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2023
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Introduction

The following report provides word-by-word transcripts of the General Session presentations from the 2023 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

"Six Top Reasons Why Gold, Silver & Resources Are Set To Soar"

Robert Helms:

All right, good stuff and he'll buy you lunch tomorrow. Well ladies and gentlemen, you're about to meet two of my favorite women. They are no stranger to the New Orleans Investment Conference. Pamela and Mary Anne Aden are two of the most influential and well-known investment analysts, writers and lecturers in the world. They are the editors and publishers of the Aden Forecast which is an investment newsletter now in its 42nd year, and it's famed for its precise forecasts of the precious metals markets as well as the bigger picture, US and global equity markets, interest rates, bonds, Forex, and the global economy. They also publish Gold Charts R Us, a weekly trading service in its 21st year. The Adens have been featured in lots of great publications, including Business Week, Smart Money, Barron's and Forbes. They are both here. But to start, please welcome Pamela Aden….

Pamela Aden:

Thank you. It's such a pleasure to be here this afternoon with you and especially because it's opening day. Then also to start by knowing this year has been the wild markets. It's been erratic markets, and the reason we believe it is, is because it's a year of change.

to go into today and before what we do, I want to just mention that it's been all about the Fed. You probably get tired of hearing that, but that's what it is. In fact, it has been for quite some time now. The Fed has dominated the market and is going to continue dominating the market.

And so this is something that in case you don't realize that, that's what that is. But there is a way to understand the markets. For example, the Fed, as you know, pushed the Fed funds rate way up this year and the rate of the strength it had, so fast, was the fastest in 200 years.

That's incredible. It hasn't been that fast. In fact, I'd like you to raise your hand if you didn't think interest rates were going to rise as high as they did this year. Raise your hand. Well, I was expecting you to say more so you weren't surprised that much about the rising rates because the people that didn't expect it were not alone because bankers, big bankers, bond traders, the hedge funds, they were all surprised.

It was a shocking event for many in the business, aside from just investors. But the reason is, the era of low interest rates is over. This is something we want to stress, and this is what we'll be talking about in the big picture this next 20 minutes. And in fact, interest rates are one of the six main reasons why gold, silver and the resources are set to soar in the years ahead.

And today like I said, we're going to focus on the big picture because it is at a major turning point and we'd like you to know what a turning point looks like because we're just at the start and the major changes have started and interest rates are the first reason.

And while it may be boring to you to think about interest rates, it's really the most important market in the world today and always it has been and will be. It affects everything. It affects the stock market. It affects the bond market and the economy, the world economy, the world markets, the currency markets. It affects every market and everything, and that's why it's so important. So this next chart that I'd like to show you…

This is probably to us, if you can only see one chart, this is it. This is the big picture of the long-dated 30-year treasury yield. Now remember, treasury yields are a free market. It's not like the fed funds rate that's only the Fed tells the Fed funds how much it's going to go up or down. Long rates are on their own. They're at the free market.

While they do move together, they can be different at times. So here I want to show you. This starts, it's a 30 year yield going back to 1930, and here you can see the black line is the actual yield and the red line you can see on there is a moving average that we have fine tuned to identify these major thrusts. See these thrusts stay. Once a rate change happens, it stays underway. And this is what I want to show you.

Now look here, This was the Great Depression right there. Interest rates went down and World War II, but once the Nifty ‘50s started, ‘60s and ‘70s, these 30 years saw nothing but rising rates. And we saw it with it staying above the red line, you see?

And so, the last ten years, that was in the 1970s, we saw gold rising, interest rates rising, inflation. They all rose together these last 10 years of this 30 year rise, and it ended with the 30 year yield at 15%. And so the double digit, this was wild, but then all of a sudden then in 1981, it stopped and turned and this was the turn that went down for 40 years.

We had 1980 down to 2020 to Covid, the pandemic. See there. So this was just straight down. But what really was interesting here is that in 2008, which is right about here, right there, this last piece that fell, this was what they called in those days, ZERP, Zero Interest Rate Policy.

This is when the government wanted, the Fed wanted zero interest rates and they got it. In fact, it went down so low, this here was a 5,000 year low in the US and in the world. They all were the same. And so this is saying that this Interest Rate Policy was abnormal. It was never normal. It was never meant to be normal, but it felt normal because it lasted so long.

But this is over now. This is what we are here to tell you what we think is the most important thing. The low interest rate cycle is over. We're not going to see that anymore. This is why this has jumped up with the Fed funds rate because really in the interest rate world, you think the Fed leads the interest rates. It really doesn't. It follows the T-bill rate. It's watching it closely.

And every meeting they have, they kind of fit in to move with what has already happened over the last months before the last meeting. Like they left them unchanged today, which was expected because they've gone too fast. They went way too fast.

Now they have time to rest for several months. And this is what we think is going to happen. This is going to kind of get the edge off of this rate rise. But we think once this period of weakness that's upcoming, it hasn't come yet, is over, this is the time to get your investments in order.

Because when we think that this means that we're going to see higher rates for decades to come. It doesn't mean they're going to go screaming up like they did this last year, but it means like this. It's going to be up. It's going to come up and down, but the trend's going to be up.

Like for example, in this case, the 30 year yield could go down to 270 say for right now and still be in this mega change trend to the upside. So it has room to maneuver for the short term, but long term, we see it going up. This is a major change. This is going to affect us in every way going forward and starting next year.

And next year we’ll probably still see some recoup from this big rise. But get your ducks in order. We don't think you want to be in the market too much, the stock market. It's time to not be in the bond market unless you want a short ride for now and it's actually time to buy gold during this time and silver, and this is what we wanted to tell you.

versed its Fed funds rate from zero to 5% in not very much time. That's unheard of. And then for a while there, you've already been getting T-bills. Everyone's jumping into the T-bill market that's three months, you get 5% and you can roll it over and you can continue to get 5%.

That's a pretty good deal and you're on the safe side of short term instead of going 5% on ten-year. So that's been a popular thing in recent months. But the new era is here. No more low rates. It's over. The US Free Market experiment is over. We can still remember in September of 2008, we were all together, a group of people in the business and we happened to hear the Fed come over and they were starting to buy bonds.

So we just about died. We thought, "Oh my, this is the end. This is really going overboard." And then it stayed. It's been staying this way since 2008. Really not much has changed since then. And that's why we're seeing inflation now for many reasons. This is one of them. And we're going to see inflation and it's not going to be easy to kick it. And we think it's going to be a hard thing to get rid of.

So like I said, the rates are set now for the decades ahead, at least the decade ahead, if not two or three, we're going to see rising rates, a steady rise in rates. Not anything radical, but the trend will be up. So like I said, no more zero rates. This is actually with inflation. And with inflation and rising rates, we think gold has a very good time to rise like it did in the 1970s.

In fact, we're very similar to the 1970s today. And this is the first time in all this time since the 1970s that it's similar to the 1970s. So we think it's a similar situation we have today. But as rates rise further, it's going to reveal certain things like bad investments were made when money was cheap because money was very cheap when we had Zero Interest Rate Policy. And so you can look for drama in many areas where money is involved.

You may want to check that during your search in the investment world. And it's not only US rates. Rates are high now around the world. The rates in the major country world move together. They go down together…and now they're up. And so they move together. Like 3% for Germany is a big deal right now. And 5% is a big deal for us and interest rates have further to rise before people really start starting to lend money, lending big money.

It's already starting, but the higher it goes, the more lending you'll see. So as the world sees higher rates and it's here to stay, the markets will be more affected. Once it's solidified that yes, rates are a hundred percent on the rise, people are still doubtful and with reason. It's been 40 years.

Then once it becomes more solidified and set in stone, the markets are going to be more affected on the negative way. And this is just the start. And it could mean big inflation. It could mean another financial crisis. It could mean a big event somehow, somewhere in the future.

Bond prices will plunge like they already have, but they still will be under pressure and will go lower eventually. And this is bad for the stock market and it's bullish for gold. Gold is the safe haven today.

It was only a few years ago that gold, bonds and the dollar, they were the three safe havens equal for many years. This has now changed. Bonds fell off the wagon. So they're no longer in this category and the dollar is slowly moving into second place.

It was first place and it's still firm, it's still steady. The dollar's not going to go away. It may have more weakness as the future unrolls, but it depends on how bad inflation becomes. But the dollar is moving into second place. And this is why we think gold is the number one safe haven followed by silver.

And I agreed that the panel was saying silver is a good buy. It has been quiet, but that's been doing that since the ‘70s. We've been watching these markets every day since the 1970s. And we can say that silver, once it wakes up, it just takes off.

That's just the style it is. And it all has to do with the resource sector. Once they both rise, when you see gold and copper rising, for example together, you know silver is a great investment and there's no doubt about it. And right now copper has been quiet just like silver has been quiet. But it'll follow. It's going to follow. And it is a good price to buy right now. And even though gold's now above 2000, around 2000, and it's hitting towards its record highs, it's already in record highs in other currencies this week.

But we think that with the dollar in second place, and we think the second reason why, because we have six reasons why, and the next reason is the US dollar. But here I want to stress that we're showing just big picture moves today.

We'll be doing a round roundtable tomorrow and we'll have a lot more things to show there, but we wanted to really concentrate this time on the big picture because it's important to see how it looks when you're having a major change happening.

Because we remember 1980, not that long ago, and we were sitting there watching 15%, everyone going crazy. It was just a madhouse. And now we're in that same situation on the opposite end. But anyway, here is gold and just not gold. It's just the dollar showing you since 1972. And it's pretty much when the dollar was taken off the gold standard in the early ‘70s.

And you can see that sharp rise it had immediately following right there in the ‘70s. And what this long trend shows, see the long trend from here down shows you that clearly the downtrend is still intact. The major downtrend since 1972, and we've had those red upped ones that take five years or so to go up and they're worthwhile.

Those are dollar retracements there. But you can see in every case the lower trend on the upside. And now they're kind of rolling over around this trend. And so this is saying the dollar either will be stable, quiet, it could hold it near the highs for a while, but really not have a big leg up, but maybe just be quiet and perhaps decline. But like we said, the dollar is not dead. We don't believe that. We just think that gold has become a better safe haven than the dollar.

Now, for the third reason, we have six, so this is the third reason is central bank buying. I heard them touch on it today, but central banks have been the biggest buyers of gold since 1967. Now, this itself is a big change. They were net sellers, they weren't buyers. This went on for years.

And this more recent, more than recent years, they've been buying and been buying big. China is the outstanding one. They not only were the biggest producer of gold, but they also are the biggest buyer of gold. So they're really hoarding gold in their reserves.

And same with India, same with Russia, Turkey. There's a lot of countries buying gold. They feel the need to have gold because they're seeing the world very uncertain. And especially from the war in Ukraine, in Russia, and now the Middle Eastern War, they'll even more go into gold.

That last year was a record year. This year is looking like it's going to be another record year in buying from central banks. And another thing that's interesting, so this is bullish for gold, the demand of central banks, even though investors haven't been that quick to buy too fast, but they're turning around.

And if digital currency becomes a reality, we think that's very bullish for gold. Because what it's doing is taking a little bit more freedom from you as a US citizen because you won't have the cash in hand. It'll all be digital. I feel that's a bit of taking away your freedom and people need tangible. You need to feel good that you have something in your hand.

And the digital thing could have a quirk, something could go wrong. The government can easily make changes for you without really your approval. But anyway, cash, it's very important to keep it in the system. But if it changes, it's very bullish for gold because that's the next best cash to have as a real tangible asset.

Now, the fourth reason, Mary Anne's going to take over now to go over the fourth reason, and that one's a real biggie. So thank you very much and here comes Mary Anne.

Mary Anne Aden: Thank you. And it's a pleasure to be here with all of you tonight. And as Pam mentioned, the first three reasons why we think gold is going to soar, which are the higher interest rates, the dollar continuing eventually on its downward trend and the central bank buying.

But there's the fourth reason, which I'll touch on, is also very important, which is the potential for a financial crisis. And Brien talked a little bit about that earlier. And there's a lot of different newsletter writers and commentators who have talked about the fact that there's going to be a recession. Many believe that.

Hyperinflation, a collapse. You hear all sorts of things. And the reason being pretty much is that the foundation for all of these things has been established already. And at the center of that foundation is the huge debt load…

Now this shows you the debt and you can see that it's been soaring. And this chart begins in 1900. So for a hundred years down at the bottom, you can see that the debt was pretty steady. And that was considering two World Wars, the Great Depression, the Crash of ‘29.

Many things happened, but debt stayed steady. And it wasn't really until 2000 that it really took off and it began to soar like mad in 2008 with the easy money and the QE zero interest rates for many years. So those are all the things that made the debt just skyrocket.

And the biggest spending year was 2020 with Covid. But this year has been the second biggest. And really aside from the additional spending on wars, there's been really the normal expenses going on. And so the biggest difference though, being as Brien mentioned, is that with interest rates rising so fast this year, you now have, interest payments on the debt has now become equal to defense spending.

And probably next year it will surpass that. It's going to become one of the biggest expenses of the federal government. And this is simply unsustainable and it's going to result in some kind of a crisis. And that's what people are concerned about. That's what they're worried about. They're uncertain. And that is all very bullish for gold.

And as you know, mortgage payments have already soared. This is going to affect all of us in one way or another. We've had the banks, they were unprepared for the big rise in interest rates. The banks are in financial trouble. A lot of them are. And so again, this is all very bullish for gold.

Now the fifth reason is the global uncertainty. And by that we just mean the whole world is kind of in chaos. Most recently, the Israel Hamas war. It's on the news every night, makes people very uncertain. Experts believe there's potential, this is going to escalate greatly in the Middle East.

That's on top of the Ukraine Russian situation. And then you have growing tensions between the US and China. So all of this, again, adds to uncertainty. And when people are uncertain, they do tend to move to the safe havens and the best one is gold. So again, this is very bullish for gold.

And the sixth reason, which I'll show you now, are what we call the technicals. That's the actual price action for gold. And you can see that it's been in a long-term uptrend since 1967. It's had its ups and downs, but the trend is up. And most interesting right now is that gold is trading near its all time record high.

And when that happens, it's very bullish, especially once it breaks out to new highs, which could happen literally at any time. Now people wonder, well then usually when it does break out into new highs, it tends to really take off. And again, people wonder how high could it go?

And in the past, I'm not saying this will happen for sure, but it could, in the past, when gold breaks out to new highs, it's risen two or three times the high level. So in that case, if it just doubled from today's near 2000 level, we're talking $4,000 gold is indeed a possibility.

And it sounds crazy, but that would be very in line with the kind of behavior it's had historically. That would also be very bullish for silver, the resources, energy, especially silver, the gold and silver mines, the shares. So these are all markets that will do very well.

And there's just one last chart I wanted to show you. Again, this is the gold price on top since 2008. But the chart I wanted to show you is the bottom, emphasize the bottom one is the leading indicator for gold. And when it bottoms, it tends to tell us when gold is too high or too low, when it bottoms as it's doing now, you could see with the red arrow, it's telling us that, and it's been bottoming for a few years now, it's telling us that gold is ready to go.

It's ready to go. The leading indicator is perking up. The gold price itself is in other words, ready to break out into new high territory. That could be next week, next month, but it's coming and it's coming soon. And that would be, again, very bullish for a lot of these other markets.

It would also not be bullish for stocks and bonds, which will probably fall. Bonds indeed, because of the higher interest rates. And this will put, again, more downward pressure on stocks. So this is what we've been watching. This is what a lot of people say, "Well, isn't it a little late to be buying?"

And our bottom line recommendation is, no, it's not too late. Even though gold has been rising for a few years, the last few years right now is a great time to be buying, and especially to be buying silver, which will probably outperform gold.

And also the gold and silver shares. We like, for example, shares like Agnico Eagle, it's AEM is the symbol. If you wanted to buy an ETF composed of the major gold shares, GDX is an ETF that follows the gold share market. That would be a good buy.

And we wanted to invite you to come to our table tomorrow morning at 9:30 if you have any questions, and we'll have some more recommendations and charts there. And we hope you will come and we look forward to seeing you then. Thank you.

Robert Helms: Thank you, Mary Anne. All right, good stuff. How about a hand for the Aden Sisters, Pamela and Mary Anne? Good, good, good stuff.

Lyn Alden

"Broken Money, Broken World"

Robert Helms: ...Lyn Alden is an independent investment and macroeconomic analyst that provides research for retail and institutional investors at lynalden.com. With a background that blends engineering and finance, she specializes in analysis of energy systems and monetary systems. In addition to her research publications, Lyn also serves at the board of directors for swan.com and is an advisor to the venture capital firm, Ego Death Capital. Her brand new book, Broken Money, explores the history of money throughout the lens of technology. And from shells to gold, from ancient bills to exchange to central banks, and from the invention of the telegraph to the invention of Bitcoin, Broken Money examines how the emergence of new technologies has shaped what we use as money over the ages. You've heard her a couple times already, but now you're in for a trait. Please welcome back to the New Orleans Investment Conference stage, Lyn Alden.

Lyn Alden: Thank you everyone. See if I can get the clicker to work. Okay, so I just got back from Egypt about a month ago. My husband's originally from Egypt, so we actually go there every year and we have a second home there. And as you can see in the chart, they are struggling with an inflation problem. While I was there, they had 37% official inflation. It's actually higher than that in many categories. And if you look at this, I mean, it's currently struggling more than they normally do, but they have a long history of constant or recurring double-digit inflation. And if you look at the actual money supply itself, it's actually a lot more smooth than that. It's going up about 20% a year, almost like clockwork. And sometimes the central bank will use its reserves to try to hold the peg to the dollar for a period of time and get inflation down. Eventually, they get low on reserves or they run into refinancing issues with the IMF and they have to devalue their currency so they have another burst of inflation.

And the reason I bring this up is because when we look at the modern landscape of money, it's like 160 different fiat currencies and they're all basically casinos, right? So for example, I have Egyptian pounds right here. This is Egyptian currency. There's virtually nothing I could do with this in New Orleans. It'd be very hard to get this off my hands for anything resembling its official exchange rate. Money's supposed to be a highly salable good. It's something that you can just get rid of and get goods and services for it or exchange it for another currency. But the way that most fiat currencies work outside of the top five or so is if you're outside of the own monopoly jurisdiction, it's basically worthless. It's very hard to find any sort of conversion point for it. Much like a casino chip, it's actually about as hard to do anything with this as it would be a casino chip.

And I have Norway's currency. Norway is a much wealthier country than Egypt, and yet I would actually have about an equal problem doing anything with this Norwegian currency here in New Orleans. I don't even know where to begin to find a conversion point that.. Even if I could find a way, I would get killed on fees and exchange rate, it would be a not salable good at all.

And so we have these 160 different fiat currency bubbles around the world. A lot of that is due to the technology, the path dependence of where we've wound up. So if we want to send value long distance, ever since the dawn of the telegraph, we have to go through a series of credit based ledgers to do that. So we have to go through banks, correspondent banks, of course they've consolidated into central banks. And so if we think about how money goes in or out of a country's borders, there's really two main methods. The first method is physical ports of entry. So if you bring cash or gold through an airport, you're obviously going to be highly restricted in terms of how much you can bring through. Usually, the number's around $10,000 worth, sometimes less.

The other method, of course, is various types of wire transfers. Most FinTech companies are just overlays on top of the banking networks anyway. So at the end of the day, most of these things are wire transfers. And of course governments and their central banks have very tight control over when money goes in or out of borders. And so for example, I know a videographer in Egypt, he does a lot of work for foreign clients, so he charges in dollars, but by the time it hits his bank account in Egypt, he gets paid in Egyptian pounds. So it goes through this whole conversion process because it goes through these borders that are pretty tightly closed.

And so the end result is we have 160 different casino chip places in the world. That's what fiat currencies are, and they're tied together by the dollar and to a lesser extent the Euro and other major reserve currencies. And the reason I bring that up is we will get back to it later. But basically, everybody in that country, everybody in Egypt, let alone dozens of other countries that are in a very similar position, when money supply is growing by 20% a year, it becomes the burden of every person in that country to try to get a 20% raise every year or get diluted. If you're a small business, you have to try to raise prices by 20% a year or you're getting diluted, you're becoming a smaller share of the monetary network if you're not rapidly increasing your prices like a constant treadmill to keep up with.

The same thing is true if you're a landlord. And of course the problem is that some landlords I know there actually know their tenants. And they feel bad trying to give them a 20% raise every year. And so they try to hold back, but then their own investment suffers because their rent that they charge is not keeping up with their monetary dilution.

I know a physician there, he's a close friend of mine and he's like 40 years old, he's a physician. And what does he save in? Well, he buys physical cash dollars on the gray market and holds them under his mattress. And that's a very common occurrence there. It happens in Argentina. It happens around the world. And so that's the predicament that people around the world find themselves in. And we have the same issue in the United States, but just to a less extreme degree.

I talked on a panel yesterday about how the 2020s are shaping up in many ways to be a lot like the 1940s. And what I mean by that is we are going through what so far appears to be a subtle sovereign debt crisis. Not the acute sovereign debt crisis you see in emerging markets because their debts are denominated in currencies they can print, but rather a issue where so much debt has built up in the system, has blown up with the private sector, has been pushed to the private sector, and now they're dealing with that at that level. And so the charts here, I won't go through every aspect of them, but I do a lot of charts like these and I think these are some of the most concise ones. They show some of the similarities that we have in the current environment.

And so if you look at, for example, the orange line on the chart on the left, that Is short-term interest rates. The blue line on the chart on the left is the monetary base as a percentage of GDP. And so you can see what happens is that when you hit major banking bubbles or major periods of debt accumulation, when you've run rates all the way to zero and that's still not enough, that's when they print money, that's when they just expand the monetary base and try to recapitalize the banking system. One thing we see with both the 2010s after the global financial crisis and the 30s after the 1929 crash is that those are pretty similar environments. You can see on the chart on the right that they were massive private debt bubbles. So the chart on the right shows non-federal debt as a percentage of GDP in orange and federal debt as a percentage of GDP in blue.

We can see that debt bubbles kind of come with a one-two punch. It's not all debt at once. It's private debt and then it's public debt. And so in the 1930s and then again in the …10s, these were disinflationary private debt bubble recapitalizations. What happened both of those environments is that a lot of the debt in the system was pushed up to the public level, the federal level. And the issue there is when that actually starts to hit a head is when you run into a more inflationary type of crisis. So of course the 1940s were very war related. The grey bars on the chart in the left are fiscal deficits. And in the 2020s, first it was pandemic stimulus type of things. Now we're seeing deficits still blowing out. Now we're seeing military escalation in multiple places. And so we're kind of following, unfortunately, a similar playbook as we followed in the 1940s in a macro sense.

This chart shows federal debt and interest rates and shows why some of the concerns around the public debt in the past several decades were a bit early. And so if you remember the national debt clock, the infamous national debt clock in New York. That was put up in the late 1980s. You can actually see in the chart on the right. So the chart on the right shows interest expense in blue. That's in absolute dollar terms. And the red line on that chart is interest expense as a percentage of GDP. And what you can see is that during the 1980s, the debt seemed to be completely out of control. And so a lot of people naturally got concerned about the debt. And so they put it at the national debt clock. It became a very big issue. Ross Perot in the early '90s ran the most successful independent presidential campaign largely based on the debt and deficit.

That was the zeitgeist of the era. But they ended up being about three decades too early because one thing that they could not have predicted was the chart on the left, which was that even though debt as a percentage of GDP kept rising, interest rates kept falling. And in particular, China opened up to the world in the 1980s. Soviet Union fell in the late '80s, early '90s, and that ushered in a three plus decade period of global peace, a peace dividend, a disinflationary globalization. So western capital, eastern labor, eastern resources, all of this came together. Russian gas connected to German industrial base. China built up a massive manufacturing base with Western capital. And all these things came together and created a very disinflationary environment and allowed interest rates to keep falling.

The issue of course is that this is inherently an unstable system. As debt kept increasing and interest rates kept falling, eventually you run into zero and eventually run into more geopolitical tensions as we're seeing today, and that system starts to be an issue. So what happens when you have very, very high public debt levels and interest rates are no longer falling and they start going flat or God forbid start going up? That's when you run into what starts to be actually a sovereign debt problem. And in the developed world, we've not really encountered this type of issue since the 1940s. Emerging markets go through this on a regular basis. It's kind of a recurring issue. But in the United States, Western Europe, this is mostly a phenomenon that's not been around for a very long time.

So this is a chart of the two monetary systems that have been structured over time. And I provide them to show the inherent instabilities that are built into them. So most people here I'm sure are familiar with the Bretton Woods System. So Bretton Woods met in 1944 as World War II was coming to an end and they agreed that they would have to reconstitute the global system. So prior to then, you had an international gold standard. So different countries would hold gold, they'd peg their currencies to gold, they'd be redeemable for gold, and gold would kind of settle that difference. But that all broke in the interwar era as it was very leveraged to begin with. And so when they came together, they said, "Okay, the United States is over 40% of global GDP. They have most of the gold, they have the biggest manufacturing base. They're the only country that's not devastated by war. They're the major economic and military power." And so, most currencies pegged themselves to the dollar and the dollar was redeemable for gold to foreign creditors.

That didn’t actually take effect immediately. So even though it was pegged, there were all these capital controls and things like that. So it actually wasn't until around 1958, 1959 that a lot of those controls were lifted and the system was let to actually work itself out. The chart on the left there shows the US gold reserves. We see that as soon as the Bretton Woods System went into full effect, US gold reserves went into free fall. This was a somewhat predictable result. There are a number of analysts at the time that warned this would happen. And that's of course what happens when you have an exponentially increasing number of dollars in the system, both domestic dollars and foreign Euro dollars, while you have a finite amount of gold or a very slow growing amount of gold reserves.

And so as dollars doubled and tripled in quantity, more and more (of the) foreign official sector started to redeem them for gold. And so the United States gold reserves began rapidly draining. Year after year after year, they kept falling in terms of their gold reserves, until eventually Nixon famously removed us from the gold standard. And while most people focus on that particular moment, they don't focus on the fact that the system itself was just not designed well. If you peg a currency to gold, you'd have to have some sort of restriction on how much currency can be made. Otherwise that peg is destined to break. And that's of course what happened.

In the 1970s, they strengthened geopolitical alliances, they made deals with Saudi Arabia and other entities. They still had an existing network effect with the Euro dollar system. And so we transitioned for the first time in the world to an entirely fiat based system. So this system I mentioned before of 160 different fiat currencies that are all loosely connected together by the dollar. But this system too has an inherent instability built into it. And that is that if the whole world is going to use dollars as their primary reserve asset and if they're going to use dollars for most of their international contracts and trade agreements, then they need a lot of dollars. And so the question is, how do the dollars get out into the system? And the primary way is through trade deficits. We basically have to export a lot of dollars to fulfill the world's need for dollars. And we do that by running a significant trade deficit.

This is mostly not on purpose, it's just how the system works itself out because there's a strong network effect for dollars, everybody needs dollars. And so the dollar gets bid up in value relative to what it would in a normal trade balance situation. In addition, American imports, the factor of this whole thing, is that American imports end up being very strong, we have a lot of import power, but the ability to make lower margin goods in the United States starts to suffer. Not just compared to emerging markets, but compared to other developed market peers as well. So historically compared to Germany, compared to Switzerland, compared to Japan. All these other countries were able to take our industrial base over the years and decades under this current system.

And so, much like how under the Bretton Woods System America drew down its gold reserves, what America draws down in the current system is its industrial base. Basically, we lose over time the ability to make machinery and other industrial goods here at home, or at least our percentage ability to do so is diminished. We run these persistent trade deficits, they're never really allowed to correct because of these big network effects that are in place. And then the foreign sector takes those dollars and then they buy our financial assets. So they used to buy our treasury debt. Then they started buying more of our equities, then they started buying our private equity, then they started buying our real estate. And so we're basically selling a percentage of our appreciating capital stock for depreciating imports. That's this long-term trade that's happening. That's what happens when you run persistent trade deficits.

And so depending on which side of this you're on, it can feel really good or really bad. If you're the military industrial complex, it's pretty good because this is what allows us to have like 800 foreign military bases. If you work in Wall Street, if you work in Washington, if you work in tech or healthcare, these high margin intellectual property type of areas or you're just in the business of exporting dollars, you do pretty well. You get all the benefits, but none of the drawbacks.

On the other hand, if you're not on the coast, if you're more blue collar, if you're in manufacturing, if you're in an industry that is tangentially related to manufacturing, it could be running a restaurant in an industrial town for example, you've generally been on the wrong side of this trend. You've generally been sacrificed to maintain the broader system. And so, as we see over time, there's a cost to maintaining the way that the monetary system's structured. It's not an inherently stable system. Instead, it's something that has periods of stability and instability, but has a leak in it. It's something that just continually deteriorates over time until it eventually reaches some sort of snapping point and it's challenging to know ahead of time where that snapping point is but you can identify ahead of time the instability building up.

So to bring it back to the rest of the world, again, there's 160 plus fiat currencies. And what I would argue is that all of their gates are down. Basically technology is starting to disrupt their casino chip monopolies. What I mean by that is if we go back to the prior topic of how do you transfer money in or out of a country, there's two main ways. There's either ports of entry or through the banks. But when we talk about whether Bitcoin has any value, is it just a gambling thing or is it useful? Well, Bitcoin is the first method of being able to basically credibly send value long distances that doesn't rely on someone else's centralized credit. Basically, it's a distributed network around the world and you're teleporting basically a bare asset in digital form to another area. And so it goes over the internet, it goes around the banking system. It's hard to stop.

But that's not the only thing that does this. There's other technologies that do this as well. So for example, stable coins are a centralized version that does this, but they use similar rails. They use the internet. And so for example, a stable coin, and there's multiple different types of them, they can set up a hub. It could be in the United States, it could be in Italy, it could be in Dubai, it could be in Switzerland, wherever it is. You can set up a hub where you hold dollars or T-bills or other safe collateral and you issue tokens that are tradable.

And so these, with Bitcoin or stable coins, I can pay a Nigerian graphic designer. She can show her QR code over a video call and I can pay her for her work and she gets the money she wants. It doesn't get transferred into her local currency. She actually gets the stable coin or the Bitcoin or you can even make a gold back stable coin. Those exist as well. In Switzerland for example, there's gold-based stable coins, they can trade around the world. And so whatever the case may be, she can accept payment in whatever unit she'd prefer.

That just completely bypasses the barriers we've had in place for decades. So as long as someone is internet connected, if they have email, if they have DMs, if they have video calls, if they have any sort of communication, money can now go peer to peer. And it could be whatever money naturally emerges. It could be Bitcoin, could be stable coins, could be gold-backed-stable coins, could be whatever it is. But the point is it bypasses all of these 160 barriers. And so Argentinians, when they're dealing with near hyperinflation, many of them start turning to stable coins, Bitcoin, and other types of money to get around that problem. The same is true for Lebanon. The same is true for Turkey. Same is true for multiple countries around the world, and this is an ongoing thing.

And so I want to go back to this other slide because I have a quote here. So how did we get out of that prior debt situation? If we look at that chart there, the blue line on the right chart, we see federal debt as a percentage of GDP, and we got it down over time. Is that because we practiced austerity and we worked our way out of that debt or we paid it off? The answer is partially. We got our deficits under control and we had, unfortunately, a period of high taxes, we had cut spending. The war was over. We entered a period of austerity. But no one actually paid down the debt. Instead, this austerity was combined with inflating a lot of the debt away. If you were a bond holder or if you were a cash holder going into the 1940s, you just got absolutely killed on a real basis even though you got every dollar you were owed back.

And so I want to give a quote here. This is from Reinhardt and Sbrancia. It's from a research report they've done. This has actually been published in a number of different journals including published in the IMF, but they're abstract for that situation was this, "High public debt often produces the drama of default and restructuring. But debt is also reduced through financial repression, attacks on bond holders and savers via negative or below market real interest rates. After World War II, capital controls and regulatory restrictions created a captive audience for government debt, limiting tax-based erosion, financial repression is most successful in liquidating debt when accompanied by inflation. We suggest that once again, financial repression may be part of the toolkit deployed to cope with the most recent surge in public debt in advanced economies."

And so this is basically the game plan. This is what happens when sovereign debts get very highly levered. One of a few things happen. If you're in an emerging market, if you can't print your own unit of account, you're just in trouble. You're going to default, you're going to restructure, you're going to work with your foreign creditors to figure something out. But if it's the unit of account you control, you're very unlikely to default nominally. And so you're going to instead likely turn to financial repression. You're going to pay back every contractual unit that you owe, but those units are going to be likely devalued by quite a bit. So you're still basically defaulting just through a different mechanism. And part of that is they try to block the borders, they try to, what they called...these are academics researching this, they call it a captive audience. It's a euphemism.

One of the ways that they did that captive audience was they said, "Okay, from the 1930s all the way to the 1970s, gold was legal to own for Americans in the land of the free." But it's important to keep in mind a few things. There was no social media, there was no internet. And during that period, there was significant political unification. For example, FDR had 70% of Congress on his side. He had a supermajority. They could do almost everything. The public was very much behind this. But what we find ourselves in today is that most of the western world, including the United States, is in a period of political polarization. It's hard to get 70% of people to agree on anything, which sometimes is a blessing, sometimes is a curse. In this case, it could be a blessing because it's very hard to impose those draconian things when you have such rampant polarization.

In addition, in the age of the internet or social media or the ability to send value to someone over the internet across borders as long as you have video or email or anything like that, it's very hard to do financial repression. Putting it another way, you can memorize 12 words and that represents your private key for Bitcoin or stable coins or whatever, and you can go through an airport and then reconstitute your ability to access your money once you get into that country. You could do that with a billion dollars if you had it. There's basically infinite value density in the ability to do that. This is basically a new world where a lot of these currency monopolies are getting broken up and it's like a potential new dawn for investment and it's going to be an uphill battle.

But we see, for example, Nigeria has been an interesting case study because they have launched a CBDC, it's called the eNaira. It's had a very low adoption. And they also, what they did, was they cut off crypto exchanges from their banking system. So they said, "Okay, it's not illegal to own it because we can't enforce that anyway, but banks can't send money to it." So people do peer-to-peer trading. They can earn money from abroad, like in the methods I mentioned. If someone could do graphic design work and earn Bitcoin or someone could bring stable coins in unlimited amounts with them when they come in and then be a broker for stable coins, whatever the case may be, there are multiple ways to bypass that.

And so even though crypto is cut off from the exchanges, Bitcoin and stable coins, and even though they've launched a CBDC, more people use Bitcoin and stable coins there then use CBDC even several years after the launch. And it just shows the difficulty in imposing this type of thing when you're in an environment where it's obvious that people don't want it. Nigeria has structurally high inflation. And I think we're going to see this in more and more jurisdictions where CBDCs don't go as smoothly as people think because there's all these technologies that can go around it. And that's one of the reasons I work in venture capital, is to help provide capital to the types of companies that are doing this and making the UX better, making this more possible.

In my last few minutes, I'll give some examples. One of the earliest use cases of Bitcoin was WikiLeaks. They were providing documents. They were inconvenient to a lot of sources of power, and they were deplatformed from PayPal and other payment services, and they turned to Bitcoin to receive donations. So that was one of the earliest use cases. In fact, Satoshi Nakamoto disappeared shortly after that, and he wrote, actually he was concerned, that maybe the network wasn't quite ready for that level of attention. Fortunately, it has turned out to be rather ready for it.

Another early example in 2013, her name was Roya Mahboob. She's from Afghanistan, and she was running a software and programming company there where she employed a lot of women. One of the challenges she ran into is that in that culture, many women were not allowed to have their own money. If they came back from work with money, the people would confiscate it from them. Their father, their husband would just take the money. And so she looked for ways to get around that and eventually settled on Bitcoin. She had concerns that it wouldn't work. She said, "Okay, it's too volatile or they won't like it." But her business partner convinced her to try it. And so they ended up paying the women in Bitcoin.

And the volatility was an issue for some of them, and a lot of them eventually did sell it, but other ones kept it. And a number of them, one of them was named Farcian, for example, and she eventually left Afghanistan, went to Europe, had to make this difficult journey across multiple countries. She got shaken down by different looters along the way looking for valuables, but she got all the way to Europe and she had 12 words written on a piece of paper that represented her Bitcoin wallet, so she actually was able to bring the money with her.

There's another case recently, an acquaintance of mine, a Canadian living in Costa Rica. He just had his car repaired, $1,200 worth of repairs and he paid it in Bitcoin in Costa Rica. There's actually a surprising number of these little hubs. And it's not just Bitcoin, it's also stable coins are popular here. But basically in any of these jurisdictions, they generally want better money. And that could vary from person to person. Maybe they want Bitcoin, maybe they want dollar stable coins, but they say, "Okay, I want to hold this and I want to be able to pay with this." And so there's actually a bunch of different conferences around the world.

For example, a woman named Dia runs the Indonesian Bitcoin conference. A woman named Farida runs the Africa Bitcoin conference in Ghana. She's actually originally from Togo. She's a democracy advocate who's exiled from there. And she uses Bitcoin as an empowerment tool for getting around financial controls.

There are also a bunch of Nigerian protesters a few years ago that were protesting excessive police violence in Nigeria, and their bank accounts were frozen, so they turned to using Bitcoin for donations and things like that.

I've also met a member of Alexi Navalny, so Putin's opposition in Russia. He was eventually jailed for various... He's trying to basically oppose Putin and try to be an anti-corruption kind of figure. Well, when he was still active and being in opposition, his bank accounts were often frozen. So they eventually turned to Bitcoin as well to kind of get donations and be able to move money without having all of their accounts frozen. And I met one of the members of their team that did that. There's actually an organization, the Human Rights Foundation, and they try to promote democracy, property rights, freedom of speech, things like that around the world. One of the things they turn to is Bitcoin and stablecoin.

So basically, what I'll leave you with as my time runs out is that we're in this world, I think we're going through a transition. But the small countries are already having massive problems with their currencies. You saw the Egyptian inflation chart, but even the large countries are running into issues. But due to technologies we have in place today, I think it could be a lot different and potentially better than it was the last time. Thank you.

Booms, Busts & Bubbles Panel

Albert Lu (MC), Lyn Alden, Peter Boockvar, Dave Collum, Jim Iuorio

Robert Helms: Well, ladies and gentlemen, you're in for a treat. They just keep coming, don't they, here at the New Orleans Investment Conference? Next year it'll be 50 years. Who's coming back next year for number 50? All right, us too. So this panel is pretty amazing and you're going to meet the panelists. You've met three of our panelists already. They've spoken and our fourth panelist will be speaking later and you'll get to meet that panelist here in a minute. After the Booms, Busts and Bubbles panel, those of you with tickets to the luncheon already or who are going to go grab tickets, you'll head upstairs and the luncheons will begin. So, if you don't have a ticket, you can get one. Now, if for any reason you don't get a ticket and you still want to take a shot at lunch, go ahead and head up. And many times people that got tickets, something came up, they didn't show up, just wait at the door if there's not space for you and the person from the company will let you know if they have room for you. That often is the case.

When we're done with this panel, we'll dismiss you to lunch and we'll clear the room again. So take everything with you and then we'll be back in this room at 1:50. You're going to want to be back for sure because this afternoon Mr. Jim Rickards will be with us. All right, so I'd like to introduce you to our panelists. We'll start in the order that they're sitting up here. Please welcome back to the stage, Jim Iuorio. Come on Jim! Next, who you heard from yesterday and who I can't hear enough of, welcome back, Mr. Dave Collum, ladies and gentlemen. Welcome sir.Jim Iuorio: Did he just tell us to feel free to jump in?

Jim Iuorio: Welcome.

Robert Helms: And the most recent speaker that you've heard, who you're going to hear more from now, Peter Boockvar..

Peter Boockvar: Thanks.

Robert Helms: Rounding out the panel, if you were a virtual year, you got to hear from Lyn, and you're going to get to hear from Lyn later. But we're super excited this year to welcome in person Lyn Alden, ladies and gentlemen. Welcome. And your moderator for this event, the talented and handsome Albert Lu.

Albert Lu: All right, thank you, Robert. That's a tough voice to follow. I always hate coming up after Robert. The guy's got a howitzer for a voice. The good news is if this country ever runs out of artillery, we can send Rob's voice to Ukraine..

All right, this is going to be a great panel. I always enjoy this. It's one of my favorite parts of the conference. We have distinguished panelists here and I want to welcome Lyn Alden. This is not her first time at the conference, but it is her first time joining Boom Bust. So welcome Lyn.

This panel is like a well-oiled machine at this point. It virtually runs itself and if anyone was here last year for a while it did, because I had to leave the stage. But if that happens again this year, just keep going. It's kind of this thing that the emcees are lobbying for, kind of a work from home arrangement with the conference. It's a trial run.

Okay, so let's go with the first question and I want to pose it to Lyn. And this is an open-ended question. I want to know your thoughts on how you navigate booms and busts with your investments, your influences, the schools of thought perhaps that you adhere to, and the signs that you look for that indicate to you where things are going?

Lyn Alden: So I separate the cyclical booms and busts from the more secular, the longer term, the supercycle booms and busts. When I look at the more cyclical ones, it's more sentiment based. What does valuation look like? What are various different option activities, just different types of sentiment or liquidity indicators. But for me, the more interesting thing is that long-term structure because I think that's where there's alpha available and that's where studying history is very helpful. And so I've gotten a lot of inspiration from Ray Dalio's long-term debt cycle research. I found that basically when you look at... We've had multiple business cycles over the past, call it 40 years, ever since we've been in this four-decade disinflationary cycle. We have periods of credit growth, credit contraction, credit growth, credit contraction. But we don't go back to a normal baseline. Instead, we keep getting higher and higher debt to GDP.

We keep getting lower and lower interest rates. Until recently, that pattern broke. And if you look back in history when this happened another time, you can find similarities. And so basically what we've been doing is we've been stacking debt on the private sector and then in the global financial crisis we started pushing more of that debt up to the public sector. And so now we're in more of a sovereign debt type of crisis and that ends up looking very differently than a private debt cycle. So I find that basically that framework of what happens when you eventually reach zero industry rates? What happens when you reach super high levels of debt? What happens when you push that debt up to the sovereign level?

That's the type of thing that you really have to go back either to the history books. So I often compare the 2020s to the 1940s, and I've been doing that for three, four years now. It's been a very useful framework to have. And then of course you navigate differences. What's different between now and the '40s, obviously quite a bit. But the overall macro framework, similar. You'll see in my talk tomorrow where I'll have some slides about that. But basically that's been a useful framework. And then to go forward and say, okay, what's different? How can we navigate the details of this? Because that type of environment tends to be more inflationary than some of the other types of crashes that on average tend to be more deflationary or disinflationary.

Albert Lu: All right, and I want to get onto some specifics. I think one of the themes of this conference, if you think about how it started with Dr. Skousen being asked literally to eat his hat on a bad prediction. And then earlier today George Gammon coming up here and saying, "Look, everyone's guessing." And I really appreciate George saying that because I mean, we've all known it for a long time, but it's good that someone actually said it. No one really has a crystal ball, no one knows what's going on, what's going to happen with certainty. We can certainly speculate, but that crystal ball just isn't there.

