough book Crisis Investing in '79, he wrote what became the best selling book ever in Rhodesia. A record that will never be broken because that country changed its name under the benevolent dictator that just died in this last year and got some glowing obituaries, strangely enough, in some news reports that I read. Mugabe, I believe his name was.

And Doug went on to write several other books since then, Strategic Investing in the '80s, and he's written a beginning series of seven books, written two so far, Speculator and Drug Lord, which I've read and reviewed in amazon.com favorably, and I'm looking very forward to the third one. Maybe he'll touch on that. He's an anarcho capitalist, which he may explain, partial to Austrian School of Economics. He's a professional speculator favoring gold and silver and resource stocks. He can be reached at caseyresearch.com and internationalman.com. He's visited over 150 countries, many of them in the '70s, and he's lived in 10 of those nations. He's visiting extensively in several more of them.

And so he's going to touch on politics, he's going to touch on investment, he's going to touch on the future. He'll be on our political panel tomorrow, as our gadfly, amidst those who will speak seriously about politics. He'll speak about somewhat of the futility of politics in America. So who knows what he's going to talk about. The grenades will come flying at you from Doug Casey. He's going to talk about the triumph of socialism and other subjects. Welcome Doug Casey

Doug Casey: Thank you Gary.

Thanks Gary. That was a reasonably accurate, but not totally accurate, introduction. I feel a little bit like my friend Harry Brown. Some of you out there, remember Harry, I'm sure. And a guy came up to Harry one time and asked him, "Hey, aren't you the guy that made $1 million buying gold in London?" And Harry said, "Well, kind of. It wasn't gold, it was silver. And it wasn't London, it was Zurich.

And it wasn't buying, it was selling. And it wasn't $1 million, it was only a hundred thousand dollars. And it wasn't me, it was my brother. And he didn't make it, he lost it." But so keep that in mind.

Anyway, friendly greetings and a warm hello. Last year I talked about why Western civilization is unique and the best thing that ever happened to humanity and why it's collapsing. This year, my title is supposed to be the triumph of socialism, which is quite an accurate title for a speech. But actually it's going to be much worse than that. Let me revise the title of what I'm going to say to the triumph of socialism, the meaning of Trump, why the US is on the cusp of a civil war, and why it will ultimately break up, so you nationalists in the audience are going to be unhappy to hear this.

First, a few words about socialism. Bernie Beto and these are their self declared socialists, they're not socialists. Marx defines socialism as a system with a means of production are owned and controlled by the state. No country in the world today is socialist, with the exception of North Korea. Certainly not the Scandinavian countries.

What these people, all these Looney Tunes Democrats, really want is a welfare state, which is kind of like socialism for a while. What they really want is something where everybody gets a guaranteed annual income, doesn't work and can sit around all day at the Starbucks drinking lattes. What we're really going to get, forget about socialism. It's a dead duck. Certainly Marxist socialism is. What we're really going to get is what we already have, fascism.

Now fascism's got absolutely nothing to do with jackboots, and black uniforms, and dawn raids and things of that nature, although we're going to get plenty of that kind of stuff as a bonus. Fascism is really just a corrupt form of capitalism where the state and large companies work hand in glove together, which has been the case in the United States since at least the 1930s. Actually before then, but it's going to be amplified. So I think it's very important to define these words, because if you don't use words accurately and you can't define them properly, you actually don't know what you're talking about. So when people use the word socialism and fascism, make sure these words are properly defined. I've given you the correct definition for them.

Now where shall I go? Can I possibly finish everything I want to say in the next half hour? Let's find out. So we're not going to have socialism, we're to have amplified fascism. So if we're not going to have socialism, what are we actually worried about? A lot of things are changing right before your very eyes. And have actually been doing so, I'd say for the last 40 years. Western civilization is in collapse and it's being replaced by an unnamed system, but let's call it political correctness. So what is political correctness? When I first heard the term, it was on Saturday night live early in the '80s, and I thought it was a skit where they had somebody being politically correct was supposed to be funny. I thought it was a joke. But it was completely serious and it's totally conquered a Western society.

Now, these concepts of political correctness used to be considered perverted, degraded, destructive. But now they're not only accepted, but they're praised and even required. They're completely antithetical to Western civilization and its values. And I'm touching a little bit on what I said last year, but just for a moment. Western civilization is the only civilization in world's history that's worth the powder to even blow it to hell. The others are completely worthless by comparison, with some mild exceptions, like from the orient. China, for instance. I'm a big fan of Taoism, zen, the martial arts, Peking duck, moo goo gai pan, chop suey. Okay, so you got some good things from China, even India. You think that 1.5 billion people over 4,000 years would come up with something? Yes, they came yoga. Okay, good deal Indians, well done.

But let's talk instead about Western civilization, which is responsible for almost all the good things that we have in the world today. There are lots of reasons why it's being washed away today, economic, financial, political, social, technological, and military. But I'm going to concentrate, since I only have a few minutes, on two big ones that most people don't even think about.

These are demographics and culture. These are two big things. People don't talk about them when they talk about the collapse of civilization. What's happening today, and the trend has barely just begun, is the biggest thing that's happened in history since the battle of Adrianople in 378, when the Visigoths broke through. And within the next 30 years, there were at the walls of Rome looting the city, 30 years. That's when the collapse of the Roman empire actually happened. It was because of a barbarian invasion that started then, forget about 476, that was academic. Now, the same thing is happening as we speak to the US, and even more so in Europe.

Up to the mid 1960s, the US was a homogeneous society. Not so long ago, the country was basically made up of white Christian people of European origin. If you're going to have a country, it's good for it to be homogeneous, not multicultural. But since the late 1960s, the US has been inundated with migrants from all over the world. It's no longer homogeneous. It no longer has cultural traditions that we share together. In fact, you're aware that Columbus Day no longer exists. It's been replaced by Indigenous People's Day, and Columbus is no longer seen as the hero who discovered the new world, he's seen as a mass murderer who wiped out indigenous people. But they've changed the name of that. You can't even name a sports team, the Braves or the Redskins or the Indians anymore. This is completely out of control.

In fact, Americans no longer even have a religious tradition. It used to be this country was founded by gun-toting Christians. This is totally, it's anachronism. Say what you want about Christianity, and I'm not a religious person, but it was something that Americans could share, that they had in common, but it's no longer a major element. The US is becoming like Europe where it's there, but nobody cares about it. You create a vacuum. Religion gives people some kind of a moral framework and when religion goes away, creates a vacuum and that vacuum is going to be filled. I think it's going to be filled by Mohammedanism. Mohammedans take their beliefs very seriously. I've actually read the Koran. Believe me, I actually read it word by word and I have to agree with HL Mencken what he said, reading the Koran is like listening to a dog down in all fours barking. But it just goes to show people will believe almost anything.

But anyway, in many places the churches are going to be replaced by mosques, and Santa Claus is on his way out because he's an elderly patriarchal white guy. He's got to go. I guess all we'll have left is the Easter Bunny. Now I know what you're thinking. Well wait a minute, Trump is building a wall that's going to save things. Will Trump's wall hold back the tide? Yeah. I guess about as much as the child sandcastle can hold back the ocean on the beach shore. Waves are going to wash it away for all kinds of reasons and I promise you, in the years to come, this is a radical change, Minneapolis is going to resemble Mogadishu. San Diego is going to merge with Tijuana. Cleveland is going to be renamed New Damascus, and Miami is going to resemble, not even Havana, but Port Au Prince. So big changes on the way, but these changes are trivial by comparison to what I'm talking about.

Do you know what the three largest cities in the world are going to be by the end of the century? Nobody will guess. I'll tell you. The largest is going to be Lagos, Nigeria projected at 200 million people. Second largest, Kinshasa, Congo, projected 120 million people. This is gigantic, mind blowing. Third largest, Dar es Salaam, projected 80 million people. This actually isn't going to happen for lots of reasons I don't have time to get into now, but this is what the UN says.

They say that by the end of the century, they're going to be 13 Billion people in the world and 45% of them are going to be from Africa, south of the Sahara. Okay, you can like it, you can not like it. But I'll tell you what's going to happen, these people are going to conquer Europe. Not just millions, but tens of millions. I used to make a joke, there's nothing wrong with Canada that 50 million Nigerians can't cure. We'll find out. Same thing with Europe, except there will be 200 million Nigerians, a big change. So the colors of the map on the wall have always been running since the barbarian invasions. But this is the biggest thing that's happened since the fifth century. Okay, that's the demographics. Demographics have a life of their own. But let's talk about culture, which is really very important.

There are 12 things that I've listed that made the US and Western civilizations special and different. And incidentally, I said the US not America, because America doesn't really exist anymore. It's been replaced by the US, which is just another 200 nation states that are covering the face of the planet like a skin disease at this point. So let's talk about the 12 things that made America different, and Western civilization. Free speech, no more. You've got double think and thought crime. Control thought, you control speech. Second thing, free speech, controlled speech and you control thought. You can forget about the first amendment. This is a world of hate speech and trigger warnings. Third, free markets. Well, we'll kind of have them under fascism. Fourth, concept of limited government. How can you have that if you want to get things done and move forward? You need a strong government.

Fifth, individualism has been replaced by identity politics where you're not an individual, you're a member of a race, sex, gender, religion. Six, rationality. Political correctness is a secular religion. It runs on superstition and group think, but rationality is going down the toilet. Seventh element, liberty. That's too dangerous, you can't have it. It's better. It's safer, safer to have lots of laws to control people, have safe spaces. Eight, the concept of progress, peculiarly Western concept incidentally, but you can't have progress in a world where no one is left behind. Equality comes first. And equality, incidentally, is not the same thing as justice, which is going out the window.

Privacy. Instead of a privacy, you can forget about that, you've got to have transparency, which is now considered a good thing. The concept of "mind your own business" doesn't exist in collectivist societies. The social credit system of China is coming to the US, so forget about privacy too. Property rights. They're being replaced by poverty rights. Property equals privilege. Privilege is bad.

Rule of law. I don't believe in many laws. I believe in the second law of thermodynamics, for instance, and not too many other laws, but there are two laws. One is do all that you say you're going to do, and two is don't aggress against other people or their property. That's all you need to know about law. But those two laws are not observed, but they're being replaced by millions and millions of little ones where responsibility is micromanaged by the legal system. And 12th, industrialism is being replaced by green-ism, global warming, save the birds, save the bees, save the whales, save those snails. That was my George Carlin impression for those of you who don't know.

Now, let's get into the interesting stuff. Trump and a civil war. This is what you all want to hear about. These disturbing trends in demographics and the culture are basically why Trump was elected. He wasn't elected because of his profound political and economic views. He doesn't have any. He was elected because he's outspoken and he distinguished himself from all those worthless, wimpy politicians that he was running against in both parties. It's because he's a cultural conservative. That's why he was elected. People can't formulate and crystallize the things that I've been talking about, but they can sense, like animals, that something wicked this way comes. And that's why they voted for Trump, people in middle America that is. He's a traditionalist at heart. He wants to see the US return to the days of Ozzie and Harriet, father knows best, leave it to Beaver, Happy Days. Okay? Oh well, don't we all?

That's essentially why he was elected and why he's still so popular in some circles. And that's despite the fact. But despite the fact he's culturally conservative, he has no core values. This is important. He runs strictly on gut feeling. He has no central philosophy or intellectual beliefs. It's just whatever seems like a good idea at the time. He knows a lot about real estate speculation on high leverage, but he knows absolutely nothing about economics. It doesn't matter. The big issue is the culture and demographics and he's on the right side of those two things. Okay? So that's why I'm not opposed to Trump, even though he's disaster in every other way, because those are the two big things.

Now he's also a nationalist. He's even a jingoist. But you can't be a nationalist or a jingoist in a multicultural society. It's a contradiction. Okay? But we have a multicultural society now, so let me put it this way, Trump has got some real pluses, but no philosophical center. But just because he's not politically correct doesn't mean that he's a political conservative. Certainly not a libertarian. He's authoritarian, which is not good. He's a statist politically. He doesn't have a clue economically. He's going to destroy the currency. Anyway, like I said, the important things are demographics and the culture, not those things.

He really wants to blow the stock market and the bond market and the real estate market to new highs, and this is absolutely riding for a fall because we're looking at the greater depression. And I've said this for years, that this was inevitable and it's building up, but we're really on the cusp of it now unless we have a crackup boom because of all the money they're creating. What about the civil war? Is that possible? It was actually mentioned on Bill Maher's whatever he calls his show the other day. He actually talked about it for the first time. Trump is not going to be the cause of the civil war, like Maher idiotically said. He's a catalyst for it and we will have something resembling a civil war in this country. And let me tell you why.

The unpleasantness of 1861 to 1865 was not a civil war. It was a war of succession. Very different. Civil war is where two different groups are fighting for control of the same government. A war of succession is where one group just wants to separate from the others. That's what the so-called improperly named civil war was, a war of succession. It should be called the war between the states. In fact, look at another war we've had, the American revolution. Yeah, it was a revolution, but the fact of the matter, it was also a war of succession of the 13 colonies from Great Britain, and it was a civil war. Why was this a civil war? Most people are unaware of this, but about roughly a third of the colonists were prosecession, a third were pro the Crown, and a third really didn't care. Okay.

So the revolution was much more complex and nastier than most people generally know. But keeping in mind, the difference between a civil war and a war of succession, I think it's possible the US could have both, like we did in the revolution. Now, why is that? These people in the red counties and the blue counties actually hate each other. It's visceral. It's gut feeling. They despise each other. Actually, they can't even talk even at Thanksgiving dinner with each other. And that's what happens before a civil war. It's not just about some issue, it's about a whole moral paradigm. And Trump is acting as a lightening rod for both groups. It's pretty dangerous. That's what happens. It's a moral divide before a civil war. And what we're seeing now is worse than what happened during the 1960s, which was our last cultural revolution.

But even though there were thousands, thousands of bombings in the late '60s and early '70s, it was, from a cultural point of view, trivial, trivial compared to what's coming now. Back then, you might recall, there were just three major television networks and a few newspapers basically. And all the communication was kind of centralized and people believed in Walter Cronkite, and so forth. Totally different now. There's thousands of channels of communication. Anybody can say anything across the country to anybody. And it's all about Facebook and social media and the internet. So this is potentially explosive because when a fire starts, it can spread, unlike in the late ‘60s and early ‘70s where it was still basically one girl tells another, tells another. And it happened in the 1850s. It’s going to be a lot easier to happen in the 2020s.

On the other hand, will we have a civil war? Most people aren’t armed today, or they don’t know how to use guns. They’re anti guns in America. You guys aren’t, but most Americans I’m talking about. You’ve got a whole generation that’s saddled with student debt buried under unending car loans. They got credit card debt. They got no assets. They got no marketable skills. They’re living in their parents’ basements. They’ve been indoctrinated by collectivist ideas. Well, maybe they’re up for a revolution, they’re unhappy. But on the other hand, the whole country is going gray. 25% of the country, closing in on that, is over 60 years old, and when you’re over 60, you don’t want to go out there and be a street fighting man anymore. You’re kind of past that.

Anyway, what are the chances that transsexual fat kids playing video games in safe spaces are going to go out and be street fighting men? I don’t know. I’m back and forth as to what the nature of the civil war is going to be, but I’ll tell you this. How do you solve the accelerating, it’s accelerating, demographic cultural and political collapse that we have in the US? The best option is for the US to break up. I know that’s outlandish and outrageous, to the nationalists in the audience. But let me give you one example. What do you think the chances are that young Chicano males in Los Angeles are going to pay 20% of what they earn to support the Medicare and social security of old white broads in Massachusetts? When the going gets tough as the greater depression, as we go into the trailing edge of this hurricane that we’re in the large eye of the storm now, they’re not going to do it.

So it’s not just going to be blacks and whites. You’re going to find riots for economic reasons. Now, many are shocked when I say that I’m also against the constitution. The constitution, sacred document of 1789. Why? I think we would have been better off economically, and every other way, if the original colonies had just stayed in an improved Confederation. And that’s what the convention of 1789 was all about. It was just to amend some problems that they discovered with the Confederation, but instead it was like a coup. They rewrote the whole document and, idiotically, they centralized all the power, in what later became Washington DC.

So I’m telling you that the US will break up for the reasons I’ve been giving you. Nothing lasts forever. People who think this country is going to be even remotely the same in 50 years, forget about a hundred years, aren’t thinking clearly. They don’t have a grasp of the history flows. Don’t know anything about what happened in the fifth century for one thing. Look, the multicultural majority in this country don’t share the same language, the same traditions, the same religion, the same race, the same values, or anything. In fact, a lot of them hate each other. And it’s very fashionable to hate white people right now who are the diminishing majority.

I used to say, "Well, wait a minute. Okay, okay, some of that stuff will happen. But what about the military? We can all agree on the military. We all love our military, right?" Well, no, not really. The military is one of the big problems that's going to lead to this whatever it looks like, kind of a civil war? I'm not sure, like I said. First of all, after social security, Medicare, Medicaid, and other welfare programs, because they're all welfare programs, the military, the trillion dollar military is the biggest expense. When times get tough and the deficits get even bigger, there's going to be fighting. People may not love the troops quite so much.

Number two, the troops are not defending America. They're working for the government, promoting the interests of the government in all kinds of shithole countries around the world where they shouldn't be. And they're drawing in outside attacks to the US, because believe it or not, those foreigners don't like American soldiers in their country anymore than we'd like foreign soldiers in America. So that's number two, why you can't rely on the military to save the day. Third thing is all of our expensive high tech weapons are not assets, they're liabilities. F-35s, B2s, aircraft carriers, they're basically expensive junk. They're going to prove in what World War III probably is going to turn out to be, about as valuable as cavalry before World War I, or battleships in World War II.

But the final problem with the military, which everybody loves or is supposed to love, is that it's a giant golden hammer roaming about the world looking for a nail. And I'm afraid that to unite the country, because politicians know that war, big wars, not little crappy wars, big wars, unite the country, and I'm afraid they might start one with, maybe with Iran or even with China. I'm not talking about sport wars, like with Afghanistan or Iraq. I'm talking about the real thing. And that's the final problem with having a powerful military. Americans still do trust the military, I understand that. But it's extremely dangerous. Edward Gibbon said, talking about the Roman empire, "Any order of men accustomed to slavery and violence make for very poor guardians of a civil constitution." Which incidentally, in this environment, is exactly why, not this time, well maybe, but the next time I bet one or both parties put up a general because they can get things done. They're organized, they're trustworthy, and there'll be a total disaster.

So Trump loves the military, which is natural for a statist. But the good news about Trump is he may see the pointlessness of all these foreign wars, just making lots of enemies while they bankrupt the country. He's getting troops out of the Middle East, quagmire. Maybe slowly, but maybe. Maybe he'll even stop building up quagmires in Africa, which is where the action's going to move to unless he does something. But it won't work. The deep state loves wars and warmongers absolutely control Washington. So when the military fails it's going to be a gigantic, disuniting influence along with all of these other things I've been mentioning to the US, so you can forget about that. Only a teeny weeny portion, most of you guys understand it, okay. Most of you guys were in the military or are of an age, and all this type of thing. Okay.

But the average American has zero idea about the military and the military is actually like a separate distinct subculture now in the US. They really basically just talk to each other. And incidentally, sadly, most cops are ex military guys, and they just talk to each other too. And who are they loyal to? First to each other, second to their employer, the government, and the servant protects stuff is just nonsense. It's window dressing. So look out for that. There's a lot more I can say for say about this, but let me wrap up. I'm only a minute over time. I think they'll give me another minute.

Bottom line, Trump has his hands full. I don't think, those of you who are around in 2015 or '16, whenever I made this speech, I said I think Trump was going to be elected, and I made a money bet, which I won, that Trump was going to be elected for the reasons I'm a cultural conservative. That's key as to why he is where he is. But I don't think he'll be real active this time. And I'll give you four reasons why I don't think he will be.

I can change my opinion. A year to go. First, the economy is finally likely to come undone, maybe catastrophically, as we go into the trailing edge of the giant financial hurricane and the greater depression really evidences itself. And bad economic times do not augur well for a reigning president. Second, there are four more years worth of leftist indoctrinated millennials who had been cranked out of high schools and college. Don't send your kids to college. Do not give money to any college. Just a word to the wise. I'm sure you'll do it anyway and your kids will go to college. I'm very sorry for them. But anyway, there's four more years worth of these people out there and they're all voting. They're all very political.

Third, there's another four years of migrants who have entered the country who want to stand in line for free stuff, and therefore vote for the Democrats. Now, I actually kind of hope Trump is elected because he's going to be better than one of these criminally insane Democrats. Okay. That's the good news. But the bad news is, is if he's elected and things really get bad, you can be sure that the next president, if there's another election after that, is going to be ultra lefty because they'll blame, they falsely associate Trump with free market and capitalism. He's not. So actually we might be better, from a long term point of view, if a Looney Tunes person is president. But maybe not because once they're in power, you can't get them out. I don't know. There's no way out of this. There's no way out of this.

Forget about the big, big picture. Okay? It's interesting, intellectually stimulating to look at these things. We can stay up until three o'clock in the morning and be at odds with each other, have a lot of fun. But here's what you got to do. You got to buy gold. Okay? It's the only financial asset that's not simultaneously somebody else's liability. It's going higher, you've heard this from other guys. And you need wealth to insulate yourself. Well, they'll try to steal it from you, but still it's better to have it than not have it. If you want to speculate, I think these crappy little mining stocks, what Grant said is absolutely correct, and the other guys. We could have a real gigantic kick at the cat, and these crappy little stocks could go 10 to 1 as a group. Some of them will go a hundred to one from my mouth to God's ears. Okay?

Third. The third thing is look at second and third generation cryptocurrencies. You all know about Bitcoin, okay? That's come and gone. I think it's going to go higher. Long story, I won't talk about that. But some of these second and third generation things, my friend Marco Woodson, who really knows this stuff, really does, makes an argument that some of them will not just go a hundred to one, but for real reasons, usability could go a thousand to one. So you got another kick at that Bitcoin cat, kind of. Okay, so make a note, I said it. I may be wrong. I don't think so.

Fourth thing, diversify internationally. As dangerous as the markets are, the political situation is much more dangerous than the financial markets to your health and wealth. So if you can afford it, most of you, can try to get a crib out of this political jurisdiction. And I don't mean Louisiana, I mean the US. And we have to wrap up. Good. I'm finished. I was going to say after this, I'm going to have a book signing of the first two novels that I've done. There are five more to come. Winding up with... Well, it's too radical. But stop by the Legacy Booth, it's 127 and I'll sign a novel for you, and you can be entertained further with these outrageous thoughts that I've regaled you with. Thank you. Thank you, thank you very much.

Closing Panel A Retrospective And Look Forward

Mary Anne Aden, Pamela Aden, Gary Alexander, Adrian Day, Brien Lundin, Rick Rule, Mark Skousen

Gary Alexander: We're going to have some fun. We're not going to get too deep into the markets. We've had three and a half days of pretty hard study with a lot of charts and a lot of data and a lot of information. We're going to relax a bit tonight. Please take your places, panel, behind your names up there. We're basically going to talk about your first experience with a conference for each panelist, going way back in the time machine.

Some of your most humorous, most serious, most interesting encounters. We're going to go a bit behind the scenes, to some of the behind the green room curtain back there, and some of the people and the encounters that we've had with the VIPs over the years. Because, as the sign says up there, this is more than a conference, it's an event, and we've had some wonderful events over the last 45 years.

We'll also do a little looking forward. We hope all of the panelists up here will be around for the 50th in five years. We never have any promises, we hope we will be here for the 50th, so I'm going to open, going down the line, starting with Mary Anne and Pamela Aden, and ask each panelist, please reminisce to your very first conference.

This can be either as an attendee or as a speaker, and it can either be here in New Orleans or one of Jim Blanchard's overseas conferences, which he held in the late '70s and most of the '80s in places as far away as Hong Kong, South Africa, Costa Rica, all over the planet, which he held, first of all, under the name of the National Committee to Legalize Gold during the first year.

Then, after that, the National Committee for Monetary Reform after gold was legalized. Any one of those first experiences, tell us what it was like to walk into the room and the experience, the energy, and some of the speakers that you felt were most impressive in your very first conference. Mary Anne and Pamela first.

Pamela Aden: Okay. Well, I'm Pamela and my very first was as an attendee and as a student of the market in 1977 in the Fairmont Hotel right here in the city. We came together and we were very excited because we had been studying the markets and we were excited at that time that gold was in a bull market and we were very excited, so we came and we were overwhelmed with all the speakers that were there, and it was just a very unusual ... It was really special for us at that year, 1977.

Then, the next offshore following that, Mary Anne will talk about.

Mary Anne Aden: The following year, we went to the offshore that was in the Bahamas, and that was super exciting because we met Jim Blanchard, we met Richard Russell, we met some of the people who we'd been reading their newsletters for many years and so it was a real thrill. I just remember we were so starstruck because Harry Schultz was there, I believe, and so there was a lot of people who we had studied their work, their books, and so we were actually meeting them.

Then, years later, as it turned out, some of those people were the ones that encouraged us to start our own newsletter, which, actually, Jim Blanchard was the one that launched it. We have really a lot of fond memories of this conference, of the people from then and right up to the present.

Gary Alexander: Brien, I know what year you were here first as I was the first man to meet you in the company, but I'll let you tell the story.

Yeah. I was looking for a job and responded to an ad for a copywriter and went to the old Blanchard & Company headquarters, which was a tin shed, massive tin building in Metairie. Weird place, it was really unusual. I didn't know what I was getting myself into, but I got a writing test and a number of other people were taking this test and a couple of days later, I was notified that I had won the writing test and to meet Clayton Makepeace, my new boss, down at the New Orleans Investment Conference.

It was in the Old River Gate, which had these big concrete beams just stripping with asbestos. I go in there and they had a ... I don't think it was in River, it was probably in the Hilton where they had an oyster bar. I meet Clayton at the bar and he says, "You got the job, you start Monday, but I have all these deadlines due on Monday and it's Friday afternoon, so here," gave me a stack of work and said, "Write all this and show up Monday."

I didn't really get to enjoy that conference. I worked all weekend on my first job and that's the way it started for me.

'85, right?

'85. Mark, how far do you go back?

Mark Skousen: Well, I go back to 1975 and my most memorable event at the ... This is one year, the conference started in 1974, so I missed on '74, but in 1975 I attended my first conference and I'll never forget Jerome Smith, and I'm sure most of you in the room ... I don't know if any of you remember Jerome Smith ... A few hands went up. He had written a book, "Silver Profits for the '70s," and he made a prediction, and he was famous for his predictions.

One of his predictions was silver will double and then double again, and he was absolutely right about that prediction. This was 1975, after he had made that prediction, everybody wanted to hear what he had to say. There must have been over 1,000 people in the room as he got up to speak and he says, "I want to make a prediction." He says, "In five years, in 1980, the dollar will be worthless," and I said, "Oh my gosh, what a prediction."

I wrote it down because I thought, "Wow, this guy knows what he's talking about, about silver and so forth." This was before the Aden sisters had shown up. He discovered you, right?

Mary Anne Aden: Yeah.

Pamela Aden: We worked for him in Costa Rica, in fact. He came down and he had bought the company we were working for, and this was after the '77, '78, we came to these conferences as attendees and students of the market at the time. Then, when we met Jerome, he was the silver guru of the '70s. He actually single-handedly caused the Hunt brothers from Texas, I don't know if you remember the brothers, they were oil men, and they tried to corner the silver market based on Jerome's recommendation.

Remember, that was really a hard one for them. That was right at the peak, so you can imagine what happened after that, but that was very famous in those days. The Hunt brothers and Jerome Smith. When we met him, he was at the top of the world. We worked for him, actually. We were his research department along with Bob Meier.

Mark Skousen: Now Pamela, this is my story, not yours.

Pamela Aden: Okay, sorry.

Mark Skousen: Thank you-

Pamela Aden: Well, you asked me.

Thank you for dominating Mark's time.

Mark Skousen: Back to my story about Jerry Smith, so he says the dollar would be worthless by 1980, in five years. Wrote it down. Well, five years came and gone, we still had dollars in my pocket, and just so happened I was at the next New Orleans conference in 1980 and we had a dinner and I sat right next to ... By accident, with Jerry Smith, and I turned to him and I said, "Jerry, what about that crazy prediction you made five years ago? Do you remember that when you said the dollar would be worthless by 1980?"

He said, "Mark, you misunderstood what I said. What I really said was the dollar will be worth less." Okay, so you can see he's never wrong. Jerry Smith was ever wrong.

Gary Alexander: Rick Rule?

Rick Rule: I believe I was first here in 1987 or 1988, one year or the other. My first-

Mark Skousen: I think it was '85.

Rick Rule: No. My principal memory of that New Orleans conference was simply meeting Jim Blanchard. Just this energetic, intelligent, incredibly warm human being. Asked you a question, made you feel, at least at that point in time, like you're the only person in the room, wheeled around in his wheelchair about nine miles an hour, motioning me to come faster than I could walk so that I could meet somebody that he was determined that I should meet, so that we could both make our fortunes together.

I just remember this larger than life human being that kept me coming back year after year.

Gary Alexander: Great. Adrian?

Adrian Day: Yeah. I think my first one was 1983 and part of what I remember about it was, before the conference, when I got a call from Jim Blanchard, invited me to speak at his conference and saying he would pay me to speak. I was just some young kid at that point, a nobody. Nobody knew who I was. Right? I was Mark Skousen's managing editor, for goodness sake. I corrected Mark's grammar mistakes, that took a while.

Mark Skousen: Full-time job. Oh my god.

Gary Alexander: Where'd you buy his hats?

Adrian Day: I got this call from Jim Blanchard invited me to speak and saying he'd pay me. I thought I had hit pay dirt. I came down here and there was Harry Brown and Richard Russell, and Jerome Smith has been mentioned. I'm not sure if Harry Schultz was at the conference or if that was a later one, the offshore.

Mark Skousen: He never came to any in the states.

Adrian Day: Yeah, no, but there were all these names that were on my bookshelf and I was on the podium with the same people. I think Mary Anne said starstruck; that's the way I felt. Also, as Rick mentioned, Jim Blanchard, what a larger than life character. Again, I was just some young, long-haired kid who was managing editor to Mark and yet Jim treated me as though I was some star. Well, he was a wonderful man, but it was quite an experience.

I also remember some of the stuff that happened back in the green room, the egos between some of these speakers, no names mentioned, but someone insisted he wasn't going to speak unless he spoke before someone else and he got top billing and someone else didn't and it was crazy. Of course, we don't have any egos in the [crosstalk 00:11:03].

Gary Alexander: Well, my first year was 1981 and I was working with Adrian up there in Washington, D.C. for Bob Kephart, and Bob was a prince of a man. He said, "You really need to meet Jim Blanchard," because Bob was selling his company and he thought that Jim Blanchard was the logical next person I should work for. I went down to the '81 conference, that's where Ayn Rand was there and very wonderful memorable speakers there.

What I remember is that she spoke right after George Gilder, who was a Christian, and she says, "I better not speak after that mystic." That was her word for Christians, which she did not appreciate, and she was older at that point and did not like being photographed so she said, "Get these photographers out of here. I am an old woman who does not want it." The photographers, as in a free market, backed way off and used telephoto lens and still got their shots of her.

I was so in awe of Jim Blanchard at the time, as some of you implied. He was such a god to me that I was nervous; I didn't walk up and introduce myself. The whole conference I didn't, and I wrote him afterwards and applied for work. The next year, Jim and I got together and we had wonderful years together, a wonderful person. I did come to work for Jim throughout the rest of the '80s, but one other thing I remember is the Adens were very popular.

It was just a turn away room when you were speaking there and you were quite popular. One thing I heard there was ... It was in this hotel at the time that year, there was a meeting of bankers and some of them were involved with Federal Reserve System, and they heard some of the speeches in our conference and they came up to me because I was a journalist, I was reporting on behalf of a couple of newsletters.

They said, "You're a journalist. Are you going to report on these nuts that are speaking here? These guys are crazy. They're talking about the problems with the Reserve Clause, and they're talking about the problems with a fractional reserve banking system. They favor the gold standard!" I said, "Yeah, I'll report on them. I will." That was my first experience, 1981. Why don't you comment? You mentioned some of the people in back in ...

My wife, by the way, Karen Alexander was speaker coordinator here during the '80s. She has a lot of stories about the VIP speakers, some of the great political people that have been here and so forth where she was able to bring them to and from the airport and bring them their refreshments and so forth, take them to their meeting halls. They're by and large just wonderful people. I've got to tell you, Henry Kissinger and William F. Buckley, they were just princes to work with, by the way.

That's what I hear from her, but what are some of the stories that you have running in with VIPs in the back rooms and so forth that you have had over the years? Anybody?

I had an incredible experience the year that Margaret Thatcher spoke. Jim, Lacia, and my wife, Fran, and I were at a lunch and they had some of the other speakers that Jim had that year. I think it was a 20th anniversary year. We went to ... Which is the hotel down-

Adrian Day: Windsor Court.

Windsor Court, obviously the British hotel. We went up there and walked up and her security came up and said, "Mr. and Mrs. Lundin, good to see you." They had already taken our pictures, checked our backgrounds, knew who we were, took a picture with us, sat at the table, and Jim had sat Fran and I at her left, they were at her right. We sat there for the ... For some reason, Lady Thatcher was talking to us, because our kids at the time were the same age as her grandkids.

We were talking about kids and family and what kids will do and everything else, and Jim Rogers is at the end of the table, and he had had enough of that. He barked in and he said, "Lady Thatcher, what do you think about the Euro? Why didn't you join the Euro?" and so she looked up from talking to us about her grandkids and looked at him and gave her pat answer, whatever, the pat answer, turned back to us and continued her story about her grandkids.

Jim Rogers is pretty pugnacious, as you know. He says, "Well, we've all heard that. What do you really mean?" and she slowly looked up at him and fixed her eyes on him, and nobody to this day knows what she said or remembers what she said, but she slashed him to rhetorical ribbons with her tongue, just like she did sitting in the well of the House of Commons, then finished, and turned right back to Fran and I and continued her story about her grandchildren.

I looked up and there were jaws all on the table, all the way around. I can tell you that we had a lot of big name speakers at this event, some of them are empty suits. Some of them, yeah, they were your best friend for an hour because you paid them a big check and they were gone. She was genuinely the real deal.

Gary Alexander: Well Mark, I remember you being backstage to greet Mrs. Thatcher when she was coming onstage. You have a way of being around VIPs that has just astounded me over the years.

Mark Skousen: Well, actually I like-

Called stalking, I think, in some quarters.

Mark Skousen: There are some interesting celebrities. Do you remember when Chuck Connors came, from The Rifleman? I'll tell you, he was a fascinating person, as well as James Arness. I think he came one time we had-

Charlton Heston.

Mark Skousen: That Charlton Heston experience-

Gary Alexander: Milton Berle. Remember?

Mark Skousen: Milton Berle, that's right.

Gary Alexander: Charlton Heston was an incredible speaker, obviously. One of the few speakers we had that had the teleprompters up, so he read his speech, and he gave a rousing speech. It was Moses at the podium, just incredible speech. We told him beforehand, "You have 45 minutes to speak, Mr. Heston. We're looking forward to you. You can take Q&A if you like." He gave the most arousing 20-minute speech, had the crowd clapping, thundering, and then walked off the stage.

Mark Skousen: Yeah, and had his car running. He left right away, he said, "Keep the car running."

We had 25 minutes of reverberating dead air after him. One of the few times you were ahead of schedule in the conference history.

Mark Skousen: One of my favorite stories is Nicholas Deak, and I don't know how many of you remember Nicholas Deak of Beacon Company, but he was a curmudgeon Hungarian who didn't suffer fools gladly, let's put it that way. I was standing next to him one time when Jim Blanchard had an Arab Sheik appear. This was when we were in the ... Where Harrahs is right now.

River Gate.

Mark Skousen: The River Gate.

Gary Alexander: Yep.

Mark Skousen: It's a big room and there's over 1,000 people in the audience and so this Arab Sheik is put up there as one of the keynote speakers and the Arab Sheik gets up there and begins speaking, and I'm standing right next to the Nicholas Deak, who, as a former CIA man and one who's had lots of experience in the Middle East and in Europe and with Russia and with Asia and so forth, within 10 seconds of this Arab speaking and the guy is dressed up in Arab garb and everything, Nicholas Deak turns me and he says, "He is no Sheik!"

I said, "Well, how do you know that?" He said, "He is no Sheik. He is not real." It turned out that this guy was an imitator, he was a comic, and gradually you recognize that it was all just a fake story; he was just there as a comedian. Deak, he was that good, you could really depend on him. A journalist and I approached him one time and said, "Listen, we'd really like you to write your autobiography about your life, but it's got to be a tell-all autobiography."

He stiffened up and he said, “Never.” He was the type of person who would not reveal any secrets at all. The last time I talked to him, we were discussing how you would disarm a person. If somebody came up to you and pointed a gun at you, what would you do? Nicholas Deak says, “I’ll show you,” so he went like this, and he says, “Shake my hand.” He grabs it just like that, he says, “I would knock the gun right out of your hand, just like that,” and he was really quick.

A month later he was shot by this crazy woman in New York, walked in, this woman had a pistol, pointed it right at him and killed him.

Pamela Aden: That’s right.

Mark Skousen: I’ll never forget Nicholas Deak telling how he could just disarm a person like that, but-

He used up his one good move.

Mark Skousen: He used up his one good move. You know what I’m talking about, Michael. He was a very interesting character, that’s for sure, Nicholas Deak. His story has never been written and probably never will be, because he died with a lot of secrets.

I’d like to tee off what Rick said and talk about characters. The biggest character of all was, of course, Jim Blanchard. We all know that, and when I first started, it was the second or third day that I was working in that crazy building with all those crazy people. I got called in to meet Jim Blanchard and I go in there and, of course, I’m bumping into Lacia, running around, trying to take care of all Jim’s everythings, which is a job for five people, but she managed it by herself.

I sat across from him at his desk and just talked with him a while, just a genuine guy. I guess we hit it off because there was a week or two later I was told that I was invited to go on a fact-finding trip to Washington, D.C. You remember that trip, don’t you?

Rick Rule: Yeah.

Yes, and a fact-finding trip to Washington, to the heart of the evil empire. I had no idea what this was all about, but I soon found out and I soon learned a lot more about Jim Blanchard on that trip. We got a number of the executives in the company, David Gland, you, me, Jim, I can’t remember who else went, but we end up going to Washington for a few days and it was smoke-filled rooms, meeting with Congressmen, senators and lobbyists, and people lobbying for tangible assets.

At one point during the trip, we had a little bit of a lull and Jim says, “Let’s go to the Russian embassy.” Everybody says, “What?” He says, “Yeah, let’s go get in the Russian embassy.” “Well, do we have an invitation?” “No, we’re just going to BS our way in,” and in sure enough, Jim’s rolling down the street, rolls up to the Russian embassy, rings the doorbell, and he says, “We’re looking at business interests,” and he absolutely ... “We want to do business in Russia.”

They wheeled us into some room, they have all these cameras, microphones, everything else, and they're trying to figure out if we want to spy for them or whatever, but Jim actually BS'ed them into an hour and a half meeting and just sat there, and I am biting my tongue the whole time. That was just a sign of things to come. Being his right arm over the years, we would have a lot of people come into town to meet Jim Blanchard.

Sometimes Jim would say, "We've got to get this meeting over with, how do we know when we're going to end the meeting?" I said, "Jim, you've got to have some word that isn't common that we can have as a key word and that's when we decide, 'Okay, the meeting's over.'" He says, "Well, what word can we have?" He happened to have a signed picture of Geronimo on his desk. I said, "Geronimo." "All right, that's good. That's a good word."

We never realized, never thought ahead, that you cannot work the word "Geronimo" into a business conversation, but Jim didn't care. When he got tired of a conversation, he would sit there and he'd just say, "Geronimo," and it was like, "Oh okay," and we'd all get up and leave. People would look around and go, "What?" That was a daily basis with that guy, he was unbelievable.

Rick Rule: Yes. We had trips, Lacia and I and Jim went to Honduras and Nicaragua and the Adens helped us. We did some things that I cannot believe, to this day, the way Jim is able to smuggle freedom literature into Nicaragua and rescue some contras, and I didn't believe that we could get out of there alive sometimes. The chances Jim would take and always come out, it's just amazing.

Pamela Aden: I know. It really was. He invited one of the contras at the time that was an active contra, because we happened to not know them, but in San Jose, so he's invited them to come up and he spoke here at this conference, one of the contras at the time in the '80s. We want to, one, add how special Jim was to us. When we first met him, he came to visit Jerome when we were working there and we were writing the gold study.

He said, "Okay, come to the conference and speak." This would have been our first time, it was 1981. We went and spoke at the conference and, of course, we wrote a 30-page up thing, we didn't even know what to call it. He said, "Well, we'll just call it the gold study." We wrote that and they sold it at the conference, they remember that. Anyway, then Jim said, "Come on up and let's start a newsletter," and we go, "Oh really?"

We came up and we were in that same tin factory office of his, and it was then him and David, and David was 28 years old. He said, "Let's start a newsletter," and so we said, "Well, okay." He got it all set up and he did the promotion, we wrote, and it started in 1981, in July.

Gary Alexander: David was 28 that year.

Pamela Aden: Yeah, he was 28.

Gary Alexander: A young man. David Gland ran the conferences in the '80s, yeah.

Mary Anne Aden: I just wanted to add, too, that Jim was always just so upbeat and had such good energy and good vibes and so good to us and good to everyone that he dealt with, and he was also a lot of fun. In those days it was our younger day, so we did have our share of fun and laughs and parties until late and that, but it was always just a real joy to be around him.

Pamela Aden: Yeah. He was very encouraging to everyone.

Mary Anne Aden: He was.

Pamela Aden: He was just a major light in everyone's life, and he was very helpful, so he helped us a lot and he was very supportive. We just loved him, he was great.

Gary Alexander: Rick Rule, Doug Casey couldn't make it here tonight, but you and I and several of us have been present to his encounters with various Republican politicians and others here. Could you, on behalf of Doug, describe a couple of those?

Rick Rule: Understanding that this is on behalf of Doug, and Brien, I apologize for what follows. Doug is the other larger than life person for me from this conference. He's been a friend of mine for years and years, and starting off on Doug, this year at our conference and the attendee evaluation forms, or maybe it was a couple of years ago, somebody wrote, "Was Doug Casey drunk?" He's a brilliant speaker and with Doug, it's always on his cuff.

Those of you who know Doug know he's not a Democrat and he's not a Republican. He doesn't have much use for politicians. Brien, because you, the audience, does like politicians and so he invited Dick Cheney to speak here once.

Gary Alexander: Oh boy.

Actually, that was Jim.

Rick Rule: Was it Jim? Cheney made the audience happy. The dais has always been libertarian, the audience has usually been Republican, so Cheney gave a real red meat, Republicans speech and the audience went crazy. Cheney came offstage, comes to shake hands with various people, and ran into Casey and most of what Casey said was unprintable, but you could summarize it by saying, "I have no intention of shaking your hand. You're a traitor, a murderer, a slime ball, a liar," and then it got serious.

What was, to me, more amusing, if you're a young man starting off in business, you're trying to please the audience before you teach them, get them on your side. Doug wasn't very good at that. Doug came out and was addressing the audience about their standing ovation for Mr. Cheney. Doug drew himself up, looked down that long nose, and he said, "I've liked this conference for years and you guys are mostly decent people, but tonight I'm disgusted with you."

"You remind me of whip dogs that roll over and wet yourself with pleasure when your master kicks you because he paid attention to you." I was thinking, "Boy, where's this going to go from here?" and it actually didn't get better. There was a bunch of military people in the audience and Doug insulted them.

Gary Alexander: I admired Mr. Cheney. He took it well.

Rick Rule: He took it reasonably well. I remember those Secret Service guys were a little nervous.

Gary Alexander: Inching closer. Yeah.

Rick Rule: That would probably be my-

Gary Alexander: Mark, I remember when you challenged G. Gordon Liddy to push-ups and you prepared for a year to beat him and he didn't know about your challenge, but who won?

Mark Skousen: Well, I, believe it or not, appeared as General George Patton Jr. in ... I think it was '94 or '95 and it turned out to be the same year. I was the entertainment that evening.

Gary Alexander: How many costumes have you appeared in in this conference?

Including this one.

Mark Skousen: Yeah. Well, I did appear as the Lone Ranger one time, that was a real bomb. Jim Blanchard and I actually created silver bullets. Does anybody still have one of those silver bullets?

Gary Alexander: Silver bullets? No.

Mark Skousen: Yeah. He handed out silver bullets to every person and Doug Casey and I ... Doug Casey was Black Bart and I was the Lone Ranger. They wouldn't let us shoot the guns in the River Gate.

Gary Alexander: Imagine that.

Mark Skousen: Yeah. We had guns ready and everything. We were going to have a duel, and so I gave this speech and it was in the end of the afternoon and everybody just walked up and walked out on me. They all picked up the silver bullet that cost Jim and I, we split the cost $5 each, I still have one of the silver bullets.

Gary Alexander: To answer my question, you've been Nostradamus, you've been Ben Franklin.

Mark Skousen: Well, that's true. Yeah.

Gary Alexander: You've been General Patton.

Mark Skousen: Yeah, I played Fidel Castro one time.

Gary Alexander: Yeah.

Mark Skousen: I played Nostradamus, yeah.

Gary Alexander: The question.

Mark Skousen: The General Patton was the year that P.J. O'Rourke spoke, and also G. Gordon Liddy. It was a power packed group, and it was here at this conference. I came in on a Jeep and stuff like that, and I slapped ... I think it was Doug Casey I slapped for being a coward in the markets. It felt so good to slap Doug Casey, but then I said, "I can do 50 pushups," so I went to the audience. I went down and I did 50 kind of push-ups, didn't do them that well, but I was able to barely do 50 push-ups.

Then I got up and I saw G. Gordon Liddy in the crowd, and he was just sitting with a group of people at the conference. He just sat down, he wasn't at a VIP table or anything, and I said, "G. Gordon Liddy, come up here and try to match my 50 push-ups," so this was totally unscripted. He bolts out of his chair, comes running up, and he says, "I'll do it right now," but he whispered to me, he said, "I've already done 100 push-ups this morning. Don't push me."

He sits there and pumps out 50 push-ups. It was so unbelievable.

Gary Alexander: Were they one-armed or two-armed?

Mark Skousen: Well, yeah, he can do it with one also.

Gary Alexander: Yeah, right.

That same conference with Liddy, we were at a lunch in Jim's suite in the hotel and we had some of the speakers around there, and I happened to be sitting next to Liddy, he was right where Mary Anne is. It was right after Waco and Liddy was giving his opinion on the FBI screw up at Waco and how they should have done it, and how the special forces that his son was in right now, they had ways to see through the walls, they had kill teams that could go in there and kill the bad people, go out of the back.

Go to psychologists, had their switches turned off, and then he had the people come in and console everybody just the same way. It was just amazing and he was so intense, and he's sitting there and he's pounding the table, and I looked over and he has these veins in his bald head that were just throbbing like this, and I thought his head was literally going to explode next to me. I looked across and P.J. O'Rourke was standing there, again, jaw on the ground, wide, agape, looking at this spectacle.

Jim was, too, at the end of the table, but I thought he was going to have an aneurysm next to me. That guy was so intense. It was amazing. I've talked to P.J. about that before; he remembers that very clearly.

Gary Alexander: Before the last round, I want to poll the audience. How many of you have attended a New Orleans conference here in the 1970s, how many of you? Mike Chuckin goes back that far, anyone else?

Mark Skousen: Couple of hands going up.

Gary Alexander: How many have attended 20 or more? I see about seven or eight hands, thank you very much. How many are attending now for the first time this year? First time. Wow, look at all that. Thank you. You're learning quite a bit, then, about our history. Adrian, you're down there at the end. I know you just got out of a seminar. We've been working you hard today. Anything you want to add from what all these folks have said?

Adrian Day: No. I keep making notes and then crossing them out because I realize it's being recorded. Yeah, I know everybody ... The thing about this seminar that's great, all of us on the panel go to a lot of seminars, and for a lot of us, certainly for myself, many of our best friends are the speakers on the circuit. This seminar has a special feeling, A) because it's gone on for so long, and also because, Brien, whether through softness or anything else, keeps inviting us all back.

This is like a family reunion for us in many ways, for the speakers. We see our friends often just the only time during the year, but we see each other and that's a really wonderful feeling. I don't know whether Brien is soft or whether he's kind or whether he knows he can get us speakers for free and everybody else charges money.

Soft-headed or soft-hearted, I'm not sure.

Adrian Day: One of the two, but we do appreciate, Brien, you inviting us back. The one serious thing I want to say is that, unfortunately, as the years pass, one or other drops off and, in particular, I miss Ian McAvity a lot. All of you who've been here before will remember Ian McAvity. He didn't use PowerPoints, remember? He used those acetate slides. Yeah, the acetate slides, that's the point I'm making.

Rick Rule: Yeah.

Adrian Day: He used those acetate slides, and sometimes he'd have as many as 100 of those darn things in his half-hour talk.

He used them well into the internet and PowerPoint era, too. We used to have to scour the city for the last remaining overhead projector and find it in some antique shop on Magazine Street and haul it in here for Ian.

Mark Skousen: In his last year, I think he was barred from coming into the United States. The US Customs stopped him because he said, "I'm giving a speech." "Well, are you being paid for this speech?" "Yes." "Well, you need a work permit." It was unbelievable what the US government did to him. It was a disgrace.

Gary Alexander: Yeah. One thing I want to mention before we close is that one of the greatest things Jim Blanchard ever did for me is that he gave me quality time with some of the greatest minds of the 20th century, and not just their speeches here, but two I want to isolate is that ... I'm getting goosebumps on my back even thinking about this, but Barry Goldwater, in his retirement from the Senate after 30 years, he not only spoke here, but Jim wanted me to spend an hour with him and interview him for an article in Wealth Magazine, which I edited for about three years here in the '80s.

To spend that time with that man and the wisdom that he exhibited in that hour, and then three times I had a chance to spend an hour with Milton Friedman, and two hours over at the Hilton Riverside apartment where Jim put up Rose and Milton Friedman and I interviewed Rose during that hour, too, and she's a brilliant Ph.D. economist as well. Here she is serving me tea while I interview her husband.

Spending that quality time with people of that stature, two of the greatest minds of the 20th Century, and that's all due to Jim Blanchard helping out a young journalist. Wonderful.

Mark Skousen: Gary, Rose Friedman told me that the reason Milton accepted this invitation to speak at the New Orleans conference was because, 10 years earlier, Friedman had a heart attack in New Orleans and Rose wanted to bring him back there to make sure that this was not a problem in the past and that was the reason he accepted the invitation, and he did not have a heart attack, although I came close to giving him a heart attack when I tore up his $20 bill at the Commander's Palace.

Gary Alexander: Well, that's the difference between you ... You tear up his money, I interview him. Do you have that torn-up $20 bill with you?

Mark Skousen: Yes, I do. I have it in my wallet and it's a long story, so I won't tell it here.

Gary Alexander: Good.

Mark Skousen: If anybody wants to know the story, I'd be glad to tell them at another time.

Gary Alexander: We have less than a minute left, so I think, Brien, you ought to tell us why this still remains the world's greatest investment event.

Well, it's great marketing copy, number one, but actually we were talking about this. That's a quote from Money Magazine from the heyday, but we grabbed it and ran with it, but I think one of the things that make this event special is really Jim's touch. If you could describe him in one phrase, it would be "over the top." He never did anything halfway. If he could do it in just grand excess, he would do it.

He would do things for this conference over and over again, invite the big name speakers that nobody else would or could. He would spend money, he would bemoan the fact that he lost a lot of money on the conference, but it was because he would blow out the budget. He would constantly say, "Oh, we need to add this person as a speaker," over and over again to where there were not any more hours in the day.

You would get in at 7:00 and you would end at 10:00 at night, but he kept just adding speakers. He was so over the top and the attendees ate it all up. The food, the drink, the entertainment. What we had tried to do is carry that burden, that legacy, on. I said burden, it's a legacy.

Gary Alexander: A little of both.

It's only a burden when you have the right to sign the checks, but it is a bit. We try to continue that legacy and I hope we do in some small way, but there's no way we could ever do it to the same effect, to the same degree that Jim himself could.

Gary Alexander: Pamela?

Mary Anne Aden: I would just like to add that I'm very honored to be here with Brien. I think, Brien, you've done a fabulous job carrying on the legacy, and I spoke to so many of you at this conference that are here for the first time, and every one of you told me that you just loved it and it was so filled with information and you were very happy, and that's thanks to you. Yeah.

Pamela Aden: I'd also like to add that Brien has always had Jim's attitude. You would think they were brothers. I always felt that about you, Brien, that you carried on Jim's graciousness and wonderfulness and openness, that he always has carried on that legacy and the type of person he was. You are very special and we're very happy and proud to be here sitting next to you today.

Mary Anne Aden: Yes.

Thank you for that compliment.

Gary Alexander: Now Brien, I believe we're about ready to hear James River's Movement. Do you want to explain anything about what's next?

Trying to continue, again, this wonderful tradition that Jim left us with. We have food and drink, a wonderful band. James Rivers Movement is incredible. Please, let's go now and let's enjoy and have a party in the New Orleans fashion. Thank you.

Pamela Aden: Thank you.

Brent Cook

"Turning Rocks Into Money, Geology Does Matter"

Albert Lu: I'm pleased to introduce our next speaker, Brent Cook, who is the coauthor of Exploration Insights. Brent Cook is an economic geologist and mining analyst who has been involved in the minerals exploration and mining business for 34 years. During his time he has evaluated and valued grassroots through feasibility stage projects involving nearly all deposit types in over 68 countries. In 1997, he got tired of promoters making all the money on questionable properties while he was left standing, soaking wet in the jungle and joined Rick Rule at Global Resource Investments, now Sprott Global.

I've worked for Rick Rule and Sprott Global for almost three years now and not once has he ever left me soaking wet in the jungle, so I think that was a great move by Brent. He was Principal Mining Analyst at Global until going independent again in 2002. Since then, he has been an independent analyst and an advisor to several investment funds and high net worth individuals. He's also coauthor of the Investment Letter Exploration Insights, which covers the mining sector, focusing on what he is buying, selling and avoiding with his own money. His talk today is Turning Rocks Into Money, Geology Does Matter. Please welcome Brent Cook.

Brent Cook: Thanks man. Good morning. Thank you all for coming. That was a great presentation by Adrian. I promise next year to bring some Pink Floyd and Metallica.

All right, so switching gears, what we're going to talk about today is turning rocks into money, science, due diligence and dubious claims, and here's why. Why bother with science and due diligence? The odds are pretty low of making a discovery and I've got two main rules that I try and stick to. Rule number one, don't lose money and get out ahead of the crowd. Number two is find the fatal flaw as soon as possible. And here you can see what happens all too often. Camino, another one looks like Arizona Silver, Oryx, Noonan Dina. That's what we want to avoid in this sector.

So here's where we're going today. We're going to talk a bit about science. I think this is something that the general public needs to have a better understanding of how it actually works, what it does. Then we're going to look at some dubious claims comparing this thing to the other thing and then we'll go into some real geology and look at high grade veins and open pit deposits and then I'll give you what I think is the most important thing in this sector in terms of the future of minerals exploration in mining. There are going to be some inconvenient truths here.

So let's start off with science. What is science? Systematic study... I can't read that far away. The systematic study of structure and behavior of the natural world. It builds and organizes knowledge into predictable and testable explanations of the universe. That's what science is really all about and it does a very good job of it. And the scientific methods, there are two ways of going about it. Inductive, where you collect data and then make some sort of interpretation of what that data is actually telling you. The second is deductive or hypothetical where you come up with a theory, if you will, and go collect data to see if that theory is correct or not. Now all too often, particularly in the minerals exploration game, that data collection tends to be a bit biased. And what I mean by that is you go out and select the positive data in terms of is this a porphyry copper play or gold play, whatever and maybe ignore some of the bad information that would tell you not to go in here and spend your money on this.

So we're going to talk about that. And why trust science? This is really important. It's the vetting process. The data amongst scientists is shared with colleagues and such. They get back the criticism and feedback on their data, is it correct? Is it wrong? Did they miss something? It's interrogated. A key thing here is peer review and this peer review is where for peer reviewed papers, it goes to a group of scientists in your similar field and they go through it and vet it to make sure your data is actually right and make sure you don't make any mistakes. That's why science really works and what that comes up with, in the end, is scientific consensus, where there is enough data and enough work done on an idea that we know this is a fact. Take gravity for instance, we know it's a fact. We don't have to study gravity anymore. We know it works and we work on it from there and figure out how to fly planes and such. So basically without science we'd all still be living in caves.

So we're getting into geology in a bit, but volcanic eruptions, this slide shows volcanic eruptions over the past 218 years, recorded eruptions, and what you can see is they've gone up about four times over that period. Now there's some conclusions you may be able to draw from this or some suppositions, but are you actually being inductive or deductive? Let's move on to another one. CO2 and temperature about the same timeframe. What you can see is over that same timeframe, carbon dioxide has increased about 40% and the temperature has gone up. Where are we going with this? All right, can we deduce then that the increase in CO2 is due to volcanic eruptions?

There's that slide. All right, so you can see the volcanic eruptions going up. Looks very similar to that. We'll see what's really happening here. Look at that down below, that red line down below that records all major eruptions. So what they're seeing there is the big ones are basically staying flat. It's major eruptions not increasing. What's increasing is the recorded eruptions. What actually is happening is over time, as people start traveling the world more, we've got satellite imagery, et cetera. They're noticing more of the smaller volcanoes. So in fact, volcanic eruptions have not really increased, just our recording and recognizing of them. And here's two interesting examples here. One, that's world war one and world war two, what you can see is the recorded eruptions dropped during those two periods because we were busy killing each other.

So can we then deduce that CO2 is increasing due to volcanic eruptions. No, that's not the case. In fact, as an aside, we know the CO2 is increasing due to hydrocarbons based on carbon isotope ratio, which is basically your fingerprint of hydrocarbons. So that's sort of a... I'm trying to go through a biased presentation of taking specific data and not using it correctly.

Let's move on to rocks now. International Tower Hill, the story has been or was, this is way undervalued and it is very similar to a deposit nearby in Alaska. And so what we're going to look at is, is it really similar? Is this thing like the other thing? The Kinross Gold Mine, which this is a picture of, is an intrusion related deposit, historic production, 7 million ounces, it's a big Kinross mine. It makes lots of money. Right now they've got three and a half billion ounces at about 0.4 grams per ton. And that little line there that I've drawn on there is going to come in handy later on, because that makes a difference.

So this is what we want and this is what Tower Hill was sort of proposing that they probably had. Okay. And this is the Tower Hill deposit live and good. It's intrusion related, reserves and quotes 9 million ounces at 0.71. Three studies done. First a PEA, Preliminary Economic Assessment on it came up with an IRR of 27% at 950 gold. This is back in 2011. Next time they came through, 2013, the IRR dropped to 1.7% and the most recent one in 2016, which dropped back down to a pre-feasibility, your IRR is about zero at 1,250 gold.

So can we deduce that the one is like the other or what's the problem? We have two massive systems, intrusion related right near each other. Tower Hill is about twice the grade. It should be twice as good, but it's not. Why is that? Because we're looking at it in terms of we're biasing our data collection interpretation to make it look that way. Where scientific facts versus it's a really good story and there's really no peer review process in the minerals exploration game. It's the market, it's us and that's where the problem lies and it's the geology.

You remember that line I had between the dark and the light? Well, Fort Knox, when it formed, the deposit formed, the intrusive, the granite, if you will, came in, it was covered and blocked with a overlying sediment that turned, it was metamorphose and that forced the granite to crack and on all those cracks is where the little quartz veins and gold would occur. So now when they mine that, they blow it up, the cracks break right open and the gold is right there and it is easy, easy, easy to mine, process, collect the gold. Problem at Tower Hill was that the gold instead of going into the granite in the cracks, it disseminated out into the sediments and occurred with arsenic. So it was a much more complex system to recover. And you can see the results of that and it went from 10 bucks to 50 cents. That's what we don't want.

Critical thinking. What does market cap really say about a deposits quality? Here we see a Tower Hills worth on a ounces per market cap, $17 an ounce. There's a reason it's $17 an ounce. Make what you will of this. Pretty much useless, but it looks good.

All right, so critical thinking and dubious claims. When you're getting information from people, I think it's important to know: how they make their money; what is their arena of expertise; is this a paid promotional material; is it independent, et cetera; is it hard databased or is it hypothetical; and is it too good to be true? And this one I love a lot too. He's waited 30 years to give you his top secret idea of how to turn 1,000 bucks into 1.6 million. In the fine print, he's here telling you, warning, this is only for your eyes. It's a nondisclosure agreement. You can only share this with your family. I got this by email.

Exactly. All right, and here's another one. Future Money Trends. They're good at this. This one's one you want to watch for. But here's Marfield, a small company, got a few projects around, never done any good. Don't save for retirement, buy this thing. All right? Probably not a good idea. And this is what happens. That's the company. You can see where those circles are. That's when the promotion went out. It looks like it's on a quarterly basis. They put out the promotion, hit it, their stock goes up, drops off. They've never had anything of value. And the company, Future Money Trends is paid what? 200,000 bucks and some stock to promote this thing. So be wary of what you get. If it's free, it might not be worth that much.

All right, we're going to do some geology now. This is a vein that I spent some time on in Northern Ireland and what I'm showing you here is the quartz veins in the roof. And there we are walking down there. Those are the quartz veins. That's where the gold is. So what I want to do with y'all is kind of walk through how you determine what this is actually worth; what's minable, et cetera.

All right, so the blue is ore. Schematically the blue is the ore, the green is waste. The mine is about, the mineralization call it, is three meters is one and a half meters wide. But to mine this thing, you've got to take all three meters. Just because of the way it's structured. So you're taking a meter and a half of ore and another meter and a half of waste. What that does to the ore grade? If one and a half meters is 10 grams a ton over one and a half meters, if you take three meters, you dropped the grade to five grams a ton and your costs go up double and your rock value goes from say 420 to 210 a ton. So that's how you have to look at these veins.

And we're going to look at, quickly, Bluestone, which is a company out there in the hall there. I was there earlier this year and I've been there about five years ago. I was there when they first found it. I won't go through the details, but this is an underground high grade vein deposit. They've done an actual feasibility study on it, which gets you pretty close to what it should be. The grade is a diluted grades, so they've taken the veins, which are variable, put it down to a mining width and diluted the grade across that width and they come up with an IRR of 34%. On that slide there, the blue material is mineralization inferred that did not make it into this study. So there's a lot of upside in terms of if they just drill more holes into that, they can increase the resource or the reserves. So it's not a bad setup.

But what you need to do if you go talk to him. Okay, so what is the really diluted grade going to be? We think we know. What's the community issues there? Guatemala has community issues, various places I've been that I don't think it's a big deal. Funding, that's the issue. This thing's going to cost to build... What have I got down there? 200 million dollars. They've got 10 million in the bank. So that's what we've got to work out is how are they going to find this and how are we going to make money on the stock? So that's the question you need to ask. What is the catalyst and I think the catalyst probably is going to be when they solve this funding problem.

All right, let's look at an open pit. This is two examples. The red is the ore, the brown is the waste. One is a narrow vein. The other is a thicker vein. What happens here, if you're going to open pit this, as you go down on the narrow vein, you're pulling out four tons of waste for every ton of ore. Whereas as on the thicker one, you're pulling up two tons of waste for every one ton of ore. So that's your strip ratio, if you will. And the key to making money in mining is not to mine waste. A mine is a terrible thing to waste. I think is what I use. And you can see what happens here. It's less, less waste. The narrow one, you're spending 13 bucks a ton to mine it, whereas the thicker one it's $6 a ton so that makes a big difference. Again so when you're looking at an open pit deposit keep that in mind.

And we're going to look at one now. Again, they're out there in the hall. I've been to this project as well. In fact, just as an aside, Joe Mazumdar, my partner and I, we have visited 30 projects last year and this year we're probably going to break that record so we got to go and look at these things. This is in Idaho. It's low grade, open pit, mark cap about 81 million US. They've got 10 million in the bank. They've done a preliminary economic assessment on this. Just on the upper part, which is 1.2 million ounces at 0.6. CapEx will be 200 million. The IRR in the study was 43%, which is pretty good, actually really good. Exploration upside, I think that's probably the key to this thing. That's what's going to kick it over and hopefully bring in a major to buy it.

But again, what's the funding issues? What's the recovery going to be, meaning how much gold can they get out of it? Because there's a oxidized portion and then there's an unoxidized portion. And what oxidation does, essentially is if you've got gold in pyrite in sulfide, oxidation turns that sulfide to rust and liberates the gold. So it's much easier to reclaim than if it's still stuck in that pyrite. So it costs a lot more money and needs a lot more work to process sulfide versus oxide. And internal dilution, we still got questions about what is the dilution really going to be in there. I know the group that did the resource estimate and they're solid MDA, out of Reno, so that's a positive as well.

So economic study accuracy, I think this is important to realize is that we have three categories in candidates. It's preliminary economic assessment. Pre-feasibility study and then the feasibility study. Each one of these actually have definitions as to what they cover, what's included in them, et cetera. And so for a Preliminary Economic Assessment, a PEA, you're at plus or minus 30 to 50% in what's going to really happen in your economic outcome. And with Integra that's where they're at, plus or minus 30 to 50%. That's a big difference. That'll make or break a mine. That's why we go through the process of continuing the studies until you get down to the feasibility study, which is like 10 to 20% within some range and it depends a lot on who does the study as well.

And this is what is really important. Why Joe and I go out to look at things in the field so often, is just from the first drill hole, even the first soil samples and rocks to chip samples. In the back of our mind, we're running through this whole mining process to know where the fatal flaw will be if there is one and what it's going to cost to mine this thing. And if you're talking to any company out there, they should be able to give you a sense of what it is they're looking at, what the CapEx is going to be, what the infrastructures going to be, what metallurgical recovery they're going to have to use, et cetera. You need to know that if you're looking for something. If you don't know that, you're just kind of looking.

Okay, and this is I think probably, big picture. We are not finding enough new economic deposits to replace what we're mining. And this has been going on for a while and it's going to continue going on for a lot longer and this is probably the key to making money in this sector. I think the gold price looks good. You've got a lot of experts here telling you what metals, markets and commodities and such are going to do. But I'm telling you, the mining companies are not finding enough deposits to replace what they're mining. We're mining one big encamp, Bingham Canyon Copper Mine, just outside of Salt Lake City every year. We're not finding one of those and putting in to production. Ditto with gold. We're mining through almost one Carlin Trend a year, 90 million ounces a year. We're not finding another Carlin Trend every year, so this bodes really well for us who can identify a project that has the potential to be big enough and make a difference to major mining company and get bought out.

Okay. At this show today, this afternoon, I'm giving a tour out there at three o'clock and I'll follow it up with a Q and A out there in the hall there. Hope you can make it to that. I'm not doing the workshop tonight, so that's where it'll be. These are companies that we've got, we have own in our portfolio: Trilogy, Sandstorm, EMX, Piedmont. And the bottom quote there is from my a friend of mine. "The days of lobbing into town and asking a bloke to polish your turd are long since gone. Companies must now do their own polishing in preparation for a more discerning audience." That's us. So that's Joe and myself, independent geologists, analysts. There's lots of information on our website. Talk to me here, send me a note, and thank you very much for your time.

Adrian Day
"Modern Monetary Theory Explained"

Albert Lu: I'm very happy to introduce our next speaker, Mr. Adrian Day. After graduating with honors from the London School of Economics, Mr. Day spent many years as a financial investment writer where he gained a large following for his expertise since seeking out unusual investment opportunities around the world. He has also authored two books on the subject of global investing, International Investment Opportunities: How and Where to Invest Overseas Successfully, and Investing Without Borders. Mr. Day is a recognized authority in both global and resource investing. His pleasures include fine dining, reading history, and the opera. His talk today is Modern Monetary Theory Explained. Please welcome Mr. Adrian Day.

Adrian Day: Well, thank you very much ladies and gentleman. Thank you, Albert, for that kind introduction. I think I wrote it myself, but anyway. So I'm going to take you on a tour of monetary policy this morning, but don't worry, it won't be too dry, and we're going to end with modern monetary theory. Or as I prefer to call it, magical mystery theory.

Now just as the Holy Roman empire was neither holy nor Roman nor an empire, so modern monetary theory is not modern at all. It's not monetary solely, and it's really not much of a theory. Let's look at where we stand today, what the monetary maestros have done to us. We have interest rates at all time, historic lows. That's all time historic lows as has been mentioned a few times from this podium, and of course we have the Fed's balance sheet still nearly five times the size it was in 2008 despite the so-called tightening, which I'll mention in a second. And it starting to go up again, you can see it ticking up again at the end now.

Now of all the central banks in the world, of all the major central banks in the world, only the Fed to its credit ever had any net reductions in purchases for any period since 2008, while the ECB actually went to net zero for about three months, but never was net sellers. This is during tightening, remember. And the BOJ, Bank of Japan, continued merrily on its way, continuing with new purchases. But after all of this so-called tightening, banks are now increasing their purchases again.

The federal reserve, as Danielle DiMartino Booth told us, the Fed is now buying 60 billion dollars of treasuries every month to provide liquidity to the repo markets. Now this is another classic example of the arsonist becoming a fireman. Why there's a problem in the repo market is because of Fed policies as well as bank regulations, which the Federal Reserve oversees. But of course, having caused a problem, the Fed now thinks that it's the right institution to solve a problem and it "solves it," solves it in quotes, in the only way federal reserve knows what to do. That is increase the money supply. "But for goodness sake, please do not call this QE,"

Fed head Jerome Powell implores, "this is not QE. In no sense is this QE." The bank adds, "It's purely technical." Well, I think if it walks like a duck, et cetera. So along with this new monetary creation, there's now another record for outstanding negative rate bonds. We're now over 16 trillion. That's one third of all senior securities, outstanding senior securities in the world, now trade at negative interest rates. I mean even in Greece, Greece can now borrow at less than 0%. And negative interest rates are really a concept that defies logic, and only makes sense to academics who've never actually had a real job in their lives.

This foolishness did not start with the credit crisis in 2008. For over 30 years, the Fed has pursued easy money to the detriment of all else, starting with one who should have known better. So for three decades, monetary policy in the US has been a little bit like a high school chemistry experiment. I've mentioned this before. The Fed has been trying policies as has the Bank of Japan, and the ECB that have never been tried before, basically to see what would happen. Sometimes quite explicitly. Often these have had disastrous consequences, but always, always these policies have had unintended consequences.

Now, some people accuse me of a little bit of exaggeration here. It's not at all. There was zero research, zero research on the effects of quantitative easing before the Federal Reserve introduced it. There was no discussion, according to the minutes that have been published, there was no discussion at the Federal Reserve board of the possible risks of quantitative easing. There was no research at all on the impact of Operation Twist ahead of time, but Janet Yellen just simply said, "I don't know what the effects will be, but it's important that the Fed is seen to be acting." William Dudley, who was the head of the very influential New York Fed and a member of the central board of the Fed, in March 2009, he said, "We don't know exactly what QE will do, but if we start it, we'll be able to answer the question."

Ben Bernanke admitted in July of 2010, "But it was really too soon to know if QE had worked, but we need to continue it and implement QE two." So when I say these were experiments, I'm not exaggerating, I used the word deliberately. But not to worry, again, if the Fed's policies cause any problems, then the Fed's always there to solve the problems. Again, the arsonist becoming a fireman. One idiocy to me is the Fed's pursuit of 2% inflation as a goal and calling it stable. Now the perversity of a central bank having an inflation target that's anywhere above zero is to me self-explanatory. But ignore the fact that the Fed is fixated on just one gauge of inflation while the CPI and the PPI and other gauges of inflation are already over 2%, and ignore also the fact that the 2% inflation, if the Fed is successful, pushing us up there, won't stay at 2%.

But a 2% inflation compounded, I mean it's a destruction of over 30% of money in just 20 years. Over the course of a lifetime, that's the biblical three score and 10, which thankfully has been extended a little bit recently. The money would have purchased a reasonable man suit, now barely buys a cheap shirt. And the trousers by the way, are here for decency, not because you could have bought those as well. Now, this is not the English... Oh, sorry. Wrong one. Wrong one. How do I go backwards? There we go. This is not the Oxford English Dictionary's definition of stable. And I suspect that it's not the definition of Miriam Webster either. This destruction of the value of money and idiotic monetary policies is not just happening in the US of course. The EU, the European Union and Bank of Japan are even worse. Now, if Greenspan and his successes have been pursuing what I call a magical monetary policy, Japan is literally pursuing a fairy tale policy.

These are the actual words of the governor of the central bank of the third largest economy in the world. They are not the words of some freshman congressman from an island in the Caribbean. "The moment you doubt whether you can fly, you cease forever to be able to do it. Yes, we need a positive attitude and conviction. This is the bank of Japan's policy." They go on to say that every time central banks have been confronted with a wide range of problems, they have overcome the problems.

Well, I would argue they have certainly been confronted with a wide range of problems. Whether they've overcome them is a different issue altogether. This is GDP growth in Japan since the QE was introduced there, and certainly GDP growth doesn't look particularly strong to me. It's never been above 1% for any period. It also looks to me as though on that graph it is trending downwards, and the longer it goes on, the worse it gets. So, I don't think that policy has been a particular success. Japan also has a goal to boost inflation of course, and that's been an equally dismal failure with several deflations in the last 12 years.

Now I realize that Japan has other problems, mostly demographic and so on, but decades of a failed monetary policy stubbornly pursued are a prime cause of the sluggishness in Japan. Don't expect any apologies, of course. That's not something central bankers do. And while we're on the subject of Japan, that country has just issued its first ever high yield bond. Now remember a high yield bond by definition is issued by a company with a reasonable chance of bankruptcy. This high yield bond has a juicy yield of... Drum roll please.

Now QE and other magical and mysterious policies in 2008 have totally failed to spark a strong economic recovery, but there are other consequences that are perhaps even more important. There is a direct line, we discussed some of these last year, but one I wanted to focus on at the bottom there, widening wealth gap. There is a direct line from the Fed's easy money policies to the growth in economic inequality and thence to an increase in social protest and disorder. Generally, I've found, most people do not object when there's inequality because of productive growth.

It's an almost inevitable consequence of great innovation indeed. Everybody benefits and those who benefit the most have generally deserved in some way or another the reward, but inequality, which results from speculation or government favoritism, crony capitalism, and so forth, is resented and resented deeply. So, let me just explain. Inequality increased in the US and elsewhere around the world because new money created after 2008 went almost exclusively to treasuries and mortgage backed securities to prop up A) overly indebted governments on the one hand, but more importantly to prop up insolvent banks and financial institutions which held the mortgage debt.

There wasn't even a pretense that this policy was to help Harry Homeowner, of course not. So this very narrow channeling of new money helped a small group of people who already had wealth, widening inequality. I don't know if some of you were here last year. I mentioned a conversation that I had just had the previous week with a Fed official, federal reserve official who was, shall we say, incredulous, that I tried to link the federal reserve policies with widening inequality.

But these effects were not unforeseen at all. In 2014, federal reserve member Richard Fisher of Dallas, he predicted that easy money would lead to widening wealth gap and to social protests. And this was at the time when Greece was erupting into social protest because of the policies of ECB. Over the past year, however, the Fed is beginning to realize as an institution, it's beginning to realize that its own policies have been responsible for widening wealth inequality. And again, I couldn't resist putting a slide up, finally.

A mighty judgment coming, and again, the federal reserve, again like this arsonist who wants to be a fireman, who's also a fireman, thinks that they can solve the problem of widening wealth gap. Never once, never once does it occur to these people that maybe they should just stop meddling. If they caused the problem, just stop meddling. So again, if the problem was the narrow channeling of the Fed's money creation, then the solution to these federal reserve academics must surely be to distribute the Fed's largesse more broadly by not only treasuries and mortgage backed securities, but by corporate bonds, by stocks. Like that hedge fund masquerading as a central bank, the Swiss National Bank.

But it goes further. A recent policy paper, and I don't know if you know how Washington works. What you get in Washington are sort of research papers by think tanks and then research papers by institutions.

And then you get sort of congressional hearings where trial balloons are raised to see what the response is. So, a recent paper from the Feds suggests that the fairest and most effective way for the Fed to issue new money would be allocate its purchases across the entire economy, to all assets in direct proportion to each asset's share of the GDP. This would include explicitly factories, real estate, even art. Now I impishly asked the question of this official, would the Fed also be buying gold? But the answer came then none. I also asked the obvious question, about buying real estate and other non-fungible assets. Do you buy a condo in Manhattan or a duplex in Tulsa? Do you buy a Rembrandt or a Whistler or two? The reply, this is wonderful. The reply was classic. "Well, there are a few details yet to be worked out."

Now we can ponder later on the implications of such a federal reserve policy for political patronage and favoritism. Let's buy some real estate in Miami because they are going to vote for us. Let's not buy it in New Yorker because they're not, et cetera. If you are going to have a central bank, it is going to create money. That's what central banks do and it is going to therefore destroy the value of money slowly or rapidly. This is inevitable. It's what central banks do. There's a wonderful quote during a debate on whether the US should even have a central bank. In 1913, Congressman Elihu Root predicted, "That a currency that can be increased will always be increased, but there is no provision in this federal reserve act compelling reduction."

And Chicago First Bank president James Forgan put it a wonderful metaphor. He said, "The elasticity of the central bank is more like chewing gum than an elastic band. It can expand, but it can't retreat." But if you're going to have inflation, if you're going to have inflation of the money supply, I think better policy wise would be to resurrect Ben Bernanke's helicopter money. It seemed like a quip at the time, although I'm not sure it really was, but certainly distributing money evenly to the entire population, you would ensure that a lot of the money was spent, which is the Federal Reserve's objective after all and it would make everyone feel better, which is also a positive.

Of course, it would also be greatly destructive of the value of money, but at least you'd be destroying the value of money, honestly. Now of course I'm not advocating helicopter money, but I do think it would be perhaps a more honest policy than having the federal reserve buy corporate bonds and real estate. All these policies throughout the ages, clipping coins, mixing base metals with precious metals, Kenzianism, QE, helicopter money and so on. They're all variations of easy money. Easy money being a theft of people's savings by the government. That's what it is. That's what it is. Of a destruction of the value of money.

You know, when you use the words easy money, it all sounds so benign and pleasant, doesn't it? And you talk about sound money and hard money. That sounds somewhat Teutonic. Not fun at all. But if you think in history of economies that have for any period of time, exercised hard money policies, the example I'll give is Britain in the 19th century. They have done remarkably well. And Britain, the value of the pound in 1914, which is what we think of as the end of the century, the beginning of the first world war, the value of the pound in 1914 was greater. But in 1815 it was a century of deflation, and don't get me started, that's a different topic.

But deflation is a good thing, not a bad thing. Inflation is a bad thing, not a good thing. And during that century, of course, the GDP per capita in England exploded. There has never, never been a strong economy built by destroying the purchasing power of the currency. Never. And now we come to this next incarnation of easy money, modern monetary theory. When the Beatles, this is on the same album, when the Beatles sang, "I am the walrus," it was nonsense of course, but so is modern monetary theory. The only difference is... Oh, stop that thing. Stop that thing. There we go. Sorry, go backwards. How do I go backwards on this thing? Can someone help me go backwards? Thank you.

But modern monetary theory is equally nonsense as I am the walrus, but it's not acknowledged as such. There's a piece of historical wisdom accepted throughout the ages, well encapsulated by that 1960's philosophical stage which you see on the screen before you, Michael Jagger. And what Michael Jagger tells you is, "You can't always get what you want." Something that parents have told their children for millennia, but modern monetary theory says this isn't true. You can have what you want.

I don't know if you can see those words up there, but this is from a delightful website called MMT, modern monetary theory explained. At first, I thought it was a self-parody, but it's not. It is not. I can't read that stuff down there. The scientist's called, "We can have nice things." This is an economics theory, explanation. "We can have nice things. Because the US government issues its own currency, it can never run out of money or go bankrupt. That means we the people, can and should spend whatever we need to spend on whatever we need and never have to worry about how to pay for it." This sounds good to me. Congress can give every American a pony.

Well, it turns out that the government, that's the headline of an article, but it turns out the government really can't give everyone a pony, and a chicken, and a car, and it goes on and on and on. And this is not meant to be a parody. So where are we? Yes, this modern monetary theory, which basically says that the government should just print as much money as is needed to buy whatever people want without worrying about the debt and without worrying about inflation, is really the sort of ultimate version of this easy money that I've been talking about. But easy money has consequences. The enjoyment comes first and the consequences come later. And part of those consequences, the destruction of money, the destruction of savers, the destruction of the middle class, lead inevitably to social protest and perhaps even worse. So thank you ladies and gentlemen, I appreciate the opportunity to talk. Thank you.

Danielle DiMartino Booth

"Still Fed Up"

Robert Helms:	Our next speaker is going to rock the house. It is my honor to introduce to you Danielle DiMartino Booth. She's CEO and Director of Intelligence for Quill Intelligence LLC, a research and analytics firm, and the author of the amazing bestseller Fed Up: An Insider's Take on Why the Federal Reserve is Bad for America. DiMartino Booth founded Money Strong LLC, an economic consulting firm in 2015. Through Money Strong, she's published a weekly newsletter for more than three years, and her columns are regularly featured on LinkedIn, Seeking Alpha, NASDAQ, Talk Markets and dozens of other websites. She also is a full-time columnist for Bloomberg View, a business speaker, and a commentator frequently heard on CNBC, Bloomberg, Bloomberg Radio, Fox News, Fox Business News, and other major media outlets. For nine years, she worked at the Federal Reserve Bank of Dallas, where she served as advisor to President Richard W. Fisher until his retirement in March of 2015. Please welcome back to the New Orleans Investment Conference, Danielle DiMartino Booth.
DiMartino Booth:	Thank you. Well good evening. Hello, everybody. It's not a bad thing to be the only thing to be standing in between you and a cocktail. You might understand that shortly. Can I get a show of hands, how many were here two years ago when I spoke? In the white dress. Okay. Don't tell anybody about how I start, because I can't stop telling the same story until we get the punchline right at the nation's central bank. I thought we were headed that way, but we're not. I'll just give you a tiny bit more background that's off the dry bio information, blah, blah, blah. It sounds really good though, doesn't it? When I was getting out of business school in Texas, I had three hard job offers that would take me in three different directions. My mother really wanted for me to stay in the state of Texas, and this little firm named Arthur Andersen had offered to put me up in corporate housing in Austin and I would sit for my final nine hours before being able to take my CPA and then I'd be fast-tracked to consulting, and I said, "You know, I don't think I'm a bean counter." So I turned down Arthur Andersen. And mom said, "Well just then stay in Texas. Go to that firm in Houston." And I said, "A, Houston's really humid and I have curly hair, but B, they trade all kinds of stuff. I really can't wrap my head around their business model. Just can't do it." She said, "Well, just still, it's Texas." I said, "Mom, no, I'm not going to work for Enron. No, not doing it." And she said, "But you know, it sounds like you're going to work for a freight company." I said, "No, it's not DHL, mom, it's DLJ." It is a firm that is no longer with us. We sold out at the very peak of the internet bubble. We had some people inside of the firm that would've sold their mothers down the river. I learned a lot about ethics. I learned a lot about the invisible hand, because Alan Greenspan was at the helm for the bulk of the time that I was there starting in 1996. I learned a lot about junk bonds and I learned a lot about the shadow banking industry, as today's titans of private equity would regularly wander the halls. You would see Tony James and Leon Black just kind of there, because we had a big

merchant bank. No regrets. I learned quite a bit on Wall Street. I also had a really big error my first few weeks, and that error took me a few months to pay off in full. So you learn something about how markets are supposed to operate.

Now the story told to me by my dear friend Arthur Cashin, some of you in the audience have heard, so don't give the punchline out. It's not that long, but it still stays with me as the best lesson that I took away from Wall Street and how it should be.

So the story involves JP Morgan the banker and a gentleman by the name of Tiffany, a jeweler. Being the astute jeweler that he was, Mr. Tiffany knew that Mr. Morgan had an acute affinity for diamond stickpins. One day, Tiffany came across a particularly unusual and extraordinarily beautiful stickpin. As was the custom of the day, he sent a man around to Morgan's office with the stickpin, elegantly wrapped in a robin's egg blue gift box with the following note, "My dear Mr. Morgan, knowing your exceptional taste in stickpins, I have sent this rare and exquisite piece for your consideration. Due to its rarity, it is priced at $5,000. If you choose to accept it, please send a man to my offices tomorrow with your check for $5,000. If you choose not to accept, you may send your man back with the pin."

The next day, the Morgan man arrived at Tiffany's with the same box in new wrapping and a different envelope. In that envelope was a note, which read, "Dear Mr. Tiffany, the pin is truly magnificent. The price of $5,000 may be a bit rich. I have enclosed a check for $4,000. If you choose to accept, send my man back with the box. If not, send back the check and he will leave the box with you." Tiffany stared at the check for several minutes. It was, indeed, a great deal of money, yet he was sure, positive, that the pin was worth $5,000. Finally he said to the man, "You may return the check to Mr. Morgan. My price was firm."

And so the man took the check and placed the gift-wrapped box on Tiffany's desk. Tiffany sat for a minute, thought of the check that he'd returned, and then he unwrapped the box to remove the stickpin. When he opened the box, he found not the stickpin, but rather a check from Morgan for $5,000, and a note with a single sentence, "Just checking the price."

Just checking the price. Amen to those out there who would actually applaud for price discovery. That is how price discovery is meant to operate. And when you see the bastardization, it's a big word. I used it on Twitter a few days ago. People are like, "Wow." I'm like, "I'm a word-meister." It's what I'm supposed to be. But when you see that, working inside the institution that kills price discovery, you get fed up enough to write a book about the Fed.

And what happened one day in 1987 when one man got really spooked? October 19, 1987, Alan Greenspan was on an airplane on his way ... AV, can I move? Can I walk? Can I walk? I can walk. I'm still mic'd up. Awesome. So Alan Greenspan's on a plane from Washington DC to Dallas, Texas. He's got the podium the next morning, prestigious economics conference. He lands, a man rushes him at the airport and says, "Chairman Greenspan, the market crashed while you were in the sky." Stocks fell 24%, to this day, the biggest decline in US history on a percentage basis. I think we all hope we never go like, "God, make the circuit breakers work."

He never made it to the podium. He made his way back that next morning, on October the 20th, to Washington DC. He directed the Federal Reserve to release the following statement, "The Federal Reserve, consistent with its responsibilities as the nation's central bank, affirm today its readiness to serve as a source of liquidity to support the economic and financial system." Maybe another quick show of hands, do we agree that the Fed is in the liquidity game today? Still? 32 years later, they're in the liquidity game in a bigger way than they have ever been. I'm actually exaggerating a little bit, but give Jay Powell about five more minutes. He'll get there. It's happening fast. They're having emergency meetings a lot.