So what I want to do with the panelists is I want to talk about three scenarios, interest rate scenarios, and ask them to speculate as to what the investment environment would look like under those scenarios? So the first one, I want to go to Jim who spoke yesterday about preparing for the pivot. So let's take the scenario where the Fed gives in. They don't only pause but they actually go on an easing cycle. Jim, what does the world look like?

Jim Iuorio: Well, it was so funny. This is such an interesting week to talk about preparing for the pivot because think about it, just on Monday, the Fed Funds futures curve was basing the probabilities of 45 basis points of easing in 2024. Now, that's gone to over 100. So we are actually starting to see in risk assets what it looks like if we think the easy Fed is coming back. And that's one of the reasons that the stocks have bounced this week. Another of it was people were too short and it's a market position thing too. So I do think that the Fed... The notion that we were pricing in 45 basis points of easing in 2024 was comical, in that every other time the Fed has tightened too much and broke something, as we say. They don't just come back and say, "Eh, you know, things are looking bad, let's ease by 25 basis points."

That's not how this works. When they are pushed to easing, it's because burning timbers are falling from the ceiling economically, and they have to rush into that. Now, that being said, I think that the Fed being easier again, is good for a lot of assets. Now, the thing that I worry the most about is I believe long-end rates had been going up because of fear over huge government issuance and all the bonds that the government is selling, pushing bonds lower and yields up.

Now, in the instance that the Fed comes in to try to save the day, it's just pushing it off to a medium-term time where things could really crumble if the government doesn't get spending under wraps. So that's one of the reasons I liked gold and God forbid, Bitcoin, whatever the hell that is. I know I've said it a million times, but I like it now and I have to take a hot shower every time I talk about Bitcoin because I was against it for so long. But those stores of value and the hedge places are where I want to be. Two-year treasuries too.

Albert Lu: All right, can we just open it up then, to an open discussion? Just jump in panelists. You got something to say on the topic? Please jump in, don't wait for me.

Jim Iuorio: I imagine Dave Collum has something to say he always does.

Dave Collum: I'm speechless.

Jim Iuorio: How are you speechless? It's never happened.

Dave Collum: It did once.

Jim Iuorio: Did it? Okay.

Dave Collum: I'm going to say what I said last year. I think people are underestimating Powell's determination. I think Powell when he said there's going to be pain and he said it three times, I think that means there's going to be pain. And he might wait until there's pain and then it's already cascading, right? I think that's true. So I also think that Powell maybe is trying to tame inflation by taming speculation. So right now he's saying, I'm going to cause pain, the markets are telling him they don't believe him. I'd be very nervous about the fact that the markets just keep going up. And I think it's like...

Jim Iuorio: Everybody has a plan until they kicked us in the head…

Dave Collum: If you've raised a child, your toddler pushes you and pushes you and eventually you got to squeeze on them enough that they start crying. And I think Powell's going to wait until we're crying. And so I also think he's worried about legacy. He's an old man and he's going to say, "Look, do I want to be Arthur Burns or do I want to be Paul Volcker?" And I think that you can't underestimate the importance of his own personal psychology. So I think he's going to beat us like rented mules.

Peter Boockvar: I actually agree. I think he's going to be pretty stubborn. And you think about, to his legacy point, 2026 is when his term is up. And right now he is solely focused on not being that guy who let inflation flare and wasn't persistent enough in containing it. Because there's one thing to just have inflation fall from its peak. It's another thing to keep it there on a sustainable basis. And politically, we know the Fed is still a political animal, certainly Lael Brainard was, but so was Janet Yellen and so was Ben Bernanke and so was Alan Greenspan. But Powell doesn't owe Biden anything. Biden didn't want him to be Fed chair, he wanted Brainard. So he feels no allegiance to the administration. So he's going to do what he thinks is right.

And I think also we have to understand that when you look at the last easing cycles, there were major events that caused a very aggressive sharp decline in interest rates. Pandemic, they slashed and burned interest rates. '07, they started to cut and when things started to unravel, they slashed interest rates.

The way that I see the economy right now, and I talked about it earlier in my presentation, is because I see more of a death by a thousand cuts situation, where higher interest rates take time to play itself out, the Fed is not going to be presented with, “something's collapsing, we need to slash interest rates.” It's going to clip them here and there. And therefore, they're not initially going to be cutting interest rates aggressively. They're going to cut 25 here, they're going to cut 25 there. They're going to follow the level of inflation while maintaining still a tight stance defined as a real rate of probably 200 to 250 basis points, I think is what they're going to go off.

Now, with QT, they're going to do QT until something blows and there's an accident. So that'll get them to stop that. But I think the response from the Fed to the economic downturn that's upon us is going to be quite different than what we've seen in the past.

Albert Lu: I'd like to steer the discussion a little bit away from Powell and his issues, psychological issues and other issues, and really talk about what the effect on the markets would be? And Peter, last year you did talk about commercial real estate a little bit and let's talk about residential as well. Very interest rate sensitive market. In the case of a pivot, what do you see? Let's start with commercial real estate, Peter.

Peter Boockvar: Well, commercial real estate, it depends. So a lot of real estate borrowers, they borrow out to maybe three to five years. It's really the homeowner that is terming out their mortgage by 30 years. A usual commercial landlord is doing it three to five years and a lot of them have loans coming due every day. And a lot of that debt is priced off SOFR, or the X LIBOR Plus. So they'll actually benefit from a cut in short-term interest rates. The homeowner obviously, is dependent on where the 10-year yield goes, that's if they're not getting an ARM, for example. And we could be in a scenario where the Fed cuts short-term interest rates, but long-term interest rates actually go up. Where a homeowner would actually be hurt by the Fed cutting interest rates counterintuitively.

So it all depends on what your loan is based off. There are a lot of businesses that have floating rate debt that are SOFR Plus. If the Fed's done raising interest rates, maybe the extent of their pain has peaked because the Fed's done raising short-term interest rates. So, it really depends on where you are on that yield curve in terms of a borrower.

Albert Lu: What happens to risk assets? Maybe I'll go back to Lyn with this. If we go into a pivot, is it the same old pile into risk assets, buy the mega caps, cryptocurrencies and all that? Does the exuberance come back?

Lyn Alden: That's a good question. And to go back to your prior reference to George talking about how a lot of people were guessing there, a lot of the things you see here, there's frameworks to deal with them, but you have to be flexible to go through some of these challenges. An example of that has been mapping out the sequence events over the past year and a half and then going forward. So for example, in early 2022 when the Fed was pretty clear that they were going to be hiking aggressively, my view at the time was okay recession probably later the year, early 2023 and rates would probably have a tough time getting over 3%. And sure enough for a while that was playing out. Basically 2022 was a terrible year for asset prices. Most economic indicators were constantly decelerating throughout the whole year.

But then we started to get changing data towards the end of the year after the UK GILT market broke. After the U.S. Treasury market got very illiquid, we started to see a change of pattern. The treasury started putting liquidity back into the market, which started offsetting some of the tightening that the Fed was doing. And then of course we saw challenges in early 2023 with the banking crisis. And so I started to see a different pattern emerging, which was that ironically, interest rates had in some areas crossed the event horizon where they were actually starting to stimulate other areas of the economy even as they pressured interest rate sensitive sectors of the economy. So part of the very large deficits we're seeing right now are because of the tremendous interest expense from the federal government.

And while this puts a ton of pressure, these higher rates put a ton of pressure on commercial real estate, they put even some pressure on residential real estate. They put a ton of pressure on any company with short duration debt that has to roll over. It's actually stimulating other parts of the economy. So for example, ExxonMobil has almost as much cash as they have debt and they have locked in the debt at low long-term interest rates. And then as interest rates go up, their cash balance actually earns more. They've become the bank as banks struggle. They're on the other side of the duration mismatch the banks are on.

Same thing if you're a retiree, either you own your home outright or you're locked in at a low fixed rate mortgage, you have a big money market balance. And so ironically, the tighter the Fed gets, you're actually making more income and your liability side is fine. So we see for example, the travel industry, the restaurant industry, these things have been booming, a lot of these services, even as some of these industry sensitive sectors suffer. I think going forward, if we start to see more softness, basically we would have an alleviation to some extent of that industry-fueled ironic stimulus.

But at the same time, that would mean that earnings are likely disappointing. Basically, if they run into data such that even someone as adamant as Powell starts to either pause or cut rates, that would probably imply pretty significant economic pain. We're already starting to see deceleration. And if that happens, I think it depends on which risk asset you're talking about. I think that's where you get decoupling in types of risk assets. So for example, anything that's dependent on really good earnings and really good consumer spending, I would be quite cautious of in that environment, especially if you're starting from a high earnings multiple. If it's already been beaten down, that might be interesting.

But if you're starting from a high earnings multiple, that's a problem. But things that are not earnings dependent, the golds and the Bitcoins of the world, potentially energy. There are other areas that if we start to get a weaker dollar or lower real rates, it gives them a chance to get out of their consolidations and go up even as you might see, for example, finally the magnificent seven equities start to actually roll over. So I think it becomes very specific on which risk assets you want to own.

Albert Lu: Dave, if we pivot, do we get to keep this high multiple we have on the S&P?

Dave Collum: No. No. There's a lot of things that have a lag. So for example, I keep reading articles where people say it's a tight labor market. No, it's a broken labor market. The people who are buying labor and the people who are providing labor can't agree on a price. So nothing's happening. And you got a tight housing market, the sellers won't sell, the buyers won't buy. And so there's no price discovery there either.

So we're waiting for this to resolve. And if the cost of buying a house just doubled, the price of houses, sort of crudely speaking, have to cut in half. And boy, the wealth effect on that's going to be unbelievable. And so I think we're waiting. I think we're milling around waiting for some event to occur. I think there's going to be detonations of a higher order. And it's going to be different than '08, '09, because it always is. The other thing, there's also a lag when the Fed starts loosening the pivot, again, I don't buy the pivot model. I think their pivot might be a pivot light. Usually the market's bottom out, what, 12 months later? Something like that?

Peter Boockvar: Well, we're trained Dave, they've told us...

Dave Collum: I'm untrainable.

Peter Boockvar: To take risk when the Fed's out of the way, right?

Dave Collum: It's just...

Jim Iuorio: Hold it, but when you guys don't even know...

Dave Collum: I like the guys... Here's a great example. The people who say that gold's going to get crushed when rates are going up. I go, "Did you not pay attention to the 1970s?" By the way, gold goes up while rates are going up because they're battling the same problem, right? Gold's hedging the inflation. The Fed, the rates going up, we're dealing with the inflation, so they should go up together. But you get the nitwits and he mentioned Brainard. That Brainard joke you made, that's a deep joke. She was sandbagging people inside the Fed doing some very nasty political things. I just want to point that out.

Jim Iuorio: Geez, I missed it. What'd you say?

Dave Collum: She was funny. Get Danielle to talk about that one.

Jim Iuorio: I have a question though for you guys is that you talk about the stocks bottom out 12 months after the first hike starts. I mean the first ease starts. And we're all old, most of us are old enough in this room to...

Dave Collum: To remember the 19th century.

Jim Iuorio Yeah, you... The point of the real estate bubble, the tech stock bubble. These two things cloud... I don't see the market positioning bubbles. I know the panel we're on now. Everybody piled into houses 10 years before that busted. And then when the Fed finally realized it, they were so far behind the curve, it was comical. I don't believe, I hate saying this time it's different, but where is the speculative margined, everybody's in one asset, that's going to break everything apart?

Peter Boockvar: The sovereign bond bubble is the biggest bubble in the history of financial bubbles.

Jim Iuorio: Yeah, but they'll come back and buy them again and they'll just keep building their balance sheets because they'll get cornered.

Peter Boockvar: But it's not as easy as that. So let's just take this a couple of steps further. Long-term interest rates continue to go higher. Global QT is going on. Bank of Japan gets out of negative interest rates, the Japanese JGB 10-year yield, all of a sudden it goes to 2%. And the U.S. 10-year is at six. And all of a sudden the Fed starts doing QE. But then the dollar tanks and oil goes to $150. How does this work out as a good thing?

Jim Iuorio: No, that's my…

Peter Boockvar: You can't just robotically say the Fed is done raising interest rates, we have to buy stocks. Because QT is continuing on and keeping rates high for a long period of time is a continuous form of monetary tightening. Because while today somebody may not be affected by higher interest rates, if your loan is coming due this February, you're going to get hit by higher interest rates. So they don't need to tighten further to continue to tighten.

Jim Iuorio: Amen.

Lyn Alden: I think one of the challenges that a sovereign debt crisis, that when the bubbles' at the sovereign level, in emerging markets that's common. In developed markets, we've not seen that since the ‘40s. And those bubbles tend to work out somewhat differently. So we're conditioned over the past several cycles to expect a big deflationary crash. Whereas, when the issues more the sovereign level, sometimes what you get is a more emerging market style problem where if you look at what assets do in nominal currency terms, they might chop around and go sideways. They might even go up, but of course they're doing bad in gold terms or dollar terms or other real measures of their actual purchasing power.

And so my base case for this five-plus years, maybe the decade, is something akin to a lost decade in markets in nominal terms where stocks just trade in a big choppy sideways range for a long period of time. House prices in aggregate, I mean obviously cities are going to be very different from each other, but in aggregate trading in a choppy sideways pattern for a long time. And then you get, when you're running these multi-trillion dollar deficits, you're pouring money out to the economy in some ways. And so every quarter that goes by as interest rates stay where they are, in addition to still tightening a lot of those private sector ones that are refinancing their loans, they're also further tightening the fiscal situation.

So right now we're running something like $900 billion a year in annualized interest expense. If you merely hold rates where they are for an extended period of time, that starts pushing towards $1.6 trillion, $1.7 trillion, not even including the new debt that's being issued every year to pay for a lot of this. So it started actually going closer to $2 trillion over subsequent years of just holding rates where they are. And so you get this, what I'm expecting as a base case, and again, I mean sometimes you see new information you have to change, is to see a lot of these assets do very poorly in real terms even as they grind around in a big range nominally, could be a 10%, 20%, 30% swings up and down. We've already seen, in the market so far, 20% swings. A lot of that to do very poorly in real terms. While things like gold, energy, things like that is I think where you probably would look for alpha if that bubble starts to actually burst in any significant way.

Jim Iuorio: Then we're all on the same page, it seems like. With, if the Fed comes back in, it's going to inflate some nontraditional things because it's not going to be the same risk appetite for equities as it has been in the past. And it could be for gold, Bitcoin, oil. I think we're all in agreement on that, right?

Lyn Alden: Yeah, I think the only area where there might be divergence is, I would be surprised to see, say nationwide house prices get cut in half. Even if they might get cut in half in real terms over a 10-year period, I would not expect a nominal price to do so. So I think that how you map out the loss of purchasing power can take a couple of different forms. And in a sovereign debt crisis you generally see the more inflationary in real loss of purchasing power more so than the nominal.

Of course, again, information can change, policies can change, and we could get some scary 10%, 20% really sharp draw-downs, but I think that the 2008 style crisis is what a lot of us are programmed to think about. Whereas, I think we're more in that kind of 1940-ish style inflationary long-term backdrop. It's basically, it's hard to fall that far nominally when you're running $2 trillion deficits a year pouring money into that. But that again doesn't mean you're going to get real good returns even though nominally, they might just be in this big dead band for a long period of time.

Dave Collum: I think the inflation... I was talking with Peter Schiff and he says it's all about the money. I think the money is the gas in the tank waiting to drive the inflation engine. But I think inflation has dug in like a tick at this point. I think the inflation expectation thing is not a trivial thing. And so when I'm starting to expect a raise, that's inflationary.

Here's the irony. So there's renewed labor movements, right? In the seventies, labor was powerful as hell and then Reagan put it down. And we rode a 40-year wave of decreasing power of labor, which meant people didn't get paid well. When people finally start getting paid well what's the Fed going to do? They're going to go, "Well, that's inflationary." So now we have to step on them. So, this attempt to get wealth equality back into alignment is going to produce some unbelievable whiplashes because workers getting $25 or $30 or $40 an hour is going to cause the Fed to have to say, "Well, now we have to step on those bastards."

Peter Boockvar: See, this gets to a point where the trade-offs to monetary policy are much greater today. When there's low inflation and that we saw up until 2022, central banks had license to do whatever they wanted.

Dave Collum: That's right.

Peter Boockvar: The experimental toolkit was all a game to them when inflation was low. But now, the calculus is totally different so they can't respond in the same fashion because if they try to ease here, then something's going to tighten there.

Dave Collum: Waterbed.

Peter Boockvar: Yeah. And do you want to really pay 18, 19 times earnings for the S&P 500 in this kind of environment? I'm still boggled by, I mean, I've been doing this for a while when 15 times was the normal multiple on earnings.

Dave Collum: And if you believe these multiples too.

Peter Boockvar: Yeah.

Dave Collum: You know this horror story of the QQQ, not having a PE of 25 but rather 90? And the Russell 2000 not having a PE of 30, but rather 95 to 100?

Peter Boockvar: Well, 40% of the companies in the Russell don't make money.

Dave Collum: Well, there's that problem.

Peter Boockvar: They take that out when they calculate the 20.

Dave Collum: They're wards of the state.

Peter Boockvar: Yeah.

Dave Collum: But also you mentioned Powell doesn't have an allegiance to Biden. I would think Powell would be mad at Biden, not just not have an allegiance. So Greenspan, these guys used to say, “we need help with fiscal policy.” And now Powell, I think must be saying, “we need help with fiscal policy. You guys got to stop giving Ukrainians money.”

Jim Iuorio: He just said it at that New York economics club. He said that Enron...

Dave Collum: …But I think Powell must be pissed off at Biden like there's no tomorrow because he's getting no cooperation from the government, which has gone bananas.

Peter Boockvar: Yeah, but then rewind in 2020 when he was at Congress saying you need to spend a lot more money.

Dave Collum: Well, so I blame Powell for a biggie. If Powell hadn't said, "I'll backstop you," we wouldn't have locked down the economy. So Powell's decision to, behind some closed door, say, "Yes, I will flood the market with money," means the lockdown is on him.

Jim Iuorio: Do you think he had a choice?

Dave Collum: I put it right on him. What's that?

Jim Iuorio: And if they were going to lock down, he was going to flood the...

Dave Collum: No, no. If he said I can't flood the market with money because it'll be inflationary, then they wouldn't have locked down.

Peter Boockvar: The mistake the Fed made was when Pfizer said, our vaccine is 92% efficacious.

Dave Collum: You mean, the lying part? That part?

Peter Boockvar: …But regardless, that day, the Fed should have started to think, okay, we just did all this easing because of COVID, there's a light at the end of the tunnel. Regardless of what you think, it was still a light for the world. That's when they should have started to say, you know what, let's plan an exit. And they did nothing of the sort because Jay Powell decided he wanted to be the minister of social justice. And do what he did because he wanted the seven million jobs back, even though he royally screwed the 150 million other households.

Jim Iuorio: But he also wanted to bail out the five states that couldn't possibly pay their bills. He wanted to bail out...

Peter Boockvar: The government did that. They just, they're...

Jim Iuorio: No, but I mean that's one of the reasons that they all started licking their chops about inflation. They literally told...

Albert Lu: Guys, can I interrupt for a second?

Jim Iuorio: Oh, yeah. I forgot about the conference.

Albert Lu: Am I at the right panel?

Jim Iuorio: Oh, you guys are all still here? Okay, yeah.

Albert Lu: Getting back to earnings multiples, I want to follow up with Peter, then I want to move on. You talked about what is it, 15, 17 multiple being normal. I'm wondering, do you think that inflation is finished ravaging earnings? Meaning, wage inflation, cost of materials, is there still more to come on that? So are we going to get hit twice with the multiple and also earnings?

Peter Boockvar: So with inflation, there was never any such thing as transitory services inflation. In the 20 years leading into COVID, services inflation ex energy averaged 2.8% a year. Goods prices, core goods prices, averaged zero. So when you discuss where inflation goes, a lot of the variability is on the good side. And today's point on labor, labor is going to be more impacted on the services side because it's more labor-intensive than a manufacturing facility, which can use a lot of robotics. Labor costs we know are the biggest cost for a service company, less so on manufacturing. But there are just many structural things that will lead to an inflation rate that's not 1% to 2% for a while. It's going to be 3% to 4%. I mean, all you need is goods prices to go up 2% instead of zero. All you need is services inflation to go up four to five instead of two and a half to three. And you have a different inflationary reality than we were accustomed to.

And yes, and one thing with labor, one thing labor's doing is they're basically catching up. All these strikes that are going on is because a contract expired that was struck before COVID. So they all got left behind when inflation spiked relative to non-union workers. But what's happening is, if you saw this week, Toyota is now raising wages to their employees, their non-union employees, in order to catch up to what the unions have done. Now, private sector union employees, it's only like 7% of the private economy. It's tiny, but there will be an impact.

Wages are running about 4.5%. The 20 years leading into COVID, it was 2.5%. So you're in a structurally higher cost environment and then you throw in, in terms of company profit margins, not only are they paying more in labor, one of the largest drivers of profit margin expansion of the last 15 years was low interest expense. That is now obviously reversing.

Albert Lu: All right, we've got to move on. I want to talk about the next scenario, that would be higher for longer. So the Fed doesn't ease, but they abandon this hiking process. And I want to start with Jim. I enjoy seeing Jim here once a year on the panel, but I also check in once in a while because he is online. And the last time I checked in on him, he was giving relationship advice on Chicago AM radio.

Jim Iuorio: Oh, you heard that? That was funny.

Albert Lu: That was pretty good advice too, actually.

Dave Collum: Yeah. By the way, your wife listened to that episode.

Jim Iuorio: No, I hope not.

Albert Lu: Good advice. But in that same interview, you also talked about, you are a business owner as well. You run a restaurant and you said that... You talked about replacement costs and those types of things, but you also talked about, we're in a new interest rate environment here, 5% on short-term paper. And you said if I'm starting my business again and I'm looking at that, maybe I'm not starting my business because now the cost of capital has changed. There's a new hurdle rate. Businesses that would've been started don't get started. But businesses that were started before, maybe they don't survive. So Jim, talk about that a little bit. Small businesses that were, we call it malinvestment in Austrian school, right? Started when interest rates were artificially low and now have to adjust to a reality.

Jim Iuorio: Exactly.

Dave Collum: Let me wedge in a question first.

Jim Iuorio: Sure, sure.

Dave Collum: You own a restaurant.

Jim Iuorio: Yeah, Brandt's of Palatine.

Dave Collum: Yeah, yeah, they sell greasy food.

Jim Iuorio: It's a great restaurant.

Dave Collum: What's the inflation rate according to your business?

Jim Iuorio: Oh, it's far, far different.

Dave Collum: Give us a number. You order stuff.

Jim Iuorio: The last two and a half years, our costs have gone up probably 40%.

Dave Collum: Bingo.

Jim Iuorio: And our prices have gone up 20%. So the business itself is not nearly as lucrative as it once was. But you said the word malinvestment, and I know that that's what they teach in the economics books. But I tend to think of it as more creeping out the risk spectrum, not necessarily malinvestment. But the point is that if I could get 5% on my safe money, perhaps I would not have made that leap to buy a restaurant. Perhaps I would've, but who knows?

But yeah, I think there's so many people who are… interest rate expense in the small business world is huge. And if you guys were at my speech yesterday, and the cost of goods, again, we talked about money and Milton Friedman, the source of inflation is monetary always. No, it usually is. But this time they happened to lock up the supply chain at the same time that they were keeping demand the same through government spending.

But we had a cooktop that we bought 10 years ago when we opened the restaurant for $6,000 and we just replaced it six months ago for $22,000. Same model, same everything, $22,000. And most of that inflation's in the last three years. So I don't know if any of you guys read Carol Roth's books? Carol Roth's book, the War on Small Business is an excellent deep dive into the challenges of small businesses. Again, we've always argued that small business is one of the big drivers of everything. And right now the game has changed more dramatically than anywhere else. We still have the luxury of volume so that we didn't have to raise prices.

But we are now seeing the same number of people walk through the door but ordering different things. They're ordering differently. And we live in a fairly well-off area, but people maybe aren't ordering that third drink, they're having that at home. They're becoming conscious of what they're spending. So our costs have shot up 40%. We don't have loans, but most restaurants do, that they have to roll into. The model to me sucks if you're getting into small business now and borrowing to do so, small restaurant.

Dave Collum: And rhetorically, what did the lockdown destroy? Small businesses. Right?

Jim Iuorio: Without question. Small businesses had to shut down.

Dave Collum: Linda's Diner shut down. Whereas Chipotle stayed open.

Jim Iuorio: Right. And even in the retail space outside of restaurants as well, the corner boutique had to shut down where Walmart stayed open. So to me, in my speech, I talked about what looked like economic sabotage and I'm not 100%` convinced it was. But I think there's a decent amount of evidence to suggest there was some sort of a, I don't know, sinister motivation. It's just completely appalling.

Albert Lu: Okay, got to move on guys. But just quick follow-up question for either Lyn or Peter. Jim just gave us a small business example of replacement costs rising drastically. And his balance sheet really, having to be updated, right? Is this the case with our Fortune 500s too? Have people adjusted their economic situation, their balance sheets to reflect replacement costs? I'm thinking about housing, I'm thinking about just capital-intensive businesses. The situation is very different now. Is that reflected?

Lyn Alden: I don't think it is. And I think if we talk about the higher for longer scenario, we have a couple forces that continue to compound and continue some of these trends. And so on one hand, any entity that has shorter duration, higher interest rate debt, so the junk companies, smaller businesses, even high-quality ones, they're going to struggle in that environment most likely. The larger businesses have locked in a lot of long-term low interest rate debt. So that basically the longer this scenario continues, it on average will benefit a larger entity over a smaller entity. Obviously, it's very industry specific.

A lot of the replacement costs are higher than we normally think, basically looking at a balance sheet. So for example, the cost of building a pipeline, you have to get past all this opposition, plus all the inflating materials costs, labors costs, all things like that. So anything that's already built and has a still long life ahead of it is likely more valuable than you'd expect from just looking at the balance sheet itself. And then at the same time in a higher for longer scenario, what makes this environment, again a sovereign debt crisis situation different is that if you look at the 1970s, public debt to GDP was 30%, right? So Paul Volcker's in that snare where he can jack up interest rates, try to crush the private sector demand. And although it does increase public interest expense, it doesn't completely blow it out.

Whereas, Powell is facing close to 130% debt to GDP. And so as he raises interest rates, it does put downward pressure on interest rate sensitive sectors of the private economy. But then it also completely blows out the fiscal deficit, which ironically stimulates other parts of the economy. And so you have certain types of spending that keep going up in decent nominal terms. You have other businesses or households that have locked in low long-term debt. And then they have more adjusting cash flows while other parts of the economy are stuck in rolling interest rates in that higher level. And so you get a very divergent outcome.

Albert Lu: All right, time for one more question. And this is going to be for Peter. I want to revisit or I want to visit the 1980s scenario. So trends come and go, right? Things repeat. I'm a child of the '80s. My daughter's 15 years old and she's listening to my music now. So it's possible, if my daughter can have Sade on her phone, maybe Jerome Powell can be a fan of Volcker. So don't tell me whether he'll do it or whether he can do it. We've all heard that. I want to know, what do you think will happen if he does do it? 22% effective Federal Funds rate, what would that do to the economy, Peter?

Peter Boockvar: It would bankrupt it. There wouldn't be much left at that cost of financing. I mean, to what Lyn said, the financial picture was quite different the last time we were there. And even at 22% we didn't stay there. We went up there and we came right back down when he started to cut. But you don't need to take rates on an absolute level to do that, to accomplish what he did back then. He needed to take rates where they were back then because of where inflation was, and it was affordable for him to do it because of the low debt levels. It's unaffordable for us to do that. So it's not even a choice, do I take it there or not? It's literally physically impossible.

Albert Lu: Okay, just two minutes left. I want to end with something fun. I want each of you to make a big fat eat-my-hat prediction for next year. Something big that's going to happen between say six months and a year and we're all going to wear hats like Dr. Skousen to next year's conference. Start with Jim, a big fat prediction.

Jim Iuorio: My big fat prediction is I will become a relationship counselor and have a show on the radio where I coach people. No, my big fat prediction is oil to I'll say, $130 a barrel.

Albert Lu: You know, interest rates were 5% when you started your business, you might've become a relationship coach.

Jim Iuorio: No doubt about it. I was good on that show, wasn't I?

Albert Lu: David.

Dave Collum: I'm going to get fired.

Jim Iuorio: Again. Again.

Albert Lu: That's not a big prediction. We've all been betting on that for years. Peter.

Peter Boockvar: Wait, was there a part two to this or that was it?

Dave Collum: That timescale is too short for me. I'm predicting 10 years from now we're screwed.

Peter Boockvar: I'll throw out something contrarian. The Hang Seng will outperform the S&P 500 over the next 12 months.

Albert Lu: All right. Finally, Lyn?

Lyn Alden: I think we're going to be stuck in a big band for a period of time. I think that all of the really sharp predictions or bearish predictions, all the super bulls, the super bears, I think are going to be continually disappointed by stocks not breaking out to new highs, especially in real terms. And also probably not crashing either and getting stuck in this big band, this big crab market for a long period of time. Probably for the remainder of this year and then years after that.

Albert Lu: All right, how about a big round of applause for the panel? Great job. And especially Lyn Alden, I just realized, I think this is the first time I've seen Lyn without a headset on. So it's great to see your whole head.

Robert Helms: All right, good stuff. Nicely done.

Peter Boockvar

“Just Because It Hasn’t Happened Yet, Doesn’t Mean It Won’t”

Robert Helms:… Peter Boockvar is the Chief Investment Officer at Bleakley Financial Group, a New Jersey-based wealth management firm. He's also the editor of, I love this, The Boock Report, which is a macro market newsletter. Prior to joining Bleakley, Peter was the Chief Market Analyst at The Lindsey Group, a macroeconomic and market research firm founded by former Federal Reserve governor Larry Lindsey.

Before that, Peter worked as a macro analyst and portfolio manager for a brief time at Omega Advisors, and had previously been part of Miller Tabak & Co. where he was the equity strategist and a portfolio manager. Today his talk is entitled, Just Because it Hasn't Happened Yet, Doesn't Mean it Won't. Please welcome back to the New Orleans Investment Conference, Mr. Peter Boockvar.

Peter Boockvar: All right, read that quote and let it sink in. Because when you look at the level of interest rates today, many of you may say, "Hey, no big deal. 4.5% 10-year, give or take. It's pretty much the average since World War II." I'm sure some of you will say, "Hey, my first mortgage rate was 12%, 8%'s no big deal." But the point of this quote is, it's the 15 years that came before 2022 that created the foundation for damage when interest rates go vertical in a very short period of time.

So just imagine 15 years of basically 0 rates created a very unstable foundation that a very sharp rise in interest rates in a short period of time can disrupt. So when you talk about and you hear about, “well, Fed will raise rates until things break, things will happen until things break.” We've had interest rate shock therapy over the past year and a half.

Backing up a bit to the summer, there was this belief that inflation's moderating, we've peaked out at about 9% last summer, down to about 3 to 4 now, and the Fed's probably close to being done raising interest rates, so everything would be okay. So this is a 10-year yield chart in the period before the end of July, and you can see we traded in a range. Yield curve was very deeply inverted with a short end rate, much higher than a longer term rate. This was CPI visualizing the peak in terms of rate of change. Everything's fine, right? Fed's slowing down the pace of their interest rate increases from an aggressive 75 basis points per meeting four in a row, and then to 50 and then 25, and then their last one being in July.

But, end of July, something happened, and I am making this point because long-term US interest rates didn't rise just because worries about US debts and deficits. We have to understand that we've had the biggest financial bubble in the history of bubbles, and that being in the sovereign bond land, that peaked when we had $18 trillion of negative yielding securities. When you think about a negative yielding bond where central banks turned an asset into a liability, that became the ultimate hot potato, thus the ultimate bubble.

So the Bank of Japan, as we know, is the last major central bank to catch up with others in terms of the monetary tightening. So within a day of the Bank of Japan widening their yield curve control from a range of 0 to 50 basis points to 50 to 100 basis points, that is what lit the fire in terms of triggering the sharp rise in long-term interest rates. So this is the JGB yield, and you can see with the arrow, it was right on that day that, it was actually a few days before that BOJ meeting where it was leaked that they were possibly going to do this. Then they followed through, and you can see the arrow that triggered the rise in JGB yields. Look at the arrow that triggered the rise in the US 10-year yield. That was the date when the BOJ made their move.

This is the German bund yield, higher highs right after they made their move. This is the Australian 10-year, right after the BOJ made their move. This is the Italian 10-year right after the BOJ made their move. The point is, is that the rise in interest rates has been a global phenomenon. Now, that's not to say that US debts and deficits don't matter as an influence on US long-term interest rates, but it's by far not the only thing. So this is just the chart on the deficit, and just to give perspective, intuitively, when the economy grows, the government brings in more tax receipts and the budget deficit usually compresses. In a recession we see the reverse, and also in recessions, the government ramps up spending to stimulate the economy.

So in the early ‘80s recession, the early ‘90s recession, the budget deficit as a percent of GDP, bottomed at about 5%, and then as the economy expanded, it narrowed. Then you can see in the great financial crisis, it got to 10%, the deficit, and then we narrowed on the recovery, putting aside COVID. Now we're at about 7%. Well, it's 6%, if you take out the student loan thing, it's about 7-8%, and this is with an unemployment rate that is still under 4%. So that is the setup, and in dollar terms, it's about $2 trillion. So in other words, we're spending $2 trillion more than we're taking in, and we need to finance the balance. Now, back in the early ‘80s, actually more mid-’80s, and I was just a kid then, but I read a lot of books since, people were talking about the alarming level of government spending and the rising US budget deficit. This was in the ‘80s, and we know it never mattered. It never mattered in terms of determining the level of longer term interest rates. It never did crowd out private sector investing, which was always the worry.

So here we are 40 years later and we're seeing worries about debts and deficits, and we ask ourselves, does it still not matter, or does now, all of a sudden make it matter? And it matters more now because the laws of supply and demand are not dead when it comes to the US Treasury and the US bond market. So this is just the chart of the Fed's balance sheet. So we're missing some major buyers in the market right now. We're losing the Fed, which has shrunk their balance sheet by about a trillion dollars with a key question of where they eventually intend to take their balance sheet. They, I think in their mind, want to take the balance sheet down to about $6 trillion, but I think they're going to get tripped up before then via market forces.

This is also important. So foreign buyers, now as a percent of total holdings of US treasuries, foreign buying since 2014 has slowed down dramatically. So just to quantify, since 2014, the US debt has gone up $14 trillion, and this is marketable debt. So when you hear about we have $33 trillion of debt, there is a chunk of that that is within the government in terms of IOUs to social security. But then you have the piece that's marketable, where that gets traded on a daily basis, that's about $26 trillion. And in that large amount of increase, foreigners have only added to their stash of about a trillion dollars. So we're losing the Fed, we're losing foreigners, and we're losing banks. Banks got flooded with deposits when we went into COVID. People were spending less, they were getting checks, they put their money in the bank even though it was yielding nothing, and banks were overwhelmed with these deposits. The economy was uncertain, they were not going to just loan it out, so they bought a lot of agency bonds and US treasuries.

Some went too long in duration, aka Silicon Valley Bank. Others were more prudent. But the point is that the balance sheet of the US commercial banking system got loaded up with mortgage backed securities and treasuries. And as you can see in the chart via roll offs and selling, we've lost them as a buyer as well. So three major buyers that have basically come out of the market offset by US domestic buying, institutions buying, retail buying. I mean, who's not attracted to 5% US treasuries? So we're buying as well in the aggregate, but the clearing price is proven to be a much higher yield, a lower bond price in order to bring all these parties together. I mean the US long-term treasury, and let's look at the TLT, it's an ETF that has treasuries 20 years plus. From peak to trough, it fell 50%, 50 for US treasuries. That's as bad as the two previous bear markets and stocks before COVID.

So what this means is now we've had a nice bond rally over the past week that has taken the 10-year yield from 5% to about 4.5% percent as of today, after the jobs number was disappointing relative to expectations on many metrics. But I think overall in the aggregate, the cost of capital is what is most relevant right now. And getting back to Jim Grant's quote is that when you think about a company or a household that borrows money, it's really the household that really has termed out their debt the most in terms of a mortgage rate when they get a 30-year. Most other businesses, small, medium-sized businesses are typically borrowing floating rate, a high-yield company maybe three to five years tops. It's the bigger companies that extend out to 10 years, and countries of course can extend out a hundred years.

So the point I made before is you have basically zero rates, very low funding costs for everybody, and then you go like this. So this 9.8% was what the National Federation of Independent Businesses said that their average client is paying as of September. Now 9.8%, it's double what it was. So if you have a loan coming due priced at 5% and it's repricing at almost 10, that is a big problem. And this is what I refer to as a death by a thousand cuts situation, because not everyone's debt comes due on the same day. Some people's reset quickly, monthly. Some people have termed it out a couple of years, but the train is still coming down the tracks if your debt has not repriced yet. So this is the high-yield yield, so the junk yield, and you can see it's doubled from below 4% in 2021 to approaching 10%.

Now, if you're a company that generates nice cashflow, well you can manage this. Hopefully, maybe you're paying down some debt, you'll find lenders that will lend to you. But this is a major increase in your interest expense, which means you have less money for other things. CCCs, lower rate credit, this is your credit right before a D, which is default. And you can see companies are paying 14%. It was the 1980s the last time you saw junk companies paying 14%. Imagine dealing with that on your balance sheet.

So this is a chart from Goldman Sachs on the maturity wall. So the title of my presentation is Just Because it Hasn't Happened Yet, Doesn't Mean it's Not Going to Happen. This is the train coming down the tracks. Unless interest rates collapse, which I don't expect, whether you are a small company or a big company, you're going to need to refinance in the next couple of years, and this is what you face. Now, again, if you're a cash flowing business, you'll be able to manage this, but if you're not, you're going to be in trouble.

We saw last week, GDP for the third quarter at 4.9%. Now right around then the Fed released their beige book, which is a very good read actually, when it comes out about every six weeks when all the districts in the country, all the Fed districts, basically give color on what they're seeing in the economy. And you can see here, very modest, both business activity and employment expanded only slightly. Regional economic activity weakened modestly, business activity continued to decline slightly. Economic activity was little changed. The regional economy contracted slightly, economy grew slowly, economy activity was up modestly. Does that sound like a 5% economy? No, because it's not. And right now the fourth quarter GDP number is looking around 1%, and I would not be surprised if there's a minus sign in front of it when all is said and done.

These are just some more regional districts, and slightly is at best what we're seeing in the US economy right now. So another thing is you hear from Janet Yellen saying, "Well, we can't have a recession with the unemployment rate so low." Well, she's not much of an academic then because if you look back since World War II, recessions always began when the unemployment rate is low. And my friend David Rosenberg had a very good analysis of what happened in the past after previous robust quarters. It did not preclude a recession from happening soon after. So the point is just to discount what you saw with the third quarter. Here's some more quotes and history lessons about what happens after a strong quarter and what follows soon. So don't be fooled by that. The US economy is slowing, the global economy is slowing, and the higher cost of capital is what is chipping away at it.

All right, let's talk about the dollar. We know George gave a really good analysis on the dollar. I'm going to take a little bit of a different angle. And not to talk about his dollar going up, is it going down? But just to be a bit more nuanced.

…Let's separate, let's take the DXY, the dollar index, which is pretty much, the yen and the euro is about two thirds of that. The dollar index bottomed within I think a day of the June, 2021 FOMC meeting when Jay Powell said, "We are now thinking about tapering QE." Before that it was, “we're not thinking about thinking about tapering QE.” But once he switched that to now we're thinking about it, the dollar index was at 90, and that was the bottom of the dollar. And since then we took off and we topped in October, 2022.

Not coincidentally, within a few days of the Fed ending their fourth, or their cadence of 75 basis point rate hikes. So the second the Fed slowed down their tightening, the dollar topped out. So the dollar rally was just an interest rate differential thing. It's also important to look at the dollar compared to a variety of currencies because in my opinion, outside of the Turkish Lira and the Argentinian peso, the dollar has been strong against three currencies and that's it. The yen, the Euro and the pound. You look at the Mexican peso the last couple of years, it's traded phenomenally.

A couple of months ago it was at a multi-year high against the dollar. The Brazilian real has traded spectacularly against the US dollar. So it's not a question of going up or going down. You really have to look at its relationship amongst a variety of currencies. And let's take the Euro. When the Europeans, when the European bond market had its peak of negative interest rates, the euro still could not break below a dollar. Now you want to talk about something that's negative in one's currency, I would say negative interest rates is it. And here we are now still at the bottom end of a 105, 115 range in the Euro, but you could not break the Euro with negative interest rates. That says something about the dollar. So it's important to not just look at the dollar in a homogeneous fashion. So let's talk about investing and how to deal with this kind of environment, because it's not what it was in the 15 years prior to 2022.

This is a brand new ball game, as we know. And just by using your same investing playbook, it's not going to work. So with respect to bonds, I've been very cautious on long-term duration. I think that while we're seeing a nice rally in the US treasury market, which I think could last, and I thought this the day that the 10-year ticked above 5% and then traded down that same day, that maybe we can get a rally. But it's important to note that you can't just analyze the long end of the US treasury market, as I said earlier, by looking at US growth and inflation, because you have these external factors of the greatest financial bubble that is unwinding right now. And you can get a further rise in long-term interest rates, but not for good reason, notwithstanding the current rally, which could last. So I would not be past two years in duration.

And particularly TIPS. You look at the five-year treasury inflation protected security, it's pricing in an inflation breakeven. So in other words, what they're betting the average inflation rate will be over the next five years is only about 2.25, 2.3%. I think the number's going to be more like 3-4. So I really like short-term TIPS. Now, commodities. If you look at what's been the safety trade the last couple of years since the Fed started raising interest rates, it wasn't tech stocks, it was energy stocks and gold. If you told me that real rates would rise 450 basis points. So inflation, inflation-adjusted interest rates. You look at the five-year real rate, which in early '22 was -200 basis points, and today is +250, and gold would be higher today than it was then, I would not believe it, but it is.

So gold will continue to be a safety trade. Energy stocks will continue to be a safety trade. Uranium has proven to be a safety trade, as we've seen with the sharp rise in both uranium and the uranium stocks. And copper I think is very interesting because it's getting caught up in the worries about global growth. Certainly worries about China, but I think that the supply demand imbalance is very offsides when we look out over the next 5 to 10 years.