Let's see what Jay Powell is trying to prevent from happening. Let's see what keeps Jay Powell up at night, bearing in mind I was the founder of the Jay Powell fan club, personally, publicly, on Twitter. Don't ever do that, Danielle. Really? But when he had his first congressional testimony to Congress, do any of you remember that? Congress is like, "Dude, the stock market's falling. It fell a thousand points on your first day in office and you did nothing." He's like, "I'm no Janet Yellen." I mean, he didn't use those words, but he didn't do anything, and he actually said in congressional testimony, "It's not the Fed's job to backstop the stock market," and I'm like, "That's it. Founding member, sign up here. Let's go. We've got somebody with cojones running the Fed." I didn't use that word. That was technical.

So we know something changed, though, on January the 4th, don't we? We know about the Powell pivot. Well, hopefully. We just loaded these up. Okay. This is what scares Jay Powell. Jay Powell said that he was not intimidated by the stock market and he is not intimidated by the stock market. He is intimidated by the vehicle, the engine that drives the stock market. That is the credit market. As you can see, with some of the lowest borrowing costs in 5,000 years, that's Merrill Lynch math. I refuse to fact check it. But in the lowest borrowing cost regime in 5,000 years and can you just imagine right now US corporate bond issuers are chomping at the bit to go issue negative yielding debt in Europe and have Christine Lagarde buy it? Anyways.

But in this situation, we have really cruddy balance sheets across corporate America. Makes no sense, interest coverage being where it is. It looks like we're heading into recession in terms of interest coverage. Again, with some of the lowest borrowing costs in the history of mankind, cash-to-debt ratios, 13.1%. This is fresh data. We should not be where we are. And yet aside from the most concentrated, largest bond issuers in the country, the ones you hear about who are buying up their stock left and right and they're actually doing it in large part with cash, but a lot of the rest of corporate America has really shaky finances. Is that a question? Oh, oh, we'll get to that. You're jumping the gun. He's like, "I already need a drink. Are you taking orders?" Shaken or stirred, sir?

All right, let's advance. Can we advance one? Okay. So this is a handy little graph that Morgan Stanley put together recently, and what it shows is, and I'm buddies with a gal who used to be a high up and she'll remain anonymous for her own sake, but I'm buddies with a gal who used to be at one of the credit rating agencies in high yield, basically for her entire career. A little over a year ago, she quit in protest, because it was getting to be too difficult to maintain that Mason-Dixon line between investment grade and junk, and they're strong-arming their analysts into making sure that it's got that stamp of approval.

The good news is this has never happened within the credit rating agencies before, or it was called sub-prime mortgages, back in the day. But anyways, Morgan Stanley figures that 39% of what is formerly rated as investment-grade corporate debt today should actually by all rights be rated junk, and yet it's not. Think about that. It's not a small figure. Heck, cut it by two-thirds, it's still not a small figure, when you consider that U.S. corporate indebtedness in the aggregate is $15.5 trillion, 74% of U.S. GDP. What you're looking at here, the corporate bond market, has exploded. It's nearly $10 trillion. That's over the course of the current cycle.

Anyways. Here we get to what I call the true investment-grade bond market versus the de facto high-risk debt market. You've got private credit? Is anybody familiar with private credit, middle-market lending? Anybody been reading about this? It's quietly becoming ... They say that by 2020, it'll be a trillion dollar market. It's on the cusp of being that big. Think about issuers in the leverage loan market that aren't quite qualified to get the leverage loans. Think about them. That's that. I might be paraphrasing.

And then there's the $1.3 trillion leveraged loan market, which if you follow Bloomberg's stories, there are a lot more headlines about leveraged loans than there used to be, because their prices have begun to fall in earnest in pockets. Now you can still use the word idiosyncratic, but we are seeing a seizing up in a market that last year surpassed the size of the junk bond market, which is about 1.2 trillion. And then you have this yellow slice of the pie, the plain cheese, the one you should ignore because it is investment grade. In fact, Randy Forsyth, my good friend at Barron's, has a column out today that basically says the BBB scare was for nothing. Everybody who's been working about BBBs needs to zip it, because spreads have come in, nothing's happened. Well that's true, but that gets us back to Mr. Powell and I'm not ready to go back to him yet, and his happy liquidity machine. My point is, if you add it all up, there's very little in the way of what we would consider to have been, a generation ago, truly investment-grade bonds that you'd be happy with your parents having in their retirement portfolios and their 401Ks.

Now it was just Halloween. I'm sure we're all happy it's come and gone. I did not dress up. I was on an airplane. I was stuck on a runway at LaGuardia. But last Halloween, does anybody recall last Halloween, the debt of General Electric was downgraded? Anybody? Jay Powell remembers. Gentleman in the back. Jay Powell remembers the day that General Electric was downgraded. 14 days later, on November the 14th, junk bond issue went to the United States, closed for business for a record 41 days. There wasn't a single bond issued. The Bank of International Settlement took notice. The high-yield exchange traded funds that have instantaneous liquidity, the collateral backing them, was starting to trade by appointment only. Some of the regulatory authorities in the world began to get alarmed as redemptions spiked and the underlying collateral of these perfectly liquid securities that most people's grandparents owned stopped trading. And then we got the Powell pivot.

What happened in between, what everybody was paying attention to, wasn't what was happening in the high-yield bond market. I was, because I was watching credit market volatility go through the roof. I was watching. The rest of the world was watching the transmission mechanism. Can anybody out there tell me what happens if a CFO has to pay attention to their balance sheet in today's stock market? Easier question, what's the only source of support for the stock market?

Speaker 3: Feds.

DiMartino Booth: Buybacks.

Speaker 4: Feds.

DiMartino Booth: Did anybody say buybacks? Well the Fed is, but that's the underlying. But I'm getting to that. You're stealing my punchline. You have junk bond issuance seize up. You have CFOs across America being prompted to pay attention to their balance sheet. Paying attention to their balance sheet means that they cannot conduct share buybacks. That is cataclysmic in this country, and that's a big word. I'm not trying to be a scare monger, but it really is a problem when you consider the fact that every other source, every other buyer, whether you're talking about ETFs, mutual funds, mom and pops, individual investors, pension funds, they've all been net net negative in the current cycle, as opposed to the $5 trillion in share buybacks that have kept this market blowing and going.

This is a little bit dated. Just know that since I made the chart, it's just gotten worse, but it's very difficult to get this math to run. But let's just agree that earnings per share would be about 40% lighter. We've just come through, we're in the middle of the third quarter earnings season. According to FactSet, we're still negative. We were barely negative in the first quarter, barely negative in the second quarter, a little bit more negative in the third quarter, and now we've got analysts across Wall Street bringing down the fourth quarter. Deny, deny, deny. If you actually listen to your CNBC, they will tell you that earnings are strong. They're not, but they are being held up by share buybacks. They're not being helped by insider sales. September was the fastest pace of corporate insider selling in 10 years. At least they're buying it back, I mean, to help the shareholders and to help their bonuses while they sell it out the other back door, because what fun is life without a mansion in the Hamptons?

My point is it wasn't the December 24th Christmas Eve bloodbath that scared Jay Powell. It was what was causing it, and that was a seizing up in the credit markets that have gone from about 200 trillion to 250 trillion over the course of this global expansion. The idea that there's been deleveraging is ludicrous. A lot of it has been led by sovereigns, but one of the areas that the IMF, the World Bank, the Bank of International Settlements, one of the areas that they have pointed out is the explosive growth of the US corporate bond market. It is mammoth.

We had a decent GDP report. It wasn't as bad as it was supposed to be. Markets celebrated the only 33% decline in economic growth over the last 12 months. We've had payrolls obviously come out today, much, much strong than they were supposed to be. Course, they are a coincidental indicator. We've got continuing claims up, this is jobless claims, every week. Continuing claims have quit declining. Declining is good when you're talking about claims. Claims are up in 51%. Remember that. When we got the final revisions to initial claims for the month of September, 75% of US states saw rising initial jobless claims in September. So far in October, we're at 51% of states. One of them I happen to live in. It's called Texas. Claims are up 13%.

The price of oil's not helping. The fact that we do trade with Mexico on our border is not helping. Mexico quietly dipped into contraction a few days ago, their entire economy. Canada is sliding towards recession, and yet we are told on Bubble Vision constantly that we will decouple, just like we did in 2007 ... Because the implication is that the United States economy is so robust and strong that it can stand on its own as an island. As you can see on this chart, if you look at the aggregate of the three biggest car manufacturers on planet Earth, the aggregate of their PMIs, the yellow line, is in the toilet. If you look at the global yield curve, that is at the lowest of the current cycle.

And then there's that red line. That's freight shipping volumes in the United States. The cash freight index has been negative for 10 months running. Air freight volumes in the United States are coming down and coming down hard. Rail volumes are coming down and coming down hard. In this morning's ISM report, not one single of the 18 industries, not a single one, had expanding imports. Now the good news is the math flatters GDP, because when imports decline, the trade deficit declines, the president get really happy, and it's a sign that internally, domestic growth is slowing, if we're buying less of imports. Not one of the 18 industries. All of the largest industries in today's ISM report saw contracting backlogs, the six month running of increasingly contracting backlogs, think of backlogs as future demand building in the system. Employment stayed negative. New orders stayed negative. There was a slight ...

The ISM report was not quite as bad as we thought that it was going to be, but we've been in contraction for three months. Economists like to say that one month is an aberration, that two months might be a concern. Three months is a trend, and our manufacturing sector has been contracting for three months. We recently got out the Market Services index. It came out at 51. It's the first time in eight months that the Market Services index, four out of every five United States jobs, are in services. This was the first time that the services index came in lower on the headline than manufacturing. I know that manufacturing does not matter to the United States economy. That's what we're told. But that does not mean that on a cyclical level, it does not drive the train of United States economic growth. It does. And at some point, if you pass into that seventh or eighth month of weakness, then it's going to seep into services.

Inside of that Market Services report, there's a subindex just on employment, that quietly fell to a 10-year low. Except for non-farm payrolls, every other source of information that you can find on the United States labor market, National Association of Business Economists finds that hiring intentions are the lowest in seven years. Challenger, Gray & Christmas layoffs tell you that layoffs have been going on for 12 months year over year. This month, they were led by information technology and healthcare. Do those sound like manufacturing sectors to you? Me neither. And yet here we sit with the economy in a good place, because that's what Mr. Powell says.

Well, so here's the question. Should we listen to stocks? Should we listen to bonds? What should we listen to, because stocks are saying it's going and blowing. We're in a good place. Jay Powell is correct. The United States economy will decouple. The Fed will engineer a soft landing. October will be the last rate cut. He will have an Alan Greenspan Cinderella part three. 1995, Alan Greenspan came in, cut interest rates three times at the beginning of an economic expansion, mind you. Oh wait, that was the detail, and everything kept going. 1998, a bunch of Ph.Ds. got together and decided that instead of they would take a hiatus from the Fed, I make that up, and go and run a hedge fund. They attempted, these academics, to blow up the world. Long Term Capital Management was the name. Jimmy Kane was the guy who refused to write the check. That never came back to haunt him, Bear Stearns. But a bunch of people had to bail out this hedge fund. Alan Greenspan came in with three interest rate cuts in 1998, and the rally kept going and the economy kept expanding. And Jay Powell has every intention of a repeat.

Now this is the New York Fed recession probability index. Once you cross that 40% line, and if your three-month tenure persists beyond the three-month mark, in data back to 1950, the United States has entered a recession. It started to come back down but the yield curve always has to steepen in order to go into recession. So be careful what you read on Twitter. As you can see, the unemployment rate, which actually ticked up a half a perfect today, a half of one-tenth of a percent, actually moved very little. Mostly, 80% of it was part-time workers who couldn't find full-time jobs. But the unemployment rate follows. In the United States, we've never had as wide of a divide as we do today, between CEO confidence and that of the average working Jane and Joe. Never has the divide been this wide.

So where do we go? Well, most people on CNBC will tell you that we are going to 2007. That's where we're headed. From the date of the yield curve inverting, until you go into recession, you got a good two years. Now I was at a conference recently, and I asked for a show of hands. I'm really curious, who thinks the stock market's overvalued in this audience? Okay, so we've got ... Okay. So we'll all have a drink after. But a lot of people aren't quite as worried about valuations as

I am, but then I'm me. I worked inside the sausage factory for a really long time.

I prefer to refer to the April 2000 episode, and I also take a little bit of nifty math that Morgan Stanley did. Morgan Stanley backed in the effects of quantitative easing and found that instead of in May of 2019, when we know that the three-month tenure mathematically inverted, they backdated it to December to account for the extra tightening effects of quantitative tightening. Now if, if the yield curve effectively inverted in December, then we could be in recession at any time. And I know we're all finished taking notes for the day, but I do want you to jot this down someplace in your memory banks. Mine have quit taking withdrawals. But I got up at 2:00 in the morning for CNBC. I'm a little tired. 63% of post-war U.S. recessions have featured expanding consumption from the get-go. Think about that. Expanding consumption, falling unemployment rates. They go along with already being in recession. The stock market peaks after you're already in recession. The National Bureau of Economic Research backdates nine to 12 months when you're actually in recession. You always find out after the fact. We're always the last to know.

So just take those thoughts with you before we get to Mr. Powell for a minute. For a while, the Fed was ... And then we'll get to some questions, unless you just want me to keep talking for nine and a half more minutes. It's up to you. There's got to be a few questions. At the peak run rate of QE3, the Fed was expanding its balance sheet by $85 billion a month. $85 billion a month is also what it cost to bail out AIG, but by then, we were numb. Last week, the Fed held an emergency meeting. They voted, which is by law, to increase the amount of overnight liquidity from 75 billion to 120 billion a day. They increased the size of the two-week term facility from 35 to 45 billion a day, and by the way, on October the 15th, they started expanding the balance sheet by $60 billion a month.

Since his foray into what he refuses to call QE, so it is now called not-QE, since his foray into QE, the Fed's balance sheet has only grown by $260 billion. At this run rate, it's about 1.6 trillion on an annualized basis. It's November the 1st, people. We're nowhere near year-end funding pressures, and Jamie Diamond's having a good time with this. This repo situation is not anything to quibble with, and yet, Jay Powell wants for us to think that he's going to engineer a soft landing for the U.S. economy and for us to be nice people and ignore what's happening with the Fed's balance sheet, which is pumping more liquidity in the system. If he increases it before year-end, and I venture to say that he will be forced to do so, we will be pushing up against the 2017 record global run-rate of $2.2 trillion in quantitative easing in the United States alone, and he will still probably not call it QE, even though he's monetizing the nation's debt quickly.

I'd like to end this by also explaining why I founded the Jay Powell fan club. In 2012, he was a rookie on the Federal Open Market Committee, and he voiced concerns then, naïve boy that he was, that quantitative easing might in time become "habit-forming." Prescient no? At that same meeting, when QE3 was voted in, when he voted for QE, reluctantly, which we read in the transcripts, he had the following to say, "We are actually at a point of encouraging risk-taking, and that should give us pause. Investors really do understand now that we will be there to prevent serious losses. It is not that it is easy for them to make money, but that they have every incentive to take more risk, and they're doing so. Meanwhile ..." I get goose bumps every time I hear this, but I got to get out more. "Meanwhile, we look like we are blowing a fixed income duration bubble right across the credit spectrum that will result in big losses when rates come up down the road." You could almost say that that is our strategy. It was their strategy. It continues to be their strategy. It's sad that it is. I'm still fed up.

With that, I am happy. We've got five, more than five minutes. I'm happy to take any questions you might have, unless you feel like you've been tasered. Yes, sir.

Speaker 5: In lieu of the doom and gloom, what is your [crosstalk 00:35:39]

DiMartino Booth: Doom and gloom. I'm just presenting data. It's data. Why does that always happen? It's data. I'm presenting it potentially dramatically. I might be wearing red. Anyways. Go ahead.

Speaker 5: What is your prediction of interest rates in the next year?

DiMartino Booth: Well, so, this is like a 30-minute answer, but I'm going to try really hard here. The Fed has a reverse repo facility that acts as a floor on interest rates. Money market funds tend to like to go there, because Jay Powell's buying a bunch of treasury bills, you may have heard. That means that money market funds, and I'm just taking money market funds as an example. You could say GSE instead if you wanted. That means that money market funds prefer to put their money at the Fed and get that 10 basis point arbitrage versus what they can get in treasury bills. In order for the Fed to close that gap, they have to lower interest rates.

In order for the Fed to reduce the ceiling, IOER, that Jamie Diamond collects 25% of what the government pays alone, one bank. In order to bring IOER down, Judy Shelton was here a few years ago, friend of mine, she advocates for taking IOER down to zero so that we stop paying the nation's banks. It's a huge source of profitability for them. You also have to bring the Fed funds rate down. I think Jay Powell, whether he wants this fairytale three rate cuts and out, I think he's going to be forced because of mechanics, to continue bringing rates down. It might not happen December the 11th, but I think it will happen, and as I said, Jamie Diamond collects 35% of IOER, you tack on Citi, Wells, and Bank of America, you get to 75% of IOER collected by the four biggest banks in America. Call it a subsidy from heaven from the Fed. But I think he's going to be forced mechanistically to bring interest rates down.

Speaker 5: Can't he raise the rate for the banks or lower the rate that the banks get so you don't have that bell curve?

DiMartino Booth: Well that's my solution. Just get rid of IOER and then watch all hell break loose, because then banks will stop lending because their profitability will crash. Again, the Fed has created the situation. They've created all these dilemmas. They've backed themselves into all these corners because they thought that they could control a really big, huge, deep, liquid overnight money market, and they couldn't. They couldn't even do quantitative tightening. They couldn't even begin to shrink the balance sheet. It's a huge backlash. So that's the dilemma. You're going to kill bank profitability if you take away IOER. I'm sure there was a happier question somewhere else. Yes.

Speaker 6: Not happier, but different, okay?

DiMartino Booth: Different is good.

Speaker 6: You had said that you thought that your CNBC talking heads say that we're two years out for a recession If you don't think it's two years out, about how far?

DiMartino Booth: Look, I mean, I have no idea. I consider and say I don't know for two and a half more minutes, because the magnitude of the liquidity experiment to keep up the stock market, and if I read one more moron on ... That's not a nice word. If I read one more uninformed tweet about the stock market having nothing to do with the United States economy, I'm going to scream. It's not that wealth is not concentrated in the hands of 10%, stock market wealth. It is that if you look inside the Fed's flow of funds, 1968, 1999, and today are the only times that residential real estate as a percentage of household net worth has been lower than equity holdings. We're there. We've passed 1968. We've passed 1999. The bottom line is the United States economy keys off of the stock market. They're tethered at the hip. If he can manage to keep the stock market levitated and keep CEOs happy enough, because they make enough money to not fire people, we could go on for months.

But the problem is underlying it is that fundamentally, economic growth is slowing and I don't know that you can take back the world shifting away from the internal combustion engine to the electric vehicle. You can't re-urbanize China. There's not even a thousand miles of highway in India, so you can't move that miracle to India and have all of them buy cars so we'd be in a global recession even if we didn't have a trade war, which people also don't understand. Trade war just made a bad matter worse. But if the stock market can hang in there, if he can pump enough liquidity into the system, this thing can keep going. So. One more question. Yes, sir.

Speaker 7: George Bush Senior, said that Alan Greenspan essentially, by lowering rates, caused him to lose the election. Do you think that might occur again?

DiMartino Booth: I thought he hiked?

Speaker 7: What?

DiMartino Booth: I thought he hiked? Anyways.

Speaker 7: That's right. He raised rates. That's right. And that's what caused him to lose the election.

DiMartino Booth: Well, look, Case-Shiller Home Prices are coming down. That's the stickiest form of inflation. We saw today in the ISM report prices paid coming down so fast, so

I think he's going to be able to hide behind the shield of the fallacious PCE, core PCE. I think that 1.7 might even get lower. He said that the only thing in his press conference, he said the only thing that's going to make him raise rates is if he gets that core PCE north of 2%. Well guess what? He's never been able to, so I don't see it. I certainly don't see it happening in an election year, and I don't see it happening because of a mechanical overnight liquidity situation where if he raised rates, A, he would blow up some emerging market. Who knows? You wake up the next day and it's like Turkey's not on the map any more. But I don't think he can raise rates right now. I just don't think he can do it. I think he'll be loathe to lower rates in an election year. I really don't think he wants to help Trump get re-elected.

Speaker 7: [inaudible 00:41:42]

DiMartino Booth: That's true, you split the party, in a way. I have time for one last, maybe? No? Okay, I get it. All right. Yes sir. I was going to say first drink's on me, but they're free. That's the joke. Okay, keep going.

Speaker 8: Have you thought about when the old debt is unraveled. What happens to all of the debt?

DiMartino Booth: Yeah, it's a good question.

Speaker 9: What's the question?

DiMartino Booth: What happens to all debt when this starts to unravel? I mean, look, back in '08, '09, I'd never heard of a German Landesbank. Most people have forgotten about German Landesbanks by now, but for God's sake that's where the systemic risk was lurking. You don't know where systemic risk lives. The Bank of Japan came out a few days ago and they said that they were concerned about the mass concentration of United States CLOs on Japanese bank balance sheets. They're sitting there because of this negative yield environment in Japan. But I don't think we necessarily know. I mean, China wasn't as big of a player by any stretch in the global debt markets back then, as it is now. We don't know what the transmission mechanism is potentially from the Chinese debt market to infect ours. We have no idea.

But no, I have no idea how it's going to play out. I just know that there's a lot of incorrectly rated corporate debt in the United States, and that right now, we're seeing a lot of these leveraged loan prices come down more than we were told that they could during an expansion. So just be very careful. Dot your i's, cross your t's when it comes to the debt you own in your portfolios.

Speaker 9: There's a lot of real money players like pension funds that [crosstalk 00:43:31].

DiMartino Booth: Oh, pensions are screwed. That one was easy. I didn't mean to say that so, whatever. That mushroom cloud over Illinois thing. Nobody wants to hear about that.

Thank you very, very much for your time this evening.

Robert Helms: Awesome.

DiMartino Booth: Thank you.

Robert Helms: Good to see you.

The Economy Panel

Adrian Day (MC), Peter Boockvar, Dennis Gartman, Mark Skousen

Gary Alexander: Now, we have our Economy Panel and if I can believe my ears back in the green room, there's going to be some very entertaining differences of opinion among these four gentlemen. The MC, who you've already heard from, I'm going to let him introduce the panelists. Please welcome back Adrian Day.

Adrian Day: Thank you. Well, thank you very much Gary. Thank you ladies and gentlemen. This is the final panel of the day of apparently the economics, not the Economics Panel. We're going to stick to economics. I think we're also going to get into investing, which is what a lot of people are interested in. When I was asked to host this panel and I asked who was on the panel, I was told, I wouldn't say who told me, but I was told, "You'll have a good panel. Two of the three people are really nice people. Two of the three people are super bright. With two of the three people you'll have absolutely no problem keeping them talking. You decide which is which."

You've already heard just this afternoon from two of the three panelists. Most important of all of on my extreme left Dr, Professor Mark Skousen . That was a joke most important of all, but nobody laughed. You've actually convinced them. Okay. Next to him, Dennis Gartman who you heard from earlier. Then next to me, Peter Boockvar who you have not heard from yet. Those of you who are here last year heard an excellent speech from Peter Boockvar and he is speaking tomorrow morning-

Peter Boockvar: 8:00.

Adrian Day: 8:00. Oh my goodness. But I really, truly recommend and suggest strongly that you get up to listen to Peter and I'm sure after the panel this afternoon, you will understand why I say that. Let me just tell you who Peter Boockvar is. He's a CIO, Chief Investment Officer at Bleakley Advisory Group, a wealth management firm, and he's editor of the Boock report. Prior to this, he was a Chief Market Analyst with the Lindsey Group, which is a macro economic and market research firm run by Larry Lindsey.

Now you know who he is and I didn't read the other bios because you've heard from the earlier. We'll get the panel going. I'd like to get some discussion going, I want some debate and if you disagree with something somebody else says, I really want to hear from you. When one of the speakers jumps in, please understand they're not being rude, I've actually asked them to interrupt and let's get a debate going and we won't solve the problems of the world, but let's see if we can come to some conclusions. Let me just start with a really a simple question or a straightforward question just to set the scene. Can each you briefly give us a 30,000 foot view of how you see the state of the global economy today, the major themes, things we should be looking out for, just a really big picture view. Who wants to start?

Peter Boockvar: I'll start. Well, just to get to a quantification, if you take the IMF, usually I don't, but take what their estimate is at 3% for global growth. It's the slowest rate of growth in this expansion and global trade, which is obviously a component to that is only growing 1%, just to quantify how much the slowdown in trade is relative to the overall slowdown in GDP. It's the services side for many different countries and regions, and the consumer that has offset the slowdown in manufacturing trade. You can even take Germany for example, which is essentially in a recession or at best flat lining. Their unemployment rate is still at the lowest rates since reunification.

It's because of their labor market somewhat different, but it's the consumer and the services side is outperforming. The question is, "How long can that go on for?" That remains to be seen. Once it starts to affect the hiring and firing side of the economy, that's when you know the global economy is tipping over and there's certainly no place to hide. Directly with the U S, we know capital investment is contracting. Trade, as I mentioned, is obviously slowing and you have gross fixed investment that is also contracting with the consumer obviously being the only thing that keeps us going and hiring has slowed.

Part of that is the difficulty in finding supply of labor, but also it's just the natural response on the part of employers to take a time out in hiring when there's all this uncertainty. We did get the BLS number on Friday. That was good, but the ADP number on Wednesday was not so good. The truth lies somewhere in the middle, but the pace of job growth is slowing. Therefore, my opinion and the most important number to watch going forward from here, is weekly jobless claims because that will then determine whether the slow down in hiring starts to lead to a pickup and firings. We have not seen that yet. Jobless claims remained very low, but in my opinion, that is the most important number to watch every single week right now.

Dennis Gartman: It's fascinating to watch the jobless claims number. It's just been anchored at somewhere between 210,000 and 220,000 for about a year and a half now. Eventually, it's going to force us way back up above 250,000 and we forget that it was a mere of what, 10 years ago, that it was at 600,000 on a weekly basis. Peter who's way smart, 20 years younger than me, but way smart when he draws attention to the jobless claims number, I think he's quite correct. Talking about Germany, talking about Europe, I think that the big change there is the fact that Miss Lagarde is now the head of the ECB and she will become far more expansionary in monetary policies. She'll make sure that they are doing what they can, what power she has as the head of the ECB to force the other governments to become much more expansionary in infrastructure spending.

I think that's going to be a big help as far as the European economy is concerned. I think it will be terribly detrimental to the Euro itself. I've been bearish to the Euro. I'm going to continue to be bearish to the Euro. There are times when one should be short. Right now is not the proper time, but given another two or three weeks and another one or two Euro's higher and I'll be selling that, especially against the gold market. For a long period of time, almost five years now, I've been long of gold in Euro terms and I'm going to add to that trade in the not too distant future.

Mark Skousen: Well, I would extend this American exceptionalism despite all of these problems that we keep identifying; slow down in the global economy, Germany in recession, the trade war, the hysteria over global warming, the fear of deflation that we can't get interest rates up, we can't get inflation up. Wall Street, the S&P 500 just hit an all-time high and it's like, "Who predicted that last year?" All right. We were all hearing last year that the market was overvalued and so forth. It just seems to me that the markets are always forward looking and what are they seeing? They're seeing loosening in Europe that you just mentioned.

If you look at the supply chain in the United States, it grew at 4.9%. This is my gross output statistic that Steve Forbes highlighted in the current issue of Forbes. If you go to grossoutput.com, which is my website, I have my press release on that. It's very encouraging that despite this trade war, which has hurt the supply chain, and like you say, trade only growing 1%, the markets are looking forward and they see positive developments, especially with the Fed lowering rates, we all thought they were going to raise these rates and keep them up, and they've had to backtrack because the markets, as Dennis said today, the markets he have told us that interest rates are still headed down at least on the short term basis. Actually, the longterm rate is going back up, but mortgage rates are still incredibly cheap.

There's lots of potential growth that I see going on. Don't forget the political factor here too. Trump has to have a trade deal. If he doesn't have a trade deal, I think he loses the election because he's put so much through this and frankly the economy is struggling now mainly because of the trade issue. He's got to resolve this in the next couple of months or he's going to have a really tough line.

Dennis Gartman: It just amazes me that he continues to tell the American people that the Chinese are going to pay for the tariffs. It's just astounding.

Mark Skousen: It's like the border of Mexico. Yeah.

Peter Boockvar: I was responding and I'll say one thing about the discounting mechanism of the market. I'm of the belief that the market is much less of a discounting mechanism and it's much more reactive because when you have 70%, 75% of daily trading in the machines, an algorithm takes data that already exists and puts it into their system. It's therefore much less of a discounting mechanism because it obviously doesn't have future data. Sometimes, yeah, you can argue that it discounts something, but the market was not discounting anything in October 2008... Actually, I'm sorry, October 2007, that was the peak. The market wasn't discounting very well in March 2000. At times, it's good at discounting, at times it’s not. A lot of this with what you talked about earlier, a lot of it is time horizon. My firm deals with a lot of high net worth individuals who lived through 250% declines in the stock market in eight years.

There are 10,000 baby boomers turning 65 every single day. That part of the population is obviously growing older. They cannot afford another bear market. To have a third bear market of substance after the two prior, there’s a lot of fear with that. We talk about, “Oh, this is the most hated bull market.” Well, sentiment numbers and the percentage of equity allocations is still very high. People are still afraid because they’re still scarred by what went on in ‘08 and those that lived through ‘08 also lived through 2000. When you get to an older age, whether it’s 80, 85 or whatever, you can’t afford to live through something like that. If you’re young, yeah, let’s be bullish, and buy, and hold and hold forever, but a lot of it is how old you are and what your time horizon is to be able to live through inevitable downturns.

Dennis Gartman: I know my propensity to be an active speculator and take a long position has been greatly reduced in the course of the last 10 years. No question. As I approach 70 years old, I have a completely different outlook on what I’m willing to trade, when I’m willing to buy what I’m willing to sell and how much risk I’m willing to risk.

Mark Skousen: Well, this is the most disrespected stock market ever. I know very few people who have been 100% invested. They’re always afraid of this and they have a very heavy position. In fact, I even know people who have no position in the stock market and they have missed out on a huge opportunity. We do have this fear factor, there’s no question, but to me that’s bullish. That means that cash is still lots of cash. Look at the corporations, look at the cash that Microsoft is sitting on, that Apple is sitting on, that Google is sitting on. That’s money that can be used to buy back your stock, to pay more dividends with low interest rates, the stock market could move much higher.

Dennis Gartman: The problem with that is that, I distinctly remember when US Air bought its own stock at $104 a share, bought more of it at $90 and bought more of it at $80, bought more of it $60, bought more of it at $50.

Mark Skousen: That’s a commodity-based company that’s based on oil prices and stuff. Right?

Peter Boockvar: Well, look at the United buybacks. The stock market today is essentially not much higher than it was in January 2018, and U.S. corporations have purchased north of a trillion dollars worth of stock. God forbid we go into a downturn in the stock market and all that money was not well spent. A lot of these companies are buying back stock, particularly the Microsofts and others to just replace it’s stock options. Yes. The past of that you start reducing your share count, but the companies that are cash rich like that, there’s maybe five to 10.

Mark Skousen: There are few and far between.

Peter Boockvar: All that cash is sitting on relatively few balance sheets.

Adrian Day: Sure. Frequently, the stock options will exercise at a far lower price than the stock was pulled back. Yes, they're reducing the share count maybe, but they're replacing stock-

Dennis Gartman: On the case of WeWork, they are stock options that are now worthless.

Mark Skousen: True enough.

Peter Boockvar: Yeah.

Dennis Gartman: What a great example WeWork was, that to think that that was a week from becoming public and that God bless Goldman Sachs, JP Morgan et al, we're about to force this upon the American public, shame upon them.

Peter Boockvar: But also WeWork, the way that it was set up was a crappy business model. It's a great concept. Companies want the flexibility to place employees in space without signing a 10 to 15-year lease. There is natural demand in today's environment for that flexible space. The problem that WeWork ran into was, they were locking in themselves these 20-year leases and then leasing space in a very short term-

Dennis Gartman: In classic asset liability mismatch.

Peter Boockvar: Exactly. Then spending a lot of money with respect to renovation. It was a flood business model from day one.

Dennis Gartman: Plus he was a criminal.

Mark Skousen: Right. You have to remember that you're using one bad example of a bad apple, but there are a lot of good apples in there. Don't forget that great technologies are still advancing in electric cars, self driving cars, AI, internet of things. Look at what's happening with the Cloud. This is why Microsoft is just hitting all time highs now. There's lots of really positive stories out there. I think we have to be very careful but like I said, rewarding.

Peter Boockvar: WeWork is a very positive story and that there is tremendous demand for flexible space. The question is, "How do you run that business and at what valuation is it valued?" In 2000, communication stocks, fiber optics, the valuations were off the charts. It was a hugely deserved need for fiber optics, but the valuations just got ahead of the fundamentals. You look at how we built way too many houses in '08, people will eventually live in them. It comes down to price valuation, but no one's disputing the technological advances. It's what multiple and what price do you pay for that?

Adrian Day: There was an interesting thing, this is meant to be an economics panel, but Peter mentioned people getting older, 75, 80, they can't afford the risk of another 20% decline. You, Mark, mentioned the stock market is continuing to go up and so on and so forth, which both could be correct. If you're looking at advising people who are 70, 75, 80, where do you think they should put their money at this point? I'd like to ask all three of you that?

Peter Boockvar:	Well, what I say, and you don't have to be 70 to 75 to have this conversation. You can be 35 and you are about to get married, and I say, "Well, if you had money in the stock market that you thought you were going to use to pay for that wedding, well, I would be selling the stocks and putting that cash aside to pay for that wedding. If you have got kids that are about to go to college and you are riding a 10-year bull market and your kids are about to go to college, well, what are you trying to squeeze out in this bull market? Put the college money aside and take it out of the stock market." That's addressing people's liquidity needs, which I think everyone then has to think about. To what people are not investing. I see it. We manage a lot of money for people, but they're still 60%, 70% in equities, and the balance and fixed income, they are still invested. They may be fearful because they don't want to experience, as I mentioned, what happened in the last two bear markets, but they are invested. It comes down to can you survive from a financial standpoint, another equity decline of 30, 40, 50%? If you can, because you have liquidity set aside, where if you have a time horizon that's long enough, then you're fine. You've mentioned Warren Buffett earlier, Mark. The great thing about Warren Buffett was not just his ability to find undervalued businesses with high returns on capital, he also had a longer time horizon than everybody else. Berkshire Hathaway stock alone fell 50% multiple times, but instead of getting scared from that, he embraced it. He invited those declines in markets and declines in stocks because he added to it. It all depends on how you manage it.
Dennis Gartman:	Peter, that doesn't make any sense. To embrace a 50% decline.
Peter Boockvar:	I think Warren buffet did.
Dennis Gartman:	Okay. God bless him.
Peter Boockvar:	Well, he's proven
Mark Skousen:	And he's recommending index funds now.
Peter Boockvar:	He may be the only one, but he got very good at embracing those declines.
Dennis Gartman:	You have to remember, if you're down 50%, you've got to go up 100% to get back to even.
Peter Boockvar:	He did that multiple times.
Mark Skousen:	You can do it Dennis, I know you can.
Dennis Gartman:	Now, I'm approaching 70 and I'll tell you what I have in my own account. As I said to the audience earlier, what I write about is what I do and I do that every day. I've got about 50%, probably a little bit too heavily involved in the gold market, but I've got about 50% of what I'm allowed to trade. My wife only gives me X millions to trade, so she sweeps my account on Fridays, which is a good idea on her part. I've got about 50% of my money in gold, various different ETFs, but predominantly CEF. Sprott's gold and silver ETF, which is, the liquidity is extraor-

dinary.

I've got the other 50% in a number of different bond funds. There are a hundred or so bond funds that pay their dividends on a monthly basis, and it's extraordinary how many times you're getting, six, seven, eight, nine, 10, 11% on these bond funds that pay a dividend monthly. When you get your dividends paid monthly, that accrues very quickly. That's where I have my money, and I'm very comfortable. It's been a nice year. I have no great urgency to go out and buy any new positions in stocks and if I do anything, I'm going to continue to add to my bond position. Basically I'm long gold and long bonds, which is a wonderful hedge, and it's been a good year.

Mark Skousen: I think you have to bear in mind though that Dennis is a short term trader and next week you may be down to 10% in gold.

Dennis Gartman: It's possible. I doubt that. It would be possible if gold were to go under 1,460, I would probably reduce the size of my gold position by 20%.

Mark Skousen: It came close recently. Yeah.

Dennis Gartman: I came very close recently. I got very nervous.

Mark Skousen: Yeah. Then it turned around. My perspective is, I'm 72, All right, so I've got two years or three years on you and I'm 100% invested, but if you look at my portfolio, I do have a position in index funds because I think that's a great way to go. I'm heavily involved in high dividend paying stocks in certain sectors that can't help but burgeon over time as J. Paul Getty said, and financing private companies, which is one of my favorite stocks that most people will be thrilled with when you hear about it at my workshop. Another one is in health, in the nursing home area, which is just growing like crazy because of the baby boomer phenomenon, and more and more people are needing a assisted living. This is a boom area and I have a stock that's yielding 7%, 7% and has a rising dividend policy for the last 14 years.

This is the kind of thing that's so much better than fixed income, which is returning 2%, maybe 3% at the most.

Dennis Gartman: What's the ticker symbol?

Mark Skousen: Omega healthcare, OHI.

Dennis Gartman: OHI.

Mark Skousen: OHI, check that out. These are really great alternatives to the standard load... I mean, gold. My gosh, you're lucky to earn 1% dividend on that. You need income and income. If you can get growth and income, that is really key. The stocks that I'm recommending, every one of them have beat the market in the last year, which has not been easy. There are opportunities out there, but it's not a stock market, it's a market of stocks as they say.

Peter Boockvar: I do want to say something and tie this back to WeWork. I always like to say that valuations don't matter until they do. I think one thing that we're seeing now is valuations do matter and investors are becoming much more discriminating about how they invest and WeWork is not just a WeWork out of Newman's situation. It's a complete rethink on valuation. Uber was a rethink. Lyft is a rethink. Grubhub, which fell 40% last week, is a rethink. Software stocks that were trading at 30-times sales, not earnings, but sales all of a sudden is a rethink. The entire high PE multiple universe is all of a sudden a rethink. The entire private equity world of portfolio companies is now a rethink. For the first time in this 10-year bull market, there is now more attention being paid to valuations.

Adrian Day: Yeah. That's absolutely correct.

Mark Skousen: I want to make one other comment, which I think is extremely important at this conference and that is, you're here to find good investments. At my age I made a change. I mean 10, 15 years ago, I would get into private placements that were three to four years would promise to go public. You know how those stories are. I've invested in 20 of these. Three of them have turned out to be profitable and very profitable, but it was an extremely low percentage. I've been offered many private placements recently and I've turned them all down. I said, at my age, I'm not going to wait three or four or five years and hope and pray that they're going to go public, or they're going to buy out, or I'm going to get a dividend or what have you. I just don't get involved in those stories anymore. They got to start paying money right from the get go, right from the get go or forget it.

Dennis Gartman: Yeah.

Mark Skousen: Yeah.

Adrian Day: Yeah. Let me ask each of you, what do you think is your biggest investing mistake that you've made? I'd like to get the lessons from that, the lessons learned.

Dennis Gartman: I'll tell you the biggest mistake I made, it was really quite public. I bought, after having been overtly, manifestly, continuously without equivocation, bearish of and I despise the whole notion of cryptocurrencies, a friend of mine called me one afternoon on a Friday, said he bought a position. This is one of the best traders I know. I bought a position in a Bitcoin. What was the name? How the hell are you going to remember. I can't remember the name of it. He bought a bunch of it at 10,000 shares at $17 a share and it opened at 14 on a Monday. I said, "That's enough. I'm out." That was the worst. That's the worst trade I've made in a long time. I bought something because a friend of mine said, "I'm involved in the trade." When it went against me-

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Dennis Gartman: No, I can't even remember the name of it now. It's one of my best traits. I can forget the bad ones.

Adrian Day: The lesson was buying something because a friend was in.

Dennis Gartman: Yeah. The lesson was buying something that a friend who I had great respect for and still have great respect for. That was an important lesson for me to learn. Well, the important thing was it opened at 14. I got out and it went to six.

Adrian Day: Well, okay.

Dennis Gartman: It went to six in the course of three days, so there was a good lesson. Most of you would have bought more at 10, Eight, six, hoping that it goes back to eight, so you can break even and it doesn't because it went bankrupt.

Adrian Day: We'll come to that later, Mark. Do you have a biggest mistake, Mark?

Mark Skousen: Yeah. I've got plenty of them. One of my favorite stories is a stock that I bought maybe seven or eight years ago that was a private placement. It was a hair re-growth program. What was really interesting is that they had clinical tests that proved that hair could grow back. They tried to test it on me and I was a poster child for this because I wrote an investment newsletter and that sort of thing. I put a good, maybe $150,000 into this story and the stock at one point, before it was free trading, because you have to remember on private placements as you know, Adrian, your stock is tied up, and you're not allowed to sell it. And the stock was trading. I was worth over a million dollars at one point for this stock, and it totally collapsed. It totally collapsed, and I lost everything. I'll tell you what? It was really cool-

Dennis Gartman: Was there a chance? Could you have gotten out and when it reopened? Could you've sold it at 800,000?

Mark Skousen: No. It never got to that point where my stock was freely trading. It collapsed before then. What's interesting is the stock has been bought out by a shell company and the stock is moving back up, but again, my money is still tied up for a variety of reasons. I've pretty well written off the whole position. I will tell you the guy who got me into it, he said, "Skousen, I feel really bad for you, so I'm going to recommend that, I have a pot stock." I went from the hair thing to a pot stock, but he said, "Listen you can get in on this stock at half a cent." I bought 150,000 shares for $750 and I was able to get freely trading stock and sold it for over $300,000.

Most of these promoters out there are not looking after your best interest. You have to. This guy did. He felt really bad about the failure of the one company. He got me into something that worked. But again, I don't get involved in these deals anymore because there are so many deals out there where you can get paid fairly quickly instead of waiting and wondering and pulling out your hair, what's left of it.

Adrian Day: Before we come to Peter, what was the lesson you learned from that? Because it appears to me you lost all your money on a recommendation from a promoter and you immediately turned around and put more money into one of the promotion. What lesson did you learn?

Mark Skousen: What's the difference? What's the difference? It was just 750 bucks. In fact, I wished I'd put in 10 grand at this point. The point is that, $750 was nothing. There was, "What's the risk?" And it turned out to be a winner. I agree with you. I wouldn't put $150,000 into that pot stock. I wouldn't do that again. I learned that lesson, but if it's at $750 that's worth a gamble. That's nothing.

Adrian Day: Sorry Mark. What was the lesson you learned though?

Mark Skousen: I just said I don't do these deals anymore. It's a pretty important lesson. I just wanted to say that there are some promoters out there that are legitimate, that have your interest in mind, and they feel bad when things go wrong, and they do something about it. It doesn't happen very often. That's an important lesson.

Adrian Day: Right. Peter?

Peter Boockvar: I think the biggest lesson I learned is, the short side is a really difficult game and you might as well just buy puts instead. I got bearish way too early in the mid 2000s. I remember it was late 2005 when I think it was Pulte Homes, maybe it was, that said their business in Las Vegas is slowing down and I said, "this party is over." That was late 2005, the stock market hit a record high in October of '07. It went on for another year and a half plus, and I was short the S&P, I was probably short spiders at around 1,150, 1,200 and the S&P went to 1,550. You can imagine my misery. I was long other things, so it wasn't just naked short, but it was a lot of misery. I was so traumatized by the experience that I stayed short.

When the market came down, back down to 1,150 in October of 2008 when everything was hitting the fan, I covered, I was just so happy just to break even. Then the S&P fell another 30% plus. So I was right in the thesis, but I was dead early and instead of just being disciplined and quickly covering and re-evaluating, I was stubborn, I was an ass and I stayed sure even though I didn't lose, I lost probably years of my life during that year and a half.

Adrian Day: All right. Now, you said about not going short and buying puts instead, but it isn't a problem with buying puts, in your same thesis, you were early, so you have had to keep buying puts. Doesn't that get very expensive?

Peter Boockvar: Well, I think in between, it gives you opportunities to maybe sit and wait instead of just doing it again and again and again.

Mark Skousen: You could sell cold.

Peter Boockvar: That's in a way just getting naked short.

Adrian Day: That's just naked short.

Dennis Gartman: I'm not doing that.

Adrian Day: Yeah. Yeah. Now, Mark, you asked me to ask you a question. Well, I said I wanted to hear, I wanted some discussion, I want to people to say when they disagreed with someone else. Mr. Gartman has repeatedly, repeatedly at this seminar and every speech I've ever heard him give, talked about, "Do less of what doesn't work." And you said, "I'm going to challenge him on that."

Mark Skousen: Yeah.

Adrian Day: Okay.

Mark Skousen: It's not just me. There's a lot of people who favor dollar cost averaging. Now, Dennis, you're right. If a stock goes down and keeps going down and never comes back up, then dollar cost averaging doesn't make sense. That's often the exception to the rule. If you get, the key here is to, you use the example of sugar, and I would agree with you, sugar is not a very good example for dollar cost averaging. Stocks that are fundamentally sound, they're making money, but it's in a bear market.

Dollar cost averaging has been proven to be a very successful formula. Burt Malkiel has done numerous studies of this. He's the Princeton professor who has written A Random Walk Down Wall Street. His work is impeccable in demonstrating that if you choose legitimate companies, if you choose even the S&P 500 dollar cost averaging is a tremendous way to build wealth over a long period of time. It didn't work in your case, but that's an exception. Most of the time, it does work very effectively if you invest in companies that are solid.

Dennis Gartman: I'll just simply say it's so much easier if you buy something at 10 and it's gone to 15 buy more because the market's telling you you're right. Why would you do something when the market's telling you, which in the market is the sum total of the wisdom and the stupidity of everybody who involved. But by definition the market is a far wiser thing than are you, how dare you say to the market, "I bought it at 10 and now it's five. I think the market's wrong." That's hubris of absolutely the first order. That's Icarus flying too close to the sun. Better to buy something at 10, buy more at 15. buy more at 20. buy more at 25 the only thing that can be happening if you're doing that is that the equity in your account, the value of your net worth is going up. It's just, it's just that simple.

Peter Boockvar: I think it's important on this and there's no necessarily right answer. It's an answer for you as an individual, not as a rule thumb, is when you were going to invest in a company, know the company inside and out. I've seen many times of many stocks I invest in, I listen to a lot of quarterly conference calls, a lot of stocks, they may go down after a quarter because a company misses. You have to differentiate, is the problem that the company encountered in that quarter, is it a short term issue? Is it a long term issue? Because the market has a tendency of overreacting because there's no patients involved. You miss a quarter and whatever issue they face is going to get fixed in six months. A lot of investors don't have that kind of patience and they puke the stock. If you know the story very well, if you're comfortable that whatever short term hiccup.... running a business is never one straight line.

It's never linear. Running a business has its ups and downs and if you're going to buy a stock for the long term, pretend that you're buying a business, you're not just buying a stock symbol. If you're buying a business, understand that they're going to have some misses. If you're comfortable that those misses are temporary-

Dennis Gartman: But how do you know?

Peter Boockvar: Well, you never 100% know. But If you know the company really well, chances are you know the company more than other people and you can take the calculated risk because we know investing is a game of probabilities and calculated risk, that if you know that story really well and you love it at 20 and you feel that whatever short term hiccup they're experiencing is short term, and the stock goes to 15, well, maybe 15 actually really is an attractive price. Now, sometimes you could be wrong, and 15 was not an attractive price and that maybe the market was right and you were wrong and that the problems were deeper.

My point is, is that, the better you know the company, the better you'll be able to make those decisions.

Dennis Gartman: Where do you stop buying? Where's your puke point?

Peter Boockvar: There is a point during that time when the stock falls. Well, the story will either tell you, you're wrong because the next quarter was bad as well, and the next quarter was bad as well and the story tells you that you were wrong, because the stock market is not always right. The stock market right now is a very short term time horizon and I've seen it multiple times. You miss a quarter by a penny and they will crush your stock. That miss by a penny could be for very temporary reasons. Again, no business is a linear straight line. There are always ups and downs.

Mark Skousen: Let me give you some real examples of where this happens. This is 401k plans. These are IRAs where you put in a certain amount of money every month. It's a certain specific dollar amount that you're putting in and when stock prices are high, you buy very little of the stock. When the prices are low, you end up buying a lot more of the stock. You have the same amount of money, but the price is cheaper. What happens when the market turns around and again, Malkiel studies on this have been dramatic. He showed when the stock market did not recover for 10 years, the S&P 500 from 2000 to 2010, it finally recovered from its highs. If you dollar cost average during that time period, you were up 200%.

Dennis Gartman: I understand that, but the average person who is down 20% is going to puke.

Mark Skousen: In the 401k plans. They don't make those decisions. They're fully invested the whole time and it's dollar cost averaging and it's the best thing that can happen.

Peter Boockvar: If you're going to dollar cost average, you better do it in a good business, because if you love Macy's at 40 bucks, because you said, "Well the real estate value was worth X." And you were buying, and it was cheap then, but the business itself was a melting ice cube, and then I went to 30, and then it went to 20 and you did your NAV analysis on real estate, that was a bad business.

Dollar cost averaging in a bad business is a really stupid idea. That's what separates a value that can resurrect itself and a value that's a trap. The value that's a trap gets you into trouble. If you can distinguish the value, that will bring itself up again, well, that's when you can make money by dollar cost averaging. You got to know your story in order to differentiate those two stories. Warren Buffet was very good at differentiating what was a value trap and what was temporarily out of favor.

Adrian Day: I think the other thing if I may, is as an investor, I'm the moderator, so I'm not going to side with anyone, but as an investor, I think it's really important that you have a discipline and stick with it. If, for example, you say, "I'm a dollar cost average investor in Nestle." Don't decide to stop being a dollar cost average investor because it drops 30%. If you're going to use Dennis Gartman's approach, don't suddenly switch to being a value investor because the stock dropped 30%. In other words, have a discipline and stick with the discipline.

Peter Boockvar: Well, I think, what I'm trying to suggest, it's certainly much more risky and Dennis I think would be point spot on this, individual stocks is much more risky. The practical matter is, when you're in 401k plans and you're working for an employer, you're putting money away every month, a certain amount and it's going into stocks and bonds and maybe one other, maybe cash or something like that. It's well diversified. It's like Peter's managed accounts. That dollar cost averaging program has been extremely, extremely profitable if you stuck with it. Even when you had that period of time, 10 years where the S&P 500 did nothing, but between re-investing of dividends, between buying a lot more stock at a cheaper price. When that thing turns around, you are making a ton of money and it's a great formula. But if you're in a GE or a Macy's or sugar, it's a disaster.

Dennis Gartman: Or Enron.

Peter Boockvar: If you can't differentiate a good business from a bad one. You should be buying index funds or leaving it to somebody else.

Adrian Day: And on that, I'm going to call as panel to a close, you know, they told me I wouldn't have much of a job, moderating these three, and I didn't, you just tell them to talk. It's great. So I'd like to thank all three of that panelists and things.

Mark Skousen: Yeah. See you tonight.

Mickey Fulp

"How Can We Remedy America's Mineral Dependence On Unfriendly Governments?"

Albert Lu: Our first speaker is Mickey Fulp, The Mercenary Geologist. He is a certified professional geologist with a B.S. Earth Sciences with honor from the University of Tulsa and an M.S. Geology from the University of New Mexico. Mickey has over 35 years experience as an exploration geologist and mining analyst in North and South America, Europe and Asia. In addition to his ongoing work as an analyst and newsletter writer, Mickey has written and spoken extensively on freedom, libertarianism, individual rights, science and reason and pacifism. He operates a small farm in central New Mexico raising beef cattle and free-range domesticated rabbits. He likes to hunt and fish. Mickey's life philosophy is "Do not tread on me and I will not tread on you." His talk today is "How we can remedy America's mineral dependence on unfriendly governments?" Please welcome Mickey Fulp.

Mickey Fulp: Thank you Albert. Man, the sun came up an hour earlier this morning and I welcomed that. I like to get up, don't like get up in the dark, so I hope you enjoyed your extra hour of sleep as I did. Let's get right into it here. If I can make my... There we go. I'm not a certified financial advisor, so anything I say here this morning can not be construed as a solicitation to buy, sell, go long or short any financial instrument.

How can we remedy America's metals, minerals, and materials misery? We're going to go lay out some of the problems, as you're probably aware, we're entirely dependent on unfriendly, unsavory governments for a significant amount of our mineral supply. It reminds me much of what was going on in the oil patch from the mid-seventies to the late 20-teens, about 2016 we've solved that issue, but we still have issues with the mineral space.

This very complicated slide- this from USGS, I'm just going... I do not expect you to digest it, but this shows our net mineral import reliance on 64 mineral or, excuse me, 97 mineral commodities. And we're 100% dependent on a significant portion of those. So we're going to talk today from a to z, from arsenic to zirconium, the amount that we are dependent on these unfriendly governments. So in summary, this from USGS 2018, our net import reliance, 100% dependent on 21 mineral commodities. We are greater than half dependent on another 29. Furthermore, we are 25% or more dependent on another 14, so you add those up and that's 64. We are nearly self-sufficient in another 17 and, in fact, we are net exporters of 16, so add those up about 33.

But it's double the trouble and I'm going to explain why. There are 64 metals, minerals, and materials that we are dependent on unfriendly, unstable, or unsavory governments. Includes China, 31 different metals and minerals, mainly small market, specialty metals and industrial metals. Russia, this is a big concern. We're dependent on nine, which includes five major metals and one very important agricultural mineral. South Africa, another unstable government with 10, including six of the major metals and two major industrial minerals. And other rogue nations, if you will, which we're dependent would include Bolivia, Gabon, Georgia... And that's not the state of Georgia folks, that's the former Soviet Republic... Guinea, Kazakhstan, another ex-member of the Soviet Union, Mozambique, that doesn't mean million ounces for you gold bugs out there that's M-O-Z, my acronym for Mozambique, the Philippines and Rwanda.

So, we have this thing called the National Defense Stockpile. And that's supposed to protect us against being held hostage, if you will, by foreign governments. And so the National Defense Stockpile is run by the Department of Defense and its mission is to stockpile military and/or industrial- notice that military industrial complex there- that are not sufficiently available in the United

States. And they have to be materials capable of stockpiling. So, for instance, does not include food stuffs. But it does contain some rather esoteric substances. For instance, after World War II when it was established, we stockpiled tannic acid because you need tannic acid to tan leather. That is not in the National Defense Stockpile now, because we don't make very many leather materials, the military boots are generally not leather anymore, they're synthetics.

So we've already said we're dependent on 64 mineral commodities by foreign governments, and we only have stockpiles currently have 14 of those 64. So there is some really short-sightedness in this mineral stockpile. And it was established after World War II, the beginning of the Cold War, to protect ourselves mainly against Russia. When Russia went down in 19... or the Soviet Union went down in 1991, we started selling off the defense stockpile because the military felt that there were no threats in the world anymore. Well that's not quite panned out that way. But you can see from $10.4 billion worth in 1956 during the Eisenhower administration, we're now, as of 2016, which is the latest data that I was able to compile, down to $1.2 billion worth, an order of magnitude less.

So nearsighted, we have 18 materials total in the stockpile. We're Chinese-dependent on seven of those metals, we're Russia-dependent on three, South Africa-dependent on another four.

Here's what really puzzles me: we are selling ferrochromium alloy. Chromium is on the critical minerals list. We import 69% of our chromium on a yearly basis from such countries as South Africa, Russia and Kazakhstan. We are selling, currently, ferromanganese alloy from the stockpile of which we import 100% of that on a yearly basis from Gabon, Guinea, Georgia and, of course, our good friends from Australia, but that's in fourth place, a small amount of ferromanganese comes from Australia.

The Trump administration, to its credit, as soon as it got in established a study group for critical minerals. They first delivered a draft in 2016, fledged that out with another report in May of 2018, and in June of 2019 about five months ago, came out with the final list of the critical minerals to U S minerals and national security. China is a major supplier of 21 of those, Russia is a major supplier of seven of those critical minerals. South Africa is a major supplier of seven. Of particular concern to me is uranium. We are 40% dependent on Kazakhstan, Russia, and Uzbekistan for 40% of our uranium. You know, one out of every five free Americans, every time you turn on a light switch, you're dependent on nuclear energy and uranium.

So this is another complicated slide. I do not expect you to digest all this in one fell swoop, but these are the 35 critical minerals as established by the Trump admin. So I went through and I arranged them. I have a minor in chemistry and I'm a bit of a numbers wonk. So this is arranged in a periodic table, the rows of the periodic table. We are self-sufficient in helium, but everything in red, we're dependent on China, everything in pink, we're dependent on Russia, everything in orange, we are dependent on South Africa and anything highlighted in bright yellow, we're dependent on two, and in one instance, all three of these countries for our minerals supplies. So let's just briefly mention... we've already talked about manganese on row three... about row four... about the middle with chromium right next to it, dependent on South Africa and Russia. You've all heard about the rare earth dependency on China. That's down on the bottom row, or next to bottom row, and then uranium. So this is the list on Trump's 35 minerals.

We're going to switch gear. We're supposed to be protected in some way, shape or form by something called Cifius, that's an acronym for the Committee on Foreign Investment in the United States. And it's an inter-governmental agency, a committee set up to review all foreign direct investment. It reviews for national security purposes. They are represented on this committee, 16 deep-state executive branch departments and agencies. But here's the kicker, this thing has a couple of holes in it. Companies that are involved in foreign direct investment, either through sales of assets or direct investment into the corporation, they are not required to notify Cifius of this, it's voluntary.

We're going to go into a particularly egregious affair that's happened in the last few months. It also this kind of like the FISA court. It operates in complete secrecy and the best thing about this is the final say on this generally to approve or block any foreign direct investment goes directly through the president. Well, would president Trump. That should we would think protect us but has it? Why should we care? Well Cifius did not oppose in the early nineties the union oil take over by the Chinese national oil company and that was going through. Cifius approved it and the last minute Congress, at the time, vetoed that sale and Chevron took over Union Oil. It was thought at the time that they were after our oil patch. Well, not really. They were after our rare earth because, you probably don't remember, but Union Oil bought Molycorp in the mid-eighties and Molycorp is the rare producer in Mountain Pass, California.

So what the Chinese are really trying to do was to take over our complete rare earth industry and they couldn't do that. It was blocked. But what they did do is they cut rare prices and forced Molycorp out of business. It was sold to private interests by Chevron. That private interest eventually took Molycorp public. Chinese cut the prices again. Molycorp went bankrupt in 2016. It has risen from the ashes through private equity, mainly in New York, and it is operating again. But here's the kicker, it no longer has processing capability so it takes all its mineral concentrates of rare earth and sends them to China for processing. The Magnequench sale was also a rare earth thing. We developed through GMC, General Motors first and then through a spin out called Magnequench private company, the total rare element magnet technology, you wouldn't have a cell phone without rare earth magnets we would not have wind turbines, we would not have laser guided missiles and a lot more stuff.

As you well know, rare magnets, we lost all that technology and all the patents that went with it went to China. That happened in 1996 to 1998 by a guy, a former deep state bureaucrat named Archie Cox. The guy should be in prison, but he is not. Uranium One sale to Rose Adams, a Russian national oil company, and they bought Wyoming ISR Mine. This was another travesty that was facilitated when Hillary Clinton was Secretary of State. Uranium One was allowed to buy 20% of U.S. Uranium production. In turn, the CEO, Ian Telfer, a famous guy in the mining business, contributed $2.35 million to the Clinton Foundation. And more egregious, Frank Giustra, another infamous guy in the mining business, contributed a whopping $135 million to the Clinton Foundation in a quid pro quo. That's why I'm always on the bandwagon of "Billary for the Big House."

Finally, Cabot Corporation, this is the recent sales, sold its specialty fluids division to Sinomine Chinese. The real problem with Cifius is there's no technical expertise on it, 16 government executive branches and agencies. It does not include the USGS, which compiles the critical mineral list. The curious case of critical cesium Cabot Corporation. How many in the audience here remember Henry Cabot lodge? I certainly do. It's from my youth, he was a government ambassador and bureaucrat in the late fifties into the 60s. That Cabot Corporation is a blue blood family from Boston Mass., located in Boston Mass. A founding member of the New York Stock Exchange, a company founded in 1890, and it had the world monopoly of cesium, a rather obscure metal. It controlled mine-to-market supply with from the Tanco Coal Mine in Manitoba, 85% of the world cesium plus a significant amount of another critical mineral called tantalum.

They also bought recently the Sinclair Palouse site deposit in Australia, which is another of the few known potentially economic cesium deposits. That was sold to the Chinese recently, including 135 or 130 patented and proprietary technologies for cesium compounds. What's it used for? It's used in deep drilling. You can't drill a deep offshore well here in deep Gulf of Mexico without cesium in it as an additive to the brines, to oil field drilling fluids, to protect from over pressurized gas and blow out. So it's critical for those technologies. As I said, it was sold to Sinomine. I first raised the alarm on this in June of 2019. Where was Cifius on this? We're not really sure. How did we sink into this quagmire? I would submit the deep state government and Clinton and Bush Jr. sold off the stockpile in the 90's to fund budget shortfalls in the Department of Defense. A legislative branch with mineral that follows judicial branch with environmental lawsuits, and the mining companies that are also complacent with insufficient, ineffective lobbying. Domestic opposition in the eighties, nineties and 2000's basically resulted in all our mineral capacity moving offshore.

How can we remedy the situation? Remove mineral withdrawals, nearly 60% of federal lands withdrawn from mineral entry. Restore multiple use and access. Revamp regulations for responsible development, streamline permitting with hard deadlines, reject frivolous lawsuits from the NGO lobby, improve communication between bureaucracies. We continually see this huge government bureaucracy where we're one department doesn't talk to the other. Anti-dumping sanctions and trade tariffs as a last resort. My opinion, although I am a Libertarian, is if China is playing ball on the outside of the foul lines, perhaps we should too. Revamp Cifius for foreign acquisition reviews. Demand bureaucracies communicate and cooperate. A "can-do" versus a "can't do" attitude and we see that now with the Trump admin. Establish lead agencies, removed permit duplications, cooperate with our North American neighbors, specifically Mexico and

Canada, enable the mine-to-market supply chains and appoint pro-capitalist, pro-development judges.

All those things are being done right now, but as always your federal bureaucracy moves very slow. What government shouldn't do: fund more committees, studies and reports, honor revisions of the mining law of 1872 just passed the House of Representatives Executive Branch Commission, more multi-agent bureaucracies, and quit allowing lawyers to make more work for lawyers and that's one of the big problems. Mining speculators from philanthropists also have a role here, proactive lobbying fund, venture capital focused on small markets, specialty metals, mining markets supply chains. Do not foster business with our enemies. America first domestic resource nationalism is needed, in my opinion. What's at stake? Resource wars, American individual rights and Republican ideals. Capitalist "free market" economies, and I put "free market" in quotations because as we know, we all don't operate on entirely free markets. Really, our first world standard of living is at stake.

We saw this happen with the oil debacle for 45 years. We became increasingly dependent. A big part of the current debt is due to sending petrodollars to the Middle East. The alternative Centrally Planned Command Economy is a collective committee of Chinese Communists running our lives, was social facial-recognition technology and social credit scores, a socio-fascist status control of our daily lives. So I'm going to start waving my American flag right now. And the choice is yours, mine and ours. We can go for baseball, hot dogs, Apple pie, and Chevrolet, or we can live under a Communist regime with dirty skies. I think it's up to us as activists in the mining industry to make this change. Thank you very much.

Dennis Gartman

"Trade, Tariffs And Tantrums: Tripping Our Way To Trading Success!"

Gary Alexander: We're going to skip the bullet briefing that's in your schedule that's scheduled for 4:55, and move right into Mr. Dennis Gartman, who's been involved in the futures market and many commodities markets for the last 45 years, ever since August of 1974, which happens to be a year in which his beloved NC State won the national championship in basketball. I believe that was the tail end of the UCLA dynasty. That's when he'd just finished his graduate work at NC State. And he entered work for Cotton Inc in the early '70s, analyzing the cotton supply demand curve in the late '70s. And then he became chief financial futures analyst for AG Becker in Chicago and became an independent member of the Chicago Board of Trade until 1984, the year after NC State won their next national basketball championship with that amazing Jim Valvano team in 1983. And in '84, Mr. Gartman moved to Virginia to run the Futures Brokerage operation at Sovereign Bank.

And in '87, he began producing the wonderful Gartman Letter on a full-time basis, and he continues to do so today. The Gartman Letter is a daily commentary on the global capital markets, distributed to subscribers by 6:00 AM each business day, which means he sleeps very little. The letter addresses political, economic and technical trends from both long-term and short-term perspective. Clients of the Gartman Letter include many of the leading banks, brokerage firms, mutual funds, hedge funds, energy trading companies and grain trading companies. Mr. Gartman has lectured on capital market creation to central banks, finance ministries around the world, and has taught classes for the Federal Reserve Bank School for Bank Examiners on derivatives. I hope they listened.

Mr. Gartman served a two year term as an outside director of the Kansas City Board of Trade 2006 to '08. Hope they listened. That's a key year, '08. And now he serves on the investment committee of both the University of Akron and the North Carolina State University. Mr. Gartman appears often on financial news outlets. I'm sure you've seen him often there on Fox Business, Bloomberg, BNN, discussing commodities and the capital markets. His subject today is very important because we've heard a lot about these Ts, trade, tariffs, and tariff tantrums, tripping our way to trading success. Please welcome back to the conference, Dennis Gartman.

Dennis Gartman: I always warn everybody. Be careful about applauding for a speaker before you've heard him. You may regret it by the time he's done. This is I think the 10th year that I have been invited back to this event. And I always ask my wife, "Can you believe in your wildest dreams that they invite me back for 10 years?" And she said, "Wait a minute, big boy. We've been married for 29 years. It's been at least 31 since you've been in my wildest dreams." Sadly, it's probably closer to the truth than anybody wants to admit. I want to get across a few very simple ideas here this afternoon. And I want you to understand that I trade only from my own account. I write my newsletter every day. I get up at 1:00 AM to put it together. I try to get it out actually by 5:00 in the morning. I go to sleep about 10:00 at night, get by on about three hours sleep. I found out that Mr. Churchill was able to do that. I figured if he could, I can.

I've been doing it now for 35 or 36 years. And what I write about is what I do. If I say, "Buy gold," I'm buying gold. If I say, "Sell crude," I'm selling crude. If I say, "Buy stocks," I'm buying stocks. I have my own money at risk every single day. It's not very much. It's only about $10 million, but it's my $10 million and I made it, and it's important to me. If I get across one thing today, I want to get across this one simple, two simple notions to be precise. One thing, it's not a problem until it's a problem, and then it's a problem. It's not a problem until it's a problem, and then it's a problem. Two, do more of the things that have been working and try your damnedest to do less of the things that have not. Those are the two things I want to get across today.

Let's talk about it's not a problem until it's a problem, and then it's a problem. When I first got out of undergraduate school, and actually in graduate school studying economics, they told me that a weak dollar, that a rising deficit was going to give way to rising interest rates. And if I've learned anything since 1982, and it took me until 1983 to understand it, if I've learned anything since then, it's that rising deficits do not give way to rising interest rates. In fact, rising deficits give way to falling interest rates. It hasn't made any sense. It has been utterly nonsensical. It has been the harsh reality. And everybody who has fought that trend, and everybody you listen to today, or a goodly portion of the people that you have listened here today have told you that rising deficits will give way to rising interest rates have been utterly, completely, totally and effectively wrong. When will it stop? When will rising deficits give way to rising interest rates? When it happens, not a moment before, not a moment later. It will happen when it happens.

But everybody has been fighting that idea for the last 35 years. Stop fighting that idea. They told me in 1982 that rising rates or rising deficits would give way to rising interest rates. They told me in 1987 that rising deficits would give way to rising interest rates. They told me in 1992. They told me in 1997. They told me in 2002. They told me in 2007. They're going to tell me in 2015. They're going to tell me 2020. They'll tell me in 2025. Eventually, they will be right. Eventually, rising budget deficits will give way to rising interest rates. The operative word here is eventually. Try not to lose too much sleep over that fact. Try not to get too depressed about that fact. Yes, the budget deficit in the United States is now approaching a trillion dollars. I understand that's a huge number. I understand it's going to be bigger next year than it is this year. And I guarantee you one thing, it'll be larger three years from now than it will be two years from now, than it will be a year from now.

And eventually, it shall give way to rising interest rates. The operative word here being eventually. Please don't wait for that to happen. Please don't trade in anticipation of it. Please don't be short of the bond market waiting for that. Please don't be short of stocks hoping for that. Those things will happen when they happen, and until they happen, they haven't happened. That's the one thing I've learned as being a professional trader making my way in the business. When it happens, it has happened. Until it happens, it hasn't.

Secondly, let's talk about trade. I'm an old line, old guard, dyed in the wool Republican. I voted for Mr. Trump. I apologize for that fact. He has absolutely lied to the American people, explaining to the American people that by raising tariffs, he can, and this is unbelievable, have the Chinese pay for the imbalance of trade deficit that they run with us, or the imbalance of trade surplus that they run, the imbalance of trade deficit that we run, that tariffs will be paid by the Chinese. This makes absolutely zero sense. Never in history has any country that has been an exporter, and has had tariffs put upon them, paid for the tariffs. But yet, he goes on TV every night explaining to the American people, and 28% of the people in the United States believe him. This is utter and complete and total relentless idiocy. Please understand that fact.

Two, they told me in 1982, '87, '92, '97, '02, '07, '15, they told me last year that a budget deficit ... Or excuse me, that a trade deficit will give way to a weakening US dollar. It was wrong then. It is wrong now. Always remember that fact. I tell you I can make the budget deficit and the trade deficit disappear almost instantaneously. I, Dennis Gartman, can accomplish this task in less than two hours. How can I make the budget deficit disappear and the trade deficit disappear? Very simply. When was the last time in the United States that we actually ran a lesser trade deficit? And the answer to that question is 2007, 2008, 2009, and into 2010. We actually ran a slightly lesser trade deficit in 2007, 2008, 2009, and 2010.

What was happening in 2007, '08, '09, and '10? The worst recession we've seen since 1972 to 1974. Why did we run a lesser trade deficit in 2007, '08, '09 and '10 than we did the previous years? Because we were importing less. The economy was in recession. If you're having a recession, you will by definition import less than you did the previous year. It's just how things happen. At the same time, I can, as I said, I can take the United States budget deficit and turn it into a budget surplus. How do I do that? By raising the marginal income tax bracket from wherever it is right now, let's call it 27%, let's raise it to 100%. Let's raise, let's take every single dollar that you make and send it to Washington. Let's do that. What will we do? We'll send the economy into a depression for about three months before you figure out how to get around it. You'll be sending money to Washington, and we will run a budget surplus. I guarantee you that will happen for a short period of time.

Interest rates will plunge. The dollar will soar. And the economy will go into the worst depression imaginable. But you will have accomplished the task that seemingly most of you want to accomplish, is to have the United States run some sort of trade surplus, utter and complete and total nonsense. Utter, complete, and total nonsense. If I've learned anything since the early 1970s, it's that every year the trade deficit gets worse, every year the economy has gotten on balance better. And the only years, again, that we've seen the trade deficit move even slightly lower was during the great recession of '07, '08, '09 and '10. Do we really wish to go back to that sort of circumstance? I would posit, I would hope, I would think that we would not.

But we can accomplish that task very readily and very easily. The president lies to you, period, end of discussion. He tells you that China will pay for the trade surplus, it's trade surplus with us. It's just not going to happen. I believe, on the other hand, that freer trade, and let's not underestimate the Chinese. They cheat. No ifs, ands or buts about it, China cheats. I do not sell my newsletter into China. Why? I did it for one week, or actually, I did it for a month. Found a couple of clients, they paid the fee for it. And the next thing I knew, they were taking my newsletter and they were selling it. They had no compunction about doing exactly that. China cheats. I understand that. Something has to be done to stop the cheating. They steal intellectual property rights on a consistent basis and feel no dismay about doing so. That needs to be stopped.

But putting tariffs on is always and everywhere deleterious to not only the person or country that it has the tariffs put upon them, but it also shows a problem for the country that puts the tariffs into place. It is deleterious. All trade is a sum zero plus game, and tariffs make trade a sum zero minus game. We are all better served by free trade. That's the problem that I have with Mr. Trump. He is not a Republican. He is, I think it was Mr. Casey who was telling you that he is almost a neo fascist of some sort. He is a control freak of some sort. He believes that Washington has the answers. It doesn't.

Let's talk about the dollar. You're going to hear over the course of the next several days that the United States is going to cease being the world's reserve currency. I guarantee you some day the United States shall cease to be the world's reserve currency, no question about that. The question shall be: When will the United States cease to be the world's reserve currency? Because being the world's reserve currency is a wonderful benefit. You get to fund your debt in your currency. And everybody else practically has to fund their debt in your currency also. It's just the way of the world. United States has been the world's reserve currency since, call it 1945. But really, since about 1956 when England and France lost the war against Egypt over the Suez Canal, we after World War II, and after that became the world's dominant reserve currency.

Eventually, sometime, someplace, somehow, whether it's next year, five years from now, 10 years from now, 50 years from now, or 100 years from now, the United States will cease to be the world's reserve currency. But we're world reserve currency status always inures to one nation, and that nation is always the dominant military power. Go back to the 14th century when Portugal was the dominant military power in the world, it had the best navy. Its currency was the reserve currency, supplanted by Spain about 50 years later when Spain became the dominant military power in the world, supplanted by Britain when Britain defeated the Spanish Armada. What was it? 1488 or whatever the year was. I always forget. And from that period of time on until the 1940s and the early 1950s, British pound sterling was the world's reserve currency because England was indeed the world's dominant military power. And more importantly, it was the world's dominant naval power. That's the important one. Who is the dominant naval power?

And the United States is clearly the world's dominant naval power. There's nobody that even comes close. We have 11 aircraft carriers. Those of you have been here before have heard me talk about this before. I'll talk about it next year, and I'll talk about it the year after that. We have 11 aircraft carriers. The country that has two behind us is Italy. I don't worry about Italy with their two aircraft carriers. England has two, soon going to have three. China has one and a half. They're building another one right now. It's on its sea trials. But we have 11. It's always been said that the American president awakens in the morning and asks, "Where are my aircraft carriers?" I maintain that Russia's president, China's president, Malaysia's president, Brazil's president, Armenia's president, they awaken every morning and say, "Where are America's aircraft carriers?" Very good question on their part.

And until anybody can topple us as far as a naval power is concerned, until that happens, we will always be the world's reserve currency. Now is that going to change? Of course, it shall. Everything changes. You heard Mr. Casey talking about the fact that he expects to see the United States cease to exist at some time, so too do I. Is it going to happen next year? Is it going to happen in five years? Is it going to happen in 20 years? I really don't care. I'll be long dead by then. I'll let other people worry about that. But as far as we remain the world's dominant naval power, we will remain the world's dominant reserve currency, period, end of discussion. You'll have people argue that point. They will be wrong.

Let's talk about Federal Reserve policy if we might for just a second. You're hearing a lot about the fact that the Fed has expanded its balance sheet. It's hard to get a real feel, or a good fix on what the balance sheet is. But every other Thursday, the Federal Reserve Bank of Saint Louis reports out on Thursday afternoons the size of the adjusted monetary base. You can actually get this by going to fedstlouis.com. And you can see what the adjusted monetary base. And the adjusted monetary base is basically comprised of the Fed's holdings of treasury securities, currency, and a reserve adjustment. But predominantly, it is what ... It's the Fed's holdings of treasury securities. Beginning in 2008 at the depths of recession, the Fed did exactly what it should be doing under that sort of crisis. It came in and said, "We are the adult in the room. We are here to make certain that there is liquidity at all times and in all places. We will stop eventually, eventually. But for right now, we will force feed reserves into the system as aggressively as we must."

You're going to hear hard money advocates taking the Fed to task for that. I applaud the Fed for having done that because without them, without them acting as the adult in the room, we would've gone from a serious recession into a global depression. And God bless them for coming in and doing exactly what needs to be done, which is what a central bank is supposed to do at a time of duress. They did exactly the right thing. They took the adjust monetary base from $800 billion to $4.3 trillion by, interestingly enough, April 15th, which is an interesting date, of 2015. I think it got to, don't hold me to the exact number, but let's round it and say $4.4 trillion.

Since then, the Fed has allowed that adjusted monetary base to roll off, without getting too esoteric, without getting too legalistic about it, let's just simply say that as treasury securities have matured, the Fed has not replaced them. The adjusted monetary base has fallen to about $3.2 trillion from its peak of about $4.4 trillion. That I find inexcusable. Everybody else, the hard money advocates, want them to run it back down to where it was before the start of the recession. I say I actually hope that the Fed begins to come back in and move the adjusted monetary base back up because, simply put, in order to keep an economy moving from the lower left to the upper right, which is what they want to do, you need to send in an amount of reserves into the system equal to one, population growth, two a hope for rate of inflation, and three, an adjustment for reserves.

We'd like to see the population continue to grow. Everybody needs to see the population grow. You do not want to see the population decline in the United States because a declining population gives you Japan, and Japan's population is imploding. The government in Japan has told the world that its population will fall in half in another 25 years. Think about a country whose population shall fall by half and grow older at the same time. Think about the economic responses, the economic circumstances incumbent in a country whose population is falling by half. You don't build buildings, you tear them down. You don't build railroads, you tear them down. You don't build airplanes, you tear them down. You don't build schools, you tear them down. That is hardly the stuff of economic growth.

You need population growth, first of all. Then you need to have some sort of quasi reasonable inflation. And the hard money advocates, most of you are hard money advocates, will take me to task for saying that. We probably do need to have a 2% inflation rate in the United States to keep the wheels of commerce reasonably well greased.

And yes, I understand that 2% over a period of time is detrimental to real wealth. I get that. I understand that. But as long as you can generate economic growth in excess of 2%, in excess of population growth, in order to do that, you need to have the supply of reserves in the system expanding by at least that same amount. The fact that we have allowed the monetary base to fall from $4.4 trillion to $3.2 trillion in the course of the last four years I find disconcerting. Now I've noticed in the past several weeks that the adjusted monetary base for those of you who are chartists look like it's turning up. It looks like it's turning up. The Bank of England is doing the same thing. The Bank of Japan has no choice but to the same thing. The ECB has no choice but to do the same thing. The monetary authorities of the industrialized world have no choice but to collectively expand the supply of reserves in the system to accommodate better economic growth, period, end of discussion.

All of you here are gold bugs. I understand that. I get that. There are times when we are supposed to be bullish of gold. There are times when we are supposed to be bearish of gold. This is one of those times when you are supposed to be bullish of gold. As I told you, when I talk, when I write, what I do, or what I write about, I do. And I have the largest gold position I've had on in probably the last five years. Beginning over this, well, I shouldn't say beginning, but over this past weekend, I paid attention to the fact that on Friday, and for those of you who trade gold on a consistent basis, you've all understood that Fridays in the course of the last two years have been terribly deleterious to the gold market. For whatever reason, there's always been a seller of some sort, I don't care who he is, [inaudible 00:21:24] will tell you it's the government.

I will tell you it's some other speculators. But somebody has been keeping a lid on gold prices and forcing gold down on Fridays. The fact that Friday came with a very bullish economic report, and I don't care who you are, you have to understand that the employment numbers that came out Friday were extraordinarily good. I was greatly surprised. I did not expect them to be anywhere near that. And with the upward revisions in the previous several months, this was a spectacular, a spectacular series of numbers that came out on Friday. Normally, you would expect as stock prices went up, and as employment numbers came to that extent, and on a Friday when gold prices have tended to come under balance, I expected to see gold prices come under very severe selling. And the fact that it didn't, surprised me. The fact that it didn't, forced me as a speculator to add a little bit of gold at the margin to what I already owned. And I already owned the largest position that I've ever had. Now I own a little bit larger position than I've ever had.

I think given the fact that the monetary authorities at the Fed, at the Bank of England, at the ECB, at the Bank of Japan, at the Bank of Canada, have no choice but to employ an expansive monetary policy. In that environment, gold can do nothing but go from the lower left to the upper right. Where will gold prices go? I haven't the faintest idea. If I set a price, I'll be surprised that it gets there, both higher and lower. All I can tell you is the trend is from the lower left to the upper right. The fact that it doesn't go down now on bearish news is impressive. And the fact that it didn't go down for two Fridays in a row is even more impressive. Pay attention to that fact.

Let's talk about energy and we'll talk about commodities for a few moments. Let's talk about fracking. The most amazing thing that's happened in the world as far as I'm concerned is fracking and seismic technologies, which allow you to ... The seismic technologies allow us to look into the ground and see oil facilities, oil reserves in manners that we never saw before. We used to think, and those of you who've heard me before will remember me saying this, we used to think that oil deposits in the ground were rather finite and shaped sort of like your fist. And in the old days, old days being 10 years ago, we drilled. We'd send a soda straw down into the ground, and we had a hit rate of maybe 50%. And if you got lucky and hit right at the top of that structure, you hit a gusher. But if you missed it, you got nothing. Our hit rates used to be about 50%.

Beginning about 10 and 15 years ago, using seismic technologies, looking down into the ground, first of all, we found out, one, that those reserves weren't shaped like your fist. They were shaped like your hand with fingers that extended. And it used to be that you couldn't get out and drill into these fingertips where a lot of oil was found because it was highly uneconomic. Now we know where those structures exist, and we learned how to, one frack them, which is simply to drill in, explode water and sand into there, and free the reserves so that they could flow freely. And more important, we learned how to go down and bend the soda straw. And not only bend the soda straw, but we could send four, five, six, seven, eight soda straws out of one drilling rig. I find it amusing that we, on Friday afternoons when Baker Hughes announces the drilling rig numbers, they've been falling now for the past four or five years. Every week, they're lower than the week before. And everybody is surprised by that fact. And I say, "How can you possibly be surprised?"

Of course there's going to be fewer rigs working because one rig can now send five, six, seven, eight, 10, 12 different soda straws into the ground and bend them out into the fingertips. The United States is now the largest supplier, the largest producer, I should say, of crude oil and natural gas in the world. We've gone from producing, call it four and a half million barrels of crude oil a day in the Permian, to almost 10 million barrels of crude per day out of the Permian Basin in Western Texas. We've gone from producing about six million barrels of crude nationally to 12 and a half million barrels of crude nationally on a daily basis. And there's only a few things in this world I'm going to guarantee you about. My wife says, "Guarantee nothing," but I'll guarantee you that five years from now, we will producing much more crude oil than we are producing now. We will be outproducing Saudi Arabians. We are now outproducing Russia.

And the problem that the crude oil market has is that we have discovered fracking. We've discovered seismic technologies. The Saudis have yet to frack a single well. The Russians have yet fracked I think one, maybe two, maybe five wells. And if you don't think that the Russians are going to learn how to ... They're going to steal our technology. The Saudis are going to steal our technology. They're going to use fracking circumstances. And the amount of crude oil that the world is going to produce is going to go nowhere but from the lower left to the upper right until we run out. There shall come a time at some point in the future when we run out of crude oil.

I went to undergraduate school back in the 1960s, and they told me then that we were going to run out of crude oil by 1984. They told me then. These were the same people who believed in global warming, the same, or global cooling back then, the same people who believe in global warming now, were the same people who told me that we were going to run out of crude oil by 1984. The world would be redundant with and out of crude oil by 1984. All I know is this. We produce three times more crude oil now than we produced in the world in 1984. We'll produce more next year, five years from now, 10 years from now, 20 years from now. We shall eventually run out of crude oil, but not until I am long gone, not until my children are long gone, and not until one of my daughters has a grandchild and he or she is long gone. It'll be a long time into the future.

The problem that crude oil faces is that there is an abundance of crude oil coming at you. Yes, there will be times when there's a geopolitical circumstance that for a day or two sends crude oil up $2 a barrel, sends crude oil up $5 a barrel. But now on those geopolitical circumstances, 10 years from now, the same sort of circumstance that took place in September in Saudi Arabia, 10 years from now would've sent crude oil up $10 or $15 a barrel. At most, it rallied three. It tells you there's an abundance of crude oil out there. Getting bullish for crude oil is a very, very difficult thing to do at this point. Watch one thing. If you learn anything from me, listen, learn this. Learn how the market in crude oil, and we'll talk about this same circumstance and other commodities in just a moment, watch how the term structure tells you the direction, the broad direction of where crude oil prices are going to go.

The term structure is the relationship of spot to the next future, to the next future, to the next future, to the next future ad infinitum. In great bull markets, in bull markets, whether it's in soybeans, whether it's in wheat, whether it's in corn, but particularly when it's in crude oil, great bull markets, they go into what is known as backwardation, where the spot rate is at one price, the next futures price is below it, the next futures price is below that. The next futures price is below that. The next one is below that. The market is saying, "We need you. We are not going to pay you to go into storage. We demand that you come to the market right now." That's the hallmark of a bull market. Markets go backwardated in bull markets. The front month is here, the second month is here, the third month is here, the fourth month is here, the fifth month is here.

In great bear markets, you have what's known as a contango. Don't ask me why they came up with the name contango. I haven't the faintest idea why. But contango is an abundance of crude oil, an abundance of wheat, an abundance of cotton, an abundance of corn, an abundance of soybean meal. The spot rate is here. The next future is higher. The next future is higher. The next future is higher. The next future is higher than that. The market is saying, “We don’t need you right now, and we’ll pay you to go into storage.” Watch how crude oil particularly changes the term structure. Right now, we’ve had a backwardation in crude oil that has been narrowing and narrowing and narrowing and narrowing and narrowing and narrowing and narrowing on a consistent basis. Even on up days in crude oil, the front months do not go up as much as the back months do. I maintain that we’re going to go to a contango in the not too distant future. That’ll be great news for crude oil producers who can sell forward futures at a premium to the spot rate. They like that. Their bankers like that. That’ll help them.

But as a speculator, if you see the futures market go to a contango, if you see the backwardations narrowing, your propensity to step up and become a buyer of crude oil should be greatly limited. In fact, it should be negative. In fact, you probably should face the crude oil market as a bear. If I’m bullish on anything, I’m bullish on the grain markets. Take a look at what’s going on in wheat. Wheat, the amount of production that’s going on in wheat now is now to 115 year fewest acres ever planted to hard and soft red winter wheat. 115 years, smallest acreage in hard and soft red winter wheat. Hard winter wheat is traded what we used to call Kansas City wheat. It’s what goes into bread. Soft red winter wheat is what we used to call Chicago Wheat. It’s what goes into cakes and biscuits and that sort of thing. 115 year lows.

Last year, we had 110 year lows. We’re producing so little in the amount of acreage compared to history, it’s unprecedented. Now it’s offset by the fact that if there’s one thing you can absolutely count on in this world, it’s this. Drought in, drought out, good weather in, good weather out, we produce more cotton, more soybeans, more wheat, more corn, more sorghum, on an acre of land this year than we produced last year. We’ll produce more next year. We’ll produce more the year after that. That’s the one problem that I find myself having to argue with when I want to become quite bullish of the wheat market, is that every year, we do in fact produce more. We do a better job. God bless the North Carolina States, the Ohio States, the Penn States, the Iowa States, the great schools who actually have taught American producers how to produce more per acre than they have in the past. It’s an important concept that we tend to forget at all times.