And getting back to the dollar discussion, and I mentioned the Mexican peso, I mentioned the Brazilian real. I am very bullish on economic growth in Asia over the next 5 to 10 years. And I know we all worry about China and what's going on there politically, but just looking at their economy, which definitely has its challenges right now. The size of the Chinese middle class is going to go from 400 million people to about 700 million people over the next five years.

And these people are going to make more money, they're going to want to travel, they're going to want to go out for dinner, they're going to want go to movies, they're going to want to do a lot of the things that you want to do. They're growing middle class in India. There's probably not a more exciting middle growth story than in India. And that's going to be good for Japan, it's going to be good for Singapore. You have a major middle-class growth story in Indonesia, in Thailand. These are all very exciting places. So I would be buying emerging market bonds in Asia, and I would be buying the stocks in these countries. And if you're reluctant to trade China, which I'm sure many people are, there are sort of indirect ways of playing China. You can buy Macau casino stocks. Macau is the Las Vegas of Asia.

And it's not just going to be the mainland's consumer that's going to visit Macau, it's going to be that entire region. Keep in mind about half the world's population is in Asia. So you can buy Melco, you can buy Las Vegas Sands, Wynn, MGM, and also emerging market bonds. We heard some scare stories about, well, there's a lot of debt in the US, but there's a lot of debt elsewhere. But actually, budget deficits in emerging market countries are much lower than they are in the US. Central bankers in Brazil and Mexico and elsewhere were much more prudent than the developed world central banks. I think Brazil started raising interest rates in early 2021 and the Fed didn't start until a year later. So you can buy local currency, emerging market bonds, get a good yield, and take a non-dollar bet.

Now, with respect to value stocks that have been left for dead, there are a lot of them out there, even also in the US. And I highlight value stocks because I think over the next 10 years, the price of Apple stock may not be that much different than it is today. And I say that about other big cap tech stocks, but we've seen in the history where you get this very long period of out-performance, 10 to 15 years, and then while these companies may stay healthy and strong, their stock performances lag dramatically. So don't be looking at your big cap tech stocks and thinking that that's going to lead you over the next 10 years. As I said earlier, it's important to have a very different playbook.

Now, one of the things that when I look at a value stock is okay, I acknowledge and I believe that the US economy is going into an economic downturn of note because of the pernicious impact of having interest rates high for a while. But there are companies that will be more recession resistant, and companies that will be able to take advantage of that. And one of the sectors of the economy, or I should say the markets that has gotten crushed have been the public real estate stocks.

And you may say, how would you buy a real estate stock now with interest rates so high? Now if any of you have money in a private real estate fund, I would be pulling that money as fast as you can walk out of this room, because they have not reset their valuations. The public markets have dramatically reset the valuations of public real estate companies to the point where there are many public REITs that are trading at an implied capitalization rate of 8% versus private markets that are closer to 5.

So you can buy Kimco Realty, which is the largest specialty, or I should say the largest publicly traded outdoor shopping center company. If you go to the supermarket, if you go to Home Depot, if you go to Target, if you go to the cleaners, if you go to pick up some pizza, those are in outdoor shopping centers, and they have termed out their debt very well over the next 10 years. You can buy Health Peak Properties, which is one of the largest owners of medical office buildings.

And keep in mind, these public companies have access to the public capital markets. They are going to feast on the difficulties that the private real estate market has. Because I will tell you, every single day, it's not making it onto the page of the Wall Street Journal, but somebody is losing their real estate project. Somebody is losing their building because their loan is resetting to 9% from 3%. So a lot of the public REITs are going to be able to take advantage of a lot of private distress.

So I think that that is one sort of out of favor value area where you can get 5, 6, 7% dividend yields, stocks trading at 8-10Xs earnings, and you can be sure that... And I specify, the public real estate market, these stocks have gotten killed, and you hear scare stories about real estate, but a lot of those scare stories are happening in the private side, which I would heavily recommend you avoid. And if any of you happen to own the Blackstone REIT, which is a private REIT, I would be selling that as well. So with that, I am headed to a table inside if anybody wants to chat further, and I thank you very much.

Robert helms: Thank you, sir.

Sean Brodrick

“The New Uranium Bull Market Why It's Just Getting Started And Where It's Going”

Gary Alexander: And now I think that completes the announcements and I'm ready to introduce our first speaker for this morning. He's going to speak on uranium, a very important metal. Widely known as the Indiana Jones of Natural Resources, Sean Brodrick has sifted through terabytes of data and traveled tens of thousands of miles in search of companies that can make transformative difference in the lives of investors. With his boots on the ground experience, he visits mines, meets executives in person, discovers hidden opportunities and reveals pitfalls that investors should avoid. And the title is The New Uranium Bull Market: Why It's Just Getting Started, Where It's Going. Please welcome Sean Brodrick.

Sean Brodrick: Hi there folks, as you heard, I'm Sean Brodrick. I'm sure many of you have seen me here before. I'm here to talk about uranium. It's very exciting. It's one of the things that's working very well for me this year and probably for you guys too, if you're already in it. If you're not, don't worry. There's plenty more to go. In fact, this is probably going to be one of the more exciting bull markets of our lifetimes, so we'll get started. Demand for electricity is rising and that means that we need more nuclear power. We hear all this talk about a transition to wind and solar and stuff like that, but it won't keep the lights on at night. Nuclear power will. Nuclear power is more reliable than any other power source. Nuclear power plants run at full capacity more than 92% of the time. You can't say that about anything else.

It provides about 20% of America's electricity now. Around the world, global electricity demand is surging. It was up 6% last year alone. The forecast is for global electricity demand to rise 2.7% per year. I think that's an understatement. We are moving to more and more massive computing power all the time, and that takes a lot of electricity. And so with the advent of AI and stuff like that, I think we're going to see electricity demand rise quite a bit.

I'll be talking about metric tons and pounds interchangeably because that's because basically the uranium industry uses both. One metric ton equals 2,204.62 pounds. One other thing to keep in mind is that uranium is one of the most dense energy sources we have. One uranium pellet is equivalent to one ton of coal, 120 gallons of crude, or 17,000 cubic feet of natural gas. So in 2021, global demand for uranium from nuclear reactors was estimated at 62,500 metric tons. By 2030, that's forecast to rise to 79,400 metric tons and by 2040, 130,000 metric tons. These forecasts are more reliable than forecasts you'll see in other natural resources simply because it takes so long to build nuclear power plants. You can see the demand coming so you know what they'll need in the future.

America uses uranium. One of the problems is most of it is either from Russia or is processed by Russia. That's a big problem for us and one that we're working on right now, both the US and the European Union plan to cut or halt imports of Russian uranium. This is a recent chart of uranium and recently hit a 15 year high. Why? Well, inventories are low, demand is rising. Spot uranium buyers, when I wrote this just a couple of days ago, they'd raised the bid to $74. Now it's I think $74.26. The ask is over $75. Anyway, spot uranium is at a new 15 year high. Looking at the bigger picture, it can go much higher. And what will power that move is more and more nuclear power plants. China plans to build another 44 nuclear reactors by the end of the decade. It may build another 154.

That's what it's planning. Could build more. We don't know. Germany was shutting down its nuclear power plants. It has three left, and so now it's extending the life of those. Whoopsie. They had to start using coal and importing power from other countries. Even Japan, which had the terrible Fukushima meltdown, that's now reopening its nuclear power plants. And much more demand is coming. This is kind of a busy chart and I apologize for that. The red line is the spot price of uranium. The gold line is the long-term contract price of uranium. You can see those are both rising, but if you look at those pale or blue lines on top, that's projected plants being built. They haven't even been built yet.

So you can imagine what that's going to do to the price as those new plants come online. So we've been hearing a lot of things from people in the nuclear industry and to be sure, people in the nuclear power plant industry, the uranium industry, anything to do with uranium have been predicting a bull market for the past 12 years. And there was a lot of heartbreak along the way because things didn't happen. I'll get into why actually some of that didn't happen before. But what they're seeing now and what we're seeing in earnings reports of companies like Cameco is we are seeing the best setup for uranium ever.

The market is in a structural deficit, which means that we use more uranium than comes out of mines. Every year, demand is growing at a 5% annual rate, and so the gap between global production and consumption right now is 50 million pounds. And as I said, more demand is coming online. Jonathan Hinze from UxC says, "It's the best setup for nuclear power expansion that he's ever seen." And Amir Adnani, who if you are in the uranium space, you know who he is, he says that, "$75 per pound of uranium is too low to encourage more production of the metal." There is more supply coming online, but not as much as you'd see if the price was at $100, which I definitely think we're going to, and sooner than many people think. So last year global uranium production covered only 74% of demand for that year.

The rest comes from those depleting stockpiles. Russia has 38% of global uranium conversion, 46% of enrichment. What many people don't know is that within the last year, Russia bought 49% of prized assets in a neighboring country, which is really under its dominion anyway, so they're really kind of getting a stranglehold on the supply of uranium around the world, at least available uranium.

The US is very fortunate that Canada and Australia are the number two and number four suppliers of uranium. That's where we'll see a lot of development. I'll be having a workshop this afternoon... this evening actually, that I'll be naming a whole bunch of uranium stocks. Some are in Canada, some are in Australia. That's where some real potential is. Cameco. Pretty much everyone knows Cameco. That's your go-to stock for uranium in the western world. It's the largest of the western uranium producers, but it lowered its production forecast for this year. That hurt its stock a little bit when the news first came out, but then earnings came out and that stock took off like a rocket because even though it's producing less, it's getting a lot more for the uranium that it does produce.

And The Economist reported the two largest producers of uranium, which is Cameco and Kazatomprom are sold out until 2027. Now, there's only current production. They can bring more online, and I'll be talking about that a little bit, but some utilities do not have the uranium they need for next year. And again, uranium and nuclear power is a thing where you plan long ahead. And so this is part of why we're seeing prices take off the way they are is utilities don't have it.

About 27 metric tons of uranium is required to operate a gigawatts worth of nuclear power for a year. If you're just starting up a nuclear reactor, you need twice that. But even though that sounds like a lot, uranium costs typically account for four to 8% of a nuclear plant's ongoing expenses. And so that's one reason why the price of uranium can go much higher. It really won't affect the profitability of those plants much at all, and if it does, then they'll just pass the cost along to consumers as they always do. The World Nuclear Association says 140 reactors could see operation extended. Then we're also having small modular reactors being developed. Those are very interesting. They could be used for everything from powering gigantic cloud servers to operating mining operations that are too remote for normal power so you don't have to run them on diesel anymore.

So with all this going on, we have a forecast for uranium demand, but maybe that forecast should be twice as much. We don't know, but there is potential for that and that could cause an even bigger bull market than the one we're looking for now. Now, one reason why uranium prices were down so low for so long is because of the peace dividend. In 1993, Russia and the US entered a program called Megatons for Megawatts. Basically, we took Russian nuclear warheads and we turned them into nuclear fuel. So that was 630 million pounds of low enriched uranium used in nuclear reactors that we didn't have to mine. It already existed. You just had to convert it. And after Fukushima, Japan started selling off its nuclear stockpiles, that was another 500 million pounds of uranium added to the market and pushing prices lower and lower. And so that gave us the peace dividend in uranium because it caused a surplus.

At one time, it was more than a billion pounds of uranium on the market looking for buyers. In 2018, you could buy a pound of uranium for $18, which is ludicrously cheap. No one was going to invest in a new mine. Mines were shutting down at that time. And in fact, we saw what happened to US uranium mining. It basically stopped, but now it's starting to pick up again. Why? Because prices are going higher. New supply is coming on thanks to these higher prices, most of it though, is years away. There is going to be 2000 to 3000 metric tons added next year from Kazakhstan and 6,000 tons in 2025. That's actually going to bring their nuclear production back to where it was before they did a self-imposed cutback before prices were too low. They can produce more. It's just going to take more time to ramp up operations.

France's nuclear power company just signed a deal with Mongolia on a new uranium mining project. That'll be years to develop though. But right now, as I said before, the world is short 50 million pounds of uranium every year and that... I mean, stockpiles will only get you so far. This has to be solved by price. Meanwhile, while the US imported 32.1 million pounds of uranium last year, a big chunk of that was from Russia or its neighbors, which were under its control. So the US has decided to play catch up. The Infrastructure Bill gave 6 billion as a tax credit to US-based nuclear power plants. There is bipartisan support for a national uranium reserve that's only just started. Right now, they have five days worth of supply in that that obviously has to go much higher. We are seeing the government invest in individual projects to advance uranium or the processing of uranium, which is quite actually supportive of the uranium industry.

So there has been a change in the wind that way. It seems to be bipartisan and that tends to be good for these companies. I have two uranium picks here. I'll give you a lot more later if you come to my workshop. But Energy Fuels, symbol UUUU. It has a Weiss rating of C. I could explain the Weiss ratings. We rank stocks on safety and also investment potential. So the combined rating on that is C and market cap of $1.2 billion. It produces uranium and vanadium at its White Mesa Mill. It has the potential to produce much more and it has a strong balance sheet, and I expect great things from that company. That's already in the resource trader portfolio. It's doing very well.

One of our best performers is UR-Energy, which does not have a good Weiss rating. The ratings have to catch up to where this stock is going. Market cap of $394 million. So it's a much smaller company, but it produces uranium at Loss Creek in Wyoming. It has other projects in Wyoming and Nevada that's going to bring online. These are just two examples. As I said, I'll have a dozen later at the workshop.

Everyone knows about Cameco and I have Cameco in the portfolio. I understand that you need that benchmark anyway, and it's a great stock, especially after its most recent earnings report. It's doing great, but the real potential is in the smaller caps. And we can tell this just by looking at the last bull market in uranium, which I was around for and I remember how that went and it was wild. But during the last bull run, Cameco rose 800%. It's now up 400% over the last three years. This is a three year chart, by the way, but small caps, originally they lagged Cameco and then they just went parabolic. They outperformed it and returned over 1100%. We are in that inflection zone where the small caps could start outperforming, and if they do, you will want to own them because they are going to rip higher and it's going to be amazing.

Now, we aren't at the very start of the bull market, as Rick Rule said recently that the easy money in uranium has been made. Now we're at the time where we'll make the real money and then I believe he said fortunes will be made when it's time for the stupid money. So the real money, there's actual real value in these things. If you invest in them, there are no guarantees, but odds are, there are better odds in this industry than in just about anything else right now. So if you invest in a basket of good uranium stocks, there are some terrible stocks out there, but if you invest in some good ones, you can do extraordinarily well I believe. The stupid money comes much later. I was in the last bull market. I remember that when you saw companies that had been exploring for other metals suddenly declare they were uranium explorers, even though they didn't have a uranium geologist on staff.

That happened more than once. That's when the stupid money gets made when people just throw money at the industry. Wall Street finally wakes up. They've been asleep for three years anyway, and they can probably sleep a while longer. And so we'll get to that phase eventually. Now we're in the real money phase and you can do extraordinarily well, and I think this is one area where you should be investing right now. I have five minutes for questions. I actually timed that pretty well. Does anyone have any questions about uranium? No? You don't have to. That's okay. I'm not seeing anybody. Okay, well, I-

Speaker 3: Explain the second company.

Sean Brodrick: Oh, sure. Hang on a second. Let's see if I can even get back to that slide. UR-Energy. Yeah, that's outperforming in our portfolio even though it has such a low rating because the ratings haven't caught up to it yet. But the potential for that is extraordinary, and I will have a dozen uranium stocks at my workshop this afternoon. I'm also talking about oil and natural gas and also gold. Gold wasn't originally on the program for my workshop, but I'm so excited about that now. I had to talk about it a little bit. So there is that too. However, uranium has more potential than gold, so that is probably heresy at a conference like this, but nonetheless, it is true. So take that as my opinion. Any other questions? I'm not seeing anybody. Okay, that's it. You got three minutes left. Have a good one. Thank you very much.

Dave Collum

“The Case For A Multi-Decade Bear Market”

Robert Helms: Excellent. Well, let me introduce you to our next speaker. Dave Collum received his BS in biology from Cornell University back in 1977 and an MA MS and PhD in chemistry from Columbia University in 1980. Dave currently is the Betty R. Miller Professor of Chemistry at Cornell University. While at Cornell, Dave has served as the Director of Undergraduate Studies, the Director of Graduate Studies, Associate Chairman and Chairman, while running a research program in organic chemistry for more than 40 years which includes collaboration with a host of large cap pharmaceutical companies exemplified by Merck and Pfizer.

In recent years, he has become interested in the interface where politics and markets meet. Every year, Dave compiles his year-end review, which is a must read. He does several dozen podcasts as well and occasionally stirs up trouble on more mainstream media outlets. Please welcome back to the New Orleans Investment Conference, the one and only Dave Collum.

Dave Collum: Hi, I keep forgetting to bring a hat. That helps a lot…It's good to be back here actually. And I oftentimes do unconventional talks. I'm going conventional today. I'm going to try to make a case for a 20-year bear market or a 40-year bear market and why the next handful of decades are going to be uninvestable for those who think of themselves as investors, which means you can all go home now.

And so a little bit of resume boost here…I draw attention from odd directions. Here's Matt Yglesias telling our students not to learn economics from me. And here's Stephen Roach saying you should learn economics from me. Here's Larry Summers telling me I lack a filter. And here's one of those cheesy yahoo articles that no one reads. I happened to pick it up on the fly for some reason by some Ivy League professor who predicted the bust in 07-08, and I read it for some reason. I don't remember how I got it, it was me they were talking about, and I go, oh, that was interesting. So I got credit for that.

I'm not a technical analyst guy and I think if you listen to what people say in the world now, the entire investment community speaks in technical language. They're talking about flows in this and what the Fed's going to do. And when was the last time someone said, this is cheap on an absolute scale? You just don't see this and so on. You got to really watch the language because oftentimes it's a very short-term thing, and I really don't care about short-term. I don't have the skill to care about short-term.

I'm a valuation guy. So here's K Shiller PE. It's a pretty good predictor of valuation. So low valuations give rise to high valuations give rise to low valuations. That's how it works. I cut it off in 1994 for a reason. If you want to look at every valuation chart on the planet, you'll find 1994 was the last year that valuations were sane and then they took off from that year. So if you want to know what fair values should be on some new weird valuation, go to 1994 and look at what it was and it'll tell you where we should be now. If you add the rest, then there we are.

What you'll notice here is the 07-08 crash, according to the historical value that doesn't average in that excessive amount of overvaluation, we never even got to fair value. So we hurdled from space and got near the ground but never actually hit it. We have what I would call a 40 year recency bias. We really don't have, the guys on Wall Street, most of us, it's been so long, we don't remember what it was like to actually invest.

I'm going to whip through these. These are just more valuation charts. I gave a 30-minute talk, and so I'm going to blow by these, but they're all in the sort of 120 to 150% overvalued range, and that's a serious problem for an investor. In fact, it's an unwinnable problem.

This is my case for what has happened over the last 40 years. For example, in 1981, which was the start of our 40 year window I'm talking about, the Ruskis needed capital badly. The Soviet Union hadn't collapsed yet, but it was working on that job. And so they started selling resources and it was a great source of resources. We helped them. We sent in our crews to help them get the oil and minerals out of there. China, even more important, was so desperate for capital and they sent their leader to speak at the UN in ‘81. They had to find the money to get them a ticket to fly to the United Nations. They had to scrounge. And there was only 38,000 in their capital reserves. And they saw labor, at slave labor prices, and we benefited for the last 40 years. But that's going away now, right? So these are tailwinds of the last 40 years.

Interest rates dropped from 15 to one, and if you read the 1999 Buffet article, I think it was in Fortune, which you should read, I probably read six times. He says, "That's the entire story. When interest rates go up for the long term, you've got a bear market. When they go down, you've got a bull market." Nothing else matters according to Buffett. Well, they went from 15 to one. So we were propelled by this constant, relentless driving of lowering interest rates, which by the way was a constant, relentless driving of a disinflation, and that was such a great tailwind to benefit from, but it's over. The lemon has been squeezed bone dry at this point, so that's gone.

Global debt to GDP has soared. I think that's an underestimate of our debt problems. Student debt, you look, corporate debt, everything has just gone bananas. And there's a lot of people who think, oh, debt doesn't matter. It always matters. Read Edward Chancellor's book The Price of Time, and you always end up paying for that debt. And so 40 years of debt accumulation.

The boomers flooded the workforce. Any economist worth their salary, which is about five of them, will tell you that demographics is everything. And in ‘81, the boomers were hitting the workforce and they brought their wives with them for the first time. So we had this unbelievable juggernaut of bodies coming in trying to make something of their lives. And so demographics was in our favor, huge tailwind.

Tame and domestic global politics. I put an asterisk on this one but we weren't fighting with each other or anything like that. We went from hosing people down in the inner cities in the early sixties to a very tame 1980s, 1990s. Now, you get your pronouns wrong, someone's going to club you with a Louisville slugger. And so that's changing. Global politics was tame if you lived in the United States. If you're on the receiving end of our weapons, it was not very tame. But this is changing pretty abruptly here.

And in the debt-based share buybacks, I'm not a share buyback guy. Actually, the origin of share buybacks in my opinion, in a sort of an honest sense, is when your balance sheet, if you have a fortress balance sheet and you can only get 1% return on it, well, you're going to find something else to do with that money. And so they bought back shares, and by the way, it enriched all the guys with options. And so we bought back shares which drove prices up to the stratosphere. And then of course you have the bigger stocks get more capital, and it just keeps driving itself. It becomes this virtual, virtuous cycle. And now we're at 120, 150% over value. So that's not very good.

Passive investing. It’s like if you had a grocery store list and the stocks that have the most market cap get the most money allocated to them, like if you had a grocery shopping list and all of a sudden tomatoes went up so your natural default setting was to buy more tomatoes. As they got more expensive, you bought more tomatoes. This just doesn't make sense. It should go the other way.

And then there's the super stocks. This troubles me. You read an article, here's the 10 stocks that propel the market. There's the mega seven, there's all sorts of names for them. And I go buy those. And one day I go, wait a minute, wait a minute. There's another message here that we're missing and that is out of the S&P 500, there's 490 stocks who aren't returning anything.

That's the story. Why are they not returning? These are financial concerns. They're supposed to be providing services. They're supposed to be making products. And the investors, the owners, are not getting anything for their investment. So if you bought 500 gas stations and 10 were cashflow machines and 490 weren't giving you anything, you would sell the 490. But somehow we just keep buying them. And I think it's a cantillon effect where the money comes into the company from the top and by the time everyone gets paid, they say, oh, I'm sorry, you investors don't get anything, you get dividends. What are they? Well, they went from six and a half over the last a hundred years to one and a half. So there's a problem there.

Valuations. This is the killer. Not to this crowd, but to some people when I'm talking to them, valuations are all metrics in which you divide the price of the market by something that it ought to track. So it's a natural inflation adjustment. If Buffet's favorite is price to GDP. You can do price to book price to Tobin's cube, price to revenues, price to how many years it takes, how many workdays it takes to buy the S&P. There's all sorts of strange ones, but they should mean regress more than any metric in the world. So valuations, they start low, they go high, they go low, they go high, but they just flop around. And I showed you that for about 80 years until we got to the last 40 years. And then 1994 on, they stopped regressing to the mean.

And so what happened? Over the 40 years that I'm referring to, the recency bias, valuations compounded 3% a year. That's extraordinary. That's a tailwind of an unimaginable magnitude. So the question I like to ask is, well, "what happens if the next 40 years they'll compound a negative 3%?" You go, well, that would never happen. Of course, it will happen. It's going to happen. Because high valuations give rise to low valuations. That's how the world works. And because we've been at high valuations for so long, doesn't mean we're not going to end up cheap again at some point. So that's a net 6 or 7% reversal of our fortune in terms of tailwind turning into a headwind. And that market will become uninvestable, in my opinion. You can trade it, but the idea I'm just going to buy a wad and sit around and wait to get rich, that will not work.

What would be a good analogy? Well, the Nikkei, right? If you owned the Nikkei in 1989, you're DOA at this point. For the last 35 years, you're still underwater. And that wasn't some Banana Republic. That was the 14 biggest companies in the world were Japanese in 1989. So what if the world has become…or should I say at least the US or the west has become the Nikkei? So we say, okay, okay, but I don't have to own it. So what if you started buying the Nikkei? You're some young punk, you get out of college, it's 1989, you live in Tokyo and you start averaging down. That would be better, right? Takes you 20 years to break even. That's half your investing life because at the end of 40 years, you're supposed to be buying bonds, which by the way is the fastest way to go broke these days if you do that wrong too. So in any case, that really is the case right there.

I have a definition of a correction, it's got to correct price. Of course. When someone corrects 10%, that didn't correct price, that didn't correct anything, it's just a 10% move. So you got to correct price substantially, and you've got to correct investor attitudes. In the 40 years that I'm talking about is what I call the air of the V-bounce, where every time the market seemed to correct, the thing just sprang back. So 1987, the message was very clear in '87, just hang on, don't sell. That was stupid. Then you get to the aging crisis in '98 and just hang on. And the moral hazard created by the Fed became a monster.

And then you get the Dot Com bust, but you still get the message, right? The NASDAQ's at 13,000 again now after being at a 5,000 peak that should have been like a Nikkei peak, and it was only the NASDAQ, right? So they said, "just hang on." That's the message. And so the origin of the V-bounce is the flood of money, the flood of boomers, all these tailwinds. It just keeps saying, whenever the market drops…So fast corrections never correct anything because the buyers show up so quickly, the dip buyers.

So the way you correct a market is you grind investors to dust. That's how you correct a market. When was the last time we corrected the market? I would say 1967 to ‘81. When the markets went down, inflation corrected 75%, and it took 14 years. By 1981, if you were selling equities, you were playing Solitaire at your desk. No one, you couldn't give away equities in 1981, they had a PE of six. But we also had inflation. Everything looked bad. Carter had just…we had trouble with hostages. Everything just felt bad. And so you couldn't give them away. That was the bottom, that was the green shoots right there.

And so one of the things I worry about right now is when you're coming off a high, aren't we supposed to be euphoric? Does anyone in this world look euphoric to you now? So what happens if I'm right and we drop 65% off the markets? We're really going to be getting our machetes and just hacking each other to death, best I can tell. It is just going to be so bad.

And so here's a plot I made. This is a plot showing, in theory, it's an abstraction, but it's the market relative to GDP. And if you start at what you call parity, where they should be, some fair value, and for some reason over 40 years, the market launches slowly but surely above fair value and you end up with a way overvalued market. And the question is, how do you get back to earth? This is like Sandra Bullock in the movie, I can't remember, where she gets down from space to a series of miracles, and you've got choices. You can drop straight down. I don't think that'll fix it because it'll bounce right back and then it'll start grinding you to dust maybe. Curve B here is where it drops maybe 20% over 25 years. That gets you back to fair value. Curve C, just tread water for 35 years. And curve D, which I think is what the Fed would like, is for you to gain. That's about a 17% gain over 50 years.

There is no safe way home once you're that far away from fair value. There's no way to get back to the planet's surface once you're that... You will have enough gas in the tank to make it to the crash site. That's it.

So here's a chart I made. Others may have made it, but they emphasize the wrong thing. So when you're at a peak, you say, well, how long did it take to get your money back? That's not the question you should be asking, in my opinion. And usually the answer's around 20 years or something. The question I like to ask is, when did we last get to that price? When did we get to that price for the last time? And those are the blue arrows there. Those are treading water arrows where you didn't move on an inflation adjusted basis. What you got were dividends. That's it. Those arrows are 40 to 70 years long. Nobody knows this. Very few people know this. You can spend your entire life treading water, this is like Bill Cosby’s skit about Noah and treading water.

And so the question is we're off the peak right now, when will we be back? Here's a great example of a correction. This is the Dow Jones 1900-1940. I actually showed this to the editor of the Economist and his jaw dropped. He hadn't looked at this carefully. And you can see the boom, and you can see the bust and you can see the correction. It was the Great Depression. We got ground to dust and then the world just kind of stumbled off into the future. That's what happens right there. And if you took out the boom and the bust, you could just draw a gentle line, which you may notice, doesn't rise very much. Markets don't rise. This 10% a year stuff, that's fiction. You can't grow 10% a year with the GDP growing three and a half percent a year. It doesn't work that way.

Here's a great chart I've never seen anyone do, but this is from Ronald Griess from the Chart Store, and he sent this to me so I don't even know if he's published it, but he sent it to me and let me use it. Correcting for inflation is a dangerous move because we all know the CPI is garbage and they're cooking it and they're rigging it. And Paul Krugman came out with…talked about the inflation rate minus energy, housing, automobiles, and I would say Nobel Prizes. And here's the market corrected instead by the M2 money supply, which to a monetarist, that's a pretty good way to correct for inflation. And it's flat for a century. Is it possible that all we've really gotten are dividends? Buffet says the most you can hope to get is 4% a year. And what were the average dividends? 4% a year. He does not include taxes. He includes fees, but not taxes. So our assumptions about reasonable returns without correcting for valuation are already way out of whack.

There is our investor in the year of our Lord 2063, dug out of some archeological site. You have to keep it in perspective. So I get my joy out of Boston Terriers. I appear to have a problem in which we're now on our fourth dog, three of which are Boston Terriers. If you buy a dog, buy a Boston Terrier. That's the best investment you'll ever make. I've owned so many dogs and the Boston Terriers are just off the charts special. And if you don't want to buy one of them, get a French bulldog. Thank you.

Robert Helms: Dave Collum, ladies and gentlemen. Thank you, sir. Good, good stuff. All right, well, at least we have some good news this morning.

Brent Cook

"Who's Hoaxing Who Global Warming And Some Critical Element Stock Picks"

Albert Lu: Our next speaker, Brent Cook, is an economic geologist and mining analyst who has been involved in the minerals exploration and mining business for 36 years. During this time, he has evaluated and valued grassroots through feasibility stage projects involving nearly all deposit types in over 60 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. He was principal mining analyst at Global until going independent again in 2002. Since then, he's been an independent analyst and advisor to several investment funds and high net-worth individuals. He's the founder and an advisor to the acclaimed investment letter, Exploration Insights, which covers the mining sector focused on what they are buying, selling, and avoiding with their own money. His talk is "Who's Hoaxing Who? Global Warming and Some Critical Element Stock Picks." Please welcome, Brent Cook.

Brent Cook: Wow. Well, now for something completely different. I took my hat off before I came in here. So, the title of my talk is "Who's Hoaxing Whom? Global Warming and Some Critical Stock Metal Picks." What I'm going to do is, I think where we're headed today is, I'll bore you a bit with some real science facts. We'll talk briefly about energy transition policy and spending on going to carbon-neutral and electrification. Talk about a few key critical metals, and then I've got three of my top picks at the end of this.

So here comes the boring part. Carbon dioxide, the molecule, CO_2. One carbon, two oxygen, has very specific characteristics. Without them, we would not have life on earth. What it does is it allows short wavelength energy, sunlight basically, visible light in, but long wavelength light or heat basically it reflects, so it traps. That's why it's called the greenhouse gas. If we had no CO_2, we'd have no photosynthesis. It'd be damn cold here and there'd be no life as we know it. And even though we've only got about 0.04% CO_2 in the atmosphere right now, when you put that over six miles of the atmosphere, that's a nice blanket. So that's how that works. It is very simple. It is not even debatable. In fact, back in what, 1912, this note came out in the paper a bit concerned about all the coals being burned may down the road impact and warm the climate, 1912.

Okay, so how do we know where the excess CO_2 is coming from? Plants and animals absorb CO_2 through photosynthesis and they prefer a specific isotope of carbon. Carbon has three isotopes. Basically an isotope is how many neutrons you've got in the center of the atom. There's 12, 13, and 14. 14 we use for radioactive dating, age dating, and then there's 12 and 13. Then 12 is light. For some reason, plants preferentially absorb the lighter carbon 12 molecule. So when you burn that as a hydrocarbon gas, coal, et cetera, it releases more carbon 12 into the atmosphere. And what this chart here shows in black is the amount of carbon 13 in the atmosphere versus total CO_2 in the atmosphere. So it's quite clear what's happening since we started burning hydrocarbons that this is where the excess CO_2 is coming from. Again, it's a fingerprint. This isn't debatable.

Okay, let's talk about the weather. Everyone agrees on the weather. And what the weather really is all about is taking the heat and redistributing it around the globe. It's an impossible thing to do because of differential heating. You get more heat at the equator and the poles, the earth spins, there's mountains and oceans and such. But it sets up this system here that you can see where you've got the jet streams, the westerlies trade winds, the hadley cells, which are basically the tropics, the hot moisture rising. And that is what makes the climate, that is what moves the energy around the globe. That's just how weather works. More energy, sorry, more heat. There's more energy to move around the globe. It's that simple.

All right, so more heat, more energy to distribute. And what this shows is that this chart here is that most of that heat energy is being absorbed by the oceans. That's all the blue. And that is an issue that is not really understood or talked about a lot because it's complicated, but that's going to stay in the ocean for centuries if not thousands of years. And what it also shows is the earth energy imbalance, which basically means this is the excess energy that's been accumulating since, in this case, 1960 to 2020. It's quite significant. Now if you take that, it's one and a half degrees C is what they're talking about being the critical point, which again, that's nothing. It changes that much in an hour outside. But when you multiply that 1.5 C, which is again energy by the atmosphere that we've got, which is a massive volume going up six miles, that is a hell of a lot of excess energy that's got to go somewhere.

Now over geologic time, we've had a number of periods where it's hotter, colder, ice ages when everything's gotten hot, et cetera. And what mostly causes that is number one, is our position relative to the sun. As we get a little farther away or a little closer, that changes things. That brings on ice ages and warm periods. Ocean currents as they change, that also changes the climate patterns and such. Volcanoes as well. And I put diamonds in there to remind myself, little sidebar here. Back about 55 million years in and the Eocene, there was a warm period where both poles were melted and the oceans were in the order of 30 meters higher. And one theory as to what happened is that the volcanoes, the carbonatite volcanoes that blew off in Canada that are responsible for bringing the diamonds to the surface there, put so much CO_2 in the atmosphere.

That is what warmed it. And that happened over thousands of years period. And at that point they estimate the CO_2 was about 1000 ppm. Right now it's about 400 ppm. So historically these changes in climate have taken thousands of years and that's just how it works. There's no debate about that as well. But what you can see in this chart here is we're doing this in a hundred year period. And there it shows the initiation of this invention of the steam engine and such. The top one is your CO_2 content. The lower is showing the rise in temperature.

All right? So it's really this simple, more CO_2, more trapped heat. More heat, more energy. More energy, you get more extreme climate patterns. And we're seeing that now. I mean in Paraguay, there’s flooding in Paraguay. Italy's getting flooding. There's a big storm whacking into a wreckage storm. Wrecking into England and France right now. The Amazon's going dry, et cetera. That's what we're seeing. So when we get more extreme climate patterns, we got climate change. And the image I showed you of the earth with the jet streams and all this sort of thing, that's what's changing because the energy balance is changing.

All right, so climate change that, brings on social, environmental, agricultural and economic disruptions. And again, this is really not debatable, this is just basic science and we're not talking about policy, et cetera. And it really is this simple, but it really doesn't matter what you and I think because most of the major countries in the world and companies, this is what they think, this is what their belief is. And they're spending literally trillions of dollars towards de-carbonization and electrification. That's going to take more metals than we are currently producing. And it looks like we can produce based on our expectations of current deposits that are found being put into production.

And that is the big opportunity, the macro opportunity I see looking out 5, 10, 20 years, there's going to be a lot of effort, a lot of money put into this and it's going to take a lot of metal. The slide I show here is the electric vehicle versus a hydrocarbon and the different metals that uses versus the typical car. And it's like seven times the metal. So what we need to do is buy legitimate economic deposits that are going to go into production or buy the people that are going to find those. And I assume that's why most of you are here.

Copper, that's the primary critical metal for electrification. Even the probable off-radar on possible deposits that are out there won't meet demand. And I would say a lot of those won't ever go into production because of other issues to deal with permitting and country risk, capex, that sort of thing. So copper prices and discoveries have to increase over the long term. As I say, it takes 10 to 20 years on average to put a major copper mine into production. So in my view, and this is what I'm going to be doing and have been doing, is back up the truck on some of these deposits and companies and if we enter a recession, which we've been predicting for years now, these guys just mentioned it, that should bring down these prices of copper temporarily and that's going to be a fantastic opportunity looking out to the future.

So my top pick in this is Arizona's Nora Copper, ASCU market cap, about 160 million Canadian. They got 18 million in cash. It's a high grade copper, deposit, open pit in Arizona. It's on private land and state land, so there's no dealing with the federal government, big plus. The locals are on board, there's water, they own the water. Now the key thing you need for these deposits, they own the water. There's electricity going right by, there's a rail right by it.

The metallurgy recovery is very simple and cheap. They'll be producing cathode copper. There's not a concentrate that's got to go somewhere like China to be processed. What else is good about this thing? Robert Friedland's Company, Ivanhoe Electric owns the down dip portion of this deposit and that's been valued at somewhere in the order of 1.7 billion and that's the down dip deposit of this thing. So it really doesn't get much better than this in my view. And the stocks come off probably 25% from when I first bought it. Rare Earths. Critical metals for the windmills and magnetics and stuff. The problem is almost all of it, as you can see in this chart is mined and processed in China. That's that whole red bit. And so they control supply. Demand is expected to double over the next 25 or so years.

And right now the west is only sourcing... It only wants to source from either free trade nations or they're doing bilateral agreements to secure that supply so they don't have to go to Russia or China to get that. That's just a policy across the board for most western countries, especially the US. So the one I like is an Australian listed stock, Meteoric Resources. Market cap about 450 million. They got 35 million in the bank. It's a high grade ionic rare earth deposit. And the important part here is it's an ionic clay deposit. So mother nature has weathered that deposit such that the rare earths are much easier to recover. In fact, it's a sodium sulfite solution which is basically a fertilizer and that's what I really want to own.

Otherwise, the rare earths occur within the mineral crystal structure and it takes a huge amount of energy to crack that rare earth out of the crystal structure. So I want to stick with the ionic clay deposits, and that's what this is. They've got a high grade open starter pit to go off with. Relatively low capex, opex. Recovery is good, infrastructures right there, it's in Brazil. Government's on board, there's no problems with the locals, it's permittable. Next catalyst coming is an engineering and resource studies, and that's just a quick picture of what it looks like. It'll surface. Just strip that right off, take it, wash the clays away and you've got your rare earths more or less.

Okay, Gold. Given everything I've heard here and what you'll be hearing the rest this week, I think now we are seeing the bottom in the gold price. And I also think through this tax loss season we're going to be seeing the bottom in most of the equities. So this is in my view, is one of the best times I've seen in a long time to be purchasing legitimate gold companies. And here I can show you what the major mining companies production profiles have been, not good. They need to buy new deposits, but they've got to be quality, meaning high margin, safe, in a safe jurisdiction, not Venezuela for instance. The ESG is a big thing these days and these are very rare deposits. So again, if you can buy one of these, you're in good shape going forward. And this is the one I picked and it's funny, I normally pick real high risk junior exploration companies, but right now some of these companies with actual discoveries are selling real cheap and Rue Putts a good example in my view.

Their market cap's about six 35 million Canadian with 45 million in cash. They've made a high grade open, mineable discovery in Finland, about 3.6 million ounces. It's open pit. I've got underground in quotes because they can go much deeper in the open pit, but they need to acquire the ground adjacent to it, which is held by a company called Orion. Their symbol is Au in the Toronto exchange. That's a good play as well. This thing averages about two and a half grams and that is a good grade deposit in this circumstances. And under this recovery and processing that they're going to go through. Capex, they estimate about 405 million sustaining.

Again, that sustaining is to go underground. I don't think they're going to have to go underground. Jurisdiction Finland, great. Agnico owns 14% and has another mine in Finland. So there's someone right there ready to buy it. Catalyst, a new mineral estimate in Q4 and a PFS later on. And my bid is this gets acquired. So I'm still working with Joe Mazumdar, it's his newsletter now. Exploration Insights. Joe is one of the smartest, most experienced guys I've met. That's why I brought him on and sold this to him. The letter comes out weekly. If you're interested, get a hold of us via the email, get a sample copy or if you want to just try it for a month, take it for a month. Everything we've ever written, published, bought, sold, et cetera is on the website, searchable. And I've got, looks like a minute or two for questions if there are any.

Speaker 3: What about I-80 Gold? That's another interesting gold stock.

Brent Cook: I-80 Gold. Yeah, that's one that I actually own and Joe does as well. Excellent company. They've got some great deposits, they're building and developing in Nevada. The only issue they've got right now is they're running low on cash and somehow the guy running it Ewan Downie, he is like a cat with nine lives. He always pulls something off and I think he will again. But that's a good company too. I-80 it's more advanced than what I've been talking about. Anyone else? Okay, well, thank you. Enjoy the show and I'll be around tomorrow.

Albert Lu: All right, thank you Brent.

Tavi Costa

"The Case For Hard Assets"

Albert Lu: At this time, it's my pleasure to introduce our next speaker, Tavi Costa to the stage. Tavi is a partner and macro strategist at Crescat Capital, and has been with the firm since 2013. He's responsible for developing Crescat's macro models as part of our thematic investment process. His research has been featured in financial publications such as Bloomberg, The Wall Street Journal, Reuters, Yahoo Finance, Real Vision, and others. His talk today is The Case For Hard Assets. Please welcome Tavi Costa.

Tavi Costa: All right. Thanks, everybody. Looking forward to this conference. I look forward to this every year now and it's one of my favorite ones, and I tailored this presentation to talk about hard assets because I think it makes sense. 2018, I stumbled into a chart of capital spending of natural resource companies. In fact, I created a chart. I was just looking at the cycle of those companies over time, and what shocked me a little bit was how much of a perfect timing indicator that is for the commodities cycle overall. And sometimes, in macro, what you have is building the foundation of a thesis, but you don't know what the trigger is going to be. So, in this presentation I picked this. Obviously, this thesis has been developing over time, and in this presentation, I picked absolutely my favorite charts to really go over this whole thesis. This is the case for hard assets.

Let's get started with the 60-40 portfolios. That's the most traditional way investment strategies are run. One of the things I look at is the valuation of those portfolios. That's what this is trying to resemble here in this chart, is essentially doing a 60% of the PE ratio of the S&P 500, and a 40% weight of US treasuries yield. And so basically you're looking for how much yield you get on a 60-40 portfolio, all the way back to the 1800s. And today, we have one of the most expensive levels in history. Note that there is a peak there, where it was at 13% back in the early 1920s when a lot of people used to say, or today, that we're probably going to be facing another roaring '20s, and I could not disagree more with that, because valuations of financial assets are drastically different.

I think we're going to be entering another cycle where we're going to go back to not only the average of these valuations, but also most likely going to go to the historically undervalue levels of these numbers. One of the main reasons why this portfolio stops working at some point is because of the correlation between these two assets. So, we've had what I call a golden era of 60-40 portfolios, where every time the S&P 500 is declining, US treasuries tend to rise and therefore you have a safe haven aspect of those assets in becoming a real or true defensive alternative for your portfolio. Note that before that decade, those decades before the early 2000s, you can see that there was another period where it was a highly, I would say, unfavorable setup for those 60-40 portfolios as well. I think we're entering another one of those.

As you can see, those are long-term cycles and in fact, the BOJ made a chart on this going back to the 1800s and you would think that those things are kind of cyclical over time, but no. Usually, 60-40 portfolios are, I should say, US treasuries and the stocks are actually positively correlated over time. This has been a fluke, what we've seen in the last few decades. So, let's get into this. If there's one chart here that is probably the most important one, I think it's potentially this one, it's US treasuries. Everyone knows it's been in a difficult market, particularly long-term treasuries. And as you can see here, US treasuries are finally actually more volatile than gold. And if you were holding a 60-40 portfolio, your main reason for holding a treasury instrument has to do with protecting on downside volatility. Well, if the downside volatility now is larger than gold, it becomes a thesis now that potentially you could start holding more of precious metals as a form of a defensive asset.

I firmly believe this is happening right now. Now, if you ask financial advisors today how much of gold they have allocated in their portfolios, this is a chart. If you look at the far left, 71% of those financial advisors essentially answer that they hold less than 1% of gold in their portfolios. So, when I think about a thesis, I think about capital flows, valuations, this is all matching and checking those boxes in a large way. Then recently, we've had Barron's, literally this last week, came out with this cover called Time to Buy Bonds. They’ve actually been right in the last couple of days. Bonds have been rallying, but I do think that, over time, we're seeing some big changes in the dynamics of capital flows that will cause some also changes in valuations of assets. And one of the reasons here, there's two types. There's investment strategies, the 60-40 portfolios, but there's also central banks.

Those are the two big poles of capital in the world. Central banks have been accumulating gold. I don't think that's really a surprise for anybody here, but note that in this chart, back in the '70s, central banks used to hold about 70 to close to 74%, at the peak, of gold holdings relative to their foreign reserves. Why do they hold gold? Well, gold was a neutral asset. It's a way to enhance the quality of your reserves. When treasuries became really cheap, they shifted. And so you've seen European central banks, Japanese central banks, most developed economies actually shifted away from gold, given the fact that treasuries are cheap and it started to accumulate the instrument. Now, we've been through those decades and now we're seeing this long-term base has been formed and I believe strongly that global central banks along with 60-40 portfolios are going to be what makes this big shift.

US federal debt, I think many of the speakers have been touching on this topic, and talking about how much it has grown. But to me, one of the most important things really is this annualized growth that we're seeing since the debt ceiling. It's growing at about 20% annualized growth so far. In fact, this chart's a little bit old. It is 33.7 almost trillion dollars right now. So, it is quite remarkable how the pace and the magnitude of the debt problem is growing drastically. Now, if you're going to make a case for hard assets, you really need to make a case as well for inflation. You have to have a very strong view that inflation is here to stay. Most, or I should say all the commodity cycles I've seen in history happened or coincided with inflation besides I think the early 2000s you can maybe claim that was driven by China, and some other things.

We'll touch on that in a minute. But you can note here that a lot of policymakers are potentially understating what's happening and how inflation really develops through waves and I think very strongly, we're very close to a bottom. We've seen some signs of inflation beginning to accelerate again and I think it's going to build on itself over time as well and it's going to be a very important aspect. And when I show that chart of the '70s, most people say, "Well, but this is very different than the '70s. I think it's playing out more like the '30s and the '40s.” Well we've also seen waves of inflation in the '30s and the '40s, in fact, I do think that this cycle today is playing much more like the '70s than actually the '30s and '40s, although I do think we're going to go back to financial repression at some point and it's the main reason why hard assets are going to do so well.

Now, when you look on the street, inflation expectations, just looking at the Bank of America Global Fund Manager survey, they put out some great surveys there and you can see here that the expectations for global inflation is actually supposed to be slowing down. I disagree strongly. So, let's dive in why. Well, there's some structural forces really developing in the system. One of them is the labor markets. If you think this is an isolated event, some of those strikes that we're seeing, I think you're out of your mind. This is just a Google Trends looking at the word strike, and you can see it's surging. But really, this is happening across most developed economies, not only in the US. Those are trends that we haven't seen the share of profits from corporations go towards labor in a large way for a very long time.

Back in the '70s, we've had a much higher percentage of the profits from a corporation used to be allocated towards the labor market and so there's definitely room for corporations to pay more to their employees and I think that's going to be happening more and more. Number two, the labor force participation is starting to rise. I saw Lyle Brenner, the other day, claiming that this rising participation rate of the labor market is actually quite positive. Well, it's a classic stagflationary sign. Note that the other period that we've had an upward trend in this measurement of 16 to 24-year-old folks in the labor market and you can see this across any age group was really during an inflationary era. So people are being forced to go back to work. And finally, I do think this is having an impact in labor participation rate. Another problem that is very unique too, and I believe it's another long-term force really developing in this system, is inequality.

This is a chart from Bridgewaters and their main point is regarding that we're probably starting another era of populism and I agree. I think this is a great point and I think emphasizes the deglobalization trends that we're seeing. But also note that in the 1970s we did not see any populism at that time, or I should say any signs of inequality to the same degree that we have today and I think that this is an incredible difference between those two areas. If you think about what's happening today with…emerging markets, what you tend to see from inequality is that the government tends to step in, and so you're likely to see some further interventions of social programs grow even further in the fiscal agenda over time. But the fiscal spending, which has been covered many times here, is out of control.

Well, we're seeing, if you exclude interest payments, I'm not including interest payments here, just the discretionary spending in which, recently, Wall Street Journal had an article claiming that most of this fiscal spending is actually not really discretionary, meaning it's not really going to be driving inflation because it's mostly for interest payments, and other issues. That's not true at all. If you exclude that, it's about 25% of GDP and it's certainly going to have an impact in terms of driving inflation over time. Now, I think that we're seeing this level of fiscal spending, although defense spending itself, or military support is one of the lowest levels in history. We're having two wars now unfolding. In prior times, when we had wars, as you can see here, these numbers tend to go drastically higher, at least a double from where it is currently. So, can we expect this to become an even larger side of the fiscal agenda?

Certainly, I do think that that's going to happen. Think about the reshoring thesis, right? This whole idea of developed economies going back to their countries and so forth. Well, that's going to cause manufacturing relative to GDP to rise. We're yet to see that happen as well. I mean, this has been a secular decline in this trend as well of manufacturing, used to be almost one third of the economy and today, is basically 10%. So, I think we're going to see that rise as well over time, and it's going to be also drive the demand for materials and commodities. Now, more shockingly, which has to do with the first chart that I was referring to with the CapEx trends in commodity businesses has to do with now the separation between where most of the capital has been flowing into, which is technology companies. And so you can see here in the Y is the CapEx in aggregate of most of the technology companies and the red line is just looking at the energy sector specifically. So, you can see this major divergence between the two.

In fact, the energy sector is down about 71% from their peak in 2014, when it comes to capital spending. So clearly, there has been a shift of focus and you can see this as well in terms of the number of graduate students, or even interest in mining from younger folks too. Well, this is just looking at the green revolution itself and thinking about, well, if we're going to rely on electric vehicles and other shifts that we're going to see, we're probably going to need a lot more minerals. And to me, this is an institutional pitch. The institutional pitch right now is if you're going to see the reshoring of developed economies and we're going to see a green revolution shift and we're going to see affordability of housing changing.

In other words, we're going to see a supply rise of houses over time. We're probably going to see electrical grids being revamped. We're probably going to see manufacturing capabilities being built. How in the world are you going to do all that, and you're not going to see the metals and mining industry become massively more relevant than what it is currently. This is basically a margin error. And so, to me, this screams asymmetry and opportunity. I love the energy space, but I'm going to put it into another perspective. Just look at the oil market in this large circle and you can see down inside of this circle, different markets. I mean, gold is drastically smaller. You can see uranium is also drastically smaller, or copper, or silver. So, there's another way of measuring asymmetry. Now, let's take another look here. Magnificent Seven has been all over the news.

Let's maybe do magnificent two. Apple and Microsoft make up about 14% of the S&P 500 weight today. That is more than four sectors combined. Two companies are larger than four sectors combined, energy, real estate, utilities and materials. It is about, what, three times larger than the energy sector and about 70 times larger than the metals and mining industry. Here's a twin deficit relative to GDP. I like this chart, because I think it's a structural problem. As you can see here, tech burst, global financial crisis, pandemic recession. Are you seeing a trend? It's getting lower and lower and lower. And so, I think we're going to see... When we see a recession in an economic downturn, we're likely going to see even lower numbers in the twin deficits relative to GDP, and that brings me back to commodities. I've shown this chart before and I'm probably going to be showing you this chart for the next five to 10 years. And the reason for this is, because it tends to develop in large waves as well, just like inflation.

However, as you can see here, those are big trends that you don't want to dismiss or neglect those opportunities. In fact, there's something about owning commodities in an inflationary era. When you think about why should I own, how do I invest in an inflationary period? Well, there's one way you should be thinking very, very hard on how to do it. I think you want to own businesses that have pricing power. Now, commodity businesses have an inherent pricing power in their business model. In fact, the main reason for that is because the underlying commodity price tends to rise during inflationary periods and so, this is a moment when you want to be doing that. But the prior chart tells you both stories. It tells you that equities are expensive but also tells you that commodities are really cheap.

I'm not going to get into the equity markets today, although I'm ultra bearish, and structurally bearish on equities. This is just a chart showing you that during inflationary decades, what you tend to see is a multiple compression of fundamentals and in average it’s about 47% decline in multiples. And today, by the way, as you can see in the far left, we're starting in those decades at 17, 15 and 13. Well, today, we're about 30 in that metric. So, we're starting from much higher levels. I would suspect that the compression of multiples is going to be even worse. This is a great chart. It's not mine. It's a chart from Incrementum AG and it's basically looking back in commodity prices all the way back to 1915. So, you can see here, there's…five green sections. Essentially…three of them happened in inflationary eras, the 1910s, the 1940s, the 1970s, and then early 2000s, you saw China entering the WTO, becoming the manufacturing plant of the global economy.

Today, you kind of have both, right? You have G7 economies doing what China did in the early 2000s, but at the same time, you likely have another moment where inflation is likely to stay higher than historical standards. This, to me, I've never seen a time when gold breaks out and starts a new cycle, or commodities break out and start a new cycle and they don’t both coincide with the same bullishness or a favorable market. And so, if you think about the gold market, I think it's one of the most bullish environments I've ever seen. And the fact that we're looking at mining and metals and mining industries as depressed as they are currently, to me, it's why I spend most of my time in this space. So, you can see here there's three cycles, essentially. One that I'm proposing that we're probably going to see one or suggesting, there's one in the '70s and one in the early 2000s. I already explained a little bit of the 2000s, and China. The first cycle is really driven in the '70s by inflation and also an accumulation of gold during that period.

If you like gold, I recommend you take a picture of this chart, because I listed all the macro factors we're going to see and we're probably going to see as a tailwind in this market. And so we're seeing falling production of gold across most of the majors. In fact, most of the major companies have lost even interest for gold to shift towards electrification metals. Central banks are accumulating gold to levels we've never seen. We're seeing government debt to historical levels, which we didn't see in the second and the first cycle either. We're seeing gold very cheap relative to the S&P 500. We're seeing a manufacturing revitalization across most economies. So I'm not going to get into it, but the very last point here, which is, I put it in the last bullet points, it's what I call the trifecta of macro imbalances. It's the debt problem of the '40s, the inflation of the '70s and also the valuation imbalances of the late '90s and the late '20s.

So, what is a roadmap for gold here? I think this is a triple top. Classic triple tops rarely work. In fact, I'm saying rarely just to hedge but I don't think I've ever seen one really work. And you can see here in this red line, is gold in Japanese Yen terms, already broke out significantly to higher levels. If you look at the government imbalance in Japan, maybe that's a roadmap for the US. Yes, I do think that that's a roadmap. We're about double the debt imbalance that we have in the US, in Japan, and that's what we're seeing. We're essentially seeing a debasement of currencies globally. Lastly, just want to leave you with another great opportunity that I believe will play out in the near future and it's already playing out currently. I've never seen a time when the central banks in the US actually is raising interest rates and tightening monetary conditions.

At the same time, we're seeing the Brazilian Central Bank is starting to reduce their interest rates. And in this drastic divergence between the two, we're actually seeing Brazilian markets actually perform very well. And why is that? And the reason for that is because it's a resource rich economy. But it's extremely cheap right now. Businesses in Brazil are very, very cheap. And so, I think that's another way to be playing this commodity cycle, along with owning a basket of commodities over time and I've never seen a time that you want to own all these hard assets. And so, I believe we're in the onset of an inflationary era.

I don't think 2022 was a fluke, I think it was the beginning of a big shift in the markets. I think we're in the return of value investing. I think we're in a restructuring process of 60-40 portfolios. I think we're also seeing a reemergence of hard assets in traditional portfolios. I also believe that gold cycle is inevitable, and this is the main reason why I have a large focus in commodities, particularly metals and mining. I am bullish in resource economies. I'm structurally bearish in financial assets and I also think the economy is probably going to head into a recession very soon. The steepening of the yield curve after being inverted, ISM below 50 for 12 months straight and also the narrowing leadership that we're seeing in the market. I'm sorry for all these things that I had to ramble, but I hope you enjoyed this presentation. Thank you very much.

Adrian Day

“Gold In The Current Environment When Will It Take Off”

Robert Helms: Well, ladies and gentlemen, I'm about to introduce you to a man who in many ways needs no introduction, but that's my job. Adrian Day is considered a pioneer in promoting the benefits of global investing. He's a native of London. After graduating with honors from the London School of Economics, he spent many years as a financial investment writer where he gained a large following for his expertise in searching out unusual investment opportunities around the world. He also has authored three books on the subject of global investing, International Investment Opportunities, How and Where to Invest Overseas Successfully, Investing Without Borders, and the more recent Investing In Resources: How to Profit from the Outsized Potential and Avoid the Risks. Adrian is a recognized industry expert and authority in both global investing and resource investing. He is president of his own money management firm, Adrian Day Asset Management, and he specializes there in global diversification and resource equities. Also, Adrian is the portfolio manager for the Euro Pacific Gold Fund, and he's the editor of a premium email service as well.

He's a frequent speaker in investment conferences and also has been tapped at CNN, Financial News Network, BBC, NBC, CNBC, Good Morning America, Wall Street Journal Radio, and more. Adrian has made an appearance here many times and let's welcome him back to the New Orleans Investment Conference, Mr. Adrian Day.

Adrian Day: Well, thank you very much for that introduction. Boy, that went on. I could have fallen asleep listening…I think we'll edit it for next year. Thank you, ladies and gentlemen. My topic is gold in the current environment, when will it take off? And you can put the emphasis in, “when will it take off” anywhere you want because there is a bit of an exasperation among many people. Last year, of course….We had a war in Europe and of course we had, there you go. Okay. Thank you. We had a war in Europe and we had rising prices, and we had very high expectations because people assumed with a war and inflation, that is a perfect scenario for gold to go up. And people have been very disappointed, but in fact, gold is a little over $1,600 an ounce a year ago this time at the conference.

I would argue, in fact, that gold has actually done quite well in the last 12 months in the face of rising interest rates, the most rapid appreciation in interest rates ever, from zero to five and a half, and tight conditions generally around the world. And I'm going to address these in a second, the other major theme among gold investors, if you like, is the growing difference between gold and the gold stocks with every gold investor saying, “gosh, the gold stocks are going to catch up soon.” Well, of course there's two ways this can go if you want to close that gap. You can either have the stocks go up or you can have gold go down. And in fact, before the Hamas attack in Israel, gold was beginning to fall and fell quite sharply. This graph here, I got this from Bloomberg, but it shows where gold should be trading, and I hate to use the word should, so let's put quotes around it, where gold "should" be trading based on historical evidence, based on where real rates are and where the dollar is, where gold should be trading. And the top line shows you in yellow where gold should be trading and that's significantly, several hundred dollars, below where it is today.

I would argue, although gold has done well in the last year, the only reason, although certainly the primary reason that gold has done as well as it has in the last year and isn't much lower today is because of central bank buying. You can look at all sorts of other things like gold ETFs and apart from two months earlier in the year, last year, we've had outflows, consistent and growing outflows from the gold ETFs, which have continued until last month. And so it's only central bank buying that has held gold up. Now let's get to look at where we are now and I'll come back to some of these themes later if I may. What is the current environment and how should gold react? Well, first of all, of course, now we have two major wars going on, not just one.

But if you look at the history of geopolitical events generally, the impact on gold, I can send these slides by the way to anyone who requests them because it's difficult to see all of this, but this is from the 1970s and 1980s, various geopolitical events, and there's really no discernible trend. You can't say, well, when there's a significant geopolitical event, gold goes up. Sometimes it actually goes down, more often it goes up, but it goes up for a very short period of time. And then if we look at the same thing in the 2000s, we see the same thing. The major theme we can take away is that if there's a major geopolitical event when gold is already in an upmarket, in a bull market, such as the Iran crisis situation in the seventies, then the effect on gold will be larger and more longstanding. But generally, geopolitical events have a very short term, not small, very short-term effect. And of course, this was shown most clearly last year with the Russian invasion of Ukraine. We saw gold shoot up and then within two months it was back to where it was before the invasion.

The second thing, I'm going to go through and talk about where the environment is right now. The second thing I think we can say about the current environment is that there is US political chaos and I don't think I have to say any more than this. The third important thing about the environment right now is debt and government deficits. We all know this, interest payments, US federal government interest payments are surging. I mean, look at that hockey stick at the end. They are surging in an almost unsustainable manner and this has an effect we'll come to in a second on what the Federal Reserve can do.

We are in a situation right now where the supply of treasuries is moving up. It's moving up of course because the deficit is moving up. There's more treasuries that have to be sold. The supply of treasuries is also higher because there was a pause in issuance during the debt ceiling negotiations earlier in the year. The treasury has to catch up from all those treasuries that didn't issue. And then of course, one of the most important things, is that the supply is up because the maturities are low. If the US government had taken advantage of zero interest rates a few years ago and issued 30-year bonds, let alone 50-year and 100-year bonds, I mean, why not? If Austria could do it and Italy …and for goodness sake, Argentina, why on earth couldn't the US government issue 50 and 100-year bonds when rates were at zero?

But anyway, they didn't. They just issued at the short end of the maturity spectrum, which means you have more treasuries maturing all the time, which means more treasuries have to be sold. And this shows you the federal government maturities. To me, this is criminal. To me, whoever was the treasury secretary in charge of treasury issuance during the zero interest rate years should be tried for criminal negligence. This is criminal, but it is what it is. At the same time, of course, as higher demand, we have a higher supply, we have less demand. We know China is not buying treasuries anymore, Japan, the number two, is not buying treasuries anymore. And at some point when their interest rates rise and that flood of money that went overseas from Japanese institutions returns to Japan, we might actually start to see net selling from Japan. But at the moment, we're just seeing no buying. Russia, of course, is not buying. Those are the three largest foreign buyers of, they were the three largest buyers of treasuries. US banks are not buying treasuries, or buying far fewer treasuries because of the problems that we saw back with the banking crisis in March. And of course, the Federal Reserve is not buying treasuries. The traditional buyers of treasuries are no longer in the market. We have more demand, less supply.

That means yields go up off course. We also have a debt problem, not quite so extreme, among corporates. And you can see here we had relatively little debt come due this year, but look at next year in 2025 and 2026. If we have higher for longer, higher for longer, which is Jerome Powell's mantra, interest rates don't have to move up an eighth of a percent or a 16th of a percent by here. They just have to remain higher for longer. And look what happens in '24, '25 and '26. We have a problem among the corporations in America. This is all positive for gold because it limits how high interest rates can go…

Well, look, you don't have a recession when you have 500,000 jobs and the lowest unemployment rate in more than 50 years. What I see is a path in which inflation is declining significantly and the economy is remaining strong.

Well, the next part of this environment, of course, is that we're heading very, very rapidly into a recession. Now, there are some people, as you've just heard, Janet Yellen, treasury secretary, former Federal Reserve chairman, who does not think we're heading to a recession. And she's an employment economist, remember this. Yellen is an employment economist, and she thinks we're not heading into a recession because you don't have recessions when employment is so strong. And I ask you, just look at this graph here. There we go. And in every one of the last recessions, the line there represents unemployment, and the shaded areas represent recessions. And it's clear to me, I don't know about to you, but it isn't clear to Jenny Yellen. But unemployment is always at its lowest immediately before a recession. There's logical sense to that, but just historically that is the case.

I disagree sharply with Janet Yellen when she says we're not going to have a recession. It's important to remember…that interest rates act with long and variable lags. We all have heard that many, many times, but we forget what it means. When interest rates start to move up, it's a long time before we have a recession. And in fact, the average of recessions going back to 1968 is 22 months. Well, they started raising rates April of last year. We're not even at 22 months yet. We're not even at the average. And I would argue that the lag this time should be longer than the average for two reasons. First of all, it took them so long to get to real positive rates, to positive interest rates, which is much more significant than interest rates moving up.

It's much more significant when you have real rates and start moving up from there. That's number one. And number two, because we had such a long period of excessively easy money where corporations refinanced, the US government didn't, but corporations refinanced, where households refinanced, it means that when they started raising rates, more people, more companies, were in better shape, had better balance sheets, had lower interest rates on net debt, mortgages and so on. And so the runway was much, much longer. I would argue that the lag this time should actually be longer. We should expect it to be longer than the average, but we haven't even hit the average yet. To say that because we don't have a recession yet, the Fed has engineered a soft landing, is in my mind just plain nonsense. People are living in fantasy land if they think we are going to have a soft landing. By soft landing, meaning the Fed is going to quash inflation on a semi-permanent basis by raising interest rates without causing a recession.

Now, are recessions good for gold? Because I'm looking at the environment and looking at whether it's good for gold. Well, in fact, contrary to what might be the initial impression, in fact, recessions are good for gold and they're good for gold stocks as well. This graph shows you in every one except one recession since the 1960s, gold has gone up. And the one that didn't go up incidentally was that year when all the central banks of Europe were dumping their gold. Remember that? But be it as it may, gold went down by less than half a percent, but in every other recession, gold went up. Look at the gold stocks. They've gone up in every recession except three. But if you look at the percentage when they go up, the average would be very, very strong indeed. But in every case where the gold stocks went down, except one, they outperformed the S&P.

The message from history, and this is seven recessions, the message from history is fairly clear that gold is most likely to go up in a recession. The gold stocks will probably go up in a recession and they will more than likely beat the S&P either way. And you can always play with statistics anyway you want, right? I took recessions from the bureau of whatever it is, economic affairs when they say it's a recession. But if you started just one month after the onset of a recession, then gold stocks were up in every single case. The message is, as investors, at the onset of a recession, you buy gold, you hold gold, and then a month later you buy gold stocks. And that makes logical sense. That makes logical sense. That's another positive for gold. What about inflation?

This obviously shows the CPI having come down fairly significantly, but inflation is still stubborn. And I think we're going to see inflation numbers as measured by the CPI and the CPE and all that move up over the next several months. They'll move up A, because of a base effect. Remember that when all the apologists were saying, "oh, ignore the base effect. Numbers are only up because of a base effect." Well, now inflation's going to start moving up again because of the base effect from last year. It's also going to start moving up because of a higher price of oil that we've had in the last three months. Price of oil affects the price of all the goods in the stores. Obviously the price of gasoline, the price of airlines first. But because everything in the stores is transported, the price of oil affects the price of every good in the stores, but with a lag, with a lag. And after two or three months of higher oil prices, we're going to start seeing the prices of goods in the store move up.

And so inflation's going to move up in my mind. Now, that should be good for gold, everybody thinks. But in fact, it's not a very close correlation in the near term between gold and inflation. And you can look at this graph and see the CPI going down, gold going down, but then gold going up as the CPI continues down. And you would say there's really no correlation on this graph. In fact, a correlation is what investors think the Fed is going to be doing next. But we don't have time to get into that. But the point for this is there's no very close near term correlation. On the long term, of course, there's a very close correlation between inflation and the price of gold. This graph goes back 600 years, and the correlation is very, very close indeed. But I don't think any of us need to worry too much about that.

Number six would be a stubborn inflation and a recession that spells a stagflation. And stagflation is another very, very clear positive for gold. Gold is the best performing asset during stagflations. And so if we look at the scenario where we are, and I've mentioned several factors or aspects of a current scenario, five out of six are positives, and some are very strong positives for gold. It strikes me that the outlook for gold from the current environment is very strong. Very strong indeed. And then if you look at the gold stocks, the gold stocks are just at remarkably undervalued levels. You look at a company like Agnico Eagle, the third-largest gold mining company in the world, very strong company, safe jurisdictions, strong balance sheet, strong pipeline of projects, et cetera, et cetera, et cetera. And yet on a price to free cashflow basis, it's selling at the lowest that it ever has in 40 years.

And that's basically the entire history of the company. It simply doesn't make sense. If you look at any metric you care to look at, price to book, price to ounces in the ground, even price to earnings, gold stocks used to not have earnings, but even price to earnings. You see that the gold stocks today are selling close to long-term lows. And by long-term I'm talking 40-year lows. That is an anomaly given where gold is today, given where the outlook for gold is today and frankly given how strong most of the gold mining companies are today. The message is gold is definitely a stronghold right now, and you should take advantage of these weak prices to buy gold stocks right now. Thank you very much.

Danielle DiMartino Booth

"The Most Aggressive Fed In Modern History"

Robert Helms: Our next speaker makes her return to the stage and to the New Orleans Investment Conference. Danielle DiMartino Booth is a global thought leader in monetary policy, economics, and finance. She is the founder of QI Research, which she founded back in 2015. She's the author of Fed Up: An Insider's Take on Why The Federal Reserve is Bad for America, which came out in 2017. A regular business speaker and commentator, which you'll find regularly on CNBC, Bloomberg, Fox News, Fox Business News, BNN, Bloomberg, Yahoo Finance, and lots of other media outlets. Prior to Q1 Research, Danielle spent nine years at the Federal Reserve Bank of Dallas. She served as advisor to President Richard Fisher throughout the financial crisis until his retirement in March of 2015. Her work at the Fed focused on financial stability and the efficacy of unconventional monetary policy. Here to enlighten us, and you've seen her on the panel. You're going to now see her in a new dress. Ladies and gentlemen, Danielle DiMartino Booth.

Danielle DiMart...: Well, so here we meet again. My Longhorns are, they just gave up a really huge lead. So no, that's not a good thing. That's not a good thing, but we are tied. There's about six minutes left in the game and I've been..getting ready to come on stage and I've been asking myself, "Okay, what's worse than the Longhorns losing?" And I said, "Well, I could lose my entire shoe collection." I thought, "That's a plus. I've still got my shoes on." I just got a compliment on them. My children's health, all four of them are still healthy. So that's even more important, right? Christmas is coming, my favorite season of the year. So there are worse things, sort of, than my Longhorns losing, but just the same, I do want for all of you in this room to pull for them right now, please. Sorry?

Robert Helms: It's working. It's 30-27 Longhorns. It's working.

Danielle DiMart...: It's working. It's working. Don't go anywhere, just stay close by. All right? Okay. All right. But we're not here to talk. I mean, we could talk about football, but we're not here to talk about football. It's only been a rebuilding couple of decades. So where were we? Let's jump into where we were Thursday morning. Okay? Y'all were already here in New Orleans at that point and contemplating the big non-farm payroll report that was going to be coming out at 7:30 New Orleans time on Friday morning. It's like the Super Bowl of data for us geeks. But what did we know going in? What we knew going in was where payroll tax receipts were headed, that blue line down. And what did that tell us? That told us something intriguing. It told us that the revisions, before we even had the data reported, that the revisions were going to be negative. And you know what? They were negative.

Now, the data meisters at the Bureau of Labor Statistics a month prior, they were getting a little paranoid because we'd had seven downward revisions in a row to non-farm payrolls. The only precedent was in the heat of the financial crisis. Being the full of integrity individuals who they are at the People's Bank of China, I mean at the Bureau of Labor Statistics, they managed to cook up 110,000 in positive revisions to July and August payroll numbers. Well, how did they do that? They were all in the government sector. But when you looked at private non-farm payrolls, they were revised down by 12,000. When the payroll report came out on Friday morning at 7:30 New Orleans time, and I understand there are a lot of enterprising yous who were in this room at that point for whatever goes on at 7:00 AM which typically in New Orleans, people are still drunk anyways.

But when that report came out, the first thing I did was look for the revisions and you know what? They were down. So when you look at private sector job creation, we've been down now for nine months in a row. That puts us in the depth of the great financial crisis. Do you remember what it felt like back then? It was really bad. I mean, Lehman Brothers had gone down. That's how fundamentally weak this economy is, but we don't see it, right? Lyn [Alden] was just, she had all these wonderful charts about federal debt. We'll get there. But to think that during the real deal, that, excuse me, during the New Deal, and it was real because it produced some real things like the Holland Tunnel. But during the New Deal, 40.1% of GDP was pumped into the US economy over a space of years and years and years.

In the 12 months after the Cares Act was passed, 42.3% of GDP was pumped into the US economy in 12 months, mostly through this crafted little thing called direct deposit. People got the money in cash, it bypassed the banking system. If you remember one thing, that's not true. I want to talk about the employee reduction, employee retention credit. But if you remember one other thing from what we talk about today, remember how inflation is created. Not why, how. Because for 10 years, the Federal Reserve pushed on a string trying to get to this 2% inflation target that they could not hit. Why? Because the banking system was in between quantitative easing and borrowers. But what you do when you directly deposit cash into US household bank accounts, you bypass the banking system and then it's spent and it's spent immediately. And that's exactly what we saw.

So when Adam was standing up here this morning, he mentioned on the panel that he'd asked us all to give him one question. Narrow it down to one question that you want to get asked on this panel, Danielle. I said, "Okay, where's the recession?" That was my question for Adam to ask me. Where's the recession? Because right now we're talking about what? Well, now it's 3.9% the unemployment rate, but look at where the unemployment rate has traditionally been on the first month of recession. Now, I could put a similar table up here and show you what GDP looks like in the first month of recession. In December 2007, the first month of recession, GDP growth was…4.9%, but everybody talks about how strong GDP is right now, and my only caveat is it typically is the whitest hot moment of your on paper GDP print, right as you are in recession.

So where's the demand for jobs? My gosh, 12 months ago when I was on this stage, we were talking about a wage inflation spiral, and the world was going to end because everybody was going to be spending all their profit margins on wages, and Chipotle was paying people $20 an hour plus health insurance. So you couldn't find any workers. Well, if you see here, these postings are indexed to February 2020, when Covid rolled on to US shores. And right now, demand for jobs, job postings, are at their lowest level. So despite the fact that we have the unemployment rate up by a half a percentage point, that complies with the Sahm Rule, S-A-H-M. Claudia Sahm is an academic economist and her rule is very much adopted and she says that if the unemployment rate rises by a half a percentage point, we're technically in recession. We're technically in recession according to the labor market, and there's no job demand coming behind it. So you know where that green line, the unemployment rate, is headed.

Now ask Americans... Okay, I'm going to show how old I am, so you too, okay? The misery index, who recognizes the term "The misery index?" Okay, good. It's good to not be the only old person. During the Carter administration, they would add up the inflation rate, the headline CPI, with the unemployment rate, and it went really high during those years. You ask most Americans today, most US households today will tell you, in fact, there were more in the month of October than there were in September, according to the University of Michigan, who feel that inflation is and continues to be stifling. Look at the cumulative changes in certain... Housing is up 20%. Car prices, 40%. Food's up 25% since the pandemic hit. So even though when we get the next CPI print in a matter of days, we're going to see a negative sign in front of goods. We're going to see goods deflation.

It doesn't matter to most American families, because they're still dealing with really high inflation for the essentials, for non-discretionary purchases, which is why discretionary inflation's getting hit so hard. People cannot get by, and they're planning, as you can see on the right, they're planning to spend less, and they're planning to make less. These are very, very hard mindsets to turn once they become ingrained in household psyches. And what we're seeing right now is more and more Americans are convinced that either their spouse is going to lose their job or they're going to lose their job. This is kryptonite for economies, especially economies that are veering into recession, especially economies that had so much fiscal stimulus pumped into them. So, so, so much. And now you're starting to take away the pacifier. Do we care about student loans? People aren't repaying them.

They boycotted student loan repayments, right? It's all over my social media feed. I'm going to stick it to the government. I'm not going to pay my student loans back. Well, guess what? The people who are not going to pay their student loans back, they really don't move the economic needle, and the people who are going to get forgiven, their student loans forgiven, that make 63,000 or less a year, they don't move the economic needle either. It's the people who have student loan payments that are north of $500. Between 500 and 800, 9.8% of the population of student loan, 43 million Americans, 9.4% owe well over $800. How else can we describe the same cohort who went to graduate school and took on lots of student loans and does not qualify for the Biden Administration's forgiveness program? What else do we know about them? Well, we know that they make so much money that they have to pay their student loans back.

We also know that they used to live in urban centers until the pandemic hit. What did they do when the pandemic hit? They left. Everybody left. They went into the suburbs and the exurbs and they blew up Boise, Idaho and everywhere outside of New York and everywhere outside of Chicago. Everybody left. What did they get for leaving? They got…you too behind door number two, you've got your first mortgage payment. And now they know what property taxes are, and they do not want to know what property taxes are. They don't want to know what escrow is. They don't want to know why their mortgage rate is 3% and their mortgage payment just went up. They don't want to know about USAA or Farmers or State Farm. Who are these people raising my homeowner premiums for my insurance? What else do we know about this cohort? They bought cars. You too can have a new car. They bought cars at the highest car prices in the history of mankind and they bought lots of them and they bought lots of lemons.

But we made it illegal to charge for rent. We made it illegal to collect car loans. The administration said, "You will make that car loan if you can substantiate that this person has collected a stimulus check." They substituted stimulus check recipients for income verification to sell people cars, to finance cars. What else do these new homeowners and new car owners…they also have really high auto insurance. We just got kicked off of our auto insurance because we added our 19-year-old crazy son to our auto policy. So we literally got moved. They said, "We're going to downgrade you to this insurance company because we're not going to insure your son." We've only been with the company for 33 years. But they have rising car insurance. Now, what you're looking at here is something else I want you to remember. The top 20%, the top quintile of US earners, account for 38.6% of spending.

The US economy is 70% spending. We are what we buy, but it's the top 20% of income earners who spend the most. They own stocks. They don't have any student loans, they don't have debt, they don't care about their mortgages. They can afford it all. But what about the quintile right underneath them? What about high income earners? This cohort makes between a hundred thousand and 225,000 a year on the right-hand side. You tack on what they spend? Your spending goes from 38% to 61.1%.

So remember that it is the people who make money in the United States who are credited with, who account for, the vast majority of economic output in this country, because we are what we spend. Should we be? No. We could spend hours up here talking about how we've changed as a nation and become a nation of consumers with people who have to have stuff. It doesn't matter. It matters that it’s 70% of US GDP, and it counts. And that's why the wealth effect is important because if people feel like their stock market portfolio is really big and fat, they're going to spend more. If they're comparing with their next door neighbor down the road from their mansion, “my mansion's worth 40% more. Mine's worth 50% more.” They spend more.

But when the stock market starts to get jittery, and when you hear about home sales declining, which we're hearing more about, then you start to realize. Now, what else do you know about this cohort? Well, we know that a Google search trend for “can't pay credit card” is at one hundred percent. We know that a Google search for “give car back...” Thank you for laughing. So this is a real thing. There is a generation of Americans who are like, "I didn't sign up for this. How do I give my car back?" And you're like, "That's called repossession." And they're like, "Repo what?" The repossession industry is 25% smaller than it was prior to auto loans being outlawed when Covid first hit. If they could get more repo men, they would repossess cars. They're literally constrained on a daily basis, the number of cars that they can repossess, because there aren't enough repo men.

And by the way, it's dangerous. So Google, anybody who's here or bored or trying to check the UT score, but anybody in this room, if you want to Google right now repossession, you're going to pull up a bunch of local TV stations' articles. What are they telling you? That people are shooting at repo men because they try and take their car. So it's a thing, and it's a scary thing. But we will see, in the next 12 months, more cars repossessed than we ever have in a 12-month period. And by the way, the next time somebody says they can't get a job, you tell them, go work for the local repo man. So what does inflation look like? That's what inflation looks like. Now we hear about robust spending in the US, consumer is strong all the time. really? Adjust retail sales for inflation. Adjust... Oh oh?

Robert Helms: Give us just 30 seconds, it'll be just fine. So Kansas got all the way down to the nine and they did not score. So Texas is still ahead and they have the ball.

Danielle DiMart...: Okay. Thank you. Thank you and thank you and thank all of you. Okay, so retail sales, flat as a pancake for two years now. When adjusted for inflation, retail sales have been flat as a damn pancake in the United States. Now, trust me when I say if you're listening to Goldman Sachs or Bank of America or any of these sell-side economists, they're going to tell you that life is good. But what they're telling you is that life in nominal terms is good, not in inflation-adjusted terms. Two different things, important distinction. So I'm going to go back. Can we go back? Well, maybe not. Anyways, pretend like you can't see this for just a second. Show of hands. UAW was on strike for six weeks. What happened to car inventories over that six weeks? Raise your hand if you think car inventories went down over that six week period.

Okay, so thank you for not looking at the screen. Who thinks that car inventories went up while the UAW went on strike? They did. They went up by five days. This happens to be in a publication that we put out just this morning, because all I did was throw spaghetti up against the wall and ask my analyst, "Hey, what's car supply done since the UAW went on strike?" Because car sales missed in October. And he was like, "Well, this doesn't make any sense. We haven't built a car in six weeks," and yet supplies went up. This is what it looks like when consumption starts to decline in an economy that is 70% consumption. What else happens when you start to pull the plug on fiscal spending? Does anybody remember what happened right after the election? Right after the midterm election and the House of Representatives was taken over by the Republicans, they said to Biden, "Either you're going to declare an end to the public health emergency or we are. Choose. Make your choice."

So Biden declared an end to the public health emergency. What did that trigger? Well, the $250 an average family of four was receiving in emergency public health emergency food stamp stipends went away. What else happened? The expanded ranks of Medicaid recipients shrunk back to where it was before the pandemic. What did this cause? The lilac line, the light blue line. Yeah, the light blue line. Mothers went back into the workforce in record numbers. Labor force participation went up. What else happened? People between the ages of 55 and 64, those early retirees, they went back into the workforce.

It is impossible for me to describe the magnitude of fiscal stimulus and what the flip side of that looks like, which we're learning in real time. So my former employer, you may have heard, Fed Up, an insider's take on why the Federal Reserve is bad, bad, bad, bad for America. Why? They've made housing so criminally expensive, right? This is two entire cycles here that you have trained people to think that housing is not a utility. This is not where you sleep at night. This is not where your bed is. This is not what you *use* to live in. It's an investment. It's an asset class. That's fed policy for you. Criminal.

Now, the next time somebody tells you that we don't have anything like…that silly subprime crisis, Danielle. "Housing's not in a bubble." Really? Because when the last housing bubble hit, we had less than 4% of mortgages that were Ginnie Mae. Where are we today? About 17% backed by the government. Some of you who may have missed the panel this morning, you wouldn't have heard me say that on December the first, 2023, hundreds of thousands of Americans who have not made a mortgage payment since March of 2020, FHA backed mortgages, are going to be asked to make their first mortgage payment since March of 2020. That's how long we've been spending money. That's how much money. When I say we, I mean US taxpayers, us. That's how long we have been spending money. And we wonder why these kids don't like the idea, why it's offensive. The whole idea of a bill. "Oh, I don't want to pay my bills. Where do I give my car back?"

Now, here's something I won't joke about. I won't because we see it in our cities. And homelessness used to be a scourge that really affected people who got out of mental homes or drug addicts or people who wouldn't go to the Salvation Army shelter at night. Guess what? Fastest growing cohort of homelessness in America is people aged 55 and older. And it's not just because people who've been homeless most of their adult lives are aging. 50% of 55 plus year old homeless people have worked their entire lives, qualify for social security, and yet the Fed made housing so expensive, they made it into a speculative asset class, so we now have, shame on us, our elderly who've worked their entire lives, the American dream, homeless.

So let's shift gears here and talk about commercial real estate, because that's an uplifting idea. You may or may not have heard, WeWork is going to file for bankruptcy. Well, who cares, Danielle? Well, WeWork landlords care a lot. So if you look at the WeWork global footprint, you're talking about offices that comprise 90 million square feet. And what they did, a month ago, when they defaulted strategically, did not make a payment on a bond. What they did was tell the landlords that they're trying to renegotiate these leases with, “either you're going to play ball and we're going to renegotiate this lease in bankruptcy or out of bankruptcy. Pick your poison.” It looks like the landlords, at least in the really good buildings, have pushed back so much that now we're seeing we were going to file here in the next few days.

It's a big deal. Why is it a big deal? Commercial real estate's what? Just three, $4 trillion. Who cares? Small little asset class. But commercial real estate has never really moved the needle when it comes to being in a recession or not. It's a very slow moving default cycle. These things play out over years and years and years unless you have some kind of a catalyst, like a WeWork filing that accelerates the cycle. And this is with a starting point of an office delinquency of 5.75%.

Even industrial is not industrial. Commercial real estate has been the hot asset class for high net worth individuals, “because it is bulletproof.” Not so much. But before we get there, multifamily, this was one of QI Research's biggest calls for 2022 and 2023. If you built a luxury apartment building in the middle of a city predicated on 100% or 90% pre-pandemic office vacancies, excuse me, office occupancy rates, you're hurting. 1.2 million apartments came online in the three years through December 2022. One million more apartment units are in the pipeline. And you know what I call this? Good news? Because right now, if you're a landlord and you refuse to lower the rent, it's pretty easy. Your tenant just leaves. And that's a fact of life. And we need for housing costs to come under control.

But as I was saying, industrial is not, it's not immune. You're seeing that industrial construction itself has crashed. Amazon's reducing its industrial footprint. A lot of companies are simply going away and they don't need as much warehouses as they did. Walmart has innovated. Their distribution system is literally inside their stores. But even bulletproof asset classes, when your broker tells you…sleep at night, always question, trust but verify. So here we go on my favorite subject, the Paycheck Protection Program. The Paycheck Protection Program. Let's be proud of being fraudulent Americans. Woo-hoo.

For every dollar that was spent on the Paycheck Protection Plan Program, whatever it was, fraud, we only got 36 cents on the dollar return, if you will. $790 billion of these loans were made. $757 billion of those loans were forgiven, your taxpayer dollar. More than a third of these loans were made for north of a million dollars. We're not exactly talking about the mom and pop pizza shop down the street who kept two or three employees on the payrolls during Covid, what this fiscal stimulus was designed to do. And there you have it. If I could get you a better picture, I'd be able to show you. It's a Lamborghini. One of my favorite follows on Twitter. The car dealership guy tweeted this out earlier today and he said, "PPP loan to PPP prison." And I hope he's right. I really do.