But given the fact that we’re down to 115 year lows, and the fact that wheat prices don’t make new lows, and the fact that wheat prices have begun to turn higher, and the fact that wheat prices go up on bearish news now, gets me to be coming somewhat bullish of the wheat market. I’m also quietly becoming bullish of soybeans. Here’s an important thing to understand. I had my own seat on the Chicago Board of Trade, and I can remember the greatest trader in the history of the Board of Trade, Gene Cashman, took me aside one day and said, “Dennis, remember this. You don’t get bullish of soybeans until the soybean meal market goes backwardated.” There’s that word again. Until soybean meal becomes backwardated. When it happens, when soybean meal goes up more, when the front months are higher than the back months, when soybean meal trades better than soybean oil on a consistent basis, that's the first time you can become bullish of soybeans.

All economics is a study of people's propensity to do something. And my propensity to be a buyer of beans is rising of late. I'm not ready to act yet because one, the meal market has not gone to backwardation. Two, meal is actually losing to oil. And three, I just don't see the reason yet. But I find myself turning quietly bullish of the grains. Take a look at buying wheat. Take a look at buying soybeans. And finally, take a look at buying cotton. That market in great bull markets, nothing trades more violently in term structure than the cotton market.

Let's talk about stocks. Stocks are high. Stocks are ridiculously high. Stocks have been ridiculously high. The market, one of the great lines in all trading is the market will remain illogical far longer than you or I can remain solvent. My corollary to that is the market will return to rationality the moment you have been rendered insolvent. The market is a very harsh mistress. By any stretch of the imagination, stock prices are preposterously overvalued, especially in relation to commodity prices, especially in relationship to crude oil, excuse me, especially in relationship to gold.

But every time I tried to sell it short, it blows up in my face. Every time I bought it, it felt better. There will come a time, I have no bloody idea when that time shall be, that it'll be correct to be a seller of stock prices. One interesting technical circumstance that I will draw your attention to, CNN, and yes, I understand CNN is a left wing television show. It's okay. They have a great thing, the CNN Fear and Greed Index. Go to Google, CNN Fear and Greed. And it moves back and forth between, call it 85, and when it gets to 85 and turns lower, that's historically when stock prices have gone down. When it gets under 20 and turns up, that's historically when stock prices have been low and turn up. It's now gotten to 80. It's extremely greedy. And if you want to be a contrarian, pay attention to the CNN Fear and Greed Index.

I'm getting close, close. I ain't there yet. But I'm getting close to being a seller of stocks. I will tell you, if you own a lot of stocks, be less long. If you own a whole lot of stocks, be less long. If you own no stocks, don't buy any. But it's not time yet to be a seller. The economy is still moving from the lower left to the upper right, and the monetary authorities are still becoming expansive. Am I already two and a half minutes over my time limit? Wow. That didn't take long. All right. We'll summarize by this. It's not a problem until it's a problem, and then it's a problem. And two, try your best as investors, if I've learned anything, anything at all having been a floor trader, having traded from my own account, it's always this. Do more of that which has been working, and do less of that which has not.

If you buy something at 10 and it goes to 15, buy more of it. If you buy more at 15 and it goes to 20, buy more of it. If it goes to 25, buy more of it. If it goes to 30, buy more of it. If you buy something at 10 and it goes to five, don't buy any more. The market's telling you, you're wrong. And why in God's name do you do more of that which is wrong? I'll finish up by telling you the great story of what happened to sugar prices in the 1970s. Sugar once sold, and this is a great story of buying the wrong thing at the wrong time. Sugar once sold at over $1 a pound. It dropped to about 90 cents a pound. The fundamentals were still bullish. Everybody, every analyst on the street was bullish with sugar. People were buying more at 90 cents because they said, "If it just gets back to 95, I bought it at a buck, if it just gets back to 95, I can break even," which was fine until it went to 80.

What did people do? They bought more because if it just gets back to 87, I can break even, which was fine until it went to 50. What did people do? They bought more because now all it's got to do is get back to 68 and I can break even, which was fine until it went to 25. Now what do people do? Well, you've got to buy more, don't you? Because now if it just gets back to 47, you can break even, which was fine until it went to a nickel. Now what do you do? Well, after throwing up on your shoes, you probably buy more, until it went to a penny. And it actually sold at such a cheap price that people took delivery in the New York coffee, cocoa and sugar exchange of sugar bought the sugar, it was delivered in those days in burlap sacks, 100 pound sacks. People took the sugar, cut the sack open, dumped the sugar because it was worthless, and sold the burlap, which was fine, until burlap became oversupplied.

Don't average down. You heard Grant Williams was pointing just this morning the Paul Tudor Jones, an old friend of mine, one of the best traders in the world, has this great line. Averaging losers is for losers. Averaging losers is for losers. Don't ever forget that. That's my story. I'm sticking with it. As my old friend, Paul Tudor Jones says, trading and investing's like falling in love. Put your arms around that idea and you hold her tight, but if she shows you the first sign of disrespect, throw her overboard and disavow any association whatsoever. So that's my story, thank you for your time. Good luck and good trading.

Gary Alexander: Thank you so much.

The Geopolitical Panel

Gary Alexander (MC), Doug Casey, Stephen Moore, Kevin D. Williamson

Albert Lu: We're going to move on to our geopolitical panel now. I'd like to welcome to the stage our panelists. Please welcome Doug Casey of Casey Research, Kevin D. Williamson, and your moderator, Gary Alexander.

K.D. Williamson: Go ahead.

Gary Alexander: Welcome to our geopolitical panel. First of all, I'm going to give you some background. Hi Steve. I've been doing this for over 10 years, perhaps 12, and Charles Krauthammer was a key member of this panel from 2009 onward and we do miss him very much and last year had a panel dedicated to the memory of Charles Krauthammer. One thing I want to say on opening is that, Charles, you missed it by one year: The Washington Nationals, champions of The World Series.

He was a wonderful Nats fan, and I can remember backstage he would regale us for about 10 minutes on almost every pitch the year the Nationals almost went to The World Series; he was a season ticket holder there. Another thing I want to quote Charles Krauthammer on, and I think even Doug Casey would agree with this, even though he didn't agree with Charles on much, was that politics is often played between the 40 yard lines.

Now, just imagine, would you be interested in watching a three plus hour game in which they only played between the 40 yard lines? A little long scrum, and imagine it's played in the rain and mud and they just never go anywhere. Well, from the point of view of people who want to end up in Ayn Rand's gulch on one hand, perfect world of free market libertarianism, you never get there, or the Soviet realistic art world of the tractors and the scythes and the industrial perfect world where the workers rule, you never get there either.

You're never going to get to these wonderful worlds that the left and the right imagine, so it's always played in the little back and forth world. In that little back and forth world, as Steve Moore showed us this morning, you can make great progress in the stock market, in keeping and holding your wealth between, say, 1966 and '82. As Steve showed, we lost a tremendous amount of wealth between '82 and the year 2000 gained, and then the last 20 years back down and up again.

There is a lot to be gained or lost between those 40 yard lines in the world of politics, and I want to harken back to what we've done in this particular conference over the last 45 years. This particular date, November 4th, 40 years ago, as I mentioned, the Ayatollah Khomeini took 54 hostages in Iran, in our American embassy, held them for 444 days. On this date, November 4th, 1980, Ronald Reagan was elected. On this very day, November 4th.

He started to turn things around; the day he took office, those hostages came home. Also, 25 years ago, this year, this week, the Republican revolution took place. The Republicans took over Congress, and I remember this conference met on that very week, and we celebrated, the conservatives did anyway, and Doug Casey accurately said, "This isn't going to make a hill of beans difference." The contract of America, he thought, was kind of a laughing stock, a bunch of empty promises.

We made some progress. Remember ending welfare as we know it? Well, now we have the son and granddaughter of welfare, which resemble Rosemary's baby, guaranteed income for life, forgiveness of all debt, the kind of welfare being projected by Democratic candidates now is just a nightmare and it's going to return to haunt us if they are elected in the year 2020. The first question I want to ask is about the election of 2020 and not who you want to win, but who you think will win in 2020.

Not just the presidency, but the control of Congress. Who do you think will win in Congress next year? Because that's very important, because if the president wins and the Democrats keep control of Congress, well, that's going to be the status quo that we have right now. In that regard, I want to take a little bit of umbrage with one of the slides of Steve Moore, because I'm going to have Steve Moore answer this question first.

That is slide number two. Steve Moore, I know you know your slides just perfectly and every one of them. This is the one titled "Power of the Expanding Economy" in which debt is now 80% of GDP, and from this audience, we've seen a lot of the debt charts over the last three days. I have three questions I want to ask you about that debt chart in light of next year's election. Number one, you only talk about public holding of debt.

That is, the debt held by the public and there's more debt than that which is held by the public, that's held by other institutions and nations. That's the first question. The other one is that you have the projected debt going down to 50% of GDP if we have 3% growth. That second question is, how can we possibly maintain 3% growth if we have any mixture of Democrats, either in Congress or the White House?

The third one is, yes, we get a little bit of increased taxation receipts, but how do you possibly control the avalanche, the tsunami, of greater spending from both Republicans and Democrats? They have given up on stopping spending. There is no ceiling of debt. There is no serious address suspending. Could you please address those three questions about the deficit in light of your projection of who will win the 2020 election?

Stephen Moore: Wow. I thought there wasn't going to be math on this exam, so thank you all for having me on the panel. First of all, who's going to win the election? As I said, I think it's pretty easy to ... This is not a complicated election. If the economy remains as strong a year from now as it is today, Trump will win a 40-state reelection landslide. Americans don't vote against prosperity. It's that simple.

It was Bill Clinton who said, "It's economy stupid," and it is the economy and people are going to vote for bigger pocketbooks and more money in their wallets and the lowest unemployment rate in 50 years. Look, the economy goes south on Trump, I think he's in real trouble, because here's a statistic that might amaze you. The day that Donald Trump was elected in November of 2016, his public approval rating was 38%.

I mean think about that. He won the election with a 38% approval rating. What does that tell you? That a lot of people who didn't approve of Donald Trump and his behavior, but still voted for him. Now, some of that was anti-Hillary Clinton, but a lot of it was people liked what he was saying, even though they didn't necessarily like his actions. That's my take on the election. On the public debt issue, look, you can't do anything about the data unless you grow the economy.

It's that simple. We could get everybody in this room and get together with all the most amazing cuts in government spending, we're going to do this with Social Security and Medicare and Medicaid and Obamacare and all these programs. If the economy isn't growing, forget it. You're not going to get debt reduction. I would argue, Gary, that growth may not be the solution to the debt problem, but it is a precondition to getting anything done on that.

That's why I'm so obsessed with 3% growth. Then, finally, I would say, and I'll turn it over to you all, then the question is, you asked the question, can we get 3% growth? Is that something that is achievable? If you ask people like ... Who was Clinton's treasury secretary?

Gary Alexander: Not Jake-

Stephen Moore: Larry Summers very famously came out with a big paper about two years ago saying we are in a new era of secular stagnation in the United States and we shouldn't grow ... Look, it basically said if the Messiah couldn't get us to 3% growth, how in the world is Donald Trump going to do it? The answer is because almost everything Obama did on the economy was negative for the economy and, as Arthur Laffer would say, if you twist the dials from anti-growth to growth, yeah, I do think we can get to 3% growth.

I think we're in the starting stages, Gary, of an incredible productivity revolution in this country with the digital age, what's coming in terms of robotics and driverless cars and all these things are going to so incredibly change the world that we live in. I'm going to stick with my statement that we can achieve 3% growth for the next 20 years. Albert Einstein said it best: The most powerful force in the universe is compound interest.

The compounding effect of those growth rates has a huge effect on revenues over time.

Gary Alexander: I loved all your other choices. Okay, Doug Casey, you were famous for predicting that Trump would win against the grain of all the polls and most of the pundits. Who do you think is going to win in 2020?

Doug Casey: Well, of course, it is the economy stupid. I'm the wrong person to ask. I'm a permabear, I not only believe that the economy should have gone down several years ago, but it's going to be much worse than that. We're looking not just at the cyclical collapse of the economy, but the collapse of Western civilization itself, which is actually much more serious. I think the economy, and this is a funny thing about the economy, everybody here knows who Herman Kahn is, or was.

Gary Alexander: Yep.

Doug Casey: Well, we became friendly, great guy, before he died. He was the man that wrote, among other things, the book on global thermonuclear war. One of the most brilliant things he came up with was that, in between 1914 and 1946, the worst years ever, two World Wars, a bunch of little wars, the Great Depression, do you know that the average world economy grew by 1.9% during the worst time in history?

Maybe I shouldn't be such a permabear, but okay, I'm betting the economy goes down. That's going to hurt Trump. Point number two, I mentioned this yesterday-

Stephen Moore: Why is the economy going down?

Doug Casey: Well, there's so many reasons.

Stephen Moore: What is the number one reason?

Doug Casey: I'd say the amount of debt that's compounding in the world, I'd say the amount of money that the Federal Reserve is being forced to print. Those nice Chinese and Japanese and Russians aren't buying our debt anymore. They have to sell it all to the Federal Reserve, and eventually it's not just going to be a bubble in the financial markets, it's going to be retail inflation as well. Now, the banks can fail, the stock market can crash, there's all kinds of things, but the timing is a problem.

Still, I think that's an element. 50/50 it collapses before the election and, therefore, the Donald loses, but two other things, and I mentioned those yesterday, is that this is four years later. That means that there are four years more millennials that are now eligible to vote, and they all vote left, and there's four years more migrants that are coming into the country and they, almost all vote left too.

As close as the election was last time, and Hillary is right: she won by three million. Although, nobody ever points out that 3.5 million people voted libertarian, because they found both of the alternatives so disgusting. Nobody ever mentions that. It was the best thing that ever happened to the libertarian party, which I don't support, because they have people like William Weld on their ticket. Anyway-

K.D. Williamson: I think "best thing that ever happened to the libertarian party" is like "tallest building in Wichita."

Doug Casey: Yeah, you're right. It's a tempest in a toilet bowl, the libertarian party. It's actually a shameful thing, shameful to itself, even, but interesting statistic nobody mentions. 3.5 million people.

Gary Alexander: Well, here's my headline for the conference. Doug and I have been coming for 40 years, here's my headline: Doug Casey says global economy grows 1.9% in worst of times, maybe I should stop being such a permabear. You heard it here. He said it.

Doug Casey: Well, listen. You guys know that, even while I believe in the collapse of Western civilization, at the same time I believe Ray Kurzweil is right about the singularity and, in 20 years, the world is going to be transformed and everybody will probably get $12,000 a year of guaranteed income, it will be that good. On the one hand, on the other hand, I'm a good economist.

Gary Alexander: Kevin? Winners, please.

K.D. Williamson: Yeah. Well, since we began with a blast from the past about the Cold War, I would invoke the Iran/Iraq war, the great tragedy of which was that someone had to win, and I see the 2020 election in roughly the same terms. This is my first time on this panel. One thing you probably should have been doing, which I think would be a real service, you've been doing this for, what, 40-something years now? Something like that.

Gary Alexander: Not me.

K.D. Williamson: No, not you.

Gary Alexander: This panel about 12 years.

K.D. Williamson: Yeah, somebody should have been keeping track of all the predictions that were made over this time.

Doug Casey: God forbid.

K.D. Williamson: See what overwhelming percentage of them turned out to be utter and complete horse shit, which I suspect would be right around 85, I would guess.

Doug Casey: Charles was the first to admit his predictions did not-

K.D. Williamson: Yeah.

Doug Casey: We're in the entertainment business.

K.D. Williamson: Yeah, that's true. I don't have a super good record on making election predictions either, other kinds of predictions, but if I had to bet my own money on it right now, I would guess that the outcome of the 2020 presidential election is a lot like the outcome of the 2016 presidential election, in which the Democrats will nominate a decrepit, loopy, white woman with bad policy ideas and lose to a corrupt game show host who will outperform her in the Electoral College, but probably do even worse in terms of the total vote count than he did against Hillary Clinton, because there will be a lot of so-called expressive voting in places like New York and California and Illinois that will drive up the total so-called popular vote in favor of Elizabeth Warren, who I expect probably will be the democratic candidate.

If Trump wins in the Electoral College after not only losing the ... Again, silly that we even talk about it, but it's become a thing, the popular vote, by an even larger margin than he did against Hillary Clinton. I expect that there will be some political unrest following that, at least some rowdy protest, if not riots and such things. You did ask about Congress, too, and I guess I will add this much to it: that I don't expect either house to change hands in this election.

If Trump hasn't been impeached before election day and the Democrats still control the House, he 98% is likely to be impeached. If the Democrats happen to take control of the Senate, he'll be convicted and removed from office. All of these things will have economic consequences that are disruptive. The main economic risks, I think, right now are the ones that we already see, which is that manufacturing's already in a recession.

The farm economy has been more or less devastated by this ridiculous, incompetently-executed trade war with China that's not actually going to accomplish anything except cost a trillion or so dollars to the American economy. That's my sunny estimate.

Gary Alexander: Oh, for the good old days when we had an actor who played the Gipper and ran GE theater, that was the, that was the-

K.D. Williamson: I was thinking, we were talking about how, in the worst of all times, the world growth rate was around 1.9%, which is exactly what it was in the United States in the last quarter.

Stephen Moore: One thing I wanted to add about your statement, you started out by saying politics right now is being fought within the 40 yard line. That's wrong, actually. Right now, I can't think of any time ... There's no time in our lifetime where you've had two ... Assuming it's Bernie Sanders or Elizabeth Warren or Kamala Harris. This is a highly consequential election. They're not at the 40 yard line, and Trump is at the 10 yard line on the conservative side, they're on the 10 yard line on the liberal side.

This will have an enormous impact on what happens in reshaping America for a generation. I really believe so, and that's ... What's happened in my lifetime, I've been involved in this game for 35 years, not 40 but 35. The Republican party has definitely become more conservative, but the Democratic party has gone over the deep end. They are lunatic left today and I don't say that with any pride.

As I said earlier, neither John F. Kennedy nor Bill Clinton could possibly run as a Democrat today, no way. They would be laughed off the stage. They'd be viewed as way too conservative and that's a painful thing, and I hope that Democrats lose, I hope they lose big and they reassess themselves. We need two political parties-

Gary Alexander: The rhetoric is stark, as you say, on the left. Is there any chance they could get a sane candidate under the age of 77, excluding Mr. Biden?

Stephen Moore: I'll say this. The candidate who worries me the most on the Democratic side of the aisle is Michelle Obama, and I think there's a good chance Michelle Obama is going to get in this race, and if she does, she blows away the field, she is the nominee. She blows away Biden and Kamala Harris and Elizabeth Warren. She has the entire Obama machine behind her, she's the most popular woman in America, according to People Magazine. I know you guys read People all the time.

Gary Alexander: Does she have the stomach for politics?

Stephen Moore: Maybe she doesn't, but I'm saying if she does get in the race, let me say this. I talk to a lot of Democratic operatives. They believe that they've got a bunch of C- candidates on the stage right now, and I do think someone else is getting in this race.

Gary Alexander: Well, Kevin brought up ...

K.D. Williamson: Two points about that, if I could, just real quick. One is the good news is if you read The Wall Street Journal this morning, you'll also know that Bill Clinton couldn't be CEO of McDonald's among other jobs in life, that he wouldn't have. But secondly, Elizabeth Warren talks a really good crazy talk about wealth taxes and all these confiscatory things, but I think it's worth keeping in mind that when the so-called Affordable Care Act was passed, she was the leading advocate of repealing the medical device tax that was part of the plan to pay for it.

If she couldn't stand up to some mealy, little pin Annie tax that heard a couple of special interest groups that made some noise about it, the idea that she's actually going to, as president, with the consent of her party and the consent of the other party, be able to fund a program that will necessitate raising federal outlays by an amount of money equal to all current federal tax revenue seems to me really unlikely.

The good news is she's a coward.

Gary Alexander: Kevin brought up impeachment and in our lifetimes, there are two examples, and I just want to mention four benchmarks in the Nixon lifecycle. In 1960 there was corrupt election in Illinois, which gave the election to JFK, especially Chicago, the cook machine, which may have been mob influenced. Nixon, for the good of the country, did not challenge that.

Doug Casey: His greatest moment.

Gary Alexander: In 1962, he lost California and said, "You won't have Nixon to kick around anymore," and then in 1972 or '73, when Watergate started escalating, he says the American public needs to know if their president is honest or not and "I am not a crook." Then, when the impeachment process began, he resigned, not wanting to put the nation, once again, through a ringer. Now, rewind. Imagine Trump in any one of those situations.

He would challenge the election in '60, he would never wimp out in front of the press, as in '62, he would never say, "I am not a crook." He would never back down to impeachment process, and that's more or less the Clinton model. Clinton didn't back down in '98; he fought the thing tooth and nail and came out probably more popular for going through the process, so which model is Trump going to follow? Is he going to stonewall?

I'm not just talking about this next year, I'm talking about if he gets reelected and the left really doubles down, triples down in the impeachment process, how will Trump weather any kind of impeachment wars going forward? Let's start with you, Steve.

Stephen Moore: Well, look. First of all, to me, it's idiotic to do impeachment. Let's get the facts out there, but why would Congress remove this president? We have an election in 12 months. In my opinion, let the people decide. Right?

Gary Alexander: After 2020, though, what would happen?

Stephen Moore: Well, I don't know about that, but I'm talking about right now. Let the American people be his jury, not members of Congress, in my opinion. Second of all, I feel very strongly about this, Richard Nixon was ... The reason he was impeached, or at least he had to withdraw from office, was because the economy sucked. It was horrible in 1973 and '74. A huge percentage of the American people felt the direction of the country was in the wrong direction.

I would submit to you that if he had had a strong economy, I think Nixon could have weathered that storm. Similarly, there was no way in hell Republicans were going to impeach Bill Clinton in 1998. We had the most biggest, booming economy. The stock market was going through the roof. People didn't care about his personal behavior, and so I feel the same way about this impeachment process.

Gary Alexander: You think it comes down to the economy?

Stephen Moore: I do. I think in a strong economy, it's going to be very difficult to impeach Trump. Now, I'm not saying one way or the other about I'm not defending his actions, but I'm just saying people would go, "Yeah, the guy did some really horrible things, but gee, my wallet's bigger, the unemployment rate is low. I feel good about the direction of the country."

Gary Alexander: Yeah. Doug, will it happen?

Doug Casey: Well, let me give you a conjecture as to who the Democratic candidate will be. I think it might be Bloomberg. It would make a lot of sense. Another rich guy, not a crazy radical, despite his 16-ounce limit on soft drinks in New York. Not crazy in the current context. I think he might fly, especially against somebody like Trump.

Stephen Moore: As a Democrat or as an independent?

Doug Casey: Well, good question, but I think he'll go for the Democrat-

Stephen Moore: I don't think he could make it through a Democratic primary.

Doug Casey: Well, you're right.

Stephen Moore: I agree with you that I think he'd be tough for Trump, I just don't know if he could make it through a Democratic-

Doug Casey: Well, you're right, because all of those people are ... Some of them are actually criminally insane, but I've got to say one thing in the Democrats' favor. It's that they have a core philosophy and they're honest in presenting it, they stand for something, and, unlike the Republicans who don't stand for anything except, "Well, yeah, you guys are kind of right, but you're too far, too fast," so Republicans are wishy washy.

Of course you hold these wishy washy people that stand for nothing, except not so far and so fast, in contempt. Actually, it's nice that they have AOC as their standard bearer, a 29-year-old Puerto Rican waitress. This really shows something is changing in the country, but not for the better. Also, you forgot to mention, Gary, at least I think-

Gary Alexander: There's a lot I forgot.

Doug Casey: Something else very important that happened today, and this is Guy Fawkes Day.

Gary Alexander: I mentioned it to you.

Doug Casey: You did, but you didn't mention it up here.

Gary Alexander: It's also the day the Swiss revolted against Austria in 1307, but I didn't want to bore everybody with everything.

Doug Casey: Well, Guy Fawkes Day is one of the few holidays that I celebrate actively, so I wanted to draw that to you all's attention.

K.D. Williamson: I'm assuming that's not for Catholic reasons.

Doug Casey: No, it's not for that reason. He wanted to blow up Parliament.

Gary Alexander: Yeah. They caught him in gunpowder the night before, so it didn't work out.

K.D. Williamson: I'll say a kind word for the Swiss, who went on to establish what I think is probably the best governed country in the modern world.

Gary Alexander: Right. Its 13 cantons where the model for our 13 colonies, right?

K.D. Williamson: Yeah.

Gary Alexander: Kevin, how are we going to end up on this impeachment deal?

K.D. Williamson: I would take issue with your statement about Nixon and you won't have Dick Nixon to kick around anymore, because the idea that Donald Trump would not be a petulant, whiny little complainer in any given situation, I think, flies in the face of basically all the available evidence on earth. Minor quibble there. As you may have noticed, I'm not really much of an admirer of Donald Trump or his administration.

I think his best argument for himself, and really the argument that conservatives already are beginning to make is that we knew he was corrupt, venal, and incompetent when we elected him in 2016, there hasn't been some big dramatic precipitating event since then to use as the pretext for impeachment. The fact that the Democrats have been laying the groundwork for impeachment since literally before he was sworn in to the office gives their search for a so-called impeachable offense, which is a dumb term because an impeachable offense is an offense you get impeached for.

It's a self referential term, renders it really, I think, quite plainly pre-textual, and even people who are not well-inclined toward Trump and his administration, I think, are able to see that. His best defense for himself is going to end up being that Congress is essentially overturning the election and substituting its own judgment for the judgment of the Electorate, which often is an excellent thing to do because the Electorate is full of morons.

They do have to be consulted from time to time and they were consulted about the presidency in 2016 and Donald Trump is who they chose, so you end up with the Ed Koch rule that the people have spoken and now they must be punished.

Gary Alexander: Yeah, it seems to me it depends more on the construction of the Senate and this will turn into a vote. If the people vote in a Democratic Senate, we're going to have an impeachment process that ends with a guilty verdict and it will set a precedent that if you can't get a Congress elected, it's going to be a political statement and anybody can be impeached because the rules are so vague about high crimes and misdemeanors.

K.D. Williamson: I will give the Republicans just a little bit of a hair of a point on one of their complaints on this stuff, which is that there is an operational double standard to these things. I remember when I was very young and first working as a reporter, I was talking to a state legislator in Texas about redistricting and the political character of it. He said, "Well, redistricting is the most political thing a legislature does. It's always been that way and everyone's accepted that until about the last 10 years."

What changed was Republicans got really good at it, and suddenly gerrymandering and redistricting and all that sort of stuff became a problem when Republicans got good at it.

Gary Alexander: Yep.

K.D. Williamson: If you look at Trump's various offenses and mistakes and incompetencies and all those sorts of things, they're serious issues. I certainly would be the first to say so, but in the context of attitude about the presidency in which not one person of any consequence that I can think of complained when Barack Obama unilaterally decided he could assassinate American citizens seems to me odd.

Gary Alexander: Right. No impeachment there. Let's turn to geopolitics, which is the name of this panel, and that's outside the borders of the US. Steve mentioned in closing today that, after Deng Xiaoping, there's been a reversion to command and control. I just read a book about Mao Zedong which has been very influential around the world in Pol Pot's regime and Shining Path and so forth, and on college campuses, people wearing Mao shirts from the '60s onward.

It seems to revert, and China itself now, to the leader for life. It's a bad turn of events. What is our most dangerous enemy now if we have a new Cold War? We have the Middle East to contend with, let's not forget about that. We have rocket man, is he a minor threat in North Korea or a major one? Of course, the left is worried only, it seems the last three years, about Russia collusion. Who is our major threat or numbers one, two, and three if we had to worry about outside threats in the next few years? Steve?

Stephen Moore: Why don't we go this way this time?

K.D. Williamson: Sure.

Gary Alexander: Kevin?

K.D. Williamson: I am not a China expert by any stretch of the imagination, but I do think there's one interesting observation to be made there, that I think Francis Fukuyama and some other people have written about, which is that one of the real things that we misunderstand about the nature of government is that democracy doesn't really matter so much as the idea of accountability. China doesn't have anything like democracy.

But at least as far as the Chinese ruling class is concerned, by which I mean the business owning class, the upper class of China, the emerging middle class and better, they do have a sense that there is some kind of accountability through their party process and whatnot with their government and they're not as unhappy with their settlement as we might expect them to be. While China is obviously badly governed by a single party police state that harvests people's organs and does other various things that are not praiseworthy, it's maybe more stable and more bought into than it sometimes seems like it should be from the outside.

In terms of black swan type threats, which I guess is not really so much of a black swan, but the ongoing tit for tat confrontations between India and Pakistan, I think, are concerning and Pakistan is becoming a less and less governable country, governed by a cricket player right now who's a little bit of an amateur and I'm not sure he quite knows what he's doing. On the other side of the border, Modi is, I think, a lot less inclined to bear across border terrorism and other provocations than some of his predecessors were.

The BJP feels very good about its position as a dominant party in Indian government, which it wasn't as recently as the 1990s. These are two nuclear armed powers, but even short of a nuclear exchange or something catastrophic like that, an actual live, pitched battle war between those two countries, which do border China and some other sensitive territories, would, I think, be of real impact and real consequence.

Gary Alexander: Okay. Doug, you're the international man. This is your-

Doug Casey: Okay. Well, to start with, I would say that this idea of democracy is a very bad idea because its practical execution all over the world is actually just mob rule, although sometimes dressed up in a coat and tie, but it's still mob rule and that's just one point. I don't think we should make a democracy our new god in any way.

Stephen Moore: You like benevolent dictators.

Doug Casey: No, I don't.

Stephen Moore: What is the best?

Doug Casey: The best form of government is the market, quite frankly. All you need the government for is police to protect you from violence within arbitrary political borders, which are mostly going away incidentally, in my opinion. Another story. A military to protect you from criminals outside your political borders, and a court system to resolve disputes without resorting to violence. Actually, all three of those things can be done much better than the market.

Those are the only three things that the government should do, because government is forced, coercion, and we want to limit force and coercion, but back to the subject at hand. Russia, there is this Russia-phobia today, it's completely ridiculous. Russia is really nothing but a gas station with an attached gun store in the middle of a wheat field. It's not a threat to anybody for many reasons, and it's really dumb.

K.D. Williamson: Do you think the Ukrainians would concur with that view?

Doug Casey: Actually, they should-

K.D. Williamson: Particularly the bit that was just brought up.

Doug Casey: Well, because those two provinces on the Russian border are full of Russians, just like Crimea is full of Russians and it was historically Russian, and you know that Khrushchev, in one of his drunken bouts, gave Crimea to Ukraine and all that, so I'm on Putin's side in these things. If a martian came here and was to arbitrate, he'd say, "No, these Russians ..." The biggest danger ... I know I'm going to make a lot of enemies in this audience, I do this every year.

The biggest danger in the world today is the United States government. It really is. The gigantic amount of military spending that we have, the bases all over the world provoking countries like Iran, like Russia, like China, flying and floating military craft right off their coast, and this is ridiculously provocative that we wouldn't take from them. There was a book written a couple of years ago.

I think it was called Thucydides Trap, and it was basically a professor saying that when you have a rapidly rising power against a larger but declining power, it usually resorts in a war. That's what the Soviets were thinking during the '80s. They were thinking of the status. "We're going to take those Americans out now. We better do it while we still can," and well, thank god they didn't. I hope the Americans don't think that way towards China because, in 10 years, the Chinese economy, which is also going to collapse incidentally, that's a complication, there's nothing certain, is going to be twice the size of the American economy.

Leave these people alone. Okay? Thomas Jefferson was right. Trade with all, allied with nobody. NATO, for instance, should have been abolished immediately after the collapse of the Soviet Union, but it's grown like a cancer. It's got a life of its own. The big danger is your own government at this point.

Stephen Moore: I am actually sympathetic to your view about that, Doug. Trumpism is about the United States not being the policeman of the world, and I think that's a good thing. We should not be the policeman of the world and I think there's a new reconsideration after how much money did we waste in Iraq? $2 trillion or something.

Doug Casey: Who knows? It's probably more.

Stephen Moore: Probably the worst government spending mishap of all time, so I think there is a reconsideration on the right about whether this whole idea, the neo-conservative idea, of the United States nation building and so on. I'm going to repeat what I said this morning because I think it is important. China is not going to take over the world, they have the wrong economic model. They've moved to central planning.

Central planning does not work anywhere, anytime, ever, and that model will implode. I think there's a much bigger probability that China's economy implodes then that, somehow, they become the world's economic superpower. Now, if they move back towards freedom and free enterprise, which they were on that road for 25 years, then look, the Chinese people are incredibly bright. They're incredibly entrepreneurial.

Their culture is very pro business, but the fact that in China, they still have Mao on their currency, that'd be like Cambodia having Pol Pot on their currency. It's unbelievable, really, and their president just dressed up as Mao as if he's some kind of great cultural hero. I bet 80% of the professors at universities in America believe that to be true, that he was some kind of liberator or when he was a monster.

Doug Casey: I think, Steve, it's inaccurate to say that it's a centrally planned economy. It's actually, in many ways, much more free market.

Stephen Moore: You believe so?

Doug Casey: I do. Yes.

Stephen Moore: Who's correcting all the investment in China right now? It's not being done by venture capitalists.

Doug Casey: Well, the reason that they've grown since Deng Xiaoping, they've grown because it's actually quite a liberated economy. Sure, there's central direction but there's plenty of central direction here in the US, too. You should not call it communist China. It is not communist. That's not true.

Stephen Moore: Okay. Well, I hope you're right.

K.D. Williamson: China is the example of something we've seen in a number of other countries when there was a Soviet economic miracle, there was an American economic miracle, there was a Japanese economic miracle, which basically happens one time in a country's history when it goes from being an agrarian society to being an industrialized society. These factors of production come online, so it's a neat trick you can do once and every time we see a country do it, forgetting that we did at ourselves, we're like, "They thought of something new that we haven't discovered before."

It's really just a onetime conversion from agrarian, rural economies to modern, factory-driven economies, and that's why in countries like Russia and China and the United States, India is going through a slightly different path because its village economy is so disconnected. You'll see this period of radical and unexpected growth that very quickly levels off and starts to look like everyone else.

That seems to be the path that China's on, and if anything, that's probably the great threat for China because, so long as their economy is growing at a rate that keeps wages going up and employment more or less full, it's stable. If our economy goes into the toilet, it's going to be a bad election for somebody. If the Chinese economy goes in the toilet, it's going to be something much worse than an election that meets China's leadership at that point.

Gary Alexander: What do you mean by that?

K.D. Williamson: Probably violence and overthrow of the government. Yeah.

Doug Casey: With a little bit of luck, China will break up into at least five or six or seven different countries.

Stephen Moore: Would that be a bad thing?

Doug Casey: No, it'd be a good thing.

Stephen Moore: Yeah.

Doug Casey: It'd be a good thing if it happened here in the United States, too.

Stephen Moore: That may happen. One last point about this, is we haven't talked about Europe. I'm just so bearish on Europe right now. I just don't think Europeans get it.

Gary Alexander: They can't take care of their own region. They're relying on the US to rescue everybody in their region.

Stephen Moore: It's really bad there and it's just moved more and more socialistic, and this is why Brexit is so important. It's so important that-

Gary Alexander: We'll get the entire EU if Brexit-

Stephen Moore: We'll see. I'm not an expert on that. You guys probably know about it. I think breaking up the EU would be ... I was in favor of the EU at the beginning because

I liked the idea of a common currency and common measurements and standards and things like that, but it's become ... Brussels is running Europe. They're a bunch of central planners, and they don't know what they're doing, so I think it's so important that Britain get out right away, that they win this election.

Because Britain now has a big decision on their hand. Do they go with the American model, which, for all its flaws, is more capitalistic, or do they go with this European socialistic model? If they go the wrong way, I'd love to see a free trade agreement with Britain immediately. Wouldn't that be great if the US had a free trade agreement with Britain?

Gary Alexander: I'm going to touch on this subject again.

K.D. Williamson: I wanted to say real quick, Steve, that really surprises me to hear you say, especially if you look at the Nordic countries, say, where they were in the 1970s versus where they are today.

Stephen Moore: Yeah.

K.D. Williamson: Their reform has all been in the direction that you and I would approve of, I would think, in terms of property rights, freer trade, lower taxes, some liberalization, their healthcare systems, those sorts of things. Sweden or Norway or Finland is a much less socialistic country today than it would have been 30, 40 years ago. The same is true in some ways with Germany where you've seen some liberalization, particularly in labor practice and better relations between unions like IG Mattal and the auto producers and those sorts of things.

Stephen Moore: You're more bullish on Europe?

K.D. Williamson: Well, I think Europe has a couple of things going for it that we don't. One is that the European left is honest about taxes and so people know what to expect there, and shared honest expectations lead to stability and they lead to policy stability and that's really our great threat right now, is that no one knows whether you're going to have property rights a year from now or not, or whether the government's going to tell you who has to be on the board of your company.

For me, I would take a political settlement. If we're fighting about whether the top tax rate is going to be 39% or 35%, I'd be willing to give up the 4% in exchange for a guarantee that it would stay there for the next 50 years and people could make their plans according and operate in an environment of policy stability. I think that's where Western Europe really has an edge on most of the rest of the world.

Stephen Moore: I've got to touch in the last five minutes on the subject Doug brought up, because it's a macro subject and it's very big and it focused on the Kurds in this last couple of weeks, and that begins with NATO for the last 70 years and our expenditures of 3% of GDP versus about 1.5% for Europeans defending their own turf. We've been in the DMZ of Korea for 65 years. Everywhere we go is like the hotel California: You can check out anytime you want, but you can never leave.

Afghanistan for 18+ years, Iraq for 16+ years. Obama won the Nobel Peace Prize his first month in office, and he never got out of Afghanistan, never got out of Iraq, but went into Syria and went into Libya and we never get out of anywhere. What is the role of the US as policemen of the world? Can we ever get out of that role? When Turkey invaded, did Europe do anything? No, but when the US starts to pull out Republicans and Democrats, cry foul.

"Mr. Trump wants to get the US troops out of harm's way everywhere in the world, and everybody in Washington, D.C. fights him. What's the end of our troops overseas? Is there any end game?

Stephen Moore: I'll just start. Look, I think you're right. Everybody in the swamp is against that policy and most Americans outside the swamp are for that policy, and look, I think we were becoming more not isolationist but non-interventionist, and I think that's a good thing.

Gary Alexander: We're not isolationists if we trade with people-

Stephen Moore: Exactly. That's the point I was going to make in ... Look, I wrote this piece. There's a difference between globalism and globalization. I'm in favor of globalization. I'm in favor of global trade. We should obviously have ... I'm not in favor of Trump's tariffs and so on, but what really worries me is this movement towards global government, and that's what the left ultimately wants. That's why this Paris Climate Accord and all of this climate change derangement is so dangerous.

Because what they want is some kind of global government, like the United Nations, to dictate our energy policy, our regulatory policy, our environmental policy. By the way, this is not black helicopter stuff. This is what the left wants. They want more and more centralized control through a globalization of government, and that is a very dangerous thing.

Doug Casey: I totally agree. Absolutely, Steve. Completely agree. I think the European Union is just going to break up. If they wanted the good things, which was free trade and all that, all they had to do was drop their regulations. They didn't need a union. You know how many people are employed by the EU in Brussels alone? Interesting factet, not a factoid, which is a false fact. 50,000 people work for the EU in Brussels.

This is incredible. All they needed to do was drop the barriers. They didn't need a New York telephone book sized agreement. That's all ridiculous. No, it'll all fall apart, and what's happening in parts of Italy and in Spain, these are straws in the wind. What were we talking about exactly? I got off on a tangent. The question was ...

Gary Alexander: Policemen of the world.

Doug Casey: Policeman of the world. Listen, the US government is bankrupt. We all know that, okay, and it's becoming more bankrupt, but it's hiding behind the wizard's curtain at the moment. One of the good things about the US government being acknowledged as bankrupt and defaulting on the debt one way or another and so forth is they'll be forced to withdraw the soldiers because we won't be able to pay for all this expensive military junk and everything.

I look upon the bankruptcy of the US government. Hopefully, that'll be different than the bankruptcy of the country itself. They're are two different things, government and country, not the same thing, that's the only way it'll be solved, but bankruptcy is coming.

Gary Alexander: Who will buy all those aircraft carriers in Yosemite?

Doug Casey: The aircraft carriers and the B-2s are all junk. They're going to wind up in scrap yards in the desert, charge admission for them in the future, they're worthless.

Gary Alexander: Okay. Kevin?

K.D. Williamson: Well, bankruptcy in a formal sense isn't coming. There's no such thing as bankruptcy law for sovereigns, by default or inability to pay bills or the attempt to inflate our way out of these debts, and of course, the unfunded obligations of the entitlement programs are much larger than the formal debt, and that's the real longterm problem, which is too complicated to get into right now. I agree that I think that the United States spends far too much money on its military apparatus than it needs to, and that some retrenchment would be good.

The problem here is that you were talking about not so far, not so fast, and heaving contempt upon that. As a conservative, that's my favorite principle of government, which is don't do anything too headlong, be careful, proceed slowly. One of the useful aspects of that, although also a complicated one, is the fact that, by retrenching from different parts of the world, this will cause unintended consequences, things that are not really foreseeable.

This makes Washington, for good reasons as well as bad reasons, understandably hesitant about making radical change in our military and defense posture. I think that a more moderate, more small-C "conservative" long-term program of reforming and revamping some of these things and winding them back, particularly some of the European bases, which I think are no longer necessary and are there because they're there, and their reason for existing is that they exist.

These things end up becoming self-perpetuating bureaucracies and economic interests and all that sort of thing, but it's a much longer project and one that I would be hesitant to recommend that it would be managed under some explicitly ideological framework.

Stephen Moore: When you were talking about Europe, just one quick story, after the election in November of 2016 when Trump was elected, I got a call about three or four weeks after the election from these people in Switzerland, "Could I come to the Davos Conference?" and it was only a few weeks away and I was like, "You're just asking me now to come out there to Switzerland," and I said, "I've got some other things ..." It was a very busy time.

I said, “I can’t do it, but look, if you’ll pay me this huge sum that’s five times my normal speaking fee, I’ll come out and do it,” and so I didn’t think I’d hear from them and, sure enough, three days later they go, “Okay, when can you.” Exactly. Anyway, so I went out there to this thing, and by the way, I figured out what had happened, is they had lined up for Davos all these Hillary Clinton people.

Whoops, they didn’t think Trump was going to win. Anyway, I went out there and I spoke to this ... It was a pre-Davos thing and the people in the audience were all, basically, these Euro bureaucrats that you’re talking about, these people from Brussels. That was just my point and it was basically people who had gotten their economics degrees from the London School of Economics and these Euro bureaucrats, and many of the politicians in Europe.

There were probably about 200 people in the room, and that was probably the single most hostile audience I’ve ever ... Literally, these people were throwing tomatoes at me and what I realized at the end of the speech-

Gary Alexander: Literally?

Stephen Moore: Figuratively, but what I realized at the end of my talk is the two things these people really hated was Donald Trump and Brexit, and those are the two things I’m in favor of.

Gary Alexander: On that note, we must end. We’re out of time. Thanks Stephen Moore, Doug Casey, and Kevin Williamson.

Stephen Moore: Thanks Doug, good to see you.

Doug Casey: Are you going to that little lunch?

Stephen Moore: I am going to lunch, yeah. Are you going to ...

Ross Gerber

“How AI And Big Data Will Shape Our Future And How To Profit From It”

Gary Alexander: I graduated from college in 1967, music was my passion. My dad, a Boeing engineer, who helped put men on the moon, said that, “Music is no way to make a living.” And he was absolutely right. My second passion was writing. And so I thought, “Well, how do you make money in writing?” You would go to people who have money. That’s investors. I specialized in financial journalism and when I graduated I wrote three articles on the coming superpower Japan for a national magazine and it worked out fine. Then two years later, dad was a member of an investing club in Seattle, run by John McFalls who had a mailing list. He was a gold bug.

The mailing list became a core part of the Gold Newsletter mailing list in 1971. I subscribed to Harry Schultz and Verne Myers in 1969 and to Jim Blanchard and Howard Ruff in the early seventies that’s how I got involved in this business and

I've been doing it now for over 50 years. Well our next speaker has a music heart too. And he plays in his band and he got music degrees as well, but he also realized, "Hey, that's no way to make a great deal of money." He went to Horton Business School, Law School and has gotten involved with this very important, field of AI, artificial intelligence and big data. He's co founder, President and CEO of Gerber Kawasaki Wealth and Investment Management.

And he's going to speak on that subject for us today. And he still plays music as I do as well, so he can do both. This is a new Renaissance, let's call it. So Ross Gerber is going to speak to us today on how AI and big data will shape our future and how to profit from it. For the rest of his biography, turn to the book and for his speech, here's Ross Gerber.

Ross Gerber: Alright. Thank you. We can talk about music if you want, because we are in new Orleans, which is actually one of the greatest music cities and probably one of the greatest eating cities in the world. Actually I get a lot of inspiration being here and that was one of the reasons I want to be here today, along with speaking to you all. You guys made it through this conference. I wasn't here for the first couple of days, but this is the largest investments conference of its kind for its 45th year. I want to thank them for having me. They do a wonderful job educating investors on opportunities and that's what I'm here to do. I'm going to not talk about metals of any sort today. I think a lot of what was talked about in metals is actually dovetails into what we do and we invest in stocks in the US stock market and foreign markets.

We're one of the only firms, today, my firm that's still invested in stocks and not just owns, index funds and things like that. And we've managed to do very well in the stock market over time by focusing on themes, usually decade long thematic ideas, and then building our portfolios around that. In the material today that I was reading, they said that you're going to get some ideas today that will definitely make you money and make this conference worth it. So I'm going to give you some ideas and I always have to give a disclaimer first because of the laws. Of course everything I'm going to talk about involves risk. Everything I've talked about, you should definitely speak to a financial advisor if you have one or myself. If you want to make these investments, I do highly recommend working with people, even though you might be an individual investor, I think the balancing of ideas off other individuals and professionals has a lot of value.

And we do that even internally in our company as well. We have a team of about 20 people that we argue about every position we have every week, so I do believe in the group thinking of really testing your investment thesis is really important. I don't really have any yes-men at my firm. I've been trying to hire one, but I don't have any. I think having critical analysis of your investments is crucially important to success. So the first thing I'm going to tell you to help you with your portfolios is if you have losses, just sell them. So this is my first piece of advice before we go into AI and big data. So this will make you money right now.

Just take your losses. If you're not up on a stock in this market right now, it's probably not a good one. Investor psychology is one of the main reasons why people fail as investors. So when you think about investing, our psychology, our emotions are our biggest how would I say? Problem, in being a successful investor? Because markets are extremely volatile today and the news is even more volatile, right? And so if you're reading journalism and paying attention to the news and you're following markets on a day to day basis, it's never been as difficult to filter out the noise, to make smart investment decisions, but also take advantage of amazing opportunities that happen through this volatility. And we're seeing these opportunities in various sectors. And oftentimes this happens with technology stocks as well, where you have extreme movements in stocks and you might even really love those companies and it's really hard to buy these stocks when they're down, because it seems like... Boeing is a perfect example today.

What a great American company. They're having as many problems as you can imagine. You might have Boeing in your portfolio. So what do you do? "What do I do now?" And actually this is a great time to invest in Boeing. I guarantee you that Boeing will get through these problems at some point in the future and they will be a great company again, certainly once they get rid of the CEO, which is definitely the problem. And I'm sure we're going to see this happen, but when you see companies like this go down, you sort of go through this, "Oh my God, what did I do wrong?" And so on and so forth. There was no way you could've foreseen these problems. It's not your fault.

And now is an opportunity. So oftentimes the opportunities present themselves in very difficult times. The best opportunity of the last decade was the financial crisis. Over the last 10 years since I started my firm, we've, we've amassed about a billion dollars in assets that we manage for thousands of clients across the country. And what we do is we try to invest for growth because many of our clients are younger. And even my older clients I consider younger because I've actually never had a client die of old age since I've started in this business 25 years ago. And my oldest client was 70 when I started working with her and I was a ripe age of 23 and she is still my client today, 95 years old and has done pretty well, if you can imagine investing over the last 25 years, even though 10 years of that period of time was actually the worst 10 years in the stock market's history.

So over time you're always going to do well in the stock market. So what we're talking about today is the future. So we're entering a new stage of technology right now, which incorporates so many things that we've already come to utilize in our lives on a day to day level, but in a way that can now create tremendous value. And this is through big data and AI. And what does this mean? These are fancy terms. Artificial intelligence or machine learning essentially is the concept that the computer can learn from the data it's getting to make better computations in the future. So the more data I can feed a more powerful computer, the more information I can crunch, the better results I can get. And maybe over time, these computers will learn how to make better decisions. So that's the idea. And I'll give you an example.

I use this example all the time about how far away we are from reaching this success of having real AI and real machine learning is if you go onto Google maps, anybody who uses Google, GPS was probably one of the greatest inventions of the last 20 years. And we all use Google maps all the time. Now one thing in LA, when you try to drive from A to B, that's where I'm from. And Google will tell you a path. It usually works around what's the quickest path, what's the easiest path based off the traffic? But oftentimes what it does is it tells you to cross a street called Wilshire Boulevard. Now if you try to cross Wilshire Boulevard in traffic, it's actually impossible. No human can do this safely in any way. So why does Google tell me this? So every time I get to this intersection, it tells me not to turn where the light is but the fastest way is to go across Wilshire.

Well, that's easy to say if you're the computer, but if you're the human driving, it doesn't work. So everyday I turn left, go to the right way to cross Wilshire, which is at a light and go around. And every day Google still routes me the wrong way. It hasn't learned anything. So do you know what Google decided to do, I think just yesterday? They own this company called Waze. And if you ask people whether they like Waze better or Google, they always Waze. And I say, "Why? Oh, it's because of humans, those humans put in information. We don't want these humans putting in information." Well now Google finally realized, "We need humans to put in information because the computers just can't seem to learn that you can't cross Wilshire Boulevard." Okay, so how do we solve this problem?

Well, why is this important? Well, one of the greatest things that we're going to see that's going to impact our society over the next decade is autonomous driving. There's so much technology that has no purpose like Facebook. It used to have a purpose, but it has no purpose. It's the greatest time sucker of your life. It's unbelievable the kids in my office, how much time they spend studying information that is totally worthless, utterly garbage information. Even we used to have like the National Enquirer was like a big thing. You get this newspaper in the market, you had some time to kill you. You go plow through this. And we used to say, "Oh, this is garbage." Social media is worse than this. It's user generated garbage. And what's happened is it went from this great utility of connecting everybody into a total waste of time.

So autonomous driving is kind of the next big thing. Why? Because literally every day I drive home you see an accident every day in LA when you drive home, some of them pretty bad. You can see people getting hit by bikes now, record levels. They said, "Everybody should drive bikes, it's so eco-friendly," and then they all get run over in LA. Riding a bike in the street in LA is a bad idea. I love biking, but it's the drivers. It's the drivers. You are here in Louisiana. I don't think anybody here in New Orleans would say, "The drivers are phenomenal here. Just a great group of drivers are here in the South." Nobody says that. Everybody thinks they're a good driver though. I am a great driver actually. My wife totally disagrees. She literally screams with terror when I drive.

She actually requests autopilot now when we go places in my Tessa because she prefers it over me. Because she calls me dangerous mode, seriously. And actually in LA you have to take danger into account if you want to change lanes, there's no way you can change lanes legally in LA. So this is a very difficult problem to solve. But at the same respect, 40,000 people will die this year on the roads. And the leading cause of death of young people is car accidents. Now this is my fear for my children. I have two young children. What do I fear? They're going to be walking in a parking lot and somebody hits him. Sure enough, that happened at their school this week. Some guy ran into a woman, the mom and the two kids walking across the street and they were injured. Fortunately it wasn't serious, but they were all broke bones and, and I was like, "What was this guy doing?" Well he was probably looking at his phone unfortunately.

Because he's driving around the school and it wasn't a high speed he was driving. How many lives can be saved through autonomous driving? So this is a big data exercise of epic proportions. Think about every road in the country, and you think about all the variables now you think about the things that you've learned driving through your neighborhood about which intersections are safe and which intersections are dangerous. And on this corner, this is a bad light and this light takes too long. And these drivers, I'm going to watch out for because they drive too slow. Like an Arizona, you're driving around, everybody drives too slow. And so you take into account all this data and we put it into a big computer and we say, "We've got to teach the car to drive."

You have two systems and I'm invested in both of them. The first is Google and Waymo. Google is probably one of the smartest companies I've ever followed in my life and invested in. It's an incredibly profitable company and I consider it a blue chip stock. If you don't own Google, you're kind of missing out because they actually control the internet. And the internet isn't going away, but what they're trying to do is now control the internet of cars or the roads by mapping every road. Their approach is using like a radar approach to autonomous driving. So they're just trying to learn everything through mapping. And I think ultimately Google is going to fail at this because driving is so nuanced. And by simply mapping everything and tracking everything, isn't going to give you the right data because you're not actually getting real life experience.

Now, Tesla took the other side of the coin and we are big investors in Tesla. And that's one of the things I'm most known for is being a defender of Tesla. And it's not because it's been an easy company to defend. It hasn't been, but what they're doing is so groundbreaking. And what I've seen there is amazing. What Elon decided to do was instead of just constantly learning, he said, "Let's put the cars on the road, have real drivers drive it, but let's record everything." So every Tesla that's driving today is recording everything that's happening. Now, the computers aren't good enough for them to take all the data from all 500,000 cars every day and upload it. It's still not good enough. But the new hardware's being put into the car this next six months for their full self-driving hardware.

And the AI chips are off the chart amazing. And what they're basically doing is creating the Google of cars. They're collecting all this data from every driver, every day, in real life situations constantly. Now, this is the ultimate use of big data and AI to learn how to get your car to learn how to drive right. Because in certain intersections you got to drive this way. In other places, you got to drive that way and it's learning this. And every month you see these updates in the car come in and it gets better. And it's incredible to be a part of because partly you're a Guinea pig, you're testing the software and you're using it, but partly you're also the solution because you're teaching the car. There's this one area where I always come off autopilot because I literally can't change lanes and traffic on the 10 freeway at five o'clock.

Literally autopilot just can't do it because it's trying to drive safely. And so you go off autopilot and you jam yourself in. It's like, "How are we going to solve this problem?" Now these are tough issues to solve. So the next five years we're going to have this major thing going on where the humans and the computers are starting to mix the humans making mistakes and still crashing. And the computers trying to figure out how to drive with the humans who constantly do irrational things. People do horribly irrational things. So when you think about this exercise, this is one of the greatest exercises of big data and AI and how do we profit off this autonomous driving? Well, it's not just Tesla and Google, it's all the parts involved. One of the companies that I like most right now, it's actually having a good day in the stock market too, is Nvidia.

Nvidia is a chip maker. You can't do anything without chips. In this world as we move forward, Internet of Things, which is basically the idea is we're going to put chips in every single thing in your house. Your house is the one of the most inefficient things in the world. Now, I live in an old house actually. I live in a great place, but I have a really old house and it constantly reminds me of how horrible old things are because you get so used to conveniences of technology. For example, your oven, my friend's working on a company, it's a smart oven and I say, "Well it's a great idea. It's not going to save any lives, but boy, I just want to put the food in the oven and it cooks it right." And that's what they're doing.

Well it's not too hard to put every recipe into a computer now and it has visual technology and Nvidia chips work in, or what we call GPUs, which are basically like the neural parts of your eye that interpret vision. And that's what these chips do. And it started in another business that we're heavily invested in, which is the video game business, which is the ultimate use of AI in big data for absolutely no purpose other than fun. And the video game business was really where Nvidia started with these visual learning chips and we used to have the CPUs be dominant, the intels and computing power was where everything was. But now it's really about GPUs, which is visual interpretation of the reality around us. And that analysis is what a GPU chip does. So if you've ever studied your eye, God was amazing, God was amazing. How did He make your eye work?

Now, unfortunately in my family, some of my family members have eye problems. So I've had to spend a certain amount of time studying eyes and dealing with eye issues and you start studying the eye and it's one of the most complicated things I've ever seen. And then when you start to try to understand how your brain interprets the image that comes into your eye, this is really cool stuff. This is what they're trying to do with computing is how do we see and interpret data and then make decisions like a human does, but have a computer be able to do that? Without Nvidia you can't do it today. So if there's going to be AI, there's going to be machine learning, there's going to be Nvidia involved and they are the best at this and their chips are so far ahead and they're just so innovative as a company and they're ingrained in these businesses, Autonomous driving and video gaming and also cryptocurrencies.

And as they build data centers, as we continue to try to analyze information, actual data that's coming in from the outside world, these chips are incredibly important. One way you can play it is owning lots of chip companies and you can do that through an ETF, SOXX acts as a symbol. It's the semiconductor index. And that way you don't have to try to pick stocks. You can own a cross section of chip companies. And I think that's a great way to do it because all the chip company companies are going to benefit from mobile chips like Qualcomm as an investment we've been making, because 5G which is basically a big buzzword, which I'll get into in a minute, is also incorporated with this autonomous driving, with machine learning and big data. So the biggest beneficiary of 5G is not going to be you and me, the consumer, it's going to be factories, it's going to be autonomous driving, it's going to be industrial facilities, it's going to be healthcare because the industrial uses have no latency intercept net.

And what that means is 5G basically means is when you push like I want to look at a website, it takes a certain amount of time for that website to come up. With 5G it eliminates that time. So to you and me, that's not such a big deal because the internet works pretty good already. But if you're actually using robots in real time and there's any latency, the robots can crash into each other and so on and so forth. So when you're running an industrial facility, 5G is going to be crucial. And that's why China just lit up 50 cities with 5G. it's not to give Chinese individuals better video gaming experiences on their phone. It's so that they can be a leader in manufacturing and in industrial design and robots and such. So another investment that we're making is also an ETF.

And it's the symbol BOTZ. It's bots, it's basically robotics. The leader in robotics is Japanese companies. So back in the 80s and 90s, Japanese were an industrial giant. They still are. And they're really good at making robot, but they weren't really good with necessarily putting all this stuff in. So now you take all these robots, you put in these chips, you put in big data and the computing power we have today, and now you can run a factory. And Tesla works kind of like this too, but this is going to be every factory, with basically autonomous robots. And if you ever watch this, it'll blow your mind. It's really cool. So another way to play this is in logistics centers. One of the bigger investments we have is a company called Prologis, PLD largest logistics centers. Blackstone, another investment we have, just bought a bunch of logistics centers because God forbid we have to wait more than a day for anything that we order online.

Now, think about it. You can order almost anything now and have it delivered to your house in a day, anywhere. That's crazy. And I'm like, "Why do I need one day shipping two day shipping was fine?" Except that I learned when I tell my kids, "I'm buying you something on Amazon," and it was two day shipping. I had to listen to two days of, "Where is it? Where is it? Where is it?" Now, it's one day of, "Where is it? Where is it?" it's one of the most pointless things in the world to go from two day shipping to one day shipping for things like guitar picks or whatever you need. But Amazon wants to do it. They're spending billions, billions of dollars. But ultimately it's about driving efficiency in their logistics facilities. And with that comes greater profits. Unfortunately less humans too.

If you're running a logistics center, what's happening with AI and big data is going to be incredible for your business. It's going to create incredible opportunities to increase efficiency. We're going to see this in the healthcare industry. The healthcare industry is one of the worst industries I've ever seen organizationally. It is such a disaster and how many people have gone into a doctor recently and you look in the office and they still have paper charts? It's all the doctors pretty much. They still have paper charts. They might pretend like they don't, but they do. Now, this is one of the biggest crimes in America is that we have all this medical data and it's all being held by separate individuals and separate institutions and it's not being shared.

And one of the areas where there's so much opportunity is in genetics. So genetics is the ultimate big data AI play. And there's a couple of companies in this area that we're not invested in because we think it's too early, but are doing amazing things with a tool called CRISPR, which is genetic editing. But what they're really trying to do is learn from genetics. So there's a company called 23andMe, you might've tried this. And they're telling you that you might be susceptible to this and you're probably not the racial background you thought you were or whatever it's telling you. And I'm here to tell you that it's probably inaccurate. I'm sorry. It's a wonderful business model, but it is not accurate business because we haven't gotten down to the DNA strand far enough to really know if this is true. And every day we're building bigger computers with more ability to analyze, but nobody's putting all this DNA evidence together into one big data system to really analyze it, to really determine if this information that they're telling you is even correct.

We don't know. But it's a crime that this isn't a national database of genetics because boy, what could we learn if we really put this together? Crunch the numbers and we can solve problems that will affect human life today. The medical industry is ripe for change and I'd love to give you some great companies in this industry doing it, but it's not really happening very fast. They can't get all the hospitals online in the main data system, there's so much cost in our medical structure, there's so much money being made on pharmaceutical drugs you probably don't need. The surgeries you don't need, and diagnosis that are incorrect. My mom is constantly being diagnosed with the new problem. That's one of the fun things of being a baby boomer. And I always say to her, I say, "Well why did this doctor say this? Did you talk to another doctor?" And she goes, "Every time I talked to another doctor, they say something else."

Have you had that problem too? Go ask three doctors, tell him the same thing. Ask three different doctors what it is. You get three different answers. It's kind of frustrating. "What treatments should I have?" It's kind of frustrating. So this is an area where big data could have a huge impact on cost, efficiency and result. Boy, we can make this more efficient. Let's take every diagnosis for every person with prostate cancer and every outcome. Let's put it into a big computer and see what really works. So we did this in my business and the investment business over the last five years, big data and AI came in. There's so much profit incentive to have a trading system that's better. Companies like BlackRock, which manage a ton of money, have spent a ton of money building this system called Aladdin. Aladdin, which I love the name, is the biggest smartest computer for investing that was ever built. And BlackRock tries to license this thing out.

And we use it and we run our portfolios through it. And because we do some business with them and I wanted to see what Aladdin would tell me. And it punched out like a 40 page analysis because they take an account every asset that's ever been and every outcome that's ever been. And they look at every potential outcome. And then it tells you, "This is too risky or this is too conservative and here are some things you can do." Ironically, it tends to recommend BlackRock funds, which I found funny. But we looked at this stuff and we were like, "Wow, a lot of stuff we were doing intuitively is correct, but here's five or 6% of what we're doing, which we could improve on."

And it was a really interesting way to look at data and I realized, "Boy, this is really an advantage to have this data. It's really a huge advantage." So why aren't all these industries doing it? Well, there has to be enough of a profit motive. If you tell all the hospitals and doctors that, "This is going to be great system, it'll save tons of lives but boy, it's going to cut a lot of you guys out. It's going to cut out a lot of expensive procedures. It's going to cut out a lot of prescription drug use, because what you're going to learn is a lot of the things don't work." I'm going to tell you, I love doctors and I think there's some great doctors out there, but they're not using data to help them become better doctors. And as a financial advisor, when we started using data, we weren't threatened by it.

We started using data and said, "Maybe it'll help us." And boy, has it helped us. It is so illuminating. So now I've implemented it firm-wide in my firm and I forced everybody to put in more data about everything we're doing. And boy, they were unhappy about this because we were only tracking small amount of data. And I said, "We want to know way more about what's happening." And within a month we already had illuminations of the way we could change our business for the better because we were just looking at things and we just weren't seeing what we really could see. So as you apply big data and more learning to different industries, you're going to create enormous opportunities for growth. So we've got robotics, we've got logistics centers, we've got the healthcare industry, we've got autonomous driving.

And then when you go further into 5G and connectivity and you speed this up, I'm going to have to say gaming is one of the most interesting places to invest today. A young person today, if you say, "Let's go out and play basketball till the sun goes down." This is what we used to do when I was a kid. "Let's go down the street with our friends. Mom and dad won't know where we are." Imagine that, right? Mom and dad had no idea where we were. We would go play basketball, we'd be all sweaty and then it would get dark, and that was the only way we knew to go home. So we'd get dark, we'd be hungry. We'd go home, mom would say, "Where were you? Where were you? Oh, whatever mom, you'll never know." I don't think my mom knows like 60% of what happened in my childhood. Completely opposite of today. Today, mom's on her phone going, " I see Johnny is walking over there, over to his girlfriend's house. I'm going to buzz him right now. No Johnny, no girlfriend. It's time for dinner."

Johnny comes home and instead of playing basketball with his friends, he goes on to Fortnight. And Fortnight is where all his friends are playing, and it's incredible what's happening every night in the video game business. Hundreds of thousands of kids, if not millions of kids every night login, interact together in this huge world, mostly for combat purposes, but really they're developing relationships and playing basketball just like we used to, but just virtually. Now, we can go over whether this is a good thing or a bad thing all day long. I think it's mixed. I think there's a good part of it, there's a bad part of it. I'm sad. I'm forcing my kid to go play basketball actually, and I don't want to hear about what he's doing. "Go out and play and don't tell me what you did wrong because I don't care."

But they love gaming and there's no way around it. There's just no way around it. But what's happening is this business has gone into incredible lengths. Now there's a thing called E-sports. It sounds absurd to older people that there's a sport now, playing Call of Duty is a sport. And you know how much it costs to get a franchise for a Call of Duty team. Anybody want to guess? $25 million. That's right. You want to start a Call of Duty team with Activision? So we are big owners of a company called Activision. The potential of these games and the use of data, AI, computing power to create massive games that are unbelievable. The other night I literally fought a reenactment of The Battle of Iwo Jima. Now, the World War II museum is here, which is super cool actually. And I love history. I know the battle of Iwo Jima pretty well. I've read a lot about it. They have great movies actually about it. Both sides. The Japanese side, which I like better than the American side is really interesting.

I forgot who made that movie. I think it was [inaudible 00:31:23] or something like that. I played the entire battle as both an American and a Japanese soldier and the Island is completely done. The tunnels, the everything, it's insane. They're literally insane the way you could... One of the things I learned in the recreation, it was very easy to die in the Battle of Iwo Jima, so to give you any idea the hardship soldiers went through in World War II, oh my God, it was easy to die. It was a horrible war. And you literally are reenacting this thing to every level. And you say, "What's the point of this? Well, it's gaming." But it's money and we're in the making money business. Electronic arts has a FIFA league. Players from all over the world play soccer. They don't go out and play, they still kind of do that, but they play online.

You play people all over the world. So when you look at what computers and technology are doing from saving lives, healthcare, autonomous driving to efficiency with delivering systems, transportation and to gaming and entertainment, so the last piece of this is streaming. One of the greatest places you can invest, cable is dead. Everybody says that one of the biggest investments we have now is in the Walt Disney corporation. I've always been an investor in Disney since I was a kid. It's one of the best companies in the world. And in two weeks, I don't know why the stock market fully hasn't absorbed this. They're launching the coolest app since Netflix was launched. Now, 10 years ago, you couldn't launch a streaming app because the internet couldn't do it. You didn't have servers that could do it. You just couldn't do it. Netflix was sending you DVDs.

Today, almost no young people I know own a cable TV subscription. Almost nobody. And the ones that do have cable TV are stealing it, for sure. So you go, "What did Netflix do?" Well, Netflix did actually a great, super amazing technological advance, which is by putting all these movies on a server and waiting for the internet technology to be good enough that now I can watch a high def movie on a phone. But when Netflix came out, it would buffer and I was trying to watch Breaking Bad and I thought it was horrible. I was like, "Netflix sucks." I can't watch any of these things. And the internet broke, but they knew, "One day the internet would be good and one day we're going to be delivering thousands and thousands of hours of TV shows globally through big data." But there's also AI. Netflix is watching everything you're doing. And Netflix knows.

When you look at your Netflix, it's completely different than another profile that my kid looks at or my wife looks at, completely different stuff. And sometimes I wonder how they pick what they're giving me. I think they really think I love drug dealing movies, which I do. This is where AI is off. Just because I did one thing doesn't mean I want that for the rest of my life. So that's another thing they've got to improve on. I don't know if you've seen this with the advertising, which shows how far we have to go. If you look for a hotel in Las Vegas and you decide you're not going to go to Las Vegas, it will feed you ads for hotels in Las Vegas for two weeks. But you're like, "I decided I didn't want to do that. Didn't you see my other search? I went back to hotels in Puerto Rico."

And then they send you hotels in Vegas and Puerto Rico, but you're like, "I don't want to do Vegas." But it didn't learn. It doesn't know. And the same thing, there's this kind of concept of like, "If I like this, then I want more of this." That's the way the internet thinks. That's not AI. That's dumb. So most computers are pretty dumb. They're just like, "Oh, we'll just give them more of the same." And boy, sometimes I'm scared to search things because then it's going to think I'm really into that thing. And sometimes I just want to know why turtles are the way they are or something like that. And then it's like, "Oh, he loves turtles. Give him more turtle videos." I was like, "No, I just had this weird thought. Why are turtles the way they are." Last night I was eating and they had a lot of things in the pasta and one of them was alligator. And in California you have to classify everything you eat. No, no, Ordering food in California is not like it used to be. Every ingredient has to be analyzed to its source origin and its organic ability. And in Louisiana they don't care about that, it's, "How much can I eat?"

No, this is really important because if you can't eat a lot like my wife, "This is a horrible place to go. And I can prove that I can always eat more, especially here because I feel like when I go home, I'm going to be forced to quinoa and stuff pretty soon." We fight about this. She'll buy this bread that's not bread. They've made gluten evil. And I'm like, "I love gluten." And then she tries to pass this on to my kids and we fight about this. I'm like, "I want them to eat crappy food sometimes." No, really, not McDonald's, not that bad, but a steak is okay. My kid's into steak now, he's like crazy. That's what happens when you go to Boa. "So is alligator meat or is it fish?" I decided to punch that into the internet and now it thinks I'm really into alligators and being only into eating reptiles isn't a thing.

Really, I think about these things when I'm bored. So how am I going to tell people that I ate alligator? Alligators go on land but they really spend most of their time in the water and we had to hold the debate about this and they actually go back to the dinosaur era. Maybe I'm eating dinosaurs. The internet thinks that you just want to think about this for the rest of your life because you searched for it once. You know Google is tracking you. So any of those weird esoteric searches you do, it's now ranking you as weirder or into weird things and you don't want it to do this. They have this private browsing thing you can do. You go into your tab and you say, "Give me a private browser." Because I'm looking, "Is alligator meat or fish?" And I don't want it to make judgements over my food choices.

It doesn't learn anything about you. A perfect example is like open table. You can go and you can, you can pick food. I like to eat certain types of food, but every time I go into open table, it only tells you where you can get a reservation. "Well, I haven't eaten at any of these places ever and you fed me these places 150 times, can you just take them off? I'm not going to eat there." So think about all the efficiency that can happen if they really look at this data and they really put it together and they can make things better for all of us. And I think that's what this is all about. I'm investing for the future and the future is going to be shaped like this. So you have the obvious things like data centers, digital Realty trust. Data centers are obviously going to do well forever because we're just never going to be done.

A stock we bought a ton of is Microsoft because of their cloud business. As much as I love Amazon, in theory, it's not the greatest business. The best business of Amazon is Amazon Web Services. It makes more money than Amazon and 5% of the revenue. And I'm like, "Boy, this web service is not going away." Well, I built my whole company on the cloud. I can tell you it's awesome. It's awesome. Right now my employee can be like, "Oh, is my paycheck wrong or is this that," I can just go on on my phone and check because everything's on the cloud and I don't have to manage servers and boy, it saves you a ton of money. AWS is great, but Microsoft is moving into this business and they're also in the gaming business and they're in the AI business and they're putting this all together. Boy, are they smart there? You've got to own some Microsoft. It's not a cheap stock, 30 times earnings, all times high. It's breaking out. I get it. But if you're not in Microsoft, you're kind of missing out too.

Apple is another company doing a lot. So you've got all these kind of investments you can make around where chips are going, data's going, how that's going to affect human life. And one of my favorite companies is Tesla, actually, because it is really the best example of converging all of these technologies into a very useful purpose. And they are in the experiment of a lifetime right now because in the next year they'll put another 500,000 cars on the road and there'll be close to a million cars on the road gathering data every day. Then they upgrade all their computers and with all the knowledge that they're pulling in everyday, there's no other company that can gather that much data every day about real experiences on real roads, and then they adjust through their neural network to your autopilot to learn, and it's constantly happening. Tesla is a technology company.

If you go visit Tesla, you'll notice that right away when you walk in the door and you see hundreds of people on computers and then you have to get by those people to get to the factory. Then you get to the factory and the first thing you see is these robots just going nuts. Autonomous robots, just building a lot of the car. And then at the end of the assembly line, you go to this, they call it a tent, but it's really a structure. And then you actually see humans putting together the car. I went through the car and I looked at it, I go, "There's no parts in this car." It's a cell phone only with wheels. That's what the Tesla is. It's a cell phone with wheels. And it's a great cell phone with wheels. But it's all these things happening together.

As much as I like Nvidia, it's just a little part of it. As much as I like Microsoft, they've got a few parts of it. Tesla's got the whole game going and I don't know any other company that's doing that. And then you have industries like gaming that are exploding using these technologies and creating just massive visual worlds that are engaging and earning billions of dollars. You've got video game companies, EA, Activision and such. Robotics companies, we mentioned. When you put this all together, the next stage in technology is really about how do we take all these cool things that we like now and make them really actually quite useful? Because right now there's a lot of competing systems. If you're on Google, Microsoft or Apple, it's all different. Google, somebody sends me a Google calendar into my Microsoft, it just doesn't work.

As these systems converge, as the internet becomes smarter, as the average technology becomes better, as 5G and by the way I like Verizon right now a lot because of 5G they're going to be able to charge fees, more and more fees, and it pays a nice dividend. But as these handsets go out, as these efficiencies are driven, 5G, the wireless side, the wired side from the computer servers, chips. The consumer side I think is going to be a tougher place to make money. Like my friend who has the oven that knows what you're cooking, I don't think that's so easy, that's a tougher business. I think if you look at the infrastructure and you invest in that and you look back in a few years, you're going to find these are going to be great investments, they're going to be great investments.

Because we are the leaders in technology. That's one thing that America does so well is build technology all across the world. And China's catching up. But honestly, most of this catch up is from theft. And now that we're not letting them steal our stuff, they're going to slow down and that's just a reality. So they've gone a far away and China's doing some really cool stuff. And some Chinese companies are kind of interesting. But the truth is that this is what we do the best and we're having enormous efficiencies in doing it. And there'll be I think a very large impact in our society in the next decade. We'll see this impact. So if you're an investor and you're thinking about the future, this is a reality. That is the future. Social media is the past. Mobility is the past.

But the future is, "What can we do with this? To A, improve the human experience, improve our entertainment, improve our healthcare system, transportation, logistics?" And you kind of get to this world in 10 years that's a little bit more like the Jetsons where things are actually better for humans. And I'll leave you with this thought. The demise of human productivity is greatly exaggerated. You have guys like Andrew Yang saying robots are going to replace us all. We're going to go into restaurants where there won't be waiters and waitresses and we'll live this like cold life of technology where everything's brought to us and we just sit around… and that is not the future.

Humans are incredibly efficient and we have ingenuity and we have ideas that computers will never have. I play jazz music a lot. A computer will never be able to play jazz. If you don't believe me, listen to Miles Davis tonight. You tell me a computer can play like Miles Davis and I will tell you, "You're crazy and you're wrong." No computer will ever play like Thelonious Monk. There's no way you can get into this guy's head. So there's so many things that we do better than computers, we will not be replaced that quickly because the computer is still driving me down Wilshire Boulevard trying to kill me. So thanks a lot for your time. I'm going to do a little Q and A, I think next door. If you have some questions, feel free to join me next door, happy to answer them.

Hopefully you got some investment ideas. That's why you're here today. There's a lot of money to be made in technology. America is in a great place right now economically. I don't want to get into politics here, but aside from the politics of the world, business is doing very well right now and in a year things will be different one way or another. You got to take advantage of when times are good. Market is at a new all time high again today, I know valuations are higher, but boy, they're not that high compared to the 90s, and what the potential is for the US in the right set of situations politically speaking.

I think there's a lot of upside in these areas to invest. So hopefully you guys can take advantage of this and build sort of a better future for yourself as well. Because obviously, a little bit more money means a little bit more gumbo and going out and having a good time. And that's what life is all about. Thank you.

Gary Alexander: Thank you. Appreciate it. Thank you.

Nick Hodge
"How Not To Make Money In Junior Mining"

Gary Alexander: Okay, let's move on to a junior mining stocks, how not to make money, something lessons we've already learned in the painful process of our life. But if you want to learn those lessons in a quick 20 minutes, we have Nick Hodge here. He's founder and president of the outsider club. He's become well known for his call it like you see it approach to money and policy as the author of two best-selling books on energy investing. His insights have led to numerous appearances on television and in outlets on the web, various outlets, as investment director of early advantage and Nick's Notebook.

He has led tens of thousands of investors to hundreds of double and triple digit wins in the mining energy and technology sectors. So he has a wonderful presentation. I've seen some of it here on the, on the screen that you're going to be seeing in front of you today on his telephone. And we live in a wonderful age where you can just see these things come up in your smartphones before you and you can take pictures of them here with your own smartphone as they come up on the screen. So how not to make money in junior mining. Please welcome Nick Hodge.

Nick Hodge: Hello, I'm Nick Hodge as he just said, the founder of Outsider Club, as a free resource for retail investors who want information on sectors really spanning the entire market. We don't just focus on mining, although I have spent recently the majority of my time focusing on mining, but we have a defense letter and a marijuana letter and a couple of other letters as well. And then I co-own a website called resource stock digest with a gentleman named Gerardo Del Real where we, where he rather conducts interviews with management teams and we help contextualize their story for the market and retail investors.

Enough about me, let's talk about how not to make money in junior mining. And before I get there, I want to just recap from last year when I talked about, because it's a pretty good segue into what I'm going to talk about this year. Last year I talked about real things versus fake things and I was talking about all the fake things that we had seen in the world lately, whether it was you know, the fake money that is being printed or the fake outrage we see in the headlines from day to day or the fake valuations we had seen on companies or in fact the very fake companies that are allowed to exist.

A great example is WeWork just in the past couple of months where it's not really a company at all, right? It's just a growth engine that doesn't make any money. And I talked a bit about Hammurabi's code and I talked about the Declaration of Independence and about how both those things were fake. It's just us, the human that makes them real. And then I concluded by saying that gold is one of the real things that span the generations in the eons from Hammurabi all the way until the present day. And so here we are in 2019 and that has materialized in a very real way. Gold is up some 20% since I stood on this stage last year. And that fruit has started to ripen, but as the gold has ascended, the juniors haven't gone up with them in lock step. And we've heard some people talk about that already at this conference.

I was backstage talking with Gwen Preston, and she had touched on some of that earlier this morning and yesterday in the Precious Metals Panel I heard some of these sentiments as well. Why aren't the juniors moving? I'm going to get into it a little bit. And it starts with the fact that all these juniors are burning matches. I don't know who this quote comes from. I think from Doug Casey, the guy sitting in the green room back there, but he says, you know, junior equities or burning matches, if you hold them too long, they're going to burn your fingers. And that's very true. And the root reason that they're burning matches is because they're always raising money. And perhaps more importantly, they're always spending money. A lot of times, too much of it. So that's the root cause, but it's also an inherently risky sector, right?

That chart's a little blurry because it's old, but it's a study from Kennecott and Rio Tinto back in 2007 2007 putting into context how many targets become mines. And they're saying that only one in 1,000 Greenfield targets ends up becoming a mine. And only one in over 3,000 targets ends up becoming a world class deposit. So how risky is that? Right. And then it's a bit better when you talk about Brownfields, which are assets that have been developed or mined in the past. And those numbers are at the bottom where they're saying, you know, your odds can be anywhere from one in 100 targets becoming a mine to one in 20 becoming a mine, depending on how prolific the area is, what area you're studying, et cetera. But those odds still aren't good. I mean, 1% in the best case of a Brownfield to 5% and so it makes me feel like this. "So you're telling me there's a chance. Yeah."

So even if you find something, let's talk about the risks, right? So you make a world-class discovery and then you've got to deal with all these other risks. You got to deal with the commodity cycle, which we'll get into in a second. And you've got to deal with funding risk, being able to raise capital, you got to deal with permitting risks. What's your jurisdiction like? What are the indigenous groups like? Who doesn't want this mine in their backyard? And then you've got to deal with the capital structure that is inherent in the sector that is starting to be cleaned up. I think finally, and I might touch on that a bit as well, and those are all the risks of the sector, but these are the things that we do to ourselves, right? We get myopic, we focus on one company and we fall in love with it.

And we think that it's the best thing since sliced bread. And we refuse to sell and we refuse to admit we're wrong. We get greedy. You know, we think it's going to the moon and we don't sell when we should. We chase trends. I'm thinking of like in 2016 when we had sort of, well I think the beginning of this bull market, but then it was quickly pulled back away from us and everybody jumped in head long saying, Oh man, let's start funding copper projects. Let's start funding zinc projects in 2016, 2017 and that hasn't worked out too well in the past couple of years either as all the base metals have retrenched. I think we take blind tips a lot from guys like me standing up on the stage who say X ticker is a good one and then we go out and buy it, but we don't know what their project is or what their share structure is or what their goals are or even consider what our goals are in buying that company.

And then we allow the company to change questions on us, right? So we invest in a company because, and Rick Rule talks about this a lot because of an unanswered question. So we want to know, what's in this target? And we raised money to drill it and we answer that question and there's nothing there. Well then we allow management to change the question on us. Well we're going to try another target or we're going to try another project. You need to really self evaluate and saying, no, my question wasn't answered in a positive way. It's time to cut and run. And then of course we risk what we can't afford or we buy too much or we put too many eggs in one basket and that's kind of the reason I only let my three year old carry one egg back from the chickens every day.

This is the mining cycle. You've seen the LASAN chart, right? A lot of guys use this. This is a visual capitalist's version of it and it basically shows you the life cycle of an exploration development project as it makes a discovery and then it goes into the trough when it's time to finance and permit and nobody wants to pay any attention to it. And then finally when it gets its permits and it gets its project funding, it starts to ascend again because it's going to become a mine and generate some cashflow. And perhaps more importantly I think than this chart is the timeline at the bottom. Look how long this is, right? My eyes are getting bad. I can't even see what it is, but it's like four to five years for development, one to two years for discovery, two to three years for feasibility, another two years for development, and then another year for startup.

And so said and done. You're like 10 years if you're lucky, 15 years if you're not, and we can't go into these things thinking we're going to hold them for that long. We have to be willing to sell. We have to be willing to trade around our positions, and we have to be willing to be honest with ourselves about where we are in the cycle ahead and what our goals are as junior mining investors. So let's get into companies I've lost money on and these are good companies. These are good management teams. These are good assets. Fission Uranium controls is one of the best undeveloped uranium assets in the world, the highest grades, its in Saskatchewan starting its surface. But look what's happened to the stock. You can sort of see the run up there and my laser won't work all the way over there, but in 2013 it makes this world-class discovery at Patterson Lake South.

Right. And the stock runs I recommended in 2013 something like 40 or 50 cents and it runs all the way up to $1.70 what we should have sold, right? The curve tells us we should have sold, but we didn't sell. And you can see what's happened since. A couple of those risks that I put up on the bulleted lists in the beginning have come to pass. You know we're in the development stage now and some of the mineralization ended up being under a lake, which was thought not to be a huge deal in the beginning of the project's life, but now we're learning that we have to evaluate underground mining scenarios, that it's very expensive to move a lake, to drill under it. We can talk about some of the management and board compensation issues that are, that are rampant in the sector and then of course the cycle of the commodity in general, which was my first bullet point there on the risk slide.

It’s like no matter how good your acid is, no matter how high the grade is, no matter how shallow it is, if it costs you $50 or $60 to get it out of the ground and the price is trading it at $24 spot uranium, well then you don’t really have a good investment on your hands. And that’s sort of what Fission has been swept up in over the past couple of years now. We all think there’s going to be a uranium bull market, all the fundamentals are in place for that and Fission itself is doing things to make itself better. It’s done an underground only scenario to reduce capex started to cut board compensation, et cetera. But it’s very much in that development part of that the LASAN curve where it just, no one wants to pay attention.

And I own these stocks by the way, large positions .Midas Gold is a company I recommended also in 2013 after it had made its discovery or it had, you know, started to prove how much gold was at the Stibnite project in Idaho. The stock is a $4 or $5 stock comes off in 2013 as the gold price starts to come off post the 2008 induced run that led to high gold prices. And in 2011 that starts to go away and people start to forget about gold. And you know, despite there being six to 10 million ounces despite it being the seventh largest gold reserve in the country and the fourth highest grade and expansion potential. Nonetheless, you’ve got Midas Gold sitting at multi year lows there from 2016 to 2019 and again, visualize the curve, right?

So it’s got the project and now it’s in permitting and the government hasn’t done any favors because they’ve delayed the schedule, the permitting schedule for the past, call it 12 or 18 months where it’s you’re going to get a record of decision and Q1 whatever it is. I’ll make it up. You know, 2019 Oh no it’s Q2 to 2019 and now we’re all the way back to Q4 2020 and so very much in that timeline where no one cares until you have your permit in hand. And I would argue that once they have their permit in hand, the chart will look more like 2011 and 2012 than it does now. But nonetheless, we haven’t made any money at Midas.

Now I’m getting into smaller companies, this is Abacus Mining. They had a 20% carried interest in a big copper project in British Columbia called Ajax and they were being carried by a big Polish partner called KPMG. I got involved in 2017 so I wasn’t involved early on the left side of the chart. I got involved in 2017 as they approached permitting, right. Abacus at 40 cents headed into permitting and the stocks run to $1.20. I should’ve taken that off the table, told my subscribers to take that off the table, but I didn’t. And so what happened, Abacus did not get the permit. British Columbia, everybody thought they were going to get the permit. Ended up being some political issues in British Columbia. Ajax hasn’t got, didn’t get the permit and you can see how the stock gapped down right from a dollar to 45 cents immediately and then has continued to slide since.

So it should have sold immediately when they didn’t get the permit. That’s the one thing, the permitting risk. And then on the personal side, I allowed the company to change the question on me. Right? It’s like, well while we’re figuring out this Ajax thing and trying to get it re-permitted, we’re going to, you know, JV this project in Nevada and try to drill it, et cetera. While the question is changing and as an investor I’m allowing that and that’s how you lose money in Abacus. And in my last example before I get into some more positive stuff with nine minutes left, I might have to speak even faster, sorry, is hand in metals, right? So this is one of those things where, similar thing, get involved in 2017 after we get a little flicker of a bull market in metals in 2016 and this is a zinc project in Ireland.

It says very good targets, all the geophysics and all the things you do to identify targets looked very good. And so help raise money for Hannan to drill. They stick a couple of holes in the ground in, in late 2018 and you can sort of tell they didn't hit and in 2018 the stock sold off very hard. The targets didn't generate the results that we thought they were going to and instead of cutting and running there, Hannon is now a copper company in Peru, right? So the question has changed again. Let's get a little bit more positive. So here we are, let's, that's it on how to not make money. Let's talk about how to make a little bit of money for the next eight minutes. The past year has felt pretty good. If you're a gold person, right?