And then there's the ERC. Yep, yep, yep. I tell my children that I've done something meaningful in my career, that I can justify my shoe budget. Why? Because the work that QI Research did that I'm so, so proud of, it went all the way to the House Ways and Means committee, and it helped pull the plug on one of the most fraudulent programs in the history of the United States, the employee retention credit. Kevin O'Leary on TV with a cute little chefs hat on saying, "You too can defraud the government. The money's waiting for you." $29.8 billion in the month of July alone, long after your company had been disrupted because of Covid. July 2023, $29.8 billion. The three months through July? $82 billion was paid out. “Danielle, where's the recession?” How can we have recession when two fraud-ridden programs pumped $1.2 trillion of cash into this economy? How on earth could we have a recession when we're giving away that much, that much in the way of taxpayer dollars?

It's impossible. Do the math. Okay, so I get a little emotional about this particular subject. It really upsets me. So when Biden came to office, he actually expanded the program to where, if you were like a phoenix rising out of the ashes, if you were a company that was formed because of the pandemic, which I don't know how you write that into IRS code, but it was, so newly formed companies too could be formed, collect the PPP, collect the ERC, and you say to yourself, "Well ,I'll be darned. Look at all those entrepreneurs in America. Look at all those companies that were formed."

They collect it. They collected a lot. And it was fun while it lasted, right? Look at what foreign travel did. Now, I could put up here an identical slide of the stock of LVMH and LVMH stock rolled over when? In July, right when employee retention credit proceeds hit their max level, and the stock's been coming down ever since, because we're not paying people to take the sister-in-law they can't stand at Thanksgiving and putting her in the front of the bus and everybody's going to Paris to go shop on the Champs-Élysées, because the government gave me all this money and I don't know what to do with it. My wife knows I got it, so she's going to make me put her sister in the front of the bus with all the rest of the family, and we're all going to go spend money. Oh, do we have any news?

Robert Helms: With six seconds to go, Kansas State just tied 30 to 30. Now there's one second to go. Stay tuned.

Danielle DiMart...: Okay. All right. So the ERC is not good and I don't like Kansas State. Okay. Anyways, so here you see a picture of something that's really incredible. We just had this huge GDP print, and yet, look at where the bankruptcy cycle already is before we technically enter recession. And guess what started to play catch up? That would be household bankruptcies. We got that data yesterday that showed that households are now seeing a much more accelerated pace of bankruptcies. Of course, you cannot expunge student loans in bankruptcy, but they're declaring bankruptcy because when they add it all up, they simply don't have the money. This is a credit managers index, the CMI. If you don't follow the National Association of Credit Managers, NACM, it's free data, they produce once a month, and it is fabulous, rich data that comes from all of the people who for service companies and manufacturing companies, every month, their job is to collect. Their job is to collect the bills. And what are they telling you? What's that red line? What's that blue line? They're saying they're having trouble doing it. We can't collect the bills.

Most of us would agree that Paul Volcker was a national hero. May he rest in peace. But did you know, as critical as I am of the Federal Reserve, that Jerome Hayden Powell has got about two more months, four more months, give or take, before he will have surpassed his hero, Paul Volcker, and kept monetary policy tighter for longer than any Fed chair in the history of mankind? He just has to hold on for four more months.

Now, what are the odds of that happening? Because typically, once you pause for two Fed meetings in a row, and once you've paused that tightening cycle within four more months, you were starting to lower interest rates. Those are your historical averages. So the world is saying that he might or might not make it, but probably not. And Wall Street is praying to God that not just that we see a rate cut, none of this 25 basis point cute business. Wall Street's betting that we go right back down to the zero bound, all the way to the zero bound, and crank up the quantitative easing machine all over again. That's the business model of tons of US lenders.

And as Lyn said before I came up here, boy have we really put on the debt. And I will tell you that if the election next year puts either Donald Trump, who spent more money than anybody, or if there's a progressive blue wave, either of those options, we are going to see the hyperinflation that Peter Schiff dreams of. We'll see it. We'll print more money. We'll give more money away in cash. We'll give it directly to the people. We don't need a Federal Reserve. Ron Paul can finally rest, be happy. Be peaceful, because you don't need a Fed.

You don't need a Fed. You don't need any agency in the world at all to take interest rates to the zero bound and leave them there and monetize every single penny of fiscal spending. That's just a machine. That's artificial intelligence. I don't know what 800 PhDs in economics are going to do with their spare time, but they're unnecessary. They're irrelevant, and they're unneeded if we decide to go back to this money printing nightmare that we did after the pandemic hit.

"Oh, look, I'm on sale." Anyways, email Andrew. He's in the back of the room. Love to have you all as clients, but I'm really excited that we have time for questions because I'm happy to answer any, okay? Y'all look like... I've not tasered you and it's my horns that are losing here. Questions?

I see somebody walking towards me. Yes, sir.

Speaker 1: Can the Federal Reserve legally give money directly to people in the country or do they have to go through the banking industry?

Danielle DiMart…: Yes. It is a violation of the 1913 Federal Reserve Act to do as was done when treasury basically did a leveraged buyout of the Federal Reserve after the pandemic hit. The Federal Reserve is legally able to be the lender of last resort, not the spender of last resort. No, no, there's no...What they did was a great big no-no. Do you know that in the original 1913 charter that it says that the Federal Reserve can never get anywhere near a government sponsored enterprise piece of paper? They bought a third, they bought a third of Fannie and Freddie paper, but it's in direct violation of the Federal Reserve Act, direct violation. But again, if all the Federal Reserve is going to do is take interest rates down to the zero bound and monetize the US debt, they're not needed. We don't need a Fed. We're officially a Banana Republic, but we don't need a Fed. We don't need a central bank. Yes, sir.

Speaker 2: Well, you just finished [inaudible 00:36:17]

Danielle DiMart...: That's not true. You get paid a lot on your cash.

Speaker 2: And if you [inaudible 00:36:23] Donald Trump or progressives that the end is all gold, what's the way out of this?

Danielle DiMart...: You better hold onto your gold. What is the way out of this? I don't know. Sorry?

Speaker 3: Stop it before it happens.

Danielle DiMart...: You do stop it before it happens.

One voter at a time. The next time somebody says, "I don't want to pay my fill in the blank," slap them upside the head and say, "That's too bad. It's called a contract." And at last, check this United States of America, make good on your contractual obligations. Don't give people participation awards or safe places or a puppy. Tell them to pay their bills. Yes, sir.

Speaker 4: Danielle, great talk, great presentation. What are your thoughts on the BRICs, and how would the Fed react if they actually do get traction and get more countries on board?

Danielle DiMart...: Well, look, everybody de-dollarization, that's all such a sexy subject, especially like 3:00 AM, all the people wearing tin foil hats on my Twitter feed, they're all de-dollarization. As I said this morning, when Saudi Arabia stops issuing its sovereign debt in dollars, I'm going to start to get worried about the BRICs, but not until then. 83% of the biggest financial markets on the planet, $7 trillion a day is traded on currency exchanges around the world. 83% of those transactions are in the dollar. So look, okay, so my three boys, they kind of quit. For any of you who've known me for a little while, I have forced all my kids to take Mandarin. It's the State Department plan. Just go translate for the State Department instead of going on the front lines if we go to war with China. I was a little paranoid when I had kids, and the daughter's the only one who maintains her Chinese.

And she's brilliant, but she's a girl. It's not that I don't think that…It's not that I don't think that the dollar's at risk. I don't ignore what happened in Great Britain and what happens when countries go crazy borrowing money and think that they're untouchable. We have the reserve currency status, "he who rules the seas." How many years have we been hearing that here on this stage? We still rule the seas. In fact, in the last 18 months, our economy has won the foot race. China's economy has shrunk. It wasn't but 18, 24 months ago that we were talking about China's economy is going to surpass that of the United States. We've gone in the opposite direction since everybody was worried about that.

So if we used to be an economic superpower, now we're the economic superpower and the growth is turned around and gone in the right direction. That doesn't mean that I take for granted the dollar, and that doesn't mean that Carolyn, our daughter, will eventually save us because she's taken Mandarin. Those boys though, God too many concussions. But it's not practical yet. It's sexy to talk about or Bitcoin solves this. I get it, but it's not practical. We have seven minutes, people.

Danielle DiMart…: Too big to fail is worse than it's ever been. People were floating around charts of Bank of America's losses sitting on their balance sheet and basically saying, Bank of America's insolvent. We're not going to let Bank of America go. And we prove with Silicon Valley Bank, it doesn't take much to make us blink. And there's a lot of concern right now, and we're about to re-accelerate with the WeWork. Do not dismiss the importance of WeWork filing for chapter 11 because US regional banks are up to their eyeballs in bad commercial real estate loans. And that's going to be very problematic because they're also sitting on losses on their treasury and mortgage backed securities holdings that they followed the Fed into buying. But on top of that, the collateral backing these loans, nobody knows. Nobody knows how bad this banking crisis is going to be.

All I can tell you is that it has yet to really gain momentum. And the FDIC is handcuffed. The FDIC is handcuffed, because it's really hard to broker a marriage when not only does the bride not have a dowry, she's coming to you with massive losses that you as the acquiring bank don't want to buy. So this is a real regulatory pickle for the US banking system. And too big to fail is a real thing.

But for the moment, I would say that if you're worried about this little $108 billion facility that could have gone up to $2 trillion, at least to just defend the Fed a little bit, at least we're making banks pony up capital. Because if you're going to take money from US taxpayers, then you're going to have to do what makes your shareholders and your board of directors hate you the most. And that's raise capital. Yes, ma'am.

Speaker 6: Are you worried about a failed treasury auction? This is something that, again, the 3:00 AM Twitter audience likes to talk about, but an actual-

Speaker 6: A failed treasury auction in the face of all of these deficit spending.

Danielle DiMart...: No.

Speaker 6: No?

Danielle DiMart...: No. I mean, look, again, these are really, really topical items, but I ask the question rhetorically. “Why weren't we talking about debt and deficits for the last 20 years?” I mean, the debt's been increasing at an increasing pace for years. Just be careful of people who are trying to sell something. If the inflation narrative's what they're trying to sell you, then they're going to tell you that mysteriously overnight, all of a sudden deficits matter. Nobody cared when we crossed the $30 trillion line, but it was like the world was ending when we crossed the $33 trillion line, because Wall Street's typically got something to sell you. But I spoke to a couple hundred life insurance companies and public pension managers. Man, they're so happy to be at the treasury auction, it's not even funny, because they can finally do this weird antiquated thing called asset liability matching. Instead of saying, "I better put it in the junkiest private equity with huge fees so that I can make my rate of return assumptions work." They don't have to do that.

They can throw 20% in private credit, unlevered, get 14, 15% returns on that, put 80% of their portfolio in cash, tell KKR where they can go put it and walk away. And that's a game changer. It's a game changer for savers, for retirees who don't have to buy junk bonds anymore, that they can actually, once again for the first time in 40 years, enjoy the beauty of compound interest. What an old-fashioned notion. I mean, I would open up cash accounts for my Basset hounds if I could, but we got all four kids and my mom in cash. They're making 5.21% and happy about it, and they get to see what compound interest looks like. So no, we're not at the juncture yet of a failed treasury auction. Anybody else?

Robert Helms: Yeah, I have one.

Danielle DiMart...: Oh gosh.

Robert Helms: Speaking of a game changer, final score, Texas 33, Kansas State, 30. Yeah.

Danielle DiMart...: Woo! The eyes of Texas are upon you, ladies and gentlemen. All right. Do we want to talk about football for the next two and a half minutes? Is there a final question? Yes, sir. Bring it on.

Speaker 7: Congratulations to Texas.

Danielle DiMart...: Thank you.

Speaker 7: How do you feel about our economy-

Danielle DiMart...: I'm going to come here every single really tight game in Vegas. I'm going to come stand on this stage. I don't care if there's nobody out there, but it's just a 45-minute Southwest flight, so I can come and stand on this stage so that we can get my horns to win. Anyways, I digress.

Speaker 7: No, you're fine. How do you feel about our economy bringing more jobs back? For example, in Columbus, Ohio, Intel is building with the semiconductor, it seemed like we're producing more oil in house. How do you feel that would do for-

Speaker 8: O-U.

Danielle DiMart...: Excuse me. Wait, wait. Okay. Stand up. Who said that? Do I look like I'm wearing crimson? Shame on you. And they beat us and I was there, it was just sweat coming out of... There weren't tears. Yes, they were tears, embarrassing. But anyways, you have been a splendid audience of, oh wait. Hi Dana.

Dana Samuelson: Hi. I just wanted to ask your opinion if you think this is the top of the interest rate cycle, both for the Fed and treasury yields.

Danielle DiMart...: Yes. I do and I do. We had a four Sigma event in the 10-year treasury market. Andrew's in the back, Andrew sent me that chart, four Sigma decline in the benchmark tenure treasury. But it's typically not good news for the economy when these things come to an end because it typically means that we're in the soup and in recession. So I do think we've seen the peak in yields. I think the recessionary impulse is going to be stronger than the, we're blowing up our debt and deficits narrative. I think we've seen that in the markets in the last few days.

And granted, I mean, people have lost everything in some cases because they've lost so much on bonds. But no, I think we've hit the top of the yield cycle. And again, we're heading into disinflation, if not deflation, until we get to March of 2025 at the earliest and get that next wave of stimulus spending that causes me to have to spend a lot of money and lose a lot of sleep, because I'm going to have to move to Italy, because not sticking around for this country to become socialists. Not on my watch. So thank you, everybody.

Robert Helms: Danielle DiMartino Booth. Awesome. And they won!

Danielle DiMart...: And they won!

Economy Panel

Jeff Hirsch (MC), Adrian Day, Brent Johnson, Peter Schiff, Mark Skousen

Albert Lu: At this time, I'd like to introduce our panelists. Please welcome Adrian Day, Brent Johnson, Peter Schiff, and Mark Skousen to the stage. And moderating the panel will be Jeff Hirsch.

Jeff Hirsch: …Good afternoon. Good evening, everybody.

Brent Johnson: I thought they might separate us.

Jeff Hirsch: Welcome to our panelists. It's great to be back in New Orleans. How I want to thank Brien for inviting me and the team for making everything run so smoothly. So you guys ready to get started over there? Yeah?

Peter Schiff: Yep, let's do it.

Jeff Hirsch: So, we had a nice big rally in the stock market today, right on cue at the outset of the seasonality sweet spot of the year. The Fed sounded a bit more dovish yesterday, or at least clueless about what's next. The market took that as a little, "They are done," and I'm just wondering what you guys think right off the bat. Is the Fed done, or higher for longer? For how long? You want to start at the far end with Adrian? How are you feeling there? You all right?

Adrian Day: Sure. I mean, I think in many ways it's sort of almost irrelevant whether we have one more hike or not. It was interesting to me that on the new dot plot that came out yesterday, 12 out of 19 of FAMC members, still predicting another rate hike this year, where we've got less than two months to go. So, I thought that was a bit aggressive. But I think whether we have another rate hike or not is sort of an irrelevancy. What really matters is higher for longer, how long they keep interest rates high.

Jeff Hirsch: Mark, what do you think?

Mark Skousen: Yeah, so Jeff, I think it's great that you're the moderator, because I don't know how many of you know that Jeff Hirsch does this almanac and he's very good on seasonality and also presidential cycles. And it is, I think, one of the most interesting things is that it's really, everything that you talk about in that cyclical analysis has been coming true this year. It doesn't come true every year, but this idea that the third year in a presidential cycle, it tends to be the best year in the marketplace.

Jeff Hirsch: It is.

Mark Skousen: It's happened again, despite incredible skepticism. And it's like the market wants to go up, try to find any excuse it can to go up. And so, I've followed your advice and been pretty much fully invested. I mean, I do have a small position in cash, but cash is earning over 5% and a lot of people are skeptical. Bull markets climb a wall of worry. I do think that this year will end as a really good year, as you anticipated in the presidential cycle, but I think all bets are off in 2024.

Jeff Hirsch: Well, since you brought it up, I'll just say that for next year, I'm a bit more bullish than a lot of people are because the power of a sitting president running for reelection, S&P's up 12.8% in years that you got a sitting president running for reelection, versus minus 1.5 when there's nobody in there, an open field. It has to do with uncertainty. Pretty likely that somebody gets reelected, the policies and everything will be the same. So whether you like them or not, it's going to be the same basic framework that you're working with economically for the market, and…

Mark Skousen: So, Hey Jeff, that's not the news we want to tell this audience.

Jeff Hirsch: I'm sorry.

Mark Skousen: We do not want Biden reelected.

Jeff Hirsch: He may or may not be.

Mark Skousen: Right? So, if the stock market goes up next year, then there's a good chance he'll get reelected and that would be a disaster, folks.

Jeff Hirsch: It may very well be a disaster-

Peter Schiff: Not enough Americans own stock.

Jeff Hirsch: As history tells us, it's still good for the stock market. So Brent, what do you think about the Fed? Is it done, over, higher for longer? When are they going to cut?

Brent Johnson: I tend to agree with Adrian. I don't think it really matters whether they hike one more time or not. What matters is whether they're higher for longer and barring a crisis, I think they will remain higher longer than most people expect.

Jeff Hirsch: Peter, you want to take a stab at that? You got an opinion on the Fed?

Peter Schiff: Well, of course. Well, first of all, the Fed lit the inflation fire and nothing it's done is even coming close to putting it out. I don't think the rate hikes have really had any effect on returning inflation to 2% and I think that the higher interest rates are just going to work their way through the cost structure, like higher wages, or higher raw material costs, or higher rents, they're all going to be passed on to the consumer in the form of higher prices. The real driver of the inflation is the spending, particularly the government spending, the massive deficits which are now running at record pace. I think the national debt is rising by about a trillion dollars every two or three months. It is out of control. So government is spending.

If you look at households, debt is at record highs. So, the Fed has not bent the consumption savings curve at all. The way higher rates should bring down inflation is by encouraging savings and discouraging consumption. But none of that has happened, because the rate hikes have been too little too late to make a difference. We spent over a decade creating inflation with quantitative easing and 0% interest rates. So, we are just experiencing the beginning of this inflation cycle. I mean, we're early in it, it's going to get a lot worse. And so, focusing on whether the Fed hikes from 5.25 to 5.50 is immaterial. Inflation is going a lot higher. The only question is when is the Fed going to surrender? Because right now it's pretending that it's going to battle inflation until the bitter end, but at some point they're going to have to surrender and acknowledge that inflation has won, and America has lost.

Jeff Hirsch: You brought up a couple of great points there, Peter. I want to touch on them, because I'm going to jump out of order a little bit. So debt, Brien did a whole bunch yesterday about the debt situation, how it's escalating. I was asked in my keynote down in Orlando at the Money Show, there's $33 trillion in debt out there, when's it going to matter? My off-the-cuff response was, probably after the next election, queuing on my election cycle thoughts. But when do you think these... I mean, it hasn't mattered for a long time. When is it going to matter? When is that debt going to come home to roost? Do you want to... Mark, you're looking at me in the eyes? You want to start it this time?

Mark Skousen: Yeah. There's a really interesting chart showing interest on the national debt that is in the budget and in 2023 for the first time in who knows how long, interest payments are exceeding the defense spending. So, at some point, this does create a crisis and is moving up very rapidly. It's not at an all time high as a percent of GDP. It still needs to go considerably higher before that happens, but it is moving up very rapidly and it will create a crisis. I'm reminded of Canada, in 1994.

They had a very similar crisis and the liberal party of Canada and the Conservative Party of Canada actually came together in 1994 and cut the budget deficit. Why? Because the conservatives thought, well, this is irresponsible fiscal policy. The liberal party said, "Yes, we're paying interest to wealthy bond holders, when that money could be used for welfare." So, they both had an incentive for different reasons to come together and actually eliminated the deficit for quite some time in Canada. They slashed government spending, and they actually solved their problem. So, I'm hopeful that something like that could happen again in the US, but we haven't reached that point. I think it will happen after the election. It's just not going to be an issue until then.

Jeff Hirsch: When we get to where it's close to what GDP? That's a percentage GDP, right?

Mark Skousen: When what?

Jeff Hirsch: Is that what you're saying? When it gets close to the percentage of GDP?

Mark Skousen: Yeah, but it's nowhere near that at this point.

Jeff Hirsch: Okay.

Mark Skousen: Yeah.

Jeff Hirsch: So Brent, what do you think?

Mark Skousen: That's $23 trillion.

Jeff Hirsch: You think the debt's ever going to get... Or we're just going to inflate our way out of it?

Brent Johnson: Well, I think the thing that people need to remember is this number, $32 trillion or $33 trillion gets thrown around, that the United States owes, but they forget that the rest of the world owes $33 trillion in US dollars, and they can't print it, and the dollar keeps rising versus their currencies. So, it's going to matter at some point for the US, but it's already mattering for the rest of the world, and I don't think that's going to stop anytime soon. I'm more worried about the $33 trillion in debt outside the United States than I am about the $33 trillion inside the United States.

Jeff Hirsch: Fair enough. Adrian, you want to chime in on the debt, and then we'll get back to Peter?

Adrian Day: Yeah, when you say... "When's the debt going to matter?" I think it's beginning to matter in a big way. It's beginning to matter when you look at the treasury auctions that we're having, there's obviously different reasons why the treasury issuance is up. One of them because of a catch-up from the lack of treasury issuance during the debt ceiling negotiations. The second reason, of course, is because the government for years has been issuing bonds at the short end, which to me, it's absolutely criminal when you've had interest rates at zero for so long, you've had negative rates in Europe and Japan, and you've had the US considered the beacon of economic stability around the world and yet the treasury was issuing three months, six months, one year treasury bills. They should have been issuing 30, 50, 100-year bills. I mean, for goodness' sake, Austria, which is a fine country, but look at what's happened to them in the last hundred years and they issued a hundred-year bonds. Argentina issued 50-year bonds.

Jeff Hirsch: I mean, the rest of us refinanced when rates were low. Why didn't they?

Adrian Day: Everybody did except the treasury. But anyway, the point is those are two additional reasons, but the increase in the deficit means that they are issuing more treasuries, and you've got increased supply, and you've got a shortage, a reduced demand. The Fed's not buying anymore. China, Japan, Russia, which used to be large buyers, are not buying anymore.

Jeff Hirsch: China's selling our debt now, right?

Adrian Day: Well, China's selling, Japan has also been a net seller, a small, but a net seller for the last three months, and will get a bigger net seller. Anyway, the point is the deficit is already having an impact on interest rates at the long end.

Jeff Hirsch: For sure. Peter, you brought it up. Let's hear what your thoughts on that are. And also, you brought up inflation, which I thank you. The Fed's talking about 2%. I don't believe it. The CPI, from what I see historically, averages about 3.1, 3.2%. Is that 2% possible, along with what you think, when the debt's going to matter?

Peter Schiff: Yeah. Well first of all, it's always mattered. It's just no one cared about it because it wasn't a crisis. So it's not going to matter to anybody until it's a crisis, but by then it's too late, and we are going to have a crisis. And Brent talks about the fact that foreigners have borrowed a lot of dollars, and they have, but they also own a lot of dollar debt. The United States is the world's largest debtor nation. So, the world owns a lot of US treasuries, a lot of mortgage backed securities, that they are going to be selling in order to pay down a lot of that other dollar debt that they own. So, America is in a lot of trouble, because the big lenders to America; China, Japan, emerging markets, they're sellers.

And right now, the Fed is a seller. In fact, we got the balance sheet, came out again yesterday, another 50 billion in the last week of quantitative tightening. So there are no buyers really for treasuries. That's why the yields are going to continue to rise. I mean, we've stopped at 5% for a bit, maybe because it's a round number, but I think we're going to be at 8% pretty quickly in these yields. They're going to keep on rising and it is going to be a much bigger problem and inflation is not going back down to 2%.

And first of all, even when it was 2%, it was probably 4 or 5%, because I don't think that they come close to measuring it properly. And I think that is one of the main reasons, when you get these GDP numbers that came out, the last quarter was 4.9%. I think the main reason that the GDP is so big is because they've underestimated the deflator. I think prices are rising a lot more than people think. That's why you have record numbers of Americans now, who despite having record credit card debt, still have two and three jobs. I mean, pretty much every job that we create is for people who already have jobs. So, why do Americans need two or three jobs now when they used to have one? It's because prices have gone up so much and that's why Joe Biden is so unpopular. It's because inflation is eviscerating the standard of living of American families.

Jeff Hirsch: Let's skip to labor in a second. Mark and Brent both put their hands up. They want to comment on this again. Mark, you go first. You put your finger up first.

Mark Skousen: It's very seldom I agree with Peter on anything, but I do think the crisis... We had a banking crisis in 2022, and you see the huge spike, dramatic, almost a record of overnight loans during that time period. It was really quite dramatic. And then it has subsided, because the Fed, again, protected these banks. But many banks have large positions, a very big percentage in long-term bonds and they're down 30%. And that is causing a lot of shareholders and investors to take their money out of these banks. And that could happen again. But I also think the emerging markets debt is a possibility, because they borrow largely in dollars, because that's how they get a lower interest rate than borrowing from their own currencies. But they got to pay back in dollars and the dollar has been strong like that. And with higher interest rates, they're going to have a more difficult time paying back. So, it reminds me of 1982. Paul Volcker had a very tight money policy, and raised interest rates to 21%. We all remember that time period.

Jeff Hirsch: '82 was a very significant year in the secular bull and bear market patterns.

Mark Skousen: Well, and in fact, you had a bear market up until 1982 and then you had the Mexican debt crisis and that's what forced Paul Volcker to reverse and lower interest rates. And I think this is what could happen with the Fed. So, I do think another monetary crisis is very real, very possible and when that happens, you are going to see the Fed reverse the role and they're going to slash interest rates because they fear that a major recession is around the corner.

Jeff Hirsch: We'll get to your forecast, your crisis forecast in a second. Brent, what did you want to add to this topic?

Brent Johnson: Well, so I think this is the topic, right? The amount of debt in the world. So I think everybody's identified the problem, but I think in many ways, they're viewing who's in the best shape and who's in the worst shape incorrectly, because all of the higher interest rates in the United States are always positioned as uniquely bad for the United States, but it's actually the exact opposite. High interest rates in the United States are a nightmare for emerging markets, for many of the reasons that Mark just mentioned.

You can now buy a US treasury that yields more than a bond from the emerging markets. Now what are you going to buy? Are you going to lend to an emerging market, who might not have the dollars to pay you back? Or are you going to lend to the treasury who can print it if they run short? This is going to pull capital away from the emerging markets. You're going to have the same phenomenon that you had when the people started pulling their money out of the banks earlier this year, and buying short-term T bills, because you got paid more. The same thing is going to happen with the emerging markets having money pulled from them and given to the US Treasury.

The other thing I'd say is regarding who's going to buy our treasuries. Regardless of what people tell you, all you got to do is you can go online and you can look this up. Every US treasury auction has been oversubscribed by two and a half times. They have never had any danger of not having the treasury auction filled. And the biggest buyers are foreigners, about 65%. And that's higher than it was 20 years ago when our debt was in much different shape. So, I agree that we've got huge debt problems, but make sure you understand what's actually happening.

Peter Schiff: Every auction has succeeded until the one that fails. And then what happens? What happens if they hold the bond auction and the foreigners don't show up? And why do you think, Brent, why do you think getting paid back with printing press money is any different than a default? Because if we have to debase the currency-

Brent Johnson: Because that's the law. Because that's the way it works.

Peter Schiff: No, but if you don't get your purchasing power back, that's the same thing as not getting your money back.

Brent Johnson: No, it's not.

Peter Schiff: Yes, it is. Inflation is another form of default.

Jeff Hirsch: Let's hear what Adrian has to say about this. He's leaning in.

Brent Johnson: Let me make one point before I forget. If you are supposed to get paid the exact same amount, purchasing power, then why do TIPs exist? Why is there a whole separate category of treasury bonds to account for inflation?

Peter Schiff: Well, they don't account for inflation. They account for the CPI.

Mark Skousen: Yeah they do, they're called I bonds, Peter. I bonds are very popular.

Brent Johnson: Okay, but here's the point. There's I bonds, there's TIPs, and there's regular treasury bonds.

Jeff Hirsch: Mark, what did you say? The I bonds?

Mark Skousen: Yeah, because you get a lower interest rate, but you get the CPI increase. And so, I bonds are very popular, so the Fed has a system for it.

Jeff Hirsch: That was pretty oversubscribed, just before the last turn.

Peter Schiff: I know that. But again, the CPI doesn't even capture all the inflation.

Brent Johnson: But that's a different argument. That's a different argument. That's a different argument.

Jeff Hirsch: All right. Hang on a sec. Let's hear Adrian.

Adrian Day: Yeah, Brent, with all due respect, and you're probably going to know more about this than I do, but with all due respect, two things. First of all, in the last two weeks we've had a three-year, a 10-year, a 30-year, a five-year, but have all been bad auctions. They haven't been failures, but they've been bad auctions, with the dealers having to hold on to more of the unsold bonds, number one. Number two, when you say, "Oh, people talk about foreigners, just look at the numbers." Yes, but you know this as well as I do, there's a huge difference between a Japanese insurance company buying $100 billion worth of treasuries and putting them in an account that they intend to keep for 10 years, on the one hand, and Cayman, and Belgium, and Luxembourg buying our bonds, because who's buying bonds through Cayman? It's hedge funds. It's not people who intend holding them to maturity. So, there is a huge difference in the type of buyer.

Brent Johnson: So I think that's a valid point,and I completely agree with you.

Adrian Day: Oh, good.

Jeff Hirsch: All right, all right, hold on. We got another break in the action.

Brent Johnson: One point. One point.

Jeff Hirsch: Oh, go ahead.

Brent Johnson: The idea that the US Treasury is going to have a failed treasury auction and this is not going to be bad for Frankfurt, and Tokyo, and Rio de Janeiro, and Sydney is crazy. That's like saying the foundation of your house is going to get crushed, and the attic is going to be fine.

Mark Skousen: But it has happened. In 1980, there was no bid on treasuries for a while. A couple of the auctions, no bid.

Brent Johnson: And what happened? What happened shortly thereafter?

Mark Skousen: Well then interest rates-

Brent Johnson: Did everybody get paid?

Mark Skousen: Oh no question about it. But there was a period where there were no bids, and it was quite shocking.

Peter Schiff: Yeah, but we were in a much better financial situation back in 1980. America was solvent.

Brent Johnson: But so was every other country. On a relative basis, it's about the same.

Peter Schiff: No, it can't be. We're in a massive amount of debt. We weren't in that position back then.

Brent Johnson: But so was the rest of the world, the rest of the world wasn't either.

Peter Schiff: Everybody can't be in debt. Somebody has loan money.

Jeff Hirsch: Gentlemen, gentleman.

Peter Schiff: Somebody has a trade surplus.

Jeff Hirsch: Gentlemen.

Peter Schiff: Everybody doesn't have a deficit.

Jeff Hirsch: Gentlemen. Gentlemen. No one can really follow four conversations at once. I know I'm having a little trouble with it, but let's have a little fun. Let's lighten up. Mark brought up crisis. Last year, there was a little thing that happened. I know predictions and forecasts are a bit of a tough racket from personal experience, but last year my friend Mark Skousen made a bold one. So, I think, do we have that queued up? You want to go back and let's have a watch, and see what it is. You guys got that queued up?

Mark Skousen: Uh-oh.

Jeff Hirsch: You ready?

Brent Johnson: Yep.

Jeff Hirsch: Hello? I know it's a little later than we planned, but there it is.

(video): So I'm going to stick my neck out, and I am going to make the following prediction since I do forecasting and so forth. So I'm predicting by the next conference, the next November, or October conference, New Orleans conference, if I'm here, we are going to have a financial crisis. We are going to have an emerging market debt, or real estate crash, or what have you, that will cause the Fed to pause, if not cut interest rates. That's my prediction. And if I'm proven wrong, I will eat my hat. That's my prediction.

Jeff Hirsch: Uh-oh. Now, hold on, hold on. Hold on.

Mark Skousen: Wait a minute.

Jeff Hirsch: Hold on a second.

Mark Skousen: It's a different hat now. I can't eat it. The other hat's gone.

Jeff Hirsch: All right, wait, time out, time out. So we did have a little banking crisis in March, but phew. I hope we can get through the next crisis.

Mark Skousen: Well, I'm right.

Jeff Hirsch: Yeah. And also, wait a second. Also, the Fed has paused, which I've been expecting, but I want to know what you guys think. Should Mark eat his hat? We have a show of hands?

Brent Johnson: Yes.

Jeff Hirsch: You think he was right or wrong?

Peter Schiff: No.

Brent Johnson: Just take a little bite. A little bit.

Jeff Hirsch: There's not a lot of hands.

Peter Schiff: I will say, let me say one thing in Mark's defense.

Brent Johnson: There you go. There you go.

Jeff Hirsch: There you go.

Brent Johnson: Man of his word man. Man of his word.

Jeff Hirsch: I gave him credit for coming out and being bold. I've made some bold ones. It's tough.

Peter Schiff: We would've had a financial crisis in March, had the Fed done the right thing. A lot more banks would've failed had the Fed not made the mistake of bailing out Silicon Valley Bank.

Mark Skousen: But that's not what I…

Jeff Hirsch: What would the right thing have been?

Peter Schiff: To allow them to fail, to allow the bank depositors to lose money.

Jeff Hirsch: Why is that right?

Peter Schiff: Because that's capitalism. Yeah. But we have socialism.

Jeff Hirsch: Well, I agree with that, capitalism.

Peter Schiff: But what they did is kicked the can down the road again.

Jeff Hirsch: Who was it? Frank Borman from Eastern, said that if... Capitalism without bankruptcy is like Christianity without hell, right?

Peter Schiff: What happened to those banks is exactly what I was predicting would happen for years. I mean, I was warning about that exact problem.

Mark Skousen: So Peter, why don't you eat my hat instead of me eating it?

Peter Schiff: But my point is, Mark was right, but because of what the Fed did, when we get that crisis, it's going to be a lot bigger than it would've been.

Jeff Hirsch: Oh wait, he's backing you up, Mark. That's all right.

Peter Schiff: Had we had it in March.

Jeff Hirsch: Adrian?

Adrian Day: Clearly you can't say Mark would've been right, so he was right. Mark was wrong, because it didn't happen. So I'm going to help him.

Mark Skousen: Uh-oh. Oh my gosh. What?

Adrian Day: Got a knife and fork.

Mark Skousen: Yes, a knife and fork. And where's the edible hat?

Adrian Day: Here's salt and pepper.

Mark Skousen: Oh my God.

Jeff Hirsch: Bravo. Well played, man.

Peter Schiff: Well, I'll have a bite of it then, too.

Mark Skousen: Where's the camera guy when we need him?

Peter Schiff: That's perfect.

Mark Skousen: Wow, my God.

Jeff Hirsch: While Mark's setting up his meal-

Brent Johnson: I'm going to get a picture of this.

Jeff Hirsch: Somebody brought up labor, right? Oh, there it is.

Mark Skousen: Wait a minute. Okay. And take this here, I'll bite like this.

Jeff Hirsch: What's... We've had a couple of labor market things. Claims are up, but still the world's... The country's pretty well employed, pretty tight employment. I know, Peter, your point that people have more than one job is valid. I know people are having to keep two or three to make ends meet. What's your guys' take on the labor market? Adrian, we'll start down there, since you made a nice little funny there with the salt and pepper.

Adrian Day: Yeah, I mean, look, first of all, you can look at the labor market and it's clearly not as strong as the unemployment number suggests. Peter mentioned people have two jobs. There's a lot of people that are underemployed, white collar, middle management people, who are working in restaurants. Yes, they're employed, but they're underemployed. People have part-time jobs instead of full-time jobs. Look at the labor participation rate, which is-

Mark Skousen: Way down.

Adrian Day: It's risen a little bit, but it's basically, it is just way down. What is it? 65%. So, these are people in the labor pool who simply have stopped looking for... Who have stopped looking for-

Jeff Hirsch: Cost index comes down a bit too, right?

Adrian Day: Yeah. So first of all, the labor market is nowhere near as strong as just the unemployment number would suggest. But the second factor, and the most important factor, is what I said in my speech this morning. When you have Janet Yellen, the treasury secretary, who is a labor economist, say, "We can't have a recession because the employment picture is so strong," that is just so fallacious. You only have to look at the last 30 years of history, and the unemployment rate is always at its low immediately before a recession. So, the fact that the unemployment rate is low does not in any way mean that we're not going to have a recession.

Jeff Hirsch: We'll get to recession in a second. Do you want to respond to that, Peter? And then we'll see if Mark's done with his hat, and Brent will come in on labor.

Peter Schiff: Well, I mean, I agree that the labor market is actually not strong. If we had a strong labor market, one job would be enough to provide an adequate income. But the fact that workers are not in a position to demand a raise that's anywhere near the increase in the cost of living and they're forced into moonlighting, that shows you just how weak our labor market is. And the jobs that people are accepting are low paying jobs. We're not creating good high paying jobs like we would if we actually had a strong labor market.

Most people don't want to work. They look forward to the weekend. They don't say, "Thank God it's Monday." So people like to take time off. The fact that people are now working on the weekends, working nights, because that's the only way to pay the rent, or to keep the lights on, or to put food on the table, this is a very weak economy. It is a very weak market, and it's all being propped up by debt. Look at federal tax receipts. They're falling. Why is the government collecting less taxes? Because the economy is less productive. It's all being propped up by debt.

Jeff Hirsch: They just didn't have enough... There are not enough IRS agents, they hired all them, but that's another story.

Peter Schiff: Too many of them are working on me, that's why.

Jeff Hirsch: Yes.

Mark Skousen: Well, I do think that in my case of this prediction and my eating my hat and so forth, the apocalypse has been postponed many times, hasn't it? And Peter, as an example of that, he's been preaching the apocalypse now for every year he's been here, and a lot of times it's been postponed. We underestimate the ability of government to intervene and kick the can down the road. And I think that's something that Peter, you and the other doom and gloomers here have failed to recognize, is this incredible ability of the government to... I mean, I remember in the 1990s, people talking about bankruptcy, 1995. And Harry Brown had a book about how-

Jeff Hirsch: Dow 3000.

Peter Schiff: Yeah.

Jeff Hirsch: Right?

Peter Schiff: Yeah.

Brent Johnson: Yeah.

Mark Skousen: What?

Jeff Hirsch: He said Dow 3000 was his forecast.

Mark Skousen: He had a whole book about the time bomb, the exploding time bomb or something like that.

Peter Schiff: Yeah.

Mark Skousen: So, this was back when the debt was three or $4 trillion. So, I mean, it was tiny compared to what we have now. So, you always have to wonder at what point is it going to all unravel? And it's really hard to predict that.

Jeff Hirsch: There's been crises going on for eons, and the market still goes up over the long term.

Peter Schiff: Yes. Yeah. Mark, I do recognize that we have been able to kick the can down the road. That's why the problems have gotten as large as they have, because we haven't dealt with them. We constantly do that. But every time we kick the can down the road, the problems get bigger, and the inevitable crisis that we're postponing gets worse. So, eventually it's going to happen. And all those guys in the past, some of them are no longer alive, right? They're not going to see these predictions.

Jeff Hirsch: Mr. Johnson.

Peter Schiff: But they're going to happen. They're going to happen. And it doesn't mean people are wrong.

Jeff Hirsch: Let's hear from your arch rival over there right next to you, Peter. Brent, what do you think is going on with the labor market? Do you think it's really as bad as Peter makes it sound?

Brent Johnson: Well, I don't think it's good, and I think it's probably worse than what's reported, as all government statistics tend to be. So I'm not going to defend government statistics by any means. And again, I think we do have big, big problems, incredibly big problems, and I think we're going to have to pay for them. I just don't think it's a uniquely bad United States situation.

Jeff Hirsch: Right. Okay.

Brent Johnson: I think the idea that all you got to do is get out of dollars, and sell treasury bonds, and these other things, I don't necessarily think that's the right decision.

Peter Schiff: I'm not saying... Look, Japan's got a big problem on its hands.

Jeff Hirsch: So, let's change subjects.

Peter Schiff: Europe has a problem. They all have problems.

Jeff Hirsch: Let's talk about recession. There's been this inverted yield curve situation, and that leading indicator has been forecasting recession for a long time. I personally feel that we had our recession in Q1 and Q2 of '22. I'm not sure why two back-to-back negative GDP quarters is not a recession anymore. It still is everywhere else. I pretty much believe that they just changed the rules during COVID for that, the one in Germany. So, how is that not a recession? How is that not a recession, Mark?

Mark Skousen: Yeah, so a lot of you know about my gross output statistic, GO, which measures spending at all stages of production. So, it includes the supply chain. And GO continued to rise when GDP was declining in those second two quarters. So, I think if you use GO, total spending in the economy, you do get a more accurate view, rather than just final output. So, I do think though, that we... A lot of us thought 2023 would be a recessionary year and it hasn't been so far. So, it demonstrates how difficult it is to make these kinds of forecasts.

Jeff Hirsch: Adrian, you ready to go?

Adrian Day: Yeah. I will say, in fact, I'll make a prediction about eating my hat. No, my hat, not your hat.

Jeff Hirsch: Okay.

Adrian Day: So, look, we all know about long and variable lags. Everybody talks about long and variable lags. Even Jerome Powell talks about long and variable lags.

Mark Skousen: Milton Friedman.

Adrian Day: Yes, but we're always, as human beings, we're always too impatient. We think the inevitable is going to happen sooner than it necessarily will. And you only have to look at history. Look at... As I did in my speech this morning, for anyone who was here.

Mark Skousen: Was anybody here for your speech this morning?

Adrian Day: I don't know, because the lights are so bright, I couldn't see. But, you only have to look at the last, I think it's the last nine recessions, but all the way back to the '60s. You only have to look at... You have to look at the rate hiking cycles back to the 1960s. And on average, from the first rate hike to the onset of recession is 22 months. 22 months. So, it's not a surprise. No. March, April of 2020... We've been what? 19 months?

Brent Johnson: 18, 19.

Adrian Day: So, it's not a surprise that we haven't had a recession yet.

Jeff Hirsch: Okay.

Adrian Day: And in many ways, I think that the lag in this recession could even be longer for two reasons. One reason is, but it was only in June or July, that rates went positive on a real basis, which is more important than a nominal rate. So, we've only had a few months of real rates moving up, number one. And number two, we had ultra excessively easy money for so long, for 12 years we had ultra low interest rates, zero bound, for many, many years. So, households, corporations, not the government, but households and corporations had all the opportunity in the world to refinance. People refinanced.

Jeff Hirsch: Not the federal government, though.

Adrian Day: But not the federal government. But corporations refinanced, and termed out their debt. Households refinanced. And so, I think the runway, we've got a longer runway before we enter a recession this time.

Jeff Hirsch: Brent, before we come back to Peter, what do you think? We had a recession, going to have one soon?

Brent Johnson: I really don't know. I'm not worried about it. If we have one, I'll deal with it at the time.

Mark Skousen: Oh no, you can't be up on this panel and say, "I don't know." That's not allowed.

Jeff Hirsch: I respect the, "I don't know."

Brent Johnson: So, I'll make a prediction, and I'll say, we're going to have a problem between now and next year's conference, but it's going to start outside the United States.

Mark Skousen: Will you eat your hat?

Jeff Hirsch: Outside the US is where the problem starts.

Brent Johnson: That's right.

Jeff Hirsch: Peter, when's our recession? Are we in it already?

Peter Schiff: Look, I think we've been in a depression.

Jeff Hirsch: Are we permanently in a recession?

Peter Schiff: I think we've been in the depression for a long time. I mean, maybe when they go back and write the history books, this will all be part of it. But look, I mean, look at Joe Biden. He is the most unpopular president in his first term since Jimmy Carter. And he may even end up being less popular than Jimmy Carter. Now why is that? I mean, most Americans, they just rank the president based on how they're doing economically.

Jeff Hirsch: It's the economy, stupid, right?

Peter Schiff: Yeah. And so the fact that Joe Biden is so unpopular, even among members of his own party, that tells you that people feel that their situation is bad, and they're blaming it on Biden, because that's pretty much all they've got. So, all these government statistics, it's all a bunch of nonsense. If the economy was strong, we wouldn't have these massive budget deficits. We'd be in a better fiscal situation if we really had a strong economy. We don't. All the real world numbers are telling us that the economy is weak, and the only thing that's keeping us propped up is the inflation and the debt. And that is going to ultimately give way, and everything that's built on top of it is going to topple.

Jeff Hirsch: Great. Did you have a comment on that?

Brent Johnson: Yeah, I just wanted to... It's not necessarily... It's not in contradiction with what Peter was saying, but I should have said this before, is that if we get... Part of the reason I don't know if we're going to have one and I don't really care if we do or not, is the reason that... Part of the reason the economy is not fantastic is the Fed is purposefully trying to slow it. So, we shouldn't be having a gangbusters economy if the Fed is purposefully trying to slow it.

Jeff Hirsch: They were late.

Brent Johnson: They were late.

Jeff Hirsch: They were late with the transitory stuff. I mean, I think as soon as we got the vaccines out there, not that I think they're worth a whole lot, they should have stopped the stimulus, and they created this inflation themselves. But they've kind of been driving the market and the economy with what they've been doing. What happens... I guess this was something that Brien was asking me backstage there. What happens when the Fed loses control? They seem to be doing okay right now. They've sort of engineered a potential soft landing. I know Peter probably disagrees, but, what happens when the Fed no longer has control?

Peter Schiff: Let me make this point, because that's a big part of the problem. If the Fed thinks that slowing the economy is going to reduce inflation, the Fed is wrong, because economic growth isn't what causes inflation. It's the Fed, it's the money printing, it's the deficits. What the Fed needs to engineer with higher rates is not slowing the economy, but slowing consumption. People have to keep working, and producing, but they have to slow their spending, and increase their savings. That's what we need to do to bring down inflation. We don't need to slow the economy, because part of what helps keep prices down is more supply. We need a growing economy to increase the supply of goods. We don't need to reduce the supply of goods, because that puts more upward pressure on price.

Adrian Day: Of course.

Jeff Hirsch: We only got a few minutes left. I want to find out what you guys are thinking, and what people should be doing with their money, and what we're looking at for next year. Mark, do you want to start us off? Make your comment and get into that.

Mark Skousen: I think one of the most surprising events is the strength of the dollar, and this means that a lot of foreign investors are investing in the United States dollar. For Americans, it's fantastic to travel abroad. Our dollar goes so much further. I was talking to people in Europe and so forth. I think one reason gold has not done very well particularly is because the dollar has been strong. That aggressive raising of interest rates has kept the dollar very strong, and it is something that I look back and say, "Well, that should be the case." So one of the reasons I think the stock market's doing well, and gold is not, is because of the strong dollar.

Jeff Hirsch: That's a great point. I mean, my thinking, even my long-term forecast, is that we've got this super boom that I projected back in 2010 for the Dow to hit 38,820, which is based on one of my…forecasts. And we've got this secular bull market, this super boom. But on the other side of that is something that's potentially sideways action. And what we've seen with gold is that during these big secular bull markets, gold kind of goes sideways. And when that changes, and stocks are waffling, people are moving into gold. So I think that's the potential.

I'm pretty bullish for next year. Eight to 12%, I'm thinking with a sitting president running, but I know Mark, you mentioned uranium is one of your favorites. I want hear from, let's start with Adrian down there at the end. What are you thinking? What are you looking at for next year? I know the dollar's very important. It's coming down now. The 10-year yield's coming down, that's why stocks are rallying. What's in your sights, and where are you advising people to put money?

Adrian Day: Yeah. Well first of all, when people say gold hasn't done well, gold was a little over $1,600 a year ago. Gold *has* done well over the last 12 months, in the face of *very* aggressive tightening. Not just interest rates going up, but monetary tightening generally, and a strong dollar. So, gold *has* done well. It simply hasn't done as well as we would like it to do.

Jeff Hirsch: It's a bit of a trading

Mark Skousen: It's gone up to $2,000 six times and retreated *six times*.

Adrian Day: $1,600 to $1,950 in one year. Is that a good return? For what, an insurance asset?

Mark Skousen: No, look, it hits $2,000 and comes back down. It hits $2,000, comes back down.

Adrian Day: I also-

Mark Skousen: You can't ignore that.

Adrian Day: No.

Jeff Hirsch: Brent, you're laughing. What do you think?

Brent Johnson: No, I was just telling Peter, I'd let them argue rather than Peter and I. No, honestly, I think one of the best places to be right now is in T-bills, you get paid 5.5% to sit there and monitor-

Jeff Hirsch: Short term.

Brent Johnson: And you'd be ready whenever something happens.

Jeff Hirsch: SGOV and SHV. A couple of good ETFs for that. Right?

Brent Johnson: Yeah.

Jeff Hirsch: So you like T-bills. Peter?

Peter Schiff: Well first of all, I take issue with describing the dollar as strong, because the dollar has lost so much purchasing power in the last few years. So, it's hard to say the dollar has been strong. Now if you want to measure the exchange rate of the dollar versus the yen, sure it's strengthened. But as far as Americans are concerned, their dollars are worth a lot less when they take them to the supermarket and try to buy things with them. So, we have had a dollar that has been losing purchasing power.

The question is when is the dollar going to break on the foreign exchange markets so that it is weak in relation to other fiat currencies which are also weak, because the euro is losing value, the yen is losing value, the pound is losing value. People are losing purchasing power all around the world, because all these central banks created a lot of inflation. They all did quantitative easing. They all underwrote massive deficit spending. Some European countries had negative interest rates, not just 0% interest rates. So, the world is awash in inflation. All these fiat currencies are weak. And so, at some point though, I think the dollar's going to break. What's interesting, is that the dollar index is about 106. It's not 120, it's not 140. We've had all these rate hikes. We now have not only war in the Ukraine, we have war in the Middle East. A lot of stuff has happened that-

Jeff Hirsch: What's an investor to do?

Peter Schiff: Let me finish my point. That typically-

Mark Skousen: Why has gold not gone over $2,000?

Peter Schiff: Let me... I'll finish the point.

Mark Skousen: Get to your investment strategy. Come on-

Peter Schiff: I'm going to do that later on, in my workshop.

Jeff Hirsch: We got a few second left.

Peter Schiff: That's why I got a workshop at 8:00.

Jeff Hirsch: So go to his workshop to find out what you should do.

Peter Schiff: I got the whole workshop.

Mark Skousen: People can't wait, come on. Tell us.

Peter Schiff: The point I'm making now is a lot of things have happened that should have driven dollar demand, safe haven demand. And they haven't happened. The dollar hasn't crashed, but it hasn't gone up. It's kind of gone sideways.

Jeff Hirsch: We're running out of time here, Peter.

Peter Schiff: And that tells you a lot.

Jeff Hirsch: What's the investment strategy for you, Adrian? Quickly, 15 words or less.

Adrian Day: Well, buy gold, buy gold stocks. Get out of the US stock market. Get out of major global stock markets.

Jeff Hirsch: I'm long the US stock market.

Adrian Day: I know, but I'll make a prediction-

Peter Schiff: I agree with Adrian.

Adrian Day: Can I make a prediction or not?

Mark Skousen: Sure.

Adrian Day: I'll eat my hat if it doesn't come true.

Jeff Hirsch: Oh, here's a hat prediction

Peter Schiff: You don't have a hat.

Adrian Day: No, but I'll eat his hat.

Peter Schiff: Mark's hat. Mark's hat.

Adrian Day: I'll eat my hat next year. I don't know what the prediction is. So, gold will be over $2,000. That's an easy one.

Jeff Hirsch: Gold $2,000

Adrian Day: And the S&P will be down at least 10%.

Jeff Hirsch: We should do a side bet on that afterwards.

Adrian Day: Anyway, that's good enough.

Jeff Hirsch: Mark, where are you putting your money? Where do you tell people to invest?

Mark Skousen: So I'd love income producing stocks. So, I am pretty much fully invested, except I do have 5% in a money market fund. 5%.

Jeff Hirsch: And uranium stocks?

Mark Skousen: And I do like the uranium stocks. I think that's one of the few commodity sectors that's in a definite bull market trend. I'll be talking about that in my workshop.

Jeff Hirsch: We're out of time. Go see these guys' workshops and hear what they really have to say about where to put your money. Let's give them a round of applause. Appreciate the lively discussion.

Albert Lu: Hey guys, that was a great panel.

Jeff Hirsch: Thanks, everybody.

Albert Lu: Stay right there for a second. Great panel. I can't let this end without a verdict. All right? These were very convincing arguments. I want to know by applause.

Jeff Hirsch: Oh, no.

Albert Lu: Who's with Peter Schiff? The longer this goes, the worse our troubles become. Not bad. Okay, Brent Johnson, relative is what matters, and the US is the best. That's pretty close, guys. Let's jump to Adrian Day. Reason, history, calm.

Adrian Day: Reason, history, calm.

Albert Lu: And right down the middle. Buy gold. Get out of the stock market. Buy gold. Okay.

Peter Schiff: Seems the same.

Albert Lu: And for Dr. Skousen who thinks Dr. Skousen should either stop making predictions, or switch to a plant-based hat.

Brent Johnson: A plant-based hat.

Albert Lu: Okay. And his suggestion, fully invested income stocks. People don't like income stocks.

Jeff Hirsch: What about mine? Fully invested US equities. A little bit of gray scale Bitcoin.

Peter Schiff: Foreign equities.

Brent Johnson: Foreign equities?

Peter Schiff: That's where I am.

Albert Lu: Nobody. Nobody.

Jeff Hirsch: I'm a contrarian.

Adrian Day: I'm not quite sure what that was about.

Albert Lu: Thank you very much.

Thank you guys. How about a hand for everyone, including our moderator?

Dominic Frisby

"Gold Its History, Its Fascination, Its Future..."

Brien Lundin: So now, without further ado, I'd like to introduce one of my favorite speakers, really one of my favorite commentators in the investment industry, a true renaissance man. Dominic Frisby does it all and does it all well. He is a writer and investor from London. He's the author of many books, including the first book on Bitcoin from a recognized publisher called Bitcoin: The Future of Money. Back in 2014, he wrote that book. He also writes the enormously popular Substack letter, The Flying Frisby. He is the original, the quintessential renaissance man. He does a little bit of everything and he does it all very well. He's the essence of a speaker, presenter, commentator, who is both insightful and entertaining. Ladies and gentlemen, Dominic Frisby.

Dominic Frisby: Thank you very much, Brien. Thank you. Well, thank you very much ladies and gentlemen. And thank you very much, Brien, looking, I'm sure you'll agree, uncannily similar to Billy Bob Thornton. I wonder if it might even be the same person. But my name is Dominic, Dominic Frisby. As you can tell by my accent, I'm from Alabama and it's a real pleasure to be here in New Orleans.

And Alex, who's one of the organizers behind the scenes, emailed me a couple of weeks ago, and he said, "What do you want the title of your... What's your title of your presentation going to be?" And so I emailed him back and I said, "I'm not sure which presentation to do. I'll either do Gold: Its history, its future, its fascination. Or I'll do the Dolce Far Niente portfolio, which is a do nothing portfolio for the busy investor." And Alex simply copied and pasted my email and put them both into the program.

So, what you're going to see now is both of those presentations condensed into one and I'll probably run out of time, but nevertheless, I'm going to try to do both of those presentations in one. Now, the idea of this Dolce Far Niente portfolio, that's the Italian for, "Do sweet nothing," and I'm sure most of us would not like to have to be constantly looking at our screens, monitoring our investments. We've got busy lives, we'd like a portfolio that we can just sort of leave and let get on with it.

And this is an idea that goes back to the cockroach. Now, the cockroach is an incredible creature. It's so tough, it's so hardy. Cockroaches predate the dinosaurs. They've been around that long. And a cockroach can survive in tropical heat, it can survive in freezing subzero arctic frosts down to -100 degrees. It can survive in the desert without water and it can survive underwater. And there's evidence that cockroaches can even survive nuclear fallouts. There are cockroaches that survived Hiroshima. You can even cut off a cockroach's head and it will survive for a little bit.

Now, wouldn't it be lovely to have a portfolio that is as hardy as the cockroach? And this idea of the cockroach portfolio came out after the global financial crisis of 2008 and the idea was it was a portfolio for all economic seasons. And you'd put 25% of your portfolio in gold and cash, 25% in equities, 25% in bonds and 25% in real estate.

But the idea of this portfolio goes back to a chap called Harry Browne, who some of you may know. At one stage, I think he was the Libertarian presidential candidate, among other things, a financial writer. And his idea was that there are four economic seasons: growth, inflation, recession and deflation. And you should own a portfolio of assets, one of which in your portfolio will benefit no matter what the economic weather, so to speak. And so you would have 25% in gold for the inflationary season, 25% in bonds for deflation, 25% in cash for recession, and 25% in equities for when there's growth.

But the problem with this portfolio is that they back-tested it. And although it did respectably well, it was well and truly beaten by simply owning an S&P tracker fund. And so, why not just own the S&P tracker fund? I've put together my own sort of cockroach portfolio, my own Dolce Far Niente portfolio, a portfolio for all weathers that you only need to adjust maybe once or twice a year.

And one of the primary components of the Dolce Far Niente portfolio is gold, and 15% of the portfolio will be allocated to gold. And at this point in the presentation, I'm going to deviate, ladies and gents, from the portfolio just to talk about gold for a little bit.

Now, how is gold created? That's the first question we have to ask. And divine creation is one theory, and there is divine creation as it happens, as imagined by artificial intelligence, by Midjourney. Another theory is that Plato and Aristotle both thought that you could make gold by mixing sunlight with water. And there are Plato and Aristotle in the pub discussing that issue. And for some bizarre reason, Plato has both beers and Aristotle has six fingers. But nevertheless, that is Plato and Aristotle discussing how gold is made.

The South Americans thought that gold was the tears of the sun or the sweat of the sun. And in fact, in South American folklore, they thought that gold was the link between humanity and the cosmos. And meanwhile, the alchemists thought that you could make gold from base metals such as lead and mercury. And there is one of the most famous of the alchemists. Does anyone know who that is? Sir Isaac Newton.

A little known fact about Newton is that he devoted more of his time to alchemy than he did to physics or mathematics or indeed any of his other pursuits. He was, of course as well, the founder of the Gold Standard, one of the first governors of the Bank of England, the first Master of the Mint. And because of his interest in alchemy, that's why Keynes described him as, "Not the first of the Age of Reason, but the last of the magicians."

And at one point, Newton actually thought he'd cracked it. He thought he had worked out how to make gold from mercury. And he wrote that he'd cracked it. And then he realized that he hadn't and he went into a great depression. And it's not known if it was the fact that he hadn't mastered it that put him into a depression, or whether it was the mercury that he was working with. Probably a little bit of both.

But it's now generally agreed that gold is made in outer space when neutron stars collide. When we have interstellar collisions, supernovae collisions and gold and other heavy elements are created in the nuclear reactions that follow. And scientists actually thought they witnessed gold being created in space in 2017 when they watched the collision of two supernovae. And then the explosions then disperse gold and other heavy elements into space. And it's thought that our own solar system was created from one such supernovae collision and thus that gold was present in the dust which formed the solar system. That dust, through gravitational pressure, was gradually pushed together, a process known as accretion and gradually the planets were formed. And thus did gold enter the crust of our Earth.

Now, park that thought for a moment, ladies and gentlemen, as we turn our attention to a Danish metal detectorist, with the unfortunate name of Ole

Ginnerup Schytz. And Schytz, on his first day with a metal detector in 2019 in a field near Jelling in Denmark, struck the mother load. He found gold. He found two pounds of Viking gold, 22 pieces, and that gold was exactly as it was when it was buried 1500 years ago. There you can see two of the pieces. It was a little bit dirty, some of it had been bashed about, but apart from that, the gold was exactly as it was.

This is a tooth bridge that sits in a museum in Cairo that is 4,500 years [old]. And you can see that the gold is exactly as it was when it was in the mouth of that rich ancient Egyptian 4,500 years ago. And that is because gold, as I'm sure you know, it doesn't tarnish, it doesn't corrode, it doesn't decay, it never loses its shine. You can bash gold into a layer one atom thick, a film one atom thick. You can stretch an ounce of gold into a wire five miles long. But there is one thing you cannot do to gold and that is, as Spandau Ballet so famously sung, "Destroy it." Gold is indestructible. No other substance on Earth is as durable and even tiny specks of gold dust are permanent.

So, with that in mind, if gold is permanent and it is indestructible and gold was present in the dust which formed the solar system, that means that tiny little bit of gold that you might have around your neck or on your finger is not just older than the Earth, it is older than the solar system itself. And therefore, I put it to you that to touch gold is the closest you will ever come to touching eternity. How about that for a profound thought to start off your Saturday morning? And there, I typed into Midjourney, into the AI art app, "To touch gold is to touch eternity," and it came back with that magnificent image. Why it felt the need to display such a prominent cleavage, I have no idea. But nevertheless, that is one of the beauties of AI.

You can see some of the beautiful images that are in this presentation. They each take about 15 seconds for AI to come up with. Artificial intelligence is an amazing thing. A lot of people said... I've actually been criticized for not having an artist paint pictures for this presentation. It's just not possible. But what we're seeing with AI is the democratization of art in the same way we've seen the democratization of information with the internet.

And yet, gold, I've eulogized about gold, but it has no use. Warren Buffet, a man who, if bank balances are anything to go by, is far more intelligent than I am, had this to say about gold, "It gets dug out of the ground in Africa, or someplace, we melt it down, dig another hole, bury it again, and pay people to stand around guarding it. It has no utility. Anyone watching from Mars would be scratching their head."

“Gold has no utility, it has no use.” Now, if a Stone Age man hunted and gathered thousands and thousands of years ago, he would've found gold, there was much more surface gold in those days. He would've found alluvial gold in riverbeds. And there, on the right of that picture, you see a gold nugget. That's actually the largest gold nugget that was ever discovered in Scotland, of all places. They've since deep-fried it. But humans would've seen those bits of gold and we would've taken them and we would've used it as jewelry. And gold was in fact the very first metal that human beings used. There are paleolithic caves in Spain, which were inhabited 40,000 years ago, and they found evidence of gold. We didn't start using copper until maybe just before the Bronze Age, which was thousands of years later.

And we used gold, we wore the gold, we used it as a tool of barter, a reward, as a gift, expression of gratitude, as a prize. In other words, we used it as primitive money. But I put it to you that we have an instinct for gold, in the same way we have an instinct for beauty and for beautiful things. Beautiful people attract us because they make good potential mates. Beautiful landscapes attract us because they're the landscapes which we can inhabit. The sound of running water, we find beautiful. We find beautiful things that are essential to our survival. And we have an instinct for gold. And it is a primal instinct. It is the first metal we used.

And even though it has no use, its purpose is to display wealth, to store wealth, and exchange wealth. Its purpose is to display accomplishment, "Look at me, look what I've achieved. I've got this gold necklace, you should mate with me." And so that led the historian Peter Bernstein to say, "Nothing is as useless and as useful at the same time." But as Gerald Loeb, the old stock market veteran said, "The desire for gold is the most universal and deeply-rooted commercial instinct of the human race."

But today we live in a world in which value is digital. People no longer want things. Wealth is digital, the money itself, 99% of money is now held digitally. The bond market is almost entirely digital. The digital economy grows at maybe three times the rate of the physical economy. Just look at the rise in Silicon Valley. Because of the scalability of digital, I just need to upload one app to the app store and it can be downloaded a billion times. That scalability attracts investment, which creates this virtual circle.

And gold, in this digital age, is the most analog asset there is. And so maybe the horse was natural transport for thousands of years. Gold was natural money for thousands of years. But perhaps it's as redundant to money as the horse is to transport. And in my view, there are three possibilities as to the future of gold.

There is one possibility that it is that, it is what the horse was to transport, and its only future is to be jewelry. And for a few cranky people who think the world's about to cave in, to hoard gold at their home, people like me. That is one possibility.

Another possibility, if you think about money, when you go into a shop and you buy something with your credit card, your credit card talks to your bank, which talks to the credit card reader, which talks to the bank account of the person in the shop. And all that is, is thousands of promises between parties that trust each other, taking place. And many more of these promises take place every second or every minute than we even send text messages. And all money, therefore, is just promises between parties that trust each other. The only money that isn't, is gold. And perhaps you could argue Bitcoin as well, the digital equivalent. They're the only money that are value in themselves.

And for that reason, gold sits at the top of the hierarchy of money, if you like. But maybe its purpose in that situation is simply to be the money of last resort, to be insurance. That's possibility number two. And as Adam Smith said, "All money is a matter of belief." Credit, I believe. Or credit, he believes, actually. All money is promises, except gold and maybe Bitcoin.

This table shows central bank gold holdings around the world. And I want you to look at two numbers specifically. The United States: 8,000 tons, 66% of its foreign exchange reserves. And China, just over 2,000 tons, 3% of its foreign exchange reserves. Keep those two numbers in your head. 8,000 and 2,000.

The United States' gold is of course held here in Fort Knox. It hasn't been audited in, I don't know how many years, since 1953, I think it is. There's a good joke. The head of security goes to the president and he says, "Mr. President, there is no gold in Fort Knox." And the president says…”What do you mean there's no gold in Fort Knox?" And the head of security says, "There is no gold in Fort Knox." And the President says, "Double the guard."

But nevertheless, we will assume that America's gold is there as it says it is. Now, this is the Shanghai Cooperation Organization. It's a trading block that spreads... I think it's 40% of the world's landmass, 30% of the world's population, 20% of the world's GDP, something like that. It's enormous. And most of those countries in that trading block, as you probably know, gold-buying by central banks over the last two years has been at the highest it's been since the 1960s. But if you look at the countries that have been buying gold, they are all countries, almost without exception, that are in that trading block along the Silk Road.

Most of those countries are not great friends of the United States. If they were not beholden to the US dollar and the American banking system and Swift and all the rest of it, it would suit them. But at the moment, there is no good alternative. But they're all buying gold. China, the motto of China, "We must not shine too brightly." Now, China, remember, says it has 2,000 tons. But I put it to you that China has 10 times that amount. China has more than twice as much gold as the US. And here is why.

In 2007, it overtook South Africa to become the world's largest gold producer. Geological records show that it has mined roughly 7,000 tons this century. It is also, as well as being the world's largest producer, and I should point out it does not export any of the gold it produces. It's illegal. It keeps it all onshore at home. And I should also point out more than 50% of Chinese gold mining is state-owned.

It is also the world's largest importer. Now, transactions that go through London, Dubai and Switzerland are mostly private, so they're impossible to audit. But the transactions that do go through the Shanghai Gold Exchange are possible to audit. Not all the gold that goes to China goes through the Shanghai Gold Exchange, but we know that 22,000 tons of gold have been withdrawn from the Shanghai Gold Exchange this century.

We also know that there were 4,000 tons of gold in China at the turn of the century. If you put those three numbers together: 22,000, 7,000, 4,000, you have a total of 33,000 tons of gold in China. China is constantly telling its citizens to buy gold. We know that China is extraordinarily ambitious. One day, it wants the yuan to be the global reserve currency, to have the same status that the dollar has. But for now, its motto is, "We must not shine too brightly."

But if you assume that of those 33,000 tons of gold in China that, say, 50% is state-owned, it's probably 55% or 60%, but let's just say 50%, then there are 16,500 tons of gold in China. Twice as much as in the US. But to declare those gold holdings would be tantamount to a declaration of war. And China's not ready for that yet, particularly while it's got $3 trillion of gold holdings, and I think $850 billion of treasuries, but its treasury count is getting lower by the month. "We must not shine too brightly."

But there has never been, in the history of the world, a global reserve currency that did not start out backed by gold and silver in some way. And if China wants to win the trust of the world in its currency, all that it has to do is make it freely exchangeable for gold. And that doesn't mean the world's immediately going to swap its yuan for gold. Just that it has to know that it can. And if China and the US ever get into any kind of conflict, the first thing that gets weaponized is money. And if China wants to declare war on the US dollar, all it has to do is go, "Hey guys, we've got more than twice as much gold as you." So, that's why I think gold does have a future. Put 10% of your net worth in gold, ladies and gents, and hope it doesn't go up.

Now, just wanted to say a couple of things. Gold and gold stocks are not the same thing. This chart shows gold stocks versus gold since the late 1990s. And you can see that gold stocks peaked against gold in 2003, 2005, maybe. And that's when we saw the invention of the gold ETFs, gold money, BullionVault, all the various different ways that were invented by which you could hold gold. And the world no longer had the need to hold gold stocks. They are much more speculative than gold. A lot of gold mining companies won't be producing gold for 10 or 15 years. There is a place for gold stocks in your portfolio, but it is not the same as owning gold.

Now, I've only got two minutes left and I've got to do the whole of the Dolce Far Niente portfolio. So, I'm going to rattle through this as quickly as I possibly can. Bitcoin, I love it. It's fantastic. It has a scalability that no national currency, including the dollar, has. Technology is destiny. It's the most brilliant technology. The risk is not *owning* Bitcoin, it is *not* owning Bitcoin. There has been colossal under-investment in oil, gas, and coal for 10 years. …We are consuming more oil, gas and coal, we need it. Invest in oil, gas, and coal.

Here you can see that even with ESG and Net Zero and all the rest of it, fossil fuel consumption keeps on increasing. And you can see that relative to the S&P, energy stocks are still a low percentage of the S&P relative to what they've done in history. Own some uranium, but own the metal. There's going to be a supply shortage of uranium. Kazakhstan cannot get its uranium to the West. It can't get it through China because China won't export Uranium. It can't get it through Russia, it can't get it through Ukraine, can't get it through Iran and Afghanistan to the south. There is a supply squeeze of uranium coming in the west. It means that uranium stocks will go up, but most uranium stocks will not be producing uranium for a long, long time.

Own the stocks. Bonds and wealth preservation have an allocation. Bonds are evil. You're lending the government money, you're enabling the government. Nobody wants to do that. 35% in equities, ladies and gents, of which we have a disproportionate weighting to the United States. You may not see it this way, but the United States is still the greatest country in the world. It's where everyone wants to go and make their fortune. It attracts the world's talent. Also, have a disproportionately large allocation to small companies. At the moment, they are cheaper than they've ever been. Not than they've ever been, but they are very cheap relative to large caps. And over time, small companies grow by more.

And special situations. We have an allocation of 10% and that is where you can buy your speculative uranium and junior gold mining companies and anything else you fancy speculating in. There is the Dolce Far Niente portfolio in its entirety. And we have no allocation to real estate, apart from your main residence. For the simple reason, ladies and gents, that interest rates make real estate too risky an investment at the moment.

But that portfolio, in my view, will see you through the next year or so very, very comfortable. And with that, ladies and gentlemen, I say thank you very much. My newsletter is called The Flying Frisby. It is the UK's number one financial Substack, ladies and gents, how about that? But to give you an idea of how insignificant the UK now is in the global scheme of things, globally, it is only the 46th most important financial Substack. So, there we go. But thank you very much for listening. Enjoy the rest of the conference. My name's Dominic Frisby. Goodbye.

Robert Helms: All right. Thank you, sir.

Future Of Money Panel

Adam Taggart (MC), Lyn Alden,Danielle DiMartino Booth, Russell Gray, James Rickards

Robert Helms: All right, it is time for the annual Future of Money Panel. We have an incredible panel and to introduce them, our moderator has an amazing background. He worked for Yahoo, eventually becoming the vice president for marketing for the entire country. Many of you know Adam Taggart from his work at Peak Prosperity and his awesome book 'Prosper', one of my top 10 favorite books. If you don't have it, you need to get it. And more recently, you probably know him for his work with Wealthion. He is the perfect emcee and moderator for this panel. Please welcome my good friend Adam Taggart.

All right brother.

Adam Taggart: Thank you, Robert, for that very kind intro. For those of you who know me through Wealthion, if you haven't heard the news, just want to put it out there, I actually left Wealthion about 72 hours ago, to go independent. All that means is I'll be doing exactly what you're used to me doing going forward, I'll just be doing it 100% under my own brand. Details on that can be found at my new substack at adamtaggart.substack.com.

I do want to say, so many of you have come up to me in the halls or emailed me over the past couple of days about the transition. You guys have been just so incredibly kind to me. Thank you. And if anybody wants to talk to me about what the vision for the new venture is, just catch me in the hall. I'll happily tell you anything you want to know about it, but on to more important details.

As Robert said, this is the annual, the Future of Money Panel. We've got an amazing set of panelists here for you today. We've been doing this for a number of years, it's kind of like a well-oiled machine at this point, but we've upgraded it this year with the addition of another excellent major mind. You'll find out who that is in just a second.

But just to set a little bit of context here, in the investing world, everything is measured in currency units. How many dollars, euros, or yen, does an asset cost, and how many more do we think we're going to get a chance to sell it for? That's the calculation we all do. But what happens when we start to worry about the purchasing power of those currency units? Will our dollars, euros and yen buy us less tomorrow than they do today, and if so, how much less? And what are steps we can take today to protect our wealth from the risk of currency depreciation? We'll dive into all that and more, including the prospects for digital currencies in today's panel. Again, it's called The Future of Money. And boy do we have a murderers row of top tier talent lined up for this discussion.

Our panelists are James Rickards, financier, analyst, currency expert and author of really too many books to list at this point, but his book, 'Currency Wars, the Making of the Next Global Crisis’ makes him a ringer for this panel. Hi, Jim.

James Rickards: Hi.

Adam Taggart: We've got Russ Gray, real estate investing expert and co-author of the book 'Equity Happens'. Come on, Russ. Next we have Danielle DiMartino Booth, CEO and chief strategist of QI Research and author of the book 'Fed Up: An Insider's Take on Why the Federal Reserve Is Bad for America'. And today's newcomer, Lyn Alden, engineer turned investment strategist and author of the recent book 'Broken Money: Why Our Financial System Is Failing Us, And How We Can Make It Better'.

Guys, it really just doesn't get better than this in terms of talent. I'm very fortunate to call these people here on the panel, both mentors and friends. I hope you feel the same with them as well after this is over. Guys, really no rules here. I will be asking questions, but if you have a response to something one of your co-panelists say, just jump right on in. You guys can hear me okay panelists? All right, awesome. We're good this year then.

All right, I'm going to start at a really high level, and Jim, I'm going to start off with you, because... Folks, I did ask the panelists each to submit a question that they thought that would be core to what they wanted to express on this panel. And Jim started with I think the most important question of the day, which is, "What is money? Do we actually know what money is?" Now, Jim, when you wrote to me, you said, "A lot of people think they know what money is, but don't be so sure." Why do you say that?

James Rickards: Yeah. This panel is the Future Of Money. I think we all know what the future is, not that we can predict it, but it's something that hasn't happened yet. But we assume we know what money is. And I would just raise a few questions.

People go, "Well, I know what money is, I've got money in the bank." I say, "Really, what you have is a bank deposit. If you look at a bank balance sheet, it's on the liability side of their balance sheet, means from their point of view, it's a form of debt." And you say, "I'll go down and get my money anytime I want," and good luck with that.

More than, I probably shouldn't give the amount, but anywhere from a friend, but more than 3000. Unless your name's Hunter Biden, they'll file a suspicious activity report. SAR, that goes to the Financial Crimes Enforcement Network, notice the word crime, you'll be in a file not too far from Osama bin Laden, and probably heads up to the FBI. $10,000, that's a currency transaction report mandatory. There's no judgment on the part of the banker. Same place, Financial Crimes Enforcement Network.

It's like putting a target on your back with the IRS. Why does this person need $10,000 all of a sudden? There are some exceptions for businesses that deal in cash, I guess a pizza parlor or something. But in general, you want a hundred thousand dollars, you have that much in the bank, they'll say, "Thank you, come back, you need an appointment, bring your birth certificate and several forms of photo ID," et cetera, et cetera. And I'm not saying it's impossible to get, what I'm saying is the bank will give it to you if they feel like it. They'll file whatever reports they want. From their point of view, it's not money, it's a liability, a form of debt that they owe to you.

In terms of basically the Federal Reserve is a good example. Federal Reserve prints the money. They created digitally of course by buying bonds, but the Federal Reserve prints the money. What does the Fed think money is, oh well they have M0, M1, M2, M3, et cetera. So even the institution, the central bank that prints the money has four definitions of money. They don't know what money is.

And if you go back and read old transcripts of [inaudible] meetings and minutes of the meetings, and I'm just enough of a geek to do that now and then, you'll see comments from the late nineties by Alan Greenspan, and even earlier, going back to the 1980s where the Federal Reserve governors and officials are saying to each other, "We lost the thread. We actually don't know what money is." And then don't even get started on the difference between domestic dollars and eurodollars. When I say eurodollars, US dollars in, basically, outside the regulatory jurisdiction in the US. It could be transacted in New York or anywhere else, but it's a dollar that is subject to a different set of regulations. Narrower bid offer spreads, kind of a wholesale interbank market, but that's different from the domestic market, et cetera. And then you get into silver and gold.

My friend Dominic Frisby mentioned Bitcoin. He said it's a form of money, I disagree. It actually took me, I say anything critical of Bitcoin, they go, "Jim, you're a technophobe. You don't get it." Whatever. I read Satoshi Nakamoto's paper about a month after it came out and I've been in bitcoin debates starting in 2010. So I actually have followed it closely, but it took me a very long time to figure out what it is. Because I know the technology and I know the exchanges and the transactions and all that, but what is it actually?

I don't think it's money. I think the nearest analogue you walk across the street, there's a casino, you buy a casino chip, you can play the chip in the casino, you can win money or lose money. When you're done, you have to go to the cashier and get cash and then you leave the casino. If you walk out of the casino with a chip, it's worthless. You can't buy a candy bar with a casino chip. So in other words, Bitcoin has value in the Bitcoin crypto world, but it's not good for anything else. You can't spend it, but you can gamble with it all you want. I know people who've retired at a fairly young age with $25 million, actually paid their taxes. They bought Bitcoin at a thousand bucks and sold it at 20,000. But that's not money, it's just a form of gambling. Bitcoin I think is best understood as a hallucinogen. So I'll stop there. But my point, Adam, is that things that... No, seriously, everyone sees what they want, but my point is money is not as obvious as people think.

Adam Taggart: All right. Now obviously, like fish swim in water, water's all they're used to, we're just used to the money that we deal with right now. Of course, most people in the room here, that's the US dollar. This was talked about a bit yesterday. Despite the rapid growth recently in US debts, in our national deficits, the inflation that we've had over the past number of years, the dollar on a relative basis has actually stood up surprisingly well to many people. Where do you all see the US dollar headed both in the near term, next year or so, and in the longer term? And if you can in your answer, I'm going to make this a complicated question, if you can give us that answer for its relative performance, versus the other major world currencies, but also your outlook for its purchasing power. So short-term, relative performance, and purchasing power. Lyn, why don't we start with you?

Lyn Alden: I think part of that's going to depend on how much the treasury focuses on either strengthening or weakening it. We saw from the recent treasury report that Janet Yellen and the rest of the treasury are increasing their bill issuance, which allows them to get more liquidity out of the reverse repo facility. I think part of that is to try to arrest the recent rise in the dollar index and arrest the recent rise in longer dated yields, to add more liquidity focusing on the short end. So shorter term we probably have some pause in the dollar index for a period of time, that could go away if they were to issue a lot more coupons.

Again, longer term, I think my overall framework is that we're entering a more multipolar world where we're seeing, this is not exactly news these days, but I've been writing about this for a number of years. It kind of accelerated with the Russian invasion of Ukraine and kind of has cascaded since there. But I think we're seeing a number of powers increasingly focusing on reserve diversification, making their own payment channels. Although of course that's a very difficult process. They're up against a very substantial network effect and this is a very long-term timeframe. So I think we're entering a more multipolar world rather than a world where every country just unanimously uses dollars and doesn't really think twice about it.

Adam Taggart: All right, great. Danielle, I'm sure you've got some opinions on this.

Danielle Dimart...: I was kind of born and raised at the Fed, and I still have PTSD as a result, to understand that the US dollar is the most attractive horse in the glue factory, glue factory nonetheless. It's just how long is the glue factory going to stay open? And I think there's an interesting phenomena, it's been the deniability around the world of other recessions that are underway. So it wasn't until we saw the Eurozone in its entirety begin to contract that anybody even began to pay attention to the fact that Germany has been in recession now for three quarters in a row. They keep revising it downwards, but it is what it is since the fourth quarter of 2022. And when you think about the world's third largest exporting nation, which is what Germany is, and the fact that the world's largest exporting nation is as close to recession as you could possibly have that described by statisticians, that our statisticians now make blush because our data's so ugly and dirty now it makes China’s look clean.

But when you think about the three largest exporting nations in the world being in recession, then you really don't come out at the other end when you add to that the fact that everybody keeps saying that the dollar is at risk and yet they keep pricing their sovereign debt in dollars or corporate debt in dollars worldwide. So that's where you come out at the other end saying at some point the dollar is going to continue to be the authority that it is on the world stage.

On top of that, TRUflation, which I know, Adam, I've spoken to you about before, they gave us the raw data from January of 2012, jot it down. I know we all need some more coffee right. This is New Orleans, but TRUflation, follow it closely trailing 12 months, 1.88%, the Fed will get to its 2% target and actually go below that, which they do not want. There's nothing like having a debt ridden world with deflation, but that's kind of what's barreling down towards us, meaning the underlying fundamental value of the dollars is not at risk because of inflation, at least until after the election comes and goes. And then we could, God knows what we're going to… what the progressives could bring in terms of central bank digital currency and universal basic income and modern monetary theory, the whole thing, we could have rip roaring inflation. It is not an interim trade right now.

Adam Taggart: Okay. All right. I do want to get to the supply side too in terms of what we think the central banks are going to do. Also your expectations about the market for dollars outside of the US, the euro dollar market.

Let's see here. Let me stay with you just for one second, Danielle, and then Russ, we're going to come to you next. So George Gammon talked a bit yesterday about the delta in influence in terms of the dollar's performance of central banks versus the eurodollar market. In his opinion, he thought the eurodollar market was really the dominant force here that defined what was going on. I'm curious... Well, let me distill this down first. What do you expect next from the Fed?

Danielle Dimart...: Not much.

Adam Taggart: Not much. Okay. Elaborate a little bit more on that.

Danielle Dimart...: I think that right now the prevailing goal is for Powell to be not noticed. He just wants to keep shrinking the balance sheet. So is it anything beyond semantics that with one bad employment report now we've priced from July to June of 2024 being the first rate cut? I don't think that's relevant in the sense of relativity matters. I don't think we're going to the zero bound anytime soon. I think he's still got decent control of the federal open market committee and the Federal Reserve Board. I don't think it's a coincidence that the dot plot ends with a two handle, meaning out to 2025, meaning that I don't think he sees at least as long as he has not run over by the CIA driving a truck and taken out an election year. I don't think that Powell plans on going back to the zero bound. And I think he's trying desperately to extricate quantitative easing from the toolbox. And the only way that you can do that is to continue shrinking that balance sheet.

Adam Taggart: Okay, and do you think that's going to support the dollar then until in such time as Powell either achieves his mission or was forced to?

Danielle Dimart...: Higher for longer kind of goes hand in hand with that, right?

Adam Taggart: …Yeah. Exactly. Okay.

So we've got the Fed pumping the brakes like you're talking about here. That's likely to be supportive of the dollar at least in the near term. You look at somebody's outlook, like a Felix Zulauf, who basically says we're now in the decade of the roller coasters, and it's going to be this era he sees, where because of bad policies and because of market forces, that we will have these contractionary events that will bring markets down, bring asset prices down, and that will then force the central planners to step in, and rescue, and reinflate the system, and then make the underlying issues that led to the bust, worse again. And then we basically rinse and repeat and each time the rescue efforts that the central planners need to engineer is going to have to be larger than the one before.

I'm curious, and let's see, I'll let anybody who wants to jump in answer this one first, is that the new cycle that we're now trapped in here? Is that what you expect to see from here? That higher for longer will eventually end in some sort of either breakage in the system under this high cost of capital, and drag the economy asset prices down with it, force a pivot by the Fed if indeed it hasn't achieved its mission of under 2% inflation by then, and then we're back off to the races with the whole stimulus playbook?

Danielle Dimart...: I'm going to be really short and sweet, because I've spoken too much, but I do think that the American public has tasted the fruit of, "I don't have to pay for my contractual obligations." There are more of this cohort than any other, so I think that we will be voting in more of these policies. And we have to bear in mind after the pandemic hit, the Fed was not able to go at it alone. It was a double barreled approach that was required. You had to have equal amounts of fiscal and monetary stimulus. The Fed had to monetize every penny that was legislated. I think that that's where a lot of young Americans want to see this country go. And they're stacking the Federal Reserve Board with progressives who would pursue these policies.

Adam Taggart: Okay. And for those of you that are familiar with Neil House work and the fourth turning, we are in a fourth turning right now by Neil House calculation. And fourth turnings are characterized, Neil says, by greater centralized control. And what's interesting is not only does it come from the top down, but as Danielle is saying, it actually comes as a demand from the populace itself, for more centralized control to solve these problems. So Neil expects the same thing.

Russ, why don't you chime in on this here, this concept of decade of the roller coasters. I think that's near and dear to how you look at the world. What do you think?