Prices up 20%, the ETFs are up. That's GDX and GDXJ they're up 30 to 40% doing what they're supposed to do, outperforming the price of gold over the past 12 months. Showing their leverage, what a difference a year makes. But what a difference three years makes. If you pull that chart back, none of those ETFs, not the majors, not the GDX, not the GDXJ, not the gold bugs index XAU. None of them are outperforming gold over the past three years. Gold's up 20% you got all those equities there, although they've started to make their ascent, they're still not outperforming gold and they're still down over the past three years. And so some of these juniors are starting to perform and I'll give you a quick example. A good company called Millrock Resources has just struck a great deal with an Australian company to get them to spend $20 million for, I think it's like 50 or 60% of their project and one of their projects, Good Pastor in Alaska, which is right next door to the Pogo mine, which was sold recently.

And it's a great deal that Greg Beecher struck for shareholders, right? But the stock had drifted all the way down to 7 cents and I had helped raise money for Midas or for Millrock starting at 30 cents and then all the way down to seven and a half cents. And so I get people emailing me, hey, that's a great deal that, that Millrock just struck they, that's a really good deal for shareholders. It looks like it's really going to pay off and it's paying off now in the market as Millrock stock has gone from 7 cents to 20 cents in like the past week and a half. And that feels pretty good, but it doesn't feel good when you funded Millrock at 30 cents or 40 cents. Right? And so everybody that emails me, I've just been hitting them back with this one that you see on Inca Cola all the time. It's like the classic newsletter writer. Right. Buy buy buy buy. I was right. Well not really. It's not really all the way back to what you had funded it in years ago. Right. And so I think the time for self congratulations is not here yet.

Now macro stuff, I'll breeze through this because everybody here is talking about all this. You know, Trump says he can get rid of the budget deficit in six months and here we are. It's more than doubled since 2015 all the way to $984 billion dollars was the number that was out last week. Clearly it's not that easy to get rid of. As he would put in a tweet, you have interest rates rising very fast.

Projected to, this is interest on the national debt now, projected to outpace the defense spending of the United States, which is like the largest military budget in the world. Just the interest payments alone on our debt are going to outpace that in the next couple of years. And that's why the Central Banks, one of the reasons central banks want to keep rates low, right? And this is the Central Bank rates, right? They want to keep the rates low so they can service their debt and all of them have had to cut despite the Fed saying in 2019 we're going to be raising rates. And then what's happened this year? Cut, cut, cut all the way up to last week where they cut again.

So they're talking the rates out of one side but they're buying gold on the other, which I get to in a second. And this is a U.S. debt to GDP. I don't know about you, but I like my GDP to be higher than my debt. And in this case, the U S is rocking out with a greater than 100% ratio, which means that the debt is larger than our GDP. So if the Central Banks think that everything is okay and they want to cut rates and all that, that's fine. I'm not a Fed expert. We'll let Danielle DiMartino Booth talk about that stuff. But then why are they buying golden record amounts? Right? Like Mr. Dines would say, don't think, look, just look what they're doing. There's a reason they want to buy the gold, why their storing the gold, not just, Chinese central banks, but as we heard last night on the Precious Metal Panel, Turkey and other countries as well, they very much want exposure to gold.

The Atomical Hendra had a version of this chart up last night and he's talks about the money coming back into ETFs and they're almost to where they were in the last bull market in 2011 and so that feels very good. But one of the problems has been, and this is just gold backed ETFs, but a problem with ETFs in general that was touched on in the panel last night is that, if you're not included in one of these funds, you're very much glossed over because of the sheer amount of money that goes into passive investing. A generalist wants to get into the gold sector and they buy GDX or GDXJ and unless your company is included in an index or fund like that it's very tough to get traction and it's very tough to get noticed. But what this tells me is that blood is coming back into the sector and speaking of blood coming back into the sector, just for a second, I think this might be the youngest crowd I've seen in my past seven years at the New Orleans investment conference.

I was at Midas Gold's breakfast bright and early this morning at 7:15 and I have to say there was probably four or five couples, gentlemen, ladies my age, 35 or younger. And so that's very much what's needed to attract new capital and new investment and just new blood into the sector. And I think that's happening now for all these macro factors that I just mentioned. Plus, really, the ascent of cryptocurrencies that has taught a younger generation what decentralized money is and what fiat currency is, et cetera. And that's just a little tangent on my part. And then let's talk about gold discovery specifically, right? Where we're spending more money. The blue bars are going up to spend more money to buy gold, but the red bars are going down. We're not finding as much gold. And if you just take the extreme scenario, let's look at 1995 right, where we found over 120 million ounces of gold and we spent less than 2 billion to do that.

And compare that with last year where we found 5% as much gold as we did in 1995. 5% and the 5% we did find was 50% less great, right? And we spent, whatever that number is, 20 times more to do it. So in a very real way, these gold reserves have to get replaced, right? We see the big guys operating now generating cashflows as the price of gold goes up, the [inaudible], the Kirkland Lakes, the Barracks, et cetera. Well, you know, as they fill their coffers with the money they're getting from $1,500 gold, they're going to in a very real way, have to replace their resources. And there's only so many good gold deposits to do that. So that's what we should be seeking out as investors.

And you know, this is a very tight knit group. The junior mining community is small and so we really need new capital to come in and want to invest in these projects. And I think that's starting to happen now. So the key takeaway there is that last bullet point, 530, half a billion dollars was invested last year by private equity into gold deals, which was twice the amount invested in gold in 2017 so that, I think, we're starting to turn around the corner and not only was it twice, but the amount of transactions has increased as well as the value of the transactions. So gold transactions last year were up 82% from the year before to 11.7 billion from 6.4 and the average deal value is rising as well. But, they're still buying producing gold. So the last bullet there is that 104 million ounces were acquired from producers while only 28 million ounces were acquired from non producers.

And that is going to start to change I think where they're going to have to start buying these development assets to replenish those reserves that I was talking about on the previous slide. And they're going to have to do it at higher prices. A company here I'll mention is Revival Gold for example. The yellow line is the price at which recent gold transactions have been done somewhere from $90 to a $100 an ounce. And then you look at quality companies that I've invested in and written about and recommended, one of which is Revival Gold has 2 million ounces in Idaho, a Brownfield Asset going to 3 million ounces when their resource update comes out next year and they're trading at a 30 million market cap. So getting like $10 an ounce, right? You can divide a hundred by 10 and figure out what that return should be. That's an easy one.

So I think we're finally getting there, but we have to have discipline as investors and we have to hold companies accountable as well to have discipline. And I won't go on ad nauseum cause I only have 24 seconds about management compensation and options packages and, and the way they're paid and the G and A expenses and all that I write about and talk about that plenty. You can find information on that another time. But here are the takeaways. Sell, sell stock. It's like the hardest thing to do, right? Nobody ever wants to sell stock because whatever. We think it's going higher. We don't want to take the loss, sell stock, train yourself to take gains off the table. Sell if the reason that you invested in the company isn't achieved, don't let the company change the question on you.

Buy and sell in tranches when you decide to, to make an investment. If you want to invest, just pick your number. If you want to invest $20,000 don't go buying $20,000 on one day. Span that over a couple months so you can average down if the stock goes down. But don't go all in at once and the same if you're selling. And let's get better about trading around our positions. In those charts of Fission and Midas that I put up that span six or seven years, plenty of time in that LASAN curve, 10 to 15 years to get a project developed. You can trade around your positions. You don't have to be buy and hold, ride or die forever. Sell stock and own fewer positions. You can't keep track of a dozen girlfriends and you can't keep track of a dozen stocks either. So fewer stocks, focus on them, follow their news flow, follow their trading patterns and trade around them. And that's some of the best advice I can give, I think, for the current climate we're in. I appreciate your time. Thanks.

Byron King
"It's A Mad, Mad, Mad World"

Gary Alexander: The editors took out one of the Mads, so in your program, it's a triple Mad World instead of a quad. But we're still going to go into all four dimensions of the mad world with our next speaker, Byron King, a Harvard trained... Byron King, a Harvard trained geologist with a strong background in geochemistry and mineralogy.

He's a former Naval officer, who served on the staff of Chief of Naval Operations. He's now writing about precious metals and mining for Agora Financial in Baltimore, the big octopus of all financial newsletters in Baltimore.

His newsletter is called Whiskey and Gunpowder, two very politically incorrect subjects these days. Byron uncovers investible opportunities in precious metals, looking for asymmetric trades with minimal downside and strong upside potential. He focuses on applying high-tech to classical geology, and writes with a common sense approach that's easy to understand. So please welcome all four mads, mad world Byron King.

Byron King: Oh, my goodness. Gwen was right. Man, that light is bright. Good morning everyone. I can't see you. You can see me. The lights are right in my eyeballs, but that's okay because all you need to see is the screen, and I hope we can wake you up this morning. I'm going to use big print and pictures.

Byron King, It's a Mad, Mad, Mad, Mad World. I write an investment newsletter. My beat's all over the place. I mean, I've been to Kyrgyzstan. That's me, statue of Lenin. I've been to the Alaska Pipeline. That's a picture of me, 2,000 feet down in a South African gold mine. I get around.

I've worked with Agora since 2004, 15 years. I've covered energy metals, mining and defense technology. Gary mentioned that I've spent time in the Navy. I used to fly those airplanes that are now in the boneyard in Arizona, but I'm not in a boneyard in Arizona, and that's the important thing.

And in the middle, that's me in the basement of a mineralogical museum in

Moscow. And on top of that museum is the Russian leading institute for chemical technology, where they took rocks and turned them into atom bombs. I'm standing next to a box of rocks of radionuclide nuclear materials that was presented to Joseph Stalin by the Geological Institute of the Soviet Union back in the late '40s, as a source of pride in the mineralogical wealth of the Soviet Union.

And when Stalin died, they put it in the Stalin Museum. And then one day, the KGB was doing the routine sweep and they got near that box and it was like, "Oh, man, this thing is hot. It's totally radioactive." So they put it in the basement museum of the Chemical Technology Institute, and that's me standing there next to it. They gave me that white jacket to prevent the ionizing radiation from causing any sort of harm. But I'm still here. I am still here, l'chaim, like the man says.

I do go places, I do check out geology, I look at projects, I kick rocks, I go underground, I stay above ground, I fly over things, I walk over things. Although I will say that at a certain point in life, you are much happier when the helicopter drops you off on the top of the mountain and you walk down, than when you're at the bottom of the mountain and you have to walk up. It's important to view things in terms of geologic time or deep time. I truly do live part of my life in terms of literally billions of years. I mean, I'm into Precambrian rocks of Canada and all the way up to current volcanics, I mean, literally standing next to active volcanoes with lava pouring out.

But, I mean, you've got to look at things over the long, long, long-term, because if you don't understand where things happened in time and how things happened in time and how things changed over time, you just don't get it. And that is a key part of understanding the mines and mineral business. And in a lot of respects it's a key part of understanding life.

I spent the past few years covering precious metals, gold, silver, platinum group metals, other things. Let's see, the one on the slide on the left with me in the yellow jacket there, that's me in Atlantic Gold. I think I'm holding about a 1,200 ounce gold bar that they had just poured. That's a project up in Nova Scotia.

The one in the middle, that's from about two-and-a-half weeks ago, Western Ontario. That's Harte Gold, H-A-R-T-E Gold. That's me holding a tray with about 33 pounds of gold dust in it, just right out of the mine, right out of right out of the mill. On the right, in the blue there, that's me holding 66 pounds, 1,060 ounces or so, of a fresh poured gold bar from Victoria Gold up in the Yukon.

That's the end result. I mean, that's what you want to have. You want to be holding those gold bars, because those are real, those are real wealth. I mean, you can talk about, "Oh, technology creates wealth. Electronics create wealth. Data systems create wealth." Yeah, they do. But all things considered, I kind of like the feel of those 66 pounds gold bars.

I'll have more to say about precious metals later on. When I'm finished here, I'm going to go next door to the Gold Club, and I'll be there for 15 or 20 minutes, whatever it is. And then I'm a speaker later this morning over in the exhibit hall. My great regret is that since I'm going to be in the Gold Club next door, and while I'm perfectly happy to do that, I'm going to miss the Peak Prosperity talk, which comes right after me. I'm the warmup act for those guys, fabulous people.

And I'll have even more to say on Monday. This is just a total plug, because I'm going to be the luncheon speaker, introducer, whatever, for the Yukon Mining Alliance, for all of you who are slightly geographically challenged. I mean, there can't be very many of you, but Yukon is that red spot up there in the Northwest of Canada, right next to Alaska. It's Alaska without all the red tape to get your mines developed.

And so they'll give you lunch. I'll say a few words, very few, be brief, be seated, that kind of a thing. Then you're going to hear from Western Copper and Gold, White Gold, and Victoria Gold, all three of which are wonderful companies, great people. And then we'll probably have a little Q&A, and then you'll be off and about your business. But if you don't know anything about the Yukon, Monday lunch is your chance to learn for free, at no cost to you, anyhow, the Yukon taxpayers are paying for it, or the Yukon mining groups are paying for it.

Anyhow, we move on. So a couple months ago, Brien Lundin sent me an email, "Hey Byron," he says, "you're going to be talking at our convention this year." He says, "What's your topic?" And as a speaker, I understand the need. I do, because you have to print up all the brochures and stuff. But, man, this is two months from now, I don't know, beats the hell out of me. The world's crazy. I said, "Okay, well it's just a crazy... It's a Mad, Mad, Mad, Mad World." I just blurted it out. It was like gestalt or something.

But that's the title of a movie from 1963. It's a classic movie, as Gary mentioned. I mean, perhaps you've seen it. Perhaps not. If you haven't, it's on YouTube. I mean, you can look at it. It's an hour-and-a-half or whatever. It's a lot of fun. Mad, Mad, Mad, Mad World had an all-star cast of everybody who was anybody in Hollywood, I mean, Spencer Tracy, Milton Berle, Sid Caesar, Buddy Hackett, serious actor people, comedians, stunt people, whatever, the supporting and the cameos with very few words spoken, but they were there.

Jimmy Durante was in it, Peter Falk, Jack Benny. You can see the... Don Knotts, Jerry Lewis, and even the Three Stooges were in Mad, Mad, Mad, Mad World. I mean, so everybody who was part of it was... Everybody who was big at the time was in this movie. And it had a basic plot, that somebody died, this guy died, and he had been a bank robber, and he had buried all his loot in the desert. And so a whole bunch of people wanted to go and dig it up and get the money. So it was a get-rich-quick scheme, and people want to get rich quick. Everybody wants to get rich quick.

So anyhow, that brings us here to New Orleans, where we're going to seek out all these magic ideas of how to make some money. I mean, there's the gloom and doom opportunity. There's blood in the streets. I mean, if you don't believe me, listen to Doug Casey when he talks in a day or two.

But much of what we're doing here is gold, silver, platinum, palladium, et cetera, rare earth, real estate, and even medical devices, per the guy who preceded me. Sounds intriguing, I mean, old Chinese saying, "An inch of gold and an inch of life are both valuable, but an inch of gold won't ever buy you an inch of life." And so if you can extend your time on this earth, go for it.

But we're looking for ideas here, magic ideas. But I want to update the title of the movie, because it's not a Mad, Mad, Mad, Mad World, it's a Trump, Trump, Trump, Trump World that we live in these days. And you say, "Why is that?" Well, everybody who's anybody is part of it, aren't they? And we've got dramatic people, we've got slapstick, we've got comedy, we got the Three Stooges. We have everybody in this new movie, the Trump, Trump, Trump World.

Much of the world is Trump's reality show. Take that as, it's a compliment, it's a knock, whatever. But I mean, the guy is everywhere. He's in everybody's head, rent free. And that's where he's at. Is it really reality though? Because, is it even real? Is it some sort of script? You what I mean? I mean, somehow or another, people think they're going to defeat Trump, who was one of the most successful reality TV producers ever, with that show about the apprentice and everything.

But he always seems to be a couple of steps ahead. Even when he looks behind, he's ahead. It's amazing what he's doing. But he's driving the agenda. He drives the agenda. And so his agenda is the big political agenda, and the big political agenda's the macroeconomic agenda, and the macroeconomic agenda affects us, as Gwen so ably said just a few minutes ago.

Sometimes, though, I think I'm watching a horror movie. It's not so much a comedy. I'm watching a horror movie about a failed state that was called the United States of America. I mean, you look at... Who wants to govern the place? I mean, we're going to have trillions of dollars of new taxes, and trillions of dollars of new programs, and we're going to have trillions of dollars of more debt that we can't pay. But it's not like anybody else has been solving the problem.

And it's like that people are just crazy. I mean, people who have no stake whatever in anything are out there with an opinion on everything. I mean, people who never met Brett Kavanaugh were protesting Brett Kavanaugh, and I'm thinking, Brett Kavanaugh is such a creature of the beltway. I can't believe it. He was raised inside the beltway. He went to Yale, Yale, back to the beltway. He's a beltway judge, and he's a beltway Supreme Court judge.

I mean, and these people were protesting. And I couldn't get it. I mean, I understand what was going on, but I mean, it was just... It didn't make sense. Failed state. So are we the ungovernable states of America anymore? You know what I mean? It's a country that lives in a sea of red ink. Everybody's in debt. When I say everybody, not you, because you're here, which means you understand how to run your life.

But everybody else is in debt, 72 month, 84 month car loans, are you kidding me? I mean, I've met young people right out of college or grad school with $200,000 worth of student debt. I'm thinking, "Oh, my God, for $200,000, there goes the house that you're never going to own. There goes the six cars you're never going to buy." I mean, give me a break. California leads the way in so many respects. Put that little flag down there on the lower right.

But we live in a world of appearances. Trump is in charge. He's large and in charge, and he's standing there organizing everything. "I just killed al-Baghdadi. He was whimpering like a dog," and all that sort of stuff, you know? Okay. All right. All right. If you say so, that's good. Glad we killed him.

Yeah, and his critics hate it. And you can love Trump. You can be okay with Trump. You can hate Trump. But whatever Trump does that perhaps you might perceive as bad, his critics only make it worse, because his critics are just... They're just insane. They're so deeply over the top.

What kind of country is this anymore? Trump doesn't write the script though. Trump isn't even just Trump. Trump is Trump, but he's a populist reaction to decades of, to use a term, nasty stuff. I mean, Trump is what you get when you don't do things and solve problems for 30 years. Trump is what happens. He just happened to be the one who was successful enough to do it.

Trump didn't create the mess in the Middle East. I mean, I don't know how you... Here's a picture of these guys, H.W. Bush, Obama, W. Bush, Clinton, I even in threw in Jimmy Carter there, I mean, it was 1979. He gave us... It was on his watch that the world got the Iran Revolution, proving that you can have an Islamic State. And they had something to do with it, the Middle East.

How about the trade and intellectual property mess with China? Again, those guys, they all had something to do with it. And along comes Trump to do his trade war. Well, it may or may not be the right answer, but at least he's talking about it. Nobody else was.

How about the mess with immigration and open borders? Again, there you go. There you go. I mean, same people. Along comes Trump. You may or may not like his ideas on the solution, but at least he's talking about it. Big spending, national debt, there you go. There's your first $20 trillion, right there, of national debt, standing right there all on their watch.

And the US has, of course, huge problems, I mean, our industry is hollowed out. We basically exported half of our industrial economy to China and other places. Infrastructure's falling down. There's a bridge in Minneapolis that collapsed a couple of years ago. I mean, endless wars, and the people coming home in boxes, terrible, terrible situation.

On the top right is a line of Americans, all dressed up nicely in shirts and ties, looking to apply for a job, a job, long line. And on the lower left there's another long line of people all marching up the road from wherever, in Mexico, hoping that they can cross the border. And they'll be up here too. These are problems. I mean, you can think of... You can say, "Oh, this is a great idea," or, "This is a terrible idea." You can think whatever you want. There are problems. Somebody has to deal with them, and we're not dealing with them.

So it's not hard to say that we're cracking up. I mean, in my view, I mean, I think the US economy's based on a lot of false metrics, especially debt and finance. The economy of real things, which I view as energy materials, machines, it's not really growing. The manufacturing segment of the economy is shrinking.

Without growth and real wealth, most debt will never be repaid. I mean, certainly the $20 trillion federal debts, they're never going to be repaid. I look at these kids with the $200,000 of student debt. How do you ever plan to repay that? Well, I assure you they have no plan. I mean, the kids I've to, they have no plan. They're just going to be debt slaves for the rest of their life. Unless something happens, unless there's a Jubilee, most future obligations will never be met.

I gave a talk... I was talking to [John Marchdotte 00:15:03] yesterday. I gave a talk last week at a university in Pennsylvania. They invited me to give a talk about geology, which I did. But while I was there, I had a room full of young kids, and I said, "I have a question for you. You guys are all like 19, 20, 21 years old." I said, "When you're, when you're 65 or 68 or 70, 50 years from now, how many of you guys think you're going to get Social Security like there is today?" I think out of maybe, I don't know, 20 people in the room, I think one hand went up. 19 out of 20 kids don't think that they're going to get the Social Security stuff. I mean, say what you want about young kids, but they're smart about that.

Economy generates way too many frauds and swindles and false prophets. I mean, many of you may have gone to the airport in one of them. It's called Uber, the company that never makes any money. Or if you followed that whole WeWork thing, that crazy idea, we're going to rent real estate space and then sublet it to little budding entrepreneurs. It's a billion dollar scam. They were about to IPO it for $47 billion on Wall Street until a few newspaper articles broke the story open. It's crashed and burnt. So I'll just go over the top and say that a lot of our economy and way of life is just fake. It's false. It's probably going to fail, which gets us back to gold. It's just kind of the point.

At least, say what you want about Trump, he had the guts, he had the instinct, to talk about what's happening, and he got elected, didn't he? Here's all the people crying and whining about it. But there's the map of the country. Look how red it is. And you say, "Well, most of that country's unoccupied." Well, it's occupied by somebody, and they voted for Trump. You could say that Hillary got the blue spots, the little coastal enclaves and the college towns. I mean, it's a divided country, no question about it. And so, we just live here. Can't change it. But that's the universe in which we dwell.

Many problems have been years and years and years in the making, Russia's military buildup. What? Russia has a military buildup? Yes, you didn't hear? You didn't hear about their entire new classes of submarines? Yeah, I used to work for Chief of Naval Operations. You didn't hear about their cruise missiles? You didn't hear about their long range missiles? You didn't hear about their hypersonic missiles? You didn't hear about these missiles that can go Mach 9, and that are incredibly well targeted, and can tear an aircraft carrier in half just by hitting it? You didn't hear about that? Oh, no, they didn't. I guess they were too busy talking about something else or something.

I have a little map in the right hand-side here. That's the Black Sea. The green part is Russia. From just on the Kerch Strait there, from just there, Russia has missiles that have basically turned the Eastern Mediterranean into a Russian lake, where Russia has placed... it has in emplacements in Syria. They've turned the Eastern Mediterranean into their lake, in Syria.

People say, "Oh, the Russians intervened in Syria." Yeah, they did. And they tested every one of their weapons. They tested their electronic warfare, their intelligence, their targeting, their missiles. They shot their missiles from submarines and hit targets in Syria. You don't think they were just trying to kill ISIS, were you? They were testing their weapons. And so this is a big problem if you are interested in problems like that.

Same thing with the China, China's expansionism, there's the Nine-Dash Line. They own the whole South China Sea. They've claimed it for 150 years. We're just figuring this out now. China's undoing the old order. The World War II postwar order is over. But they've got their submarines, cruise missiles. The South China Sea is nothing but a land of shopping malls and submarines anymore. So just keep that in mind.

Domestic problems, long festering, like California. I'll beat up on Cal a little bit, Third World California, progressive politics, micro-regulation. They regulate the Airbnbs, but they can't deliver electricity. Places deindustrializing, homelessness, you've heard about it. Now we're going to de-energize the place. We're going to shut off all the Pacific Gas and Electric power lines, kill the middle-class, and why not just burn the place down? The only people out there... That only entities out there that have any brains are those horses. They're trying to run away from the fire. Excuse me.

Financialization, look at General Electric under Jack Welch and Jeffrey Immelt. Welch turned GE from a premier manufacturing company into a big bank. Immelt, tried to undo some of the banking, but even that didn't work. And GE's gone nowhere. And if it weren't for the jet engines, it would be nowhere.

Look at an iconic company like Boeing. Oh, my God. I mean, a couple of years ago, if you had said, "Give me an example of a premier manufacturing technology company," I said, "Boeing." Now look at the 737 MAX. I mean, its 10 year development, and they built the wrong airplane, wrong software and everything, that killed a bunch of people.

There's Dennis Mueilenburg in the lower left there being protested at the US

Senate the other day, people holding pictures of their dead relatives. And he was apologizing saying, "I'm sorry." And the senators were saying, "Boeing, you build flying coffins." I mean, how do you recover from that?

I mean, those are 737 MAXs, that they're still producing, and they park them in parking lots at Renton and Everett and Moses Lake. What do you do with that? You got $50 billion worth of jets that nobody wants to fly. In fact, I think yesterday the American Airlines flight attendants said that they don't want to fly the 737 MAX.

Meanwhile, on the lower left, is the Chinese version of a 737. On the lower right, is a Russian version of the 737. On the top middle is the Airbus version, the A320neo. On the bottom is the 787 Dreamliner that Russia just canceled a major order for because they've got their own version coming out. So Boeing has lost business that will never come back.

Military, that's the USS Fort McHenry there. Look at all that rust. What an embarrassment. That's on an international visit in the Black Sea. I mean, we've spent all this money on the military, we can't afford paint? Give me a break. We have submarines that are not certified to dive. I can say this now because it's public. But when Trump took over, out of 52 submarines in the fleet, 25 were not certified to dive. I couldn't have told you that two years ago, but I can now, because it's public. I mean, how do you have submarines not certified to dive? I mean, what are you doing?

Two most important books of the last two years, military-wise? [inaudible 00:21:07] Marching Off is a Russian guy lives in Seattle, Losing Military Supremacy, revolution, military affairs. I'm going to go fast because I'm out of time. I'm over. But great books. Fabulous.

US model is kind of obsolete, now we're into the eye chart. Sorry about that. And the business model doesn't work. The financial model doesn't work. I'm not sure where it's going. Whatever's coming doesn't look good. And this is from Dave Collum, the organic chemistry professor at Cornell, who publishes that monumental annual summary of everything at the end of every year. But I mean, those are all peaks of everything before big crashes. And that's what he's calculating now.

So anyhow, it brings us back to those gold bars you have to explore and develop. And that is what I do, because it kind of gets me back to things that I like. And again, I'll discuss it later at the Gold Club at the speaker table. And thank you very much. I appreciate your time. Good morning all. Peak Prosperity's coming on, and they're going to take it from there. So thank you.

Gary Alexander: Thank you, Byron.

Mike Larson

"Successful Investing In The 'Final Crash' Era"

Gary Alexander: Our next speaker is Mike Larson who has been Senior Analyst at Weiss ratings for the last 18 years. He's editor of Weiss Safe Money Report and Under the Radar stock newsletter. He joined Weiss in 2001 and has served as an analyst, editor, trader and writer during his 18 year career. He's also been a frequent guest on CNBC, CNN, Bloomberg, and the Fox Business Network. His title today is successful investing in the final crash era. Please welcome Mike Larson.

Mike Larson: Excellent, thank you. I didn't realize that they were going to be announcing prizes afterwards and I was going to think everybody was just here to listen to me, but I guess maybe I'll, I'll take it any way I can get it right. I don't have a lot of time. 20 minute segment here and I'll try to go through a lot of material that sort of expands on what we were discussing earlier in the panel on the bubbles, you know, bubblicious market that we're facing here. So let's talk a little bit about what I mean by the final crash era. We've had a quarter century of history right now or last 25 years where you've had multiple rounds of excessively easy monetary policy. And the goal I think if you talk to central bankers is spurring what you would call real economy inflation, get that inflation rate up to 2% or whatever the target may be.

But what's actually been happening more and more is that the money is leaking into the asset markets and we're ending up with asset inflation versus that 1970's style, you know, wage cost, Bush type inflation, and you see exhibit A is the DotCom bubble exhibit B is the housing bubble. And Americans lost. When you look back at the amount of wealth, we're talking $5 trillion lost in the Dot-Com bust and about $16.4 trillion lost in the housing bust. And you think there'd be kind of a lesson learned in that. But obviously from the policies that have been pursued post great financial crisis, policymakers basically have pursued more of the same medicine that made the patient sick in the first place. So what we've had this time in the post 2009 through about early 2018 period, what I consider to be one of the biggest and broadest asset booms ever in this cycle because it didn't just encompass sort of one part of the stock market like we had with tech stocks and it didn't just tend to focus on housing or mortgages like we had in the last cycle.

This is something that's helped inflate stock values, high-risk debt, housing, again to a degree, commercial real estate and all kinds of esoteric assets. I mean we focus on the S&P 500, we can see that easily, but if you go out there and look into other markets, everything from artwork to baseball cards to antique jewelry to high-end booze, you can find example after example of asset markets that have seen wild valuation gains and run ups in the last several years, coincident with all of this easy money that we've had flooding into the system. But again, since early 2018 we've seen more and more evidence that the credit cycle is beginning to turn. We're seeing volatility begin to creep up again. And certainly as you know, if you watch the news, you're seeing recession risk begin to climb and that implies the risk of what I have nicknamed the final crash or significant asset bust may be nearing. And I call it that, not because I don't mean the stock market will never go down again.

Of course it will from time to time, but I think this time we're going to have widespread enough fallout or significant enough a downside and a realization that we have to get off this policy path. And that means ultimately, as painful as it might be in the shorter term, it is actually good for retirees, for investors, for home buyers and so on that are looking to buy good assets at reasonable prices. In the meantime though, you really have to be careful in avoiding what's out there as far as risks. And that's the market landmines. Trust me, you don't want to go to Japan and get on a game show because this is what happens to you over there versus just missing a few things on wheel of fortune. So in any event, how did we get here, right? You've never before had central banks cut rates so low and leave them at the floor for so long and obviously it was not just a United States issue.

This is something that's been going on in the Eurozone. It's been going on in Japan, the UK, Canada, and on and on. This chart just shows you the different interest rates for different benchmark economic zones or countries. And you can see we were there for a very long period of time. And what's happened as you cut interest rates to the floor and as you've pursued aggressive and multiple rounds of QE is you've seen valuations in the stock market get pushed through the roof. 29.7 is where the S&P CAPE ratio, cyclically adjusted price to earnings ratio is right now. And again, that's the idea behind it is to sort of adjust the price earnings ratio for the economic cycle. And that's almost double the long-term average of 16.6 the only time, frankly, it's been higher, was that the peak of the DotCom bubble.

And again, if you're not familiar with the work of Robert Shiller, he's the Nobel prize winning economist and that's where the number comes from. What it also has done is encourage all kinds of different behaviors. It's not just the valuation of assets, it's helped unleash this big boom in stock buybacks and financial engineering. You can see from this chart the four quarters, the last four quarters of stock buyback activity just in the S&P 500 roughly $800 billion of stock bought back and again you can see that eclipses what we had at the top of the last a bubble in 2006 and 2007. What it's also done is driven this huge influx of money into other assets, private assets, venture capital funds and so on to try and find return that you're not getting from treasury bonds anymore. As a result, we have this explosion in profitless tech unicorns. It's the, you know, the Uber's and Lyfts and so on are the big names we've talked about.

We worked before and what happened there. I mean, DoorDash to me is one of the great examples because it's not any sort of revolutionary technology, right? They deliver food and they're worth, you know, closing in on $13 billion theoretically as of their last fundraising round. That doesn't make much sense to me, I don't know if it makes sense to you. Now on top of that, what's the exit strategy for a lot of these private investments in the tech and biotech universe? It's to come public. But what's happened is we've had so many of these profitless companies get funded and so many needing to get access to public markets as a result, that Wall Street's churning out record levels, record percentages of money losing IPOs. In 2018, 85% of the companies that went public lost money in the 12 months preceding their IPO.

And I actually studied last year's June crop of IPOs, it's a very busy month, and all of the companies that lost money in the year preceding that lost money in the year before that. So this is a track record. It's not a one off thing. And what we've seen when you look at asset values relative to the real economy, that's a great comparison because obviously there should be some amount of the markets being tethered to what's happening in the underlying economy. If you look at household net worth relative to GDP, so the value of our stocks, our homes and so on, it's at all time highs and you can see that the ratio has been expanding with each successive cycle. It was about 4.4 times at the peak of the DotCom bubble, about 4.8 times at the peak of the housing bubble, and now we're in unprecedented territory, 5.3 times the value of everything that the underlying us economy produces.

It's a really phenomenal way to look at things. And it does tell you what kind of valuation risk you have in the asset markets. And this is kind of a funny anecdote. I mean I mentioned at the outset that it's one of these sort of things that's effected a lot of different asset classes. Well there was an art auction. I don't know if you ever heard of the UK artist Bansky. Nobody really knows exactly who he is, that graffiti sort of underground artists. Anyways, he had this work called 'Girl With Balloon' that was auctioned by Sotheby's in October of 2018 and there was talk obviously, you know what's going to happen? What's going to happen at this auction. How much is it going to go for, and they figured this work might be, I don't know, 250 to 400,000 US, it actually sold for 1.4 million and then something happened in the crowd.

Banksy, somebody was in on the joke, had a remote control or something, they theorized. Pressed a button, and all of a sudden the work began to shred itself. There was a shredder built into the bottom level of this frame and everybody is horrified. Oh my gosh, you know, somebody just spend 1,400,000 on something that's now junk. But after they talked about it for a little while, the scuttlebutt became 'jeez, you know, this is, this is such a unique, crazy thing that he did. Wow. This thing is worth even more now, even though it's ripped apart.' So the valuation talk is that somebody could flip this ruined artwork for 2 million dollars maybe, and it just shows, again, that's a kind of an extreme example, but it shows what you're seeing in other asset classes.

Now on the earlier panel and from other speakers, you've heard a lot about the corporate debt market, and I think that's for very good reason. Corporate debt is the new mortgage debt. I mean, if you've seen the movie the Big Short, you know that that was all focused on what happened to mortgages in the bust. A lot of the things you see in the corporate debt market are as scary, if not more so in this cycle than the mortgage situation was in the last cycle. You can start with just the amount of corporate debt and the ballooning of that amount that we've seen in the last 10 years or the 10 year period from 2008 through 2018. Corporate debt surged by more than 82% to about $6.2 trillion according to figures from the fed. And again, it's normal for debt to expand to some degree during an economic expansion. But if you look at the beginning of this chart, which goes all the way back to 2000 you'll see there wasn't a huge run up in corporate debt during the mortgage bubble. It was all focused on the consumer side, but since that bubble popped and then we came out of the great financial crisis, this is where the excesses were. This is where you saw the debt expand at the fastest pace.

And more importantly than just the quantity of this debt that's out there, it's the quality, right? 10 years ago, give or take, you had about a 35% or so of the investment grade market, corporate debt market was earning the lowest triple B ratings. You know, just kind of sneaking by. It's like the person who goes to college and sleeps through the whole year but manages to get just enough on the final exam to pass. About 35% of the corporate debt market was that lowest grade. That's now about half. So essentially half the "investment grade bonds" out there are in the just sneaking by category so it tells you when you're buying an investment grade bond fund you're getting really a step down in quality versus what you would've got in the past and that's all part of the same process.

Now this risk bulls-eye came comes from the IMF, they just had their global financial stability report come out and you can see essentially graphically it shows you where the biggest risks are and the further out those gray pieces of pie get, so to speak, the more risk there is. And you can see. Where is it concentrated? Nonfinancial firms, that's corporate and who's basically going to be left holding the bag? A lot of these are non bank lenders, so it's not necessarily the regulated banks, it's all these other sort of more thinly capitalized and riskier capital markets, sensitive institutions that are going to be left holding the bag. I've tried for a while, a year, year and a half ago. I was trying to give a great example that sort of puts this concept of, of all this risk being piled on into sort of an understandable format.

And I actually really liked the 'Yertle, The Turtle' book by Dr. Seuss when I was a kid. And if you happen to read it, it's about this turtle. He gets sick of having the view of the muck in the pond and, and you know, just a few Lily pads. So Yertle decides he wants to be King of the pond and get the other turtles to stack themselves higher and higher so he has a better view. But he's never satisfied. He, you know, he just wants more and more. And finally the turtle on the bottom says to heck with this, why am I doing this? And he pulls himself out and the whole thing comes crashing down. It's a good metaphor for the risk layering that's happening in the corporate market. You're making high risk loans to high risk companies. You're doing a bunch of adjustments to earnings for a lot of these loans that are used to fund corporate takeovers.

You're not requiring borrowers to meet certain covenants, which essentially are restrictions on what your borrower can do with the money. They can do almost anything they want because there's so much demand for this. And theoretically there's nothing inherently wrong with making high risk loans, if you are being compensated for the inevitable defaults that you're going to have, but record low spreads on these record low rates, you're not being compensated for that. And you're originating record volumes of this a decade into this sort of epic easy credit cycle. So again, it's that risk layering risk that's a big issue for corporate debt. So again, that kind of paints the big picture of where we're at, where I see the biggest threat to this market and how it has a lot of parallels to what you saw back at the last market market peak. So what do you do as an investor?

I think you start with a good understanding that the economic cycle is extremely extended. We are at 124 months in terms of the economic expansion at this point. That is unlike anything seen, not just in modern US history, but at least going back to the 1850s, so pre-civil war period. So again, the further into an economic cycle you get, the more risks are piled on risks and the more excesses you see, which inevitably leaves you vulnerable to a downturn. So that's the first point I'd make. The second point I make is look at what the global bond market is doing and has been doing. We have, as of now, I mean this number is fluctuated a little bit in the last few weeks. We're on the order of 13, 14 and at one point more than $15 trillion of negative yielding bonds and not just government debt. In Europe, corporate bonds, for example, negative yields.

I mean that's telling you, that's not something that would be happening if there wasn't something amiss or something that investors were seeing out there in terms of risk of deflation or a downturn versus the other way around. The credit market. What's really interesting about what it's doing versus what the equity markets are doing. We've seen some credit market concerns behind the scenes emerge and by that you're seeing divergences ever since January of 2018 for the investment grade market and for the junk market October 18. We haven't seen credit spreads hit new tights in conjunction with the S&P 500 hitting new highs. That's a fancy way of saying the credit markets are still pricing in a little more risk. Each successive upward move in the S&P 500 and that's a change in trend from what we saw pre-2018 before the risk being priced into corporate bonds spreads and the corporate bond market was declining in conjunction with a rising S and P 500 that's changed and we haven't been able to close that risk gap.

It's not huge. It's not shooting up, at a very fast pace, but it is a noticeable divergence and it's persisted for quite some time. And what's also interesting is that's not just in the corporate credit market overall. What you're seeing is if you look at the riskiest corporate bonds, the triple C rated junkiest of the junk, so to speak, spreads there have really been widening out. You might even say they're blowing out to some degree and that's the top line on this chart. You can see that that risk spread, the extra amount that you have to pay if you're a risky company to borrow, has been increasing relative to treasuries at a pretty aggressive rate here. It's been less so at the B rating scale, so it's not as bad for the better quality high risk borrowers if that's not sort of a contradiction there, but it does show a similar thing to what you saw in the mortgage market.

It wasn't the Fannie Mae, 800 credit score, 80% loan to value mortgages to people who had steady stable jobs that went bad first. Right? It was the super high risk, two year adjustable sub-prime arms made to somebody who lied about his income, who had six different houses in Phoenix and was trying to flip them. Those were the loans that went bad first, but it gave you sort of a foreshadowing of what was going to happen elsewhere in the mortgage market. And that is somewhat similar to what you're seeing happen now at the riskiest part of the corporate bond market. Yield curve, you've heard about it a lot, two years ago nobody was talking about it, now you hear about it a lot on CNBC and so on and that's for an important reason. The yield curve is telling you something. This happens to be the curve, the difference between the three month treasury bill rate and the 10 year treasury note yield, and you can see this chart goes all the way back to late 1980's when at that bottom left hand panel there, when it's high, that tells you the spread is not inverted. It's the opposite. It's very wide, and then when it's below that line and you can see some red shading, that means that the curves actually inverted.

This yield curve went negative for the first time in this cycle in March, popped out of negative territory and then sank back into it for a grand total of about six months. Those white bars are after the last three times this happened and you're not surprised probably to hear those white bars also represent the start of the last three recessions. It's not coincidence that that happens, the sense of the curve inverting starts the clock, if you will, recession almost always. I mean this is a pretty, pretty solid track record or indicator when it comes to recession risk.

Now Weiss ratings, if you're not familiar with the firm, we do analyze, we have a model that the issues grades on pretty much every stock in the US and Canada. Also mutual funds, ETFs, thousands and thousands of them and we run tremendous amounts of data through it every day and it updates, you know, upgrade some to buy, cut some to hold, cuts some to sell and so on depending on its analysis. So what I like to do is look at the buy/sell ratio. Are more stocks being upgraded to buy territory versus more stock sinking into the cell range and how is that changing over time? And we can do that not just for the overall US stock universe. We can also do it by sector. Which sectors is this buy/sell ratio improving in, and which is it deteriorating in? Well what's interesting is the buy/sell ratio was confirming moves to the upside for the S&P 500 up until January of 2018. As of January, the opposite began to happen; at each successively modest, higher high in the S&P 500 our buy/sell ratio of US stocks made lower highs. And it's noteworthy to me that we've had, including last week, five attempts by the S&P 500 to hit and then hold an all-time high and not one of them has been successful.

We're seeing less breadth, less participation. It's showing up in ours and it's showing up in things like small caps underperforming, offensive stock market sectors underperforming and so on, which is what this chart shows you here. This looks at the buy/sell ratio broken out by all 11 S&P 500 sectors. The yellow bars are from a year ago and the blue are from the current situation or current as of a few days ago. You can see utilities, this buy/sell ratio trend has actually improved. Real estate, it's improved a little bit. Financials has deteriorated quite a bit. Industrials, same story and when you look at that in the aggregate, it tells you the offensive type sectors are seeing worse underlying fundamentals. Whereas the defensive things that you would tend to own heading into a recession are outperforming. And I've been using kind of a slogan, you've probably all seen the movie 'Wall Street' and the greed is good line. The mantra from that.

I've been using a different one personally for a while and that's 'boring is good'.

The more boring a stock is, guess what? The more money it's making you. This is my boring ETF screener, which just looks at different offensive and defensive sectors. As of the day before Halloween, the one year total return on gold miners was 46%, REITS 27% the TLT, everybody says, 'Oh look how much money you can make in the stock market.' Well, in the last year you've made more than twice as much or about twice as much owning treasury bonds. Utilities next. You can see the difference in behind the S&P 500, the difference in sector performance is noteworthy and that tells you something about what investors really are kind of concerned about here.

You've probably heard the expression, 'let your conscience be your guide,' what Jimmy cricket tells Pinocchio. I think for an investor you want to let the economic cycle be your guide. There are certain times in the economic cycle where you want to own certain kinds of assets. There are other times when you don't want to touch them with a 10 foot pole and that's sort of "you are here" is my stamp of where I think we are very late pre-recession kind of environment and lo and behold, the types of things that should be outperforming if that is correct are the ones that are outperforming consumer staples, utilities and so on are doing better as I just showed you financials, industrials and so on are not. And of course there's the argument that the Fed can save the markets. With a track record like this, is that something you want to bet on?

The Fed hit one soft landing in the last four cycles. That was 1994, 95, when a policy pivot was actually bullish. Of course the last two were disastrous for investors. I don't think the fed is a very good track record. And the other issue would be if everything was in good shape fiscally. If we had rebuilt Uncle Sam's balance sheet during the economic expansion and if other countries overseas were doing the same thing, they'd be in better shape for fiscal stimulus. But as this chart shows both on a global absolute dollar basis and percentage of GDP, we have governments, fiscal governments that are very overloaded with debt. So it makes it hard to come in with a large fiscal program when you don't have the money. So bottom line, this is a late end cycle environment, in my opinion. Recession risk is rising, there are cracks showing up in the credit markets and that does bring in this potential for another asset bust.

But as with previous ones, it plays out in phases, not all at once. So my strategy now has been recommending that you raise cash, shift funds into those quote unquote boring stocks, be defensive, use if you're comfortable with them, inverse ETFs and put options on a targeted basis for downside protection and absolutely, positively be boosting your exposure to gold, silver, precious metals, miners. It's great protection against ZIRP and NERP, negative and zero interest rates as well as chaos insurance. Finally, just to wrap up, three of my favorite precious metals and dividend plays are on this table. Wheaton Precious Metals, which is here at the conference table booth. WPM is one that I like. Next Era Energy, the largest Florida utility, which gets my check every month or I guess these days it's an electronic payment, 5.5 million customers. They're one of my favorite utility companies out there. Done very well. They've been raising their dividend quite a bit.

And if you want a little more risk but potentially or still have nice yield, still be in that REIT space. Crown Castle International is REIT that owns and leases wireless towers, small cells and so on. And it's profiting from the 5g rollout. The yield is a little bit higher at 3.2 so again, that's kind of a growth year idea in the sector to look at. And one last thing that'll end with, I asked the model before I came here, give me the five best companies as far as the model itself, no additional research fundamental done on my part. Tell me what runs through the system, which are the best five stocks in the precious metals mining sectors. And these are the ones that rated best with the model. Kirkland Lake, Wesdome, Centerra, Royal Gold, and Grand Colombia. Again, this is purely based on what the model says. You obviously would want to do your additional fundamental research, but those are some ideas to keep in mind. And with that, thank you very much.

Brien Lundin

"How To Profit From The New Gold Bull Market"

Robert Helms: It is my great honor to introduce our next speaker, who in a way needs no introduction, but in a way it's absolutely mandatory that we introduce Mr. Brien Lundin to you. You heard from Brien as the conference organizer, but we're about to hear what makes him tick because he follows this stuff like crazy. With a career spanning more than four decades in the investment market, Brien Lundin serves as President and CEO of Jefferson Financial, 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 has been the cornerstone of precious metals advisory since 1971 and as the host of the annual New Orleans Investment Conference, the oldest and most respected investment event of its kind. In all of these endeavors, Mr. Lundin Strives to burnish the brilliant legacy of the late James U. Blanchard, III, his great friend and the founder of both Gold Newsletter and this conference. None of us would be here if it wasn't for Mr. James Blanchard and to help honor him and share with you why this is a major new bull market in gold, please welcome Mr. Brien Lundin. Welcome back.

Thank you, sir. I'm back like a trillion dollar deficit. I go away for a little while and then I'm back. Well, I mentioned, I kind of previewed my talk in my opening remarks. I really do feel this is a major new bull market in gold and I hope to show you how to profit. I'm not sure what my speech title was in the program book, but that's what I'm going to talk about right now. Why is this a major new bull market in gold? First off, anybody know what's the most consistent, powerful bull market in U.S. Finance? Anybody? Anybody hazard a guess? Okay, well, here's the answer. Federal debt. Federal debt. Since this chart shows the federal debt since 1900, and the trendline growth rate is 8.7377% over that long, long 119 year time span, every year, compounding. Or actually trend line growth rate, 8.73%. Can you imagine if you could invest in something that rises that quickly, that assuredly, that consistently, year after year?

What's interesting is right now the debt held by the public, and this is what people will do or what pundits will do when they want to downplay the debt, they use this lower number, 16.8 trillion. That's debt held by the public. Well, that's because there is 5.9 trillion of inter-governmental holdings. Now this they say is not real debt because, of course, we owe it to ourselves, so we can just forgive it. What they don't tell you is the vast majority of that 5.9 trillion dollars is held by the social security administration. So I'd like to see them start forgiving that. So that's money that has to be paid. The fact is the vast majority of the now 22.7 trillion dollars in federal debt has to be paid back by somebody. So, a couple of other interesting facts.

If the gross federal debt continues growing at its trendline growth rate of 8.7%, it reaches 25 trillion, essentially by the time we meet here next year. It reaches 30 trillion by December, 2022. So this is a tremendous growth rate that you're not going to hear about in the financial media, in the mainstream media. But the fact is this trend line rate has held again for 119 years. So I would safely bet on it. So what are some of the implications of this or is this going to get any better now? Well, the answer is no. Unsurprisingly, they're back, trillion dollar deficits. Right now, or in fiscal 2019, the federal deficit came in at 984 billion dollars, nearly a trillion dollars, once again. Now that's only surpassed by what we had right when Obama came into office, before they got a divided government and a Republican Congress that ground wheels to a standstill of government spending to some degree.

Back then it got up to 1.4 trillion or thereabouts. I think we're destined, or doomed, to trillion or trillion plus deficits though, going forward because there's nobody on either side of the aisle right now who is vaguely concerned about the deficit or the debt. So what are the implications of this? Debt costs are exploding. Now the red line is, actually the blue line, is the interest costs, federal government interest costs. That red line is the, and I'm sorry, it's reversed, the blue line is federal debt. The red line is interest costs and, as you can see, in 2008 the federal debt absolutely exploded. However, for a few years, the red line kind of went back and forth. It didn't really accelerate. And again, that red line are interest costs. Interest costs didn't really accelerate because interest rates, as you remember, were plummeting.

They were going back to zero. The ZIRP, zero interest rate policy, was being enacted. So interest rates are falling even as the federal debt is exploding to the upside. The net effect is that the interest payments kind of held steady. But look at that arrow where the first fed rate hike in December of 2015, a quarter point. We went from zero to a quarter point on the fed funds rate and yet, and this was only a quarter point a year when they first started actually hiking rates, and yet interest costs exploded to the upside. And why did that happen? Because the debt had gotten so large that even a small, small increase in interest rates had an out sized effect on bottom line interest costs because the size, the sheer size of the debt, had grown so large. That's why, and as I showed last year when I spoke, if the fed had gotten to their goal of, say 3% their initial goal was a 3%

rate on the fed funds rate, if they had gotten to that, the implications were for trillion dollars a year in debt service payments. And that was politically impossible.

So what we're looking at now is a new reality. We're facing a new normal as it were, and it is that record low interest rates in ever easier monetary policies have spawned. They've helped create these unmanageable debts, debts so large that service costs are crushing at any interest rate that's above the rate of inflation. Now, I don't go into it much in this presentation, but I did last year, and that's that this is nothing new in general. There's nothing new under the sun. This has happened in every civilization, every economy in human history, that eventually they overspend their means through entitlements, military actions, whatever, they overspend their means. They create debts that are unmanageable. And in every instance, the prescription, the recipe, the solution is the same.

They devalue the currency in which that debt is denominated. That always happens. That's why, when you wonder why the fed wants to boost inflation, think about it. What they're trying to get to is at least a 2% tax on the cost of living for every one of you. Why do they want that? They never really explain that. The reason why I think they're so focused on raising inflation? Well, partly because they're afraid of deflation. Now, central bankers are raised from the womb to be deathly afraid of deflation, so they want that buffer, but in general, they want to deflate the currency. They know that that is their only way out of these debts, these unmanageable debts. They have to deflate the currency. And what is inflation? The rate that the currency is being deflated. So they need negative, ultra-low to negative real rates because if we get to positive real rates that are significant in any way, then the debt service costs will crush the economy.

So ultra-low to negative real rates are not only likely, but absolutely necessary under the current monetary regime. This is enormously bullish for gold, silver, and metals for the foreseeable future. This is a tailwind, an undercurrent, a supporting bullish dynamic that will be around, that will always buoy metals prices. We will have fluctuations. We'll have corrections. We'll have big price spikes along the way. but the thing you need to come away with is a realization that the environment, the monetary environment we are going to have until they scrap everything, the monetary environment we are going to have is going to be supportive of higher metals prices. So the fed has a few things that it does. Once again, nothing is new. What happened in 2008? The fed had a proven recipe, step one, cut rates.

Now, if any of you read Gold Newsletter, subscribe to Gold Newsletter, and had been reading it over the past few years, you know that I've been saying that if the fed were to even hint at cutting rates or at the last year that the fed was hiking rates, hiking, hiking, trying to keep rates, trying to get to that 3% target. And I said at the time that if the fed stops this, if they pivot and they start to cut rates, then gold would add a couple of hundred dollars in pretty quick fashion. And what happened was, I started thinking about what I'd been saying, and I said, "That was really some hyperbole because I was telling people the gold price was going to jump $200 and it didn't." But then I did the math and it had actually jumped $250. And the lesson there to me is that this has actually been kind of a stealth bull market.

I mean we were at some pretty serious lows, below 1300, and think about it back then, we were hoping to get back over $1300. We got over $1300 and then all of a sudden, "Wait, it's $1,400. Wow, that's a... Wait. Now it's $1,500," and it all happened in kind of a flash. Now I say a flash, it went from late May to early August. That's pretty, pretty darn quick to add $250 to the price. At the peak, it was even more. So I don't think that anyone's really come to the understanding, I'm going to get to that a little bit more. I don't think people really realize where we are on the gold price and, more importantly, where we're going to go. Because another thing that I said was that the fed starts to step two, if they enact step two, which is quantitative easing, once again, and I did say they would be forced to at some point.

If they do do that, then that's when we're really going to see the fireworks start. Well, in fact, they just have, but don't call it QE. We can call it maybe NQE, not QE, but as many of you know, a few weeks ago, chairman Powell announced a new program to buy $40 billion of U.S. treasuries every month, but it's a temporary program. Don't worry about that. It's only temporary. It's like those temporary taxes we see all the time. It's going to go away, and it's only $40 billion a month, and it's not quantitative easing. Interestingly enough, that $40 billion a month is right about the same size as QE1, which, when it was enacted in January of 2009, Ben Bernanke in a speech said, "Don't call this QE. It's not. It's not QE." Five years later, $4 trillion to the balance sheet in three rounds of quantitative easing later, it was obviously QE.

So if it walks like a duck, quacks like a duck, it's a duck. This is QE. And what's interesting and has escaped most people's attention, is that this new expansion has totaled $180 billion in the past six weeks. Now, if you look at these two years of tightening, added 679 billion over two years, in six weeks, nearly a third of that tightening has been erased. So this NQE, this not QE is actually starting off in a pretty good foot. I'm willing to bet anybody that this is going to last longer than the second quarter of next year. And the implication of this, again, if you look back in 2008, late 2008, 2009, when they started quantitative easing, precious metals prices soared. So now we have a more immediate catalyst for gold prices, and that is the return to quantitative easing.

And I think that the gold price has been trading sideways since August. I know it has, but it hasn't cratered like many thought, like I thought it would, it hasn't gone down to the low 1400s. It's kind of gone sideways as people were focusing more on the headlines, Syria, Brexit, China trade, a number of other things. Gold was getting batted back and forth across the net, like a tennis ball in a match by the daily headlines, and people kind of lost sight of the big picture, which was that the fed was again cutting rates. The fed is now quantitatively easing and I think the strength we've seen in recent days has been indicative of people starting to think about that again. And if you look at the performance of gold over that period, it's been pretty impressive. Today, for instance, it dropped about $4.

That's in the face of the equity markets reaching all-time highs once again. So gold's been doing pretty well, and I think it's got this undercurrent of buying that's really going to carry it forward until we get more catalysts bringing the price up.

I thought this was an interesting chart that my friend, Ron Griess at TheChart-Store.com, produced. Basically it re-bases the fed reserve assets and the price of gold back to 2008, at the start of the great financial crisis. And it's a little difficult to see, but the black line is the price of gold. The blue line is the fed assets. And what you can see is that whenever there was a significant move in fed assets, gold kind of predicted it by about a year or two. It rose before you had that big increase in quantitative easing. It started to drop after the peak in 2011 as it looked ahead and really saw that the fed was going to stop at some point. That was going to be the next big announcement. And then in 2016, it foreshadowed what's happening right now, the fed increasing its balance sheet once again, and it's been stop and start again, but it started up again over the last year, beginning last May, as this event began to approach.

Now this is a chart that's also interesting. One of the things I follow with Ron are the stochastics, the 14 weeks stochastic momentum indicator, in the short term, but also these 14 month stochastics, they show the long bends of the market. It's like turning an oil tanker. It takes a while. So these big, long turns in the market are foreshadowed or predicted by this. If you look at that first double dip back in the late 90s, 1999, we went to a low. In 2000, we hit we revisited that low, kind of a double bottom, but you look at that lower chart, the stochastic, we had that double dip and then we had a long, essentially 11 year, bull run.

And I know a lot of you can remember that, but for those of you who didn't experience that, absolute fortunes were made when many of the companies that are represented, some of them the same companies in that exhibit hall, went up three, four, five, 10, 20 times in value over and over and over again. We had ancillary bull markets spin out of that, rare earths, uranium, et cetera. A lot of money was made. I think we are facing that kind of a secular, long-term bull market once again, that kind of an opportunity.

So what are the implications of that? Real gold. This chart shows the real inflation adjusted price of gold in current dollars. When you look back in time, the 1980 price, which was $850 at the time, that was a nominal record price of gold. To reach that level today, again, you'd have to get up to a gold price of $2,805. So basically if it feels like the late 70s, it's going to be $3,000 or more gold by that point. Just the 2011 peak, which was $1,920, that's now $2,144. So if we get back there again, in current dollars, it's going to be significantly higher than current levels. So if gold is going to get to those levels, if we do have this kind of a bull market, how can you make money?

In my time remaining, I'm going to go over some specific stocks. I like Aftermath Silver, it's a new silver play. We recommended it at 10 cents in Gold Newsletter. It's now about 20 cents. It had gotten as high as over 30, but it's got a significant silver resource. And I like that play. They're going to make a lot of news in the new year, I believe.

Great Bear Resources, the most exciting discovery story out there. I was one of the first people to recommend it in Gold Newsletter. At one point it was up 28 times our entry level in our Gold Newsletter alert. It fell back a bit. It actually made its way back to my buy list from a hold recently because the play is expanding in a different direction that I think is even more impressive.

Revival Gold, great gold project in Idaho. 2 million ounces going to three. Great management team, Goldplay Exploration, a real rarity, high-grade silver, shallow, open pit-able. You rarely see that. High-grade silver is usually vein-hosted underground. To have open pit-able high-grade silver deposit is exceptional and now they're finding high-grade gold. Just to back up a bit on those, I own Aftermath, I own Great Bear. I do not own Revival. I do not own Gold Play and I do not own Chakana Copper. I like this play because it's very high-grade copper and gold in breccia type pipes and it's at an all-time low for some reasons due to their share structure. I think that's going to be fixed as they continue drilling. They've got plenty of money to do it.

Millrock Resources has a great play in the Goodpastor district of Alaska. I made one of the most famous recommendations from this podium years ago with Millrock and it subsequently went up about 20 times in price. I think this is perhaps not going to go 20 times in price, but I think it'll do a multiple if they have success at Goodpastor. These are companies that are recommended in Gold Newsletter that are exhibiting here. Don't try to write these down. The list is in the Gold Newsletter booth in the exhibit hall as well, but just to mention them all. Aben Resources, Alianza Minerals, Amex Exploration, BlackRock Gold, Columbus Gold, Golden Arrow Resources, Goldplay, Goldsource Mines, Great Bear, GT Gold, Integra, Libero, New Dimension Resources, Quebec Precious Metals, and Skeena Resources, are all gold oriented recommendations from Gold Newsletter.

Silver were only represented this year by Aftermath, Excellon Resources, and New Pacific Metals, which has a very large project in Bolivia. Our base metal recommendations right now are Chakana Copper and Trilogy Metals, are in the exhibit hall.

Energy metals recommendations. This is basically a compendium of uranium and lithium plays. Energy Fuels, Fission Uranium, Neolithium, Piedmont Lithium, and Uranium Energy Corp, are companies in the exhibit hall right now that we recommend. The prospect generator companies, EMX Royalty, Midland Exploration, Millrock Resources, Riverside Resources, all outstanding generator prospect generator recommendations.

And those companies that move quickest in a gold price spike are the companies that are actually in production or have large scale identified resources. Companies in that category in the exhibit hall are Bluestone Resources, GoldMining Inc, Equinox Gold, First Mining Gold, Pure Gold Mining, Revival Gold, Sabina Gold and Silver, Sandstorm Gold, and SSR Mining. Those are all companies that we recommend that are out there right now in the exhibit hall.

Follow me on Twitter, visit our goldnewsletter.com podcast, which is a labor of love for us, and that's it for me. I have a gold club presentation following this and a workshop tonight that I'm actually sharing with Gwen Preston. So you get two for the price of none for that. So thank you so much and I'll see you during the show.

Robert Helms: Nice job.

Brien Lundin: Thank you, sir.

Mining Share Panel
Rick Rule (MC), Brent Cook, Nick Hodge, Brien Lundin, Gwen Preston, Lobo Tiggre

Robert Helms: One of the highlights of the conference every year is what you're about to hear, that's the Mining Share Panel. Many of the panelists you've already heard from, some you haven't, so we won't give full introductions now. Not even to our master of ceremonies, who actually needs no introduction. But, this is a popular panel. Some of you I know I had conversations with either you're new to this whole part of the Gold and Oil space and this will be a great primer for you but also, if you're up to speed, you're going to get some great nuggets, no pun intended, out of the talk for sure.

So, here's the panel and they're going to come up as they hear their names like they won on The Price is Right. For the panel, we've got from Exploration Insights, Brent Cook, from The Outsider Club it's Nick Hodge, Jefferson Financial and our host at NOIC, Brien Lundin. You heard from her earlier this morning, from the Resource Maven, Gwen Preston, and you heard from him yesterday, from Independent Speculator, Lobo Tiggre, and the gentleman that's going to moderate, and bring the fun into this panel, please welcome back to the stage, at the New Orleans Investment Conference, once again, Mr. Rick Rule.

Rick Rule: Thank you sir.

Good afternoon ladies and gentlemen. How was lunch? We had a good time? Great. I'd like to begin, as I always do in these things, by thanking Brien Lundin and the wonderful crew that put on the New Orleans Investment Conference, I'd like all of you to put your hands together and thank the employees and Brien for putting on this fine show.

Brien Lundin: You're re-invited.

Rick Rule: Yeah, Brien likes my invoice, which is always zero. If you agree to speak for free, you speak a lot here, it's great. So I'm going to ask the question ... Certainly, I don't need to ask the question if this market feels better than it felt last year. I think that part's fairly self-evident at least with the juniors. But I am going to ask the devil's advocate question just for fun. I like to start off these things and make the audience sick before we try to make them well later. Do you think that we're in a new resource or precious metals bull market? Or do you think this is a dead cat bounce like 2016? Do you think this thing's going to run out of steam or do you think we're going to make it? Brent, you're looking at me like a deer in a headlights. You obviously have no prepared answer so what do you think?

Brent Cook: Most years I've been here, Brien and I have had a bet as to whether gold price would be higher or lower. And I generally walked away with a bottle of bourbon. This year, we're not making that bet because, in my view, the precious metals' sector and the prices, I don't see a lot of downside, but I see a lot of upside. So, I'm actually pretty positive on the precious metal price this year.

Rick Rule: So not a dead cat bounce?

Brent Cook: Not a dead cat bounce.

Rick Rule: Game on.

Brent Cook: Game on.

Rick Rule: Brien, how about you?

Brien Lundin: Well, I feel like a sucker here, because I've been giving him bourbon all these years and now when it finally turns my way he turns coat and becomes a bull. But, you know I hate to say it, that I agree with Brent. You can take that any way you like. I really, and I've said it in my presentations yesterday, I just think we're in a tremendous window here where we have a confirmed bull market in the metals, fundamental reasons, technical reasons, everything seems to be pointing that way. I always knock on wood as I say that, because we've all been beaten down before.

But I do think we're in a confirmed multi-year bull run for metals for a lot of reasons. And yet, the junior resource stocks are still selling at bargain levels and I don't know how much longer that's going to last. I think it's going to take some work by the metals, by the bull market, to get the excitement into those stocks. But, while they're still cheap, I think it's something everybody needs to look at.

Rick Rule: You know, Brien, if that Bourbon is really worth a lot to you, both Brent and I have a fairly substantial investment in this market. You can take gold above 2,000 dollars, we'll buy you some bourbon. I promise you.

Brien Lundin: Thank you.

Rick Rule: I promise. Gwen, I got the same question for you. Between you're current incarnation, you're northern miner incarnation, you've been through a couple cycles now. I'd almost call you a good old boy except ... Anyway. Do you think this a real bull market or do you think this is a fake out?

Gwen Preston: I think this is a real market. I think looking back to 2016, the major difference there is that the gold run that we had in 2016, as fun as it was, happened right in the shadow of the very first rate hike. And this market is happening in the shadow of the first rate cut. It's a completely different environment in terms of the macro drivers for gold. We are now in a negative real rates environment and that is when you look back over, however long you want to look, gold gains 4 and a half percent adjusted for inflation annually. But, it makes all of that ground when rates are negative and it loses ground when rates are positive. And so now we are in a macro fundamental picture that supports the market.

So, while we had fun in 2016, the macro picture wasn't strong enough to really have confidence in that, but this time it's very difficult to come up with strong reasons for gold to go down right now. Maybe I've just been drinking too much of my own Kool-Aid, but that's certainly my perspective from here.

Rick Rule: Nick, you're the only person here who doesn't primarily make his money in precious metals and mining markets. You're a generalist and an agnostic. You've seen a lot of bull markets, a lot of bear markets. Despite your youth, you've seen a couple bull markets in gold too. Where do you think we are? Do you think we're in a precious metals, a resource bull market, or do you think this is a head fake?

Nick Hodge: I'd like to say it's a head fake, just so I can be the only contrarian on the panel. But, I don't think that's the case. In fact, I don't think 2016 was a head fake at all. I think 2016 was the beginning of this new gold bull market that we are in and continue to be in. I think that there's higher floors than there was then. Gold has put in a solid base higher. I think if it retraces, it only does so marginally below 1,500. So, I think we're in a new gold bull market.

There is a lot of coming to Jesus in other sectors of the market that are now seeing through the Fed, that are seeing through the central bank shenanigans. There's a lot of junk bonds out there, talked about it a little yesterday, on the Precious Metals Panels, Thom Calandra did. And so all the reasons are there and so, yeah I think we punch through 1,550 and then I think we are firmly in 1,600 territory.

Rick Rule: Lobo, same question.

Lobo Tiggre: I just want to say no, everybody else has said yes, but I can't. I really do believe we are, at least, for the precious metals. Brien and I can maybe disagree a little bit to have some no-ness on this panel. I'm not so sure that it spread to all the metals, that we're in a metal cycle writ large. So maybe I can be a little contrary in there.

But, actually, there's no question, I agree with what everybody has said and I'll go just a little bit further focusing on that negative interest rates thing. This is a really big deal. It's not just a few. It's not just some crazy government in Botswana somewhere doing something insane. It's the EU for God's sake. And, that graph is going vertical with he amount of negative interests rates out there. This is a completely different environment for gold and silver than we saw, even in 2016. That question of why would anybody own gold, doesn't pay interest. The answer to that now is, it's great. It's much better than the interest rate I'm getting from the banks.

Rick Rule: Yeah. Editorial comment from the podium, I usually don't do this but, Jim Grant, I think has famously described sovereign debt these days as, return free risk. If you think about the concept of return free risk. And he said, "At least with regards to gold, it's a good honest zero." Just for fun, I'm going to let the audience participate. The panelists, of course, all believe that gold and gold stocks are going higher. It's sort of like going across down to a Baptist church and asking if they believe in God, especially talking to the choir, which is what this is.

By the way, you know what you call an assemblage of newsletter writers? The Cabal of Babble. So we have Cabal of Babble here. But we're going to involve you for a second. Everybody here believes gold's going higher. I assume the audience believes the gold is going higher kind of. How many people in the audience believe that they're going to buy physical gold in the next 12 months? That's pretty good.

Brent Cook: Wow, okay.

Rick Rule: Now, you're beginning to convince me. Okay. So the second question, Lobo we're going to start with you since we embarrassed Brent first time out last time. The bull market that we believe that we're in the nascent stages of, is this a precious metals bull market with regard to the equities, or will it encompass all resources or some resources? And if it's some resources, we'd like you to specific, tell us, which ones. Is this just a precious metals market? Is it a selective market for other resources or is this a full on resource bull market?

Lobo Tiggre: Well, I touched on this earlier, and I'm going to be typical me, and instead of telling you what the future is, I'll tell you I see two paths. And I would say, if the powers that be are successful in kicking the can down the road again, and we see all these recessionary red flags waving, if they can pull out the magic money or easy money wand and make all that better, we may see that broader bull market that Brien referred to because, it will be so inflationary, it would be good for anything real, all metals, all commodities should do well in that environment. And you could see commodities and equites in general rise at the same time if there's enough free, easy money out there. That's path A.

Path B is, it doesn't work or despite their best efforts, we go into recession in the U.S. and the global economy really starts falling apart in a bigger way. Then it's not good for industrial metals clearly, but it would be fantastic for precious metals. And so I'm not giving you one answer, maybe that doesn't make the future clear for you, but I will say there is a gold and silver lining here in that both scenarios are good for precious metals. And, in the trouble ahead scenario, it's fantastic for precious metals, which is what Gwen said about there being very little downside in them.

So, I see precious metals as something we can always, as Doug taught us, own for prudence, with fantastic speculative upside, which will include the precious metals equites as well.

Rick Rule: Nick, game on or just precious metals?

Nick Hodge: No, it's a precious metals selective bull market for now. You can see it in gold and silver. You can certainly see it in palladium and even rhodium a bit. And I think that's because of all the doom and gloom that investors see coming in the global economy. So I'm going to echo Lobo a bit, in that when I look at ... Let's just take Greta Thunberg, lets bring her into the mining panel. She sailed across the ocean last week or last month waving her hands about climate change and this and that. But, I don't see her talking about mining lithium to power all these cars. And, I don't see her talking about mining copper to make all the wires to electrify the future.

And these commodity prices themselves. If you look at lithium carbonate, you look at the copper price, it's not telling me that everything is puppies and rainbows and we're going to be okay over the next five years. And so, I don't see the broad-based metals bull market now, and I don't even see a broad-based bull market in all precious metals equites as we've clearly seen. And, I've talked about it earlier, we haven't seen the juniors move. In fact, the ones that I follow closest, that I view to be the highest quality assets and share structures and management teams, I've just been watching make new 52 week lows. And so I think it's very selective.

Rick Rule: Gwen.

Gwen Preston: At the moment, I only have confidence in the precious metals market. Doesn't mean I don't want to have confidence and don't see fundamental reason for there to be strength down the road in copper and zinc and the base metals, but as much as we want those markets to pay attention to supply-demand numbers, they don't. If global investor sentiment is not contemplating growth, which it isn't right now for very obvious reasons, the trade war being the key one, and just general recession indicators, then investors just don't get interested in commodities. Whether the supply-demand questions means that they should or not.

So there will be some great opportunities in copper and zinc and the like down the road, and you can see that some commodities can outperform even when that growth sentiment is not there. Nickel is a very good example of late. It's gained dramatically in the last year for its own reasons. So it can happen, but I don't see it being a reliable one. I don't see it being broad based until we get the answer to how the stock market is going to play out. Sort of what Lobo was describing there, quantitative easing might keep the stock market aloft. Is it going to keep the economy ticking long enough to bring growth sentiment back? I don't know at this point.

So for now, I'm certainly focusing on gold and silver, with an eye to copper and zinc opportunities, when it becomes a little more clear.

Rick Rule: Brien, you can afford to be agnostic. I saw you had exhibitors in Cannabis and real estate and everything. So, is this a gold bull market or is this a bull market in all things resources?

Brien Lundin: Well, no, it isn't. And, I want to clarify, I really don't disagree with Lobo at all.

When I was talking about metals and mining, I was really talking about precious metals and mining. I think that if you look at the industrial metals ... And when I say precious metals, I mean gold and silver. I think platinum and palladium are more industrial than monetary at this point. And if you look at the industrial metals, copper's interesting from a supply-pinch stand point. Zinc's interesting for the same reasons. Nickel has obviously been performing well. It's all irrelevant, it doesn't matter. You can't get leverage to them. And I've said this forever, there's no copper bull market, there's not a rare earth bull market, there's not a uranium bull market in junior equities, unless there's an underlying bull market in gold and gold equities.

That's what gets retail investors into the sector of junior mining in general, so you really need gold and silver to carry the flag for a while to bring people into the sector. And then you have these ancillary markets and opportunities springing out from that. We're a long way from that. I think those metals and markets are interesting, but unless you're going to buy an ETF, you're still not going to get any leverage on those markets right now through junior or even more general mining equities. It is going to be primarily gold and silver for the foreseeable future and for reasons as we've been saying that are pretty irrefutable.

Rick Rule: Brent, with the caveat that your work is agnostic, you're an exploration guy, a geologist more than you are an economic forecaster. I want to ask you the same question. Do you think that the equities market, the bull market that we're in now, is precious metals centric or do you think it is more generally commodity centric?

Brent Cook: Well, I'm pretty much in agreement with everybody up here. With the short term for base metals I don't see a lot of … Joe and I buying many of those. But I think there's a fundamental issue that's coming that is unique to our era, and I've said this before, we're mining through one, Bingham copper deposit a year. We're doing the same thing with Carlin Trend a year, that's how much we're producing. And were not finding enough economic deposits to replace what's being mined.

So there's one or two things that are going to happen, either the metal prices are going to have to go up so that these marginal deposits that everybody owns can go into production or we're going to have to start finding more higher grade economic deposits. And that, to me, bodes really well for what we do, which is identify projects that a major will buy because they need to replace what they're mining. So longer term I'm real positive on all commodities.

Rick Rule: Brent, I have to say for a geologist, you've really come a long way. You're very fast on your feet. The idea that you could take a simple question like that and turn it into a pitch, is really spectacular. I want to congratulate you.

Brent Cook: I learned from the best.

Rick Rule: I remember Brent as a good green young geologist. He was brought up well because he was brought up at Sprott.

The next question I'm going to start with you Brent, you know I go backwards and forwards. This is a sort of complex question, but gold has moved depending on how you want to count in this move from 1,100 bucks an ounce to 1,500 bucks an ounce. And we've seen a reasonable move in the majors, but people complain that the juniors haven't moved. When will the juniors move? Why would they move or why haven't they moved? Or is it an if question? Are there some structural differences that will keep the juniors from moving this time?

So Brent, you understand the question. We've had a reasonable move in gold and there are people who would suggest ... I might take the other side of the argument later, that we've had a malaise in the juniors. So why might that end or why might it not end? And why has it occurred if you believe its occurred.

Brent Cook: I think what I'll take is the why part of that question. Why haven't they moved? And I think it's a fundamental problem with ... It's a scientific problem really and it's something that I'm going to talk about tomorrow morning at 8:55 everyone. When a junior company or geologist, there's two ways of doing science, there's either deductive or inductive. Inductive is where you collect data and analyze it and come to some conclusion. Deductive is where you come up with a thesis and go out and find data for or against that thesis.

But in the junior exploration sector, it's a very bias collection of data in that they're going out and collecting and presenting only positive data on whatever prospect there is, Rita Porphyry copper, whatever the IP, surveys. They're only presenting the positive data and ignoring the negative data, which they have to do to get the money. What that means is a lot of money gets wasted on projects that from an unbiased viewpoint and a scientific viewpoint you'd say, "That's not worth putting money into."

So I think that's why the juniors are viewed so skeptically right now. I do think it will get improve, but that's the fundamental issue I think. Does that make sense?

Rick Rule: It does. It does.

Brent Cook: All right.

Rick Rule: I hadn't thought of it so that was very useful. I'm actually, as you can see I'm taking notes. Brien?

Brien Lundin: What was the question again? I'm sorry.

Brent Cook: I'm sorry about that.

Brien Lundin: He went all over the place. I don't have that long of an attention span.

Rick Rule: No talking science is a sure way to put people to sleep in an investing conference. All right. The question was that gold has gone from 1,100 an ounce 1,500 gold an ounce. The gold seniors have moved reasonably well. But there is a self describe problem among the juniors that relates to malaise. Why is that the case? Is it, in fact, the case? Do you believe that the juniors are adequately priced and what might change it?

Brien Lundin: They are not adequately priced, which is irrelevant again it doesn't matter what we think of their value is, it's where they're going to go. The problem with the juniors right now is that there's ... And I forgot who said this, and this is a paraphrase. A market is loved least by those who know it best and we all know this best and we're always poking holes in it and we've been beaten up. The people who invest on a retail level, at least, in institutional to some degree, in the junior mining sector, have really been beaten up and they've been largely, their cash is deployed and they're waiting for take outs to where they can redeploy cash.

And we can't get new money into the sector until we have some demonstrated track records. So we can't have any demonstrated track records until people start bidding up prices and it's a circular thing. Basically what it boils down to is, we need some of us, people in this room, and other people invested in the sector to make money, make cash, have successes, cash out of some of the plays and redeploy and start bidding up the rest of the sector. And I think that's going to take some time.

We haven't had those big liquidity events yet in this market. I think it's going to happen. There are a few on the radar screen right now that have had some big runs. It may take another 6 months, it may take another year, but it's going to be an evolution. And I don't think anybody is buying right now to cash out in another month or two. I think we need to look a year or two down the road for some of the bargains were going to pick up right about now.

Rick Rule: Gwen, same question.

Gwen Preston: I think it's interesting because when you look at something like Jordan's chart, which compares gold bull markets over the past, however many, there's like 6 different gold bull markets charted there. They all have a pretty similar pattern. And guess what, we go through this every time. It takes a long time for the junior end of the space to start getting any love, that's just the nature of the business. Its high risk and money doesn't go there first.

So you started by saying the majors have been seeing good moves, they absolutely have. But that didn't translate into any additional love for the juniors until, I think, the fundamentals for gold improved. And that's the big change that we've seen in 2019, the fundamentals for gold have improved and then guess what? There's a series of conferences in September that the sector generally attendees. When you go down to the Denver Gold Show, the thing that I was interested in is, who was there? The Denver Gold Show has major mining companies meeting predominately with money, so funds, institutions, banks. And the question is, was their new money there? And there was. There were major banks there. There was J.P. Morgan there, there was Citi there. They haven't been there for a very long time. They have very large funds and they're looking for how they want to establish their gold positions.

That, to me, is what is going to enable the love to come down to the juniors. And

I think that that's what happens most of the time. At some point, some fund managers at these major institutions get the go ahead to put half a percent of their trillion dollar fund into gold. Our sector is tiny, that creates even larger moves in the majors, in Franco. And the royalty companies and the major producers and then we get the money is able to rotate out in the way that Brien was just describing and come down into the juniors.

So it's not unusual, the pattern that were seeing in this market, actually is the pattern that we see in all the gold bull markets. So it's not weird, but thankfully what we're at right now is the point where the fundamentals for the metal have strengthened to a point where generalists investors, the argument for gold makes sense very broadly. It's not just it's time for it to go, it's not just that its a value compared to the rest of the stock market. It is that, gold is a safe haven, there's negative real interest rate environment, and the bond market is a mess and gold makes sense.

So that argument is enough to turn some of those generalists dollars and move money down and then add life to the lower end of the space in the pattern that usually happens.

Rick Rule: Nick?

Nick Hodge: Lots swirling around in my head. Let's see how well I can get it out and in how articulate of a manner I can do it. So generalist investors want cash flow now and that'd why you see the producers and the mid-tiers moving first. If you put up an ABX chart or [Sebaney 00:24:30] chart or Kirkland Lake chart, you can clearly see that. And so, yes we're seeing the typical cascade affect that we're going to see when a new precious metals bull market materializes.

Another aspect of it is what Brent was talking about in how we have to replenish reserves in a very real way. And so these companies, that I just mentioned, haven't been making all that much money for the past couple of years and now they are starting to. And so what I would look for is over the next couple of quarters, as those earnings, the widget that they're producing for $900 dollars an ounce are now selling for 13, 14, $1,500 an ounce. They're going to have to put some of that money to use because they're going to build their confers.

And so that's one catalyst that I would look for is, a kick off of consolidation that is not Barrick, Randgold and Newmont Gold Corp but them taking out some smaller players. There are also so headwinds that we're facing in just the general stigma of the industry that keeps outside investors out or that keeps jaded inside retail people from buying more. Perhaps that's the way these companies structure themselves, perhaps it's that, of the 3,000 or whatever junior equity is out there, that well over 2,000 of them are utter crap. I'm sure that has something to do with it.

And then you have the whole ETF component where if someone who is not entrenched in the space, all of a sudden wants to buy some gold stocks, they don't go and buy a single name first, they go and buy an ETF first. And so if you're not included in that ETF, you're not getting any of the love. So I do think juniors move, but I think that one, it's a natural progression. It's going to take time. And two, I think they could do some things themselves to cast a better image to the fish that they're trying to catch. You talk about us serving up fish all the time, but the companies need to have better bait in some cases, I believe.

So we're seeing some of that now. I'm just going to go for another second. We see like Paulson and Detour Gold for example, or we see the British Columbia Securities Exchange issue some new rules in recent weeks on transparency and accountability. And I think that's what we need to really get a fervent and frothy bull market.

Rick Rule: More regulation for a frothy market. Interesting. Lobo.

Nick Hodge: All right. Well I will step up to the plate here and be the big bad wolf. It's conventional wisdom that when money comes into the metals, it goes to the majors first and then trickles down to the juniors maybe as acquisitions push it down. My experience has not been that. Yes, money does find the majors and obviously the big easy names that are easy to find for new investors or new money coming in. But the money that knows the industry knows the quality players. And my experience has been that when the market turns and when interest resumed, the better juniors rise right away.

In the crash of 2008, right at the bottom in Doug Casey's international speculator, I remember in that December issue, right after the November bottom, I put out a whole bunch of Best Buys, capital letters, just because things were so ridiculously oversold, wasn't a major in that batch. And they had all doubled within a few months in the average gain over that rise up to 2011 was on the order of 400% for that select group there at that bottom. And they were all juniors.

In 2015, my new employers required me to sell all my stock so they wouldn't have any conflicts of interest with my readers. So kind of at the bottom in 2015, I liquidated my personal portfolio. And darned if all those stocks didn't just about double in 2016 and guess what? There wasn't a major among them. And that wasn't what I was in there for. So I'm going to disagree with the premise a little bit. I think smart money can see where there's real opportunity. And furthermore, I'd go ahead and say that that's a fantastic thing for us right now. If the mood is crappy, if the money isn't there, well guess what? It is there for the people that actually have something.

So to answer the other part of your question, are the juniors not getting valued as they should? I think they're probably mostly overvalued. Most of them have nothing. They have no gold except in the name of the company. And what is the correct value for that? Nothing. So I think this is a great circumstance. If you in the audience are as bullish on precious metals as we are up here on this panel, and the market is not giving the love to all the companies out there. That's great. You can see where the money is going and why is that? And those are the stocks that should be of interest to you.

Rick Rule: One more general question before we get specific. We talk about the lack of a bull market in the intermediates and the juniors, but yet the Australian gold share market has been absolutely on fire for five years and it's gotten completely crazy now. These sort of 10 cent new issues out of Perth with initial floats that exceed the capacity of my calculator are coming out. Why? Why the tale of two countries? Why is Australia so hot and why is Canada, aside from latitude, so cold? Lobo?

Lobo Tiggre: It is a really good question and I'm going to be very honest and say, I don't know. The surface answer is, well, gold in the Australian dollar is hitting new highs and therefore your costs are in Australian dollars, your margin is better, the companies should be doing better. But that covers Canada too. The gold price in Canadian dollars is doing, I don't know, exactly where it compares to Aussie dollars, but they both have hit record highs. They're both doing really well. Maybe it's just inverse close-ology. That Canada's closer to the United States and that's actually spread a bad vibe.

Honest answer is, I don't know why that is, but I see it as an opportunity. I missed the boat on the Aussie shares. I wish I had seen that coming. I wish I had owned a good number of those companies that did so spectacularly well. Who the heck saw Santa Barbara coming along and buying-

Rick Rule: Atlantic.

Gwen Preston: Atlantic.

Lobo Tiggre: Atlantic, right. Thank you. So, wow. And I miss that. But you know what? We have that opportunity with the Canadian miners today, the better ones where the love is going.

Rick Rule: Nick, same question.

Nick Hodge: You know who ran Atlantic, right? It was a gentleman from down under. And so I missed the opportunity for my joke, which was weed man, they didn't get distracted with all the cryptocurrencies and the Cannabis capital. So the capital wasn't distracted and honestly, they've just been having better practices. So it was no coincidence that Atlantic Gold was run by Steven Dean, who had come up with development-

Rick Rule: So the Canadians were all sedated basically, right?

Nick Hodge: Yeah, exactly. Were all stoned. No. They just conduct themselves better and they conduct their operations better. If you would have talked to Steven Dean about how he has taken Atlantic Gold with a string of pearls model and how he had learned this down under and how he was going to apply it here, it was no question that that company was going to get taken out. And so I just think they're a bit more diligent, perhaps, is the word or a bit more on top of things and North American capital has been distracted.

Gwen Preston: I definitely think marijuana is a huge factor. I think that the risk capital that we rely on in Canada, especially, in the North American exploration space, got totally distracted. There was a market that was exciting, and it was a venture market, and a bunch of money went there. And so that money that might have found its home in a gold price that was darn strong in Canadian dollars, found its home somewhere else. But what's exciting about that right now is at recent conferences over the last few months, when I chat to attendees, I have met so many conference attendees who say things like, "I'm new to the gold space. I see sort of a general opportunity here and I have a bunch of marijuana dollars in my portfolio that I want to redeploy."

That is literally the person that we in the gold space have been looking for for the last three years. We talked about it so much for three years and I've been meeting that person on repeat at conferences lately. So I think that really helps. I think the close-ology argument also helps, has also played a role, but the risk capital down in Australia didn't have a marijuana market to go to. So it stayed in mining, which is their go to risk market.

Rick Rule: That's a very interesting statement. What you're saying is that we need rich stoned people?

Gwen Preston: Yeah, we need rich stoned people.

Rick Rule: I've got to remember you. My problem is at age 66 is I don't know many of them. Brien, same question.

Brien Lundin: Aussies are crazy, but who didn't know that? That's a part of it is, once things feed on themselves, it started moving as a speculative environment down there. When things work, people like to get more of it and it fed on itself. And I agree the currency issue is very helpful. Lobo makes a good point. This should also work for Canada, and I agree with everything everybody else said.

I think one important outcome of this or takeaway from this is, that some of this money is coming into the North American market now. So you saw Atlantic Gold and that was a great takeout for the company. Actually, if they would've hung on for another couple of years, there'd have been a lot more money made from that play because it was a wonderful play. We see the Australian money coming into a tremendous joint venture deal signed by Millrock in recent weeks.

And that's a play that they have, that Millrock, which is probably the most religious prospect generating company out there, was about to drill themselves. It took an extraordinary deal and they got one. That money is being redeployed again. That's the thing we have here. Money made, money redeployed and feeding on itself. So I think the Australian market, interestingly, is going to actually help the North American market to some degree.

Rick Rule: Brent, same question, Australia moved, Why?