Russell Gray: Yeah, I'm the main street guy up here, so I don't live in the macro like these folks do. I try to figure out what it all means when it all rolls downhill and hits main street. But coming back to some of the prior topics and wrapping it all up for me anyway, is the concept of money. What is money, currency and money are two different things. And I think that it's really important that you understand the difference. So Jim's book, 'New Case For Gold' is excellent for understanding money and money is wealth, and then currency is just a unit you want to transact in, but it has purchasing power. So you got to pay attention to that. And then the other question that you were talking about was how does it compare to what's going on in the world, and for me it's the same as Bitcoin in terms of a network effect.

Right now, if you've got dollar denominated debt in the world, people have to earn dollars to service that debt. We've got still a very large economy, and if you earn in that economy you've got to pay taxes in that economy, you have to earn dollars. So it creates demand. When the dollar collapsed in the seventies, the petrodollar system was instituted in order to create demand for the dollar. So just watch for the dollar demands. There was the second part of the question you asked me, I wanted to get that part out, but...

Adam Taggart: Well, I asked you about this projected feature of Boom…

Russell Gray: Yeah, yeah, yeah. The main street part of it…

If you buy into 'buy low, sell high', which is what a lot of investors do, they think that investing 101 is buy low, sell high. And so asset prices matter a lot. And what drives asset prices a lot is credit. You look at how much credit is in the system and asset prices track that. And I know that to be true in real estate. Somebody trips over the cord that pumps all the air into the jump house, like in 2008, or even right now with interest rates rising, then the equity begins to come out of the market.

And if you buy real estate focused on the asset price, then you find out that your equity is air. Stocks for example, are often priced by comparative sampling, 10 million shares of Apple or whatever it is out there, however many millions are... I don't know. And somebody sells a thousand of them for a certain price, everybody else who's holding those prices think, "Oh, that's my price too," until everybody shows up in the market. So that's a roller coaster ride. And our thesis in our opening presentation, the pre-conference workshop is that the people who run the casinos thrive in the chaos. They actually want to create it. Up and down, up and down, up and down.

If you invest for income, cashflow, it's a lot more stable. If you just look at the asset prices of real estate versus the rents on real estate, rents are very stable. And so I think that if you set up your portfolio based on income, and you denominate your net worth based on income... Which, how do you do that? Well, if you have a $5 million property with no debt and no income, you might say, "Well, I got a $5 million net worth," and you'd be true. Assets minus liabilities equals net worth.

You get a $2 million property with a million dollar loan and a hundred thousand dollars a year income, passive income, you get a million dollar net worth. But who's richer in the real world? So I think you can create a lot of stability in the roller coaster by focusing on the income side. And I think that once you get that income, converting it into real money where you can store real wealth into real assets. So to me, I think there's always going to be volatility because I think the people that participate in the markets thrive on it, and I think it's built into the system. So as a Main Street person, I just want to try to find a way to insulate myself from that. To me that's the focus on income from things that are necessary and essential, and I don't think it gets any better than housing or real estate related to essential businesses.

Adam Taggart: Great. And housing is an inflation adjusting asset, right? As inflation goes up, you have the ability to charge higher rents, but obviously that's a big question that people have when they think about the future of money, is inflation and about the future of the purchasing power of the currency. Jim, I'm curious, what is your long-term inflation outlook right now?

James Rickards: Well, just in terms of what could cause it, I think the Fed is completely irrelevant. By the way, I read the Fed Minutes, I watch the press conferences, I analyze the Fed. I don't want to disown it, I spend a lot of time thinking about it, but my conclusion is that they're irrelevant.

In 2008, December, 2008, the base money supply was approximately 800 billion. In 2020 it reached almost $10 trillion. There was no inflation. There was no inflation. That whole long expansion, and I don't know how to talk about 2020, the economy goes down 32% one quarter and back up 34% in the following quarter. That's not a business cycle that's just turning off the lights. But there was no inflation. There was in 2022, I'll come back to that. That was real inflation. But inflation roundabout, it barely got to the Fed's goal, 2%. It would be 1.6, 1.72. Talking about core PCE. That's their preferred measure. They were dying to get it to 2%. They kept printing money and they couldn't do it. All that tells you is that that money supply is irrelevant to inflation now.

What is the driver is velocity, which is a psychological phenomenon. It's a behavioral phenomenon. So any amount of money supply can be inflationary. If velocity takes off, if expectations of inflation take off and people adapt their behavior, then can it be inflationary? Of course. But what's driving it? It's not the money, it's the velocity. It's the behavioral aspect.

Now, what happened in 2022 is interesting because inflation has two sources, if you will, the velocity and the psychology. And, "Gee, I better go out and buy that refrigerator today because it's going to be more expensive in three months," which I lived through in the ‘70s and the early ‘80s. That's from the demand side, that's demand side of inflation. But there's also supply side of inflation. And what we had in 2022 of course was a major breakdown in the whole supply chain.

Adam Taggart: Which by the way, you wrote about eloquently in your book 'Sold Out'.

James Rickards: Thank you. That was a book about the supply chain. Actually had three chapters on inflation, deflation and capital markets, but a lot of it was logistics. That's okay. But the point is, and we saw the same thing in the ‘70s. So maybe the ‘70s, the entire seventies are a good model. What happened in 1973 is Arab Israeli War sounds familiar and Arab oil embargo. That was highly inflationary, but it was a supply side shock. And I remember Gerald Ford and Alan Greenspan walking around with wind buttons for whip inflation now. Well, those buttons were often about six months because they say the cure for higher oil prices is high oil prices. That price shock was so great that it threw the economy into what at the time was the most severe recession since the Great Depression.

And I got out of undergrad in 1973. All my friends went to Wall Street. I probably wasn't mature enough, so I went to graduate school, but they were all like, "I got a job with Merrill Lynch," or whatever, and then they were all fired the following year. The Christmas parties in December '74 were very depressing, because they all got fired. But then, after normal growth, inflation came back with a vengeance. But this time was from the demand side. So my point simply is that you have to separate supply side inflation and demand side inflation. They are different things. They're both inflationary in the sense that price indices go up, but supply side inflation tends to be self extinguishing. It puts itself out, because it throws the economy into recession. Demand side can feed on itself and that's where you need maybe more extreme remedies. So the Fed lights the fire and fights the fire, but those psychological and logistical inputs are more important.

Now what's going on today, because that was really your question. We're in a period of disinflation bordering on deflation. We've just come through a period of inflation for sure, 9.1% in June, 2022. But that was supply side driven. That has snuffed itself out. A lot of the logistics problems have been solved and there’s actually less demand. You don't have to worry about logistics if people don't want the stuff. Gasoline is a good example. Gasoline consumption is dropping, but usually demand is pretty inelastic. It's the kind of thing you need. You need your gasoline, no matter what the price is, you got to go to school or take the kids to school or go to work or whatever. So you buy it anyway, even though the price is pretty uncomfortable, but the usage is actually dropping. That's a very powerful recession sign. There are others looking inside the eurodollar market.

The swap spreads are negative. What's a swap spread? Swap is I pay a fixed rate and you pay me a floating rate, or vice versa. It's a derivative bond. It's a synthetic bond position. If I own a bond, I finance it overnight, I'm receiving fix and paying floating. So swap spreads are the difference between the risk-free rate. What can you get if you buy a five-year note or a 10-year note on the one hand, and what a dealer pays you on the fixed leg of a swap.

Now it follows, that could be anywhere, but it follows that the government rate should be lower than the counterpart rate. If I have a five-year treasury note, that's as safe as you can get versus a bank paying me a fixed rate for five years. Okay, good bank, but there's a little risk there. So it follows that the bank rates should be higher than the government rate in the fixed leg as well. It's not true today. The statement is true, but the data is the opposite. The bank is paying a lower rate than the government. Now why would that be?

Adam Taggart: Sorry to interrupt Jim, but that's why so many bank deposits are fleeing right now to the money markets and T-bills.

James Rickards: Correct. Where it's a symptom of that phenomenon. So are bank credits suddenly better than government credits? No, not at all. The reason they're lower is because the banks are having difficulty financing derivatives positions because they can't get enough good collateral, and banks can put a swap on without using any balance sheet capacity. Whereas if I'm financing a bond, I am using balance sheet capacity. So it's a liquidity preference and it's a balance sheet preference. It's not lower because of credit, it's lower because of liquidity preferences and the inability to get collateral. And by the way, just to kind of wrap it all up, the demand for collateral in treasury bills in particular is so great and that's why the dollar is strong. Interest rate differentials, capital controls, all that stuff. I've studied that since the 1970s. It goes back to the 1950s. A lot of it is obsolete in the world we live in.

What does make the dollar stronger and drive foreign exchange rates is the demand for dollars itself. If I'm Deutsche Bank and I want to buy treasury bills, that's fine. I got to pay for them in dollars, which means I have a demand for dollars, and no one's more desperate than the Chinese. And I debate this with my research partners like, "Hey, time to go long the yen. The yen's going back to 135 or whatever."

Guys, when I started in banking, it was 400. So if you go back, not all that far, it's kind of deja vu all over again. But the point is the Japanese yen is joined at the hip with the Chinese yuan, because the extent of Japanese banks are financing everything in China, and they don't want a stronger yen because that's going to hurt their business in China and hurt Chinese exports, et cetera. And so the yen and the yuan are just locked in a de facto peg and the Yuan's going down, so the Yen's going down. So look for it to go to 160. But that liquidity, the Euro dollar market and the supply and demand and the demand for collateral, that's what's driving exchange rates, not interest rate differential. So forget the Bank of Japan, and forget the Fed while you're at it.

Adam Taggart: All right, well look, we're heading into the home stretch here. So I'm going to ask a few more questions that I know the audience wants to hear. I'm going to need to have relatively rapid fire answers to try to get through them all. I wish we had another three hours, but we're going to do the best with the remaining nine minutes we have.

So to Jim's comment there about we've been in inflation, we're now in disinflation, deflation might be right around the corner. This isn't necessarily a currency question, but it's topical to everything everyone's talking about this conference. And Danielle, I'm coming to you with this, which was your question when I asked you what question would you like the panel to address, which is when recession, right? So what do you peg as the odds of us heading into recession from here as we enter 2024?

Danielle Dimart...: As a former central banker, I do comfortably think in trillion dollar increments. And when you add up... And this is something that's been bothering me, because social media is not a kind place, and when you're calling for recession and recession doesn't come, it's an even less kind environment. But in any event, I started to say to myself, "Where's the money coming from?" After the election, after the midterm election, we got rid of the public health emergency. So it's a $250 monthly stipend on average of food stamps went away. The Medicaid rolls, they were shrunken back. And I said, "Where's the money continuing to come from that's pushing... It couldn't just be credit card spending." But eventually I dug, and dug, and dug, and anybody ever heard of Kevin O'Leary? Right? All of this employee retention credit, when you add it up, $474 billion was pumped into the economy in the 36 months ended July, 2023. Add that to the paycheck protection program, $757 billion of which was forgiven. You get to $1.231 trillion. That's where your recession is.

If you think about where the money went, it went into the hands of your top quintile of earners, but it was windfall. Even though economics 101 teaches us, you give money to people with the highest propensity to spend, which is what the stimulus checks did, that's what the additional supplemental unemployment benefits did, it went into the hands of people with the highest propensity to spend. It ignited inflation as we know it. But for the high net worth individuals who got this $1.23 trillion windfall, it was unexpected. They too spent it. They spent it on international travel. It's…the employer retention credit, the plug was pulled. The work that we did at QI research went all the way to the house ways and means committee, thank you God, they pulled the plug on this thing. Why did LVMH stock peak in July? That's when the employee retention credit peaked. So that's where the recession is, Adam. It's in $1.231 trillion that nobody wants to talk about. It's Voldemort, but it went straight into the US economy.

Adam Taggart: So it's in basically the ending of that stealth stimulus to…

Danielle Dimart...: This November the 30th is the cessation of the FHAs final forbearance measures. So starting next month, December the first. So some people have not paid their mortgage since March of 2020, with the passage of the Cares Act, that is the last vestige of fiscal stimulus in the form of direct cash into people's pockets, or cash that they're not spending.

Adam Taggart: Okay, so fair to say, Danielle Dimartino Booth looks at 2024 as the…Look out below.

Danielle Dimart...: I think we're in recession today. The Psalm rule, it's a vigorous rule, tells you that if the unemployment rate rises by a half a percentage point that you're technically looking in the rear view window in recession. That is certainly what happened in the month of October with yesterday's nonfarm payroll report.

Adam Taggart: Okay. Great.

James Rickards: If I could just jump in, I agree with Danielle. People forget the first two quarters of 2022, we had negative GDP growth, two quarters in a row. And Janet Yellen said, "Don't call it a recession." That's the standard.

That's the standard rule of thumb. Oh, did we not have a recession then? Well the National Bureau of Economic Research hasn't called it, and Janet Yellen said, "Don't you dare." But that should have been taken as a warning that not all was well. We had some kind of mini recession back then. And I agree with Danielle. I would say that she said it might start in a couple of days. I think it probably started, we'll find that the recession started somewhere in September or October, but we're already in it.

Adam Taggart: Awesome. All right, Lyn, I'm going to ask you the question I was going to ask every panelist if we had enough time. We don't. So I'm going to let you back clean up here. In terms of our money system, you've just written the book, 'Broken Money', you've done a very deep dive into what it is, what's going on, what the future of money looks like. If you were in charge, what kind of system would you put in place?

Lyn Alden: I think if you go back to some of the literature over the past century and a half about what is money, the best money has emerged naturally. They're not imposed top down. They emerge bottom up. Gold wasn't selected by some world emperor as money. It's just that as different civilizations and their different levels of technology found out what's going to make good money, they could break certain types of money. If some culture uses shells as money, it works for a long time. But if another culture's technology is better, they can make all the shells and dilute them. But no one can do that for gold and silver. And so gold and silver rise naturally as money.

I think going forward there's a battle between bottom up money and top down money as we get more and more digital. Most money's digital already, but it's becoming even more digital over time. A number of countries want to phase out cash or diminish cash and replace it with central bank digital currencies, which kind of takes away the last vestiges of analog currency, and make that digital or at least continue shifting the role more and more digital. At the same time. There are open source moneys. These are actually the bottom up varieties in the new digital age. And so I think going forward, and I do some work in venture capital in this space, and so I see the upcoming pipeline and what people are building, what people are building upon, some of the cool things that are happening. So for example, there's an open source protocol called FediMint, and there's a company called Fedi that builds on top of it. It stands for Federated [inaudible 00:47:09] Mint. So they basically resurrected 40-year-old encryption technology, decided they can put it on top of Bitcoin.

And so now anyone in say Africa or Latin America can start their own community bank. So a number of custodians can have, they have custody of the funds as part of a federated entity. And people can hold either Bitcoin or dollar stable coins in that. If they're in a highly inflationary environment, you know they don't want to hold their local currency. Now they can receive Bitcoin or dollar payments. You can have a video chat, get a QR code and just send payments, bypasses their local banking system. You can send payment over an email, you can send payment over an app, basically all these different things, and they can make use of jurisdictional arbitrage. So for example, the companies that are designing these tools, if one country becomes problematic for them, they can move to another country. And so for example, there's companies all around the world in multiple different jurisdictions building these types of tools.

And then the cool thing about that type of community bank is you can have other things on top of it too. So in addition to Bitcoin and dollar payments, you can have data storage and you can have access to ChatGPT. So instead of having a subscription that you have to pay every month in dollar terms with your credit card, maybe you're in a jurisdiction where that's harder. You can do micropayments, you can pay 3 cents a question if you want to use it less, and you can access the API through this app. And I think that there's futures like that, these communities building bottom up technologies that are tying into existing network effects. I think the big battle going forward is that all these different silos, these different jurisdictions are going to try to impose their top-down system. But there's also, unleashed a new... Software is eating in the world, and the latest thing that software is trying to eat is money. And I think that's the future battle, and I think it's going to take years and decades.

Adam Taggart: It sounds like you're saying though that, we maybe are now living through a renaissance in money, and we may see some things emerge out of that maybe we can't even imagine quite yet, but could potentially be introducing new solutions that might've made much better than anything we can imagine right now.

Lyn Alden: That's my view. Yeah.

Adam Taggart: All right, fantastic.

All right, well look in our last minute here, just a quick answer from each of you. As a recommendation for the audience. Can you share either what you consider to be a great book on money or a great publication on money that you think the audience would benefit from researching after this conference. And it can't be one of your own books. So Jim, you first.

Danielle Dimart...: Good one there, Adam.

Lyn Aldero: Yeah, Mary Beard's 'SPQR'. It's a history of the Roman Republic and Roman Empire. But if you want to understand how... If you don't have sound money, you do not have a sound political system. And that the decline in money presages the decline of the political system itself. And we all talk about the fall of the Roman Empire, but she does a deep dive and covers the fall of the Roman Republic, which is a different thing, before the rise of the empire. It's a really good overview.

Adam Taggart: All right, fascinating. Russ?

Russell Gray: I have two, I already threw out New Case for Gold, which is a simple read, but it really makes a great point. There's another little esoteric book called 'Layered Money' by Nik Bhatia. It helped me understand the intersection of money and crypto.

Adam Taggart: Great. Danielle?

Danielle Dimart...: So my mentor at the Fed recommended that I read the 'Lords of Finance' and it really resolved a lot of my internal tension with having actually worked at a place like the Fed. But it explains everything that you could ever imagine about what got us to where we are today as hyper-focused on something as boring as what occurred at 2:30 PM Eastern Standard Time Wednesday afternoon, which was Jay Powell's press conference, holding onto every single word read the 'Lord's of finance'.

Adam Taggart: Excellent. And Lynn?

Lyn Aldero: Will second 'Layered Money by Nik Bhatia'. He's an acquaintance of mine. It's a great book. And also I'll recommend 'Central Banking 101' by Joseph Wang, a former Fed employee. It kind of is a really just concise, just objective overview of how money systems work, the nuts and bolts of it.

Adam Taggart: Great. And Joseph, you can find his work at fedguy.com, right?

Lyn Aldero: I believe so.

Adam Taggart: Okay.

Danielle Dimart...: @fedguy12 I think

Adam Taggart: Yeah. On Twitter. Yeah, @fedguy12.

All right, look, thanks so much everybody. Huge round of applause for our panelists.

And a huge round of applause for our moderator, Adam Taggart. Thanks everybody. That was amazing.

George Gammon

"Everyone Is Wrong About The Dollar (Heres Why)"

Gary Alexander: …George Edward Gammon, he was on my closing geopolitical panel last year and it was a wonderful panel we had along with Dominic Frisby, whom you'll hear from later on. George Gammon is a real estate investor, entrepreneur, and teacher of macroeconomics on YouTube. Prior to 2012, George started and operated multiple businesses in the convention and advertising space. He grew his last business at $24 million in annual revenue and over 100 employees. Today he will speak on Everyone is Wrong About the Dollar and Here's Why. Please welcome George Gammon.

George Gammon: All right, how's everyone doing this morning? Oh guys, come on. You can do better than that. How's everybody doing this morning? All right, it's a little bit better. So what I want to do first off is change the title of this presentation. The title was, Everyone Is Wrong About the Dollar, but the title should be Why George Gammon Is Wrong About the Dollar. You see, yesterday I was doing a quick interview with Kitco News and after I got done doing the interview, my good buddy Peter Schiff came up to me and was talking to me about going to dinner last night. And there was a gentleman that came up that was a big fan of Peter's and a big fan of mine and he was noticeably nervous, a great guy, and he was nice enough to come up and tell us that Peter and myself have given him a lot of value throughout the years.

And then he went on to say about how smart I am and how smart Peter is and that's when I knew I needed to change the title of the presentation because, you see, a lot of that title came and stemmed from my own insecurities. You see, I can tell you right now that it's very cool. It's a great feeling when people think you're smart and when people think that you're right. But I'm here to tell you that every single person up here on stage today and throughout this whole entire conference is just guessing. We're just like you. We're just trying to figure this stuff out. And if anyone is just trying to figure this out, it would be me. Because out of all the speakers here, I can assure you I'm by far the least qualified.

So that's why I wanted to change this title to Why George Gammon Was Wrong About The Dollar and take you through this personal journey of mine, how I went from quite literally hating the dollar, like being angry at it, to a point now where at least I'm agnostic. And I think the story starts with this epiphany that I had while I was doing this presentation, while I was putting it together. I asked myself why did I start from this place of hatred? And I think it stemmed from the fact that I hate the government. How many of you hate the US government? Right, so you can understand where I'm coming from hopefully. And I hated the government, I hate the politicians, I hate the rich men north of Richmond, if you want to put it in that context. And I am still angry about the fact that they locked us all in a cage, right?

I'm still angry that they forced a lot of us to inject a foreign substance into our bodies and for some of us they forced that upon our children. I'm still pissed and I will be for a long, long time. So I think what happened is because I saw the dollar as an extension of the US government and those SOBs in Washington DC, that because I hate them, I hated the dollar as well. But through this process, this kind of intellectual journey and self-discovery that hopefully came from the realization that the enemy of success is ego at the end of the day. The process led me to the conclusion that I can still hate the government and just be agnostic about the US dollar. So let's get into the specific slides. We're going to start with the view that I had, and this was back probably 2019, 2020 when I first started the YouTube channel.

And I think you hear this argument quite often, especially over the last six months. So on the supply side, we've got exploding deficits. We have a debt doom loop. This makes a lot of sense because basically what you have is the interest rates going up and you hear this all the time in the news right now, how pretty soon just the interest payments on the US debt is going to exceed the GDP of Australia, as an example. And we think about that. We say, "Holy cow, Janet Yellen is going to have to issue this immense amount of treasuries and that's going to make the interest rates go up even higher and that's going to increase the debt burden of the federal deficits that we have." And you just go into this doom loop and then the end result is the Fed has to come in and monetize the debt, do yield curve control like Japan's doing, or like we did in the 1940s, and then the Fed prints all this money, money printer go burr and the dollar crashes, we have hyperinflation.

How many of you have heard that narrative? I mean, it makes a lot of sense and that was exactly my view a couple years ago. And then if you get into some nuance there, you see that, well, maybe it's just the Fed's balance sheet expanding, but then that gives the banks additional balance sheet capacity to go out and lend, to buy financial assets and we're going to have that inflation show up in either consumer prices and assets or both. And then on the demand side of the equation, I didn't have this view back in 2019, but it definitely resonated with me. Let's just say a year ago that we've got this BRICS currency, could be gold backed. That's interesting. So why on earth would these entities that provide most of the world's commodities, especially energy, why would they do business in the dollar, especially after we froze Russia out of their own accounts?

We've weaponized the dollar. The Petrodollar, Saudi Arabia, they're starting to do transactions with China in currencies other than the dollar. So if that demand goes away, then what happens with the dollar? All those dollars come right back into the United States, they flood back into the United States, they create inflation here, potentially hyperinflation. And since there's no demand for dollars outside the US, the dollar crashes. And that's not even considering the fact that a lot of these entities will probably start buying gold. We know that central banks, a lot of them are buying gold hand over fist and then Bitcoin, you could have a gold backed currency. There's going to be a lot of options other than the dollar that we might not have had before. This was my view.

Now at the time, the kind of contrarian view, and I want to give Brent [Johnson] his due here. This is basically the dollar milkshake theory, is Brent would come out and say, well, you got to remember it's a relative game. So yes, all the United States, they have all these problems that you're talking about, but these other countries have even bigger problems and we could probably keep interest rates higher. So you got that rate differential that would give a boost or that would potentially lower the supply of dollars relative to other currencies and it would increase the demand. So you've got this dollar wrecking ball. And that made a lot of sense to me, but I still felt as though there were these crosscurrents that yes, you have the crosscurrent of the debt, let's say dollar doom loop and the BRICS currencies, and then you have the crosscurrent of what Brent talks about and it's all relative game and the dollar network is too strong to be defeated.

But I thought that the crosscurrent of the dollar crashing would overwhelm the crosscurrent of the dollar wrecking ball. But then we had 2020, 2021, and I really had to wrestle, like I was saying earlier, with my own ego and I had to say, look, do I want to try to find truth or do I want to double and triple down and pretend that I'm right just so people might not question my intellect? So people might not find out that at the end of the day I almost flunked out of high school. At the end of the day, I'm not that smart. I'm no smarter than any of you in this room. And again, so it's that battle with insecurity. But fortunately I came across some charts to where it was pretty much undeniable.

So let's go over the components of that doom loop that I was convinced would overwhelm that dollar wrecking ball. So in 2019, I know these charts are a little hard to see, but I'll walk you through them. The top one here, this is the federal debt, 2019, it was right around 22 trillion. Now, 32 trillion, an increase of $10 trillion or 45%, that's a big increase. So the argument is that the deficits are going to explode into the future because interest rates are higher and the US debt is going to skyrocket. But we have to realize that that's not just the future.

That's exactly what has happened in the recent past. Let's move on to the Fed's balance sheet because again, that's the argument that the Fed is going to have to monetize all the debt because the US won't be able to handle, won't be able to afford the higher interest rate costs. So 2019, the Fed's balance sheet was at $4 trillion. Now even though it's come down due to quantitative tightening, it's at 8 trillion. I'm no math genius, but that's an increase of 100%. 100% in two or three years. Now let's talk about M2. How many currency units are out there chasing goods and services? 2019 is at 15 trillion, now it's at 21 trillion. Just in the last two or three years, we've increased M2 money supply by $6 trillion or 40%. That is a staggering number.

But now let's move on to a chart of the United States dollar and see what it has done. Keep in mind relative to other fiat currencies, not relative to goods and services in the United States, those are two separate things. But let's see what it's done on the global stage during this exact same timeframe. When, if the debt doom loop is correct, the dollar should have already crashed. We should be in hyperinflation as we speak. And you guys probably already know the punchline, the dollar didn't crash, it went up. Roughly in 2019 we recall at 96, 97, and now we're right around 106.

So these charts were a real eye-opener. And these were the first charts that made me really have to, for lack of a better word, have a come to Jesus moment with myself and say, "Listen, George, this is very, very uncomfortable, but you might have been wrong." And for me, that's a real big deal because I do about a thousand YouTube videos every single week. So I'm on record talking about all this stuff. But the good news is for those of you who do watch my videos, you know that I very rarely make predictions. What I try to do is really present the risks in the overall system and hopefully give you guys the tools to come to your own conclusions. And that's exactly what I'm doing today. All right, so let's get to the next slide.

Oh, this is another part of my thinking process. When I was looking at the debt doom loop, I was also thinking about the budget deficit, but more longer term. We talked about from 2019 to today, but let's look at the budget deficit. We always hear about this, the twin deficits, and that made a lot of sense to me as well because okay, we're running all these budget deficits. That means the Fed, especially today's day and age, they’re going to do quantitative visa. It's going to increase the supply of currency units. And then if our trade deficit is massive, those currency units are going from the United States and they're being transported out of the United States, and then that increases the supply. That should bring down the dollar. But you'll notice that since, let's just call it 2002, the budget deficits have been increasing. That's not a good trend.

And right now, the budget deficit, about 5% of GDP, you hear that we're in wartime deficits. And that's absolutely correct. But if we go into a recession, which I think we will, due to the inversion of the yield curve and what that's predicted in the past, these budget deficits will increase. They'll get a lot worse, that's for sure. But you can see this trend since about 2002, and it's not just the budget deficit, it's also the trade deficit. That's gotten worse as well. So now let's look at the dollar since 2002, and you can see it's pretty much flat.

So with everything that's happened in the last three years, with the trade deficit getting worse, with the budget deficit getting worse, the dollar is flat to up. So I had to figure out why. I can't just... I've got to be intellectually honest with myself at the end of the day for me to sleep well at night, especially with the YouTube channel getting millions of views. I mean, I take that stuff seriously. I know people actually listen to what I say for better or for worse. So I needed to understand why, what was going on here? Why did the dollar not do what I would've predicted that it should do?

So that's when I really started to try to get my head around the different types of dollars. And maybe the answer was in the banking system, maybe the answer was with the way the global monetary system is actually structured. This opened my eyes up to several things. First and foremost here, I want you to try to differentiate between what I call demand dollars and supply dollars. See, when we look at a green piece of paper, we look at our bank statement, we assume those dollars are the same and they're not. They're different at a fundamental level. And if we don't understand the difference, we're not going to be able to predict what will happen in the future to the dollar, gold inflation, commodities, et cetera.

So to explain this concept further, demand dollars to me are dollars that when they're created, they are a supply of dollars, but the fact or the way that they're created produces future demand. So think about getting a mortgage for your house. What happens is you go down to the bank, they give you a loan, and then they credit your account with let's say $500,000. But then when you pay back that loan, let's say you were to do that the next day, it is true that that loan, when those dollars go into your account, they're created out of thin air. Those are Fugazis, they did not exist. So that increases M2. But when you pay off that loan, what happens to M2? It goes back down. Those dollars are gone. They go to dollar heaven, you see?

But let's look at this kind of visual and you can see the difference, what I'm really talking about. So we go through this thought experiment of the bank lending you $500,000, but in the first instance, they lend you $500,000 worth of green pieces of paper. In the second instance, they lend you like a typical loan, they credit your account. So then let's go over to the right and think about what happens if you take those 500,000 green pieces of paper and give them back to the bank. Do they still exist? Yeah, yeah. They're not going to shred those pieces of paper. They're not going to burn them. They still exist.

But if you pay back that mortgage, if those dollars were created through lending them instead of printing them, then those dollars are gone. So M2 starts at 500,000 with both scenarios, but the second scenario, M2 goes to zero. Or if they're green pieces of paper, then M2 stays at $500,000. So this is why in my head, I try to differentiate the type of dollar. Demand dollars, those are the ones that are lent into existence. And supply dollars, those are the ones that are printed, the green pieces of paper, those never, ever, ever go away. And just for clarity here, to get to a little bit of nuance, there's other types of supply dollars that were not lent into existence. It's hard currency, and you can see this in this A subheading I have here.

It's hard currency, and it's also when banks buy from non-banks. So if JP Morgan buys a treasury from you and credits your account, M2 money supply increases, but those dollars were not lent into existence. So that would be what I would consider the supply side. Or if the Fed does quantitative easing and buys a treasury from you, it's the exact same thing, that increases M2 money supply without those dollars being lent. So this makes us think about the percentage of total currency units that a country has, the United States, the dollar, that are from each bucket. And since the dollar is the global reserve currency. The conclusion that's very easy to come to is that, I don't know the exact percentage, but I would say probably 90% of the dollars that exist and almost a hundred percent of the dollars outside of the United States are these dollars that are demand dollars, they were lent into existence, and therefore the demand for those dollars controls the overall supply.

And I'm going to get into a visual here next to give you guys an idea of how this works. So let's go through a quick thought experiment here. What I like to do is think about the aggregate balance sheet for the entire world, everything, all the entities, the people, the businesses, the governments, the central banks, et cetera. So global GDP right now is around 110, 120 trillion. 60, 70% of those transactions are currently settled in dollars. So I think it's safe to assume that there's at least 70, $80 trillion. Now, it might not be out in the open, it could be in the shadows of the shadow banking system, but there's likely 70, $80 trillion that are sitting on balance sheets, the aggregate balance sheet as we speak, when you combine the dollars inside and outside the US.

So just to keep the math easy, let's assume that the global aggregate balance sheet has $100 trillion on the asset side. But remember, most of these dollars, let's say for the sake of this example, a hundred percent of these dollars were lent into existence through the banking system, the eurodollar system that really controls the money supply. And therefore we've got a hundred trillion on the liability side as well. Because those dollars were lent into existence, those loans are denominated in dollars. Therefore, you need dollars to pay off the debt.

So now let's think through this. What if we have a BRICS currency and people start dumping the dollar? What happens to the amount of dollars on the aggregate balance sheet? Nothing. Nothing. Because let's just assume for a moment that this row right here is Saudi Arabia and they're going to dump their dollars. So what are they going to do? They're going to sell them, right? Well, they sell them out into the global FX market, which should be represented by these three rows. And you guys, some of you, are going to buy them. Why? Because you have dollar denominated debt and you got to pay that back. So even though this row is dumping their dollars because they don't want them anymore, you are buying them. So the dollars go from an asset of this row to an asset of these three rows. The aggregate balance sheet does not change.

And let's just assume for a moment that these three rows don't want their dollars and they're like, "Hell no, this is a hot potato. I can see where this is going and I want none of it." But you still have that hundred trillion in dollar denominated debt. So you say, "Well, I don't want these dollars anymore. I can't use them, but darn it, I've got this dollars nominated debt. It's a liability that I have to the bank, and I don't want them to foreclose on my property, so I'm just going to go ahead and pay off this loan."

So now let's look at the right hand balance sheet and assume that $25 trillion is no longer wanted because of this process, but then that means that $25 trillion of dollar denominated debt is going to be paid off. And because those dollars were lent into existence, those dollars are gone. They go to money heaven because they were not supply dollars, they weren't printed into existence. They were lent into existence. And that makes all the difference in the world. So this is why I say that for the majority of dollars that exist today, demand controls supply. So if demand goes down, supply goes down and you have the exact same equilibrium.

So the main argument here that I had in my own mind is, well, George, okay, I understand that those dynamics are happening outside the United States, but at the end of the day, the Fed is going to print money, they're and control the monetary system, and that crosscurrent is going to overwhelm everything else. But then I think to myself, okay, well what did that do before? Because the Fed's done this many times and the dollar always doesn't respond accordingly. Also, what's the transfer mechanism? How are these dollars going to get outside of the United States? And if the global economy is $110 trillion and there's 70, $80 trillion on balance sheets outside of the US, let's say that we do run a massive deficit and a trillion dollars get out every single year, is that going to be just a drop in the bucket? Is it really going to matter when you consider that the dollar is really the world's currency, unfortunately, and it's not just the domestic currency.

And then I also tried to think through, why didn't M2 go up as much during QE one, two, and three as it did in this last round that we got in 2020? We talked about the M2 going up by 40%. And a lot of that has to do with the Fed buying from non-banks instead of banks. During QE one, two, and three, they were buying mostly from banks. So it doesn't impact M2 to the degree which it does when they buy from non-banks. So I don't want to go too far down that rabbit hole, but I want to throw in that nuance so you guys can start thinking about it, because at the end of the day, that matters a lot. Not just in these terms but in terms of global macro and understanding the overall landscape.

So then I started to think, okay, but if the Fed is printing so much money inside the US, why would they do that? What are the economic conditions that would prompt them to do that? Why have they done that in the past? And that's been because of a major collapse. And if we have a major collapse, if we have a financial crisis that turns into a global financial crisis, which is my base case, especially when you look at the yield curve, what are banks doing to create dollars outside of the United States? Well, the Fed might be creating dollars inside of the United States. Oh, they're creating less. Because those banks that really operate the system, they're in the shadows. They most likely won't get a bailout. So they're worried about getting paid back. So the more risk they see, the fewer dollars that they're going to create by lending them to other entities that have to pay them back.

So then the conclusion that I really came to, which again was very jarring, is the Fed is not at the center of the monetary solar system, not even close. They're just basically an observer. Who is really at the heart of the solar system? Everything revolves around the banks. *Everything* revolves around the banks. Now, I know I'm out of time here, Brien, I apologize. So I'm going to fly through these next charts, and if any of you guys see me afterwards, feel free to come up to me and I can try to let you take pictures of these or email them to you or something. But this is one that really blew my mind here. So let's look at the amount of bank reserves because that's what QE and QT does. It raises or lowers the amount of bank reserves. We all hear about that. And of course, we have this money multiplier, at least that's the story.

Or if the reserves go up, then the banks are going to create more money. But at the end of the day, it's all about the Fed, right? So in 1980, we had 40 billion, 41.2 billion of bank reserves. But what did we have in 2007? You guys see that? We had less, less. This is a repeat. In 1980, we had right around 41 billion in bank reserves. In 2007, we had 40, we had less in 2007. Okay? So what happened to the M2 money supply? So in 1980, M2 was right around 1.5 trillion, we'll call it. And remember, that was with 40 billion, 41 billion in bank reserves. And then in 2007, M2 money supply was 7.5 trillion, and the amount of bank reserves on the Fed's balance sheet went down. So let me ask you if the Fed is in control of the monetary system, if the Fed and the government "print money", how is that possible? The answer is it's not because the Fed and the government don't control the dollar, the banks do.

But let's go all the way back to the 1950s. This top picture is the Fed's balance sheet and the pink, that's bank reserves in the system. And you see that, right in the early 1950s or so, there's about 20 billion with a B. And back then M2 money supply was, I can't really read it, but it was right around 200 and let's say 30 or 40 billion dollars. And that was with 20 billion in bank reserves. And then again, just as a reminder, with another 20 billion in bank reserves taking that to 40, we went from 200 and call it 50 billion all the way up to 7.5 trillion.

And if you think that the Federal Reserve controls interest rates at the front end of the curve, maybe they don't control the money supply, maybe they just control the interest rates. Think again, and this is something that I still really, really, really struggle with. I struggle accepting this because it seems so counterintuitive. But if you look at those bank reserves and then you think about what happened to M2, how is that even possible? Because let's think about interest rates in 1980. Were they higher or lower than 2007? Higher, much higher. Let's say they're 15%, 2007, let's say they're 5%. So that means that relative to M2 money supply, the Fed would have to issue more bank reserves to get those interest rates down, even if money supply was the same.

The Fed, in order to get interest rates down, to get that overnight rate down, they would have to issue more bank reserves, but they issued less bank reserves. And the interest rate, the overnight rate, went from let's say 15% to 5%. How is that possible if the Fed controls even the overnight rate? The answer is it's not because the Fed doesn't control anything at the end of the day other than psychology.

So here's another excerpt from the Bank of England, and basically they go on and talk about how this process works, how it's not the central banks that create the bank reserves and the banks lend based on how many reserves they have. It's the complete opposite. The banks lend, and then the central banks look at how much they're lending, and then they create bank reserves to go ahead and accommodate the lending that the banks are doing. And again, I got to fly through this guys, but if you want this article, I can give you the link to the PDF. And then you say, well, George, what about after QE? Okay, let's talk about that. The green shaded areas represent quantitative easing, the time when the Fed was doing QE, and why were they doing QE? They're doing that to bring down rates at the long end of the curve. Well, good job Fed. I mean, it's obvious how much control they have because every single time they did QE to bring down rates at the long end of the curve, what happened? Rates went up.

They went up, they did the opposite. So you can see this is just the Wizard of Oz playing out right in front of our eyes. That's all the Fed is at the end of the day. And then if you really want to blow your mind, and if you think the Fed is, “well, okay, George, I see what you're saying here. But let's look at the money supply growth over this QE time. I mean, we're talking about the fiat standard here.” This is M2 money supply growth from 2008 today. That's the black line. You can see it went up by about 150%. That's huge, isn't it? And boy, oh boy, if we could just take this out of the control of the Fed and the government and go back to the gold standard, all of our problems would be solved, right? So this is the 15 year period from 2008 to today. Let's go back to 1880 to 1895 and see what M2 did back then. Oh, weird.

Grew by 150%, the exact same. So the conclusion here is either the gold standard didn't constrain anything, or the fiat system doesn't need constraining. Or you could come to the conclusion that even back in the 1880s, the banks controlled the M2 money supply regardless of the monetary system. And today it's the exact same thing. So main takeaways, the world is de-dollarizing, the dollar likely will not crash. I don't think hyper inflation is realistic, although the dollar could go down and we've got those interest rate differentials. The risk, ironically, I think is to the upside, not the downside. I think there's a greater probability of the dollar going to 130 on the DXY than going back down to 70. Some actionable advice, because I know that we're at an investment conference, the curve is inverted. What I'm doing with my own personal portfolio is in t-bills, in gold.

I'm waiting for the un-inversion of the curve because that's usually when the stuff hits the fan. And that's hopefully when I'll be able to buy things cheap, take action. I'm looking at commodities, stocks. I'm even looking at real estate if it gets cheap enough in this next recession. But the main takeaway here is understand why. Always ask yourself that question. Why? Why was I right? Why was I wrong? Why was George Gammon right? Why was he wrong? Try to get to the bottom of this stuff. Try to understand it to the best of your ability. And finally, very, very quickly, and I'll get off stage guys, right now, I'm locked out of Twitter. I've been locked out of Twitter since August of 2020, excuse me, August 25th, because one of these crypto scammer hacker people took over my account and I've gone back and forth with Twitter probably 20 times.

They're just non-responsive. I've had to get my good buddy, Robert Barnes, a lawyer involved with their legal team. They're still not doing anything. So if you could do me a huge favor, I have nothing to sell to you, but this call to action would be if you can go to Twitter today and just @ mention Elon Musk, @ mention George Gammon and say, "Listen buddy, if you're all about free speech, you need to get this guy George Gammon back onto the platform." And someone at Twitter does not want him on the platform, that's for sure. So if you could help me out with that, I'd greatly appreciate it. Thank you very much.

Geopolitical Panel

Adam Taggart (MC), Dominic Frisby, Konstantin Kisin, Matt Taibbi

Robert Helms: …Our final panel of the day is a Geopolitical Panel. And I'll tell you what, there seems to be a lot going on these days to talk about. You've already met all of the panelists, so we'll bring them up. First, just because that's the order he's sitting in, welcome back to the stage, Matt Taibbi. Come on back, Matt. We can't get enough of Matt. All right, just sit where your name is, that'll be an easy way. Also, welcome back, Konstantin Kisin, he's back with us. Konstantin. Still in a chair the same color as his suit. And last on the panel is Dominic Frisby. Dominic, the Flying Frisby.

Dominic Frisby: Thank you Sir.

Robert Helms: And here to moderate the panel, once again welcome the amazing Adam Taggart, or as we call him sometimes, Adam Laggard.

Adam Taggart: Good afternoon everybody. I feel like I've got the easiest job in the conference. I've got the best panel for sure. I am your accidental host. Gary Alexander, this is his panel to moderate. He wasn't able to make it today, I just got the news about an hour ago. So the panelists have been informed, I put together some questions, but I'm going to hold to it loosely, because I really want the panelists to take the discussion in whatever direction interests them most.

I do want to say too, that this is just a tremendous honor and a delight for me. Each of these men has had an impact on how I view the world. I'm sure there are millions of other people that would say the same thing. But gentlemen, thank you for joining me today.

I'd like to start by reading from Gary's prepared notes, because I think he actually set some really good context here. Here's what he wrote. "I never thought I'd say this, but the last two decades since George Bush and Carl Rove, have made me say that the 20th century looks like responsible government spending and control by comparison to the 21st century so far. The federal deficit has exploded tenfold since 9/11. It looks like Osama bin Laden won on that fateful day. He turned us into paranoid terrorist fighters, overseas war mongers, homeland spies of our own people and terminal spendthrifts. I just reread 1984 for the third time, actually listening to Mark Steyn's dramatic reading of it. And I'm struck by how much of Winston Smith's day job resembles coding at Google or censoring entries at the old Twitter. They censor modern history as a mission statement." In your recent work on the Twitter files there Matt, did a great job of revealing that.