Brent Cook: Yeah, this June I spoke at the Noosa conference in Queensland and I lived in Australia for seven years. And the market there is much more resource focused and certainly the pot and crypto didn't affect anything down there. But I think also the mentality of the miners down there is quite a bit different than we get in Canada in that their focus is on discovering, developing, building a mine and cash flow. That's what their focus is. And that seems to have been working. Plus the Australian dollar helped as well.

So it's a different kind of market in the sense that it's more about making money through mining as opposed to making money through selling shares and that sort of things. I think that's probably what one of the big differences is as well.

Rick Rule: That's what I was trying to drag out of somebody. I think the ethos in Australia has been rocks to money and the Canadian ethos has been perverted, it's become rocks to stocks and stocks to money.

Brent Cook: Yeah.

Rick Rule: Pulp and paper has always been as big an industry in Canada as mining is, and they had to make something for the paper guys in the course of that thing. So the audience likes this general discussion. They like to be educated, they like you to teach them how to catch fish in a biblical sense. But what they really want is for you to catch them some fish, clean the fish, cook the fish, and serve it up with appropriate garnish. We now know from the audience that gold is going higher. The gold stocks are in a bull market. We know that you have to focus on quality and we know that the juniors are going to move too, because you all told us that. What do we like now? Three stocks and why? Starting with Brent.

Gwen Preston: Three stock.

Brent Cook: All right. There's something about fish, they tend to spoil and I think it's really important to keep on-

Rick Rule: Like stocks, yeah.

Brent Cook: Yeah. I think it's really important to keep in mind that, particularly in these smaller companies, things change. Drilling goes bad, metallurgy goes bad. So it's not something you can buy and hold it. It's something you've really got to follow and keep up on because more often than not, the chart is like this. That said, stocks that Joe and I own in our portfolio out there right now is Trilogy. They've got very high grade deposits in Alaska. They're working on getting a permit to get a road to it. The final comments had been made. Now, it's going through the EIS part of the study.

My feeling is that they're going to get the permit and then they've got a partner, South32 who is on the line for an option. They can get into 50% of this for $150 million investment. So I think what we're going to see with that company is, towards January of next year, these two events are going to happen and that's the catalyst to take it higher. That's one.

Another one that we own is EMX Royalties who pulled off, sold a copper deposit in Russia, which I never thought they could pull off. They sold it for 80 something million dollars. They've still got 50 something million dollars in the bank, a number of joint ventures going on in a number of royalties that could potentially bring in more money. They're making money off of royalties in Nevada right now. So I think that's a reasonable price right now. Actually, walking throughout there, there are a lot of companies that I think are reasonably priced right now.

A third one I'll throw up, we don't own, but I've been to the project is Integra and their deposit in Idaho. I think that's permit table, it's going to get bigger, and it's something that down the road, a major mining company or mid tier mining company will buy.

Rick Rule: Brien, I know it's hard for you to pick your three favorites, so you can pick two if you want.

Brien Lundin: It really is, with all of those fully paid exhibitors in the hall out there, it's hard for me to pick any. Actually, those three companies that Brent just mentioned are all recommended by me in Gold Newsletter and they're all exhibiting. That's very convenient. I mentioned, I think, five companies in my speech. I can only remember three of them conveniently right now. Aftermath Silver, I like that. That's a new silver play. They're going to be drilling, they're going to be making news, and that's already been a winner and Gold Newsletter, but I think it's got further to go.

Chakana Copper is one that we got in at the wrong time. The share structure wasn't that great. It's been improved somewhat by somebody with a lot of stock that dumped the stock, unceremoniously dumped the stock. The end result is that's a very interesting, high grade copper gold play. And it's trading at a 52-week lows. It's kind of a bargain right now in my opinion.

And I had mentioned Millrock. You need to go look at the deal that they just signed for the Goodpaster District. It's on trend with the Pogo mine. The drills from the Pogo mine are actually just right up to their property boundary. The trend is very clear and they've got a tremendous joint venture to drill that. So there will be drilling news coming out of that in a very high profile project. So I like all three of those.

Rick Rule: Gwen, you can narrow your list down to three?

Gwen Preston: I want to agree with Brent that there's a lot of really attractively priced stocks out there right now. So it is difficult to name a few. But if I want to just go through three categories, if I were to choose a pre-discovery stock, so high risk exploration end of the spectrum, Precipitate Gold is really interesting to me right now. They have a land package in the Dominican Republic that's right next door to the third, fourth, fifth largest gold mine in the world, depending on how you calculate these things. It's not just close-ology though, there's some very interesting good science that's gone into identifying new targets there and they just finished financing and we'll start drilling there soon. So it's a complete drill spec, but I like the way that it looks and I like the capital management of that company.

Another category that I like is what I call strong and splashy. So companies that have an established resource at a project, it's known, it's moving along, there's foundational value in that asset. But there's also the opportunity for splashy news on top of that from exploration drilling or other things, be it strategic investors, things like that. So I would name Skeena, as a good example of that right now. They're about to come out with a PEA that I think the market will be really pleased by, from what I understand of what's going on there. So I think they are a good example of that strong and splashy type project or company.

And then if I want to go to the other end of the spectrum of it, you could choose a producer like Premier Gold or you can choose an optionality play. Optionality is one of these terms that we throw around a lot. To me, optionality means large resources that the market doesn't and shouldn't care much about when we're not in a gold bull market because there won't be the capital available to build it or for anybody to acquire it. But when the gold price is good, they're the assets, very big assets, that will get bought and/or built, transacted, because they're the huge things that a major company needs to replace the reserves that, as Brent was talking about, they no longer have.

So Western Copper and Gold is one example of that. It's here. It's a massive project. It's 9 million ounces of gold. It's a huge amount of copper. It's nearing the end of its permitting process there and it's a really good example of the kind of optionality play that I think can attract a fair amount of attention in the kind of market that we're going into.

Rick Rule: Nick, you've got to be quick. So Lobo has a turn too.

Nick Hodge: I'll do it. We said that producers are the ones that are moving now and it's not junior's time. So let's go there first. And also West Africa, I think, is just blowing up, in a good way. Let's go with Teranga Gold, TGZ. They have an operating mine in, it's called Sabodala in Senegal. They just brought another one on in Burkina Faso. It's ramping up right now. That one's called Wahgnion. And they have another very, very prospective land package called Golden Hills, also in Burkina Faso. That stock has, I think doubled in recent years. But like I say, the new mine is just coming online. It's going to start generating serious cashflow, I think, plus you have drill results coming up. They're drilling something like 20,000 meters right now at Golden Hills. So TGZ is a good one.

And then I'll do the whole, let's talk about companies that are across the hall. One I've been telling you about for years is called Midas Gold. It hasn't performed well at all. I talked about it for 20 minutes earlier today in my talk. But the government is saying now record of decision in late 2020, 6 million ounces on the book. Everyone knows there's a lot more gold there. Critical antimony component, gosh, seventh largest gold reserve in the country, fourth highest grade, et cetera, et cetera. Midas Gold. You can just ladle on the superlatives.

And then let's talk about, I guess, I won't Millrock, because it's been said. Let's talk about Revival Gold, which has 2 million ounces, is going to do a resource update early next year. That'll bring it 3 million ounces. Currently, only getting about $10 an ounce for that gold as a brownfield project. So it was less risky in that respect. Has two assets in Idaho, which we know is an up and coming jurisdiction.

Rick Rule: Good for you. Thank you.

Lobo Tiggre: Wow.

Rick Rule: Lobo?

Lobo Tiggre: You have an alternate career? If you ever need one in disclaimer reading that was lustering.

Rick Rule: Well, don't waste the talk, Lobo, you've got to use this man.

Lobo Tiggre: Sorry. Just, wow, I'm impressed. Three picks. I have such a small-

Rick Rule: You're killing the time I gave you and you don't have a career in that.

Lobo Tiggre: Yeah, times up. I have such a small portfolio. I'm reluctant to give too much away.

Rick Rule: Start with one.

Lobo Tiggre: Yeah, let's start with one.

Rick Rule: First step.

Lobo Tiggre: Let me say as much as we're a precious metals bulls up here. We get talking about gold. I really want to stress that silver is the better buy right now. It does move with gold. We've seen that it has responded to this rally with gold. Don't forget silver. Silver is a better buy right now and it's harder to find good silver plays. So I would give a nod to my friends at the new Silvercrest. It's not quite in the pre-production sweet spot that I like to focus on, but I think it will be soon. They have permits already, this is clearly a cash cow in the making, in my view. It's not particularly cheap. I'd like to see a big fluctuation in the markets. Give me a better entry point there. But I think that's going to be a mine. It's going to be a highly profitable mine. I was worried about the change of government in Mexico, but they've already gotten their major permits. That really helps with the country risks that had me worried about that one.

Also in the silver space, I just sold, so you may take this how you like, I just sold my shares in Fortuna Silver Mines because I didn't want to hang around for this election. Argentina just took a turn for the worst. But interestingly enough, I may have been wrong at the turn for the worst looks to have been well-priced in, the stock did wobble a little bit, Monday, the day after the election, when the bad guys won in Argentina. But really there were other silver plays that wobbled more because silver was down that day and it has risen since then. So I'm not ready to pile back in again. But I love that company. These guys are just top-notch. They do what they say they're going to do.

And I think the Lindero mine, if it doesn't get nationalized, confiscated, taxed into oblivion or whatever else the new government might do down there, it will materially change things. It's a game changer for Fortuna. I like that one a lot. Maybe I was too nervous Nellie when I sold there, but I think given how hard it is to find a good silver play and how much silver is still in that story, it's one to look at.

I like Premier, I like Skeena, I like several of the ones that have been mentioned here, but I really don't like "if questions" and you taught this to me. I like when questions. So I'm almost done, I'm very much focused on "when questions" and in my mind the pre-production sweet spot is the most solid "when question," you know who's building a mine, you knows there's value added there. You go from spending money, literally pouring it into holes in the ground to making money, extracting it from a great big hole in the ground. And the change in valuation there is significant.

So I'll go ahead and throw one that is in my portfolio out there would be Lundin Gold. It's in Ecuador, which has scared some people, but they have first class operation there. The stock has shown that it can and will respond to higher gold prices. And I think that one will deliver in spades by the time they hit first pour.

Rick Rule: There you have it, ladies and gentlemen. To have a great panel, you've got to have great panelists. And I had them. Please give him a round of applause. Thank you very much.

Stephen Moore
"Trumponomics"

Albert Lu: It's my pleasure now to introduce our next speaker, Stephen Moore. Stephen Moore is a visiting senior fellow in economics at The Heritage Foundation, the largest private research institution in Washington DC. He served as a senior economic advisor to Donald Trump, for his presidential campaign where he helped write the Trump tax plan and worked on energy and budget issues for candidate Trump.

Moore is a senior economic analyst with CNN, where he provides daily commentary on the economy, fiscal policy and politics. From 2014 to 2017 he served as a Fox News contributor. From 2005 to 2014, Moore served as a senior economics writer for The Wall Street Journal editorial page and as a member of the journal's editorial board. He is still a regular contributor to the journal's editorial page.

From 1999 to 2004, Moore served as founder and president for the Club for Growth, a 25,000 member organization dedicated to helping elect free market tax cutting candidates to congress. In his tenure as president, the Club for Growth became one of the most influential and respected political organizations in the nation. In 2003 to 2004 the Club for Growth raised nearly $22 million for Republican congressional and senate candidates, making the club the biggest single money raiser for Republican candidates outside the party itself.

In 2007, he received the Ronald Reagan great communicator award from the Republican party for his advancement of economic understanding. Mr. Moore has served as a senior economist at the joint economic committee under former chairman Dick Army of Texas. There he advised Mr. Army on budget, tax and competitiveness issues. He was also an architect of the famous Army Flat Tax proposal.

From 1983 to 1987 Mr. Moore served as the Grover H. Herman fellow of budgetary affairs at the Heritage Foundation. Mr. Moore has worked for two presidential commissions. In 1988, he was a special consultant to the National Economic Commission. In 1987, he was research director of president Reagan's commission on privatization. Mr. Moore is the author of six books. His latest book is Trumponomics, the inside story of the Trump economic boom.

Mr. Moore is a graduate of the University of Illinois and holds an MA in economics from George Mason University. In 2010, he was awarded the University of Illinois alumni of the year. His presentation today is called Trumponomics. Please welcome Stephen Moore.

Stephen Moore: It's a great pleasure to be here. I'm kind of the Superbowl I think of this conference. I'm extraordinarily optimistic about the stock market in the US economy. And I'm going to kind of walk you through why I'm optimistic. But I like to, whenever I give a presentation like this, I like to kind of get the temperature of the room. So I want to ask you all a question. I want you to be honest in your opinion. I don't care one way or the other, but I just want to get a sense of how you all feel in the room.

So the question is this, how many of you in this room would say that you have a positive impression of Donald Trump? Raise your hand. About half of you. How many of you say you have a negative impression of Trump? About a third. How many of you still undecided? A few after all these years. So look, I am not here to persuade you one way or the other. Everyone has made up their mind about Donald Trump. I don't really care what your opinion is of Donald Trump.

What I would hope to add some value today is kind of tell you why we've done what we've done, how it's working and what comes next. And by the way, I want to save about five or 10 minutes when I'm done to take some questions from you because I actually get a lot of, I find it interesting to find out what's on your mind. So, please think of some questions that you might want to ask me.

By the way, I was in Silicon Valley out at the, computer museum out there in Redwood, California. And they asked me, there were about 300 people in the audience and they were all CEOs of tech companies and investors in tech companies. And I asked, about 300 people and I said, "How many of you have a positive impression of Donald Trump?" And out of 300, maybe 25 raised their hand. And I thought, wow, that's worse out here in Silicon Valley than I thought.

And what was so interesting was when I got done with my talk and we were having a lunch afterwards, I was sitting at this table for lunch, and literally about 30 or 40 CEO's came up to me they go, "I kind of like Donald Trump." Like, I like him, but why didn't you raise your hand? And people say, "Well, we're afraid to... I'd be ostracized and so on." So anyway, it is politically incorrect in many places to be for Trump or to think positively of him.

And my view, by the way about Donald Trump, I spent four years, with him and around him, is that there is a good and a bad and ugly about Donald Trump. I always tell people, don't judge Trump by his actions or his words, but look at the results and the results have been, pretty spectacular. And I always think, he's like one of those cartoon characters, you remember from the '60s that has an angel on one shoulder and a devil on the other and like please God, let him listen to the angel, not the devil.

But he's a complicated person. But what I want to talk about is the results in what we've done and why we've done it. So I'm going to walk you through this. And by the way, I'm happy to make these slides available to anyone who wants them. You can get them through the... you can contact me or get them through the folks who put on the New Orleans conference. So let's start from the beginning.

Why was did Trump win? Why did people vote for change and a fairly radical change when they voted for Trump? And I think the answer is very simple that the economy, people in Washington felt like, everything's so wonderful in the American economy. No, it actually wasn't very good. And so you can see the blue line at the bottom. That's the pace of recovery that we had. This recovery we're in right now, this expansion, it began in June of 2009. We're in, November of 2019.

So it's been, I think if not the longest, one of the longest uninterrupted expansions that we've had since the end of World War II. But, so it was durable, but it was extremely flat. And you can see that from the blue line. And the economy grew by a little under 15% over seven years coming out of the recession. Because look, normally when you have a recession, you come out of the economy, that recession, with a kind of a boom period. And we've had something like nine previous recessions since the end of World War II.

So then I just looked at the average recovery, that's the light blue line. And you can see that the average recovery was much stronger, almost twice as strong in terms of the GDP growth than happened under the Obama recovery. And then I like to compare, what happened to Reagan, because Reagan and Obama had pretty different differing, diametrically opposite approaches to the economy. Reagan cut taxes, cut regulation, reduced inflation and so on.

And you can see the difference between what happened in the Reagan recovery versus the Obama recovery, because both Reagan and Obama inherited horrible economic crisis. I mean, how many of you in this room are old enough to remember 20% mortgage interest rates and 15% inflation? I mean, the economy was in complete collapse at the end of the '70s as it was when Obama took off. So the point of this is this, if we had had a kind of Reagan style recovery, we had a $3 trillion larger economy by the year 2016.

And people felt that. They could tell that their incomes weren't growing and that the economy had severely underperformed. And I would make the argument that's the reason Trump won, especially in these areas like Pennsylvania, Ohio, Michigan, Iowa, West Virginia, Kentucky, s tates like that where, there had been virtually no recovery in those States. And people, felt like, when I used to go on a campaign trail and ask people in places like Erie, Pennsylvania or] Wisconsin, or places like Charleston, West Virginia, "How's that Obama recovery going for you?" People would say, "What recovery? There was no recovery here." Those were the States that turned red in the 2016 election because they just hadn't felt a recovery.

What is the central premise of Trumponomics? What were Larry Kudlow and I talking about when we met with Trump and what was the kind of central message that we tried to instill in him? And he got this. By the way, this is a chart that we showed Trump exactly four years ago and you can see this is the national debt. This is our debt as a share of GDP. You can see what happened in the last two years of the Bush administration and the eight years under Obama. The debt just, took off.

We almost doubled our national debt as a share of GDP in 10 years. It was a dreadful, dreadful record of fiscal responsibility. And then you can see the projection. That's what we inherited. This is what the congressional budget office was saying. That's where we're headed if we don't make any changes in policy. And what's interesting about that is there were two things that were really driving those very grim, grim numbers.

And by the way, I would make the case to you. Right now our debt is about 80% of GDP. That's not a crisis. It's a problem. But we can live with an 80% debt to GDP ratio. But you can see this is showing that next 25 years we're headed to 150% of GDP. That is a crisis. That's Greece, that's Puerto Rico, that's Detroit. So we can't go in that direction. And the question is, how do you move away from that? How do you change the direction of that very troubling curve?

And there's really two things that are driving that. Number one is of course, demographics. The most important thing that's going on in America today that nobody is really paying much attention to is the aging of the baby boomers. So 10,000 Americans are retiring every day. That means they're moving from being tax payers to collecting government benefits like social security and Medicare. By the way, we've known that the Titanic has been headed to the iceberg now for 30 years.

In other words, we did nothing about it. We turned a blind eye to it and now the crisis is fast approaching us. So one is, we need to get more workers and that's why immigration is important. But the other factor that's driving those really grim numbers is that the Congressional Budget Office is projecting the US economy would grow at a 1.8 to 1.9% rate over the next 30 years. And to that we said, “Hell no.”

We’re going to make it a national mission to grow the economy at a much, much faster pace. There is no law of nature that says the economy can grow at only at 1.8%. If we add to the workforce and we increase our productivity, we can make the economy grow faster. By the way, the average rate of growth in the US economy in the last 100 years, is three and a quarter. So shooting for 3% growth, it’s not shooting for the moon.

And you can see with the blue line, this is just kind of the whole idea behind Trumponomics is, get the economy growing, get more people in the workforce, get more people working, and that will bring the debt down because growth is the best way to deal with the debt and deficit. And so that is our objective. We’ve averaged about 2.5% growth. We haven’t averaged three. So we’re below where we want to be. But we have increased the growth rate.

And by the way, the picture with employment is probably the best it’s been in our lifetime. So, this is the chart that we showed Trump and that’s the objective of Trumponomics. It’s grow, grow, grow, grow the economy. That’ll solve many of the problems. I thought I’d show you this because this is an investor conference. You’re here because you want to figure out how to make more money on your investments. And this just shows you that the stock market over the last 50 years, this is the story of the American economy.

The blue line is the S&P 500. It’s, you’ve all seen this. It’s just that on a logarithmic scale. And the green line is the S&P 500 adjusted for inflation. And you can see this really does tell you the story of the American economy over the last half century. So you can see what happens in the 1970s. From 1968 to 1982, the stock market adjusted for inflation because you all know when you make an investment, you’re interested in your after inflation, not your before inflation rate of return.

Stocks lost over 60% of their value over a 12 year period. I think we can all agree that is a ferocious bear market when you lose half of your money over a 12 or 13 year period. The Dow Jones actually bottomed down, out, believe it or not, at below 800 in early 1982. And then you can see, what happens starting in early ‘82 through 2000, which if you look at that blue line, you can see the massive increase in wealth in this country and that’s the greatest accumulation and production of wealth in the history of civilization.

No country has ever seen anything like what happened in the US in the ‘80s and ‘90s. And it didn’t happen by accident and it happened because of choices. I mean, one of the points I like to make over and over again is that, bull markets do not die of old age. They die because of bad policy decisions. And bull markets are created by good policy changes. And so, people always ask, “What happened? How did that stock market go from being so bearish for 12 years to being so ferociously bull market?” And the answer is, I like to put it very simply that, “The clouds disperse, the sun came out and god gave America Ronald Reagan and the market went through the roof."

And by the way, Bill Clinton was a very... America went up even faster under Bill Clinton than it did under Reagan. Bill Clinton was a genuine new Democrat who believed in lower tax rates and he cut the capital gains tax. We did welfare reform, we cut the hell out of government spending. We balanced the budget. I wish the Democrats had a Bill Clinton right now on the stage. They're far from it right now. And so the market did really well.

And then you can see it bounced up and down. We've been in a bull market now for 10 years. So that's been a very positive thing. I just thought I'd show you this because everybody is saying, "The future belongs to China. China is going to take over the world." How many of you in this room are old enough to remember when people said in the late '70s and '80s, Japan is the next big thing? Remember that. Japan is going to take over. They've got all these programs that are going to kill the United States in terms of, our growth rates.

And by the way, you can see why people thought that. You can see the massive increase in output in Japan following World War II. It was incredible economic miracle what happened in Japan in the 1950s and 1960s and even the '70s. But then you can see right at the time when all the experts were saying Japan is going to take over the world, you can see over the next 25, 30 years, Japan has been basically in at best a flat lined economy and in some ways a kind of mini depression.

Japan hasn't grown at all in the last 30 years. And the United States, everybody said the US is done and you can see those projections were completely wrong. The US has continued to expand while Japan hasn't. And I think that's why when people say China is going to over take the United States, I'm just not convinced of that. Okay. Is there an effect from Trump being elected? The latest line is that we're just seeing a continuation of the Obama economy.

Because look, we got the best economy in 30 years right now and people have to explain why it is that this president who was supposed to cause a global, a second great depression. Why we have this incredible economy. And you look, this is one man's opinion, but I think the data is pretty clear that there was a kind of unleashing of prosperity almost from the moment Trump was elected because he's a pro business president.

And you can see the small business optimism. You see where the line goes straight up. That was literally 48 hours after the election. I've talked to the people at the MFIB who put that poll together, they did it for 40 years, they said they'd never seen anything like that. Never seen anything like that before. And by the way, small business optimism has remained really, really strong since.

We have 27 million small businesses in this country. They are the spinal cord of the American economy. When small businesses are doing well, America does well. And you can see the same thing with consumer sentiment and the same thing with how do you rate the economy, good or great. Six months before the election in 2016, 36% of Americans rated the economy as good or great. The latest number is 67%. So we've gone from 36% of Americans rating the economy as good or great, to two thirds of Americans rating the economy as good or great.

That's a powerful number. If those numbers hold up, I think Trump is in very good shape in 2020. We've created a lot of blue collar jobs. We created jobs in mining, we've created jobs in construction and we've created jobs in manufacturing. And manufacturing is in a bit of a slump right now, but the numbers have been generally pretty good over the last couple of years. We've created 1.5 million blue collar jobs, so they're back. That's a good thing.

You guys know this Black and Hispanic unemployment rate is now the lowest it's been since the Beatles still played together. So these are amazing numbers. And then this is something I had in the Wall Street Journal just a few weeks ago and it's caused quite a stir. So I thought I would kind of walk you through this. So I've been looking at the monthly numbers and what's happening with middle-class income.

In fact, I was just reading the New York Times yesterday and they are saying, "Well gee, Trump promised there'd be this kind of, middle-class resurgence and he would help middle-class and that isn't happening and the wages aren't rising," and that's just nonsense. It's just factually untrue. So you can see these are the monthly, these are not my numbers. They're not Heritage Foundation numbers. These come from straight from the Census Bureau, which is the gold mine of economic data.

And you can see under the Bush years, the incomes almost hardly grew at all in his eight years in office. And then under Obama and not counting the recession that he inherited, incomes went up by a little bit over $1,000 in seven years. And then you can see what I call the, this Trump middle-class boom, which is incredible. And by the way, the numbers just came out last week for September, the number is now, for middle-class Americans.

By the way, I'm not talking about Warren buffet, I'm not talking about Bill Gates, I'm not talking about, Tom Brady, I'm talking about middle class people. The median is by definition 50%, or over the median 50% or below the median. Incomes for those households adjusted for inflation are up $5,250. That is gigantic. That is biggest increase in middle-class incomes in a long, long, long, long time. And it contrast with what had happened in the previous 16 years where there was almost no income gains.

Again, if those numbers hold up, as I said yesterday on a CNN, if they can put Trump in jail, if these numbers hold up, he will get reelected. Now why is it happening? It didn't happen by accident. These are the kinds of policies that turn things around so dramatically. One is regulation. The Obama administration was a big regulator of the economy. You can see the big increase in regulations and then Trump has reduced them very significantly.

And it's not just that he's reduced the number of regulations, it's that the, kind of this pro business environment in the Trump administration has kept the regulations at bay. Look, we all want clean air and clean water and safe workplaces and a financially sound financial system. But the difference is whether you want to have the regulations be guardrails or roadblocks. And so there's been a whole kind of new focus on trying to make regulations in ways that keep us safe and secure, but in ways that don't decapitate our businesses. And that's been a really positive thing.

Maybe the most important factor of all for the economic boom. This is the Time magazine cover. I like this one. I was on the cover in my office. The wrecking crew, how Trump's cabinet is dismantling government as we know it. Well, that's why we elected them. I mean, they don't get that. These folks aren't very smart. So then the next one was the tax cut. This was very, very significant and I kind of want to walk you through this.

So look, when you have lower tier, you're here as investors. Lower tax rates create growth and prosperity. This is not complicated stuff. I wish Elizabeth Warren were here so I could explain this to her. She's saying we should take rates up to 50, 60, 70%. Ladies and gentlemen, that would be catastrophically bad for our economy. If you think that there's any chance that you know an Elizabeth Warren would be president, you want to get out of the market is rapidly…you want to do it yesterday.

I mean, now I don't think she is going to be president, but she's talking about going back to the good old days when we had 70% tax rates, that's when the stock market crashed. The reason the market crashed in the '70s was we had the combination of high inflation and high tax rates. And you can see this is kind of an instructive. In the '70s we had a 70% tax rate by the way of many states added 10% on top of that. So tax rates were incredibly high back then.

And think about that, a 70% tax rate means, for every additional dollar that you earn, you get to keep 30 cents and the government gets 70 cents. That dramatically reduces your after tax rate of return on investments. Well, obviously Reagan got that. So he cut the rate from 70 to 50 to 28%. You can see those dramatic reductions in tax rates. The economy boomed, not surprisingly. The stock market boom, not surprisingly.

But what's really interesting about this chart, and this is the one we showed Trump as well, look at what happened to the share of taxes paid by the rich. Isn't that amazing? Tax rates went down and the share of taxes paid by the rich went up. Now one of the reasons tax rates by the rich went up is they declared more income. People hide less income at lower tax rates, but they made more money. And there's nothing wrong with people getting rich.

A lot of people got rich, and when people get rich they pay more taxes. And so the point of this is, we want to keep rates low, not high. I'm a big flat tax guy as was mentioned earlier. I think the flat tax would be the most economically optimal rate of taxation in the United States. You don't have to believe me. This comes from John F. Kennedy. This is my favorite quote from history. This was set a few months before he was so tragically assassinated.

The paradoxal truth, the tax rates are too high and tax revenues are too low and the soundest way to raise the revenues in the long run is to cut the rates now. I mean, is that beautiful or what? I mean, it's sad that so few people in the Democratic party today believe that we should be cutting rates not raising them. And by the way, broadening the tax base at the same time. So this is a chart that's kind of, if you're interested in that kind of how we did the Trump tax cut, this is the heart and soul of the plan.

It was a bit, let's not cut around the bush here. This was a tax cut oriented towards American businesses. We wanted to make American businesses as competitive and profitable as possible. And so the black line you're looking there at the top, that was the US tax rate on American businesses, not just our corporations, but our small businesses as well. They were taxed at a 40% tax rate on the federal level.

And you can see those green pillars that go down, down, down every year, those were the average tax rates of all the countries we were competing with. So that was Canada and Mexico and China and France and Germany and Spain and Australia, and Ireland and countries like that. And you can see what's going on over the last 30 years. It's a pretty clear picture. The rest of the world was engaged in Reaganomics. They were very, very aggressively cutting their tax rates. And why were they doing that?

Do you think they were doing that because they fell in love with their companies? No. We know why they were cutting their tax rates. They were basically doing this so they could steal jobs and businesses from the United States and it was working. You had a process going on where American companies were basically renouncing their US citizenship and they were moving to Canada and China and Ireland and Mexico and other countries to avoid paying the high US tax rate.

Look, tax rates matter. Again, Elizabeth Warren doesn't believe that, but is simply a fact of life. And so by the year 2016, we were at a 40% rate and the rest of the world, most of the countries we're competing with were at 20%. That doesn't work. As I said, Trump, it's like unpatriotic to support a 40% tax rate on our businesses. This is putting the United States at a huge competitive disadvantage.

As Larry Kudlow said, it's like we're putting... When we're at 40% our corporate rate and the rest of the world's at 20%, it was like we're imposing a 20% tariff on our own goods and services. I mean, what country does that? It's just stupidity. And so we showed Trump this and I'll never forget, because he had asked us, our recommendations for how to fix the tax system and Larry and I had worked and we said, "We're going to urge for you, Mr. President the newer tax plan. You call it for a 20% business tax rate."

And he looked at this chart, I'll never forget. He sits back in his chair. Said, "No, I'm not going to do that." I'm going like, "Don't you get it? We're at 40 though."

He said, “I want 15. I want a 15% rate.” I fell in love with the guy after that. And he said, “I’m going to promote a 15% rate.” And so we said, Larry and I looked at each other like, okay, that was the first time anybody got to the right of Larry and I are cutting tax rates. So we said, “Sure, well, if you want a 15% rate, we’ll put it in the plan.”

Now what was so interesting about that, I mean, there’s kind of a lesson about how Trump thinks. From that day which was like June of 2016 through December 23rd, 2017 when we finally passed the tax cut, every public declaration that Donald Trump made, every time he spoke to the American people, or in every private meeting, whether it was a business group or with the members of Congress, 15, 15, 15.

And I remember he’d meet with Paul Ryan and Mitch McConnell and say, “Don’t even bother to send me a tax bill if it doesn’t have a 15% business tax rate.” And so I’ll never forget it was December 23rd, 2017. I’ll never forget that day. We’re sitting over at the white house waiting for Mitch McConnell to come back to tell us whether we had the 50 votes in the Senate we needed to pass the bill because, it would always from the start it was whether we could get those 50 votes we needed in the Senate.

And we were very nervous about it because we had come vote one vote short. Remember that previous summer in repealing Obamacare. So we were very nervous. We didn’t want to come up with 49 and fail again. And Mitch McConnell comes into the room and he walks right up to the president and he says, “Mr. President, I’m so sorry, I failed you. I made every argument I possibly could for that 15% rate and all the economic efficiencies that would come and how it would make American competitive.”

And he said, “I did the best I could, Mr. President. And I just want to apologize. I was not able to get you that 15% tax rate.” He said, “Would you take 20%?” And Trump just jumps out of his chair and he, “I’ll take that on the New York minute.” And I always to the day I die, I will thank God that Donald Trump did not take Larry Kudlow’s and my advice and call for a 20% rate. If you want to understand the way Donald Trump thinks, you have to read the book. What’s his book? The Art of the deal.

And this guy understood something that Larry and I didn’t understand. If you want a 20% tax rate, your opening bid isn’t 20%. And I am convinced if he’d taken our advice and said 20%, we would’ve ended up in 25 or 26%. It’s because he said 15, the compromise, well, actually it became 21% and that’s been a huge asset to the United States.

I mean, I was reading again that today, this morning, I think seven of the democratic candidates want to move us back from the 21% rate back to 35%. Really? I mean, really? They want to add the tax on American businesses. The only people who would benefit from that policy would be the countries that we compete with. And so, now what we’re doing is sucking in cash. The whole story of the US economy, the reason we’re growing so much faster than anyone else is, is we’re sucking in capital from the rest of the world.

We're the investment magnet right now. As I said on CNN yesterday, we're the alpha male economy. Everybody wants to invest in the United States because of this change in our regulatory and tax policy. It's been a phenomenal, phenomenal success. So, I'll just show you a couple more things. Look, I just heard, the discussions about energy policy. I mean, the story of the US economy of the last 10 years is very simple. You can summarize the American economy in four words.

If you want to really know what caused the... what got us out of the recession and has continued to propel the economy, shale oil and gas. It's changed everything. It's the single factor that led. If it had not been for the shale oil and gas revolution, we would not have gotten out of the recession when we did. And you can see we're continuing. We are now the biggest producer of oil and gas in the world. It's a beautiful, beautiful picture.

We are now a net export of oil and gas, not an importer. I love that. Our oil and gas revolution has led to lower energy prices. Lower energy prices are like a big tax cut. They make American manufacturing and American construction companies and other companies much more successful. And by the way, we have the lowest energy prices today. So that's a huge, huge advantage that we have over our competitors.

And then, I just thought I'd show you this. There's this discussion about, pollution. Obviously people care about pollution and cities. We want clean air and clean water. This is just showing you the trend over the last 40 years. Pollution levels in cities have been dramatically reduced. I mean, lead levels are down by 90%. You can see carbon monoxide is down 70%. By the way, carbon monoxide is a pollution, carbon dioxide it's not a pollution. You don't get sick from carbon dioxide.

You can see the nitrogen, all of these. That's a huge success story. Even as we're producing more and more energy and getting richer as a society. As prosperity is positively related to environmental quality. That is the richer you get, the more money you spend on environmental quality. That's what we're doing. None of the countries, I thought this was kind of interesting. Look, we all are concerned about climate change and so on, but I do think one of the smartest things Donald Trump did was pull the United States out of the anti-America Paris climate accord.

And the reason we did this is because Trump knew that none of these countries would honor that agreement and he's been right. This is the, after five years, you can see none of these countries, not one major country that signed the Paris climate accord has come anywhere close to reducing their targets as they promised. By the way, only five countries are in 50% of the way towards their targets.

China's obviously the big polluter in the world. It wouldn't even matter if there wasn't a United States of America, given how much China is polluting right now.

So the problem is not a US problem, it's a problem in the rest of the countries. By the way, the country in the world over the last three years that has reduced its greenhouse gas emissions. Anybody know which country has reduced its greenhouse gas emissions the most? United States of America. How many of you knew that by the way? Not many.

It's not very well reported. The United States, even though we didn't sign it and we're not part of the Paris climate accord, we've reduced our greenhouse gas emissions the most. Anybody know how that happened? It's two word answer, natural gas. It turns out natural gas is the wonder fuel that we've been waiting for. It is cheap, it's abundant, it's made in America, it's reliable and it's clean burning. It's everything you want in a fuel. My own opinion is natural gas is definitely the fuel of the future.

By the way, there's another form of energy that emits zero emissions and that's nuclear power. I think if I were betting on the future, I'd bet on nuclear and natural gas as the energy sources of the future. Finally I'll start with this talking about trade because this is the most significant thing that has actually held back the economy. I do think we'd be at 3% growth right now. Were not for the trade dispute that we've got going on.

I don't know if I'll use the word trade war, but we're certainly in a major dispute with China. This is a chart we put together. When the first time Donald Trump and I and Larry Kudlow sat down together, he asked us to be the senior economic advisors and we said, "Donald, we can't be your senior economic advisors. We're for free trade and you're not." I remember he got very angry. He said, "I understand the benefits of free trade. I understand international commerce is important." He said, "I'm a businessman. I understand that." He said, "I just want to make sure that all these other countries are playing by the rules and that we have a level playing field."

So he said, " Why don't you look into this and see what the tax rates are in the United States versus other countries." And lo and behold, it turned out that Trump was in many, not entirely right, but mostly right, that the United States has the lowest, had in 2016 virtually the lowest tariffs and many of these countries that we have trade deals with have tariffs that are two to three to four times higher than ours are. And that is not a level playing field.

And so, look, I disagree with him on Canada, Mexico. Canada, Mexico, we need to pass the US, Canada, Mexico trade agreement that creating a western hemisphere, I mean, a North American free trade zone is a very, very positive thing. But look at China. I mean, China's tariffs are three times higher than ours are. It's not a level playing field. My own opinion, I think most Americans are coming around to this is that we are, that China is increasingly a menace on the international scene.

We are in an abusive trade relationship with China. We cannot move forward. I'm a free trade guy, but I'm with Trump on this. We have to bring China to heel. This can't go on. The relationship we're in with China cannot go on. They steal

$300 billion from us. The way I would put it very simply is, we are in a new cold war era with the Chinese and Trump is working to get better deals with China.

He used to say to me, “Steve, if we can’t trade with China, we sneeze. If they can’t trade with us, they catch pneumonia.” And that’s true. China can’t grow without having access to American markets. How is this going to turn out? Hard to say. I think we are going to get this temporary deal done. Although even that, I wouldn’t bet the farm on it. The Chinese, I’m good friends with people in the Trump administration. We’re doing these negotiations with the Chinese.

You can’t trust the Chinese government as far as you can spit. These people lie, they cheat. They say one day they’ll do one thing and the next day they’ll do completely opposite. They’ve already backtracked twice on trade deals. So I won’t believe this until that actually you have signed the dotted line and it’s signed, sealed, and delivered. If that deal gets done, and by the way, it’s just a mini deal.

This trade dispute that’s going on in this adversarial relationship we have with China right now, not just in terms of their trade policy, but what’s going on with their military. Look, the US, I mean, the people’s liberation army. Don’t you love, they call it a liberation army, it’s not inconceivable that they’re going to move into Hong Kong soon. So it’s a very abusive situation right now in China. They’re involved in predatory trade practices.

I do think we’re going to get that deal. I think it’s likely but not certain that we get that first deal done where they buy more of agriculture and manufacturing products. We reduce some of our tariffs on them. And if that happens, I think you’re going to see the stock market really, the dollar is going over 30,000. This is all that’s holding back the economy right now. The only thing that’s holding back the US economy is this trade dispute with the Chinese.

If we can get that done, I think you’re talking about a very, very strong, 2020 and that puts Trump, for better or worse in pretty good shape in terms of the election, and it makes it less likely that we get an Elizabeth Warren as president. Thank God. So I’m going to stop there. I’m happy. I’ve got five minutes left. I wanted to save some time for any questions, comments, criticisms you have. If people want to, ask me some questions about any of this stuff, come on up and we have a couple of microphones and happy to take some questions from you. So any questions? There’s stone silence in the room. Yes sir. Can you go to the microphone right there.

Speaker 3: So you talked about, an impending cold war, bad relationship with China. The cold word I’m more concerned with is inside the House of Representatives. Are they ever going to pass US MCA?

Stephen Moore: Boy, I just wrote my column on this. It’s great question, sir. First of all, it’s such an important trade agreement for so many reasons. Number one, it’s just this whole idea of this was the Reagan, Clinton vision of, if you embrace free trade, obviously we want North America to have a free trade zone as we compete against Europe and as we compete against Asia. So it's in the interest of all three countries, Canada, Mexico, and the US to get this done.

Will it get done? And by the way, the other reason it's so important is, one mistake I think Trump has made in terms of his trade dispute and taking on China, what's one of the most important lessons of history? You don't want to fight a three or four different war at the same time. If you're going to take on China, don't take on Europe, don't take on Canada. You need your allies.

And so getting this trade deal done with Canada and Mexico strengthens his hand as he negotiates going forward with China. What are the odds of it happening? I think 60%. 60%. But Pelosi look, if that bill came to the house floor, it would pass. It would pass probably with 50 or 60 Democrats. There are 50 or 60 Democrats in pretty, in agriculture districts and ranching districts where they need that to happen for their economies. It's just a question of whether Pelosi will bring it to the house floor, I'm going to put the odds at 60%.

Speaker 4: Thank you for being here. The president talks about our strong American dollar and he's always praising that. However other times he complains about he's not happy with the strength of the dollar. Where do you think he wants the dollar to be?

Stephen Moore: All right, can you put the charts back up again, because I'm glad you asked that question sir. And I meant to... If you'll bear with me, I want to show you, because many of you probably know that I was nominated for the Federal Reserve Board that didn't turn out so well. But one of my positions was that the Fed was way out of control in 2018. I mean, in 2018 and it had made major, major mistakes.

I'm so glad you asked this question because my concern right now is I'm much, much more concerned about deflation than inflation. And we've had deflation in the economy now for the last couple of years. So what you're looking at here is the red line you're looking at is the commodities index. I think commodities are the best forward looking way of indicating where prices are headed, because you can all look on your cell phone right now, it will tell in real term what's happening in commodity prices.

The consumer price index, the price of, producer price index, GDP numbers, those are lagged by three months, six months. We don't even know what those numbers are. We do know what's happened in commodity prices. So commodity prices are the best way to judge. And by the way, a barrel of oil is the same two years ago is the same as a barrel of oil today. It doesn't change in quality. And so what you're looking at, this is just such a great tutorial on what catastrophic mistakes the Fed made under Jerome Powell back in 2018.

So you can see what happens. By the way, the blue line is the Dow Jones industrial average. And you can see in September, by the way, last summer, not in 2019. 2018 summer, we have 3.5% economic growth. We had rising wages, we had no inflation anywhere in the economy that you could find it. It was the most beautiful picture you've ever seen. And we finally arrived in Nirvana. And what does the Fed start doing? It starts raising interest rates.

And so what happens is, when the Fed starts raising rates, look what happened in the CRB index, it went down, down, down, down, down, down, down, which is a deflationary environment. At the same time, everybody in the world wants dollars. The Fed is sucking dollars out of the economy because they believe growth causes inflation. They have exactly the reverse model that, that is reality.

And so then, I can somewhat forgive Jerome Powell for the mistake he made in September of raising the rates. But then do you remember what happened on December 18th? Anybody remember that? When the Fed raised rates again? In the face of dramatically falling prices, probably the worst decision the Fed has made in 30 years, they raise rates again. By the way, while Jerome Powell was speaking, in his 30 minutes that he made that announcement that Dow Jones fell by 500 points.

And then remember the day before Christmas, on Christmas Eve the Dow was open. The stock market's open half a day, it fell 300 points. It was the worst Christmas ever. And it was all a result of Jerome Powell's tightening monetary policy when he should've been loosening it. And then you can see what happens. Finally in early 2019, he has to, in very embarrassing ways, a new Fed chairman, he had to admit he had made a major mistake.

He starts easing and announcing there'll be no longer any more rate hikes. And you can see the economy recovers. I believe we're still too tight. The CRB index is probably about 20% below where it should be. I think we definitely need, at least one more rate cut. But we're in pretty good shape right now. The dollar is strong for a very simple reason. The dollar is going to remain strong as long as we have pro growth policies.

This is what happened under Reagan, it's what happened under Clinton, it's what's happening under Trump. When you have pro economic growth policies, people want to buy your currency. If you want to invest in the United States and you're a foreigner, you have to buy dollars to do it. And so I'm not too concerned about the strong dollar. I kind of like a strong dollar except for the fact when you have a deflationary environment as we do now. So they've corrected the course but they're not quite where they want to be. One last question because I'm over time and-

Speaker 5: Sure. I've been a high tech my whole life and it's about time somebody did something and pushed back on China. WI've been waiting for this for a long time. Quickly, given the fact that China is already in Africa and investing in nations and they've got a real strong presence, you had mentioned that, we sneeze, they catch pneumonia. Do you think it's too late?

Stephen Moore: Too late?

Speaker 5: Too late to push back?

Stephen Moore: No. It's a great question. This is a good question. I'm sorry folks, and we're out of time. But I'll answer that in a very simple way. And we're going to have by the way, a policy discussion following this so we can talk more about this. But here's my take on China. It's a very simple story. Mao was the greatest villain was on the planet. He murdered, we don't know exactly, somewhere in the tens of millions of his own people.

He was probably a greater villain than Hitler and Stalin. And Mao instituted communism. He starved to death millions of his own people. They couldn't even grow on a food. I mean, if you want to see your Elizabeth Warren's policies in action look what happened there. I'm just exaggerating. And then what happened in the late '70s is China started to move towards a kind of Perestroika where they opened up their markets, they privatized, they moved away from communism to our more market oriented system. And their economy took off like a rocket.

And they liberalized. They liberalized not just their economy, they liberalized in terms of human rights and other areas. And what happened in the next 25 years in China was one of the great economic success stories of all time. And then starting six or seven years ago, and I can't really explain why this happened. China has moved in U-turn back towards the kind of oppressive, tyrannical policies that had been in place previously.

And they have become a big, big problem. They are now command and control economy. They've got human rights violations, there's no religious freedom in China. China's moved much, much more in an oppressive direction. Now the question of course is, will China be the economic superpower over the next, 20, 50, 100 years? And they certainly want to be. I would say that, I'm always asked that question. I've been asked that for the last 15 years and I always say, that's not going to happen, that China's going to overtake the United States.

And the reason it isn't going to happen is because, our Chinese are so much smarter than their Chinese. But that's just a joke. But I mean, there's actually some truth to that. We actually do get, some of their best and the brightest and we should continue to do so. But the real reason I would put my money on the US over China, especially given that the course they're on, is because China's become a command and control, central planning economy. It doesn't work.
The one lesson of history over the last 150 years is command and control, central planning, government run economies fail. Fail. So I actually think that China is a bubble. I would not invest in China. I'd bet against China unless they changed their ways. Thank you very much folks for having me, and we'll look forward to seeing you. Take care.

Simon Moores

"21st Century Lithium Ion Battery Supply Chain: First EV Wave Impact"

Gary Alexander: Now, our next speech as I mentioned, is about Lithium-Ion Battery Supply Chain, and this is one of the world's most recognized experts, is testified before the U.S. Senate, and regularly gets lectures at the University of Oxford, will soon present at The Royal Institute in London, together with the U.K. Government's Chief Scientific Advisor, and he is with Benchmark Mineral Intelligence, where they help set the lithium industry reference price, together with graphite, cobalt and nickel prices. They analyze specifically, the Lithium-Ion Battery Supply Chain. So this is the authority on this particular subject you need to know. So all of you in the Gold Club Room, and you in the audience here, are hearing from the source on 21st century Lithium-Ion Battery Supply Chain, the first EV wave impact. Please welcome Simon Moores.

Simon Moores: Cheers. Okay, thank you very much for staying around, and I'm here to introduce really what's driving the whole electric vehicle story. Lithium, graphite, cobalt, nickel, other, are the Holy grail. They're the four raw materials that are absolutely central to this Lithium-Ion supply chain and electric vehicle story. I'm just going to go through the basics. Firstly, who are we? We're a independent, we call it price reporting agency. We collect price data that the industry uses in contracts, as prices for lithium, cobalt, graphite, and soon actually we're launching nickel sulfate prices as well. So fundamentally, we spend our time collecting that data and analyzing the market, and this is what the industry uses to then build out their whole supply chain. But we're not just raw materials, we specialize in everything all the way through to Lithium-Ion Battery Cell. How do we do that, is by boots on the ground. We go to mining operations, battery plants, electric vehicle manufacturing operations like the Gigafactory, bottom left, Australia, bottom right, Chile top left, China top right. And it's the only way really, to understand actually what's really happening in this industry.

And then of course, we've testified to the U.S. Senate twice on this subject now. So momentum is building on this whole supply chain thematic in Washington D.C. Were at the White House last week, discussing this exact subject with White House officials, and were at the Pentagon as well, last week also. So momentum is building significantly. And I'll explain why. So this is what we call the oil pipelines of tomorrow. This is the supply chain for the Lithium-Ion battery in four simple sections. So really everything I talk about today is based on these four elements. First, you've got to dig it out the ground. It might sound very simple, but that's the first step. Lithium, graphite, cobalt, nickel, is listed there. But then the key thing about these raw materials are that they are, but they're just that, they're not just as, this is not a commodity, is a specialty chemical.

So in order to actually be used in Lithium-Ion batteries, and be used in electric vehicles, you can't just dig it out of the ground. You have to convert it into chemicals, that then go into cathode and anode materials. So as a hybrid of mining at scale, and then chemically refining these raw materials for specific customers.

Another really important part for all these raw materials, you can't just sell to anybody. You sell to specific group of customers. Say the industry has got 10 customers, that's the entire industry. You could probably sell to three or four of them. So that's a difference between a commodity space, and a specialty space. So when you're looking at stocks to invest in, companies to invest in, you have to make sure that they're tapped into this supply chain already, or have those connections to actually tap into this electric vehicle boom. Of course then, after cathode, anodes, it goes to make a Lithium-Ion battery. Then it goes into your EV.

It's a phrase we use a lot, but we are in the midst of a global battery arms race. The U.S. is a bystander. It's not yet got going. So the opportunity is on the horizon, but it's been very interesting to see what's happened. So what's been driving the interest in lithium, and nickel, and electric vehicles, actually started with Tesla building the Gigafactory. So we've been tracking these numbers since it began, and back in 2015 we have three of these battery mega-factories in the pipeline. Battery Mega-factory, quite simply a massive battery plant with enough cells to fuel 500,000 or so electric, pure electric vehicles. Three back then, today we have 102 battery mega-factories in the pipeline. A total capacity of 2,200 gigawatt hours. So previously from about 50 gigawatt hours, to now 2,200 gigawatt hours. Now that's in the pipelines in 2028, but what might interest people, is that of the 102 battery plants, 47 are operating today, and more are coming on stream.

Of course, where is this battery capacity located? It's predominantly in China. So as you can see from these slides, China has about just under 70% of Lithium-Ion battery capacity last year, and actually it's a similar number for 2028. Europe has been playing catch-up. That's the difference between those two pie charts. Europe in 2018, only had about 7% of the battery capacity, but in 2028 really they're building a lot more Gigafactories now, and that's their German car industries that's driving this capacity build out. What you might notice there as well, is the U.S. is very static. The U.S. is very Tesla reliant on this whole trend at the moment, but that will change. I have no doubt that the U.S. is slower to respond than pretty much everywhere else in the world. As it gets to grips with the trend that's happening, this mega-trend that's happening, but a response is coming.

So, of these massive battery plants that's fueling interest in these raw materials, these are the customers of these four key raw materials. You've got 73 of them in China, you've got 13 in the E.U., and you've only got five in the U.S. Now, what does that translate to electric vehicles? That's how I think about it when I think about batteries. How many electric vehicles can you really make from this capacity? Well, as you can see, China is about 25 million electric vehicles worth, and the U.S. only has just under 3 million EVs worth. So, if you're going to electrify even part of the U.S. automotive industry, then a lot more batteries are going to be needed. Another point to make as well, it's not just cars that are driving this, it's stationary storage. It's a very much smaller part of the industry, but it's an unknown quantity actually, as storage, both in residential, and stationary applications is growing.

So how much raw material does one of these battery mega-factories consume? It's a good rule of thumb to actually work out how this demand picture is changing. So this is a picture of the Tesla Gigafactory. A 30 gigawatt hour facility is a bit bigger, but 30 is a sensible number. How much raw material will you need? Well, graphite anode, you're going to need 33,000 tons. Now, if you want to convert that to flake graphite, then you times it by 2.2. Flake graphite is the feedstock to make graphite anode. Lithium, lithium chemicals is LCE. Carbon, lithium carbonate equivalent, how it's measured, 25,000 tons. Nickel, 19,000 tons, and cobalt 6,000 tons. So that's one battery plant, one customer for a year, and then they go again. Now some context is the table on the right. I don't know if you can all see that, but I'm going to read it out anyway.

Lithium last year, was about 300,000 ton chemical industry. If all of those battery plants come on stream, and they all operate at 100% capacity, which isn't realistic, but let's play that game for now. Lithium goes from 300,000 tons chemical last year, to 2.1 million, or sorry, just under 2.2 million tons of chemical. So it's not just as we say, it's not just evolution. This is a complete revolution in the way these chemicals are made. Graphite anode, 350, last year tons. It's going to 2.4 million. Cobalt, 95, going to 358,000 tons. And then of course you got nickel, which is about 118,000. Actually nickel last year really was about a 100,000 tons of nickel chemical going into batteries. So for this, and we do take into account nickel increasing in a battery, cobalt decreasing, nickel's going to 1.3 million tons of nickel chemical.

So every single one of these supply chains, are completely changing, because of this landscape. You can cut that utilization rate by half. You can assume half of those battery plants are coming on stream. Be really brutal with the numbers. You've still got a massive challenge to bring new minds, new supply, and new actors into the space. And at the moment with all of these industries, we're in a bit of a gray area with investment. As the, especially of lithium, as the supply demand, the short term supply demand dynamics, as Carlos mentioned, plays against the industry, but this longterm demand picture is building up significantly.

This just literally shows us tracking this build out of capacity over time. So this is November last year, this is February, this is April, and this is June. Of course, it's gone up since as we're in November now. But the point I'm trying to make here is that this, this pipeline of battery capacity has increased 50% since this time last year. Really, it's probably increased now about 65% in a year. So this trend of battery capacity build out that's driving all these raw materials, is not just continuing, the speed is increasing, the rate is increasing. And then, there's four battery plants in the U.S. That's for your reference, because this is going to be going out as well.

So, I've talked about battery cells, but really the strategy, or the strategy of the government, the strategy for automotive companies, has to be to control the supply chain. So it's not just about building your own batteries, it's about locking in the upstream of the supply chain. So really it is a battle for raw material, and chemical capacity at the moment.

And why is that? So, this is a picture of the Model 3 on the right, a Lithium-Ion battery cell on the left, over four and a half thousand of these cells go in to make a Tesla Model 3, at 75 kilowatt hours. And then, 79% of the cost of a Lithium-Ion battery are chemicals, minerals, and metals. So they are literally, a jelly roll of raw materials that are chemically refined, but raw materials, and that is the cost that drives it. And then 27% of the costs of the Tesla Model 3, is the Lithium-Ion battery pack. So you can see with, as all these companies try and build new electric vehicles, the real cost of these vehicles are batteries. And to control the cost of the battery, you have to control the raw materials. So it's a real battle for the supply chain at the moment. That's why we call it the oil pipelines of tomorrow, because it is that important to the automotive industry.

This is a battery demand forecast, but the point I'm making, is just the two red lines on there. So we are at 182 gigawatt hours of capacity this year, sorry, of production this year. That's the size of the battery industry, of which about 65% is electric vehicles. We're going to 2,200 by 2030, so as you can see, that has to... The industry has to shift an order of magnitude, and what it does over that time period.

Of course, what happens when you have such significant growth in a short period of time, and we haven't seen nothing yet with any of this growth, but we've had a bit of a crazy four years. The worst or the best is yet to come in that sense, but you have price volatility.

So lithium and cobalt, I've highlighted here, and the reason it's easy for … It's understandable for investors to look at a price curve of nickel, of graphite, or something else, and say, "That's electric vehicles that are driving it." With nickel, it's not the case. It's a supply imbalance. With lithium and cobalt, it was absolutely the case that batteries were driving those price curves. And the fundamental reason is... I always asked myself if people link a raw material to battery demand, or EV demand, is over 50% of that production going into batteries? With nickel it's one and a half, 2%. With lithium it's 55%, with cobalt it's a little bit more than that. So over half of lithium, and half of cobalt is going into Lithium-Ion batteries, which means these price curves are battery powered. And that is so important for investors to understand when you're making decisions.

So where does the U.S. sit in the supply chain? This is the message we delivered to the White House last week. So, as I mentioned, there's four key elements to the supply chain. The first step is obviously mining. Now again, I don't know if you can see the numbers on there, but the key is the U.S. of course, doesn't really mine any of these raw materials. China doesn't mine all of these raw materials, but it's got fair share of graphite. It's got a fair share of nickel, a tiny amount of lithium that doesn't really go into batteries. But when China doesn't mine these raw materials, it does build out massive capacity of chemical conversion, or chemical refining. So cobalt, 1% of cobalt comes from China. As you can see, 80% of cobalt chemicals are converted in China. Lithium. 13% of lithium is mined in China. There as you can see, over half of lithium chemicals are made in China.

So the point we try to make, is even if you don't have all the mining capacity here in the U.S., you can control the supply chain by building out key links downstream. And that's where lithium has an advantage really, especially if you're mining and refining within the U.S., and that's the key strategy to actually start selling to U.S. automotive companies. And that's really what starts building the supply chain domestically here. The third part is cathode and anodes. Cathodes and anodes, the U.S. doesn't produce any that you really... Any of meaningful quantities that are used in batteries. China produces 100% of natural anode, 82% of cathode. Of course, we mentioned batteries. China is dominating the Lithium-Ion battery space. So at present, China is locking up the supply chain at a much quicker, and much more aggressive rates, and the U.S. is just beginning to crystallize its plans to react to this. And then when that happens, investment opportunities arise.

So the solution, the key thing we talk about here, and it's not just digging stuff out of the ground, it's literally building the whole ecosystem, building that whole supply chain. So, you saw that China had 1,500 gigawatt hours of capacity in the pipeline. The U.S. has to do something like that. So the U.S. really needs to build 20 Tesla Gigafactories by 2030 to actually start playing in this space in a serious way. Of course, what we delivered to the government was that we believe a target should be 25% of raw materials domestically mined here in the U.S. 25% of its lithium needs. Its nickel needs, its cobalt, and its graphite anode. Where possible, where economically possible. This is key.

Then of course you start building, once you start having these links in the chain, you build cathode anode battery cells here. You start building a whole new industry. And then for the other 75% of raw materials, you're going to have to have partnerships with friendly countries, Australia, Chile, Canada to help fill those gaps.

And this is the point we try and make. This is the present active battery mining to battery supply chain within the U.S. You've got really three companies making electric vehicles or planning in a big way. Tesla, Ford, GM. You got Tesla, only Tesla making battery sales. It's an American company, its American companies. And then you've got two, do fail. Two of the biggest lithium producers, Albemarle mine, and the American chemical companies, but they mine overseas, and South America. So you've got to fill the gaps in to start building this supply chain.

And why has it happened? This year is different really to every other year, every previous four years, where the lithium price has been going up. And this is the reason why, it, until this year, every link in the chain was disconnected. The miners didn't speak to the chemicals guys, didn't speak to the automotive guys. They all spoke a different language. But now they're kind of speaking the same language, which means change is on the horizon. So, it started with the Lithium-Ion battery plants being built, then you had all the plans to build electric vehicles.

Then this gives confidence back up stream, to build the raw materials and the chemicals plants. So you started seeing a reaction with all four of these, and then that gives confidence back up stream. So we called this like, for the first time this year we've got full circle confidence in the supply chain that this is being built out.

The one thing I want you to look here, is just the arrows. It's the last three slides that I've got, but at the moment, here you've got battery cells being made in the U.S. at the Tesla Gigafactory. The raw materials of course, are coming from where the lowest cost deposits are at the moment. Lithium in South America, and Australia, you've got cobalt in the DRC. But the point I try to make, is that all the arrows are going across to China, and then one arrow is coming back to go to North America. Now, that's today, but the U.S. has to do this, and quite simply if you start building battery cathode and anode plants, the whole global trade picture shifts.

So back to the original one, all arrows point to China, and now all arrows point to the U.S. And this again, is a message we're delivering to the U.S. government. It doesn't take that much, because all the skill sets are here. But what it takes is a unified voice. It takes a vision, a plan, and it's another point I always make to anyone in the U.S. is, when was the last time the U.S. built a heavy industry from scratch? Because that's what's needed. This is something scale-wise, it's something back in FDR days. It's amazing what's going to happen and... But it needs this unified voice, this unified visions, give confidence to the companies that already exist.

And again, the four key steps is what we're focusing on. The opportunity is huge. You will see next year, and the year after, a lot of change in all these key raw materials, and I wish you luck with your investing horizons. Thank you very much for your time.

David Morgan

"What If Silver Were Treated Like Gold"

Gary Alexander: Okay. The next final speaker before we break for those seminars will be David Morgan, a widely recognized analyst in the resource sector. He consults for hedge funds, investors, mining companies, bullion dealers. He's the publisher of the Morgan report and featured speaker at investment conferences and the Americas, Europe and Asia. He's appeared on CNBC, Fox business, BNN and TV stations in Hong Kong and Singapore and the Morgan report covers the entire resource sector. Today he's going to cover one specific metal asking the question, what if silver were treated like gold? Please welcome David Morgan.

David Morgan: Welcome everyone. How many are having fun? Yeah, at least half of you. That's good. Thanks for sticking around. It's always interesting to be the last speaker at a conference and I've had this slot a few times. Everyone is sitting there, unless you're really confused, wants to relate to my speech alone way or another or maybe they are just waiting for me to finish in and have a few words with me. I don't know.

Anyway, it's great to be here. I've been here several times and first things first, you can write it down or do it right now I'm testing this out in today's high tech world, everything's done by our phones, especially with the younger generation. The millennials, and I have two daughters that are millennials, but if you just text 411 to that number, (509) 203-4500 you'll get on our free comp list. I do a weekly update on the general economic conditions worldwide every weekend or actually every Friday, usually almost from wherever I am in the world. Sometimes they're just audio. Usually they're video, but you can just play them as an audio. I try to keep it around 10 or 12 minutes. That's just one of the things I do. I do free webinars, usually one every other month, a Q&A. There's a lot there. You hear me okay? Okay, so write it down or do it now. Moving onward.

What if silver were treated like gold? This is one that's been eating at me for a long time and it's based upon the question that I've received multiple times. And when I say multiple, I mean over a hundred and that is what is the significance of the gold silver ratio. So my aim today is for every one of you, not necessarily to be convinced by my analysis, but at least to question what it would be like if silver were treated the like gold. Are you ready? Sound like a good topic? Okay, you're a little energy out there. Remember, it works both ways. All right, let's look at some common scenes about gold. Gold is the money of kings. Silver is the money of gentlemen. Barter is the money of peasants, but debt is the money of slaves.

Norm France put that in his book, money in that wealth in the new millennium. I don't think that's his quote however. Regardless, it's an interesting one. How many audience by show of hands have seen my make or remake by three, four minute video of the Matrix? Anyone seen it? One gentleman. That's it. Interesting. I made that for a lot of reasons, but primarily to get younger people interested in this market. So what is the gold standard? That's a different topic. What I wanted to make clear is that so many things are related to the gold standard, not necessarily the gold standard itself, but our car is the gold standard of the auto industry. This book is the gold standard of finance. So many things are equated to the gold standard and in the vernacular, what it means, is there's nothing better than the gold standard. It's got a very high rating resonates even if you're not a gold bug. In fact, if you're anti gold, if you mentioned the gold standard in the context of referring to something else, usually people will equate that with being the best that there is

Good as gold and not promoting this book, but many. I just wanted to get that out there because this is a common expression. As good as gold, if it's as good as gold is probably, again referring to the best. If it's as good as gold is, we can't get much better than that. Again, common vernacular. Well recognize the golden rule. We all know that. Certainly it's an important one in my view, and yet it's equated to gold. All that glitters is gold. Well, yes and no, but it's a common expression. And this one's interesting. I took me a lot of dig this one out. The desire for gold is the most universal and deepest rooted commercial instinct of the human race. Whether or not that's true or not, I don't know, but I thought it was interesting because of how I have structured this talk. JP Morgan, who could forget gold as money and everything else is credit? fairly accurate.

And sorry about that. And common sayings about silver. Before I move on, I just want to point out that constitutionally we were on a silver standard, not a gold standard and a dollar is a weight. A dollar is 371.25 grains of nine nine nine fine silver. So in reality, which hardly exists, you could actually walk up to someone in the produce department of your grocery store telling me you want $4 worth of carrots. And what you are telling them is you'd want about three ounces, 3.2

ounces of carrots. Nobody knows that. Nobody thinks in those terms, but that's what it is. Silver certificate is not real money. It is exchangeable for real money. It tells you what it is. It's a silver certificate, not a note, and it's exchangeable for $1, which I just told you what that is. Upon demand, which means immediately at the treasury United States, of course it's null and void now, but at one time those were exchangeable for the standard, which was the silver standard in the United States.

Let's talk about how silver is referred to often. I just showed you what gold is, so the contrast with the lecturer is all about, if silver were treated like gold. The complete guide to U S junk silver coins. Often in the trades, which I, I've done it, I mean it's referred to as junk silver. It's very common. It's constitutional silver is what it is. Up through 1964 where we had 90% silver coins in circulation. Very few people refer to it as constitutional silver. I try to do that more often. But in the trade, if you talk to any bullion dealer, they'll referred to it as junk. I don't think junk has the same connotation as the golden rule, do you?

What about scrap silver? You don't hear about scrap gold much, although you do. So I want to be fair in my analysis, but you hear about scrap silver quite often. If you even need to go to a coin dealer with a bullion round and I've been in many, you know, manyphysical dealers throughout my lifetime and if it's just a very common round, they'll just toss it and some, I mean I've seen it happen. They actually picked it, just threw it in the bucket, as scrap, even though it was a coin or a medallion. And then of course silver melt. I couldn't find one that said that. I just wanted to use this slide to remind me, but I want to be fair and balanced. So there are some positive ones about silver. We know the born with a silver spoon in your mouth who first to having a privilege or rich parents or something along those lines and whether or not that's good or bad. I think it goes both ways.

And then I think this one is the one that everyone knows. Every cloud has a silver lining, certainly implying that when things go wrong there's probably something bright underneath it, around it, through it or whatever. So that certainly I would view it as a positive statement about silver. And then I want to put this in there because just to remind us all, Adam Smith, whether you agree with him or not or read his book or not, labor was the first price, the original purchase money that was paid for all things. It was not by gold or by silver, but labor that all wealth of the world as originally purchased. Good reminder. What we really trade our labor for is, what? Money, fiat, barter, whatever. So banks are pretty good at dissing silver and the favoring gold and this has a history, a fairly long history.

One of the great metaphors about the change of silver to gold and I'll get to that at the end because I want to end this thing on a punch, but you know whether I pull it off or not remains to be determined and I freely admit that. But the Secret of Oz is a film by, Bill Still. I suggest you watch it, it's free on YouTube, just type in Secret of Oz, you'll find it. But it's really about the book, the Wizard of Oz and how it's a great metaphor for the bankers taking away the silver standard and putting us on the gold only standard.

And I'd go one step further that there's a great set of papers. One in particular on gold Eagle, I don't know if it exists anymore, but it's gold is one step from fiat and it's a very good dissertation on once you're on a one only standard, meaning gold only, that it isn't very hard to go from a gold cover clause to slightly gold backing to gold international only to what we did in the 30s under Roosevelt, where I would say it's confiscated, it was nationalized. You could get your ounces to the government and get $20 for them, which was the going rate at the time. And then once it was exchanged at the going rate, the rate was increased by 70 some percent to $35 an ounce. But back to this slide, The Secret of Oz, Oz is short for ounce, right?

And the real meaning of The Wizard of Oz. And it's fairly deep, but not that much. I mean, not to make a big issue out of this. I just want you to know that the yellow brick road represents the gold standard. A road that looks hopeful but leads nowhere. Now, I'm not sure I agree with that 100% if you look at 1801 to 1901 we primarily were on a bio metallic standard for most of that and bread costs the same for a hundred years. And how does that happen? Happens on the quantity of money. And I would say the quality of money as well, and also, as I said, is abbreviation for the measurement of precious metals in general, the land of Oz, of course, it leads to Washington DC as I've often referred to as a district of criminals. I'm apolitical. I think they're all less than honest and in most of their affairs, and in the book, of course, the slippers are silver and were made ruby in the movie because they had technicolor just come out.

Plus it kind of distorts the true meaning, when Dorothy clicked the silver slippers, it was a metaphor for going back to Kansas. There's a bigger metaphor for the silver standard and that was being taken away. So in those days before 1873 where silver was demonetized officially in the United States, anybody that was a miner or obtained silver through let's say barter. Say you were a farmer and you lived near a mining town and someone gave you silver, you could take that silver to the treasury and they would mint it into coins for you, so that's called honest money. Honest people making honest money and the bankers didn't like the people having the power of money and they went to gold standard. And that's what this book's really all about. That's what William Jennings Bryan fought for, was to try to wake people up and understand what would happen if they gave the bankers control of a mono metallic standard rather than to by-metallic standard.

So what is the most important fact about the gold silver ratio? Now I know you probably can't read this chart, but I did it up to remind me not to overlook it. This is on the silver doctor's website. It's also on the book Silver Bonanza, which is my friend Franklin Sanders. What this shows. You don't have to stare at it and read it. I just let her said, put it in as a reminder to me, but if you go into ancient Egypt, the ratio of separations about two and a half to one and then you go through Rome and you go through a lot of other things, but I want to point out this is like negative 25,00/2700 BC. It's two and a half to one varied in eight, seven, ten that type of thing. But every, all of it was under about 12 to one for thousands of years.

2500 years brings us to years zero. We're in 2020 so that's 4500 years approximately, so it's not like it's just been since the 1300s, which is this chart here, which shows you from the 1300s up until the 1500s I can't see it from here where we got the 15 to one, 16 to one ratio based on edict, based on this supposed to be this. It's law. That's what they exchange at and it's fixed, which it shouldn't be. The free market should be able to establish what the gold silver ratio is. So I want to pause here and make it really clear that we have over 4000 years of history that when silver is the same as gold, treated the same as gold, and it's exactly like gold, because it's money and that's all it is. It's not in your cell phones, it's not your laptops or on your flat screen TV or in your microwave, it's money.

When it is money, it trades at a much higher ratio and we have thousands of years on our side to make that point. Now, when it was demonetized in 1873 the ratio started to change. As you can see from that chart, it's gone as high as a hundred to one a couple of times. Remember, it's not treated as money anymore. It's treated as an industrial commodity, although some people think of it as money and legally it still is money. It's lawful legal tender issued by the U S mint and you could take a one ounce silver Liberty in the Walmart right now, put it on the counter. I don't know what you buy for a dollar these days, but let's say it's a pack of gum and `exchange that one ounce of silver for 89 cents and get change. Now anyone is stupid enough to give them $20 worth of fiat to do that.

I'd ask you to reconsider it, but nonetheless, it is legal tender. Its lawful money right now today, and you could use it that way. Again, who would? So let's think about this chart a little bit longer. We have like 4500 years where it trades as money, where it's about 16 and one or less, and now 1873 to present day is a little more than a hundred years. So out of 4500 years, or I say round numbers, 5000 years, we've only got a hundred years, a hundred years. I know that's a hundred years, but what I'm trying to convey is that it's a small part of the historical gold silver ratio, and it's for one reason only, it's not considered money.

This came out after Warren Buffet bought 129.7 million ounces of silver. I don't expect you to read the chart, but what it shows as the inflation adjusted prices, silver, if you go back in the early days, I think it's 1300 I can't see the chart from here. I have it, I should have a better memorized. But 1477 I think was the true today's dollars and this is issued in when they bought, I forget when it was early 2000s so it's could be readjusted slightly, but you got the idea. So silvers at in earlier times obviously was far more valuable than it is today. When you see that bottom where it got extremely low, that spike down, that's when Buffet bought. He's a value investor. He saw silver as true value and he couldn't buy a mining company because he'd put too much money in it had to buy the silver itself and he did.

So Silver's power is one, two, three money. That's when it has power. Central banks and gold central banks bought 224 tons of gold in the second quarter of this year. That's the 10 top gold holdings in the world. The United States purportedly still has over 8000 tons. I'm not sure. This is from my friend, Nick Barisheff that works in Canada, Bullion Management Group and see what happened here. He had a about roughly 300 million tons by central banks in the 90s and then it went down, down, down as they were selling, and then after the financial crisis in 2008 what happened? The banks started rebuilding their gold reserves. There might be a message there, although you're not going to hear it from a banker. Thank you, Steve St Angelo, he built me this chart and what you see here is the amount of ounces rather than the tons of gold held by central banks and the amount of silver.

I question whether silver's even that much, but Steve got it from both CPM Kitco and the Silver Institute. So I'll take his number and again, thank you. I think what's interesting here is what the value is. You've got 1.68 trillion in gold and you've got 1.6 billion in silver. So if silver retreated like gold as money and as a reserve and as a tier one asset, you'd have to take that 1.6 billion and multiply by 10 to get to 16 and then you have to multiply by 10 to get to 160 and then you have to multiply 10 to get to 1.6 trillion. So you'd have to take it by a thousand times, 1000 times to make it equal to gold. Now, do you see why the bankers demonetized it in 1873 they don't fear anything more than silver. They don't fear anything more than the people understanding money.

They don't fear anything more than a group of people that corner of the silver market, whether it'll happen or not, I don't know. But I have my opinion, and I'm running out of time. So this is a pitch for me. That's the code. Again, if you didn't write it down, take a quick look. I want to get this out because there are things more important than money. I have signed off every report I have ever written for the last 20 years with this, wishing you health above wealth, wisdom beyond knowledge. And this from the great Mahatma Gandhi who I greatly admire because of his being a pacifist and getting massive change accomplished by one man basically, something that obviously goes in the history books because it's seldom done. It is health, it is health that has real wealth and not pieces of gold and silver and I'd have to agree with that as I just commented on.

So this is a pitch for the report and this is something that just me and a few others are aware of. It's one of my, it's probably the best speculation I've seen in 40 years and it's not a mining company, it's a technology company. They are mining quote unquote mining from electronic waste. And if I told you what the grades were, you would laugh at me because they are so high. If you grind up circuit boards into fine powder like you do for a mining circuit and you use this process, that's patent pending, and the solution, the secret sauce, the solution, you get massive amounts and this is a very good illustration rather than seeing what the numbers are, I think you should look, you see a ton of gold and that's a really high grade gold mine versus what you get from the same ton of electronic waste and hardly anyone knows about this.

You know my letter is 50 bucks a year. Is it worth it? Well, probably worth a lot more than that, but I'm biased. I write it, along with several others. That's a quick look of what it looks like and there we go. So I'm done. I got a minute left. I'm not going to take questions, but I will move to the hall if you want to see me. I'll just be right out there. I know there's workshops to go to, have it your way. I'll just be available, but I want you to leave this room thinking about what I said and when I think is going to happen in this climate is there is going to be a dollar crisis, a currency crisis, everything that all the other speakers, not all but some of the other speakers talk about and when that happens there is going to be a run to gold like we've never had before and the reason for that is that we've never had a world currency collapse.

We've never had the reserve currency be in a situation where it wasn't trusted anymore. It's taking place as I speak. This bank repo market is much deeper and more concerning than most people realize. The banks aren't trusting each other and the whole system is based on confidence and it is a con game. I think most of you know that. So this run for gold will be phenomenal. It will go into history books and it's run to gold could take gold at a paper price of who knows?

I think 5000 is probably a minimum, but I'll be conservative and say three, the ones, when gold starts to run and the panic starts, it won't be the majority of the population. It'll be the 1% that know about it. Now, tripling it'll be 3% of the population, but that's tripling the amount of people that want to own gold and when that happens, there's going to be a lot of people that on the periphery that don't really know what's going on, but they fear their financial future and when gold is at 3000 as an example, it will be too expensive for a lot of people, but they still have something to save, so they'll move into the silver market and you saw what it takes the silver market to get to the gold market 1000 times the banks held it as a reserve.

Remember the strategic stockpile in silver really goes back to only 1986 where the silver Eagle started. But I'm getting a signal. I'm a little over. I'll be in the hallway. I hope you enjoyed the speech. I certainly love getting it out because this one's been burning in me for a long time.

The Next Big Thing(s) Panel

Nick Hodge (MC), Matthew Carr, Ross Gerber, Simon Moores

Albert Lu: And now at this point, I'd like to introduce the panelists for The Next Big Thing(s) Panel. So please welcome to the stage Matthew Carr of the Oxford Club, Ross Gerber of Gerber Kawasaki Wealth and Investment Management, Simon Moores of Benchmark Mineral Intelligence Limited and your moderator, Nick Hodge of The Outsider Club.

Ross Gerber: Thank you.

Nick Hodge: Big hand for the panel, but we're here to talk about the next big thing. We have experts in everything from, electric metal supply chain to wealth management, and the tech space and a generalist newsletter writer who covers all those things and everything in between. So, let's start with Matt, closest to me. What is the next big thing in your mind, one or two trends, give me a minute.

Matthew Carr: Well, one of the big things that we're focusing on over the next several years is cannabis. We see that as, just by 2024 about at $64 billion industry, by 2030 about a $200 billion industry. And here in the United States, as I was talking about in my presentation, this is an $80 billion market, just over the next 10 years. And that's going to be a very difficult market ... an interesting market. Let me rephrase that. An interesting market because it is so segmented. Every state that legalizes, you have to rebuild this infrastructure over and over and over again, until there's a change at the federal level. And then the other thing that we're focusing on right now is 5G. This is a big opportunity over the next five years, that we think has a very broad impacts for all of the fourth industrial revolution, AI, autonomous vehicles.

Nick Hodge: Cannabis, 5G, AI. Simon?

Simon Moores: Well as a publishing company for the lithium ion battery supply chain, I'm going to say anything tied to lithium ion batteries. I guess from an investing perspective, so we don't invest, we're not allowed to invest in companies, but we collect fundamental data from the mine all the way through to the lithium ion battery cell. Of course, what's driving this is primarily electric vehicles, but also energy storage, at your homes and also on a grid level. And the point I try and make is what raw materials are driven fundamentally by demand picture. Not by the supply dynamics, a mine shutting down, but actually what's a longterm demand driver that's going to be a real fundamental, that's going to change the landscape, not building one new lithium mine, but 10 new lithium mines, not the one new nickel sulfate plant or mine, but five of them.

And the reality is for me, the landscape for lithium ion batteries, the blueprint of these battery plants has to grow an order of magnitude in the next 10 years. So even just start scratching the surface for electric vehicles, none of this 100% electric, none of that, to even get to between 20, 25% EVs, you can need to completely change the landscape of what we have today. So fundamentally, lithium, graphite, cobalt, nickel and batteries.

Nick Hodge: And Ross?

Ross Gerber: Hi, my name is Ross Gerber. I manage money, about $950 million for thousands of clients, nationwide at my firm, Gerber Kawasaki, and we invest thematically, typically decades. We're at the end of a decade. So typically each decade has a theme that I think defines investing. In the last decade we saw social media, mobility, companies, whether it be Facebook and Uber, which didn't even exist basically 10 years ago, become dominant companies. So the next big thing, what is the next decade bring for us? And what are the major solutions that need to be solved or opportunities that are being created, for investors. And, I agree with the two other people here on the panel. First and foremost, we call it the climate change trade right now. Whether we like it or not, all across the world, we're all being affected by climate.

And there are solutions today that exist, but an entirely new infrastructure needs to be built. Over the last hundred years, we've functioned around what the Rockefellers and the Gettys created, in the Fords, building an industrial, oil based, transportation and energy system. But over the next 10 years and on forward, we're going to be converting that entire system into an electric based system, that will power us. And, it's not by choice actually. If you read the papers today, New Delhi, in India is so polluted that if you go outside for too long, you're basically going to die of cancer eventually. And that's not just there, that's in many major cities in the world, and whether it's rising sea levels and such.

So one of the first areas we're looking at is electrical infrastructure, EV cars, solar power, renewable energy, and many of the component makers to put this all in place. So that I think is one of the great opportunities over the next decade of investing in this future that will look very different than the current when it comes to transportation and energy.

Nick Hodge: So when are we going to see a tipping point? Because I got started in the newsletter business writing about clean tech in 2007. And I was reading all these glorious things, about how we were going to soon have solar roads and how we were soon going to have 50% of the world's power powered clean. And that was 12 or 13 years ago now. And I haven't seen it. In fact, I see things not working like they're dismantling the test solar road they put in France. So when are we going to see true mass adoption, a true ramp up of the electrification you're talking about?

Ross Gerber: I think it's happening now. One of the big investments we have is in a company called Tesla, which is what I think a lot of people know me for, because I'm one of the few people in the world who actually very much believes in this company and over look all the antics of Elon, for what they're actually doing. I think what you're saying is very true. A lot of times it takes some sort of event that's so extreme that people understand that they have to do something, versus this is really cool technology. Let's try it out. But it's not economic.

We're seeing an event right now. I just had to recently flee a fire again, this is two years in a row. I live in the Pacific Palisades in California. And if you live in California right now, almost anywhere in the state, you're either dealing with blackouts, or fear of losing your home. And it could be hurricanes here in the south, like New Orleans. This is one of my favorite cities. I actually considered it my Southern home-

Nick Hodge: And diesel power generators are doing very well.

Ross Gerber: Exactly. Because they have no choice. And diesel power generators are a nightmare to be honest, the pollution out of these things. But all of a sudden you have these battery packs you can put in, and they work amazingly well and solve a lot of problems for people. So this is happening now because of weather, because of pollution in cities. And there isn't choice anymore of whether we can make it work or not. It's that human beings who want to live a healthy life in a city are going to have to make decisions. And in California people are making this decision now. People get it because it's affecting everybody.

Nick Hodge: And my next question was actually about where does this start? Is it something that starts in urban centers and then expands, or does it stay focused on urban centers where the majority of the populations live. And I'll just give you an example. A couple of weeks ago, I drove 14 hours in my F-150 across Wyoming to go hunting. I didn't see a single charging station. I'm not sure I could have made it an electric car. So talk to me about how that works.

Ross Gerber: If you're going to have a big impact, you have to go where the most amount of people are who are polluting. And it's definitely not Wyoming. If you look at LA on a typical day, when I drive home, there are more people stuck around me than in the entire state of Wyoming, and they're all just burning gas going two miles per hour. So clearly the big cities is where you start and you've got to deal with infrastructure, which is the big thing. We're seeing a lot of gas stations now closing in LA and we're seeing charging stations putting in everywhere. And so that moves out to different cities on smaller levels as time goes on. Tesla for example, doesn't target Wyoming as their main market, because honestly they would be out of business. They need to sell a lot of cars. So they go to LA, and San Francisco, and Florida, they sell a lot of cars down there.

Nick Hodge: And Simon, what are you seeing, you travel the world, going to lithium mega factories, and gigafactories. Where are you seeing the most growth and where are you seeing, a government mandate to transition? I was reading this morning New Delhi, has banned at least temporarily, using your private cars. And I've heard in some cases China is outright confiscating internal combustion engines. What are you seeing, in your travels around the globe?

Simon Moores: Firstly, the tipping point has been crossed. It was crossed about three years ago for electric vehicles. The biggest challenge actually is the supply chain scaling up. There's a real world challenge to this trend that's already been set. So that's the first point. The second point, where does this start? You have to look at who's buying Tesla model 3s. It's people with money that want electric cars. It's not necessarily people that want the world to go green. They're buying cars because they're cool cars. They're better than the predecessors.

Nick Hodge: And you're saving money.

Simon Moores: Yeah, in the long term you're saving money. They still need to get cheaper, but you've got this excitement factor that's driving this Tesla Model 3 uptake. I don't think people are doing it necessarily on the economics yet. They will do, but they think it's a cool car. I want it. It's technology driven. So that's another factor actually, why people are buying these things. It's a technology choice over say the old, automotive vehicles. But these are in certain areas, these are in cities, these are in smaller countries where I live. I live in the UK, in London, and they're ideal for that, 350 miles on a full charge, is perfect-

Matthew Carr: And gas is three times as expensive.

Simon Moores: Yeah. The gas costs $8 a gallon, I don't know what it costs here, but quite a lot.

Ross Gerber: California, it's $4.

Simon Moores: Yeah, it's double the price. So the reality is that it starts there. Also on the government side, it's very clear, you've got noisy, dirty, diesel buses in cities. You go to New York city you see what I mean, you go to London, you see what I mean. In London now, something like 20% of the buses on the road are BYD, full electric vehicle buses. No one bats an eyelid, they don't even know they're electric. They're just quiet, clean. And that is another big driver of battery demand.

Nick Hodge: I asked my Uber driver in San Francisco earlier this week how much gas was it, he told me it was $5.5.

Matthew Carr: Where I'm out in DC, in Baltimore, Teslas are a very popular car. You see them more and more. We have a lot of showrooms, more charging stations everywhere. I agree that we've just hit a tipping point because when I started out in oil and gas, it was kind of funny at that time, there was this projection that, the United States was going to be the largest importer of liquified natural gas in the world because that's what we needed to supply our energy needs. Now we are looking to be one of the largest exporters of LNG in the world.

We also just gave away a Tesla, to one of our readers, but I think you're also seeing it on the retail side. And, this climate change stuff that Ross was hitting on. We had Adidas, they're now making shoes from ocean plastic. They've now sold over 11 million pairs. They have another shoe that's coming out, that's all made from one material, so that when you're done with those shoes, you take them back to a store and they are recycled and made into another pair of shoes.

Ross Gerber: I think going back into … what you're saying is so important, there's a big divide between older people and younger people. I'm gen X, so I'm in the middle, but my office is all millennials and if you've hung out with millennials, for any period of time, they're very, very different than us. As every generation is in a way. But one of the things is that they're very conscious about their decisions for what they buy, and how brands reflect their values.

Simon Moores: They're sensitive, right?

Ross Gerber: They're very price sensitive. They're the most price sensitive people I've ever seen, they're almost like the old ladies that lived through the great depression, who wouldn't spend any money for… when I started in the business 25 years ago, you'd see some of these really old people who would, still had money in their house, hidden. Millennials, it's the opposite, they're really just borrowing their parents' Netflix and cell phone bill, and health insurance, and it's not their fault, honestly. They're saddled with a ton of student debt, which is actually one of the biggest problems in America.

You're talking about healthcare, and such good student debt is actually a huge problem. But that being said, when they buy something, they think about that impact on the environment now. They think about how their friends and peers perceive what they're doing and what we all feel. The way I feel too, is I want to do something better than what I'm doing now. And I'm not like against oil per se. In fact, I supported oil development in the United States, many years ago because there was a national security issue to me. But if Saudi Arabia is trying to sell you stock in their oil wells, that's telling you something.

And if you buy this stuff, it's a mistake, because A, you're funding a horrible government, but B, if a Saudi Arabian person is selling you an oil well, turn and run, we have that saying, granted I'm Jewish so we're different a little bit, but I got a little laugh. We didn't get any oil for some reason, and I guess natural gas we found finally. US oil, and I generally liked that business years ago, but then we ran into this problem where they used to tell us there was a limited amount of oil and that's actually completely false. There's an unlimited amount of oil, and the fact we're paying so much for oil is purely a function of the Middle East needing to finance their businesses. And people get this now and they're like, "Why would I want to pay $4 for oil, that should really be $2, to be honest." Just to fund Iran, Saudi Arabia, and all these countries-

Nick Hodge: Right, they should buy electric cars to support child labor in the Congo.

Ross Gerber: Exactly. It's creating jobs. And, mining practices have issues as well. But I think you could say that about every business, whether it's McDonald's, or something else, you can find something you don't like about it.

Nick Hodge: Well, and that's my point. So you say millennials are conscious of this stuff and, I'm not so sure they are because they buy phones, or they want to buy electric cars, and this and that, but they have no idea the metals and minerals that are in those things, and the processes it takes to get those out of the ground. They couldn't tell you, they couldn't name one rare earth element. So, Simon, can you speak to that a little bit?

Simon Moores: Yes, it's a good point. Funny enough, I actually ... and this is a recent thing I've been thinking about this year, is that, I spoke at an event in the UK. It was a public event for electric vehicles. There was like 700 people in the audience, all general public from the UK, and Europe. And, probably 25% of the audience were under 30, I would say. And all the questions were coming from the younger part of the audience, and they wants to know, what the issue with lithium was, it takes a lot of water to make lithium. What about the cobalt situation in the DRC? They actually knew these raw materials were coming from potentially environmentally sensitive areas, and they cared about the supply chain for their vehicle. Now did you ever have that question, or these questions, and do you have them now with ICE vehicles?

No one cares about that. They don't care how it's made. They don't care what goes into it. They just care that it takes them 600 miles on a full tank. Those questions are happening, and actually it's adding further pressure onto the automotive OEMs to make the supply chains more transparent. So VW are absolutely terrified of Congo related cobalt. Tesla is terrified of Congo related cobalt. So this whole supply trend, transparency, we're going through this issue at the moment. It's going to take probably 10 years for the industry to get comfortable with it, and they're going to have to pay a premium. So what that means is, mines in the US, whether it's cobalt, or lithium, they're coming back into play.

Ross Gerber: Yeah, I just saw that the other day that they're taking a mine in the US, and now they're going to try to get lithium out of all the extra, I just read that somewhere.

Simon Moores: There's two lithium companies here. Piedmont Lithium, based in the US here, they're trying to go mine and chemical plant, very interesting company. So track them down in the other room. Now, you've got Neo lithium in South America, as well, there are options. From a cobalt perspective, Glencore just lend the money to First Cobalt to build a cobalt refinery in the US, and that's the reason there is transparency. Well we can bring our raw material in from abroad, or get it from the US, but as long as our automotive companies know how we're refining it, then we can send it to the big boys.

Nick Hodge: Didn't Elon Musk say he was going to source only from North America, and then immediately retreat on that promise? Because, these guys, they understand how to make cars, and he understands engineering, but he doesn't understand the cycle and the permitting process, and the length of time to get a mine online, which everybody seems to underestimate.

Simon Moores: That's a good point.

Ross Gerber: And, they're looking at solutions now specifically because of that. It isn't so easy to source all these things the way you want to.

Matthew Carr: I visited lithium refining, a recycling company a couple of years ago down in Texas where they were just pulling all the lithium out of smartphones and anything else. Other pieces of electronic they can find out.

Ross Gerber: But also it takes illumination of these things, and that's what the internet in Twitter is so good about, to get change in industries of … these aren't unacceptable practices, and for that matter, the same problem with the gig economy, and Uber drivers, which I think there's some pretty unacceptable labor practices going on there. I do think that, that is the development of a lot of industries where you start off with some questionable things that go on, whether it's in diamond mining, or any of these things. And then, you bring it to light and hopefully you get better standards across the world, which I think is going to happen.

Simon Moores: So I'll walk you through the thought process of an automotive company coming into the supply chain for electric vehicles and batteries. So literally they say, "We want to make 25 million electric vehicles." Then they instantly go, "How many batteries are we going to need." And that's it. Then they go, "Oh, there's not enough battery capacity because we need 10 times the amount of batteries that the world can produce today."

Ross Gerber: That's the biggest problem. There is not enough battery capacity. LG Chem, pretty much every car company orders from LG Chem except for Tesla, and Tesla just keeps building battery factories because they're in the future, the way they're thinking is they're going to be the biggest supplier of battery, they already are. But they're going to be the dominant supplier of batteries. And that's what a lot of people don't understand with Tesla, because they're spending too much time reading all the headlines and all this stuff, then they're cornering the battery market.

Simon Moores: Well then they go, there's not have batteries. So we have to build a battery plants, or we have to go and get the raw materials. And what are the raw materials? Lithium and nickel are the ones that are scared about the most, by far.

Ross Gerber: And can't really just change that either. It's not easy to just change that.

Simon Moores: Yeah, For example, with nickel, it's not the 2 million ton industry of that's going into stainless steel. It's nickel chemical, nickel sulfate, and so you have to not just look at the nickel market. You have to look at where are these nickel sulfate plants being built, the same with lithium as well, where and not just the lithium mines, but the lithium carbonate hydroxide plants being built, that the battery guys can use. So at the moment, we're at a stage now with the major automotive OEMs, where they know the battery story, they know the raw material story, but they're trying to work out where do we play in the supply chain to basically control the supply chain for the 21st century.

And I think what you're going to find is, there's going to be a downstream fight between the battery makers, and the automotive OEMs because, one is going to try and get into each other's industry, and that that's where the battle is going to be. Upstream it's going to be more balanced with big commodity miners like Rio Tinto or BHP, partnering or acquiring chemical makers. And that's the upstream part.

Nick Hodge: Matt, we're in danger of making this an electric vehicle panel. So I want to pivot just a little bit. You cover other things that are tech, and I think all these things are related. Because if you think about the phone in your pocket, or the Uber app on your phone, or your driverless car that has sensors that is sending the data into the cloud, or to a data center, what are some of the plays you look at on the tech side of things?

Matthew Carr: Well, right now we do look at, starting with just 5G. 5G is going to bring around what we look for in the entire fourth industrial revolution, which that's going to be robots, autonomous vehicles, machine learning, AI, all of the entire internet of things. When we go out we're looking at that, we're looking at … just from 5G, that's a $250 billion opportunity by 2025, but that webs its way into all parts of our economy. We're looking at, let's say cloud computing, which is just starting to take off over in China. That's a $300 billion opportunity. Alibaba is trying to really take control of that market, the same as Amazon has done here, in the United States.

Amazon, If you use Facebook and it's AWS. If you use Netflix, that's AWS. If you use pretty much any publishing, or internet service that's going to be required to use AWS. These are the trends that we're really focused on just over the next few years on that tech side, and trying to find maybe not like a Nokia, like a handset maker. But more of the chip makers on the backside.

Nick Hodge: How about data centers?

Matthew Carr: Data centers? We do look at ... there's some REITS for that. Real estate investment threads. Those were always good. We look at the same thing for, let's say, cannabis, one of our favorite plays in cannabis is innovative industrial properties just because that's another real estate-

Ross Gerber: Yeah, we own that stock.

Matthew Carr: Yeah. It's like a great dividend paying cannabis company that is just buying up properties and converting it into grow houses. Because, the environment in the United States to grow cannabis isn't optimal. So you have to go inside. So same thing for data centers on that side, they're real estate investment trusts that we look at.

Nick Hodge: Let's go to cannabis now, because it's one of the big trends we were talking about backstage, and all three of you are at least interested in it, right?

Ross Gerber: We're invested in it.

Nick Hodge: Right. So where are we in the cannabis cycle or cycles? All the stocks are all 50% this year. It's like the fourth or fifth boom and bust we've had. Is it real, do we need the US to legalize before it becomes real? Or what are the big things you're seeing in the cannabis space?

Matthew Carr: I do believe it's a bottom ... as I talked about the other day. This is our fifth bear market in the last three years. This is by far the longest and steepest. A lot of that has to do with some of the problems that were taking place in Canada with … those companies are the biggest blue chip leading edge. The losses were being reported from Canopy, Tilray, and Aurora, and Atria, HEXO. And then you had, Bruce Linton, the CEO of Canopy, who was also like pretty much the poster child for the industry.

Nick Hodge: Forced out.

Matthew Carr: Yeah, booted out. And then of course, the CannTrust issues. Those scandals, which, I've talked about before, these were just like such idiotic moves, CannTrust, all the rooms that it was found to be illegally growing product in, it had licenses, applications in for. So, it had grown from October to March in these rooms. All those rooms were approved. There was applications approved in April. And so then it comes out that they had tried to get out in front of this application. They knew they were going to get approved. They were trying to make sure there wasn't going to be a shortage, and just stupidly, stupidly got busted.

So in the Canadian market, you have the big seven, what I would focus on, Atria, Aurora Cannabis, Canopy, HEXO, Tilray, those Organagram. Those are the companies that are going to be a big market. In the US it's very interesting because it's fragmented. So you can go out, and you can target companies that are focusing just on California, target companies that just focus on Las Vegas, Florida, which is a big market.

Nick Hodge: I think HEXO is quite cheap and has a very good shot at dominating the beverage side of the things with the partnership they have with Coors. Ross, let's talk about the next iteration of the cannabis market because it's started off as a medical thing, and then we went to the THC side of things as Canada legalized, and now we have a vaporizer scare in the entire US, so what's next in your mind as far as segmentation of the cannabis market. Is it going to be extraction technologies that we want to invest in? Is it going to be CBD, or is the answer yes?

Ross Gerber: Cannabis is one of the most unique opportunities I've seen in my investment career. Because you're talking about a product that a lot of people have used for some time that's always been illegal, for whatever reason, and now all of a sudden it's legal. Like in States like California and for recreational use, and the players that have gotten involved, they've gone from mom and pop, to corporate overnight. And the amount of money that's gone in venture capital, private money, family office money, is enormous into these companies that are now billion dollar plus companies. And you really have two markets. You have the Canadian market where it's federally legal, and this is a huge opportunity right now because cannabis stocks have gone down substantially.

And the idea of being a stock investor is buy low, and sell high. And I say this all the time because buying low is really hard. It's really hard to do because it's when things are down. And so you might feel dumb for a little bit when you buy low, and it goes lower, because it always will. So we do a strategy called dollar cost averaging. But if you look at Canada, is going to be legalizing edibles and vape pens, now what they call cannabis 2.0 in Canada. And that starts right now. So I think in the next month or two. Right now in Canada, you can only buy what they call flower. And this is a huge opportunity because a lot of businesses going through vape pens, and going through edibles, and also medicinal uses of CBD, and other products, but the amount of products that are being produced for medical use, and the amount of research being done on the plant itself, some pretty cool stuff is being discovered.

Not that it's a miracle drug, because I don't think it is, but it has a lot of benefits that are minor benefits, but benefits that people can have. For example, reducing stress and sleep. But I think conceptually with alcohol and tobacco being legal things and the election being in a year [crosstalk 00:28:05]

Nick Hodge: They kill many more millions of people than cannabis ever has or will.

Ross Gerber: It's a global product too, but we have an election in a year and cannabis is going to be a big topic. The Democrats have already come out and said, "We're going to legalize." And the Republicans would be smart to say the same thing, and they've got a lot of money in this too right now. And especially States down here in the South that are growing States. It's really a mistake to lose out on the potential business for a CBD, hemp, and cannabis, which southern states are now legalizing as well, in medical.

So the companies that we like the most in this space are the most corporate players because there's a lot of shady players in this space. And I think that's the challenge with cannabis companies. So you mentioned IIPR, that stock recently has come down a lot, and it pays a nice dividend, but they're a real estate company. They just own the real estate that the cannabis companies are renting. Now imagine if you could buy a building and your tenant would pay you a 14% cap rate. 14% on your money. That's what you pay when you're renting a cannabis space from IIPR. And a lot of the facilities were owned originally by the cannabis companies because they had to own them just to get the space. And now they're selling it to IIPR, taking that cash and paying a 10, 12, 14% rent.

So this is an awesome opportunity because most real estate in California, you buy an apartment building, you're lucky to make 3% to 4%. And that's most real estate today in the major cities. So, that's an opportunity. And then opportunity in Canada, we like as a company called Kronos, which unfortunately is hooked up with Philip Morris, but that's the play, is that Philip Morris and the cigarette companies are going to be in cannabis, they are in cannabis, and they're going to be in it, in a big way, and they'll probably take out Kronos eventually. And then a company in Canada, which is lab and extraction, it's called Valens GroWorks. This is a small cap, very well run company, but they do extraction. So the vape pen thing we've been doing a lot of research in is much overblown.

And this is a byproduct of the illegal vaping market. There is a huge underground illegal market for vape pens, not just cannabis but, tobacco and nicotine ones too, and they're just cheaper pens, and they're just not done right. And so, unfortunately a lot of people are getting sick from this, and this is a big plus for the legalization side because it's so highly regulated. So as much as it's a negative right now from the health perspective, it's a huge opportunity from the legal perspective, because legal vape pens being done correctly, cost more, but they're not harmful. They're actually more beneficial than smoking. So, I think that's going to work itself out in the next couple of months.

Simon Moores: And they're all battery powered.

Matthew Carr: They are battery powered. They have lithium. And the Canadian companies are also the exposure to the international markets. Because, they're allowed to export and move into other countries. The Colombian ones, Kyron, pharmacy yellow, those are the only [crosstalk 00:31:09]

Ross Gerber: Yeah, Kronos has a facility in Israel. They have a facility like Germany. It's a global market.

Matthew Carr: Yeah, the US companies are the ones that are still blocked out of that international trade because the federal-

Ross Gerber: But if they federally changed the laws, which is what we think will happen in the next year or two, these cannabis stocks will go up tremendously, just tremendously [crosstalk 00:31:31]

Nick Hodge: Sorry to cut you off. I think the next big thing in cannabis is already here. You mentioned cannabis 2.0 but I think we're on the verge of 3.0 and I think that could line up very nicely with US becoming, and LeapFrog in Canada, is the dominant player in the cannabis space. And what I'm talking about is microdosing and gel capsules. Because why would you smoke flower, or why would you inhale a vapor if you could just take your capsule three times a day, which is very fast where I think this market is going. And I'll give you an example. In markets that were legalized in the United States, Washington state, and Oregon, and Colorado, et cetera, after they've been legal for three years, they go from nearly a hundred percent flower cannabis smoking to 50% vaporizer.

Very fast to oils. And so you need those oils for the edibles and then they go to edibles. And soon it's just going to be the gel cap. Because why do you have to eat a brownie if you can just take your Advil in the morning. So Simon, one of the things you're talking about is pricing. Because you're a data guy. You want to talk about how you're viewing the cannabis market.

Simon Moores: Oh yeah. I was going to say, I think Ross has done extensive firsthand research.

Ross Gerber: I tried to try all the products we invest in. And we own alcohol companies too.

Simon Moores: Before I get on the data side of it, Matt, if you like weed why don't you invest in Doritos and [crosstalk 00:32:48]

Ross Gerber: And I drive a Tesla.

Matthew Carr: And Simon is right. You've seen in states that have legalized cannabis for adult use or recreational use, those sales of sugary and salty snacks are increasing at a faster rate than they are in states that have not. This is the first data that just came out of-

Ross Gerber: My children's snack disappear.

Matthew Carr: It's like pizza and chips.

Simon Moores: And just a point on the data side, the reason I did look into cannabis, as a market to cover from an independent data perspective, about two years ago, and the reason I did it is the same reason for, or similar reasons for lithium batteries. And that's when you've got this mega trend. There's only one direction really for cannabis and for lithium ion batteries. You can't predict the rates of growth, but you do know it's heading up. You've just got to, as investors, predict the short to medium term ups and downs, and supply and demand dynamics.

But if you've got that trend that's only going in one direction, and you've got an industry that essentially is retail driven, lots of small startup companies trying to find their place. Once you get through that first phase of craziness chaos, which Lithium's gone through twice now, which Cannabis has gone through once, you then start getting into a formal industry that has structure, that has bigger players coming into it. Lithium I would say is a phase, or two phases ahead of where cannabis is. Lithium in 2010 is like cannabis now. And Lithium's next stage is Rio Tinto, or someone big getting into it.

	And that's when you get this really big corporate, and I think Cannabis, five years and you'll probably have the big cigarette companies [crosstalk 00:34:25]
Ross Gerber:	But I think it'll be sooner, It's just about mentality. In my firm, we're ACC registered, and federally oversight and we'd literally cannot do business with people who are in the cannabis industry at all. We can't like do their IRA in a mutual fund even.
Simon Moores:	So, one question, what's the biggest blocker of cannabis, of people not investing in cannabis, the industry growing.
Ross Gerber:	It's institutional. Institutional investors will not buy these stocks right now. They're not allowed. That's part of the play too. If you invest in cannabis now, and you know that Wall Street is not in this because they literally just can't, not because they don't want to, but because they can't.
Simon Moores:	Is it too risky or?
Ross Gerber:	Their federal law. If you deal with a compliance officer at a wall street firm, and you say, "I want to buy some small cap cannabis stocks for my clients." They'll fire you. They're like, "You're not allowed to do this. It's federally illegal." And, I'm not with a broker dealer anymore. I'm a pure RIA simply because FINRA and the broker dealers are so scared of even talking about cannabis because there's still this taboo that exists on a big level, that it's a drug, and it's a drug like heroin and it's just not, as opioid actually are basically illegal, and sold and killing tons of people. So, knowing that the institutions aren't in this game at all, literally presidents of major cannabis companies call me up. They're like, "Please talk to me because nobody will talk to me at all." And I'm like, "I'll talk to you." And we have lovely conversations and there's a huge opportunity, and as soon as Wall Street is allowed to get into this business, they will be in this business. There are so many jobs being created. You mentioned Florida. Florida is expanding like crazy right now in cannabis, and there are so many high paying jobs being created in cannabis. It's insane. And so, in California now, it's like a lot of people work in this industry, from farmers all the way through to retail, and they're buying up retail space. Malls are closing, they're opening up cannabis stores.
Matthew Carr:	Seventh Sense, they're growing, has all those deals with the big major mall operating reeds to go out and open more CBD shops. You have bud tenders, those are jobs are paying $15 an hour.
Ross Gerber:	Oh, at least.
Matthew Carr:	It's much higher than the minimum wage. And if you're a grower, it's easy six figures.
Ross Gerber:	Oh yeah. I'll give you some margins for you. You can grow cannabis and pretty much sell it for $1.50 a gram now. And you can sell it for six to $15 a gram set retail. So if you think about how many businesses can you walk into with a three,

four, 500% profit margin, there aren't many. If any, Microsoft software is a 90% profit margin, that works pretty good. And we own a ton of Microsoft and recommend that stock. Not that that's new, but there's such high margins in the business with scale and that's also why there's opportunities. So you've got legalization, you've got institutional investors that'll jump in, right now if you sell $30 million of cannabis over the course of a few months in California, you literally have that cash. Brinks actually is doing really well. I don't know if you know this stock, because they're literally like trucking money around, back and forth all day long, all day long.

There was just a robbery actually, a big robbery in a cannabis place because it's all cash and it's going to change, Safe Baking Act passed the house and so you're ahead of the curve maybe a year. But if you're patient, the returns will be in the hundreds of percent. Of course there's huge amount of risk involved with all investments. That's as my disclaimer.

Nick Hodge: I think it's still very early days in the cannabis-

Ross Gerber: It's inning one, top of the inning.

Nick Hodge: So let's talk about the last sector I wanted to touch on. And it's interesting that we have two minutes left, and we haven't even gotten this. And then nobody has mentioned cryptocurrencies as one of the next big things. Are cryptocurrencies still a thing? Are they going to be a thing, or are we off that now, where we're back on the gold?

Matthew Carr: I think cryptocurrencies still are a thing here. You see Bitcoin has really rallied this year, especially after president G's comments. I think Blockchain is still probably the most powerful part in all of that. Coca-Cola and SAP just announced a big, huge deal to use Blockchain for their supply chain. For me, that's the biggest upside, is the Blockchain technology.

Nick Hodge: Simon, do you look at the crypto space at all?

Simon Moores: I did a year ago. Actually, funny enough because I liked the principle of it, a decentralized currency. The problem for me was it was just a bit of a proverbial shit show.

Matthew Carr: It was like a thousand cryptocurrencies out of nowhere. And you can just create them out of thin air. Where's the value?

Simon Moores: Where do you go? Yeah. And so again, that like weed, and like lithium was 10 years ago and weed is maybe five years ago, and crypto is now, it's you wait for a formalization of the industry in some form. As soon as that crystallizes, and you start getting bigger banks involved in a form of crypto currency, then that's when I think, okay, we have a real industry now. And I don't think we're that far away from crypto. Maybe next two years that will happen. I've heard, I haven't extensively researched it, but you think that's going to happen at some point in the next a year and a half, two years.

Nick Hodge: And Ross?

Ross Gerber: Yeah, I like to say I'm lucky enough and unlucky enough to be involved with crypto and I have been from early on, thanks to a friend of mine who was one of the founders of Bitcoin, and fortunately it made me a decent amount of money. But like recently I was hacked. And I don't know if you know that, but they can take your SIM on your cell phone and by the way, you should block your SIM on your cell phone because if they take your SIM from your cell phone, and take your phone number, they can hack into every account you have within five minutes. And, there are teams of people doing this. So they go right after cryptocurrencies, and they try to hack into all my crypto accounts and steal money. And fortunately, I had enough security measures and such to thwart it, but it was a nightmare.

It's like a nightmare. So, cryptocurrencies, the biggest problem isn't the cryptocurrency itself. It's the exchanges, the lack of security, the lack of accountability, the lack of basically insurance to protect you.

Nick Hodge: So gold then.

Ross Gerber: Gold is a much safer asset for sure. But I think there's an advantage to cryptocurrency because it's untrackable, and it's on your phone and it's totally mobile, and then there's the disadvantage of it makes you a target for theft and blackmail. Because that's actually what they were looking for, is stuff to blackmail me with, which fortunately I don't have anything. Thank God.

Simon Moores: One final point. The one thing I would look at when I look at all of these industries, batteries, crypto, and so on, is I map out the supply chain. So actually from the upstream, to the end consumer, then map out every player in that chain then work out what is the hardest thing to do, across that chain, where is the barrier of entry most highest and invest in those companies. And that's what I would do.

Nick Hodge: And ladies and gentlemen, they told you lots about the next big things in their minds, from cannabis to, cloud computing, to energy metals. So give the panel a round of a hand. They give you a lot of company names as well.

Simon Moores: Good.

Ross Gerber: Thank you.

Chris Powell
"Gold Market Manipulation Update"

Robert Helms: All right. Our next speaker is Mr. Chris Powell. He is a political columnist from the Journal Enquirer, a daily newspaper in Manchester, Connecticut where he has worked since graduating from high school in 1967. He was the managing editor from 1974 until 2018. Now his column is published in newspapers throughout

Connecticut and he is a frequent guest on radio and television programs in the area. He is also secretary/treasurer of the Gold Anti-trust Action Committee Incorporated, which as you may know is a nonprofit organization founded in 1999 to both expose and oppose the manipulation of the gold markets and related markets. He is a member of the board of directors of the Connecticut council on freedom of information and was its legislative chairman for many years. His talk is on the gold market manipulation update. Please welcome Mr. Chris Powell.

Chris Powell: Thank you, Bob. Since we gathered here a year ago, the gold and silver markets feel much stronger. The Central Bank instigated smash downs that used to depress prices for weeks or even months are failing to keep prices down for more than a few days. The gold futures market and the New York Commodities Exchange is operating very differently now. Most contracts seeking delivery are now being converted through a rarely used mechanism called exchanges for physicals whereby they are settled somewhere off the exchange, apparently in London. Until recently, the exchange for physicals mechanism was said to be used only in emergencies. Now it seems that everything is an emergency. The implication here is that there is little or no gold available immediately in COMEX faults, whatever it means, there's a huge change here. The exchanges for physicals seem to be rolled over in London every two weeks to escape ordinary reporting requirements. This implies that the sellers are trying to hide something. Of course, that the powers in the gold market are trying to hide things is not new, but that they are using new mechanisms of concealment suggests that they are under greater strain. Of course, central banks, if you believe their announcements have turned into big net buyers of gold in the last couple of years and have let the European central banks longstanding regulatory framework for gold sales expire.

That is central banks are not selling much of any gold anymore and sales and leases of central bank gold long have provided a big part of supply. The bank for international settlements is the major broker for central bank gold trades and for decades has been heavily involved with trading, leasing, and swapping gold and trading its derivatives, though you can discover this only by looking closely at the footnotes and the bank's monthly reports. But the bank's recent monthly reports, which by the way are monitored apparently only by GATA consultant Robert Lamborn and nobody else in the world looks at them show a sharp decline in the banks gold trading. Many central banks and President Trump himself are clamoring to devalue their currencies. Many European government and private sector bonds are carrying negative interest rates, which suggests that the world financial system has gone crazy. Negative interest rates essentially proclaim that government issued money is hardly worth anything anymore except for paying taxes. That money is free, suggesting that some disaster is brewing in the world financial system. In the last few weeks, the Federal Reserve Bank of New York has announced plans to create 700 billion or more and created and distributed to investment banks for supporting the stock bond and derivative markets. The New York Fed has acknowledged receipt of GATA's freedom of information requests for an accounting of the recipients of this money, but has failed to provide an answer. But at least one sovereign power, probably the United States, still has been trying to contain the gold price. While the strength in the gold and silver markets suggests that at least one sovereign power simultaneously has been acquiring whatever physical, gold, and silver are available, especially in London.

Swiss gold export data recently showed a reversal of the normal flow of gold out of London to Swiss refineries and onward to Asia. Instead gold lately has been flowing back to London, its off take there has increased greatly. Such developments may be expected as the United States slightly has been weaponizing the dollar in foreign affairs and imposing economic sanctions on any country that crosses the United States in foreign policy. Lately there have been serious defections from the dollar system and the defectors may have nowhere to go except to gold, but as much as central banks and President Trump want to devalue, they may want to devalue only against each other, not against gold. Since if devaluing against gold is done gradually rather than suddenly as in an international currency evaluation, devaluation risks prompting a flight out of currencies, bonds, and equities, and into the monetary metals. That is devaluing against gold gradually rather than suddenly risks a comprehensive market crash, but devaluing against gold suddenly makes it too late for investors to switch positions

Indictments, convictions, and fines against investment banks and their traders for manipulating the monetary metals futures markets are becoming almost too numerous to track. The U.S. Justice department has obtained convictions and confessions from two former monetary metals traders at JP Morgan Chase, has indicted three more including the former head of the banks metals desk. The justice department has even called the J P Morgan metals desk a criminal organization and alleges that Morgan inherited its spoofing tactics in the metals markets from its takeover of Bear Stearns as silver market rigging critic Ted Butler long has maintained. That is the Justice Department alleges that manipulation in the monetary metals futures markets has been going on for many, many years. Other banks that recently have been incriminated or have confessed include Morgan Stanley, Mitsubishi, Merrill Lynch, and of course Deutsche Bank. As big as these investment banks are, they often act as brokers for governments and GATA is more interested in exposing what governments are doing in the markets, particularly the monetary metals markets. In this respect three simple documents remain dispositive of the monetary metals market rigging issue and indeed dispositive of the issue of the rigging of all markets.

The first document describes the central bank incentive program maintained by CME group, operator of the major futures exchanges in the United States. That is the futures exchange operator offers volume trading discounts to governments and central banks for the surreptitious trading of all major futures markets in the United States. Not just the gold and silver futures markets, but all major futures markets in the United States. As far as GATA can determine, no mainstream financial news organization has ever reported that governments and central banks are surreptitiously trading U.S. futures markets and getting trading discounts for doing so. Though GATA has alerted many news organizations about this. This document is posted as a CME group's internet site and is referenced in the CME group's filings with the U.S. Securities and Exchange Commission and Commodity Futures Trading Commission. This document is not mere conspiracy theory. It is conspiracy fact. CME group conspires with governments and central banks to assist their secret futures trading.

The second document is the letter sent in July, 2018 treasury secretary Steven Mnuchin and federal reserve board chairman Jerome Powell by U.S. Representative Alex Mooney, Republican of West Virginia, asking them to identify which markets the U.S. government is trading in to explain to us government records that suggest secret transactions in gold and to explain U.S. Government policy toward gold, generally. Neither the Fed nor the treasury have replied to Representative Mooney here. The third document is the letter sent by Representative Mooney in February of this year to the Commodity Futures Trading Commission asking whether the commission has enforcement jurisdiction over manipulative trading by the U.S. government or brokers acting for the government or whether such manipulative trading by the government or by its brokers is authorized by the Gold Reserve Act of 1934 which established the treasury department's exchange stabilization fund. The CFTC also has failed to reply to Representative Mooney here.

Mooney's letters to the Treasury Fed and CFTC repeat questions GATA long has put to those agencies without getting a response. Since the Treasury, Fed and CFTC refuse to answer the questions of a member of Congress about whether the U.S. Government is surreptitiously manipulating markets, I think you can guess where the truth lies. That is you can guess where the truth lies if you're not a mainstream financial news organization or a market analyst who would like to continue being quoted by mainstream financial news organizations. With negative interest rates, near infinite creation of government money and greatly increased off-take of gold and silver in the fiscal markets, today's circumstances might seem hugely favorable to the monetary metals. Since there is now division among central banks in regard to gold with many central banks acquiring it instead of selling it or leasing it to suppress its price. Today's circumstances may resemble those of the last months of the London Gold Pool in late 1967 and early 1968.

Back then, the gold that major central banks were prepared to lose from their reserves in an effort to support their own currencies and particularly the U.S. dollar, the world reserve currency, ran out. The United States having lost two thirds of its gold reserves and maintaining the pool, had to ask the British government to close the pool abruptly, whereupon the gold price began rising substantially until a new mechanism of price suppression was created in 1974, the Gold Futures Market. Lest you have any doubts about the price suppressive purpose of modern futures markets, please read the cables sent from the deputy chief of staff of the U.S. Embassy in London to the state department of Washington in December 1974, it's been posted by WikiLeaks. The cable reported that London bullion dealers expected that the imminent creation of a gold futures market in the United States would allow bullion banks to inject so much volatility into the gold market as to scare ordinary investors away from gold as an investment.

Little has changed since then about the government instigated objective of futures markets. A few days ago, Christopher Giancarlo, the former chairman of the Commodity Futures Trading Commission, the very CFTC chairman to whom representative Mooney wrote in February asking if the commission has jurisdiction over market manipulation by U.S. Government agencies or brokers, made a sensational revelation. Giancarlo admitted that the U.S. Government facilitated creation of a futures market in Bitcoin two years ago precisely to knock down the Cryptocurrency's price. That was when Bitcoin was starting to compete with the dollar and other financial assets.

Yes, the age of infinite money would seem very promising for the monetary metal. The other day, even the central bank of the Netherlands called gold quote, "the perfect piggy bank," and the basis for rebuilding the financial system. Those who would invest in the monetary metals and their miners should remember something not as encouraging. That is the success of a system of infinite money requires infinite gold, silver and commodity price suppression to help control currency devaluation or conceal currency devaluation and keep people within the system.

Now we are in a system of modern monetary theory already and we have been there for decades. You can't have modern monetary theory in operation unless you have commodity price suppression, which we have through the futures markets. There is nothing unusual or crazy about MMT. We have it. We have been operating under it for many years, but it requires the rigging of the futures markets, particularly the commodity futures markets. Market rigging governments and central banks are not going to give up easily and their power to create infinite money and disperse it secretly, great as it is, is not even their greatest power.

No. The greatest power of market rigging governments and central banks is their ability to intimidate news organizations and market analysts out of investigating what governments are doing in the markets and telling the truth about it. If the truth of these market interventions was ever reported, the markets might be very different. They might become actual markets again. GATA Chairman, Bill Murphy and I will hold a workshop tonight at 8:20 in the Churchill room upstairs, you are all invited. If you'd like more information about GATA please write to me at this address here on the screen, CPowell@GATA.org. We would be very happy to try to look up anything you need. I guess we've got a few minutes here if anybody's got questions, I'd be glad to try to take some. Sir?

Speaker 2: The futures of markets or the future of mechanisms seems like a relatively [inaudible 00:15:01]. It seems like over and over a year ago we lost a lot of supply and demand. How does the futures in general [inaudible 00:15:12].

Chris Powell: When governments, creators of infinite money, intervene in the futures markets through intermediary brokers, they control the price because the futures markets are largely paper markets. Now, most purchasers of futures contracts and not taking delivery, they're just speculating on price. Well, the government can beat anybody in speculating on price in what's essentially a paper market. No, you can't compete with government. The government creates infinite money,

	can drive prices up or down. It will and scare you out, make you run out of capital long before the government runs out of capital. Anybody else? Oh, over here, sir.
Speaker 3:	I'm wondering if the authorities are going after the right people in this manipulation process or just [inaudible].
Chris Powell:	The question is are these government prosecutions going after the real party and interests of the rigging in the market or are they just going after a lower level people to make scapegoats? That is a very good question. Something that puzzles us because we think the real party and interest in the Commodity Futures regain is government operating through the big investment banks. I've been very puzzled by the government prosecutions of the Morgan traders because Morgan is a primary dealer in U.S. Government securities and it is a major player in the metals markets. Both its current CEO, Jamie Diamond and its former head of his metals desk Rife Masters were on record as saying Morgan does not have any proprietary position in the metals markets, that it was trading the metals markets only for clients. Of course nobody ever asked, you know, if those clients include governments. I don't know what the Justice Department is really doing here because I think the Morgan traders have as much dirt on the government as the government has on the Morgan traders. We're just going to have to wait and see. Anybody else. It's hard for me to see up here, sir.
Speaker 5	Yes, the gold price without suppression, what do you feel that would be today if there was no suppression in the market by a government store or large companies? Also how could the U S pull this off and go to world market?
Chris Powell	Gold is a world market, but it's a market that's dominated by central banks, not just by the United States central bank but other central banks. I'm pretty sure that they're all in this together. Even Russia and China and the other banks that are buying gold. What would the price be if there was no intervention, price suppression? I hate to price predictions and I think the best I can do is point out a couple of assertions made by futures market experts. A few years ago, Jeff Christian of a CPM group, a metals consultancy, told the Commodity Futures Trading Commission that the leverage in the monetary metals futures markets approached a hundred to one. That is that there was only one ounce of real metal backing a 100 ounces being traded. The Reserve Bank of India did a study a couple of years ago and estimated the ratio of real metal to traded metal at 92 to one. What is the gold price? If the world ever discovers that, say 90% of the gold it thinks that it owns a is an illusion, that it doesn't exist. I think it will be substantially higher. Anyway tonight folks, we'd like to see you at 8:20 in the Churchill room and thanks for your kind attention

Robert Prechter

"Metals, Commodities And Interest Rates"

Albert Lu:	Our next speaker is Robert Prechter of Elliott Wave International. Mr Prechter's 1978 book, Elliott Wave Principle, forecast a 1920's-style stock market boom. His

2002 title Conquer the Crash, predicted the global debt crisis. His firm Elliott Wave International, forecast stocks, commodities and currencies from intraday to longterm. Prechter has co-authored academic papers on financial theory and predicting election outcomes, which you can access at ssrn.com. Read more at www.robertprechter.com. His talk today is metals, commodities, and interest rates. Please welcome Robert Prechter to the stage.

Robert Prechter: Morning. Thanks for joining me today. We've got a lot of ground to cover in a short period of time, so let's get started. If I can get this thing to advance. There we go. We're going to start with an overview of the stock market because the basic question we're going to try to answer is should you be investing in the stock market today? This chart right here is one of the most important ones I can show you right now. It shows a tremendous discrepancy between the S&P 500 and the underlying profits of the companies in the S&P 500.

Now, if you look at the first circle toward the middle of the chart, you'll see one time in the past when the S&P was way above the profits line. That was in late 1999, early 2000 and of course from that point forward, the stock market had a nine year period of net losses. Well, we're doing it again. Except this time the discrepancy's even bigger. As you can see, that red line, the S&P 500, is well above the profit line and very much has happened in the late 1990s and early 2000s, the profit line has flattened out. We're in exactly the same situation except it's much, much more severe. This shows me that the stock market is way overvalued relative to the amount of money that the companies in it are making.

All right. What about optimism and pessimism in the stock market? The theory that I go by is that markets, all financial markets, move on waves of optimism and pessimism and the more optimistic people are, the closer you are to a top and vice versa. Well, what's going on in the stock market? Let's look at one extremely longterm indicator going back decades. You can see from here we've got the S&P 500 on the top and underneath is a line, inverted, showing you the percentage of cash held by mutual fund managers in their mutual funds. Well, managers get bullish at the top and they're bearish at times when the market's going to go higher in the future, just like average Joe. You can see that on the left side of the chart, back in the mid 1960s they held as little as five and a half percent cash in their funds.

That meant they were extremely optimistic. Well, then they got pessimistic as the bear market wore on. Eight years in nominal terms, 16 years in inflation adjusted terms, and they really didn't come out of that pessimism until they got into the mid to late 1990s. But look at where we are today. The 10 year average of cash and mutual funds is down to three and a half percent. It's never been this low for that long. On a one month basis, recently it got down to 2.9%. Extreme historic optimism among fund managers at a time when as we just saw, the stock market's extremely overvalued.

Well, there's a subtle indicator that I'd like to show you. A lot of people buy and sell stocks on margin. This is leveraged. They're borrowing money to buy stocks.

Well, there's a very subtle indicator, which is the margin debt, the total margin debt behind the stock market. And you'll see three red arrows on this chart. Each time, it was a time when margin debt was beginning to slack, the total amount of margin debt was beginning to fall off while stock prices were either holding up or going higher. It happened in 2000. It happened there, in the middle 2007, over about a three or four month period and now it's been going on for a full year. Margin debt has been slowly decreasing. The leverage behind the market is decreasing and yet stocks are grinding higher. This is a stretched rubber band that at some point is going to cause a reversal to the downside in stock prices.

All right. Now if waves of optimism and pessimism are moving the stock market up and down, those periods of optimism should show up in other markets as well and they do. And one of the markets they show up in is the market for junk debt, junk bonds. Well, I'm sure you've heard from other speakers as well, in the past several years, people have been buying junk bonds as if the companies will never go into trouble again, ever. They're accepting extremely low interest rates on these junk bonds and the prices have been very, very high. Well, if you look back at the red bars on this chart. This shows you the top in 2007. On the top, we have the stock market and underneath, we have the prices for junk bonds. You'll notice that the junk bonds are very sensitive to slight changes in optimism.

Even the slightest decrease in the rate of change in optimism shows up in the junk bond market first. So back in 2007 you can see the stocks went to a new high. Junk bond prices did not. That was a signal that optimism was rolling over and of course, from that point had the biggest bear markets since 1929, 1932.

Well, the same thing is happening again today except that instead of a few months, it's lasted already a year. So very similar to the leverage that we looked at in margin debt, you've got optimism subtly waning as junk bond prices are starting to slip. Stocks are still grinding to a new high. This is not going to continue either. So by all the things I look at on a longterm basis, from patterns to sentiment, to leverage and to the waves of optimism. It looks to me as if stocks are way, way over valued.

We're going to return to junk bonds and a little bit as we talk about the next topic, which is interest rates. Now, most people, including most economists, will tell you that the federal reserve is in charge of interest rates. In fact, just this week, this headline appeared on Thursday morning. "The Fed cuts interest rates for the third time in 2019." This however, is not accurate. The Fed does not change interest rates, plural. It only changes the one rate that it's in charge of, which is the federal funds rate. In fact, the market sets interest rates and the Fed actually simply follows them. My shop did a study of all the major central banks in the world, the Federal Reserve, the British central bank, the European central bank, the Australian central bank. They've all been doing the same thing since they were formed, and that is they look at the freely traded treasury bill rate and they simply follow that rate.

Very few people know that this is true, so the Fed is not in charge of interest rates. It's simply following them. Here's a little bit of history going back to 2000 that we published in 2007, because we were going to make a call and I'll show you what that is. If you look at the upper left of this chart, you'll see that the solid line turned down. That is the freely traded T bill interest rate. And finally the dash line, which is the Feds federal funds rate turned down to follow. It lagged all the way to the bottom. It lagged all the way back up and it was lagging at this particular time, which was the 30th of August, 2007. So we published this chart and we said, "The Fed's about to lower its rate." Because it always follows the T bill rate. That's what it does.

And sure enough, a couple of weeks later, the Fed lowered its rate. Well, interest rate on T-bills kept falling, so the Fed kept lowering its rate. T-bills kept falling, Fed kept lowering its rate. And finally in the very end of 2008, T bill rates hit bottom, the Fed stopped lowering its rate because of the interest rate and T bill stopped going down. Now, a very interesting thing happened. After several years of these rates, very close to zero, some people got very frustrated with Alan Greenspan and they said, "Why did the Fed keep interest rates so low for so long?"

And he blurted out, "We didn't. The market did." It was the first time I know of that a Fed governor actually admitted what they were doing, which was simply following the market rate. Now you can do this all day long. We did it again this summer. Here's something we published on the 19th of June. The market is signaling that the Fed is going to cut rates soon.

Now look at the chart. You see the big gap? The red line, horizontal line at the top, was the Fed's federal funds rate, but the T bill rate had been falling for weeks. And we said, "This gap isn't going to hold. The Fed's going to simply follow and lower its rate." A few weeks later, that red line went straight down. The Fed announced to great fanfare that they were lowering its rate.

We did this again just last week. This is last Monday, October the 28th. We showed a difference between the T bill rate at 1.64% and the Feds fund rate at 2%. We said, "That's a wide gap. They're going to lower the rate again." And you see we showed another gap with the arrow there, and here's what happened on Wednesday. That red line went down. So the Fed is following the market. It's not creating the market at all, but they're keeping up a mystique.

They pretend they're looking at economic numbers and a whole bunch of other things and all they're simply doing is following the freely traded rate. So I don't think you can use the Fed to predict interest rates. Our study showed that the average lag for central bankers is about five months. So they have their meetings and they twiddle their thumbs and they finally say, "Well, five months has gone, I guess this rate's going to stay there. We better catch up to it." That's all they do. So if you're going to do interest rate work and try to forecast them, you have to come at it from a different point of view.

Here's a chart of long term interest rates. This happens to be the 10 year treasury note interest rate going back to 1940. They had a low in 1946 and it went up for 35 years, to 1981. Then it spent 35 years going down to an extremely low level in 2016. If you look at the bottom right, you'll see it right after 2016, there was a sharp jump in rates and then into the summer of 2019 they retreated again.

At that point in August and early September, when rates were making a bottom and they did not go to a new low. There was a report of 98% bulls among bond futures traders on a one day basis. That is a near all time record. 90 or 91% is an extreme position, but 98% of the traders in bonds felt that bond prices would go higher, which means interest rates would continue to go lower. Optimism is so great that even Alan Greenspan came out of retirement and said he wouldn't be surprised if US bond yields turned negative.

Now, it takes a real conviction among virtually everyone to bring someone out of the woodwork and risk his reputation to make a statement such as that. It is simply a reflection of optimism. This headline also appeared just a few days ago. "The US treasury department is exploring a 50 year bond for the first time." A 50 year bond for the first time.

Now, we don't think that they would do that if they thought this was a bad time to do it. They think it's a great time to do it. Record low interest rates. If they thought rates were going to continue until they went negative, they would wait a while, but they see this as a great opportunity and I think they're right. I think the chances are the interest rates are going to start, or I should say resume, because the true low in 10 year yields was in 2016. A march toward higher interest rates. But I don't think it's going to be because of a robust economy. I think it's going to be ultimately because of fears of default.

Now to show you the extent of optimism, just a few minutes ago, Adrian Day mentioned that Greece managed to sell treasury bills at slightly under 0% yield. This is unbelievable. This is one of the highest debt, lowest producing countries in Europe. The chart here shows you their 10 year treasury yield. It's down around 2% as well. Just about where our treasury bond yields are.

So people are willing to lend money to the government of Greece at basically the same level as they're lending it to the United States government. That is extreme optimism among bond buyers. They're absolutely unworried that any recession could come and hurt these governments or the junk bond issuers. Speaking of junk bond issuers, those rated B minus and below with a negative outlook for the company, is at the highest since November 2009. Do you see that line turning up? I think that's an early warning signal for the bond market. It always starts at the low end. The crummiest debt. The debt that's likely to go to zero because of default by the issuers. And here's another depiction of that real low end. Subprime auto loans. Well just in recent days, 60 day delinquencies, that means they're not paying the interest on these debts, has shot past the financial crisis peak of 2009. So you can see that bubbling under on the fringe areas of this giant sea of debt that the world is swimming in, they're starting to get a little nervous. I think that's an advance warning of things to come.

Now we're going to talk about gold. You might agree with me on the stock market. I don't know if you agree with me on interest rates, but I can pretty well guarantee that 97% of you will disagree with me about what I'm about to say. But I would like to thank Brien Lundin in advance because every society has to have a token, so I'm the token bear. I'm going to show you why. First of all, are fundamentals useful for predicting the price of gold? Most people will tell you they are. I don't think they are. If someone told you the Fed was going to enter the biggest QE of its entire history, what would you think gold would do? You'd probably think it would go up. Well, we have a history on that and here it is. This is from 2012 to 2015. You see that solid line sloping downward in the middle?

That was the period when the Fed was buying $1 trillion worth of government bonds and mortgages a year, with no end in sight. They said, "We have no idea when we're going to stop." The dash line pointing upward is where most people thought gold and silver prices were going to go, but you see what they actually did. They went down during the entire giant unprecedented Kiwi policy. I don't think you can use predictions of what the Fed is going to do to predict gold. We use a model based on a fractal analysis. If it's waves of optimism and pessimism in the market, we think they undergo certain steps. That is, to sum it up, five waves in the direction of the main trend, three waves against. And the more you iterate that down to smaller and smaller degrees, the more it starts to look like a real market as we have over on the right.

So you're going to see some labels on the charts I'm going to show you, they're a little bit mysterious, but they follow this idea. This was a chart that I showed in October of 2011 here at the conference. We finished a five wave rally in September. We published this on September 2nd, gold topped just a few days later. Silver had already topped in April. So we said a bear market is coming. Well, we followed the bear market all the way down and we published this on December 4th, 2015. This is four years later and gold was scraping bottom. Remember, all during the QE period as well, and we said "There's a sharp rally imminent. This thing is about to take off on the upside again," but because we labeled this as five waves down, the rallies going to be a counter trend bear market rally. Where's it going to go? Well, a couple of weeks later we said, "We think it's going to be a 50% to 62% retracement."

That gave us a target zone between 1,484 and 1,587. About a $100 range where we thought a rally should stop. I didn't say anything about gold for about three years. Finally, in August, just a few months ago, we said, "Gold has entered our target range." You can see it came off that low where we recognize the bottom in December 2015, shot up sharply. Then went sideways for quite a while, and then shut up sharply again. Notice it was rallying like a freight train and we stood in front of it. We do that occasionally and we said, "We think the rally could be over. Certainly ending. It's in our range. It's met our target."

Now, simply doing that isn't necessarily enough. We also want to see evidence of a lot of optimism. Here's where it is so far, by the way, this is an updated chart. It hasn't left that zone in either direction. We'll see what happens next. But this really struck us. At the 2011 top, the highest reading of bulls among futures traders and gold was 98%, and here in August, September of this year, the highest one day reading we got was 97%.

Virtually everyone said gold is now in a new bull market. They didn't think that at the bottom. Only 4% of them did, and now 97% do. And if you look at the bottom chart, you'll see that managed money accounts, which are trend following accounts, they don't buy bargains, they chase the market, got to a record long position in gold futures contracts. It's going to take a while to work that off. I can always be wrong and we always look at new data. If people become extremely pessimistic on a minor pullback, we'll say, "Hey, okay, maybe it is a bull market." So far though, everything fits our idea that this market is in a bear market rally, probably topping out. And this is what it looks like on the big picture.

Now it so happens that the very first time I spoke for this conference was in the summer of 1980 in Montreal, and gold was in virtually the same position. It peaked at $850 an ounce on that big spike you can see in the middle of the chart had gone down to 474, and then had rallied back and was heading towards $700. I said, "Look, this looks like the first big rally in a bear market. It's a great chance to get out," and gold did go down. In fact, languished for about 20 years. We don't know where this is going to lead, but I think there's one more leg to the downside.

We are in an unprecedented financial bubble. Everything is overpriced. Stocks are overpriced, bonds are overpriced. Real estate's overpriced, and I think commodities, even though they're down from their highs, and gold, even though it's off it's all time high, are also overpriced. There's virtually nowhere to hide. You can see that in the past, financial assets used to be worth about three times annual GDP in the United States for decades. Now it's almost twice that. Almost six times annual GDP. Everything is way overvalued. I think what's going to happen is a deflationary implosion, and everything that is denominated in dollars is likely to go down.

Well, what should you do? Should you invest in bonds? No, they're going lower. Stocks? No, they're likely to go lower. Gold? I don't think so. That could change. I think you should be in treasury bills, as treasury bills rollover every 30 to 60 days, you'll be capturing that rising interest rate every single time it revalues.

It's one of the safest investments in the world. It's the last thing that government will default on and when it's time, there'll be a time in the future to shift into gold and possibly property and other real investments. So thank you for letting me upset the general tone of the conference, just to present a little contrary opinion. If you want to come argue with me, I'm around. I'd be happy to do that. We could have some fun together. Please read this. My colleague Matt Lampert will be speaking tonight. He's carrying out a workshop with a very unusual title. If you want to be entertained, come see him. Thank you so much. I'll see you around.

Albert Lu: Thank you very much.

Precious Metals Panel

Thom Calandra (MC), Omar Ayales, Brian Bosse, Matt Geiger, Dana Samuelson

Robert Helms: Well, it is time for a New Orleans investment conference tradition. It is the Precious Metals Panel. Chairing the panel, our MC is going to come up for the panel, and he will introduce all of the participants to you. Thom Calandra is the journalist investor behind the Calandra Report and was actually ... He started CBS Marketwatch and marketwatch.com back in 1996. He's written for Bloomberg London, the Financial Times, USA Today, and on and on. You're going to dig him and his panel. Ladies and gentlemen, this is Mr. Thom Calandra.

Thom Calandra: All right. Thank you, Robert. Thank you. And thank you. Terrific and here they come, our esteemed panel please. And by the way, I love this Precious Metals Panel. It's kind of my baby every year. And I would love to see ... I always prepare a special slideshow that can run in the background. If we could get that up and running, I will kind of use this magic clicker.

But let me introduce our panelists. We have Matt Geiger from MJG Capital in San Francisco, and he's terrific. Come on out, guys. All of you, please. Matt's a mate of mine from San Francisco and we share a lot on tours. We go on a lot of gold tours together.

That's Omar Ayales. He's a regular on our gold panel. And Omar is a chartist and attorney, entrepreneur, and part of the Aden Forecast behemoth here in Costa Rica. Terrific guy. Great on charts.

We have Brian Bosse. He's new. Brian is new not to his subscribers at Murenbeeld & Co. And by the way, Brian, I want to say I used to interview Martin all the time years and years and years ago when I worked for Bloomberg and USA Today and all those things. And then, of course Marketwatch. But Brian's got some fascinating theories and they're not just theories, and some deep research into gold at his forecast.

And finally, we have Dana Samuelson. And Dana, once again, is a ... thank you, Dana ... is a regular of this gold panel. A bullion dealer. You see him on the exhibit floor a lot. We learn a lot from him. He's from Austin, Texas. Just a terrific guy.

By the way, I've been trying to get this ... I don't know if we have this thing going yet, but the slideshow. But I've been trying to get this panel. I've been saying Brien Lundin. Thank you so much for making this my baby, but I'm trying for a younger and younger panel, okay? I'm actually younger than I look. But all four of these guys are so young it's terrific. And we're going to start with Dana. Dana, you're not going to believe it, is the father of an 18-month old now. So, that 18-month old girl brings blood into his cheeks. Unfortunately, at 3 am in the morning.

And then, we have our 30s crowd. I'm assuming most of you guys are in your

20s. I know Matt is. And 30s. I don't know maybe early 40s, but no later than that.

Anyway, we're going to go right into it. Once again, there is the charting, right? Not to pay any attention to these. These are just eye candy for the audience. We're going to start out here. I'm just looking for some of my props. I see my Sprite thing is there. Not sprout, Sprite. My little gram of gold that I carry around. It's worth about $44. From a mill. Might have been Victoria Gold's mill. Eagle. That we were at. And of course, these, as you would know, are very important.

Let's start right off and I'm going to start with Brian because Brian, your research that I've been reading, is more than just a newsletter. I mean, I'm just a newsletter, okay? Sure, I make money for people, but I also lose money for people. His research goes pretty deep. He has some fascinating facts and figures. One of the more interesting things that he talked about was how the demand for gold, and what moves gold prices, has nothing to do with us in North America. Individuals outside of our country are buying gold because they don't have the safety net that we do. Brian, you want to touch on that?

Brian Bosse: Sure. First of all, hi everyone. Thanks for having me. And I'll point out with the lights, I can't really see any faces, so I hope that everything goes well.

So, gold. One of the things that is a good mental template for this concept is the poorer you are, or more importantly, the poorer you think you could become, the more you want to hold gold because it's no one else's liability. So, you take that concept and then look at the world on a country by country basis, it could be figure out that India and China are the two countries that buy the most gold because although in those countries there are some super rich people, the rest of the country is not. And they have a long history of giving gold within culture, giving gold to preserve wealth, and passing gold from generation to generation. So, as that community grows, there's continually a demand for it.

There's a couple of ideas that flow from that. One is the paper currency they have to buy the gold goes up and down of course against the US dollar. So, that's where you get a lot of inverse relationship between gold and the dollar, but as those countries would get richer, one of the interesting questions is going to be will they use as much gold per capita, meaning per person, as much gold per wealth per person. So, their consumption may fall on that basis, yet still continue to rise in absolute. Do we have a chart for that? No?

Thom Calandra: These are just background.

Brian Bosse: Oh okay. Thank you. Sorry about that.

So, one of the things that the university I went to taught you amongst other things. There's a particular type of goods and services that are referred to as Geffen Goods, and they're named after the economist ... I think it was David Geffen, but that could be the record guy. The idea is that the less you have, the more of your wealth or consumption is taken up by a particular good. And if you think about it for university students, that was always Kraft dinner or mac and cheese or ramen noodles or whatever it is. The less money you have, the more percentage of your income would be spent on that one item. So, if you think about not income but wealth, if you're in India or China, and you're not super wealthy, and you want to pass on wealth or you want to preserve wealth. You know that the paper currency isn't really the way to do it, so you're into a physical asset and the easiest of those is gold.

Thom Calandra: Okay. I'm going to just have Dana comment a little bit about this too. And I'd love to see you guys interacting. When we talk about actual physical demand for gold overseas, not North Americans, Dana has the position being a coin dealer especially of seeing what people want in North America. And in fact, it would seem to jive from what you've been telling us, Dana, that we see demand for coins going lower and lower and lower, right?

Dana Samuelson: Yes, as a proxy for physical demand in the United States, we can tell how many one ounce gold eagles the US mint makes every year. And there's a direct correlation, an inverse correlation, between how many gold eagles the US mint makes when the stock market is strong. And the number of gold ounces that they produce in coins is small when we have high stock market years. We had it in 2000, again in 2007, and again, into the cycle that we're in now, 2017, '18 and '19. And the fact is Americans don't buy physical gold near as much when the stock market is good or high, at record highs, and especially when the economy is strong unlike physical demand in other countries where it's strong pretty much all the time.

The World Gold Council puts out reports regularly that you can subscribe to if you like to. I would advise you, if you're interested in gold, to get on their list. And one of the most recent reports we saw showed bar charts of demand in the United States and Europe, and demand in Europe for physical gold is four to five times higher than it is in the US, which is tiny. And demand in China and India is more than it is in Europe. And all of these countries have had currency issues over the years. Where the US is the world's reserve currency. We don't have the currency fluctuation as well as the commodity fluctuation as a result. So, we're insulated. Americans don't have the gold culture that these countries have as well, which is ingrained in them for generations.

Thom Calandra: Thank you, Dana. You know, there is one person on the panel who has an overseas perspective, and that's Omar living in Costa Rica. And also having his hand as an attorney, an economist, and a chartist and analyst and researcher on resources, and other hard assets. By the way, this panel isn't just about gold. It's about all things that are precious in hard assets. Platinum, palladium, copper, nickel, rhodium, having great years. Omar, I mean, can you comment in a way? What's some behavioral background that you can give us on how Central Americans or people outside of America view hard assets such as gold?

Omar Ayales: Well, it's a little bit different, Thom, depending Costa Rica and Central American countries. They are still developing world state. It's interesting because they actually do see the US dollar still as a safe haven. And actually, going to what these gentlemen were saying, the past year or so, we have seen actually gold and the US dollar move up in a safe haven trade. That goes to tell you very much so what Dana was saying how for an American, for somebody who's from the US, they already have maybe set some savings in US dollars. Buying a coin basically limits their exposure to basically liquidity issues and other things, which is why probably we see demand coming from outside.

Now, countries like Central American countries and I would probably include a lot of others that are developing and maybe not as privileged will probably be the same way. They save their money in US dollars just because this is the reserve currency status. In Costa Ricans' case, they actually keep it in the ground. There is a mining moratorium, which of course is not going to go very well with this panel, but there is. So, you have, for example, gold purchase is completely non-existent in a very small country like Costa Rica.

Thom Calandra: It's legal to buy gold though right?

Omar Ayales: Absolutely. Absolutely. But what I'm going to is that the US dollar in many parts around the world is still seen as a safe haven competing with actual gold. And even though historically since the '70s or the Nixon [inaudible 00:11:59] or whatever was removed, you can actually see gold and the dollar move differently. But not always is that case, like you've seen in the past year and a half.

Thom Calandra: Yeah. I'm going to just hop over to Matt, and then, on that theme because Matt and I have talked about it on plenty of jets and on plenty of tours, but when we go back to that chart about gold being higher in many currencies, and at record highs. Matt, you talk a lot about negative interest rates as a manager of mining equities. And by the way, we are going to talk a little bit about mining equities here too. But do you see the fact that gold is at a record high in weaker US currencies as a psychological factor, a fundamental factor? And also, can you filter in a little bit about negative interest rates? And then, after that, I would encourage you folks to start interacting. Don't feel like you need me to pose a question.

Matt Geiger: Well, it is true that gold is at all time highs in close to 80 currencies globally. But in US dollar terms, we're still 20-25% off the high reached in 2011 at around 1,950.

I think the reason that we've seen gold start to move up in US dollar terms and why do believe we'll see an all time high in the gold price in the coming few years is the phenomenon of negative interest rates, like Thom mentioned. The best bear case against gold for decades, if not centuries, is that it's a shiny piece of metal sitting in a vault that's not generating any interest and is not creating any value. And I actually think that's a pretty devastating argument against owning gold, especially in market environments where you can buy US treasuries and make 5-6% on your money.

But times have changed really markedly. And at the moment, as we've seen in some of these charts, between 25-30% of investment grade debt globally, and that's corporate debt, that's government debt, and that's securitized debt, is now yielding negative interest rates. And so, the best bear case against gold for decades if not centuries has now been flipped on its head and it's the best bull case for gold at the moment. Nowadays a little piece of metal sitting in a rock earning 0% interest actually looks like a pretty phenomenal proposition.

So, I don't think the general market has really grasped the implications of this, the longer term implications of this. I don't think it's a coincidence that we saw gold break out of its multi-year trading range when it jumped above 1,375 right on the back of the Fed's re-initiation of interest cuts. And I think people realize that negative interest rates are here to stay. And that it's going to be the same case with US investors as well.

Thom Calandra: Right. And that one right there, guys, you can see. That's a powerful chart. Gold in yen. It'd be even more powerful if you could see that chart ... there you go ... gold in Aussie dollars or gold in Canadian dollars. These are powerful charts. When North Americans start paying attention to this trend, they're going to be following the trend. They're not going to be creating that trend.

Omar Ayales: But don't you think, Thom, the fact that we have the dollar ... just to be a little contrarian. I am a very much gold believer, but seeing ... If you put the chart of a ... you have the different currencies. And what Matt was saying that basically gold has risen to highs in most of the currencies except the US dollar. I think we're going to be a little surprised that this strength in the dollar could actually might hold.

Thom Calandra: In other words, that we could see ... and this is atypical ... we could see gold and the US dollar rise at the same time?

Omar Ayales: Well, they have.

Thom Calandra: No, no, I know they have. But continue to?

Dana Samuelson: I think that's possible. I'd like to chime in a little bit on what Matt was saying. Gold broke out over 1,370 this year to a new bull market precisely because bond yields were plunging. Last year, at this time, the ten year treasury was yielding about 3.2%. In May of this year, it was yielding 2.5%. In September it was yielding 1.5%. The ten year treasury yield plunged over a full basis point, a full point rather, in a matter of months, and this is what happened around the world. The German bond fell, the Japanese bond fell. Great Britain fell to negative yields, two of them, all in a flight to safety because we've been in a global economic slowdown for the last year and a half.

Global economies were rising together in 2017 and '18. That rolled over to summer of '18. Fall of '18 where all these yields peaked and it became an increasingly global economic slowdown in the spring and into the summer. Gold likes lower rates or what I like to say cheaper money because if a bond yield is paying 2.5% and an inflation is 2%, your net yield, your real return is still a half a point.

Thom Calandra: Brian, can you just touch on this for a second? Because you're all raising a great point. It's so bizarre that safe havens now, that the dollar and of course sovereign bonds, the dollar and gold are safe havens at the same time.

Dana Samuelson: Let me finish a thought. It's because the people around the world in Asia and in Europe are getting negative yields. They're coming into the US market because there's a higher yield yearly.

Thom Calandra: Absolutely.

Dana Samuelson: So, they're buying the dollar up to buy bonds.

Thom Calandra: I know. The bond market powers the currency market. The bond market is 10 times the size of the stock market. Wait. I want Brian to just touch on this because he writes about it. That's a kind of a powerful dynamic in one way bizarre, the fact that they're both rising at the same time.

Brian Bosse: Yeah. And it's because for the first time you're seeing a situation where the American economy is chugging along and a lot of other countries are in trouble. For us, this traces back to a lot of, for example, Chinese companies that have borrowed money, often in US dollars to buy assets around the world or borrowed money in US dollars to build a factory in China that was intended to sell product all around the world. And now there's a trade war. That means those factories can't sell. It means that the ability of the Chinese banks to continue to provide fresh capital for the acquisitive Chinese companies to buy assets all over the world showing growth has fallen off. So, if you have a levered company whose growth is falling off, but the leverage comes from debt that is not in the home currency.

In this case, a Chinese company has got debt in doesn't matter if it's Euros or US dollars or Canadian dollars, but let's just stick with the US for a second. Where are you going to get the US dollars if you can't sell the products you were planning on selling? Or if you're only going to sell 30% of them or 80% of them because of trade tariffs? And the answer is you have no idea where you're going to get those dollars. So, the last thing is you're going to do is part with those dollars. You're going to want to own dollars. Everything you can convert into dollars to pay off your debts so your company doesn't fall over.

Thom Calandra: Before we get to Matt, I want to stay on one more theme, Brian, because I think you can tackle this one. It's a theme that you might remember this one and say, "Oh, they were very futurist looking" because I want to say that we nailed it next year, this year. There's a shortage of US dollars out there. We've heard that. We saw it reflected in the repo rate. I don't know, was it three, four weeks ago where the repo rate anyway shoots to 7% or something overnight. Yet you would think quantitative easing, printing of paper. You would think that there were dollars everywhere. And sure, there were or on paper they are. But I've had people from French banks tell me you need $500 million, you got to make 20 phone calls to get that overnight. So, what's going on here? You have a scarcity of actual US dollars, which points a little bit to disinflation or deflation. But worldwide, what does that mean? Could we see some kind of meltdown because of that shortage? Some people are saying in December or January ...

Brian Bosse: Well, I think you're seeing signs of that now. For example, coming back to China again, there's a story on Reuters just today. Might have been yesterday. That in one of the regional provinces there's a bank that's been suffering a run for the last three days. And the run started because the chairman of the bank was arrested for corruption charges and the bank is busy telling everybody that "We're okay. Your money is fine." They stayed close for a couple of days. Then they opened 33 branches in, I think, it's [inaudible 00:21:23]. But my pronunciation is not very good. What they did is they took stacks of Renminbi and put them in the teller window so that everybody coming in could see that there's plenty of cash. They had people in volunteer jackets walking around in the bank saying, "Everything is fine. You don't need to pull your money out. You'll regret it if you do." And of course, they wouldn't let anybody into the bank who couldn't prove that they already had an account.

So, those kinds of ... The thing about China is for the last 30 years, their Communist Party has said as long as you don't threaten us, you can get rich anyway you like. And that's meant leverage. And now that the leverage has to be backed up by profit or cash, and it isn't, now there's this great call, this great margin call. The portion that is payable in US dollars, Chinese government can't print.

Thom Calandra: Absolutely. Thank you, Brian. Matt, we see as an asset manager of mining equities, and just being in touch with the flow of funds and stuff like that, would you say there's still a lot of sstatic capital out there sitting on the sidelines? You think that benefit a resource market, a hard asset market?

Matt Geiger: I would say one thing that's very different about this gold bull market that we've just begun is the rise of passive investing. And I really don't think that can be overlooked as a potential gold investor. It is a massive advantage to be in either the GDX or the GDXJ as a company. Two identical companies with similar management teams and similar assets, similar balance sheets. If one's on the GDXJ and one is not, the cost of capital for that GDXJ company is going to be so much lower than the comparable company that's not on the ETF. And so, I think investors really have to recognize that.

I think that's part of the reason. I know there a lot of junior mining investors in this room and you're probably pretty disappointed with the price action of your average junior mining stock over the past four to five months. We've seen physical gold get a lot of love recently, including gold-backed ETFs. We've seen some of the major producers and major royalty names also see sizable upticks in share price. But as a whole the junior space, unless there's been a really clear company specific development that's driven the share price of the given company, they've missed out on the ride so far. I don't think that is going to continue. I think once we see the next leg higher in the GDX and the GDXJ, we'll start to see some of the haves on the GDXJ taking over some of the have-nots. Companies that may have decent assets, but that aren't getting the love from all the ETF buying. So, I think that's going to ... Once we see the GDXJ move, that's going to be the next step forward in M&A. And we'll see some love for junior mining investors.

Thom Calandra: Matt, the passive investing thing ... I mean, I forget what the figure is. 50-60% of all investment in North America is coming through robo-investing, right? I'm sure there are people out here, including one of my sisters-in-law that have a robo account based on her age. ETFs, other passive investing, and also of course the quant stuff. Brian?

Brian Bosse: Yeah, there's two things I'd love to say in addition to that. So, we're a deep research place. And as we break things apart and put them back together, we look for insights. And we calculate something that's proprietary to us called the Generalist Involvement Index.

To give you an example of how this is done. We'll take a look at all of the published holders of the common equity of the five largest mining companies in the world as an example. We all know their names. Pull all those reported holdings into a spreadsheet or an AI or whatever you're going to use, and break them in according to buckets. The people with resource in their own, or Geiger, you know they're always going to own those names. The people with ETF in their name, you know they're always going to own those names. And that leaves you with sovereign wealth factor investors, people who want the dividend or people who want the growth or people who want the whatever, and that whole bucket we'll call generalists.

And then, we take the generalist's bucket, we'll divide it by total share count, and you can see the pattern of people coming into the stocks, and then, going out of the stocks. So, what I want to say is the pattern as you can imagine peaked almost a dozen years ago. It's just been falling and falling and falling. It's only been in the last year and a half that there's been any uptick at all. And I would hardly say that uptick is noticeable. So, it's not even public domain.

Thom Calandra: And the generalist managers, especially North America, but the generalist equity fund managers and also people who have fiduciary responsibility in other ways, they haven't touched the surface yet when it comes to investing either in physical gold or other.

Matt Geiger: Your average US investor is half a percentage of their net worth.

Thom Calandra: Right. We've heard figures that say all that has to do is go to 1% or 1.5%. I mean, half a percent nd that's a massive move in the price of precious metals.

Brian Bosse: And so, the second thing I'd love to say, if I've got time here, and I'm going to oversimplify this and maybe to make it offensive. I'm sorry. But the business model up until the great financial crisis for mining companies was as long as you're showing growth of assets, ounces in the ground in gold, you'd get rewarded as a growth management team. You'd always get a higher valuation every time you could show you're growing. And not to pick on him, but Peter Munk was great at this. You'd buy a mine, you sell forward some production, take the cash, buy something else. Sell forward the production, take the cash, buy something else. And you would be continually growing and the generalist would totally dig that because net asset value as they calculate it would be continually rising.

Thom Calandra: Yeah. I think we cut off Omar there.

Brian Bosse: That's in reverse now.

Thom Calandra: Yeah.

Brian Bosse: Now it's all about cash flow today. Go ahead.

Omar Ayales: I was actually going to raise a question to the same panel, to you Thom. Something that we were talking about just earlier back in the green room. Dana is telling us that mint sales and production is low. And we're seeing actually a gold breakout from the 1,365-1,380, whatever. Everybody has their own little level that defines the bull market breakout. Where is the demand coming from, guys?

Matt Geiger: Well, I've an answer for US demand. I think this could be somewhat controversial. I don't want anybody to faint in the audience here. But I would say that I think the rise of Elizabeth Warren is potentially a very good thing for gold bugs, especially those that are not based in the United States. I say this for a couple of reasons. Firstly, if you haven't been following the betting market, she's being given a 50% chance of being the Democratic nominee at the moment, which is more than twice that of Joe Biden who the mainstream media view as the front runner right now.

I think her coming into power here, the potential of that, is people realize that's at least an option and she may become the Democratic nominee. We're going to see some softness. I'm not predicting the stock market rollover, but I think there will be anxiety amongst US-based investors both due to her increasing corporate taxes, her belief in putting in more red tape and regulation, and her trust busting tendencies, specifically for big tech and for banking.

But even further than that, there's the wealth tax angle. And scary enough, 75% of Americans are in favor of a wealth tax including 65% of voters that vote Republican. And so, I think that as people realize that there's at least the possibility of this coming into place, you're going to see high net worth investors based in the United States start squirreling away some of their net worth into asset classes like gold that are less easy to quantify, and hence, less easy to be taxed by the government. So, I don't know if Dana is starting to see some people buying gold for that reason, but I think that's a trend we could see come to the fore in the coming year.

Thom Calandra: And Matt, the overall theme here, and Dana's going to weigh in on this, is that instead of people rushing into ammunition as we saw with President Barack, we could see people ... if we see a Warren-like candidate ...

Matt Geiger: To be fair, we'll probably see that as well, especially given the chatter of the Democratic debates about large scale gun confiscation.

Thom Calandra: Ammunition angle. But Dana-

Matt Geiger: Gun's and gold could be quite well.

Thom Calandra: In your history, we've talked about ... Dana and I've discussed it ... when Vietnamese refugees came over in the '70s and how they used real gold as their only savings. And actually, there were US banks and the government helping them to cash in that gold. But do we see people taking refuge in gold coins and other forms of bullion because of a looming political development or geopolitical development?

Dana Samuelson: Americans tend to react after the fact, not before the fact. I mean, the prescient ones, the smart and the intelligent investors are going to get ahead of the curve as a hedge just in case. That's a way to offset risk. But most Americans chase this market. So, we saw a record physical demand in the United States in 2010 and 2011. We didn't see record demand for gold in 2000 or 2001 when the stock market was high, but the price was at an absolute low in dollars. So, the Americans get it just about exactly wrong. Almost the same way that the British have gotten their gold horde management exactly wrong. I mean, the British had 1,200 tons of gold in 1968 and they sold half of it at about $38 an ounce. And then, the next 10 years, gold went to $800 an ounce.

Thom Calandra: Central banks buy when it's strong and they sell when it's weak.

Dana Samuelson: Well, actually, let me finish and we'll talk about something else.

Brian Bosse: That's changing.

Dana Samuelson: On top of that, but the British did it again in 1999 and 2000 when the gold price was at $250 an ounce. They sold another 300 tons. And then, of course ...

Thom Calandra: Yeah. I was living in London. It was on the front page as well all of the tabloids.

Dana Samuelson: So, of course, 10 years later gold is $1,900 an ounce. But since the financial crisis, central bank gold demand has ratcheted higher. And over the last 30 years, there's only been a couple of years prior to 2010 where net central bank buying was positive. It was usually negative. Over the last eight or nine years, central bank physical demand for gold has skyrocketed because they're offsetting or hedging their bets against other countries now, just like we would hedge our bets against other companies prior to Bear Stearns, Lehman Brothers. So, it's been a huge fundamental shift in physical demand and in a major way. So, this is a major positive development for gold, which is why I don't think gold's ever going to get a whole lot cheaper in dollars regardless of how strong the US dollar gets or how strong the US economy gets relative to other economies.

Thom Calandra: And Dana, thanks to these, I found that reference in June having a discussion with Brien Lundin, the guy who puts this thing on and does such a great job. Credit risk offset insurance. We're seeing gold become a component of a new asset class. An asset class that maybe even the universities whose endowment funds you contribute to, if you're charitable, need to have because they have fiduciary responsibility or something else. And they need that component as a hedge. They're not satisfied anymore with 99% of their investment coming back through a Deutsche Bank 100 billion dollar bond in five years or 30 years. They want something that's more of a hedge. And Omar and I talked about this, and we also talked a little bit about nickel. So, go ahead.

Omar Ayales: Oh no, I was going to say. You have a really interesting chart there, Thom, regarding inflows. ETF inflows also. So, even though we're seeing, for example, maybe like a slack in demand for physical gold. Definitely I do feel like what you're saying that maybe institutions or others are using alternative or proxies for buying physical gold. And we're seeing more and more. Something that is not super cutting edge news, but I believe in one of your charts you can see net inflows, they're at a record high. You put it together. I don't know.

Thom Calandra: Right. You mean on the ETFs?

Omar Ayales: Yeah, yeah, yeah.

Robert: Yes, absolutely. There is a chart here like that. God knows, I won't be able to find it, but there is one and I put this thing together. I should be able to find it. Anyway, yeah.

Omar Ayales: Point being that even though we have record inflows in ETFs, we have basically very slackening demand in the physical. So, maybe just the way that the market is approaching investment towards gold is shifting and that's what we're seeing.

Thom Calandra: Has gold ever ... gold and other precious metals, to give palladium especially but also platinum its fair due, does it react to physical supply and demand? I mean, it seems to be very much ... Like 70% of the price action seems to be geopolitical, seems to be investment demand. Does anybody want to touch on that?

Brian Bosse: Yeah. I'll talk to that.

Thom Calandra: Anyone.

Brian Bosse: So, if you think about ... I've got a slide for this, but I don't think it's in this deck. If you think about the total amount of gold in the world as equal to 100, then the amount of gold produced each year is equal to 3. Meaning I think it's 3%. Is it a third a percent, something like that. I forgot the number, I'm sorry. But a very small portion of the total stock in the world flows out of the ground into the stock every year. And so, that number isn't really changing very much, right? You can't open 10 new gold bonds tomorrow nor can you double the size of the existing one.

So, the reaction happens in the price of the gold that is already in the world. And you have to take out ... So much of it is held by central banks. And there's actually very little amount that can move around back and forth. So, when something like a momentum as a result of some change builds up, it can go quite far.

And the other thing I would love to just mention is the central banks that are buying gold are not the central banks you normally think of. We usually think of the central banks that were endowed with their gold over the last 300 years of Western capitalist democracy or maybe they ended up with it because of the Bretton Woods agreement or they ended up with it because of the Second World War. The countries that are buying now are Russia and China, Poland.

Thom Calandra: Turkey.

Brian Bosse: Turkey. The countries who are afraid of having their access to capital shut off because the US governs the swift banking system. Those are the people who are buying gold and it's because they don't want to be caught for geopolitical reasons unable to access their own assets. If they hold them in US dollars, the minute you get into a tweet Trump storm against you, you're about six minutes away from not having access to your funds anymore. And that's something that people in this room don't think of.

Thom Calandra: Yeah. Brian, we got lucky this year. That Brien, the other Brien, he granted us an extra 10 minutes. And I thought these four people, and I can tell you because we go back and forth on a lot of stuff, and some of these people I spent time with underground for long periods of time. You can size up and select what kind of knowledge they have, but you can make a lot of money with these folks. So, let's throw it open to a few questions if you guys are cool with that. And come on, there have to be some questions that we're not touching on and there are plenty of themes here that we haven't even gotten to. Whether it's electronic or competition for gold and stuff like that. Do we have anyone that wants to throw out a question because if we don't, I have plenty more? Anyone. Yeah. Speak up.

Audience: The focus so far has been ...

Thom Calandra: Loud.

Audience: ... and the effect of additional liquidity on the balance sheet of the Federal Reserve system. But the question that comes to my mind is why did that regional rate spike?

Thom Calandra: Right.

Audience: [crosstalk 00:38:25] further. I might be of the understanding, and I don't know what I'm talking about, that there's plenty of liquidity in the banking system, but there may be one big bank or maybe two or three others that are real [crosstalk 00:38:40].

Thom Calandra: Okay. So, he's going back to that repo rate that sent people crazy about a month ago, that the Fed tried to fix with a little bandaid, and it's kind of a symptom of something that could create problems soon. So, it comes back to what we were talking about on the repo rate.

Dana Samuelson: I'm not sure if this is right, but I think part of the problem is created by the stress programs that the Federal government has imposed on the banks when they have enough cash reserves. From what I read, JP Morgan Chase by themselves had to squirrel away enough money on their balance sheets that they couldn't use for overnight lending to put a deficit into the dollars, into the overnight lending market, which helped to create the shock that's there.

I was talking to one of my trading partners who's very intelligent. Been around a long time. And he also said there may be some problems with overnight lending from US banks to foreign banks because what are they going to pledge as collateral? Well, if you're a German bank, you're going to pledge ten year German bonds, and now the yield on them is -50 basis points. Do you really want to get that collateral if they default on the overnight loan? And I think that that's potentially part of the problem too, although that's speculation. But in a negative yielding environment, who wants that collateral? Do you want to give the Germans a bond $10,000 to get 9,500 back in 10 years? It's crazy. It's an insane world we're in.

Thom Calandra: Did you we see the money market so called break the buck because of that $1 level for the money market?

Brian Bosse: To come to your point, the Fed has too many masters, right? They have to have a full employment mandate. They got to have a price stability mandate. They recently been added essentially what I'll call ... I don't know if it's a full mandate, but systemic regulatory is now their problem. They're supposed to avoid the next great financial crisis. They have to set all these rules. While they're doing that, they're basically the central bank to the world because they're operating the world currency. At the same time, they've got a tweeter in chief who thinks that the rates here are higher than they should be because he looks at the world in a competitive sense.

And let me just give you a little mental puzzle to think with here. If full employment is the main job, and they're helping the German ... and I'm just making this all up, okay? This is how I think about it, so I'm going to walk you through how I think about it. If they're helping the Bundesbank lower the rates, lower the cost of capital, for Mercedes Benz. That in turn allows Mercedes Benz to produce the E-class in Germany with German workers and sell it in America for less than a Cadillac. And the number of Cadillac building jobs falls. Didn't the Fed just erode its own first mandate?

Thom Calandra: Yeah.

Brian Bosse: Okay.

Thom Calandra: We have five minutes left.

Thom Calandra: I really want to try and get a couple more questions in in the last five minutes. And is there anyone else out there? The overnight lending rate thing is fascinating. Yes please?

Audience: [inaudible 00:41:58] generalist interest in role into everything-

Thom Calandra: Credit risk offset insurance.

Audience:	I'm talking about the miners. How the miner movement hasn't matched the movement of metals. Somebody mentioned Peter Munk. I mean Barrick Gold outbid the Chinese for a copper mine in Africa. I mean, isn't that part of a miner's problem that they just have an absolutely awful record of managing capital?
Thom Calandra:	I think we have to let Matt weigh in on this one. But yes, there's no doubt.
Matt Geiger:	Yes, there's no question.
Thom Calandra:	That we have many, many gold companies that have totally mismanaged both their return on investment and their own capital. Matt.
Matt Geiger:	I think this is somewhat of a tired point, but I think we could all agree here there's been tremendous wealth destruction over the past 15 years amongst the major miners. Particularly the gold producers out there. And that's part of the reason we've seen generalists so slow to return to this space, and why we've seen there be a lag between increased physical purchases trickling down ultimately to the mining names. I would say though it's very easy to blame management teams of the miners, and they should be held accountable, but I think us as investors also should look ourselves in the mirror. Like Brian was saying, between 2002 and 2007, it was all about ounces. And people were not distinguishing between high quality profitable ounces and ounces that will never be mined in a 100 years. So, as investors, we do deserve some of the blame. And then, of course we were rewarding the companies growing empire building during their life cycle.
Thom Calandra:	Let's make our answers brief here. It's time to get skeptical when we hit this up cycle. That's the time to get more skeptical about the companies that we invest in. I know Omar talks about this a lot because he's a born skeptic, right? But you have to use some of the tools that are available and try to eliminate 80% of the market if you're investing in equities or metals. Anyway.
Brian Bosse:	Oh, we were just saying in that sense it's no different than we were. If you set up incentives for a guy to grow, grow, grow, grow, show growth, show growth, rather than actually show free cash flow to the owners of the business, of course you're going to get into situation where the company's growing this great kingdom that is wonderful, but can't deliver.
Thom Calandra:	Yeah. And Brian, the Aussies are doing it. I mean, down under they're doing it a lot better than we are. The Australian miners, they're returning capital. They're getting to gold, silver, and other production faster than anybody possible. And they're selling assets to raise money, to get mines in production. We're not doing that. Canada and the US are not doing that. South Africa is probably not doing that.
Brian Bosse:	The two minutes that I see here is that plus the ten we still have, or is that really our last two minutes?

Thom Calandra: I don't get the question.

Brian Bosse: I think you said there is an extra 10 minutes?

Thom Calandra: No. There's 1 minute and 40 seconds, so I think we got to turn one more question please. Quick. Just anyone. Out there. Yes?

Audience: Thanks. Are we in an early stage?

Thom Calandra: Well, now you're asking what's the future of this bull market. Are we in an early stage here? So, let's weigh in real quickly all four of you on that, what's the gold price going to go to?

Brian Bosse: Yeah. Basically, as Dana said, people follow success. So, at the early stage of a bull market, nobody wants to own ... Sorry, I just say this a lot ... dog poop class A mining stock with no cash flow in 20 years of extra drilling ahead of it, and no ability to raise the money to build a mine. They all want to own Franklin Nevada. They all want to own the great team at Nico that is producing cash flow for you. And then, as you make money at that, then you ask yourself, "Oh, maybe I got to have some Kinross because there's more lift to the gold prices."

Thom Calandra: So quick. So the quick last 60 seconds here. I'm going to ask the question in a different way, and you each can ... The way I ask the question is not where do you see the gold pricing in a year, but how many flats in London am I going to be able to buy in a year or two with the gold holdings that I have? So, in other words, look at it more from the point-of-view as gold or silver or platinum or palladium or nickel, even copper, as purchasing power not US dollars. Each of you weigh in on that real quick. You can use a US dollar number. Anything. But just give people a sense of how high we can go.

Dana Samuelson: There's a pretty direct correlation to how much the debt grows and the gold price, and the debt's just going to keep going higher, so the gold price will keep going higher as well.

Thom Calandra: Right. We're running in deficit now, so let's ... if you got a number.

Matt Geiger: I will just say real quickly when I pick mining stocks for the fund, I assume spot gold price for the next five years. So, I'll just say 1,500.

Thom Calandra: Okay. Next.

Brian Bosse: We're definitely going to beat the old all-time high, but I'm not sure we're doing it in the next year or so. So, from a year from now? 1,550-1,600.

Thom Calandra: Okay. Thank you Brian. Omar and Dana. I'm going to give you another chance, Dana.

Dana Samuelson: I think we can see gold go 5-10% higher for the next two or three years just on debt.

Omar Ayales: I would agree with all of them. I do see that short term, and of course like you were saying, I'm a trader, so I'm looking at maybe shorter dynamics. I think short term we're going to see more of a pullback still, but this time next year, yeah, I would say maybe around 1,600.

Thom Calandra: Okay. Ladies and gentlemen, thank you, this has been my best panel yet. I love it. I'm going to buy three London flats in a year. Three. Thank you very much, folks.

Gwen Preston

"Rewards No Matter The Risk: Everyone Can Profit In A Great Gold Market"

Gary Alexander: Our first speaker is going and is going to talk about rewards. No matter the risk, everyone can profit in a gold market. After nearly a decade covering the mining sector as a journalist, in 2014 Gwen Preston saw the mining markets bottoming out and knew that she wanted to participate in the pending rally independently and proactively. Thus was launched Resource Maven, a newsletter chronicling Gwen's market insights and portfolio moves. Years of research, writing, and site visiting, mean that Gwen's knows the people, the projects of mining and understands how the big picture trends and requirements translate into specific investment opportunities. With a technical background, a network of advisors, and years of experience sifting through the noise of the sector to find stories of significance, Resource Maven knows how to find and hold value in this cyclical sector. So please, welcome to the stage for our first speaker this morning, Gwen Preston.

Gwen Preston: Thank you. Good morning, everyone. Wow. It does take a little bit of getting used to. The lights are right there in your eyes. Good morning. I hope everyone's having a lovely morning, got some coffee in hand, and is ready for a full day of information. I'm just going to hold on until I can see my slides, but I mean, I can get started without being able to see them. I, like many up here who are going to be speaking today, I'm very bullish on gold at the moment. I think that we are at the beginning of a very exciting time in the gold space. What I want to talk about today is what has happened so far in the gold market, why that happened, specifically why we had such an interesting summer for gold, and why I think it's just getting started. There are a lot of amazing speakers at this conference who can speak about these issues from a very macro perspective, so I don't want to try and overlap too much with all of their thoughts.

That said, my work is focused on finding opportunities, finding stocks in the gold space that I think will outperform. That only works if I understand the big picture, if I think that there's a macroeconomic reason for all of this to happen. So I will go through why I think the gold space is set up at a macroeconomic level to work, and that then leads into a conversation of what I think is going to happen with gold stocks as a whole, as a group. Then I'll wrap up a bit with how to go about designing a gold stock portfolio based on you, based on what you like to do, what you like to focus on, what your risk tolerances are. There's lots more that can be said about all of that. I will be available at a speaker table. I'll be around the conference all day if we want to carry on that conversation. I certainly started that conversation last night in a workshop with Brien and it was very interesting to start talking about those things with some of you, so I'm sure we can carry that on as the day progresses.

We had a golden summer. It was lovely. Usually summer's a quieter space for those of us in the mining sector because the gold price is just sort of sideways. That was not the case this year. We were all very busy all summer. Why was it such a golden summer? I mean, a crazy set of circumstances that had all gradually been building in favor of gold really consolidated. They came together and it pushed the price up. The price didn't have a choice but to go up. Obviously we had the trade war. It really escalated. And after a year, the market could no longer ignore the perils. The impacts were starting to become very obvious. Key to all of this, the Federal Reserve moving to a cycle of cutting interest rates. I will spend a fair bit of time talking about that.

Increasing evidence of economic weakness, especially in some parts of the world including Europe. Bond yields going crazy. The fact that we have a quarter of investment grade bonds now having negative yield, that cannot be ignored when you're talking about security in investing, and gold plays an important role there. The yield curve as a result, inverted. More evidence of softness in growth. Like I say, it was a consolidation of factors that all came together. That's what moved gold nicely over the summer. We saw 17, 18% gain despite a strong dollar, so it was not just in reaction to dollar weakness. But I definitely think that gold is just getting started. So, here are the list of reasons why I think gold is only just beginning on the bull market that is underway.

Real rates are the most important factor therein and I will discuss those for sure. Very much related to that is the bond market, which is a complicated space right now, but at the end of the day is not providing the safe haven security that it usually does, and therefore there's large pools of money that need somewhere else to go. Rampant uncertainty across a wide range of issues. Central banks are certainly providing nice baseline support for gold, and then we have a race for the bottom amongst global currencies, which can only help gold as a counter to all of that. Okay.

As a whole, gold is fairly good at gaining. It's a bit cheeky to say that, you know gold's good at going up, but it is, and there's lots of people here already in just half a day who've spoken to some of the reasons why that is. But even when you adjust for inflation, we have sort of four and a half percent annual gains for the last 50 years. That's pretty darn good. When does gold not gain? It goes down when real rates are high and positive, and it makes up for that, for those losses, by gaining in an outsized manner when real rates are negative. The table that's there on the slide shows that you get more than twice your returns from gold when you're in a negative real rates environment. Well, guess what? There is nothing but negative real rates ahead in the near term at the very least, and likely for longer than that.

Countries are currently in a race for the bottom with their currencies. It's to gain an edge in trade. Trade is weakening. Trade opportunities are becoming more competitive. One of the best ways to get an edge in that trade war competition is to weaken your currency to make your exports more attractive, so there's a race for the bottom going on for currencies and that is a big part of the story here. Central banks around the world are obviously cutting rates. To why they're doing it, there's a range of reasons, but certainly to encourage growth is the stated reason, to prop up stock markets is definitely another reason, and to keep debts vaguely manageable is a clear fundamental reason. So, we're cutting rates actively and then there's those debts, which are so big on both government and corporate levels that you can't raise rates without wreaking absolute havoc on that debt service situation. It's safe to say that the high real rates that are the only reason that caused gold to go down are not in the forecast.

Instead, negative rates are our new reality. As of Wednesday, as of that rate cut that officially pushed them into negative territory, they are here, they are here to stay for quite some time. Negative real rates always push gold higher in a manner that far exceeds its regular, reliable annual gains.

I said, I've mentioned the bond market a few times. I am not going to go into depth here, but we're definitely in a situation where investors are looking for safety and security. We're not at such a precarious position in the stock market that the safe haven trade is dominant, but it is absolutely present and there are, from yesterday, to today, to tomorrow, some days it is more dominant, some days it is less. But as growth slows, as earnings weaken, as valuations are very high, we get indicators like freight volumes that are falling as the impacts of tariff and trade barriers come into play. The recession risk is real. You can look at things like how often people search recession on Google. It's a very good predictor of when a recession will happen, and the search rates are really high right now.

So the recession risk is real. The safe haven trade is absolutely in play. The safe haven trade predominantly involved buying bonds for yield and counter cyclical performance, except that the bond market is a mess, so that doesn't work very well right now. If you have $17 trillion worth of bonds that charge you to own them instead of providing yield and counter cyclical performance, then it doesn't work anymore. It's not just those 17 trillion, that quarter of the bond market charging you, the rest are also paying very little. So these huge pools of low-risk money that have always relied on the bond market for seven, 8% annual returns, that doesn't work anymore. They need somewhere else to go. I really love this chart, because I love close correlations. This is the global amount of negative yielding bonds and the price of gold, and they track each other so closely. I think it's just a thing of beauty.

But it makes perfect sense. It's what I'm saying. The bond market doesn't work for low risk money. Obviously, there's lots of low risk money that is still in the bond market, but it isn't providing the safe, secure countercyclical performance that it usually does, and therefore these large pools of low-risk money needs somewhere else to go, they need another option, and gold is one of the only answers to that quandary. That's the negative real rates, the most important driver.

Then we've got the bond market, the safe haven question. The safe haven trade is different this time. The money can't go into bonds as easily, it's going to go into gold.

Alongside all of that, when things are uncertain, when economic growth is questioned, when the world order is shifting, central banks buy gold. You can see that they are clearly doing so right now. It's a shift from the early 2000s when there was oodles of economic confidence and so they were selling gold. That changed with the great economic crisis and they have been buying with abandon ever since. That's gold the metal.

What I specialize in, once I have a platform of understanding for gold the metal is gold the stocks, because that's the way that I play this opportunity. What we need as investors in gold stocks is for more people to move into the gold stock space. We have people coming into the metal already. I will show in a moment how there's definitely good flows into gold as a metal, but we haven't yet seen a lot of flows in of generalist dollars rotating from the stock market into gold stocks.

And fair enough. The stock market has been an incredibly reliable source of returns for the last nine years, so it's understandable that investors simply want that to continue and at this point haven't been yet given dramatic reason to question it, so they haven't. But as those questions continue to ramp up, value becomes a question. Seeking value is the other part of the safe haven trade. What sectors haven't benefited from the stock bull market?

Well, gold is one of the only ones out there that offers value right now. This charts the gold index as a ratio to the S&P, and you can see that we are very undervalued relative to historical norms, relative to the rest of the stock market. So gold miners, once people start actively looking for that safe haven trade more generally, gold miners offer both value and then the leverage to gold the metal, which is the safe haven argument.

This is what I was saying. We're seeing very good flows into gold the metal. The yellow is the gold price, blue is gold funds into gold-backed ETFs, so physical, and then the black line that is not doing so well is fund flows into a GDX, into a mining stock fund. Actually, we've seen $6 billion go into physical-backed ETFs and we've seen $2 billion come out of mining stock ETFs over the last year. We're definitely seeing the interest in the metals. What we need as investors in the stock space is for that to change, and I do think that that is going to happen for all of the reasons that I've just outlined. Why that matters is because once those dollars start coming in, the impact is immense. Gold is a very small space. It's really small compared to, I mean, you can take the market cap of Google and it's the entire market cap of the gold space. And so, it doesn't take very much rotation of generalists dollars into our little sector to generate really outsized returns. We don't get much, but it's dramatic compared to where we are now.

This is a slightly complicated chart, but what we're looking at here is the red line is just the S&P. The gray line on this chart is gold assets under management as a percentage of the average market cap of the S&P. It's a good capture of gold exposure as a percentage of an average portfolio, and you can see it's pretty darn low, but it's only at about 0.6 right now. At the peak of the last gold market, it was 1.6. That's not a huge allocation percentage, but it's way above where it is right now, and when that happens, we get impacts in our gold space that are like this. When all of those generalist dollars pour into our tiny little sector, prices really rise.

The bottom line for all of this is the forces that are propelling gold aren't going away. In fact, they are strengthening. They really consolidated this summer and gold responded. That attracted some attention, but only more attention is going to come from here because those forces are very clear, they're very macro, and they're not going anywhere. In fact, they're getting stronger. I didn't spend much time talking about the trade war. There will be lots of discussion about the trade war, I am sure, but the trade war is the elephant in the room. It is very, very far from resolved. The impacts are really starting to come home to roost. Despite all of these really strong forces pushing gold up, investor interest in gold stocks is only just starting, so that means that there is a huge amount of upside ahead. This captures a little bit of what that upside can look like. All the various lines on this chart are previous gold bull markets, using the HUI. You can see that the red line, which is our market so far this cycle, hasn't been very exciting.

It's in there. It hasn't been much worse than others. A lot of markets start very slowly. It takes a while for generalist interest to really cycle in and for confidence to build, because this is such a cyclical market and people do get disappointed when it doesn't happen. But when it goes, it really goes. And especially at the end when there is a spike that lasts almost a year, nine months to a year, and sees prices almost double. What we're seeing from this is yet further evidence that it's been a weak market so far, but what that means is that the upside is largely still ahead. We haven't missed much. Even though some prices have gone up a fair bit, there's a lot of upside ahead.

Okay, so I'm super bullish, obviously. The questions that that brings up are if this market is so real, why aren't more juniors benefiting? And if this market is so real, why does a down day for gold spawn so much selling? The reason is simply because the bull market is still pretty darn young. I say it takes a while for momentum to build, and the momentum follows a reliable pattern, and believers in the space start with low-risk leverage, as they should. They start with major miners, they start with a single asset operators if they have a little bit more risk tolerance, they start with royalty companies because on a balance sheet perspective, they carry less risk. And if you look back, if you look at the share prices of Barrick, of Agnico, of some of these larger miners, they've been doing very well. We have 50, 60% gains, so this is happening in the larger miners.

And it happens there has been some very good movement for smaller operators as well, smaller mine operators and some of the standout explorers, but you can't really fault the investor for some profit taking when that happens given what we've been through. It's been a very tough bunch of years in the gold space, better in the last few years, but still you can't fault investors for doing some profit taking. That's why gold spawns selling on a down day. It's easy to get a little bit uncertain here and there or it's easy to just want to lock in profits because they've been sparse in recent years. The generalists are just starting to come in, but when they come in, it will answer both of these questions. It just takes time for this pattern to establish. People need to get into the majors, we need to see profits there. Those profits need to cycle down. Once they do, then the junior space starts benefiting.

That hasn't really happened yet, but you need to see that as an opportunity, because right now is the time when ... It's actually an amazing time. It is very clear that this gold market, I believe, is happening, but we haven't yet seen the gains from the majority of the stocks in the space, so it's actually a really ideal time to figure out how to best position your portfolio to take advantage of this opportunity.

And so, that's what I want to talk about a bit just in my last few minutes here. How do you play this opportunity? Well, this is what I talked about in my workshop with Brien last night. I could have spent my entire talk speaking just to this question, because the gold space is a complicated one. There's a lot of different scales of operators, there's a lot of different business models, and there's a lot of different considerations, risks to account for.

How should one build a gold portfolio? I think the very first and most important question to ask is how much attention do you want to pay to your gold portfolio? There's no right answer here. The right answer is not, "Well, I want to pay attention to it every day," or, "I don't want to look at it for months." It can be either of those. We're in a situation where the gold market is going to do well, so both ends of that spectrum are going to see nice gains. The most important thing is for you to be honest with yourself. Do you want to follow the stocks in your portfolio on a daily basis or do you want to establish a portfolio that you have comfort in and then not pay a lot of attention to it because you're traveling or your interests are elsewhere?

Those both work, but they create very different portfolios. If you don't want to spend a lot of time paying attention to your portfolio, you want to be in the lower risk end of the spectrum. You want to have favorite producers who have controlled costs, good balance sheets, no standout risks. They are already getting bought. They're the ones who have given us the 50, 60% gains already, but they will continue to get bought as this gold cycle builds. You can add on a little bit of fun if you want with some smaller operators who also carry some of those good characteristics fiscally, but have the added advantage or potential, I should say, of being a takeout target. Or a developer, a project developer. They're actually pretty darn rare these days. There's not a lot of projects that have made it to the development stage because of the bear market in gold, so there's not a lot to choose from, but they will get bought, because miners need to restock their pipelines.

If you do like paying attention to your portfolio on a daily basis, then there are a lot of other options, but you definitely need to pay attention to those stocks. I would say the two groups to focus on are strong and splashy, so I would say those are projects that are advanced, but also exciting. So offer resource growth, maybe initial mine planning, but also have exploration splash, or strategic investors coming in, things like that. Those are what I call strong and splashy. Then the best explorers, ones who are funded-drilling, well-backed, access to capital, good share structures. These are the types that will outperform.

That is the end of my time. I talk about all of these things in much more in the letters that I publish. I write about what I'm buying, selling, and thinking in the metals and mining space. I publish a weekly newsletter that's about the higher risk end that I was talking about of that spectrum, a monthly letter that focuses on the lower risk end of that spectrum. So depending on where you sit, there should be a product there for you. If you participate in financings, I have a financing opportunities letter. I am certainly around and very happy to answer any questions that you might have for the rest of the conference, so please enjoy the next few days and thank you very much for your time.

Gary Alexander: Thank you.

Peak Prosperity
"The End Of Money: Navigating The Coming Wealth Transfer"

Gary Alexander: Peak Prosperity is not listed by the name of the speakers in your book. Chris Martenson and Adam Taggart. They split the difference between M and T and they're both under PP, Peak Prosperity. Chris Martenson and Adam Taggart are the co founders of peakprosperity.com where they've been educating millions of readers about the risks in our economy, our energy and environmental systems since before the 2008 crisis.

Between them, they have degrees from Duke, Cornell, Brown and Stanford, but we will not hold that against them, because you know what comes out of those colleges these days, if you've read anything about colleges these days, but thankfully they went to those colleges before the madness began. And they both had executive positions in companies such as SAIC and Yahoo, before they consciously opted out of this corporate lifestyle for a more meaningful purpose, to build awareness of the looming changes of the next 20 years and to help concerned individuals take prudent action in advance. One of the things they did is they both moved their families to more rural, self-sufficient locations with strong community engagement and launched their website peakprosperity.com. It's visited by 4 million people a year and it's video series, The Crash Course has been viewed by over 15 million people, at least 15 million times and translated into over 12 languages so far. So their subject today is the end of money, navigating the coming wealth transfer. Please welcome Chris Martenson.

Chris Martenson: Thank you. Thanks. Wow, that was such an incredible introduction. I'll go straight to questions. Just kidding. So I'm Chris Martenson. Adam Taggart is back there in the room as well and we're really pleased to be here again. This is a wonderful audience and we love to bring our product, as it were, to this. We don't really have anything to sell. We have a set of ideas that we think are really important and that everybody needs to know about. So it's been our mission in life to educate. But educate as long as it leads to actions, because information without action can be useless or even paralyzing. So, I want to talk about something and our work really centers on these three big buckets here. We talk about the economy, which is, it's kind of a funny thing. It has to grow. Well it doesn't have to, but our money system has to grow because it's either growing or it's collapsing.

It seems to be the way of how our money system is arranged. So I want to talk about that money system a little bit in detail today. We also talk about energy systems, which really can't grow like they used to, and all economic growth is based on energy. So this is a conundrum that's going to be shaping up and really informing the next 20 years. And then finally we have an environment that is, you've seen the headlines, you've seen the crowds that have been developing all over the world, that this is something that both from a depleting standpoint, everybody in this room, as a resource investor knows, it's getting harder and harder to find these more dilute, deep and distant sort of projects. As well, the waste we're putting back in. We're kind of bumping up against some limits. You put it all together. We see huge changes coming in the next 20 years, but we focus down on the economy because we think that's where it's going to hit us both individually first, as well as collectively first.

We think this is where it's going to show up. Our response to that, which I can't go into right now is to that fourth part, that earlier slide, that was problem definition. This is the solution space. We talk about people building up eight forms of capital, financial capital, very important, but there are seven others equally important, and this is our solution space that we talk about in this book Prosper, which we'll be doing at the book signing at the speaker table at 10:05. And then tonight in a workshop at 5:55 we'll be talking about that financial form of capital, as well as any other questions you might have. So the wealth transfer, what are we talking about here? History's full of these moments. We've been through many of them before and they all have a common feature. So I want to cover that.

First, we've seen headlines like this. This is from 2017, it's happening again whenever the markets, the stock market seems to get in trouble, the Fed runs out and just throws money in and not just a little bit, but numbers that are absolutely mind boggling and a lot has been happening since the beginning of September of this year that I want to talk to you about because I think it tells us where we are in the story. Now, here's a couple of headlines from this past week. One of the things that the Fed has been very successful at doing is driving up financial asset prices and they've been so successful that you get headlines like this which says, yacht owners with priceless art need to be aware of flying champagne corks, right? Here's another headline from the same week, different news outlet says, 40% of Americans are one missed paycheck away from poverty. This is the effect of what money printing gives you.

Yes, it gives you buoyant financial asset markets and it stokes an incredible wealth divide. Now why do we care? We care because as Plutarch said, many thousands of years ago, an imbalance between rich and poor is the oldest and most fatal ailment of all republics. It creates an unstable society. We are seeing that as Byron King just talked about. We're seeing it show up politically, but we're also seeing it in other places. This is a picture from Los Angeles. I could show you similar pictures from San Francisco, a bunch of other cities. We have people, including people who are formerly middle-class living out of their cars and all the Federal Reserve can think to do is drive the stock market a little higher, as if that was the be all end all. Well, it serves some purposes, but I'm here to tell you it comes with some risks as well. Often these aren't talked about in our media.

It's always presented as just a good thing and this imbalance is here. So I care deeply about the social aspect of this, because I personally don't want to live in a country like Brazil, where there's gated communities and everybody else and it's always under threat. I believe in a middle-class being an important part of a robust, resilient and prosperous nation. To get at this story, we have to start with money itself and what it really is and what it isn't. So when I say money, I'm talking about currency, hard cash, the digits in your bank account that say, you know you've got some, all right. But money, if we look at it, is really just a claim. I don't derive any benefit from a dollar bill. So if I was on a deserted island, Rocky Island and you said, would you rather have a pallet with $1 billion of hundred dollar bills on it or would you rather have a pallet of food and building materials?

I'll take that pallet. Right? So money is just a claim and it's good to remind ourselves of this. It's a claim that's only as good as, if you can go out and get what you want and claim things for it, right? Now, wealth transfers happen and they happen all through history as I've already said, because we forget this one thing, that the claims are not the same thing as the wealth. So let's talk about what is wealth? Primary wealth, what this conference is really dedicated to is the wealth of the land. It's rich, clean waters, teeming with fish. It's thick forest that can be processed into lumber. It's ore grades that are heavy and full. It's thick coal-seams or gold deposits or oil. That's the primary wealth. If you have primary wealth, you can now go to secondary wealth, which is both the means of production, the factories, the mines, the productive parts of this story, or the products that get to market, right?

So turning soil into vegetables at a farmer's market, that's the secondary wealth, that's stream. Now there's a transitive rule. If you don't have any primary wealth, you can't convert it into secondary wealth. No oil, no gasoline at the gas stations, right? So that's a pretty simple rule, first then second. Tertiary wealth is everything that we're marketed to on a daily basis, in The Wall Street Journal, New York times, everywhere, on CNBC that says, Oh, wealth is just money, and as long as we manage the money correctly, all the rest will sort itself out and we're good to go. This is the primary error that gets made over and over again in societies. And we're making this one again, this time globally, pretty comprehensively. And again, it bears saying with this transitive rule that without primary wealth you can't have secondary, without secondary, tertiary wealth has no value, right?

What good does it do me to own say shares in Exxon if there's no oil in the ground, there's a zero value to that. So it's just good to just remember these rules, remind ourselves, reground ourselves. What is money? What is actually wealth? And this is how we think of it. So think of it as a wealth pyramid, primary wealth on the bottom, there's secondary wealth and then tertiary, but you can't pull the bottom of the pyramid out without disrupting the rest of it. And this is the part of the story that we need to talk about, because the other way you can mess up a pyramid is to make the top way too big. All right. So first, this is a really important rule that I haven't seen expressed in very many places, but I want to bring it to you now.

First, money is just a claim on wealth. It's just a claim. As long as I can take that hundred out of my pocket and go get what I want, I love having those claims. But it's just a claim on primary and secondary wealth. Secondarily, what is debt then? Well, debt's a claim on future money. I'll take $1 billion of debt from the government because in 10 years they're going to give me that back plus some interest. So that debt I hold is actually claim on money that's 10 years away. And that's a really important process, because we've all, we know that there has to be a balance between money and real wealth. There always has to be, and that's what the central banks are trying to do. They think they're managing this. I'm just going to submit, they're doing a bad job of it and I'll give you the data.

If you have this balance, everything's okay. The problem is when you get out of balance. The Great Depression was too little money, right? So we had that collapse. We would call that deflation. Too much money, and what do you have? Well you've got inflation at that point. So the question we should be asking ourselves is to step back and say, wait, where are we in this balancing story? What's actually happening here? Well, we know that if you just print money, you destroy its value today. Everybody's seen the wheelbarrow pictures from the Weimar experiment back in 1918 to '23 and the kids stacking the money up. Or maybe more recently, you've seen the pictures of people in Zimbabwe. You know, this guy's trying to go buy a loaf of bread, right? We understand that. We say, Oh, these things have happened rarely and to very small unfortunate countries.

But in truth, the same process can happen to any sized country, even reserve currencies, and it's happened before. Coin clipping, we used to call it once upon a time. Now it's money printing or quantitative easing. And so this is something we should just be aware of and hey, maybe we're okay, maybe we're fine, but I want to go through the data so we can see what's actually happening. Now, if printed money destroys your purchasing power today, then having too much debt in the system is really just a can kicking exercise, but it eventually destroys your purchasing power, but tomorrow. So where as you can feel the effects of the Weimar printing instantly. When you print too much debt, it shows up later. And the conceit in this story is thinking later is always later, but it's not. It arrives someday. We don't know when, but it will.

All right, so let's go to the data. We're going to stare right at it. Get ready, take a sip of coffee. We're good to go. First, we would all agree, right? In our own lives, that there has to be some relationship between our debts, credit card debts, mortgage debts, car loans, whatever we have, student loans and our income. Well, this is at the national level, and the red line is showing the debt on top, it's around 70 trillion right now and on the blue line on the bottom, that's the national income, that's gross domestic product. And these have been separating from each other in a compounding fashion since about 1971, maybe August 15th, somewhere right around there, to put a specific date on it. But this is a story we've been running for closing in on 50 years, and so we think it's how the world works, but in fact this is a very unusual experiment historically, which is to attempt to do something, which everybody would love to do, which is can we always consume more than we're producing forever?

The answer to me is no. I think a lot of Austrian economists would say no, but this is so ingrained in our system right now that most people don't even question it. It's just how it is. Right? That little wiggle you see in that red line, that's the wiggle that almost destroyed the world's financial system. That's not hyperbole, that little wiggle, that. When, remember at the beginning I said our system is either expanding or collapsing. It's based on that wiggle. 2008 taught us something. It says, either this thing is growing like this or it's threatening to just blow up. And that doesn't feel very secure to me, it doesn't feel very safe, which is why I'm here talking about this, because we individually need to make different actions around that. Now this is looking at all the world's central banks because this isn't a Zimbabwe story.

It's not a Weimar story. This is a global story now. So the Chinese central bank, Bank of Japan, Bank of England, ECB, the Fed, all of them together. If we look at all of their printing together, anytime this blue line is going above zero, wobbling up, it says they're adding to their balance sheets. And anytime it's below zero they're actually reducing their balance sheets. And so we can see that first orange circle on the left it's just to grossly, roughly give you a sense of the size. That was the crisis. That's 2008 and '09, admittedly a big crisis, but we didn't do some things. We didn't let Citibank go out of business. We didn't allow AIG to go out of business. Preserved and protected the financial institutions because we had to. Well, if we had to do that, what was the emergency in that next orange box or the next one?

The largest amount of printing in this story happened in 2016 and '17 when all the headlines were recovery, stability, employment's going, unemployment's going down, you know, all of these things. But behind the scenes, what were the central banks doing? They were printing at the fastest pace they've ever printed at. And that money flowed primarily into the financial markets, primarily gives us headlines like, you have to worry about flying corks because your painting might get damaged. Right? So this is the part of the story we're in and we need to talk about it because they don't talk about this on the news very much. Lately, things have gone really bonkers. I don't know what broke, but something broke and it broke right around the end of August, early September. We started to see massive printing. So Sven Henrik put it out best. He said, you know, the Fed came out and said, Oh, you know, we're going to do some repos, which are repurchase operations, they're temporary everybody.

And then they became permanent. It's 75 billion for the overnights. And then they said, Oh, and we're also going to do $60 billion of balance sheet expansion. This is quantitative easing, but it's not QE, but it is, but it's not, right? And it was just very difficult to make sense of all that. And now they've got the overnight repos at $120 billion a night. Sometimes that isn't enough. And all of this happened in a four week stretch of time. Woodrow and Powell came out and said, hey, we're cool, everything's fine. We're just, you know, we just need some more reserves in the system. Right? So this stuff is happening right now and it's very hard to make sense of because we don't know what's happening, but it is. And we're also seeing gold begin to respond to this as well. Something in the plumbing is broken and we don't know what yet, because we're out here in the cheap seats.

I'm trying to find out. So as much money as they throw in, it's never quite enough right now. When you have a financial system that requires $120 billion of overnight liquidity, the only thing you can deduce in that story is that the people who have the cash, and by the way, there's $1.3 trillion of excess reserves, plenty of cash in the system. The people who have it though don't want to lend it, even for one night to somebody else. So the Fed has to be that lender of last resort. That means trust is broken in the system. It means somebody's in trouble. That's exactly what we saw in the Lehman moment back in 2007, same thing, right? So something's happening. Maybe they fix it, maybe they don't, I don't know. But they're not being honest with us and that much we know for sure.

So here it is on a chart. This is the Fed balance sheet wobbling all the way down. It hits a low on August 28th, right there in 2019. Those last few weeks, it's $260 billion of permanent money injection into the system by the Federal Reserve. That's $130 billion a month. At the worst of it all, in terms of printing in QE3, that was $85 billion a month. This is 50% larger than that, and we're being told everything's cool. Don't worry about it, everything's okay. I'm a bit of a skeptical kind of guy. I'm like, maybe not. Maybe something is not quite right when you have to engage in things this way. So why is the Fed doing that? Well, because they've committed themselves to this idea that stocks always not just have to go up, but they have to go up almost parabolically. And that if somehow, if this went backwards, this would be the worst thing ever.

Maybe it is. Maybe they have to preserve a system, but the system they're preserving is one that always has to grow parabolically. There's no point in history where we can go back and say, Hey, that made sense. That's a good way to do this. This is a whole new experiment and again it's being conducted globally. So it's really a difficult story when if people ask me, is there a better place in the world to live? And the answer is, I can't find it, because this is the regime that we're all under at this point. But this is an experiment. This is a social experiment, as much as it is a monetary experiment. It's going to have costs. It's going to have political costs, social costs and other ones as well. And it's not like they're doing this, the bull case at this point as far as I can tell is this sentence, the central banks are going to continue to intervene successfully. Because right now this is a chart that shows corporate gross value add in those lower lines and the stock market valuation in the upper blue line.

There should again always be a relationship between what companies are worth and producing and what they're valued at in the market. This is the system that the Fed has said, we need $120 billion a night to make sure that this is preserved because we're just going to keep this thing going. Meanwhile, the United States is the most indebted ever. The national debt just topped $23 trillion. I think the last time I gave this talk, last year we were at 19 or 20 or something. It's just exploding. It's exploding really fast. You know, this is the rosy view from the congressional budget office. 2017 they said, ah, we think we're going to be facing trillion dollar deficits in the future, but they got it wrong because we already clocked one here in 2019. Way over a trillion. And I say the rosy view because this says no recessions, nothing like that.

You put a recession on this, these numbers double. You get a different president who says we want to do modern monetary theory and these numbers double. And the ideas they can see is, Oh, they can just double forever. We're good. Right? That's just the debt though. This is total IOUs for the United States. It includes all the debt we just talked about, corporate, household finance, you know all that stuff, financial debt. It includes unfunded IOUs, pension, social security, other entitlements, Medicare, things like that. These are now standing at 1,100% of GDP. They're measured in $200 and some odd trillion dollars of unmet promises. And I was talking with the former director of the pension benefit guarantee court. I yanked this chart out and I said, "how do we get around this?" And he said, "rapid growth. We just need really rapid growth". Well we haven't had that in 15 years, and it's maybe not coming, and the last GDP print was just 1.9% but they said, that it's a good news beat, was supposed to be 1.6. You can't pay this off at 1.9% GDP growth, there's no chance.

So the only question to ask in that story is who's going to eat the losses? In Illinois they're rapidly deciding that's taxpayers, right? But that's going to be, this is really the only question to resolve in that entitlement story. Because anything that can't be paid, it's not going to be paid. So the only way out of this story is this thing called growth, but here's the caveat. The growth has to be at a faster rate than the IOUs are piling up. Remember that chart of GDP going nice and slow on the bottom and debts exploding. That was just debts. You put the IOUs on that and it's exploding much, much, much more rapidly than that. And that's the story we're trying to run. That's the story the Federal Reserve is desperately trying to preserve, is that idea that we can constantly grow our IOUs faster than our economy.

If you don't believe that story, you really need to come to the workshop tonight. All right, so that story just doesn't look very solid to me. It has an ending date. It's an experiment that was probably ill-advised. I don't think we should have continued it in 2008 but here we are. So our view is that a financial crisis is coming. It's just what happens when credit bubbles finally burst. So credit cycles have a fun up-cycle and they have a really nasty down-cycle. They also tend to end pretty quickly when they do. The cause of the wealth transfer that I'm talking about here tonight is always rooted in this one idea. It's always because the authorities, fiscal monetary authorities got together and said, maybe we can kick the can down the road and we'll just print a little more. We'll just clip these few coins. We'll do it one more time.

Now is not a good time to face the consequences. You know, there's a trade talk going on. There's an election coming up. Now, it's never a good time. Of course, we're humans. So the real cause of the wealth transfer is humans. Because we always make the same decisions, right? We'd rather have no pain today with the prospect of maybe more pain in the future. And so the question is how far and how long can that can get kicked? And wealth transfers happen when we just forget this, that the claims themselves are not the same thing as wealth. Right now there's an MMT, modern monetary theory debate raging, which looks like this. We're just going to give money to people, because the money has value. Well that's actually a wealth transfer. The people get real purchasing power, got printed out of thin air, but you can't actually print real wealth out of thin air. So what happened?

Every time you print and put a dollar in circulation out of nothing, ex nihilo, what happens is, it steals, it clips a little bit from every other coin in circulation, if you will. Every other dollar out there gets reduced. We don't notice it. Because what happens when you lose one 4 trillionth? You know, because there's 4 trillionth claims outstanding. You don't notice it, but it builds up over time. And it's like energy in a system and eventually it just breaks, right? That's the nature of the beast. So the question often just comes down to, well, what do I do about that? I can't do anything about Federal Reserve policy. Yeah. I write some snarky tweets, you know, that's my job. But I can't do anything about what they're up to. They seem to be immune to worrying about the social consequences, the environmental consequences or this simple idea that you can't grow something forever.

There's always a box, a limit, a boundary on this story. And they seem to be totally unaware of the energy story. They seem to be totally unaware of what's really happening environmentally or they say it's not our problem. And their job is to just horsewhip markets higher so that we can get fast growth. Okay. Our job then is to say, is this a viable strategy, and if not, what do I do about it? Well, the first thing is, everybody needs to safeguard their financial capital. So at the workshop tonight, this is the one we're going to be focusing on with Adam Taggart and we've got some representatives from a financial advisory firm that we really like that get this whole story and ask the first question, sort of hippocraticly, first take no losses. Like how do we preserve our wealth, our financial wealth in this environment? Right?

And so we have a point of view on that. A lot of other great ones here at this conference and a lot of ways to preserve your wealth into hard assets. Because that is the punchline of a wealth transfer is that hard asset component, whether that's gold and silver as a highly portable stored form that's in your hands or in the production of that, or it's in farmland or other productive real estate or it's in your own homestead. Those are all forms of wealth that can't be taken away because of the printing. Now, rules and regulations and other things may come along politically to do that. That's a different story. But the way you protect yourself in a wealth transfers to make sure that you don't have 100% of your wealth over here in the claims, you got to own some of the real stuff too.

Your percentages are going to vary. I'm more than halfway over that line right now, and I sleep really well because of that. So owning those hard assets is the way to go about this. Quick story, in the Weimar experiment, the Deutschmark at that point in time went from, one-to-one to the dollar, to hundreds of trillions to the dollar, whatever it finally broke at. And there's an apocryphal story about a bellhop who had a gold coin preserved away from his grandfather who ended up buying the entire hotel that he used to work at for that one gold coin. And all the books that are written say, Oh look at that have wealth destruction that happened. It was this inflation. It just ruined everybody. But if you understand the story, the way I've just told it, that didn't happen. There were just as many hotels, roads, cars, trucks, arable acres of farm land, before and after the money blew up.

The people who made out really well in that story, and there were many, were on the right side of that line. They actually owned the real wealth and they weren't persuaded by the marketing that said, the real wealth is the claims. They were able to tease that idea out for themselves. Right? Secondarily, I look at money as a claim on stuff right now, but there's this claim on the future, which is all the debt and all the IOUs. I look at that and I say, at some point in the future that purchasing power is going to be destroyed by that, and I know the process. You go through a punishing deflation and people get voted out of office and there's riots. Or you just print like crazy and you pretend like all the media is going to say, Oh, there's inflation. It's like rain out of a blue sky.

We can't understand it. It's very easy to understand. It's happened over and over again. So educating yourself about that, really important. Not as important as then taking action about that. So we talk about eight forms of capital though, because we think this is going to be hard. This is going to be tough times coming ahead for people who are unprepared, but if you are resilient, you're going to be rich in all eight forms of capital. So living capital, that's the health you happen to be in. It's the rich soils around you. It's the abundance of the natural world around where you live. That's important to have. Material capital, sure, it's great to have some food stored up maybe, but having solar panels or having a new vehicle, all the material capital things you can do, re-insulating your home, putting solar hot water, maybe photovoltaics, whatever.

These are all great investments to make and they make a lot of sense. Your skills are actually the thing you can take with you anywhere. So your knowledge is going to be a really important form of capital. And, so we homeschooled my kids, gave them a lot of knowledge and skills. Very glad to have done that. Out of them all, maybe emotional capital is the most important. Rich in all other seven, but you fall apart. That's not so good. So this is another area that we focus on.

Social capital is going to be the key determinant of your success. This is about community, about how well you know the people around you. Cultural capital, not much you can do about this one. If you live, say in Oakland, you may have a different experience of how things evolved than if you lived in Topeka. So where you live locally actually matters a lot, and you can influence this a little, but it's slower. And then time capital, really important. How are you using your time to really apply yourself to all these other forms of capital? So we're going to be talking about some of that tonight. And see us at the speaker table if you're interested in talking with me or Adam directly, and otherwise at the workshop tonight. Thank you very much.

Gary Alexander: Thank you very much.

The Real Estate Guys

"What Wall Street Doesn't Understand About Main Street Real Estate Investing ... And What You Should"

Gary Alexander: And good afternoon. It is 1:40, time to get started in our afternoon session, here at the 45th annual New Orleans investment conference, and we have a unique opportunity in which one MC gets to introduce another MC. However, he will not be speaking in an MC role. Bob Helms is one of the Real Estate Guys on the radio show that talks about investing in several investments beyond real estate, but focusing on real estate. They've been in conventional radio since 1997 they share that with me also, I'm on radio. I began here on WWOZ in new Orleans in the 1980s if you're familiar with that station, and I currently have a radio show up in San Juan Islands, Washington state for the last 12 years.

They have done podcast versions and over 190 countries. Notable guests include, and I'm going to make a list all but one of these people have spoken here. Steve Forbes, Peter Schiff, Donald Trump, James Rickards, Brien Lundin, Mark Skousen, and Robert Kiyosaki and many others to listen online and subscribe to their free newsletter, visit www.realestateguysradio.com and they're going to speak on what Wall Street doesn't understand about main street real estate investing and what you should. Please welcome back Robert Helms.

Robert Helms: Hey, welcome back from lunch. How was lunch? Coveted speaker spot, right after lunch we'll get the lights kind of low. I'll talk in a monotone. You can get your nap in. Now we're going to talk about real estate investing, and really specifically some of the differences between the way Wall Street views real estate and the way the rest of us do. And hopefully you'll learn something. That would be my plan to have you learn something. How many of you have learned something today already, you didn't know when you woke up? Excellent. Let's have that continue. So my background is in real estate for many years. I got the bug early on and my very first commission check from selling real estate. I used to buy a duplex and I've been a collector of real estate ever since. Today we do real estate syndication, raising funds to do deals, we develop property, but real estate is different for everybody.

And one of the things we talked about at the real estate guys, is personal investment philosophy, and that is no two people are the same when it comes to investing in real estate. Everyone has different dreams, wants, desires. Everyone has different risk tolerance, and resources, and you've got to figure out what makes sense for you. Some people have a lot of time and not a lot of money, others have a lot of money and not a lot of time. And the great news is real estate can be a vehicle for any of those types of folks. So our radio show has been, as Gary said, on the radio and still is on traditional radio 22 years. When they started podcasting we said, well that seems like a good idea and that's been absolutely amazing. Just surpassed 13 million downloads and had a great opportunity to meet a lot of our listeners this weekend.

So thanks for the real estate guys listeners for coming out. We had a bit of a party last night and it's a good party when it takes three security to come and shut it down. So that was, that was awesome. You can find our show on iTunes or any of your favorite places to find audio. And for those of you that still only listen to the radio, well that's okay too. We're on the Salem radio network. Now, the future is coming, and it's coming fast. And I don't know about you, but I've heard a lot of different things from this stage this weekend. Is anybody slightly alarmed by anything they've heard? Yeah, there's a little bit of alarming stuff. Now, is anybody kind of optimistic about what some of the things I've heard? Yeah, this is the thing about opportunity. There always is opportunity if you know how to look for it, but the future's coming faster and faster.

And already we've heard about some of the challenges facing investors. Investors have a lot to think about today. The world is changing. The reason you want to come to conferences like this is to get around the big brains that are presented in the panels and the discussions. And even more important, the discussions you get in, in the exhibit hall and over dinner and those kinds of things to bat around this stuff, because I don't think anybody has all the answers. Now you've seen a lot of charts and I'm not much of a chart guy, but when we're done, I'm going to give you one chart that will sum up everything that's happening in the market right now. So if you're only going to take one chart away, it'll be that chart. But we are concerned as investors about the preservation of our capital. Right? That's the number one thing.

More than return on investment. We want to make sure we have a return of our investment and I know different people that have talked about different asset classes have you thinking differently and that's awesome. If you get challenged in your thinking, that can be a gift. If somebody comes along and kind of verifies the way you've been thinking, that can be good too. And many of you have come, I know, searching and seeking and wondering. And others have come just to say, "Hey, how can I take what the market's giving us right now and what opportunities there are and figure out how to enhance my portfolio." But these are real problems. You know, counterparty risk, huge problem. What's happening in geopolitics. I mean, oh gosh, it's an election year and it's louder and noisier and well you've heard the many speakers talk about all that. One of the many things that real estate can do for us though is smooth out our portfolio in a lot of ways, which I will hope to cover today in that our workshop.

So, which way will the market go? That's what you all want to know. Which way will the market go? And the great news is real estate is pretty good, no matter which way the market goes. So I don't pretend to know, but here's the chart that explains it all. As you can clearly see that's the deal. Now I'm not trying to diss all the folks that do charts and graphs. I did a couple of my pre-conference workshop and I've got a couple of important ones in our workshop this afternoon. But real estate is a vehicle to make money and it truly is a vehicle to make money. I don't think golden silver is a vehicle to make money. I think it's a great way to preserve wealth and hedge and all that, but it doesn't provide cash flow or any of that. Real estate can provide all kinds of stuff, which we'll talk about, but people view real estate differently.

And that's kind of the essence of this talk. Main street investors, you and I, people that invest in real estate projects and properties, view real estate differently than institutions and the folks on Wall Street do. It's not right or wrong by the way, it's just how they look at it. So how does Wall Street see real estate? Wall Street thinks of real estate, when you say to somebody on Wall Street or even someone who just only invests in equities, "Hey, what do you think about real estate?" They'll go, "Oh yeah, I'm in a great REIT, a real estate investment trust. Many are publicly held. You can have privately held, privately controlled REITs, but a REIT is a vehicle to invest in a multitude of real estate. Nothing wrong with that. It's a way to get exposure to the real estate market and they're very specific in terms of product type or demographic or what their outcome is, time frame and so forth.

The other thing that Wall Street views real estate at is house housing stocks, home builder stocks for example, where the home builders are doing in terms of their stock performance is often an indication of where we are in the real estate market. So that's the way Wall Street views their paradigm, right? A paradigm, a way you view something, and we all have them. MBS is and CMBS is, those are mortgage backed securities and if you've been here all weekend, you've heard a little bit about that, but we know that the big challenge we had in '07 and '08 was really a result of the derivative market, and the mortgage backed security is a way to take the income flow from individual mortgages and bundle those together. Same thing, the collateral, collateralized debt obligations or sometimes they're called collateral loan, collateralized loan obligations or collateralized mortgage obligations, same thing, pooling of different types of financial instruments.

Now the difference between that and real estate investing is that sometimes you can invest in the property and sometimes you can invest in the debt, but it is the primary asset, not a derivative of many of those assets. There's reasons why that could make sense, but as we saw in 2007 and '08 there's reasons you should be scared of derivatives. And the other big things when we hear about real estate in the news, when you hear about real estate from Wall Street or the media, almost always they're talking about single family homes. Almost always. Sometimes you hear about multifamily housing starts, but usually it's single family homes, which is a big part of real estate investing. Many people, that's how they start off in investing in real estate. They buy a house. My mentor Jim Roan said that kids should have a bicycle to ride and a bicycle to rent.

Well, it's the same thing with houses. You should have one too to live in and one to rent out and then if that works well for you, another one and so forth. But most of real estate is not just single family houses. There's so much other opportunity in real estate and we'll touch on some of that today. Now here's how main street views real estate. main street doesn't think of it that way. They don't think of it as an engineered financial instrument. They think of it as a real piece of property that people live, or work, or recreation in or around. That's what real estate is. We own a piece of property and we have the production means of the rental income of whatever it is that that property does. If it's a hotel, then every night people stay here and pay and conferences come and pay for the space and then there's food and beverage associated with that and all kinds of other ancillary business models in the hotels and resorts space.

But real estate is simple. Either someone lives in your property or they have their office in your property or they go on vacation in your property and they pay your rent for that. But there's lots of different ways to invest. Now you can directly invest, but you also can passively invest and so real estate is very flexible depending on you. What you're trying to accomplish, what your personal means are, your ability to qualify for loans, whether or not you want to have leverage. Some people want to own for cash and not have leverage. So again, these aren't right or wrong and I'm not here with any big opinion other than you need to be in control of your investment portfolio and that can, that doesn't mean you have to do all the work. That's one of the misconceptions of real estate. You don't have to strap on your overalls and your tool belt and a paintbrush.

You don't have to do any of that. In fact, I'm not sure which end of the hammer you're supposed to use. That's not your job. It can be. It can be lucrative, but folks that you know, you've heard the fickler who's seen one of those, like a fixer upper, flip this house shows. Right? Where they go in and they find the house and it's a ratty shape and it's really great on television. Yuck and then they do some work and they make it better. That is real estate, but it's not real estate investing. That's a job. That's a job where your job is to buy a property, do some work to it, sell it for a profit. That's a business. It can be a great business. It could be a lucrative business, but it's not investing. Investing is different than that. Investing is when you put your money to work instead of putting your hands to work.

Now people are hands on investors and they're kind of blurring the line. They have an investment part of their property. If I bought a property and I went in and did some work to make it nicer and raise the rent and then kept it in my portfolio and had longterm cash flow and tax benefits, okay, that's investing. But I also did some of the work myself. But you don't have to do that. So the thing about real estate is that it is a hard asset. It's primary wealth. We heard Chris Martenson talk the first, the second morning about the difference between primary, secondary, and tertiary wealth. We start thinking about the derivatives that stack on top of each other. Real estate for the most part is primary wealth. We own the property and we have the rights therein. And that's why it's a resource and that's why we like to have real estate represented here at a resource conference.

Oil, and gas, and gold, and silver come out of the land. So they're really real estate. Wow. All right, so what are the main street benefits? If you're a main street investor, there's some reasons you want to invest in real estate. It's not because you like the smell, taste, and feel of dirt or because you want to get intimately involved with the lives of your tenants. That's not why you want real estate. You want real estate for things like cash flow. Cash flow means that you set up a property in such a way that every month, money comes in to you. That's pretty cool. Like a dividend paying stock, right? So money just comes in as cash flow, but that's not the only way we make money in real estate. Arguably that's an important way we make money in real estate and when people are interested in, but it's not the only way.

We can also make money through the equity growth, the property becomes more valuable. Now our book's called Equity Happens, and we talk about the various types of equity. Market equity is the appreciation. When you just buy a house and do nothing but forget about it and over time it goes into value. How many of you have bought a house or another piece of property and held it for 10 years and noticed it was worth more money? Anybody? Yeah, that is market equity. Now that's different from forced equity. Forced equity is when you do something to increase the value of the property. You make a simple repair or you, if your in apartment buildings, you repositioned the tenants to pay a little more because you add washer and dryers or you add balconies or porches or you do something to the property that makes it more in demand.

Those are ways that we can as investors increase our yield, not only from a cash flow basis but from an equity basis. Now, there's a premise that my partner Russ, if he was here would tell you, and that is cash flow is equity. Just takes a little while to get your mind around, but it works like this. When you buy an income property you buy and pay for and get two things, when you buy an income property. You know what those two things are? Income and property, you get them both. You get the stream of income and you get the property and so if I'm buying an income property for income purposes, eventually if that income increases, what happens to the value of the property? It also increases, and today if you're not avid in real estate investing, you may not understand when somebody says, "Well, cap rates are compressed today."

That's pretty common in real estate, cap rates being compressed means the returns people are getting from real estate are down, because there's more dollars chasing real estate. Just like when more dollars chase a stock, the price goes up when more people are trying to sell, the price goes down. If there's an apartment building for sale and it has a stream of income and lots of people are interested in that stream of income and they bid the price up, the price goes up for the same amount of income, so the return goes down. Now the opposite is true when property is not in favor, it's a great time to buy. Our friend Ken McElroy, between 2008 and 2010 purchased $300 million of multifamily real estate. And in almost all cases he was the only bidder. Now today if you were going to buy one of those properties, you would probably have 20, or 30, or 40 bids, and you would hope to get to what they call best and final the last three or four or five people to really sharpen their pencil.

And invariably the property is going to sell for more than the asking price, bringing the cap rate down so as income goes up over time so does value or equity growth. And equity is a great word. Equity is the part of the property that belongs to you. If you pay cash, then you have all equity, but if I buy a property, I put 20% down and I get a loan for 80% then the part that is mine is not the part pledged to the bank. It's only the 20% but as the value goes up, the value goes up 10%. How much does the bank get? They don't get any. I get all the upside. What the bank gets is a predictable income stream in the form of a payment. So that's the deal, that's what they want. I want the equity growth. Equity is the part that is yours, what the market value is and less what the encumbrances are.

Also we have tax benefits in real estate. Some of the best tax benefits there are, are in real estate and the new tax law just made it better. So I'm not a tax guy, but consult with your tax professional. It is a great time to be an investor in real estate because of the tax benefits. Now we never let the tax tail wag the investment dog. We don't buy a property just because there's tax benefits. It's other investments that may be true, but usually not real estate and yet we want to make sure we can take advantage of this and so it's complicated. That's why you want a CPA that knows real estate. I would suggest you get a book called Tax Free Wealth written by Tom Wheelwright. Tom Wheelwright is a Certified Public Accountant. He's the Rich Dad advisor, so he was on this stage last year with Robert Kiyosaki and that's a great book, Tax Free Wealth, and it's been updated for the new tax laws, so great tax benefits.

Real estate also allows you to diversify. You can diversify between product type houses, and retail, and office. You can diversify geographically between cities, between states, between countries. This is fun. We have a big enough audience, I think. How many of you believe that investing outside of the United States might be risky? It's okay. Outside the United States might be risky. Okay, thank you. How many of you believe that having all of your investment capital tied to one nation's currency and economy might be risky? Now, do you see how those are two sides of a coin and some of you raised your hand both times. Yeah, so there is risk in going to a place that's foreign that you don't know, but there's also a risk and having all your eggs in one basket. And that's philosophy, right? You've heard well put all your eggs in one basket and then watch the basket.

Okay, that's one way to think. The other way to think as well. I better spread it around a little bit and it's interesting times we're in. So diversification can be a key driver. And in privacy, real estate is private. There's a lot of ways to keep real estate ultra private, publicly traded companies or just that. Private placements is a lot more private. And if you're a mining investor, you know about private placements, same concept, but in real estate private placements are a lot different. It's a way to participate in what we call a syndication of real estate. Bigger real estate assets, but they're private. Now there's a couple of other things. Social capitalism, social capitalism is the idea of investing something that you believe in, a cause that you're excited about, a place you want to help in the world that also happens to be profitable.

We have some friends who started a really interesting business where he is an alcoholic and if he was on stage, he would tell you his story. Terrible story of alcoholism, and he overcame it with the help of his wife who was a police officer. So, that was good. And what they decided to do out of that experience is start a group of, it started with one, but with an addiction center that was domiciled in a single family home. And from that they built up several of those until it was a multimillion dollar business which they sold, but they kept the real estate. So, that's a social, their names are Josh and Lisa Lannon and they wrote a book called, The Social Capitalist. But social capitalism is investing not just for an ROI, not just because you want to have some safety and security, but because you believe in a cause.

And there's a lot of folks in the exhibit hall that are doing that very thing. And then finally, legacy. Real estate is something you can leave to your heirs if you so desire. All right? Real estate is not an asset class. If you are in the pre-conference, we talked about this. You need to talk about all the different asset classes and people want to have a well diversified portfolio. Real estate is not an asset class, because no two pieces of real estate are the same. Every ounce of gold is essentially the same. And I know they make it in different sizes and prices, and not prices, pretty packages. So I got a beautiful coin today that looks completely cool when you look at like, "Wow, that's cool." But the end of the day, it's still metal. Real estate is not like that, real estate, every piece of real estate is different.

Every market is different. Even two properties next door to each other, can sell at drastically different prices. It's not a very efficient market and this is a good thing. If it's an efficient market like the stock market, then today's prices is today's price. If you're smart enough to figure out that you're smarter than the market and know what to buy, when to buy, good for you. In real estate, it's not like that. In real estate, we have an advantage, a couple of advantages. Hopefully I'll get through those in my time. So how do real estate investors invested in real estate? The typical thing is we buy a single family house somewhere. Some great family moves in, they go to work every day. They take a big chunk of their income, send it to you as the landlord or your property management company and that covers your mortgage payment.

It covers your expenses and it pays you a little profit. Now, the challenge with that is that the typical single family house across America that rents, once you get a good tenant, and once you have a property manager, and you've got the property figured out. And you've done the inspections and you've got a loan and it's all good, it probably makes a couple hundred dollars a month positive cash flow, a couple hundred dollars. Now there's houses that make a little more, and there's certainly houses that make less, but on an average, I talked to a lot of real estate investors, a couple of hundred bucks. So now think about what is the number that you have in your mind for how much passive income you want coming into your household, and how many houses at $200 a month does it take for that number to be it. And for most people, the answer is a lot.

A lot. Now some of you be perfectly happy. I got three houses, $200 a month, $600 good. For many of us, that's not enough. So, you can just continue to collect single family houses, and the great news is who's paying the mortgage payment? The tenant, until the property is completely paid off. And then who owns the property? You do, someone else pays your mortgage payment. That's pretty cool. So the slow way to wealth is just to accumulate a bunch of these, but some people are not that interested in waiting. They're not that patient. They want to go bigger, faster. And so you think about not just slow path to wealth, but how can we increase that without getting crazy and without taking too much risk? And some people look to things like commercial property, retail properties and apartments. Now there's some paradigms we'll talk about between Wall Street and main street.

I think most Wall Street investors think that tenants of apartments live like this. Whereas the main street investors in the room know that tenants of apartments live like this. It's just how it is. If that turns you off, just ask yourself this question. Did the check clear? Did the rent come in? Your tenants aren't like you. Your tenants aren't even close to you. In fact, I've yet to ever meet a tenant that owns a vacuum cleaner. That's just the way they are, right? So it's okay, it's all good. At the end of the day, the asset is what produces the income. So you can be an active investor or a passive investor. We talked a little about this and the pre-conference, but the idea is you can certainly roll up your sleeves and go do the work. Or you can find a fund manager that works inside a real estate fund, and maybe it's a fund that has several different properties, or maybe it's just a single asset LLC where we're buying an apartment building, or a residential assisted living facility, and we're raising capital to do that.

Or we're buying this hotel and we're raising money to do that. So active or passive, that's the choice you have to make. You can invest in all types of real estate through syndication, through private placements, and you don't need to be the person that knows everything or does all the work. And that can be pretty attractive to folks. So, the folks at the Real Estate Fund Alliance, they were on my tour this morning. This is exactly what they do. It's a bunch of independent fund managers that do all kinds of real estate. They're in booth 324, so go talk to them. This is another paradigm I want to break about Wall Street though. This whole buy low sell, high idea, right? Buy low, sell high. So here's the shattering glass is the breaking of the paradigm. Buy low, sell high and real estate is a dead end road.

People want to do it like in flipping. And what they do is they buy something, and wait for it to go up in value. Or they fix it up so it goes up in value, and they sell it and pay brokerage commissions and taxes and things. And they make money. So they do this, they go from cash to asset to cash. They have some cash, they get into some kind of asset, not just real estate. It might be stocks, might be Bitcoin. And then at some point they want to sell it. But I talked, in my pre-conference about the difference between thinking this way about wealth, and thinking in terms of utility about wealth. Meaning it's not how much money your real estate is worth. It's how many doors do you have? For investors, for our stackers in the room. How many ounces do you have?

How many barrels do you have? How many bushels do you have? That's wealth not cash, not a pile of cash. Because what you end up here is cash. And when you do that, when you buy low and you sell high, it feeds brokerage commissions for Wall Street. It, the realized profits are going to get to be taxed. So there's going to be tax pay, which eats into your purchasing power and lots and lots of money for the banks to get their hands on too. So I know you think you want to be a pile of cash, but our friend Robert Kiyosaki says, "Cash is trash." And the reason he says cash is trash, is because we know the long term direction of the value of the dollar, don't we? We've learned that this weekend, if we didn't know before, right? So you don't want to hold on to cash.

What you want to do instead is something similar but much better. That's go from cash to an asset that creates cash flow. You didn't get rid of the asset. That's the distinction. You still own the property, but you get the cash flow. And eventually after having cash flow for a year, or 10 years, or 30 years, you can sell the property, by then the mortgage is likely paid off, and it's probably worth a lot more. So, cash to ash to cash flow. You've got to get your mind around this because when you are in real estate, you are harnessing and leveraging the efforts of other people, and those other people are your team and your tenants. Tenants are the asset. Not even the property. The property is worth something, but it's only where something because tenants, retail tenants, industrial tenants, vacation tenants, or residential tenants will stay and pay to stay.

Tenants are what we're after. We're accumulating the efforts of other in real estate. Now another thing that Wall Street talks about is insider information. Insider information can get you in trouble in some cases. There's a lot of information out there about how rigged the markets are, and manipulation and on and on and on. And Wall Street, in many ways, is just leading up investors to be slaughtered. Main street though, we work on insider deals, it's perfectly okay. If you work on insight information in the stock market, what happens to you? Yeah, it doesn't end up well for you if you operate on insider information. In real estate though, it's completely different. Insider information is exactly what we want. What makes us money in real estate is when we know something because we've studied the market, or we understand what's happening in the area, we can use that information to our advantage.

We had a property we were looking at in San Antonio, Texas. And we did a little research, little study and we found out that there was a plan to have the road that our property was on, well it wasn't our property then, was going to be a major off ramp for the freeway. Now eventually that was going to happen and we didn't know when. We closed escrow on the property and literally within three days in the newspaper was the big old announcement of this new off ramp. What did that do to the value of our property? It increased it, because it's now much more logistically available. In fact, we instantly had unsolicited offers for a lot more than we paid, and people were like, man, that was lucky. Well, how long in advance do they plan to have an off ramp on the freeway? Years. Now they don't advertise that the city planners don't come to you and say, Hey, you should buy here.

But if you uncover and do a little work, it's extraordinary what you can find out.

The other thing that happens insider wise as we come across, don't wanters. Sellers who don't want their properties and they will not take market price, they'll take less and that can be a great opportunity. So inside information is great in real estate. The thing is you have to get yourself in the circle of trust. You have to get into the deal flow and you don't get into the deal flow unless you are a performer and you have a reputation. So it's kind of this chicken and egg thing. So there's ways to get into the deal flow, and I talked about that in the post-conference yesterday, the pre-conference, so it seems like forever. We've been here a long time, haven't we? This is awesome. So how do you get in the deal flow?

You meet the right people, you go to the booths, you interchanged business cards, and you figure out who's doing the kind of stuff that is attractive to you. And if you want to shortcut that, we have our investor registry and you can sign up for that at the booth. Or I'll tell you how to get all this information before I'm done, which is soon. The motto of the Real Estate Guys is education for effective action, getting educated so you can do something with it. If people are educated, they know about real estate, but they don't own any, than what success is that? I met a lot of people last night at our party who, have come from listening to the radio show and they've taken action to my favorite thing. I never get tired of people telling me how they took action in real estate and made money.

It's the greatest thing, so collapsing timeframes is the key, especially if you're a little longer in the tooth. You don't want to take 30 years to build up a real estate portfolio. You have to collapse timeframes and you can do that with education. Jim Rowan said formal education will make you a living and everything you learn after your formal education, self-education, like what you're doing at this conference, will make you a fortune. We have a bunch of events that we do and you can get a flyer at our booth or just, I'll get to, tell you an email you can send off to get all our propaganda, but we do trips and we do seminars and we do specialty conferences and things. Our biggest event of the year is the Investor's Summit at Sea. You may have heard about that. Brien Lundin joins us for that. It is a hootenanny.

We've got different people that come every year, but many of these folks come year after year and it's extraordinary. It's nine days long. We have a great time. Just confirmed last night that Brien and Fran Lundin are coming back with us again for the fifth time, which is pretty cool. And the Investor Summit is a June 11th through the 20th and you can just send an email. I'll show you where in a minute to get all the information on the Investor's Summit. Find out about our podcast, our newsletter, our special reports library, the live events that we do, our Summit at Sea and investor registry. Plus a really cool video series that we did, called The Future of Money and Wealth. If you send an email to noic@realestateguysradio.com then you'll get all that information. Hey, if you want to delve deeper into this stuff and if you want to talk about the real estate bubble, we have a workshop this afternoon, Real Estate Bubble: Fact, Fiction, or Fabulous opportunity.

And what I decided to do at this session is not to just stand in front of you and show you a bunch of slides. I'm going to show you a little bit about the bubble and it's going to be a real working Q and A. So any questions that you have from anything that you've learned in the hallways or conversations we've had or presentations or any of that kind of stuff. Happy to do that. Come with your questions, and of course then there'll be a general session in here tonight followed by the party. So everybody come to the reception tonight.

If you've not been to the New Orleans Investment Conference, I made this mistake the first two years I came here. I'm a busy guy. It's just a cocktail party. I'm going to fly home and I missed the party tonight. I hope that's not you because now I always, always, always stay for the party because that's where a lot of this percolates. Like we've been talking about it, we've been educated, we've been hearing from all these amazing people. Now we get to talk to each other and really drive that home. Plus many of the speakers are going to be there, and Brien's buying the drinks. So, that's tonight. It's right down the wall, right across that wall actually, and where the gold members are right now and I'll look forward to seeing you there. Come to our workshop if you can. Thank you very much for your time, and attention and we'll see you later.

Rick Rule

"Welcome To The Bull Market, Now The Strategies Must Change!"

Robert Helms: Our next speaker they say needs no introduction for two reasons. One, he is an institution at this event and of course at the Sprott Conference, and two, he was just up here. But let me just tell you that Rick Rule's a 35-year-plus veteran in the resource investment business, and widely recognized of course for his knowledge of the mining, energy, and other resource sectors.

Rick is a frequent speaker at industry conferences, and has interviewed for numerous radio, television, print, and online media outlets concerning natural resource investment and specific industry topics as well. And of course, his company Sprott provides brokerage services to high net worth individuals worldwide. His talk is entitled, Welcome to the Bull Market, Now the Strategies must Change. Here's Rick Rule, ladies and gentlemen.

Rick Rule: Good afternoon, ladies and gentlemen. I'll have to assume you're smiling at me. These stage lights are incredible, and I can't see anything, which is probably useful.

At the beginning, I'd like to say I've been speaking to this conference for probably 30 years now and as I have done every year since his passing, I would like to acknowledge and thank the founder of this conference, the late to James U. Blanchard. For those of you who knew him, he was a wonderful human being and I'm sad he couldn't be with us here today, but the fact that Brien Lundin and his wonderful team has kept on this conference in his honor is I think very, very admirable.

Nice too to be here. After the last couple of conferences I felt like I was a master hand holder. My contrarian versus victim was beginning to wear a bit thin. People had told me that they had been contrarians so long that in fact they felt like victims.

I think it's safe to say, with regards to gold at least. That we are in a gold bull market. Can you advance the slide please?

We'll start with that one. Okay, perfect. This is a hundred year chart of commodities valuations. Looking of course at your left you can see where we were a hundred years ago and you can see where we are now. Those of you who have suffered through my speeches for years, know I don't normally trouble myself with charts because I can't make these things work, but I thought that this chart would save me a lot of talking.

I would draw your attention to a few things about this chart. First of all, the incredible cyclicality in resources, the incredible volatility in resources, but probably more importantly when you look at this chart. And I want the audience to help me with this. I'm an old, slow guy. Do we look like we're closer to the top or to the bottom? I want to test everyone's perception with regards to this.

That isn't to say that we couldn't go lower or we couldn't go higher. I just want you to look in terms of valuations over a hundred years where we are now, and I want to point out to you that there are a few reasons for this. One of them is really wonderful. Human beings are truly wonderfully inventive and we find ways through technology to improve the utilization of resources, improve extraction, so the costs associated with producing resources relative to other values in society and relative to the premium that we can attract for our labor and intelligence continue to go down.

This is truly a wonderful thing, but that's been true over time and as you can see, despite technology on occasion when the economy grows fairly rapidly, we run into periods where there's resource shortages and the market really truly explodes to the upside.

Remember that these are capital intensive businesses. This is important for you to remember. During the down cycle what happens is that there are substantial disinvestment in natural resources. People go into liquidation. People who are losing 50, 60, 70 cents a pound making copper, or $20 a pound making uranium, are in no hurry to increase their production given how much money they're losing on their current production.

The consequence of that is that when reserves run out, there is no more of the commodity. The other truism of commodities, particularly in an area like this where technology allows you to do so much with basic materials, is that the price of commodities ends up being a very small component of the cost of producing finished goods and services.

In other words, the value add is worth more than the stuff that goes into the good that you're sold. This is important because it makes demand for commodities at least in the near term, fairly inelastic with regards to price, meaning that if the price of something goes up in the interim, it doesn't impact the demand for it very much and so prices can shoot.

When you look at the chart, you will see what happens when periods of low prices do their job. You can also see the ultimate result of that. With resources we like to say that the cure for low prices is low prices, and the cure for high prices is high prices.

While this isn't the main story today, I thought that putting the next story in the context of a hundred year chart for commodities and a very graphic exposition of where we are today is something that is in order.

Make no mistake, we are going to have a commodities bull market. I don't think we're on the cusp of it. I'm no economist, but I have observed some aspects of financial history, at least the 45 years of it that's transpired since I've been an investor, and what I've learned is that a recovery of the type that we're in, as tepid as it may be on a global basis, a recovery that's a nine year old recovery is probably a recovery that's long of tooth, that is closer to the end than to the beginning.

Particularly a recovery that has been, at least I believe, driven in some substantial measure by artificially low interest rates is a recovery that feels to me fairly fragile. If we have a synchronized global slowdown in the world economy over the next two or three years, supply shortages and commodities not withstanding, I don't think that there's a lot of upward pressure, which is to say that that low point that you see on that chart, which is where we are now, doesn't need to spike like we have seen before.

We could easily, easily, easily have a rolling bottom in the commodities business. But make no mistake, the cure for low prices is in fact low prices. The bullish theme on commodity is easy to establish. There's 7.3, or something like that, billion of us and every day they're becoming more, not less.

Everybody around the world aspires to the life that you live, and increasingly the increase in living standards at the bottom of the demographic pyramid in the last 30 years has been astonishing. All of those people want to live like you live and increasingly some of them are able to do it and so compete with you for resources.

The longterm case for natural resources is in fact a bull market. But that isn't today's news. Today's news is precious metals.

This is the Barron's Gold Mining Index. I use it because Barron's has the longest gold mining equities index in the business. So again, when you look at this chart, I will point out a few things to you.

The first is, relative to history, it's pretty obvious that we are approaching the bottom, at the bottom, or just off the bottom. You can see that simply with the visualization in the far right side of the chart from your viewpoint.

But the second thing that I want to point out to you is the incredible upside and downside volatility of gold equities. For some reason, this audience likes upside volatility more than downside volatility. I don't know what that's about. But anyway, if you look at this chart, you'll see that in the nine previous recoveries from oversold bottoms, the recoveries have varied from between 200% for an anemic recovery to 1,200% for a robust recovery.

Now this is important news. As you look at the chart, you can see that they take place over fairly compressed periods of time, 18 months to 46 or 47 months. I guess the first thing I want you to take away from this is that we are close to, or at, or just off the bottom, which is a very good thing.

The second thing though is that if history repeats, that is if this chart works its magic one more time, after having done it nine times, the upside that we're going to see is somewhere between 200% and 1200%, and we're going to see it over a period of 18 months to 46 months.

This is the first lesson. When precious metal stocks move, they really, really, really move. The province of the dreamer, the province of the speculator, is to perform better than the market. That is take more risks and perform better than the market.

I'm going to suggest to you that that's a mistake. Capturing the 200% move in 18 months or a 1,200% move in 46 months, I know, past performance, no guarantee of future results. If this chart plays the course just capturing the market move is all you need to do.

What I've learned for 45 years in this business is that the customers who have say at least 75% of their money in the best precious metals mining stocks do better. Rather than take inordinate risk to outperform a market that generates 1,200% returns, I suggest that with 75% of your money you try and buy the five or six best gold stocks in the world. You capture the market beta, you capture the market move, but with less risk than the market itself.

Does everybody understand what I just said? I think it's important that you get this. Look at the upsides in these markets. You don't need to take a lot of risk trying to do better than that, because when these markets move, they move well enough.

Look also at what happens if you overstay your welcome in this market. The truth is that your expectation of the future is set by your experience in the immediate past and when gold stocks are up 300% you forget how they tortured you in the down cycle. The price in fact justifies the narrative.

There will come a time when this conference doesn't have 400 people, or 500 people, it has 3,000 or 4,000 people, and at that point in time, all of us, myself included, because I've made this mistake several times, need to sell some of their gold stocks.

In terms of experience, we've done the de-risking, but I want to say this one more time. If you have a market that's going to give you between 200 and 1,200% in a fairly short period of time, you don't need with most of your money to outperform that. You just need to capture it with as little risk as you possibly can. I think that's very, very important.

Certainly with 25% of your money take some chances. It's amusing, I guess, at least to me, that the money that I now invest sensibly, I made speculating wildly and so I know that that's what you're all here for and we'll talk about that, but I hope with this audience, with this experience, many of us have been through three or four market cycles together, that we employ this one better than we have in past markets. That we take advantage of this, because I think it's going to be a pretty good market.

I want to tell you about why I think it's going to be a pretty good market. I want to defend the thesis, now that I've given you the graphic, which sets it in place. There's a lot of factors that drive the gold price. You've heard all of them at the New Orleans conference. In fact you've heard some factors that are alleged to move the gold price that don't have anything to do with gold at all here. It's been a wonderful conference for that. We've had astrologers here.

In my experience, gold does well in times where the ongoing purchasing power of fiat currencies, particularly the US dollar, is called into question. I want to point specifically to the US 10 year treasury, the world's benchmark security, the one that we value other securities off of.

That security, the 10 year, was at its bottom the end of 1981, the beginning of 1982. Conversely, of course when gold was at as top. The US 10 year treasury, if my memory serves me correctly, yielded 15.5 or 15.5. Pretty nice money for sitting there.

Over time, the bond gained popularity, which meant the yield fell and it's gone from 15.6 to two, having been as low as 1.5 or 1.6. I would suggest to you that if you agree with me, the most important determinant of the price of gold is faith in the long-term purchasing power of the dollar, and if the dollar as expressed by the 10 year bond is closer to the end of a bull market than the beginning, conversely then gold must be closer to the beginning of its bull market than to the end.

I think that gold and the dollar will continue strong for at least a year. I don't think that's true because the US 10 year treasury is a good buy. In fact, I think it's a terrible buy. It's just a better buy than all the other sovereign bonds in the world.

It used to be that people would buy bonds for yield, now they buy bonds for capital gains. It's difficult for me how you're going to get a capital gain on a negative yielding bond, but that's for the big thinkers, I guess.

The fact is that gold has had fairly formidable competition over the last few years with bonds. Confidence has been high. But we're in a very different circumstance now. About $20 trillion in bonds worldwide have a negative yield, meaning that for the first time in recorded history, at least first time I've been alive, governments are making a promise that they're going to keep.

They promise if you give them money, they will give you back less than you gave them. This is gold's competition. The US dollar, which is really the competition, two points here. The US 10 year treasury yields you six. Pardon me. I wish. Yields you two. The Congressional Budget Office suggest that the CPI rate of inflation runs 1.8. So they're giving you 20 basis points yield over 10 years, two tenths of 1% yield.

Now, I argue that the CPI number is wrong too. I don't think that the people who compile the CPI shop where I shop, but separate and apart from that the CPI doesn't include tax, which I think is a rather glaring omission.

I believe that CPI inflation in the United States is closer to four, so if they're proposing to pay me two in a currency that's depreciating by 4% a year, then the value proposition becomes very, very clear. That's the competition that gold has to face, but I think it gets better for that, or worse for US taxpayers, depending on what you consider yourself to be.

Remember that to debtors, including the US government, have a balance sheet and the US government's balance sheet is very interesting. The headline number, the on balance sheet liabilities, now exceed $22 trillion. That's 12 zeros. I took you through this last year by the way, but I'm going to do it again. 17 trillion net, because they printed up five or $6 trillion worth of counterfeit currency to buy back some bonds and they have a big balance sheet.

Beyond that, there's $100 trillion in off balance sheet liabilities. Looking out at the audience, I can see a bunch of them. Off balance sheet liabilities are old people. Medicare, Medicaid, Social Security. When we talk about off balance sheet liabilities, we're talking for the most part about us, my apologies to the kids, and we service this debt with the national income, which is taxes and fees, less expenditures. The problem is that the national income is in deficit. The deficit this year will be about a trillion dollars.

Even the mathematics behind quantitative easing has a difficult time adding a column of negative numbers and coming up with a positive sum, never mind the sum necessary to amortize all this debt.

Against this backdrop, I think we have the reason why gold is doing well and the reason why gold stocks will do well. I think it's important to have a premise that you base your actions on.

One final bit of general news before we get back to tactics. That general news is this. I read a study from one of the big banks, I forget which one, that says that the market share of precious metals and precious metals related equity in US markets is between one third and one half of 1%. That is if you look at the investment and savings products that Americans own between one third and one half of 1% of their portfolios in precious metals and precious metals equities. Dialing back to 1981 that same number was about seven and a half percent.

I'm not suggesting that we are going to go back to the previous peak, but a more interesting statistic is that over the last three decades, the mean market share of precious metals and precious metals equities was about 2%. If we reverted to mean something that I think is extremely likely looking at our debt and deficits and the interest rates, if we return to mean, precious metals and precious metals equities demand would quadruple in the largest investment marketplace in the world.

I believe that we're early on in the gold bull market, and importantly, I think we're early on in a gold bull market that has absolutely rock solid fundamentals, because the competition is fading away.

If we look at that bull market and we observe past bull markets, I think we understand that some of our strategies have to change. The strategy for the last seven years in the gold market was basically survival. We need to move beyond survival mode now.

That doesn't mean that some of the lessons that we learned or should've learned in the last seven years that we should forget, but it does mean that we need to change the way we look at things.

The first thing that we need to do, I think, is if we believe that gold is going up... How many people in the audience believe that gold is going to go up the next year, year and a half? I realize I'm in at a gold conference. I think I said earlier asking the panel there if they believe gold was going up was like going to a Baptist church and asking the choir if they believed in God, but how many of y'all are going to buy gold in the next year?

That's good. Not as many hands. The first thing is if gold's going to go up in price, if you really believe gold's going to go up in price, buy gold, buy some gold, buy gold and hope it doesn't go up.

A circumstance where as an example, the fed gave a treasury auction, nobody showed up. Well, it would be interesting. It would not be pleasant. Gold is real good insurance, so buy yourself some insurance.

If we look back at past markets, what we learned is that silver moves later than gold, but it moves further than gold. Buy physical gold for insurance, and if you want some upside with your insurance, maybe buy some physical silver.

The second thing you do though is actually probably more important. I don't know if it's more important than insurance, but all of you are going to do it, so you may as well do it right. I started off this talk by pointing you to this Barron's Gold Mining Index and showing how big the upside is. When the money comes into this market, when the generalist money comes into this market, it's going to come into the biggest and the best names first.

But beyond that, you don't just want to buy gold companies. You want to buy good gold companies. You don't need to outperform a market that gives you a 1,200% return. You just need to capture as much of that return as you can, and I would argue with as little risk as you can.

I'm going to argue with you that 75% of your portfolio should be in very, very high quality stocks, between five and 10, the best of the best, not the most leveraged, nothing like that. The ones with the best operating margins, the ones that have growth built in, where you can see three or four years production visibility.

It's not enough to buy the lowest PE. The lowest price earnings ratio might have a low price earnings ratio because they're not reinvesting sustaining capital.

Anyway, I would suggest that. I would suggest that a mistake that we've made in past markets, myself included, is that we became too speculative too early.

Another very general comment that I would like to give you today is that while silver moves further than gold, the silver stocks, the high quality silver stocks, because they're rare move the furthest of all.

My good friend Doug Casey at a prior New Orleans conference once said, "When the real money comes into silver stocks, given how limited the floats are, the outcome is like trying to siphon Hoover Dam through a garden hose."

If you are early in that move, it's a very, very pleasant experience. People in this audience will remember at the New Orleans conference the opportunity to buy Pan-American silver for less than a dollar. Six years later it was a $45 stock. They remember Silver Standard for less than a dollar. It to climbed North of $40. The moves that you get in the high quality silver stocks when silver begins to move are absolutely incredible.

The fact that you come here to New Orleans, the fact that you spend time and treasure to educate yourself, means that unlike most people who are in the precious metals equities business, you can afford with some of your money to speculate.

But this discussion really isn't about speculation. This discussion is mostly about trying to get you to buy high quality stocks. But in speculation too, if the first mantra is to buy the best of the best with the 25% that you have leftover, you have to buy the best of the rest.

I just hosted, many of you probably heard, the mining shares panel, and I was gentle with the panelists. I've been in the junior market for a very, very long time and I want to give you a couple of sobering facts. The junior mining industry for 40 years has been a destroyer of capital, not a creator of capital.

If you merged every junior mining company in the world into one company called Junior Explore Co, that company in a good year would lose $2 billion. Bad year, four or $5 billion. What should the industry be priced at? Eight times losses? 12 times losses? Maybe when gold's popular, 20 times losses? You get your point.

You don't want to be in the junior market, you want to be in select juniors. 1,500 companies put together, will lose $2 billion. The lesson is hidden though. The lesson is that there's a small number of management teams, mostly serially successful, that have generated so much value over the last 40 years that they've been added legitimacy and sometimes luster to an industry that loses $2 billion a year.

The time to form shopping lists for the best of the rest is now because you needed to get into them fairly early on in the bull market to capture that beta. Fairly early on, so you need the best teams.

Right now we're seeing a rash of new junior mining construction. People are actually ginning up new junior mining companies, as though 1,500 losers wasn't enough. The world needs more losers. And the arithmetic is appalling. These guys are making themselves 10 million shares at a penny, and then selling some stock at a dime, allegedly a bargain price. Them having just bought it at a penny. Then doing an initial public offering at 15 or 20 cents.

This is truly appalling mathematics. Their shares are at a penny. Your shares are at a quarter. And you're supposed to be getting a good deal. This is not the same as buying juniors. These are buying floating abstractions. Constructions. They might refer you to the sins of government and inflation, but the truth is the private sector always does everything better than the public sector, including inflation.

The Canadian Dealer Network can print phony share certificates faster than Washington can print phony dollars. Never ever forget that. The best people, good projects, big projects, coming here, you're going to know them. If you're Sprott customers, we're going to do our best to bring them to you. But don't play the junior game if you're not prepared to do the work.

The next part is self-serving. I'm giving a workshop this afternoon on private placements, which if you're going to chase alpha is the best way to chase alpha. The idea if you can, that you participate in exploration without a warrant. The ability to participate after success in the success is the equivalent of going into a prize fighter with one hand tied behind your back or something like that. If you're going to play that game, and I'm certain everybody in the room wants to play that game, you need to do it via private placements.

What I hope we've been able to do here together is look at this graphic and see that we are at or about the bottom. That the upside when you have a recovery from these bottoms is really, truly dramatic.

Think about the statistic. The ups are varied between 200% and 1,200% and they take place over a very collapsed periods of time. Truly collapsed periods of time. Most of the game is not about trying to outperform the market, but rather to get in early enough that you participate in the market and that you de-risk the upside as much as you possibly can.

Another message is that historically silver over time has done a little better than gold. Although gold offers you better protection. Silver stocks have traditionally been, high quality silver stocks, have traditionally been the asset class that over the course of the bull market gives the very, very best gain.

That conjunction of high quality in silver, meaning high quality silver stocks, is a position that you want to begin to move to. Not to the exclusion of gold, certainly, but probably shade it a little bit to the silver side.

Finally, after you're done investing, begin to speculate. When you buy the rest, remember to buy the best of the rest and when you have the opportunity to buy the rest of the best, best of the rest, pardon me, via private placements, you owe your personal balance sheet a favor. Do it. Do it in private placements. Do it in private placements with warrants. With the best people in the worst of time.

Ladies and gentlemen, one more commercial announcement. That chart, in fact both of the charts that you see, are available at my booth. I would suggest that you take it and look at it to give you courage through the rest of the conference.

The second thing is that we're giving out these exhibitor stock charts, which we've done here every year for 30 years. This is a chart of every exhibitor here, a 12 month chart. It certainly doesn't tell the story of every exhibitor, but it puts every single story in the market context.

Ladies and gentlemen, I'm delighted to see you here. I'm confident that next year you are going to come back, if you've paid attention, both happier and wealthier than you were this year. Thank you very much, tonight.

Robert Helms: Good stuff, man. All right.

Peter Schiff

"End Game For The Fed: Why A Greater Financial Crisis Awaits"

Robert Helms: It is my distinct honor to introduce you to our next speaker. Peter Schiff is the Chief Economist and Global Strategist of Euro Pacific Capital, a division of Alliance Global Partners, a registered investment advisor and full service broker-dealer. He's one of the few widely known economists and investment professionals to have spoken about the financial crisis, the last one, far before it began. As a result of his commentary on the US economy, Mr. Schiff's becoming increasingly more renowned, that's true, and he's back. Have you noticed? He's widely a followed opponent of debt-fueled growth policies and known for his advocacy for emerging markets and commodity focus investments in countries with positive fiscal characteristics.

Mr. Schiff has been quoted hundreds of times in leading news outlets around the world. He regularly appears on business news channels worldwide. His best-selling book, Crash Proof and Crash Proof 2.0: How to Profit From the Coming Economic Collapse was published in February of 2007, and he predicted exactly what happened in the crash more than a year later. Spooky stuff. He has a book entitled, his fifth book, which is The Real Crash, you can pick it up in the book-store. The fully revised and updated version, America's Coming Bankruptcy was released in April of 2014, and he works without notes. You're going to love him like I do. Please welcome Mr. Peter Schiff.

Peter Schiff: Thanks, Bob.

Robert Helms: Take it away, man.

Peter Schiff: I got to grab one of these waters. Hopefully there's somebody out there. The lights are very bright. I can't even tell. All right, I don't think I'm going to go over. I just found out I have a whole half hour, so that should be enough time, but if I don't finish what's on my mind, I'm doing my workshop almost immediately after I finish this discussion, so if you have any questions, I guess I can answer them at that time.

But anyway, I've been coming to these New Orleans conferences for probably more years than I want to admit, but I remember coming here in 2011 and a lot of people who have been investing in gold remember what happened in 2011. That's when the price of gold went all the way up to $1,900 an ounce, and the price of silver went up to about $50 an ounce.

Probably not many people who were here then probably believed that they'd be coming to the New Orleans conference in 2019, and gold would be down around 1,500 and silver would be, it's not even $20 an ounce, because the reason that the price of gold went up so much in 2011 was because, early on, after we had the financial crisis, we had the collapse of the real estate market, the mortgage market, we had all the big bailouts, we had TARP, the deficits exploded up to $1 trillion a year, which at the time was big, I mean, they're bigger now, but back then, that was pretty big, and the Fed started doing quantitative easing, a lot of people were rightly concerned.

I mean, maybe not the majority, but certainly a sizable minority was worried that maybe this was not a good thing, that maybe monetizing all this debt, printing all this money, taking interest rates down to zero, maybe this wasn't going to end well. People started to buy gold. They started to sell the dollar. Of course, everything that Ben Bernanke did in the aftermath of the crisis was a mistake because all the Fed did is repeat the mistakes that caused the crisis in the first place. The Fed lights the fire, and then everybody wants to give them credit for putting it out.

Now, I don't want to get into why or how the Fed caused the financial crisis and the bubble that preceded it because if you don't know that already, they're screening the movie at 8:30 tonight, the bubble movie, which is a movie that really goes over, it features me and a lot of the other speakers that are here, and it shows a lot of the footage when we were going out there predicting all this before it all happened. Go and check out that movie tonight to know, if you don't know, you know how the Federal Reserve caused the crisis in '08.

But what they did after that whole thing blew up is they just did more of the same because we had a debt bubble, we had too much debt, thanks to the Fed, and instead of allowing the economy to restructure to have a new viable foundation upon which to build a lasting economic recovery, we just inflated a bigger bubble. When a lot of us who understood the problems and the mistakes that the Fed made, and we saw the making even bigger mistakes... because they inflated the housing bubble by cutting rates to 1%, but after it popped, they brought them all the way down to zero. It wasn't just bringing them down to zero and leaving them there for eight years or whatever, seven, eight years, but they did three rounds of quantitative easing. The Fed's balance sheet exploded as the government started monetizing all this debt. Of course, it didn't want to call it monetizing debt, so it called it quantitative easing.

But, initially, there was concern, rightfully, that this was going to end in a monetary disaster, that printing money was inflation. You were debasing the currency, and so people naturally who understood this went into gold, and they sold dollars. But then around 2015, everybody became convinced that what the Fed did worked, that people like Peter Schiff, we were all wrong. Paul Krugman was taking victory laps. "I told you so. You see? Pretty money doesn't cause inflation. Nothing wrong with that," and because everybody looked around after the Fed had done QE1 and they had slashed interest rates, and everything seemed okay.

Then you had Ben Bernanke claiming that he saved the economy. In fact, he didn't just claim it, he was going around the country giving speeches. They had him on the cover of magazines. He saved the country. He wrote a book, what was it, The Courage to Act or whatever it was called. I mean, it should've been The Coward's Way Out, but... and I used to joke, if I used to see that book and if it was in the nonfiction section, I would want to move it over to the fiction section where the book belonged, but he was dubbed as the savior.

Everybody all of a sudden thought everything was great. The price of gold just imploded. I don't know if you remember, it was a couple of days, it dropped $200 or $300 just all of a sudden. Gold went into this long correction, bear market, whatever you want to call it. Gold and silver both went down, the dollar went up because everybody was convinced that the monetary policy had worked, and it was all going to end well.

One of the ways the Fed was reassuring everybody that the policy worked is they told everybody that it was temporary. See, the reason the dollar didn't crash and gold didn't continue to go up was because the Fed said, "Hey, I know we monetized, or we did quantitative easing, we expanded our balance sheet, but don't worry, this is just temporary. We're going to shrink the balance sheet back down when the emergency is over. We're not monetizing the debt."

In fact, Ben Bernanke was actually questioned I think in '09 in front of Congress, and they said, "You're monetizing the debt," and Ben Bernanke said, "No, no, no, we're not doing that. You see, when you monetize debt, the central bank is permanently buying government debt. We're not doing that. We're just going to sell off this debt. We're just holding it temporarily until the emergency's over."

Then the Fed said, "Look, yeah, we got interest rates down to zero, but this is just temporary. As soon as the crisis is over, we're going to normalize interest rates. Everything's going to be fine." That's what the Fed was telling the markets, and the markets believed the Fed. I was kind of out there, a lone voice in the wilderness, maybe there were a few people that were sharing my skepticism, but I was saying "This is impossible. There is no way the Fed can ever do what it's saying it's going to do and what the markets believe," because what I was pointing out was, wait a minute, because the Fed lowered interest rates to 1% or zero and because they did all this QE, we have much more debt now than we had in 2008.

In fact, just this week, the national debt, eclipsed $23 trillion. When the 2008 bubble popped, it was only about 8 trillion. It's 23 trillion, but it's not just the federal government that has loaded up on debt, thanks to the Fed, it's corporate America, it's individuals. We have more credit card debt, more student loans, more auto debt than ever before. Everybody is levered up because the Fed kept interest rates so low. Because they were low, that enabled a lot of borrowing. I kept saying, "How is it possible? How can you get everybody all levered up, and then raise interest rates? Nobody is going to be able to afford to service the debt if the Fed tries to normalize rates." I said, "How could you have normal interest rates when you have an abnormal amount of debt?" What I was pointing out is I was saying, "This is impossible. The Fed can't do this."

In fact, I made a joke about it. I used to say that they thought it was a difficult trick to do, like taking a tablecloth and pulling it out from under the dishes. I said, "Yeah, that's a difficult trick. But that's not what the Fed is saying it's going to do. The Fed is saying it's going to pull the table out from under the cloth and expect the dishes just to levitate." Anyway, so the Fed keeps going, "We're going to raise rates, we're going to raise rates." If you go back in time and remember the end of 2014, all the mainstream economists, all the big strategists, they all said, "Oh, the Fed's going to raise interest rates three or four times in 2015." That's what they all said. That was the consensus because the Fed was like, "Oh, we're going to raise rates," and it was based on the anticipation of all these rate hikes.

That was one of the reasons that gold was down because the market was discounting all these hikes that the Fed was saying were coming and the shrinking of the balance sheet. Well, anyway, I'm out there, and I'm... in fact, they still allowed me on a few TV shows back in 2014. I was saying, "Oh, the Fed's bluffing. They're not going to raise rates. They just want everyone to think they can, but they can't do it because they'll prick the bubble, so they have to just bluff." Well, anyway, I looked pretty prescient because we got to December of 2015, and the Fed had not raised interest rates once. Everybody had expected them. Now, by the time we got to the December meeting, there was now kind of a lot of pressure on the Fed because people were thinking, “Hey, wait a minute, why aren’t they raising rates? I mean, what are they afraid of?”

Well, there was a lot to be afraid of, but people were starting to get nervous, and I think the Fed was worried, “We better at least raise rates one time just to just show that we could do it .” The Fed went up from zero to 0.25 finally in December, and the day they did that, by the way, or the next day, that was the very bottom in the price of gold. Gold bottomed at about 1,050 because gold had been anticipating the first rate hike for years. Of course, when they did that, all the gold bears were out there. “This is it. Gold’s going to get killed. The Fed is raising rates.” It’s now 50% higher than it was when the Fed started to raise rates.

But then after the Fed raised rates, the markets tanked. January of 2016, the markets were going down, and then the Fed backed off, and everybody was saying that they were going to raise rates three or four times in 2016. I was saying, “They’re not going to raise rates at all.” You know what happened? They didn’t raise rates at all until Donald Trump was elected president, which surprised almost everybody in the mainstream. It didn’t surprise me. I thought that there was a pretty good shot that he was going to win. I didn’t know that... I didn’t say it was in the bag, but I thought he had a much better probability of winning than it was generally perceived.

But once he won, and all of a sudden, you had all this enthusiasm about the economy because he was going to slash taxes, he was going to cut regulations, everything was going to be great, and the stock market went way up and consumer confidence went way up and small business confidence went up. It was only in that environment that Janet Yellen felt that she had the ability to raise rates for a second time. I still believe to this day that had Hillary Clinton won in 2016, my one-and-done prediction on rate hikes would have been true. The Fed never would have raised rates above 25 basis points. We would have been back at zero a long time ago because we would have been back in recession a long time ago because the air was already coming out of the bubble in 2015.

We were headed into recession. That’s why Trump became president because you had the Democrats and you had Wall Street, and everybody was out there basically talking about how great the economy was and how great the recovery was, and Donald Trump was telling the truth. He said, “There is no recovery. The statistics are phony. Don’t believe these government’s statistics. The unemployment numbers are a fraud. They’re a fake. They’re a con. This is a big, gigantic, big, fat, ugly bubble. It’s all based on debt. Vote for me. I’m going to drain the swamp. I’m going to do things differently. I’m going to pay off that debt. I’m going to revitalize our manufacturing. We’re going to have a real country again.”

I think there were enough voters that that message resonated, and they voted for Trump. A lot of blue collar guys, union Democrats who were frustrated by the phony recovery that was happening under Obama were optimistic that maybe things would improve under Trump. Now, of course, they were wrong. I’ll get to that, but in any event, but once Trump won, that was the only reason that the

Fed was able to raise rates.

Then, of course, we got the tax cuts right, which provided another fiscal boost, short-term boost to the economy. Those tax cuts are not going to provide a longterm boost because they were not combined with spending cuts. In fact, to make it worse, Trump signed on to increases in government spending, warfare spending and welfare spending as he was cutting taxes. He diminished government revenue at the same time he increased government expenditures. That's why the national debt has risen by about a trillion and a half in the last year. Trump has added more than $3 trillion to the national debt in less than the three years that he's been president. It was all that extra fiscal stimulus that enabled the Federal Reserve to raise interest rates a few more times.

But what I was saying the entire time, and one of the reasons that I thought the Fed was never going to raise rates in the first place was because I knew, and I said this publicly many times, if the Fed ever tried to normalize rates, they would fail, and they would have to reverse course and go back to zero. I thought attempting to normalize rates and then not be able to do it could cost the Fed more credibility than never having tried before.

I said the same thing about the balance sheet. I said if the Fed ever tries to shrink its balance sheet, it's going to have to stop because it's sucking the air out of the bubble. If the Fed wants to keep real estate prices propped up, if it wants to keep the stock market propped up, the bond market propped up, the whole phony economy propped up, it has to supply it with all that monetary heroin. You can't take that heroin away and expect the economy to stay high. It's going to come crashing down with a withdrawal.

But the Fed was able to raise rates a few times because of the enthusiasm generated and the spending from the tax cuts. But by November, by the time the Fed hike rates in November of 2018, it was pretty obvious to me that the hikes in the past had done significant damage to the bubble economy, and the air was coming out. I was looking at the real estate numbers and the auto numbers, and I was like, "Oh, this is it. the Fed can't hike rates anymore. I mean, they've already hiked rates one to many." I think I called my podcast right after that rate hike, The Rate Hike That Breaks the Camel's Back.

By then, everybody still expected them to raise rates in December. What I was saying... and in fact I was on Fox Business, one of the networks that'll still have me on. I was on there two days before the December rate hike, and I was the only person probably on any financial television program that came out at that time, and I said, "Look, the Fed is probably going to raise rates on Friday," or Wednesday, wherever it was, the next day, "but it's going to be the very last hike that they make. That's the end."

I said at that time in December of 2018 that the very next move that the Fed would make would be to cut rates. Nobody thought that was going to happen. I mean, everybody thought that it's a Fed paused, they would just pause and then keep raising, but I said, "The Fed is done raising rates, and the very next move they're going to do after the December rate hike is a rate cut." Again, very few people thought that was possible. I did a panel, a gold panel up in Vancouver in January, and there was a guy in a panel with me that bet me an ounce of gold that I was wrong. I guess if I go back to that conference this January, I can collect my ounce. But people thought it was crazy that that would happen.

But not only that, what I also said on that Fox business interview, and I said, "After the Fed starts cutting rates, they're also going to go back to quantitative easing," which again, nobody thought was going to happen because, at the time, the Fed was still doing quantitative tightening. They were shrinking their balance sheet. But as I said from the beginning, that's impossible. They've now cut interest rates three times. The last cut was just a few days ago on Wednesday. They're going back to zero. They have no choice. I mean, yes, they do have a choice. They can do the right thing and let rates go up, but they're not going to do that. They don't want to have to let those chickens come home to roost, so they're going to try to keep kicking the can down the road, so they're lowering interest rates, and they're back to quantitative easing, exactly what I said they would do.

Now, of course, they don't want to admit that it's quantitative easing, but there's no difference between what they're doing now and what they did then and called it quantitative easing. I mean, they're kind of making up a distinction without a difference by saying, "Well, we were doing QE, we were buying longterm bonds, and now we're buying short term bonds." Who cares about the duration? They're monetizing government debt. In fact, if you look at the Fed's balance sheet, in the last seven weeks, the Fed's balance sheet has grown by more than $250 billion. We are back above 4 trillion. The Fed never kept their promise to the market. Cheap money wasn't temporary. They were never able to normalize interest rates, and they were never able to shrink their balance sheet. Their balance sheet is going to make a new record high.

We might be back at 4.5 trillion by the end of the year, and even if we're not, we'll be there early next year. Why did the Fed have to rush back in with quantitative easing? Again, the reason they don't want to call it quantitative easing is they don't want to admit that they're doing it because they promised that they were going to end that. They don't want to admit that the economy needs their help because they're trying to say that the economy is in a good place. That's what they talk about. "Oh, it's in a good place." Oh, but if they're doing quantitative easing, that's what they did when it was in a bad place. They did quantitative easing in a financial crisis, so they don't want to have to admit they're doing it again because they want to pretend that the economy doesn't need their help, even though they're helping now.

In fact, the Fed's balance sheet is expanding faster now when they're not doing QE than it was when they were. QE3, they were only doing 85 billion a month. That's how their... it's doing that almost in a week now. The reason this happened was the short-term rates in the repo market started to spike. The Fed was targeting interest rates of what, one and three-quarters or something like that, and now it's down at one and a half. All of a sudden, rates started a spike. They went up to like 10%. Now, that's the free market. The market is pushing up interest rates. Why are rates going up? Well, because everybody is borrowing money. The government is borrowing like crazy. Corporations are borrowing. Everybody is borrowing, and nobody is saving any money. I mean, why would you save money?

I mean, even with the rate hikes that we've had, interest rates at 1.5%, where's inflation? I mean, even the government, Powell in his testimony, in his Q&A last week admitted that core CPI is now above 2%. Well, if interest rates are 1.5% and inflation's over 2%, who the hell is going to save any money under that environment? In fact, in his last press conference, this is probably one of the most dovish statements I've ever heard a central banker make because he had to walk back because there was some concern that maybe the Fed was going to raise rates. This is why the stock market hit record highs the last couple of days because they said, "Well, could you raise rates because what's... " and Powell said, "No, no, no. We're not even be considering hiking rates. Either we're going to leave them where they are or we're going to cut them," and of course, they're going to cut them.

But what Jerome Powell said is that in order for the Fed to even consider raising rates, not raise them, but to consider raising them, we would have to see a meaningful, a substantial rise in inflation from its current level, and it would have to be sustainable, so we're already above two. He's saying "No, it has to be much higher than that for a long time before we think about raising rates, not before we actually raise rates." He's basically saying, "I'm going to wait until the inflation genie is way, way out of the bottle before I even start worrying about maybe trying to put her back in."

Why is he doing that? Why did the Fed have to come back to the market and do quantitative easing? Because if the Fed didn't do that, the market was moving interest rates higher, and we were going to have a massive financial crisis because nobody can afford higher interest rates. The federal government can't afford it. The maturity on the national debt, the average maturity is the lowest it's ever been, shortest, the opposite of what Trump promised when he was running for office. The government now, it's almost like $1 trillion a month that the government is borrowing. It's a couple of hundred billion for the deficits, but then they have all these short-term debt that keeps maturing that they sold a few months ago, and now they got to they got to roll it over. They got to convince the people who own it to buy it all over again, so they're constantly having to refinance this debt.

If interest rates were to spike, they can't pay. They're going to default. What would happen to the real estate market, which is on life support right now? Real estate sales were plunging until the Fed breathed a little life into a dying market by bringing those mortgage rates down. What would happen if mortgage rates spiked? What would happen in the auto loans and all this other debt if interest rates went up? The whole thing would implode.

The federal reserve comes to the rescue again of the economy by going back to

QE and slashing rates, but here's going to be the difference. This is going to be the main difference between last time and this time. As I said at the beginning of the talk, when the Fed did QE after the '08 crisis and went to zero, the Fed was able to successfully convince the markets that it was temporary, that they had an exit strategy, that they had a plan, that they could shrink the balance sheet, and they can normalize interest rates.

Well, they can't do that because we have so much more debt now than we had then. If you didn't want a debt default and a debt crisis in '08, well, we're going to have a much bigger one. All the banks that were too big to fail in 2008, they're a lot bigger now. If you notice, the Federal Reserve does stress tests for the banks, and every stress tested they do to prove that the banks are solid, they have these economic assumptions that they make. Every one of those assumptions assumes that longterm interest rates either stay the same or go down. They have never put a bank through a stress test where interest rates are going up. I mean, they don't even think that's possible because they think they have it under control.

The worst thing that could happen to the banks is a recession where interest rates go up, like stagflation. If we have that, if we have something like the 1970s, all those big banks are going to fail. None of them can survive a recession where interest rates go up. Now, the Federal Reserve thinks that's impossible. They think they can always keep interest rates down, but they can't do that. Their ability to do that is over. The reason is that they were able to convince people that it was temporary the last time. How are they going to do that again? They lowered interest rates down to zero and kept them there for seven or eight years. They tried to normalize them. It took them like three years to get back to 2.5, and then that was too high, and they had to go back down to zero.

Is anybody going to believe, once we're back at zero again, that the Fed can ever raise them back to normal because how much debt are we going to have then? How big is the national debt going to be at that point. If they couldn't normalize interest rates when the national debt was 20 trillion, how are they going to do it when it's 30 trillion? How are they going to do it when it's 40 trillion? What about the balance sheet? Is anyone going to be fooled again about the Fed's ability to shrink its balance sheet. If they couldn't shrink a $4.5 trillion balance sheet, how are they going to shrink a 5 trillion, rather, or $10 trillion balance sheet? See, the game is over. The markets will have called the Fed's bluff. There is nothing that they can do.

In fact, if you actually look at what's going on, look at what's happening in central banks around the world, look at what's happening in Russia, looking at what's happening in China, why do you think all of these central banks are buying so much gold? They can read the writing on the wall. The dollar's days as the world's reserve currency are numbered because once people realized that the dollar is a one-way ticket down... because if the Fed no longer has the ability to control his balance sheet, if it has no ability to control inflation... which it doesn't. That's why it's saying that it's going to let inflation get a lot higher because it's trying to claim that inflation is a good thing, that we need inflation.

The biggest problem, according to the Fed, is that consumer prices are rising too slowly. The cost of living needs to be rising faster.

The reason the Fed is saying this is because they know they have no control. It's like if you're being, run out of town, you want to get to the head of the crowd and pretend like you're leading the parade. He wants to lead the inflation parade, but the problem is you can't be the reserve currency if you're a bottomless pit when it comes to a longterm store value. When the markets realize that we're just a banana republic without the bananas, that this is permanent debt monetization because there's no way to get out of this, that the balance sheet is going to grow in perpetuity, that interest rates are at zero forever, then the bottom drops out of the dollar because what saved the dollar the last time was the anticipation of getting over the mountain into the Valley. It was, "Oh, we can see the reversal. Rates are going to go up. The balance sheet is going to shrink," and so currency traders were buying the dollar, anticipating that to happen.

Well, they bought on the rumor, but the news never materialized. But once people realize that that's impossible, what's going to stop the dollar from falling if there is no rate normalization, if the Fed can never shrink its balance sheet. Now, a lot of people say, "Well, they could try to raise interest rates to stop inflation."

Well, in 1980 Paul Volcker came in, and interest rates went up to 20%. That's what it took. It wasn't because Volcker thought that 20% was the right rate. That's where the market brought rates. That's what was necessary to stop the inflation of the 1970s, which was a result of the monetary policies, predominantly of the 1960s, guns and butter, big deficits, printing money, paying for Vietnam, the great society, the war on poverty, the mission to the moon. We ran these big deficits, which are tiny by modern standards, but they were big at the time, and in order to re-instill confidence in the dollar, rates went up to 20%. But could we handle that out? We couldn't even handle 2.5%. We couldn't handle... even 10%, 5% would destroy this whole debt laden economy.

These are the final days. I know that people have been coming to these conferences for a long time, and they've heard people like me giving speeches about the dollar and gold, even when I was a little kid. A lot of people have probably been surprised by how long they've been able to kick this can down the road. There's some people now that just assume that, well, they can kick it forever, but that's not going to happen. Just some final thoughts... I can't really see how much time I have because Jimmy's standing in front of it. Okay. It's almost up.

When the financial crisis happened in 2008... and I had been predicting this for years. In fact, I was warning about the housing bubble in the 1990s because the monetary policy that inflated the dot-com bubble also inflated the housing bubble. The stock bubble popped and the housing bubble just kept getting bigger. It didn't pop until really 2005, but I was warning about all this stuff for years and years and years. We even got the hedge fund to short subprime mortgages, but I saw this coming from a mile away, and I was warning about it for years and years before it happened. But by the time we got to 2007, and all of a sudden a lot of my forecasts started to come true, things that I had been predicting for years were suddenly happening, I was like, "Okay, this is it. It's coming."

Of course, when the people who were just very bullish, like the Larry Kudlows and all the Republican permeables who are so enthusiastic because Bush was president, when all this stuff started to happen, they dismissed it. "It's nothing to worry about." Even the Federal Reserve, "Oh, don't worry about what's happening in subprime. It's all contained. The economy is great." That collapse of the subprime market was something that I had been warning about for many, many years. That was the pin that pricked the bubble, but when you don't know you're in a bubble, you don't see the pin.

Well, the same thing is happening now. This stuff that is happening in this year, the things that the Fed is now doing that I've been saying they would do for years, all this stuff that's happening, all this stuff that's happening beneath the surface in the economy is validating everything I've been saying for the last decade, yet all the people in the mainstream who didn't understand the nature of the economy in '08, that's why they didn't understand the crisis because they didn't know what was wrong with the economy before the collapse, they don't understand all the mistakes the Fed made after the collapse, and even though they're seeing all these pins because they don't know they're in a bubble, they don't realize that it's popped.

We are very, very close to another major crisis, but this one's going to look a lot different. It's not going to be a garden-variety financial crisis. It's going to be a sovereign debt crisis. It's not just mortgages. It's sovereign debt. It's treasuries. It's the US dollar that's going to be the epicenter of this crisis, and everybody needs to be prepared. I will talk about that later at my workshop in, what, about an hour from now, hour and a half, so I'll see everybody there. Thank you.

Mark Skousen

"The Bull Market Vs. The Golden Bear: Who Wins In 2020"

Gary Alexander: As I said, our next speaker is the longest standing of the regular speakers here at the New Orleans Investment Conference. He's also been nominated and voted one of the 20 top economists, living economists, in America, and he's the only one of those top 20 who regularly appears here, so we're thankful for that. He has won the Triple Crown in Economics as awarded by Steve Forbes, and that's that he works in economic theory, history and education. And speaking of Forbes, in the current Forbes 400 issue, that's the 400 richest people in America, he is named by Steve Forbes, page 22, but not as one of the richest 400 people. Alas, it's for his economic theory of gross output, which is preferable to gross domestic product in economic theory, and it came out of his 1990 book Structure of Production, which is deserving of study in all economics classes for macroeconomics. It's an exceptional and much better measure of the economy, which he has spoken about here before.

He's also won another kind of a Triple Crown. He's worked in all segments of the United States economy. The unique distinction of working for the government, CIA, nonprofits, FEE, Foundation of Economic Education, and also several for profit companies, and 40 years ago he launched Forecast and Strategies, and I was there because we both worked at the time for Robert Kephart at KCI Communications as editors of Personal Finance, consulting editors, and he launched his newsletter at that time. I later became one of his staff editors at Phillips Publishing in the late 1980s. He's a Presidential Fellow at Chapman University where he was recently voted My Favorite Professor, the award they give to one professor, and that was his award this year. He's written numerous books. I won't get in to name them all, because his subject, this evening is very, very important, because there's been kind of a tug of war between stocks and gold, and that's his very important subject now. The Bull Market Versus the Golden Bear: Who Will Win in 2020? Mark Skousen.

Mark Skousen: Thank you. Thank you Gary. Ladies and gentlemen, who are you going to listen to at this conference? That's the number one question. Are you going to listen to somebody who has been wrong year after year at the New Orleans conference? I won't name names, or are you going to listen to someone who has been at this podium since 1978? I'm a survivor. I've been writing my newsletter, Forecast and Strategies, since 1980, when the greatest president of the United States was elected in the 20th century, Ronald Reagan. And we are living the golden age of Reaganomics still today, 40 years later.

Now, what is it a golden age of? Because I was part of the New Orleans conference when the gold bugs were in their heyday, in their golden era, in the 1970s. But when Ronald Reagan was elected, there was a seismic paradigm shift that I recognized, and I had a promotion that came out in 1981 that said, "The Financial Shock of 1981." You open up the promotion and inside it said, "Reaganomics will work. Sell your gold and silver and buy stocks and bonds." That proved to be quite accurate, but very unpopular at the New Orleans conference in front of 4,000 people who were actually very critical of Reagan at that time period. I was in shock. But nevertheless, even though my promotion failed miserably to promote my newsletter, the prediction turned out to be accurate.

Now, today we're talking about the Wall Street bull, and it has been an incredible bull market run for Wall Street of traditional stocks and bonds. And the golden bear, and I've called it the golden bear because gold wins in a bear market environment of crisis, of instability, of political uncertainty. That's when gold does really well, and it's a bear. Why is it a bear? Because it's fortunately the exception to the rule, and never forget that.

Now, all right. I'm hoping this will change. Next slide please. There we go. Here you have a picture of me meeting with Warren Buffet, the greatest investor of the 20th century, and maybe even to the 21st century. Notice I'm giving him advice. That didn't last too long, but what does he say? He makes the point that gold versus the stock market is no contest since the 1980s, and you can see here where gold has gone up several thousand times, but the stock market has gone up 10 times more. So that suggests to all of us that we better pay attention to what market you need to be in.

Okay. We'll try the next slide. This is not working at all. All right. So this is a slide taken from Jeremy Siegel's book, Stocks for the Long Run, and we must take a longterm point of view. And as you can see, in the United States, the stock market has far outperformed every other asset class, whether it's bonds, whether it's T-bills, whether it's gold, and whether it's the dollar. And so the important point to be made here is that stocks are a good longterm investment. Gold is a good speculation from time to time, but should not be viewed as a longterm investment.

Okay. Next slide. Now, this chart demonstrates this very clearly. Here we have gold stocks versus Main Street versus the S&P 500 in green. So the stock market, there have been periods of time when gold and gold stocks outperformed the stock market, but in the long term, look at the difference. Look at the difference. Longterm, the stock market made a lot more sense. Next slide. So here, since the financial crisis of 2008-2009, here we see, again, no contest. And if you were overly invested in the stock market, you lost money substantially. The stock market has continued to rise and has been enjoying the mother of all bull markets. Now, I know that a lot of you subscribe to promotions that predicted the mother of all bear markets, and we at this conference have continued to hear of people predicting the mother of all bear markets. But the fact is, ladies and gentlemen, that we have seen the mother of all bull markets, and if you missed it, then you need to rethink your position.

Now, next slide. So does this mean I'm out of gold? Actually, for the first time in eight years, I'm back into gold. And in my workshop this evening, I will tell you about the one and only gold stock, and there's only one, ladies and gentlemen. I've done the research. There's only one in the mining sector that actually has a longterm upward trend. Now, what does that tell you about this market? It means this market is a trading market. Gold is a trade. The gold mining stocks are a trading market. You should never ever let your profits run forever, because they're not going to run forever.

And so one of my better calls, and I've made my share of mistakes just like any investment advisor, but one of my best calls was to give an all out sell signal in December of 2011, as you can see, the red line on this chart, to sell the ETFs in gold and silver. And then in December of this last year, 11 months ago, I got back into gold and recommended the one stock that has an upward trend, and we're up 35% this year. So I think that's been a very good call.

Next slide. So what can we learn about the investment world? There are two books out there that, one of them I recommend, How to Be Rich by J. Paul Getty. The other one is How to Get Rich by Donald Trump. Subtle difference between How to Be Rich and How to Get Rich, but they both have really important things to say, and J. Paul Getty, when I teach this class at Chapman University on financial economics, I recommend, and I require my students to read J. Paul Getty's book, How to Be Rich, particularly his chapter on the stock market, where he says that you need to avoid the bearish doom and gloom scenarios that are profligated and promoted at most conferences. Because again, it's a question of human nature. There are periods of time when we hit crises, when we're in trouble, but American exceptionalism is very much alive.

Next slide here. Now, I was going through ... My wife and I are getting ready to, we just bought a home in California. California. Yeah, I know. I used to get all these negative comments. We're contrarians. So I came across some of Howard Ruff's books. Just by show of hands, how many remember Howard Ruff? It's just shocking. It's shocking. Howard would be so upset that you don't recognize his name. But anyway, Howard had the number one bestselling book in 1980, called How to Prosper During the Coming Bad Years. And it came out at unfortunately bad timing, 1980, when the greatest president of the United States was elected, and he turned things around. He and Paul Volcker. And so we've had the greatest run of stocks and bonds, traditional investments, and Howard's last book was How to Prosper During the Coming Bad Years Under Obamanomics. And in this book, he said, "Of all things, make sure you avoid all mutual funds, all growth mutual funds and individual stocks, growth stocks." It couldn't have been worse advice during that time period.

And I saw these as two bookends, and Howard was a personal friend of mine and he had me speak at many of his conferences, but it was very important to give an alternative perspective, because it was not the rough times. And he learned that in the later 1980s, and his newsletter circulation continued to decline because he continued to promote gold and silver. You have to be willing to change your mind when the markets and the environment changes. And yes, the stock market is at an all time high. And yes, you've heard here it's deeply overvalued on the basis of historical criteria. But who in this audience, who among speakers, and I'm not one of them, ever predicted that interest rates would fall to 1%, and even negative interest rates in Europe? I believe Gary Schilling may be the only one. He's been a long time deflationist, so he made that prediction, but that's about it.

So if interest rates are at all time lows, the stock market can be at all time highs and we don't know how long that's going to last. If they adopt MMT, Modern Monetary Theory, then inflation's coming back and interest rates are coming back, and the stock market is really going to struggle, and we're going to end up mother of all bull markets, because bull markets never die of a natural cause. Bull markets are always murdered by bad government policy. So that's a quote for you.

Next slide. So Ron Paul, another great patriot. I have been a big fan of his economic policies, but his prediction in 2015 that we were about to envision in the next year a collapse that's greater than the great depression, that's greater than the great stock market crash of 1987, I remember it well because I celebrated my 40th birthday on that day, and I was quite happy about my birthday, but my brokerage friends were not feeling too good. But the stock market dropping 90%, what's going to bring that happen? Look, the point is that you can be right forever about the longterm, but timing, you got to have some decent timing in this business, because at your age, at my age, we have to be careful. There's two things that can go wrong. One is you can be in the wrong investments and see your portfolio drop 50%, and at a retirement age, can you afford that? It's very difficult to go through that and expect to see it recover. So you've got to protect yourself on the downside.

But the other risk is you're in markets that are going through the roof and you're not in them, and I've met a lot of people like that. This is the most disrespected bull market in history, and that's probably one reason it's going to continue to go on for a while. But I have my protective stops in place. For my recommended stocks, like Microsoft, which if you look at that trend, I'm going over my five favorite investments tonight in my workshops, so I hope you can enjoy a nice dinner and get back at 7:15 for my workshop where I talk about some investments that are just absolutely incredible.

Next slide. Is investing a loser's game? This is one of the most remarkable charts that you will ever see. There was a study by Richard Bernstein where he went over the indexes, the S&P 500, up 10% energy, actually the best performing of any of these things, but look at the reds. The reds are individual investors. They underperformed T-bills. Why? Well, there's a number of reasons.

Next slide. Now, this is a really interesting chart about Berkshire Hathaway and Warren Buffet, which is one of my heroes in the business. I don't agree with his politics necessarily, but look at the performance of the Berkshire Hathaway. The green represents the number of times he's outperformed the market. Pretty much every year, right? But look at the trend. He's too big now to beat the market. That's a remarkable chart, isn't it? Have you ever seen that chart? Pretty amazing. So it makes it more and more difficult to beat the market. It suggests that the market, maybe we're reaching an end of an era, of this golden era of stocks and bonds. It appears to be so, but I am fully invested at this time. I remain fully invested in a particular kind of strategy that I think will cushion the fall when we do enter a bear market, but I don't see it happening yet.

Next chart. Two reasons why individual investors underperform is cherry picking, buying your favorite stocks in hopes of beating the market, and timing the market. Because what you need to make money is time, not timing. Next slide. This is a work that was done for the 20th century. They studied 34 markets and they found that the US market and all other 33 markets, including the Japanese stock exchange, 34 countries that had stock exchanges during the 20th century, they all went up over the longterm despite two World Wars and a Great Depression. Next slide. And since 2000 and 2001, the US stock market has outperformed all other foreign markets, emerging markets and so forth by substantial amounts. What does this tell you? American exceptionalism is still very much alive. You look at my newsletter, I don't have a single stock in foreign markets right now. Maybe I should, but when you see a chart like this, I'm sticking with the US based market.

Next slide. So this is my appearance in 2017 with Rick Santelli, predicting that we were in the midst of the mother of all bull markets. Extremely important to emphasize that I was on the right side of the market, 100% invested during this recovery, and that's not true of a lot of investors and investment advisors. Next slide. This is an amazing chart. Bull markets are lasting longer, and there's a lot of reasons for that, but we are not only in the longest bull market in our history, but look at the upward trend. And you have to ask yourself, "Why is this?" Maybe it's better economics. Maybe it's because interest rates are at the lowest levels ever. I think that's a really key factor, but you don't want to be fighting the trend. That's one of the key indicators that I've always made in my book, The Maxims of Wall Street.

Next slide. So this is a very complex chart. I'm going to go into it tonight, but this is the basis of my strategy and my five favorite investments, which have been fantastic investments. In any one year, they're not going to be at the top of the market, but over a five year, 10 year and 15 year period of time, these stocks are going to roar ahead, and one of them does include a gold stock. So that'll be a discussion in my workshop. The next slide. So this is my workshop at 7:15 tonight. My Favorite Market Beating Strategy. These stocks have beaten the market by substantial margins, and they include some interesting mutual funds and ETFs as well.

Next slide. So as many of you know, I have authored about 25 books, and my most successful book has been The Maxims of Wall Street. This is a picture of me with Dennis Gartman from last year. He's a real big fan of my book The Maxims of Wall Street, and I would encourage you to pick up a copy. I brought a box with about 36 copies, and I'm including this year in addition to signing it, especially for those who have already had a previous edition, this is the new sixth edition, but I'm also including in the inscription a rare Franklin stamp, Benjamin Franklin stamp. I'm a big fan of Benjamin Franklin, quote him regularly, and I have a rare stamp that I will give you in addition to my signature. At the signature, I'll sign the books tonight at the workshop, and also tomorrow at 10:20 I'll be at the bookstore and the speakers' table, and will give you more comments about my views on the market.

But I'd like to end by quoting one of my favorite quotes from The Maxims. "Nothing makes the spirit fly higher than finding a bargain when you're the buyer, and nothing makes the spirit sink deeper than finding it later a whole lot cheaper." Thank you all very much.

Gary Alexander: Sir

Lobo Tiggre

"Forget Inevitable Or Imminent, I Want Happening Now"

Robert Helms: You're going to love our next speaker, oh my goodness, if you're new to the conference, especially. Our next topic is, let's see. I'm in the right place. That's good. So our next speaker is Lobo Tiggre, otherwise known as Louis James if you go back a while. He's the founder and CEO of Louis James LLC, and the principal analyst and editor of independentspeculator.com. He researched and recommended speculative opportunities in Casey Research publications from 2004 until 2018 writing under the name Louis James, and while with Casey Research, he learned the ins and outs of resource speculation from the legendary speculator, also at the conference, Doug Casey.

Although frequently mistaken for one, Mr. Tiggre is not a professional geologist. However, in his long tutelage under world class geologists, writers and investors has resulted in exceptional track record and in fact the average of the yearly gains that were published for the flagship Casey publication, the International Speculator, about 18 and a half percent per year during his time there. And a fully transparent documented and verifiable track record is a central feature of the independentspeculator.com services going forward. Another key features that Mr. Tiggre will always put his own money into the speculation he writes about and his readers will know that he's got skin in the game. Please welcome back to the stage. Mr. Louis, I almost called him Louis James, Mr. Lobo Tiggre.

Lobo Tiggre: No worries. I answer to both of those. You know when they ask you what are you going to talk about at these shows, you have to months in advance, pick your topic and your title. It always makes me a little bit nervous because our markets are so volatile. Who the heck knows what's going to happen in two months? The fed could pivot or something else crazy could happen. We could go to war. Who knows? So that's why our dear friend here had to stumble over the title. I don't think I ever gave them one. My working title is the Best Speculation in the World Today. Hopefully I'll be able to deliver that for you. The alternative title that I had in mind, which I decided wouldn't be too politic, but I'll share it with you because it's consistent with the theme of the day is Don't be a Resource Whiner, not miner, whiner. Don't be a whiner. I'll explain that.

So Charles Dickens started his great novel. "It was the best of times, it was the worst of times." I've been thinking about that. I'm not going to try to steal that in some way, but that thought, best and worst combined, I think is particularly relevant to us today as resource investors and speculators. I was just asked in an interview before this, in a perfect world where gold is going to five thousand ten thousand dollars an ounce, you know, what would you be doing? What would it be like? And my thought was, that wouldn't be a perfect world. In a world where gold is going to five or $10,000 an ounce, the global economy has gone through a ringer, and that would have devastating consequences for real people on the ground. Perhaps those of us who are wise enough and foresighted enough to invest in precious metals wouldn't go through quite the same ringer, but it's not going to be pretty.

So for those of us in this room, the best of times, the best speculation ahead, it may be because of the worst of times. So that being the case, I wanted to step back and look at that big picture just a second. I promise I'll talk about resource stocks. But the best of times. We live in an amazing world. You know, we fly here in airplanes, in relative comfort besides the fellow next to you sneezing on you. I mean really the world is a wonderful place. We have the streaming technologies on our phone. We have the sum total of human knowledge at our fingertips at any time. Our children have all the knowledge of Socrates and everybody since then available to them on demand. We have the new medical technologies coming along, the CRISPR technology, all these things happening.

When people say, “Oh, I’m 80 years old. I’m not sure if I’m going to be around long enough to benefit from your services.” My answer is always, “Well, are you 80 and in extremely poor health?” Because if you’re not, sorry if this sounds cold blooded, but if you’re not on death’s bed, you need to have a financial plan because they may fix you. If you spend your annuity and you’re planning for it to be gone by the time you’re 85, you know what happens if the doctor comes in on your 85th birthday and says, Lester, Earl, whatever, “Got really bad news for you. We’ve just cured you. You’ve got another 50 years ahead of you at least.”

You know what a wonderful world where we get to have that kind of problem. So in some ways we do live in the best of times now. My children, I’m older than I look, my children are scattered, as many of us are when our children grow up. And we’re in constant touch. We kill monsters on the internet together. It’s a strange world we live in where we get to stay that connected. So don’t forget that bigger world. Let me throw one last thing out there. Remember the four horsemen of the apocalypse? It’s kind of confusing. There really aren’t four. There are three main fears. Plague, famine, death, war. You know, they’re kind of redundant a little bit. These were inevitabilities in life. This was the status quo. This was the world is awash in these things. You can’t do anything about it before.

Before, say a hundred years ago, your best bet, you’d consider yourself lucky, if those things didn’t touch on you too much, too near, too often. In our world today, we actually think these are manageable problems. We actually think that it is a problem if there’s famine somewhere, and that something can and should be done about that. What an astonishing world where that’s how and what people think. We think illnesses, cancer is something. This isn’t, you know, being smitten from the heavens. This is a medical problem we can and should solve. And by the way, we may be very close to commercial deployment of some new treatments there that could really make a difference for many of us in this room. So the best of times. You know, don’t discount what we have.

The worst of times, the flip side is President Warren, maybe? (laughs) Somebody’s awake. I mean really the idea of America, what’s left of it is being so rapidly eroded. We can’t really say that the United States government embodies it and it really hasn’t for a long time. But the last vestiges of it are under attack. And the younger generations have no concept of these things at all. You know, besides for a few young libertarians and young Republicans out there. But by far the younger generations, I mean we know how they’re going to vote. And more and more of them are voting, and are even of age to vote now, even if they don’t lower the voting age to 16, that wise and responsible age I remember so well.

So you know, I’m not trying to be Pollyanna Rosie-Dozie here. Best of times, worst of times. Really it’s just times. I remember reading, I think it was Pliny the Elder back in Roman times complaining about all the young people who didn’t understand the core values of Rome and what it meant. And man, things we’re just going to heck in a hand basket. And that was 400 years before the Goths. So keep this in mind as you consider everything that you’re going to hear over this weekend. Don’t let anybody skew your perception too far one way or the other.

And really be careful what you wish for. If you want $10,000 gold, or if you have a project that needs $2,000 gold, you know, be careful what you wish for because if you get it, there will be prices to be paid.

So let's set that context aside for a moment and let's look at just where we are. And I wanted to paint the big picture before getting into this because there's a surprising to me… Let me do a quick poll. How many of you, say 10 years ago when gold was 1,000 bucks an ounce, how many of you would have predicted that in 2019 people would be depressed because gold is only $1,500 an ounce? Anybody want to say you would have predicted that? You know, we live in an interesting time. You know, $1,500 an ounce, what a terrible price to be stuck at. Oh my God, why don't we just all go home?

No, obviously that's not the case. People say perception is reality and markets are clearly not efficient. Markets are clearly moved by sentiment all the time, and right now we have negative sentiment in the resource space, which I think is clearly at odds with the reality. $1,500 gold is not a bad price. We knew who was making money during the rut at $1,300 gold. We knew which projects had high internal rates of return and high net present values that $1,300 gold. How great is that that they're going to be able to do even better now, but the market doesn't care. So I see this best of times, worst of times situation that we're in as being sort of the land of opportunity for resource investors. But you have to be a contrarian. You have to think for yourself and you have to be willing to walk the talk.

You have to be willing to put yourself out there and do what you know is right regardless of what the masses out there are screaming or hear about on a daily basis. You know, tune all that out. Best of times, worst of times is going to generate a lot of headlines and focus on what you know. And like I say, we know which companies were making money at $1,300 gold and they're going to make more money at $1,500 gold. I think an early example of this was Agnico Eagle just had a blockbuster quarter came out. I think we can expect a lot more of that in earning season that's starting now.

There's other things we know. We know that even in a downturn when a company makes a significant discovery and it's ongoing, I call this success in progress. Not just the discovery hole, but a geological hypothesis that's been shown to be true, or at least that the subsequent tests continue to bear out. And every time they drill that puppy, boy, they find more gold and silver, copper, whatever it is. It's working. Every press release, boom, boom, boom. More great results. That works. Even when gold is suffering in its rut or even when prices are dropping, the preproduction sweet spot, the change in value that a company goes through from pouring money into the ground to extracting money from the ground is enormous.

Mathematically, it's infinite. And the market recognizes that and it recognizes that even in a bear market. We also know that profitable growth and organic growth value unlocking acquisitions. We know that good management, doing a good job, is kind of rare in our space which is unfortunate. But we also know that this does get recognized. So there's a lot that we do know. We may not know in the best of times, in the worst of times what the headlines are going to do next, but we know what works. We know what worked at lower prices, and we know what's a bargain today. And I think that's really important.

So don't get depressed. Don't get too euphoric. And also don't forget that for all of our speculations and all of our money-making plans, that gold and silver are not a speculation. Gold and silver, precious metals, are real physical wealth. The only financial asset that is not simultaneously somebody else's liability, Doug Casey quote. The long for which there is no short. History's best, longest lasting safe havens. Don't forget that. This is really important. I am a speculator, but I don't think of myself as a speculator on gold and silver. When I have extra money to put away a savings, I buy bullion because it's painful to sell that. It stays physical. And that's a very different thing than speculating on gold and silver prices going up. But the good news is that we are in an environment, it's also the bad news, best of times, worst of times. We are in an environment for better, for worse, where we can expect gold and silver prices to go up.

I firmly believe that the breakout that brought us to $1,500 is nowhere near done. All the reasons for the breakout remain in force. Really all the reasons why the crash of 2008 happened and why we're in the pickle that we're in were never fixed. A lot of things I don't need to repeat for you. You already know. This story is ongoing. It's going to carry us forward. But the one thing I want to say about that is a lot of people have lost a lot of money betting on when the proverbial brown stuff will hit the oscillator. All right, so we all know this card is in the deck. We all know that all the crazy things governments have done since 2008. I mean the explosion of negative interest rates, I think underpins the value of gold, if nothing else right now.

But it also tells us about how serious the problems are out there and whatever the Fed says about cutting interest rates three times in a row just for insurance. Yeah right. Anybody believe that? Anybody believe that? Just for insurance? Come on one hand. Somebody believes the Fed? Jerome Powell wouldn't lie to us, would he? Oh man, 500 people. Nobody believes Jerome Powell, poor guy.

So what I'm saying is here that the best of times and the worst of times present us with just a wonderful opportunity. This brings me to my best speculation in the world, a wonderful opportunity where the realities of the world underpin the value of precious metals. I see very little downside risk in owning gold and silver right now. But there is speculative upside, and I buy them as savings. I buy them as safe havens. But if the price of gold doubles, you know, that's not a bad thing. That's a great speculation. When I can speculate on gold and silver rising without really worrying about them falling, then I get to own them for both reasons. I can own them for prudence and for speculation, and even more so the gold and silver stocks.

Now in that space, I have to say, silver is still the relative bargain. Silver typically lags. We've seen that happened this cycle so far, and we've seen when at first silver lagged, then it started catching up. We saw days where silver was up three or four, five times the price movement in gold. In August in particular, very strongly. So it's still a precious metal. You know, that idea that silver has just become another industrial metal, that's off the table. I'm extremely bullish on silver and that's my top priority in research right now in stocks, is looking for more great silver plays.

I also want to briefly touch on uranium. This is, you know when I'm thinking, what is the best speculation in the world today? I really believe that uranium prices have to go much higher in the not too distant future or the lights just won't come on in large parts of the world. I mean, we're not going to be able to switch to windmills and solar power on time to save the world without nuclear power. And despite all the political kerfuffles around it, it just can't be replaced. And it can't be supplied in sufficient quantities at current prices. So I believe that that is also asymmetrical and potentially, you know, the gains there could be even greater than on gold and silver stocks.

And the reason why I don't put that in first place is because there is something that could really derail it. And that would be another big accident. Something like that could just completely kill uranium prices for the next 10 years. That can't happen in gold and silver. So that makes the gold and silver speculation, while potentially less vertical, you know, when things start happening in uranium, it makes it a lot safer. And my newsletter is called the Independent Speculator, not the Independent Gambler. So I do care about relative safety and I try to balance risk and reward.

So I like this. I'm almost out of time. I'd like to save a little bit of time for questions, and I will have a Q&A session later. I will have a workshop later. I invite you to come down, ask me more questions. But the main reason why I wanted to get you to thinking about this big picture of the best of times and the worst of times relates to my alternative title, Don't be a Resource Whiner. $1,500 is not a bad price for gold. We know what worked at $1,300. We know that when sentiment is bad, things get oversold. Things go on the deep discount rack that don't deserve to be there. If you're in this room instead of out playing golf today, you're a cut above than the other investors already. And you know these things I'm talking about. I'm not telling you anything you don't know. So bottom line, don't be fearful. Be a contrarian. Stick with what you know. I personally am putting my own money where my mouth is and I think we will all come out very well. That's it.

Grant Williams
"Crikey!"

Gary Alexander: The next speaker is appearing here for the first time, but not at investment conferences. Here for the first time. He's appeared at many other leading investment conferences around the world, and he has worked at many of the leading investment firms around the world. You can look at his biography in your program book for the names of just a few of those firms that he's worked at in many of the leading financial capitals on several continents around the world. And he's going to bring us some views that are probably not acceptable in some of those leading firms that he has worked at. Because sometimes when you want to tell the truth as you see it, you need to step away from those firms and start your own firm. And that's what he did over 10 years ago. And he's got some unique things to say.

He started in 2009 writing something called Things That Make You Go, Hmmm, with a lot of Ms after that. And he's got a single word to describe his speech today. It's a British word, I believe, and I am looking forward to hearing the American translation of the title of his talk today, which is crikey. so please welcome to our stage Grant Williams.

Grant Williams: Crikey? Thank you. Thank you very much. That was quite the introduction. I'm glad you knew it was an English word and not an Australian word. All right. This is always the heart and mouth moment. Let's see if the tech works. Here we go.

I've given a lot of these presentations over the years, and whenever I talk about gold I'm normally pretty circumspect about the price action. Because for me personally, appreciation of price is not my primary reason for holding gold. I'm far more concerned with the reasons for holding it and it's short term price movements. But back in December, 2015, I gave a presentation in London called Nobody Cares, in which I did speak about the price. Because at that time it felt to me as though the stars were aligning for a significant move higher in gold. Now in the next six months gold and the mining stocks went on a bit of a rampage. Now, I'm the first to admit that the timing was pure fluke. The rally started just a few days after I'd given that speech. But today I think the stars are aligning once again for the precious metals. This time though I think what is going to be another major rally is most likely already underway.

And as you saw, the title of this presentation is crikey, and it is a very English word popularized in the 1920s used to express surprise. It was actually a euphemism for Christ when it was first found, but it was subsequently hijacked by this guy, this little Australian fellow, for the benefit of you Americans. And he turned it into punctuation unfortunately. But the 1920s wasn't just a decade that was filled with upper-class Englishmen running around just shouting crikey. In America, as you can see here, it was an age of enormous turbulence, and it became known as the roaring '20s, thanks to everything you can see here. We had dramatic social and political change. We had doubling of the nation's wealth, and a feeling of great discomfort among many Americans in a decade that ended up bringing far more conflict than it did celebration.

Does any of this seem familiar to anybody? Today we share many societal and cultural similarities with the 1920s. But beyond conflict and discomfort, the stock market has performed in similar fashion to its parabolic rise into the 1929 top. So I want to take you back and take a look at what happened during those heady days to remind you just how traumatic the 1920s and '30s were for investors.

As you can see here, the first quarter of the 20th century was characterized by a series of wild swings in the Dow Jones Industrial Average. This is just 23 years you see represented here. There were no less than seven declines of over 25%, and six major bull runs, two of which each saw the Dow Jones essentially double in just 24 months. And despite all that volatility, the market ended those 23 years 150% higher than it began the 20th century. There's one important distinction here is that ownership of stocks in America at that time was largely confined to just 1% of the population, the wealthiest of American society. After 1923, as we'll see shortly, those wild fluctuations gave way to an epic bull market.

But the stock market of the 1920s didn't just climb the proverbial wall of worry. It rose against the backdrop of what was total economic chaos. In the U.S. we had two major recessions and a stock market crash between 1920 and 1927, while across the Atlantic in Germany the decade was book-ended by the Weimar hyperinflation and the Brüning deflation. In the U.S. in 1929, after a truly parabolic blow off top in the stock market, the great depression began. This is how the Dow Jones performed during the 1920s. As you can see, various periods of economic uncertainty that I've just described in the scheme of things did very little to derail the upward momentum of the Dow.

Crashes and recessions were shrugged off for two main reasons. Firstly, recessions were just part and parcel of the natural economic cycle in America at that time, as you can see here. And secondly, because the Fed, having only been in existence since 1913, was much less interventionists back then, having not yet quite figured out just how much power they had, thank God. But as markets peaked in 1929, amidst the sense that nothing could derail the stock market bubble, the excesses of the roaring '20s, which had been building steadily over the entire decade, were about to reveal themselves in the worst way possible.

The Dow Jones actually topped in August of 1929, though obviously nobody actually knew it at the time. It spent the next couple of months basically just not going up anymore, and that caused a fair amount of consternation amongst the people who owned stocks. And luckily in 1929, just as today, they too had a series of superstar economists standing ready to offer their thoughts on the state of things. And in 1929 none of them was more super-starry than this dapper gentlemen. This is Irving Fisher. Think of him as Paul Krugman, but without a face you just want to slap. Now, Fisher was the big economic brain at the time. And as the market began to fall, he was called upon to offer some words of comfort.

On October the 16th, 1929, Fisher famously opined that stocks had reached what he called a permanently high plateau. As market pronouncements go, this one is perhaps the all-time greatest in terms of poor timing. Five days later, with the market looking even more shaky, Fisher explained that the lunatic fringe was being shaken out, and that all was well. The market had simply gotten things wrong. Two days later, and it has to be said, sounding just a little bit more uncertain, Fisher was back again, this time to explain that there was no reason to panic, because flat prices weren't inflated, in most instances at least. Again, you'll let me know when any of this sounds familiar, right?

Then on October the 30th, with the Dow Jones in free-fall, Fisher appeared on TV in something that can really only be described as appearing like some sort of hostage situation.

Video: Stocks have fallen in a week 30%, and a week ago they had fallen from 10% from the previous high of this year. The real reason, as I understand it, for this drop is that people have been speculating on small margins. It was not that the stock market was very much too high, but that people were so enthusiastic about making the money that they properly expected to make an investment in stocks trying to do business on a shoestring. They went into debt. And the real lesson of this market is if you buy stocks, buy them with your own money and not with borrowed money anymore than can be helped. If that lesson is learned, this experience for some people may be a blessing in disguise. This country is fundamentally sound, and the technical situation in the stock market is not going to prevent the great improvement, progressive improvement in our wonderful prosperity.

Grant Williams: Now, Fisher was clearly shaken by the fact that the markets seemed to be getting things more wrong by the day. But like all public figures, he remained confident. He remained calm. And he continued to explain in very clipped tones, he sounds more English than I do, why things were all okay. According to Fisher, the market fell because people had been speculating on small margins. That was of course true. It couldn't possibly be related to the fact that the market was very much too high, as he put it. And in fact, according to Fisher, people should probably have expected to make money in stocks. But never let it be said that Fisher didn't learn any lessons from this fall in the Dow Jones. The main one, obviously, was not to buy stocks with borrowed money. Well, at least anymore that can be helped, whatever that means.

If investors learn that lesson, he said, then the crash of 1929 might end up being, and I quote, "a blessing in disguise." So did we learn? Well, of course we didn't. We never ever do. And margin debt on the New York Stock Exchange is now not only at nosebleed levels, but it's reached them on a trajectory very similar to that which has proceeded each of the two previous major bubbles, both of which you'll remember, led to massive stock market corrections.

But if we go back to 1929 and Fisher's prediction, as you can see, it coincided with a very sharp bear market rally before the final drop in November. We had a full month relief rally followed after that before the market resumed its downward trajectory for another 18 months. From peak to trough the Dow Jones lost 90% of its value over the next three years, as the excesses of the roaring '20s were purged, both in the stock market, and, as it turned out, in broader economy. Excess debt was wiped out, and asset prices fell below fair value, giving plenty of opportunities to those who had the foresight to accumulate cash ahead of the fall.

Now, while this was happening the gold price was of course fixed at $20.67 per ounce. And while this is hardly the most exciting chart you're going to see today, it's important to see, because as far as gold is concerned, it's not the lead-up to these excesses which are so important. It's the aftermath. That is when gold does its job. And that's exactly what it did in the aftermath of the Great Depression, with a little help from Executive Order 6102, of course. In 1933 FDR mandated by executive order that U.S. citizens turn over their gold to the government, where it'd be much safer. Once this was completed FDR was in a position to devalue the dollar from $20.67 cents an ounce to $35 an ounce of gold over the next 12 months. And it's really important to think of it that way, as a devaluation of the dollar, and not an increase in the gold price, because that's what it was.

Now, the 1940s saw gold allowed to climb relentlessly higher, albeit, again, in a managed fashion, as the pressure on the dollar continued. Overall, the gold price more than doubled over this period or more correctly, the purchasing power of the dollar halved. But it's important to remember that this was a managed process. Gold wasn't, and it couldn't, be allowed to rise freely to its market price. The other thing you'll notice is that gold moved after the pain of the Great Depression, because its price was fixed, and therefore it provided the escape valve for an ailing system. Today we don't have that situation, so gold is likely to move ahead of any significant economic pain, just as it did in 2008.

But back in the roaring '20s the wealthiest Americans saw a massive spike in their share of income. It essentially doubled in the decade leading up to the Great Depression. Today from the lowest, you can see here, in the late 1970s, the top 0.1% share of income has increased four-fold, while in a very similar story, it could also be told when looking at the wealth share of America's wealthiest citizens, which once again, is closing in on levels which we last saw, guess when? At the end of the roaring '20s. Now, the rapid increase in asset prices in the 1920s saw the ratio of so-called wealth to disposable income spike before it returned to its equilibrium, where it remained for over half a century. And that lasted right up until the Greenspan Fed got into the bubble-blowing business. Since then, we've been on a similar, though admittedly shallower, and somewhat choppier trajectory. But of course this supposed wealth has been funded then, largely as now, through debt.

The buildup of debt leading into the Great Depression was steady, but the response to the eventual downturn was dramatic. In 2008 the buildup was dramatic, but the response seemingly muted. However, you'll notice that this chart excludes off-balance liabilities, which now total somewhere between 100 and $200 trillion, depending on who you ask. Now when the next reckoning happens, with monetary policy essentially exhausted, the response will be based upon increasing this debt once again, and increase will necessarily be gargantuan. That means asset purchases and massive currency devaluations, exactly like those we saw in the 1930s. Each time we reach one of these tipping points of over-indebtedness, the retracement to the mean is both sharp and extremely painful, with the inflated value of financial assets being corrected versus disposable income in a hurry. And guess what? We're there again. But these periodic resets in asset prices are part of a much broader reset, which takes place far less frequently, and that's a reset of the monetary system itself.

Executive order 6102, and FDR's subsequent devaluation of the dollar, constituted one of these resets. And then in 1971 President Nixon engineered an even larger reset, when he closed the gold window, and gold was allowed to find its equilibrium price. This chart showing the ratio of gold to the monetary base demonstrates how seismic these resets are due to the excesses that build up in the system over lengthy periods of time. They're caused by exactly the same thing every time. Man's insatiable thirst for leverage, once again, getting out of control. Again, you can see where we are. if you're paying attention, you can also feel the pressure building. But to understand that pressure, you have to somehow ignore the words of central bankers and economists who, as Irving Fisher did in 1929, will tell you that not only is everything under control, but that gold is either pointless, unnecessary, or as Ben Bernanke famously described it, merely tradition. What they say, however, isn't always reflected in what they do.

Despite their words to the contrary, central bank actions have been proving gold's worth as a financial asset in extraordinary ways since 2008, if you've been paying attention. From consistent sellers, for a couple of decades under the Washington agreement, central banks have been accumulating this supposed pet rock relentlessly since 2008, and this year they've decided not to renew the Washington Agreement for the first time in two decades. U.S. treasury bonds, considered a safe haven in the eye of the storm by foreign central banks, have ceased to be quite so appealing with the U.S. deficit situation. And the Russian Central Bank has essentially traded its entire holding of treasuries for gold. Additionally, foreign holders of U.S. treasuries are flat-lining, just as American deficits are set to explode. Now, trust me when I tell you that none of this is going to make gold less attractive in the coming years.

The U.S. hasn't sold a single ounce of gold in over 30 years. They really will never give us their money. But when it comes to funny paper, they have no such problems. Currency in circulation, as you can see here, has exploded, alongside the total debt owned by the public, and the increasing steepness of these charts is testament to how close we are getting to the next reset. Meanwhile, official sector gold holdings have been rising at a 45-degree angle for a decade, despite constant assurances on the part of central bankers that there's nothing to see here. That's impossible to reconcile these two ideas, I'm afraid, because when everything is good, as it was in the 1980s and 1990s, many central banks, I'm talking to you, Canada, and you, Great Britain, can't get rid of their gold fast enough. Now, today despite that frenzied central bank buying, gold as a percentage of total reserves remains near its lowest level in a generation.

Now, given the likelihood of additional QE, and further asset purchases, then simply to remain at these low, low levels, central banks will need to accelerate their gold buying considerably. But as we all know by now, countries like China and Russia, who are definitely looking to loosen the dollar's stranglehold on their financial ecosystems, have been doing just that as a means of escaping the world's creaking monetary system, or at the very least giving themselves options. This understanding that the Chinese and the Russians have about the weakness inherent in the dollar-centric global financial system has recently been dawning on a few other central banks in a surprisingly big way. Poland, a member of the European union, no less, another institution coming under increasing pressure, they doubled their gold holdings in a single month. Now think about that for a moment. These days central banks can, and do in many cases, conjure money out of thin air and buy assets with it.

So why, when you can buy U.S. equities, like the Swiss national bank has done, or ETFs, like the Bank of Japan, or corporate bonds, like ECB, why would you buy gold? Now, the answer lies in this chart, which shows the number of central banks buying over 100,000 ounces in a given 12-month period, versus real U.S. interest rates. Now, the interest rate line here I've inverted to show the correlation better. But essentially when U.S. monetary policy weakens central banks accelerate their gold-buying, and when geopolitical tensions rise, they do the exact same thing. And right now, obviously, both of those tailwinds are blowing up a storm. So let me ask you this, does anybody in this room see either geopolitical tensions easing, or U.S. monetary policy tightening anytime soon? Me neither. And when equity and bond markets just simply stop going up, just like they did in August, 1929, the case for owning gold gets much, much stronger.

Seen another way, perhaps the biggest tailwind for gold has been negative interest rates, which of course negate the age-old gold earns no interest argument. And here you can see that five-year rates in the U.S. have seemingly peaked. And guess what? That peak coincided with the beginning of gold's recent rise through some fairly important multi-year technical resistance levels. And with rates heading lower, you can be fairly certain that the amount of negative yielding debt sloshing around the world is going to increase significantly from the current, actually 17 trillion. You heard that correctly. $17 trillion of negative-yielding debt in the world.

And this is another massive tailwind for gold, which as you can see, understandably tracks negative-yielding debt almost perfectly. These tailwinds are significant and they're everywhere. And even if the very idea of a bond which you pay someone to allow you to hold seems outrageous, that is the world in which we all find ourselves, and that's the world we have to deal with. Given the well-documented debt mountain and new shadow that we currently stand, this broad general principle of an idea has been put very much into practical effect, and I'm pretty certain it would have bothered Hamlet just as much as it bothers me.

So where does all this leave us? Well, as we get ready to make the transition to the 2020s it's time to try and put some of the pieces of this puzzle into place, and understand what it all means for gold, because we haven't had a set up this broadly constructive for precious metals in quite some considerable time. On a chart basis gold looks to have completed, and then broken out of what was, depending on who you ask, either the end of the gold bull market, or just a six-year bottoming pattern. I know what I think. The broad narrative over those six years has been that gold has fallen dramatically in price, and this has led to all those pet rock articles you keep reading and all the calls for gold to return to $800 an ounce.

Gold sits at 25% below its 2011 high, they'll tell you. The reality though, again, is that this is a very dollar-centric view amidst a very dollar-centric system. But if that system is under threat, then it makes sense to look outside it, and when you do that you'll find a very different picture. Whether you're looking at British pounds, Aussie dollars, Canadian dollars, Indian rupees, Swedish krona, Brazilian real or Japanese yen and Indonesian rupiah, and any number of other currencies, gold is at all-time high prices. In fact, gold versus a basket of 22 currencies, not including the U.S. dollar, is finally breaking out dramatically from its own six-year consolidation pattern. And the fact that this is happening against concerted pressure on the Fed to cut rates still further is definitely not a coincidence. The ratio of gold to the Dow Jones, and I'm choosing the Dow so we can keep things consistent all the way back to the 1920s, is screaming reversal, just as it did in 1929, 1971, 2000 and 2008. All dates with which you're all familiar, I'm sure.

Each of these reversals sought a material retracement to an equilibrium level. Although the retracement in 2008 was arrested in mid-slide through the application of trillions and trillions of dollars of stimulus. And that day of reckoning, postponed for a decade, may very well soon be finally coming due. Now, certainly when you overlay the chart of the Dow Jones, you can see that despite the series of record highs in the index, the gold ratio just keeps falling away from stocks and towards the yellow metal. As many of you know, if the amount of gray hair I've seen walking around the auditorium today is any guide, gold and the precious metals stocks have underperformed the S&P 500 significantly since gold's high point in 2011. It's been a very painful few years, even by the standards of us masochistic goldbugs.

The S&P has climbed 150% in that time, and gold meanwhile is still, despite its recent run, 10% lower than it was back in 2011. The GDX ETF of large cap miners remains 50% below its 2011 high, while the Junior Miners ETF GDXJ is almost 75% below 2011 levels. Which given the setup currently in place, to me it looks ridiculously undervalued. Now I'm using the ETFs instead of individual stocks because surrounded as we are here by gold mining companies. You guys have plenty of opportunity to seek out individual companies which you think offer a chance of outperformance. But when the public finally comes for the mining stocks, this is where they're going to go. They're going to come for GDX and GDXJ ETFs, because they're just so simple.

The fact that the two gold-mining ETFs have had such strong runs over the last few months has people pausing for thought, people who've been scarred by previous experiences, and for good reason. It's fair enough. This setup, however, in my view offers a great risk-reward scenario. And while owning gold miners is never a comfortable place to be, we only have to go back a couple of years to find a little solace. Now in 2015 gold miners were unloved, under-owned, just as they are today, and staring into the abyss. And it was against this backdrop that I gave that presentation I mentioned earlier, called Nobody Cares.

Now, as I've already said, the timing was pure fluke, but the following six months showed what can happen when the setup for precious metals is right. And I'd say the setup we have today is even better than that which we saw in December, 2015. And by way of illustration into just how undervalued these gold-mining stocks are, take a look at this chart, which shows the ratio of the gold price to the oldest index of precious metal stocks, the BGMI, the Barron's Gold Mining Index. This chart goes back to the 1950s, and it shows that relative to gold itself, the miners have not been cheaper at any point in the last 70 years, 70 years.

Well, before I finish, I don't want to leave silver out of this conversation, as many people often do, because this kind of precious metal setup is incredibly bullish for what is a much higher beta play on any precious metal strength than gold. As you can see here, the gold to silver ratio is at an extreme. And again, you can see what previous reversions to the mean look like. They're usually sharp once the ratio gets too far out of line. Precious metal volatility has like that, and equity market has been dampened considerably. But it's finally showing some signs of life. And when volatility increases in gold and silver you can expect some real fireworks to the upside. Now, as precious metals prices have climbed in the recent weeks, fall has spiked, which gives you a window into what to expect. But like volatility in general, it remains historically very low indeed.

That is going to change, and when it does this amazing chart of silver would likely resolve itself in much higher prices. This is a near 50-year chart of silver on a log scale, which has one of the biggest cup and handle formations I've ever seen, along with an almost perfect double top there. From a technical standpoint it rarely gets much better than this. So what should you take away from the last 30-odd minutes? Well, I know many of you in this room are already bullish on precious metals. But I wanted to give you some reasons as to why right now is a good time to own them, or potentially add to your position. The technical setup for precious metals is incredibly positive, and for me, the risk-reward skew at this level, which is what I look for, is excellent. Putting the emotional roller coaster of investing in precious metals aside, these are the kinds of conditions which reward patience.

We have twin tailwinds in central bank buying and falling real rates, both of which have proven to be strongly positive for the gold price in the past, and neither of those shows any sign of dying down. Quite the opposite in fact. And lastly, volatility, whilst rising, remains depressed. And as is perennially the case, the miners, despite their recent strength, remain wildly unloved and absurdly under-owned. The two big risks for gold and silver are, as always, a strengthening dollar and rising real rates. But the setup we currently have in place is interesting with regards to those two potential headwinds. Firstly, with the massive increase in dollar-denominated debt in the world, some 13 trillion-plus over the last several years according to the world bank, a strengthening dollar would create havoc in the global financial system, as you can already see. This kind of havoc is always a net positive for gold.

And with regard to any spike in rates, at this juncture, this is likely to be driven by one of two dynamics, either rising inflation, which is always a decent environment for gold, or, perish the thought, a meltdown in the bond market, which would be a massive positive for precious metals. But beyond all this, there's one key difference between now and December, 2015. People are finally starting to care. And not just any people, no. The right people. People like Paul Tudor Jones, who in June flagged gold as his favorite trade for the next 12 to 24 months. Or Ray Dalio, who earlier this year wrote a widely-circulated and hugely positive note recommending gold, in fact, telling anyone that didn't own gold they were out of their minds. Or Stan Druckerman, who recently explained that gold is Duquesne's largest currency allocation. Forget me. These are the guys you should be listening to, and they're all saying exactly the same thing with regards to gold. Crikey. Thank you very much for listening.

Kevin D. Williamson

"Debt And Deficits; The Crisis In Public Finances"

Gary Alexander: Okay. Now for our speaker final in this particular session, Kevin Williamson. He's author of five books, the most recent, and I've read it, is The Smallest Minority: Independent Thinking in the Age of Mob and this is the age of the mob. Another provocative title he has written, the End Is Near and It's Going to Be Awesome. He has been a reporter and writer for National Review for over 10 years. The most recent column I read in the last issue profiles the difference between Saab drivers that unique Swedish vehicle and payday loans to buy used cars and the the difference between the two.

Speaking of which, there are also articles he's written about opioid addiction in Appalachia, hunger and poverty, which is the underside of the American internal crisis that we face in this nation, which is not being addressed sufficiently. He's written about all kinds of subjects in America and years before that as a journalist with every other kind of interest in publication around the world, from Calcutta to the American backwater country towns in America.

So he's written and seen a lot of America and the world and he's going to talk about debts and deficits, the crisis in public finance, but something tells me he's going to wander the world and talk about a lot of other things too. So please welcome Kevin Williamson.

K.D. Williamson: I assume by those backwater towns he meant Philadelphia. Hi, I'm Kevin Williamson. I am the guy you get when you can't afford Jonah Goldberg. It is nice to see you all here. I'm glad to be in New Orleans, it's a city I like, and I'd like to first of all, congratulate on our hosts on the genius of organizing investor's conference in New Orleans, one of the American cities the least associated with making good financial decisions. Although it occurs to me that I saw a lot of you before this at Las Vegas, and so maybe that's actually a little bit even worse, I guess culturally new Orleans is more or less Provo compared to Las Vegas or the strip.

So I do spend a lot of time speaking about debt, deficit, unfunded liabilities, public finance, fiscal policy. All that sort of stuff. I'm not going to go into that too much in specifics today, mainly because it occurs to me after speaking to a number of you that this is a reasonably financially sophisticated and economically sophisticated audience. Not to flatter you, but you don't need these things explained to you about what unfunded liabilities are and what they mean and all the rest of it. I think almost everyone in this room, at least the folks I've spoken to kind of get that.

So what I will be talking about though are some of the political developments and the underlying cultural developments that make dealing with these problems so difficult. That have paralyzed American politics in many ways and kept them from dealing in a productive way with these fiscal problems and other problems that are associated with that. And as an illustration of that, a little thought experiment for you, just kind of imagine this. I'd like to imagine the 2020 election and I'm not a Republican, I'm a conservative, so I guess I'm sort of affiliated with the Republican party, but let's just say that's my side for the moment.

And if you imagine that the Republican party were to nominate a chimpanzee as its candidate for the president in 2020 and the Democrats were to nominate an orangutan at first there would be a lot of talk, especially during the primaries about how bad it is that we're going to apparently nominate respectively a chimpanzee and an orangutan. But this talk would change very quickly after the nomination were secured. I promise you.

And when the Republicans nominate the chimp and you say, "I don't think this was a very good idea, maybe we shouldn't have done this." And they will say, "What do you want an orangutan to be president?" Oh well, not necessarily, but still, maybe a chimpanzee wasn't the best of all possible choices. When did you change sides? When did you become pro-orangutan? Think about the judges. That's a little bit about how I see the mood of the country going into the 2020 election.

So I was saying earlier in the panel this afternoon, I think of it a little like the Iran-Iraq War. Just a pity that somebody has to win. But you can always pray for casualties I suppose. Given that, I will begin I think with just a little bit of rank punditry. Sometimes I come into meetings like this and I'll give people long talks about various things having to do with economics and political theory and all the rest of it. But when people get to the Q and A section, what they want to know is what do you think is going to happen in the next election, irrespective of what I speak about. So I guess I'm going to start with that. Bless you. Rather than wait for it. So I would say that if I were betting my own money on it, taken as a caveat that these things are very difficult to predict and almost nobody, including me as a very good record for predicting the outcomes of these things.

I would bet that the 2020 presidential election ends up being something very close to a replay of the 2016 presidential election, which is to say that I think Trump will probably win most of the same States in the electoral college that he won last time around. I don't see a lot of evidence, at least from the polling that's available at this point, that you're going to see a lot of things flipping from one column to the other.

In fact, there was a story in the New York Times this morning, which some of you I'm sure saw that said that by their analysis, Trump is actually running ahead in the swing states in the critical states for him of where he was last time around. So it seems at this moment that the most likely outcome is that the Democrats end up nominating someone like probably Elizabeth Warren, that she loses to Trump in the electoral college, but probably runs up a pretty big total in the number of absolute votes.

I think it's dumb that we still continue in our political discourse to speak about the popular vote when there isn't a popular vote for the American presidency, but you all know what I mean by that. And because there will probably be a lot of so-called expressive voting in places like California and New York and Connecticut and other big democratic States, Illinois. It's very likely I think that Warren will end up with a much larger share of the popular vote than Hillary Clinton won against Donald Trump in 2016 while still losing pretty handily in the electoral college.

Personally, The last thing I'd like to see this time around is another close election. I'm kind of hoping it's not going to happen, but I wish that there would be a blowout and frankly I'm not sure I care which party gets blown out. I would like to see the 2020 election be painful enough and humiliating enough for at least one of the parties that the pain and suffering and degradation that they experience thereafter would be enough to get them to sort of sober up and change their ways. That doesn't seem very likely to be the outcome. Instead, we'll probably see another case in which the electoral college and the so-called popular vote are at odds with one another. The Republican candidate wins and that's followed by another four years of congested or pardon me, contested legitimacy.

The other prayer I have is not going to get answered probably is that I wish that American government would become boring for a while. Someone who writes about politics for a living, it's great for me to have all this exciting stuff going on. It's bad for the country I think. The best kind of governments like the best kind of technology, it just works. You don't think about it very much. Do you ever, I mean you never think about your phone or your computer or if you live in California, your electricity until it simply stops working and then you have to think about it a lot. So I'm basically kind of an Eisenhower guy. I would prefer to see government just be sort of quiet and responsible and respectable, and more or less try to secure our liberties and keep the country safe and do such administrative things as the federal government has to do and otherwise not bother us too much.

Those of you who follow my work or saw me earlier today, you know I talk about Switzerland a lot, probably more than I should because it's an awfully small country that probably doesn't really matter all that much in the greater scheme of things. But one of the things I've always admired about the Swiss political culture is that on any given day, if you stopped someone on the streets of Geneva and ask them who the president is, a lot of them don't know. Now part of this is a structural thing that they have a nine member executive council and the actual presidency sort of rotates from that. But government just isn't central to their lives and the executive isn't central to their lives, in their culture and their civilization the way it is for us. And I think that that is a place I would rather see our country go.

For investors and for people who are concerned about the performance of the economy I would suggest that if it is the case that Trump wins in the electoral college and Elizabeth Warren or the Democrat, whoever it should be, wins a large majority of the popular vote, it's very likely that you will see some pretty rowdy protests afterwards. Some disruption, perhaps even some instability. This will certainly carry through the first quarter of 2021 I would expect maybe beyond that.

It certainly is the case I think that if Donald Trump hasn't been impeached by election day and Democrats maintain a majority in the house of representatives in the election, that he almost certainly will be impeached thereafter. If it should be the case that Democrats pick up a majority in the Senate, which I don't think is likely, but it's not a zero possibility, either. If they have a majority in the Senate, he will, or if they have the numbers in the Senate, he will be convicted and removed from office. It's almost a foregone conclusion.

This also brings up some potential for instability and disruption and uncertainty in government, which always is bad for markets and bad for investment, and bad for returns. Worse even I think is the fact that if Trump happens to be removed from office, if that is the case, it's not unlikely that he will face some sort of criminal indictment afterward. Probably in the state of New York, it may be on some banana republic trumped up charges.

It may be on something that's more legitimate. It's not as though his resume is entirely clean of anything that might get him into that sort of trouble. How the president and his partisans react to that is something that is going to be difficult to know. So I worry about disruption of that sort for those reasons in which we have ongoing contested election outcomes and questions about credibility and legitimacy of the government.

Irrespective of the outcome of the elections though, I would say that we should probably expect some continued economic disruption. In any case, as those of you out there who follow the news certainly know the trade war already has the American manufacturing sector in a technical recession that's not likely to change anytime in the near future. The agricultural economy, which is not an enormous part of the overall national economy, but certainly important in the non-urban areas and the rural areas is really hurt quite badly by the a trade war with the loss of exports, especially to China and the continued disruption of their markets through tariffs, retaliatory tariffs and all the rest of it.

That's going to have wider economic consequences to you than most people understand because farming in America is not what people normally think of when they think of farming. Farming is very capital intensive, high tech, lots of equipment, lots of investment business and with the current state of farm incomes being cut in half or by 70% or by 80% or falling to zero, they're not going to be buying a lot of equipment. They're not going to be investing in a lot of new capital. They're not going to be going out and spending $70,000 on a top of the line

Ford super duty truck.

So the troubles in the farm economy are not just going to stay on the farm. And even if we were to conclude the disruption of trade with China tomorrow or the day after, it's not clear that that would actually undo the damage that's been done, that things would return to normal. American farm producers, particularly in the soybean business are concerned that they've probably permanently lost at least some of their market share in China. Because the current disruptions have allowed competitors from other producer nations to step in and essentially piggyback on the capital and relationships that they'd been spending so much time investing in to make this market work.

There is no globalist like an American farmer by the way, ask them about their markets and what they look like. Their customers are in China, their competitors in Brazil, they understand that it's a very connected world. In some ways, the people in South Dakota have a better handle on the global nature of the world economy than the people in New York and Los Angeles do. So this is an unnecessarily a self inflicted wound. And the costs of it I think are really very difficult to understand for people who aren't directly involved in some of these businesses.

So for instance, the American soybean producer association had an office in Beijing for something like 20 years before they shipped the first shipment of American soybeans to China. Negotiating these things open up these markets, building the infrastructure, both physical and intellectual to go along with it. It takes a long time. It takes a lot of effort and it can be undone much more quickly than it can be done.

In 2016, I spent part of that election cycle with the Bernie Sanders campaign. I'm sure there are a lot of Bernie Sanders fans out there. No? All right. But I was really shocked by the Sanders campaign by both the emotional tenor of it and by the political content of it. And I wasn't shocked because he sounded like an old style Orthodox socialist. I mean he is. We knew that. That part was no surprise.

The really surprising thing was that he sounded at the time a lot like Donald Trump who was running at the same time, of course. He would go to these Iowa union halls and outside there'd be signs that say, "Foreign made cars must park in the back," that sort of thing. And he would give these speeches that sounded like they could have been written by Steve Bannon. They were really very, very anti-immigration, much more so than the way he talks now.

I think he's been maybe a little disciplined on that. They were very anti-trade. They were very kind of class warfare, a lot of conspiracy mindedness. He's got this idea that American immigration policy is secretly run by Charles and David Koch who are importing all of these workers in order to undermine the American working class for some sort of short term or long term political project, which of course is nonsensical, but it is what he believes and it's what the people around him believe. And while I don't think that the American electorate has grown quite so stupid as to entrust the presidency to Bernie Sanders, who is a crackpot, I'm not sure that actually matters all that much because Sanders is views now are really the dominant views in his party on his side of the fence.

Part of this has to do with these tribalistic contests in American politics, which I'll get into in a little bit, but part of it has to do, I think really with the financial crisis and the subsequent bailouts, which for one generation of young Americans I think really discredited the idea of capitalism as such. A lot of people who were coming out of college around the time of the great recession and who think not without some reason that they've maybe been permanently disadvantaged by that because the employment that you get and the money you make and the first couple of years out of school is something that really sets the tone for people's lives financially in a lot of cases.

And they came out of school at a really pretty tough time. So when you see these polls about young Americans embrace socialism and hate capitalism and all the rest of it, it's not just their loopy college professors. I mean their loopy college professors aren't helping very much, but I had loopy college professors back when I was in school too. A lot of you did as well. I think it's been the actual experience of economy and the nature and the moral character of the bailouts I think really have done a great deal of political damage that isn't located in any particular ideology or any particular kind of party identification. It's something that's really more broadly distributed throughout the culture, especially among younger people. Those of us who care about markets, property rights, free trade, those sorts of things are going to have a lot of work to do I think to counteract that and to reestablish the legitimacy and desirability of a more free market system, if that's your thing. It's kind of my thing.

Another way of saying this is that I think we're in your, into a period of what Robert Higgs calls regime uncertainty. Regime uncertainty is different from policy uncertainty in a very dynamic democracy such as ours, there's always a great deal of policy uncertainty. You don't know what's going to change from election to election and whether the healthcare regulation is going to look like this or the financial regulation is going to look like that?

That's a problem in and of itself, but regime uncertainty is a different thing. What that refers to is the possibility that the basic nature of property rights will be changed because of political action at some point in the immediate future. And although I've got my doubts about how serious she is about it, you hear Elizabeth Warren talking about these confiscatory taxes, not only on income but on wealth, which is a whole different thing. Taxing the savings of certain politically disfavored populations in the United States really does represent a change in the nature of property rights and the nature of the relationship between property rights and the government.

Regime uncertainty imposes a lot of costs on investors. It's very difficult to make intelligent long-term decisions about how to deploy capital when you're unsure about your property rights and it's not just taxes, it's things like this, you know, so-called stakeholder capitalism. The idea of which is to traduce the traditional fiduciary responsibility, which is the principle that corporate managers are to manage their businesses in the interest of their shareholders, the people who own the company. now they are being told that as an ethical and possibly as a legal obligation the near future they will be required to manage their company in someone else's interests, not in the shareholders but in the so-called stakeholders, which is to say certain favorite political constituencies.

So when you have the government talking about passing laws about what the composition of your board looks like, how these decisions are made, how corporate governance is organized, beyond the usual things having to do with fraud and accounting and basically good business practices, but narrow, specific, partisan in many cases ideological agendas. You are really changing the relationship between firms, shareholders and the state and that has potential to be really truly, deeply disruptive in ways that I don't think people really appreciate.

As I said earlier, I'd prefer to see a blowout and I'm not sure I care very much which party gets blown out because the truth is if you were looking for a party that is based on things like property rights, free enterprise, free trade, what we used to call classical liberalism, you are at the moment in the context of American politics and especially American presidential politics, essentially a man without a party.

The economist, Brian Kaplan, who some of you probably know has a really good line on this. He says, "There's really not a free market party in the United States. What we have is two competing national socialist parties." One's a little more nationalist and the other is a little more socialist, but they're essentially not identical but substantially similar in their assumptions about the relationship between markets, individual's property rights and the state. And none of them is a reliable partner for prosperity trade or peace. And that's going to bring me to I guess what we would call the more theoretical part of my discussion, which has to do with the politics that inform our current political conversion in which I think are really widely and almost uniformly misunderstood.

This is a really arrogant sounding thing to say and I don't mean it to be that way, but often when I look at these things I sometimes think that I am the only person who understands what's going on in American politics. Because we spend a lot of time talking about things that seem to us to be important, but aren't actually what actuates political activity and voting activity, and aren't what really underlies the ongoing discourse.

A way of transfer of moving into that is that, I'd like to mention my least favorite sentence maybe of the last several years. What I think is one of the dumbest, most beef witted intellectually indefensible sentences in American politics and it's this. Elections are binary. This is a deeply stupid way to think about the world. It's why I began with the chimpanzee versus orangutan thought experiment. I think it's a little bit where we're at and I want to dwell on that just a little bit because I don't think we think carefully enough about this. Because most people have lives and families and businesses and things to get on with and they don't really think about politics all that carefully, but they do have a very strong set of preferences for one party or the other. When it comes to election time, they've got a very strong preference for one candidate or the other.

This is very rarely based on policy or anything to do with that. The polling information here is pretty good. Most people don't know anything about the policy proposals of the people they vote for, including in presidential elections. They know pretty vague things about them, but not very much. So to begin with, most elections, especially presidential elections are not actually binary and we shouldn't think of it in this way. There's often third party candidates.

There are other options like staying home and not voting, which I've increasingly done in the past and these are all perfectly defensible choices and sometimes they're the most intelligent, and most patriotic choice to make. The idea that everything comes down to team X or team Y and we can bundle all of these questions up into that question is I think not consistent with the actual facts of the case. Part of our political rhetoric and our political discourse is really defective, because it treats elections as the beginning and the end of the process. And that's where you get this thing where, well if you don't like actually must like Y and I like X and not Y and therefore we can never see eye to eye on this stuff.

In fact, and this was understood from really the beginning of our country's history until fairly recently. Elections are just the beginning and not the end of the citizens duty and of our necessary duty of imposing political oversight on the government, especially the federal government. We treat voting as though it were heroic, which it isn't, and we treat it as though it's dipositive, which is ridiculous. Citizens are obliged to exercise judgment before and after the electoral fact and the ability to exercise such judgment in an intelligent and reasonably disinterested and well-informed way is I think really inhibited by the current hysterical tone of our partisan politics, which insists that the country is always on the verge of some sort of epic disaster, that we're two tweets away from the Holocaust or that we're about to have the Bolshevik revolution or if the next election doesn't go our way, it's going to be the end of the country and the end of freedom in the world. And these are things that people tell you when they want to sell you something and usually get something that's not very good.

One of the problems with our rhetoric is that we treat these X or Y choices. These A or B choices as a kind of moral get out of jail free card and I speak on behalf of or to rather, not on behalf of conservatives when I say that I think this often leads us into very serious error. If you think about the anti-communist project of the 20th century, it was really important for us to be able to make fine distinctions about this because you often had a choice between a Batista and a Castro or a choice between the communists and the fascists in the Spanish Civil War. And while I am glad that the communists were defeated in the Spanish Civil War, I don't think that fact excuses much less requires us to be morally neutral about the moral character of what came after in Franco's government and flanges and fascism and all the rest of it.

So you may prefer a Pinochet over Allende, but that doesn't mean that that's the end of the discussion. And no less a figure than Margaret Thatcher once found herself feeling obliged to write to F.A. Hayek to warn him against his excessive admiration of the government in Pinochet's regime, which had pretty good ideas about pension reform, but was rather less enlightened when it came to the question of whether they should kidnap, torture and murder political opponents.

These things matter, but we tend to get carried away with our oppositional good guys and bad guys, white hats and black hats, view of politics. Again, I sometimes think of these things as the battle of Stalingrad. I'm just kind of praying for casualties, but that doesn't mean that that's the end of the day, the conversation, either. I tend to think that conservatives such as myself identify way too strongly with the Republican party. I think that, again, speaking for my own ideological tendency, the best way to think about the Republican party is as kind of a big heavy stick that sometimes you have to pick up and hit somebody with.

Every now and then it's necessary, but it's not always the right tool for the job and it's certainly not the right tool for every job. And we shouldn't allow these short term binary calculations to blind us to the actual truth of what's going on. And that is that in 2020, the Republican party is going to be going into the presidential election under the banner of a candidate who is morally compromised and who is, and I think this part is worth emphasizing. He is politically incompetent under his own criteria. So if you look at the big things that Trump promised last time around, you know the border wall that Mexico is going to pay for.

I live in Texas. I go to the border from time to time. Ain't no wall being built down there. And if there is, Mexicans aren't paying for it. Sustained 3% economic growth, all the rest of the stuff that hasn't come to pass and isn't going to come to pass. And in fact, when his party controlled both houses of Congress and he had the opportunity to push through essentially any kind of legislation he wanted to, he didn't even walk across the mall and get a bill submitted. There are reasons for that. I won't dwell on them much. But what I will say is that I think that our increasingly religious and ceremonial attitude toward the American president and the presidency causes us not to be able to think clearly about legitimate policy differences. And that's what the president really is right now.

He's essentially become a mascot. We have two warring tribes in American society, basically team X and team Y, team red and team blue. And the presidency is a kind of trophy that one party has or the other party has, and when the party that is out of power doesn't have it, they feel humiliated, excluded, marginalized, and all the rest of it, which is why we're getting these increasingly crazy swings back and forth between really ideological and political opposites. Because the parties aren't just looking to win an election. They are looking for a national cultural repudiation of what came before.

Republicans were so incensed at Barack Obama and his administration, not without some good reason, that they didn't just find someone they thought would win the election, but someone who would represent a repudiation of him and what he stood for. The Democrats are in precisely the same position right now, which is why any moderate, sensible, halfway defensible, democratic candidate doesn't stand a chance in their primary election.

They're going to go with the most radical person they think that they can win with because they don't just want to win. They want something that is symbolic. They want something that is culturally significant more than it is politically significant. Because again, we're not having these terrible fights and these screaming matches within our societies and people having crying breakdowns on election night, because someone's concerned about paragraph B of some SEC regulation.

Well, maybe few of you are. Some of y'all really care about that SEC regulation. So you know, for kind of old-fashioned, small-c conservative Eisenhower Republican types such as me who are looking for a return to restraint, prudence, sobriety, moderation, dare I even say bipartisanship and consensus in government, these are not really especially encouraging times. So as I began by saying that I think the 2020 election will be a lot like the 2016 election. I will say that, but I will say this in addition that I think it will be a choice that is worse for people who really should know better. I appreciate your time and I'll take your questions now.

Or there's a bar if you don't have any questions. I think we have someone with a microphone. So if you want to hold up your hand, we will run it out there. Sir, I'll just repeat your question.

Speaker 3: Do you see any chance that the election going so bad in 2020 there's a possibility for national secession crisis ? let's suppose Trump for example doesn't relinquish as the Republican candidate. [inaudible 00:29:46].

K.D. Williamson: No, I don't think that's a very likely outcome. United States is a really very complicated country when it comes to our political culture. Americans as voters are I think really naive and irresponsible, and they don't really live up to their duties of citizenship. But remarkably, even in that context, American institutions are pretty robust. We don't have a great deal of... I hate to even use the term quid pro quo anymore, but it's unavoidable in this case.

Quid pro quo, corruption, bribery, extortion, that sort of thing. That's the really shocking thing about Washington if you spend very much time there, is that this enormous, giant, ridiculous goddamn mess has been made by people who are really basically pretty smart and well-meaning and more or less honest. So I think that if Donald Trump were to say, after the election, well, this was illegitimate, because the investigation was flawed or these things were done, or it's treason. And he's quite capable of saying this.

This is a man who's running around. This is the president of United States of America, who's threatening to arrest the speaker of the house on treason charges because they have what amounts to a political disagreement. So I would never bet on anything that minimized the childishness or irresponsibility or stupidity of president Trump. I don't think he ever should have been in the office in the first place, but he was. They didn't ask me. But that being the case, even his ability to overcome the institutions that would constrain him and shortly see him out of the office, should he lose the election, I don't think it's very high. So I have a pretty high degree of competence in American institutions to deal with an idiot president from here or there. I mean, won't be the first time we'd done it. Sir.

Speaker 4: I'm just curious. If you're conservative, but you don't want to vote for the Republicans, what are the options?

K.D. Williamson: I haven't voted in about 12 years I guess. I'll vote when there's someone I want to vote for, but the options are to not treat voting as though it were the beginning and the end of your obligation as a citizen. Our obligations are to continue to oppose tyranny and stupidity and dishonesty, and all the other things that we need to oppose. And to encourage the best that we can encourage from the people in Washington. And merely showing up on election day and registering a preference is not sufficient to get that done.

Speaker 4: In a binary system, would you consider that at least a half a vote for the opposition?

K.D. Williamson: Yeah. I would refer you to my opening remarks on the stupidity of this as a binary election as a moral dodge. So if the Republicans nominate an orangutan and the Democrats nominate a champ, there's still an orangutan and a champ. Sir.

Speaker 5: Hi there. So you're critical of Trump's policies vis-a-vis China on trade. Understanding that China does engage in some pretty unfair trade practices and some issues like that. How would you suggest that we handle that versus what Trump is doing? What would your approach be?

K.D. Williamson: Yeah. China is a very dicey issue. You have to start with the fact that it's a deeply repressive single party police state that's involved in all sorts of things that are a lot worse than unfair trade practices. Murder, oppression, organ harvesting, locking up people for their political opinions and all the rest of it. So I think the best approach to our trade dispute with China would be to disaggregate the issues.

So for instance, I don't think that all the attention that's been given to China as a currency manipulator is worth anything. It was trouble that we need needn't have taken and it's often based on ignorance and stupidity. You hear people talking right now about, well we need to come down on China for its currency manipulation. It's been six, seven years now that China's actually been trying to manipulate its currency in the opposite direction because it had fallen so much that it was really hurting their international purchasing power, which matters when you import a lot of things like food and livestock feed, and that kind of thing.

So I think that if it were me, the number one thing that I would worry about in terms of our relationship with China would be the intellectual property issues, the theft of American intellectual property and the sale of counterfeit goods, and those sorts of things. Those are a very difficult problem that essentially amounts to something like a law enforcement issue where you have to basically prosecute these things. Trying to strong arm Beijing into doing that on your account is something that's not going to work first of all. And secondly is going to impose substantial costs on you that probably will offset by an order of magnitude, the gains that you may get from clamping down on that.

So I would prioritize that above the other things. We talk about how they subsidize various industries and various kinds of barriers to trade they put up and those things are all important in a sense. Although, I don't worry about things like subsidizing domestic industries very much because ultimately that amounts to a subsidy for American consumers at the cost of the standard of living of Chinese producers.

It stinks if you're a direct competitor for them, of course, but I tend to look at these things more from a consumer than from a producer point of view. So I hope that answers your question. I think that disentangling them rather than all of the trade issues as a single bundle and then trying to solve that by imposing something as clumsy as these categorical tariffs. I think the evidence is pretty good that that hasn't worked, isn't going to work, and there's no reason to believe that it will work.

We should also just get used to the fact that China's a backward and corrupt country and that these things are going to be part of its way of doing business for a very long time, and there's not a lot that we can do about it.

All right, well, thank you all very much for your time and I appreciate you coming out.