So I think it's fair to say that I think most of this audience shares Gary's sense that the advance of global prosperity and freedom, in the West at least, has been regressing, not progressing in this new millennium so far. Now panel, do you agree? And if so, what causes, in your estimation, are principally responsible for this? Konstantin, let's start with you on that.

Konstantin Kisi...: Do I agree that freedom and prosperity has regressed?

Adam Taggart: Yeah, do you feel like we are actually regressing versus progressing?

Konstantin Kisi...: It's hard to say. I share the concern about the fact that we are racking up momentous debts, particularly since the war in Iraq, which I thought was a big mistake. But if we're talking about Ukraine, I feel that's a different conversation personally, for reasons we can get into. I think we are in a transitionary period where it's very hard to say which direction we're moving in actually.

Adam Taggart: Okay. Dominic?

Dominic Frisby: I kind of think we're doing both, because in some ways we are seeing incredible progression. The internet is, of course, one of the most powerful, the most powerful learning tool ever invented, and it has brought incredible transparency to everything. And so suddenly we're seeing stuff that's going on that maybe we had an idea that it was going on, but we also now know that it is going on. And listening to Matt's talk, I mean, I just could not believe some of the stuff that you were saying and the extent of everything.

So there's several trends. We've also got this general thing of we've lost sight of who we are and what we stand for, and that's all to do with the decline of religion and the replacement of religion with new secular religions, green and feminism and racism, all these new religions have replaced it. So that's one trend of regression if you like. And if you look at something like even architecture, where we clearly regress because we don't build things that are as beautiful as we once did. But on the other hand, we've made this incredible progress because we've got this new technology and we're seeing things we never previously saw. But then when that brings us back to recess, is we seem to be making all the same mistakes that we've made throughout history, not least printing money and where that goes, and we're repeating all the mistakes of Rome.

And then we're also experiencing this progress, but government is using all this new technology just as much as anyone else. And in the same way that this new technology is making government transparent to us, we are becoming more transparent to government. And it's only going to get worse, whether it's our social media or our location or our spending habits and with the arrival of CBDCs, which are pretty inevitable as I'm sure you know, that's going to take this to a whole new level. So the answer is yes and no. Both.

Adam Taggart: Well delineated. Matt, how about you?

Matt Taibbi: Adam, I'm going to be the pessimist here and say that particularly from a rule of law standpoint and from the question of are we departing from traditional American views on things, especially about the First Amendment and freedom and that sort of thing, I think things have regressed pretty significantly. I mean, Gary brought up 1984, one of the phenomena that book trains you to look out for is the transformation of language. You used the word transparency there a moment ago. Not too long ago, transparency, we imagined it as the public having transparency into what government does. So that's what the Freedom of information Act was for. We file a FOIA request, we get to see, we have transparency into what government does. In the Twitter files and in a lot of the documents that we were looking at, we also just recently heard Klaus Schwab of the WEF saying this, transparency now goes the other way. Transparency is a concept where the government has transparency into what you're doing. It wants to know what your activities are. And in some places, that's understandable. They want to have transparency into which terrorist groups are talking to others, but in other senses it's not so good.

And the other thing I would say is we had this major flip in how we looked at things after 9/11, where there was a general consensus that there were things that we needed to do that we couldn't just put into law, like torture or extraordinary rendition. So we were going to have things be illegal but necessary. And so we created this whole kind of black hole in the legal universe where we do things and there's no rules around them. And that process has been cascading really quickly. I went to a court case in which somebody sued to get off the kill list, an American citizen, a guy who was born in Yonkers, who grew up listening to Richard Pryor albums. He had been in the middle of a number of drone attacks. And the government's argument was that not only was he not entitled to press this matter in court, but that the entire question couldn't be considered under a doctrine called political question, which basically said it was outside the purview of the courts.

So there's just this widening from speech to law enforcement, there's this whole area that ordinary people don't have any say in anymore, and I worry a lot about that stuff.

Adam Taggart: All right, so Matt, you used a great term in your presentation, counter populism. Obviously, 9/11 was a watershed event that made a lot of things possible that nobody thought would have been possible beforehand. Was that the trigger for some of what you're talking about here? Or is part of this just the natural evolution, encroachment, over time of the growth of the military industrial complex, which Eisenhower warned us about? Or are there are other factors here that have been contributing to this as well?

Matt Taibbi: Yeah, that's a great question. There's a terrific book by Martin Gurri, if you're familiar. He's a former CIA analyst. He wrote a book called The Revolt of the Public. And the thesis of the book is that because of the internet, the ordinary people have much more visibility into what their governments are doing than they ever had before. As a result, they're more angry than they ever were before. And they have been expressing it at the polls, beginning with the disruptions. I mean, it started before this, I saw it on the campaign trail even before 2008. But with the Arab Spring, then the rise of all these populous parties in Europe, Occupy, the Tea Party, I think governments were deeply freaked out by those episodes. And they decided, basically, that the internet needed to be flipped from an instrument of liberation and anarchy to one that would be used as a tool of social control. That's not easy to do, to pull off technologically, but I think in about a decade they've really flipped the script on that.

Adam Taggart: Well look, this is the geopolitical panel, so let's get into the main geopolitical issues of the day.

Dominic Frisby: Could I just make one comment?

Adam Taggart: Please, absolutely.

Dominic Frisby: Those events that you described, whether it's COVID or 9/11, there's a sort of broader trend in place, and then events, you get these sudden accelerations when one of those events happens and they speed up things that were going to happen anyway. But I'm always saying this, is so much of the problems that we face go back to our system of money. And when one body in a society has the power to create money at no cost to itself, when everyone else has to earn it, it is inevitable that that body will grow disproportionately large. And that is a gradual but incremental process. And we all know as investors, we know about the power of compounding and the longer it goes on for, the more powerful it becomes.

And so, when government has control of the money, when the state has control of the money in the way that it does, it is inevitable that it is going to reach further and further into our lives. And in order to get elected, governments say, well, we're going to do this, we're going to do that and then they have to act on those promises. So they're going to provide you with this, they're going to provide you with that. It all comes from running up deficits and the power to print money. But the more things they do, the less responsibility the individual has, the more the responsibilities of the family get eroded, and so the family disappears as well.

But it's an inevitable process and where I'm gloomy is that it will not stop until the money system changes.

Konstantin Kisi...: Let me make one quick point as well, it's unusual for me to make a positive comment, but I will. I think the one thing that we perhaps sometimes overlook is there is a pushback against all this stuff. I mean, you've been part of it, so have I. But more importantly than that, as a friend of mine is fond of saying, zero is a special number, the fact that Elon Musk has acquired Twitter and allowed the Twitter files to be published and what is happening on Twitter now, I'm quite reassured that there is some pushback against this overarching control.

So if there is a note of optimism, it's that social media are no longer able to collude together to prevent certain information from being published. And the fact that there is one place where it can be published means that that censorship essentially becomes quite pointless. There's no point censoring things on Instagram if they can be published on Twitter. And so there is some pushback against it happening, which I think we should not ignore. That's not to say that, I think both of you are right, that the overall picture is quite bleak.

Adam Taggart: Great, thank you. And Konstantin, you and Dominic have basically jumped at topics that I've been planning on hitting, so that's great. Thank you for doing that. To your question there Konstantin, and this is for Matt, one of the questions I had was how, has Elon changed things?

Matt Taibbi: Well, I mean, I'm in an awkward position here, because obviously Elon made the Twitter files possible and that was a unique, one in a billion, extraordinary thing in journalism. And Konstantin, you're exactly right, one of the reasons why the PR campaign against him was so intense, especially last year, was that this whole information cartel doesn't work if there's a dropout. And it is a cartel, it's both a financial cartel and an informational cartel. Europe right now is trying to apply very heavy pressure to make sure that Elon's in compliance with the DSA, which is a very, very restrictive law, which essentially forces the companies to cede control to outside bodies.

I think it's a wait and see moment because he has had to give some ground. My own site, my own account, and some others who are independents are being throttled right now on Twitter. But I think he did try and that's important in itself and there is not right now the same kind of cartel that there was before.

Adam Taggart: And Matt, just personally, I just want to say it is weird how that ended.

Matt Taibbi: Yeah.

Adam Taggart: And I think all of our empathy and sympathies are with you.

Matt Taibbi: It was worth it.

Adam Taggart: Dominic, just before I move on, I just want to give you a chance to react to an observation of mine on what you were saying about the monetary system and what happens when one entity has control of the money supply. Not only do I agree with all the points you made, but that entity also has the ability right now to be picking winners and losers. So in terms of its policies, there are certain parties that get vastly rewarded, first at the trough, or get the lion's share the benefit of what those policies are doing. When we're doing with QE, that money goes into specific types of assets that either those players or the people that own those assets benefit, the rest of society does not.

So to a certain extent that has a toxic element of concentrating wealth, increasing wealth inequality, which is one of the big issues I think we'll talk about in a little bit here. But I just wanted to give you a chance to respond to that.

Dominic Frisby: Yeah, I mean I couldn't agree more. What you're describing is the Cantillon Effect and basically the prisoner that is closest to the soup gets the nicest soup and the prisoner that's furthest from the soup kitchen gets the dregs at the bottom. And the money system works the same, those that are closest to its issuance, benefit most, and by the time it reaches those at the bottom or those in the most remote regions, the money has already lost its purchasing power.

The monetary system is an incredible driver of inequality, financial inequality. It creates colossal distortions, economic distortions. In a way, financial inequality is not such a bad thing if it raises the living standards of everyone. But when the living standards of some are raised at the expense of other people, then it's a very different thing, and that's a distortion of government intervention in the economy.

I'll just add a little historical factette for you, which you might find interesting. The word censor and censorship, it derives from ancient Rome and the censor was the government official responsible for maintaining the census, as in the headcount. But he was also responsible for maintaining public morality and he was responsible for collecting taxes. And there's this crossover between censorship and taxation. And in the same way that censorship places a limit on your freedom of speech, taxation places a limit on another form of freedom, what you're able to do, how much of your labor is owned, how much of your possessions are taken from you, and thus, effectively how much power you have. Because the richer you are, the more money you have that you've earned to keep, the more powerful you are. And taxation weakens you, weakens your power, and hands that power to the state.

Adam Taggart: Very well said. All right, so-

Matt Taibbi: Sorry, Adam.

Adam Taggart: Yeah, yeah. Please.

Matt Taibbi: Quickly jump in. On Dominic's point about the Fed, money creation, one of the things that we found, we didn't really delve into, but we found a lot of communications about what the Department of Homeland Security calls financial MD. So that's financial misinformation, disinformation. They haven't instituted this yet, but the concept of intervening in the internet to prevent financial panics has been discussed, it's there. And the idea there I think is very dangerous, because you could be disrupting markets on a huge scale by preventing, for instance, negative information about banks that are bankrupt, preventing flights to the exit. And in some cases that might be positive, some cases it might be negative, but it's just a way that the financial situation, the lack of financial freedom or the constraints there intersect with the speech issue, I think it has the potential to be dangerous next time there's a financial panic.

Dominic Frisby: That is really concerning, because the market is a form of truth. Price is a form of communication.

Matt Taibbi: Exactly.

Dominic Frisby: And price is the distillation of all the knowledge that is available at the time. This is why I can't stand government intervention in the markets generally because it distorts price and it distorts information. But if it is acting to censor information that leads to price discovery, the implications of that are profound and concerning.

Konstantin Kisi...: Well, I'll see you and I'll raise you, because the point that I often make to people who want to restrict speech in particular is that, I don't know that the United States of America would exist if this regime was in place in 1776.

Adam Taggart: Right. Yeah, exactly.

Konstantin Kisi...: Because you would say, well, there's a violent revolution happening. We must suppress the distribution of information in order to maintain order and peace. I mean, King George, as someone who lives in Britain I can tell you, probably would've cracked down on it pretty hard. So we are in a position where the collusion of big government, big tech, are in a position to essentially attempt to control our decisions at a level that is unprecedented. I happen to think that's a product of the technological revolution rather than the government getting more evil. But that doesn't help dealing with the problem nonetheless, I think.

Dominic Frisby: Yeah, technology empowers us, but it empowers them as well.

Konstantin Kisi...: Agreed.

Adam Taggart: I don't feel like I should be interrupting the flow here guys. This is a panelist…so keep the banter going on…

Dominic Frisby: I think at the time of the revolution, we didn't allow Americans to mint coins. You have no money supply, and you should have left us in charge folks.

Konstantin Kisi...: Quite right.

Matt Taibbi: Just quickly, this is one of the things that the founders were worried about with the creation of standing armies and things like that, that they would have their own interests that would be separate from ordinary people. And you see, who does CISA really represent? Who does the FBI or the CIA and all these other speech monitoring organizations, are they really the people's representatives? I mean, I think that was one of the things that was foreseen in the Federalist Papers that this kind of situation could arise. So I think your point is well taken.

Dominic Frisby: Yeah, they're supposed to be public servants, but they're serving themselves.

Adam Taggart: Well, your slide was frightening, Matt, where it showed the stakeholders and the public was not on the slide, right?

Matt Taibbi: Right.

Adam Taggart: So self-interested question, but I know my other presenters worry about the same thing. Given what you just said about the government's concerns towards financial information and wanting to control that, in the future financial crisis, could potentially those of us that are critical of decisions being made by our institutions like the Federal Reserve, could we find ourselves suddenly censored online?

Konstantin Kisi...: Can I take this one real quick? I mean, you saw everything you needed to see about this whole thing during COVID. Everything. Everything that happened during COVID will happen every time there's another emergency of any kind. So shutting down of critics, censorship of speech, shadow-banning, all of that will happen whenever there is another emergency. And that emergency can be anything, it can be war, it can be financial problems, could be anything. I mean, it was a kind of test of what people are prepared to put up.

Adam Taggart: So it was sort of the trial run of the playbook.

Konstantin Kisi...: Yeah, I'm not saying it was deliberate, I'm just saying we saw what the public are willing to take. I can't speak to the United States too much, but in the UK, the public, it turned out, we're willing to take quite a lot.

Adam Taggart: So just on that, I'm just curious for you personally, how shocked were you at how much the public is willing to take?

Konstantin Kisi...: Oh, I was horrified. I mean, we had these polls in the UK where it's like 20% of people want to shut down nightclubs permanently, irrespective of if there's COVID or not. 40% of the public want to make everyone wear a mask, irrespective of whether there's COVID or not.

Dominic Frisby: Or whether masks even work.

Konstantin Kisi...: Well, yes. So yeah, I mean, people panicked and we indulged them.

Adam Taggart: All right, so I'm going to jump a little bit to my last question here, I'm going to come back, but to a certain extent, I say you get the government you deserve. And one of the questions I was planning on getting to at the end, but maybe we go there right now, which is, what agency do we have in this story as part of the citizenry? And really what responsibility do we shoulder to try to demand the type of government that would serve us better?

Dominic Frisby: I think our system of democracy was designed and it emerged around a different age and it's designed for an analog age when people still used paper and went to voting stations and so on. Certainly representative democracy, the local people chose their man and he would go off to Parliament or Congress or wherever it was and represent the local people. But now with the nature of the internet, you don't need the local guys speaking up for the community, because the community with the internet, in theory at least, can talk straight to the government. I mean, I'd like to see a more direct form of democracy replacing representative democracy, but these things, you have to sort of force them on government most of the time because it doesn't change willingly.

And in the US, it's slightly different. But I mean, I wrote an article saying, there will not be a revolution and I was talking specifically about Europe. And the reason for that is, we don't have the power to withhold taxes, which is one thing you could do in previous revolutions, because most taxes are deducted at source. And then we don't have the power to rise up and revolt because we're not armed and there's just a huge mismatch between how well the state is armed and how well the citizen is. So in Europe at least, we're kind of stuck. At least you guys have got guns.

Konstantin Kisi...: I see some vigorous nodding over there.

Adam Taggart: Matt, Konstantin, anything you want to add to that?

Matt Taibbi: I mean obviously, we still have voting, but also there's the legal system. The state of Louisiana should take special pride right now that, along with the state of Missouri, it's in the middle of what could be one of the most important Supreme Court cases in a long time, Missouri v. Biden. They ruled that a lot of these companies and a lot of the federal agencies, including the White House, the FBI, Surgeon General's office, the CDC, that they likely violated the First Amendment. That's going to be argued at the Supreme Court sometime soon. And there's a real possibility that there'll be some change, which is very rare through that means. The problem is forcing it. But I think people, judges, attorneys, they have to do everything they possibly can at this moment, because it's just a dire moment.

Adam Taggart: Okay. So Konstantin, I want you to chime in here, because listening to your talk earlier, you talked earlier about the need for better leaders. Let me ask you this, what qualities do we need most right now in our leaders to address the type of challenges that we're facing today, do you think?

Konstantin Kisi...: Courage.

Adam Taggart: Courage?

Konstantin Kisi...: To do the unpopular thing. That's what's missing, I think. In the UK for example, we have a government that is a right wing government, that is more interested in what the Guardian headline iss going to be tomorrow than what its own electorate wants. So you have to have people who are willing to go against whatever a certain portion of the elite media is saying.

And this comes back to the point we were just discussing, which is about what we can do. I mean, it's different. It looks different for everybody. I think partly we are where we are because we're victims of our own success. We're so comfortable and prosperous and wealthy and safe and so on, that it almost feels like who cares who's in charge. And to a large extent, certainly compared to the place I come from, like in Russia, every single business, if you are talking to a business person in an election year, they would say, well, we're not going to make any decisions until the election happens, because you might not have a business once the election happens. Here, in the UK, your tax rate might go up or down, but it's not existential. And so we kind of don't feel, even though we're very angry on social media, we're not actually, I don't think, that invested in the political process.

But on a personal level, I think everyone can do something. I mean, I think what Matt is doing, what we are doing with Triggernometry, building a media organization, all of this stuff that we talk about changes when the culture changes. Politics is downstream of culture. And what that culture is determined by what children are being taught in school and university, it's determined by what people consume on the internet. And that to me is the one perhaps slightly reassuring thing about the internet is, it allows new voices, it takes away the lock that three media organizations had on all of the information in the country.

So from that perspective, I think there is the space to build new things in a way that maybe within the political context is way more difficult. But I think you change the culture, then everything else follows.

Adam Taggart: All right.

Dominic Frisby: Yeah, it's sort of like, it's creating something new and alternative that is so much bigger and better than what already exists. So you're not actually closing down what already exists, you're just making it redundant with something bigger and better.

Adam Taggart: It's the Buckminster Fuller approach, you replace a bad model by creating a better model and getting people to move over to it.

Dominic Frisby: Absolutely. And that's happening with the media, and it's also kind of happening with money. One of the things about Bitcoin is they're always singing about peaceful revolution. You use Bitcoin, you opt out of the system peacefully, you do as many of your transactions as possible in Bitcoin and you're just operating in a different system and you're not using government money anymore. You go and become a digital nomad, you roam the world, you don't pay taxes to any particular state except when you're in that country, the various taxes that get collected, VAT and so on. And it's a way of sort of peacefully opting out. And the fastest growing workforce in the world is the digital nomad. It's just incredible how this group, this demographic is rising.

It's slightly different for Americans, you have Abraham Lincoln to thank for this, but you have to pay taxes to America wherever you are in the world. That doesn't apply to other nations. That was Abraham Lincoln looking to protect union tax revenue during the Civil War and they never got rid of that law. But nevertheless, it is a powerful growing dynamic of stateless individuals. And the more wealthy these stateless individuals become, the more people will want to become stateless individuals.

Konstantin Kisi...: And in the media space, it's also a generational thing. I mean, if you talk to anyone under 40, I mean they don't watch TV. No one of my generation or younger watches TV. And every now and again, I turn on the TV and I realize why.

Dominic Frisby: I'm on it.

Konstantin Kisi...: So it's not just because you are on it, Dominic, there's other reasons too. And it's terrible. I mean, if you're used to a more long form conversation of the types that happen on podcasts, if you're used to reading substantive articles that you might see on a Substack and then you open the mainstream media, it's very difficult to go back to it.

So I think generationally, that process is going to happen. I don't know if people are familiar with the Daily Wire, I mean they're going after Fox News right now and that's because it's kind of like the new kid on the block is taking out the crippled old man. And that will continue. I've been saying this for a long time, I think the media empires of the future are going to be built in the next 10 years. They're going to be online. I mean, if you think about what television is, it's a bunch of fake people in a fake space having a fake conversation. It's what it is.

Adam Taggart: Well said.

Konstantin Kisi...: So if you are exposed to something else, over time people will take that up. I always say, authenticity is the currency of the internet, which reminds me of my favorite quote, which is, “the most important thing in show business is authenticity. If you can fake that, you can do anything.” And I think authenticity is really the difference between the sort of content that people see online and the sort of thing you see on TV. And over time it's going to naturally trend in that direction as technology pushes people that way as well.

Adam Taggart: Well, I will say as an online media creator, the best marketing vehicle for me is the mainstream media itself. It's just disappointing so many people, it just keeps more disaffected people coming online to find something different.

Konstantin Kisi...: But we do have to get beyond that. And I made this point recently elsewhere, that we've all spent a decade or so criticizing the mainstream media. We all get it now, it's time to build new things.

Adam Taggart: Well, to Dominic's point, we've got to build a better model.

Konstantin Kisi...: It's time to lead.

Dominic Frisby: Audiences have got better and better at spotting how bad television is. I think we see the BS much more clearly than we ever used to, probably because we've just become more canny consumers. And if you actually look at the viewing figures for the BBC, which is our national broadcaster, whether it's BBC Radio, the Today Program, the flagship news program, or the television, the viewing figures look like a chart of the worst kind of junior mining company. They're absolutely plummeting, and yeah. Good.

Adam Taggart: So a question I was going to ask you that you've actually really informed my thinking on was, I look around, I don't see a lot of great leaders exhibiting courage right now the way I think you're talking about Konstantin. But actually the one place where I do see them emerging is in media. We've got folks like you, we've got the Shellenbergers, we’ve got the Greenwalds, we've got the Weisses. I mean, we are seeing people out there that are basically posting a new standard and showing good ways to do it, and they're fortunately drawing people to those standards.

I don't see it in a lot of other areas of our country yet. But I'm just curious, are there other leaders out there that you guys, are you seeing the same as I? Do you have more optimism than I do? Or do things need to get better before tomorrow's great leaders emerge?

Konstantin Kisi...: Well, as I say, I think you have to change the culture. And I think the media is a big part of that.

Adam Taggart: It's leading, it's at the forefront of that.

Konstantin Kisi...: It's in the forefront. But then eventually everyone's going to have to strap on a pair.

Dominic Frisby: Would you ever go into politics?

Konstantin Kisi...: No. You and I have discussed this, I think anyone who was ever at any point a comedian, should avoid going into politics. Not at least because they're going to take all your old material and pretend you meant it.

Dominic Frisby: Yeah.

Konstantin Kisi...: But that's what they'll do. That's what they'll do.

Dominic Frisby: I joined the Brexit Party, which was a party that came up to fight for Brexit to be imposed properly when they were trying to stop it happening and I lasted three days. The agro that I got, and you have to be so thick-skinned and you talk about courage, I didn't have enough of it. It was during the Edinburgh Festival and people were just all over my posters at the Edinburgh Festival, which my kids had come to see the show, they'd written fascist cun… fascist cun… and all this kind of stuff. And my kids are going, “daddy, why are people writing that on you?” And I was like, I do not want this.

Konstantin Kisi...: And this is why I think your point about what can anyone do is really important, because one of the things I always say to people is, the best thing you can do is not get outraged about people being called names or whatever. When people are being smeared in the media, you have to just ignore that now. And I think that's actually really important, because otherwise they have a tool for getting rid of anyone who is prepared to be honest, who is prepared to be principled. So it starts with the ordinary person going, you know what, I'm just tuning this out. I think that's really important.

Adam Taggart: Great.

Dominic Frisby: It's a bottom up thing, like a free market, rather than a top down state-imposed thing.

Adam Taggart: All right, gosh. All right, so that opens the door to the whole woke discussion, which I have questions about for you Konstantin, but we haven't even gotten to geopolitics yet. And this is a geopolitical panel, at least in title. So very quickly, and again Konstantin, I know that you have an emotional connection to at least one of these more so than most people in this room, given the war between Russia and Ukraine. There is no shortage of expanding fault lines to be concerned about, the Russian-Ukraine war, the sad return of hostilities in the Middle East, tensions in China over Taiwan, the apparent waning of America's influence globally and the potential rise of a BRICS-centric coalition to provide a counterbalance, just to name a few.

Konstantin, why don't we start with you, which of these, in terms of the scale of their potential impact on the future, concern you the most?

Konstantin Kisi...: Well, they're all the same thing. They're all the very same thing. No one in the West has been told this because our journalists don't speak foreign languages anymore, they don't research anymore, but Vladimir Putin, Xi Jinping, the leader of Iran, leaders of lots of other countries have been saying for some time now, we want a multipolar world. What does that mean? It means throwing America off its pedestal. And that is what's happening. I've been saying from day one, this is what everything is about. And so when you see America's allies being attacked over and over and over around the world, that is what's happening. And the sooner we realize it, the better.

So what concerns me is that America, in particular a country that is the leader in the world, that we all in the West get behind, or at least want to get behind, is signaling division domestically and weakness internationally. And in that situation, it is no surprise to me that our enemies and this is something that people have forgotten, we have enemies. This needs saying for some reason, why am I having to say this? America has enemies. There are people who want the power and the money and the status that you have. This is what always used to do my head in watching like 1990s American movies, where there would be some guy going, “why do they hate us so much?” And some other idiot would be like, “it's because of our freedom.” It's not because of your freedom, it's because of your power. They don't like the fact that you're more powerful than them.

Adam Taggart: That's a great way to say it.

Konstantin Kisi...: And on 9/11, this is what people don't like hearing, but it's a fact, many people around the world cheered. And the reason they cheered is because they hate America, because America is the top dog. And Putin, I mean I've translated God knows how many Putin speeches, he keeps saying this and you are not hearing about it because you're not being told this by the mainstream media, Vladimir Putin keeps saying over and over and over, America is abusing its position in the world. America is collecting what he calls the hegemon's tax, which is basically, the average American consumes five times as many resources as the average citizens of the world. They want to end that. That's what they want. They're coming for your prosperity and they're coming for your power and they're coming for your status.

And my worry is that any structure of power and dominance relies on the implied threat. If you signal weakness and enough people come at you at the same time, you can't maintain the power structure. Does that make sense?

Adam Taggart: Absolutely.

Konstantin Kisi...: So you can't fight off Hamas and Russia and China all at once, which is why it's really important never to let it get to the point when they all smell blood in the water. And I've been warning people in the West about this for a long time, you have to commit to being the world's superpower, otherwise you will cease being the world's superpower. It's really that simple.

Adam Taggart: Matt, I know you got a lot to say.

Matt Taibbi: Yeah, just to follow up on what Konstantin was saying, I was a correspondent in Russia in the '90s. I watched a lot of the things that you're talking about, the phenomenon of withdrawing the foreign bureaus, removing the reporters who could actually speak the language. There was a movement within media to A, save money, B, to prevent reporters, like diplomats, from having too much sympathy for the local populations. So you tended to get this one note approach to coverage. And there was an extraordinary arrogance in the way America presented itself to the world, that people like Putin, I think very smartly took advantage of.

I mean, if you go back and look, if you look on your phones right now, Time Magazine, July 1996, had a cover story called, Yanks to the Rescue, bragging about how America sent advisors to help get Boris Yeltsin reelected. Now, imagine how that looked to Russians. We had advisors in the Kremlin at the time and Putin came in and he was angry about money that had been spent through the International Republican Institute, the National Democratic Institute, donated to Yeltsin, and said, look, America's meddling in our affairs, I'm going to start booting these people out. And he was very popular as a result of that. And this was kept from American news audiences, because it was decided that we couldn't handle those kinds of truths.

The one thing I'll say is, even though it's true that people don't hate us for our freedom, I would say that the original strength of the United States is that we tolerated diversity of opinion and that created a spirit of innovation that made us very powerful economically, financially, all these other things. And we've gone away from that. We're running from the thing that made us strong. And all those things that you talked about, Adam, all those different controversies, they have one thing in common in the media, which is this tendency to try to reduce everything to a binary, are you on this side or that side? Are you on that side or the other side? Orwell talked about this, it's a method of social control to reduce complex issues to simple binary problems, when they're often not binary problems.

We're trying to make people into one note thinkers, and that's not who we are in America. We're a diverse, interesting group of people, or we should be. And I think all of those controversies are driving us to this kind of permanent state of panic and reaction, which I don't think is good for us.

Adam Taggart: All right, well gentlemen, we're getting low on time, but we're leading right to the question I wanted to ask, which is, if you were running the West's strategy here, what changes would you be making right now?

Konstantin Kisi...: Well, I thought that the Abraham Accords were very important and pursuing some form of peace in the Middle East, I mean right now is obviously very difficult, but in my opinion the United States should be 100% behind Israel and making that very clear.

I've been very vocal in supporting the support that we've been giving to Ukraine, but I think it's clear now that the Ukrainians have done everything they can and they're not going to get any further. So I would put pressure on them to end that conflict as soon as possible. I've said from day one that it would end with small territorial concessions from Ukraine. It hasn't made me popular in Ukraine, but it is I think the way that that war ends. In exchange for some kind of permanent security buffer in the area, something like the Korean scenario or membership of NATO, which is highly unlikely of course, but something to prevent this happening again. Because it happened in 2014, we did nothing. It's happened again, we can't have it happen again.

So I would essentially make sure that that conflict wraps up as quickly as possible, I would give full backing to Israel, and I'd be very aware of what's happening in China.

Dominic Frisby: On which note, I would just sound an alarm bell and I spoke about it in my presentation earlier on. We've talked about how America weaponized finance in its conflict with Russia. Do you not think that America's enemies will somehow try and weaponize finance to attack the US dollar? In every war in history, finance has been a tool of war. I've just been writing about World War II, and Germany printed thousands and thousands of British banknotes, which they planned to drop on Britain in order to create inflation in Britain and economic problems in Britain. They didn't have the aircraft to drop the banknotes, fortunately, because this was 1943 by now. But you can be sure that Russia, China, that whole Shanghai Cooperation Organization, will try and weaponize and when the time is right, they will attack the dollar. And the more that America pursues policies that weaken its dollar, the more vulnerable the dollar becomes. And the big kahuna in all of this is of course China's gold. It has, as I said before, 10 times more than it says it does.

Konstantin Kisi...: And I'll just add one before you go, Matt, one final thing very much on that note. The West has to start living within its means. We cannot have a debt of 100% of our GDP plus, which in the UK and in the US we're working towards. So we have to live within our means.

Dominic Frisby: And that means smaller government, which all the trend is in the other direction, I'm afraid.

Matt Taibbi: Yeah, I would just say, America has to go back to doing what it did successfully previously. I mean, I remember when I was a 19-year-old student in Leningrad, just having a blue passport, everyone wanted to meet you because America represented something very positive to a lot of people in the world. It represented freedom, opportunity. Do we really represent that now? Do people really want to come? I mean, it doesn't have the same vibe that it used to, because the United States is viewed as something very different than it used to be viewed as. I think we're running from things that made us terrific, our commitment to academic freedom, to speech freedoms, to economic freedoms.

And that has changed culture here dramatically, you see this incredible scary apathy among people who are younger. They're so pessimistic about America's future that they're willing to give away all kinds of rights that we once took for granted, because they just don't think that they're going to be successful or that they're ever going to own a house or whatever it is. I feel like we just need to keep fighting for the things that made this country different.

Dominic Frisby: You're better than you think you are, and you are much better perceived than you think you are abroad.

Konstantin Kisi...: That's true.

Dominic Frisby: And if you look at all the big thought leaders in this culture war, many of them are American, the large part of them are American. And you're still producing the champions. Talk to any person in the world, they can live anywhere they like, most of them would say America.

Adam Taggart: All right, thank you. And we're going to end on that positive note because we're out of time. Gentlemen, it has been a joy and an honor. Thank you so much. Everyone, please a big round of applause.

Nick Hodge

"A Cycle Through Commodity Land (And A Parked Headline Warning)"

Robert Helms: How are you doing? I know cocktails are coming, that's for sure. The welcome party is great. You're going to have a good time, but we got some awesome stuff between now and then because you need food for thought, you need to have some things to talk about at the party. So you're going to have a lot after this next gentleman who you're going to dig.

Now in Spokane after over 30 years in Northeastern Maryland, Nick Hodge is the co-founder of Digital Publishing and publisher of the Daily Profit Cycle. He's also the founder of the Hodge Family Office where he offers a series of products geared to helping high net worth individuals and retail investors manage their own money and financial destiny. Previously Nick founded the Outsider Club and built it into a financial publishing behemoth. Nick has written two books on energy investing and as a private investor, he's helped finance some of the most exciting early stage projects and companies in the resource energy, cannabis, biotech sector and more. When he's not writing, investing, or traveling to speak at conferences like this, he's out conducting due diligence or he can be found at home somewhere on his small ranch in the inland Northwest with his beautiful wife and three children pursuing the outdoor activities that he grew up with and continues to love. Please welcome back to the New Orleans Investment Conference, Mr. Nick Hodge.

Nick Hodge: Hello everyone and thanks for being here. And thank you to Brien for hosting this lovely conference once again. It's always good to be in New Orleans. I wish it was just a few degrees warmer. This is a cycle through commodity land and a parked headline warning, and I hope you know where you are. I'm Nick Hodge, I co-own Digest Publishing with a gentleman named Gerardo Del Real. We have a free daily newsletter called Daily Profit Cycle. We're going to talk about cycles in this talk. And we also co-own Resource Stock Digest, which takes on client companies to help tell their story in the junior mining space.

This is a quote from a book that just came out called The Fourth Turning Is Here, and it's a follow-up to a book that came out about a quarter of a century ago called The Fourth Turning written by a gentleman named Neil Howe and his partner. These are the gentlemen who coined the millennial generation. They named them the millennials and they talk about generational cycles. And the theory of time essentially as being cyclical instead of linear. Humans for all of history until basically religion became very popular, viewed time as cyclical. Right. You'd plant in the spring and you harvest in the fall and your life revolves around the cycle and the seasons. And then religion told us that time was linear, that there's an origin, a genesis, and there's an end, an Armageddon, and you're marching linearly toward that endpoint. But I don't believe that's correct.

I do believe things are cyclical and so certainly markets and he talks about how, "All too often in the modern West we fear that any outcome not subject to our complete control must mean we're heading towards a catastrophe." Because we don't realize that crises and catastrophes are cyclical and they just happen sometimes. More on that as we go. So I only get to talk to you once a year as opposed to my newsletter audience that I get to talk to weekly or monthly. So I feel like I should catch you up on where we left off last October or November. I had my tongue in my cheek the whole speech last year and I was telling you that we shouldn't be investing based on memes or meme stocks and that silver necessarily wasn't going to the moon and there likely wasn't going to be a Fed pivot.

And I know, I know how can all this end well? Because the Fed is dumb and the debt is huge and inflation is rampant. There's a global reset. They're going to feed us bugs and social credit system or whatever. I get all that, I do, but that's not how I make day-to-day investment decisions. It's not an investment thesis and neither are memes. So I asked what was I missing? Because silver was supposed to be going to the moon and there was the death of the dollar was imminent. And I still wonder what I'm missing because when to the moon took over Twitter in 2021, silver's down 15% since then and the dollar is up 17%. And so I just cautioned about this nascent movement of meme stocks, I guess is what I was warning about. And they don't understand cycles either, right? Because they came in right on the back of silver running up on post Covid stimulus, et cetera, and they came in right at the top of the recent silver cycle.

So I was giving you just a bit of caution I guess last year, and I concluded that there would be no pivot and there hasn't been. And I told you that this rate hiking cycle and the end of the current economic cycle that we were in was going to take at least another year, and that's actually been pushed out further now. And we'll talk a little bit about that. And I told you that the last price is the only price that matters, right? And I'll just give you an example. I get that there's a copper deficit and there's going to be a 15-year copper shortage, but copper stocks don't go up when the economy is contracting and copper is going towards 3.50 instead of 4.50. Right. So we've got to take these economic cycles into consideration when we think about these big narratives and stories that we're told.

This is a cycle. This is the commodity cycle. I ended with this chart last year. This is the CRB commodity index, a basket of 19 hard and soft commodities, and that's a pretty darn good symmetric cycle there. Kicked off in 1994, ebbed and flowed up until 2007 or eight. We all know what brought that cycle to an end and then look ebbed and flowed down to 2020, was the bottom of that cycle. I mean complete perfect triangle. You take that angle back up into the right. The most recent cycle started in 2020. We are in a commodity super cycle. But look at that line on the left, right? It retraced all its gains in 1999 when you had the dotcom crash, but you were still in a commodity super cycle, right? So you need to know where you are in the cycle. If only there were a sign for that.

So you are here-ish a couple of years into a super cycle and you have to now figure out how is this cycle going to move? How is it going to weave? And I'm talking broadly now about that basket of 19 commodities. Certain commodities inside that basket can deviate, and there's commodities that aren't in that basket like lithium and uranium, et cetera that can do their own thing. But by and large, this is the CRB commodity index I'm talking about in a general sort of framework. And you'll see that it's sort of overshot, right? You remember the transitory inflation of 2021 when lumber and aluminum and copper, et cetera was going through the roof. This commodity cycle kicked off like a cannon, right? And likely overshot, which is why we're feeling the pain, especially the equity prices that we're feeling now. Because they overshot and things don't go to the moon and trees don't grow to the sky. And so you have to have a bit of a pullback, which is where we are now, partly due to economic sluggishness and partly due to obviously the highest interest rates in quite a while.

This is a macro framework from Hedgeye who divides the market into four quadrants. That's a seasonal theme I guess, right, like there's four seasons, but basically it's based on what inflation and growth is doing. So either growth up, inflation up, growth down, inflation down, et cetera. And you'll see that on that y-axis there, which is the three quarters that are coming up in the darker blue, the current quarter we're in Q1 ‘24 and Q2 ‘24, that inflation is just stuck. It's not necessarily going to accelerate. It's not necessarily going to decelerate. It's sort of just stuck at 3% or three and a half percent, which by the way is at least 50% above the Fed's target inflation, which is why they're going to remain hawk-ish and not pivot. So you're going to get this sort of stagnating environment. Right.

And so I just wanted to put this slide up here just to show you where we are in the cycle as it relates to growth and inflation. The growth is going to be flat to negative. We just printed 4.9% GDP for Q3 in the US but that's going to go back down towards one or 2% in the coming quarters. And that's why commodities are not going up right now. It's why the TSX is at its lowest point except for 2020. In the past 20 years, they're pricing in this stagnation and economic sluggishness that we're going to experience for the next quarters, which is when you should be building your commodity positions, right? If you miss the absolute bottom in 2020 when I said this commodity super cycle kicked off, you are certainly going to get and are getting a pullback right now. There's that TSX I just mentioned. That's the venture exchange. Lower than 2008, lower than the severe pain of the resource market of 2015 and 2016, only not lower than when everybody thought the world was going to come to an end during Covid.

So here's the current outlook. I think we have two to three more quarters of slow growth and above target inflation, well above the 2%. That's what Jerome was saying today. He's committed to that 2% target. This is not a dove we're dealing with. Again, last year I was saying no pivot. There was lots of calls for a pivot. It wasn't in the cards and it's likely still not. This Fed wants a recession. They want economic contraction and they're going to get it until labor forces their hand, which is the last part of the economic cycle, right? Housings, earnings and profits and orders go down early in the cycle and progress, they cascade ultimately and then labor goes, and that's what culminates the recession or catalyzes the recession. And we're not there yet. Employment's relatively robust still. ADP numbers missed this week, but you still have strong employment and that's not going to break down I don't think until next year, which will ultimately force the Fed's hands.

So I've been in a lot of cash, about a third cash and I've been trophy hunting. And here's what I mean for that. In a bull market, all the turkeys fly. But in the market that we're in right now, you don't have to spend time with the turkeys. You can just look at the best management teams that have cash and real projects. And so as opposed to hunting for meat where if it's brown, it's down or you're willing to bag anything, you can be highly selective in this market and there's a lot of companies over there that you can be doing due diligence on, and I'll get into some of those in a second.

So what is a trophy? A trophy is a company that has cash or can easily raise it. If your treasury is deleted or depleted, if the market senses you need money, you are being severely punished right now, even if you have good news, good drill results, good catalysts, whatever it is. You also need to have meaningful catalysts in addition to cash and the ability to raise it. Serially successful management in a safe jurisdiction. We don't have to go hunting in countries we can't pronounce right now. We can stick to very safe, well-ranked jurisdictions. And you want a company or a trophy that's not dependent on the commodity price. I hear a lot of companies tell me that if copper was just at 4.50 or silver was just at $30, our project would really be good. Well, then I'll just find a company that's good at $22 silver or whatever it is. You don't have to mess with the non trophies right now.

And so I'll do a little bit of scouting for you. So caveat here, these are all companies that are in the exhibit hall. They're all companies that I either wrote a check to, recommended a private placement in my private placement service, or they're a sponsor of Resource Stock Digest.

And I'll just run quickly through them for you. So Alaska Energy Metals has a very large disseminated nickel project in Alaska. Just put out drill results this week. Very wide intervals of nickel mineralization. This used to be Millrock Resources, if any of you are familiar with them, rolled back, changed names and are now focused on this nickel project. Argentina Lithium, you can probably guess what they do and where they are. They just got $90 million, 90, 90 from Stellantis. That's the company that makes Jeep. Their market cap is I think 40 or 50 million Canadian, and they just got 90 million from Stellantis. Dolly Varden Silver has the Kitsault project up in the Golden Triangle that they consolidated, very large silver project. Just got $10 million from Hecla last week or this week. Gladiator Metals onto the Whitehorse Copper Project up in the Yukon. It's a past producer, district scale, lots of targets. They're drilling now.

Headwater Gold is spending other people's money. They've got a very large earn in deal with Newcrest, which is now Newmont earning into several projects that they were drilling over the summer and now into the fall. Results starting to come out. And then Perpetua used to be Midas Gold. And the reason I put them on the list is because they've been in permitting for like six or seven years and they're expecting the draft record of decision by the end of this year. And so pretty big catalyst there for one of the largest, lowest cost, highest grade open pit gold mines in the US.

Oh, I forgot. We're going to do a parked headline warning. So that's the end of the commodity cycle. I'm going to warn you about parked headlines. I saw this one over the summer, zero hedge. It's easy to pick on. This came out in June 22, and it says that it's going to be the biggest monetary shock in 52 years because the BRICS countries are going to announce the new currency on August 22nd. And it's going to be the biggest upheaval ever. Crisis, catastrophe since 1971, aiming directly at the dollar on August 22nd, directly aiming at the dollar. Biggest thing, 52 years. That's a chart of the dollar since August 22nd. Careful of these parked headlines that want to get you to click or that want to appeal to your lizard brain or that otherwise they're giving you information that is not necessarily the best investment advice.

These are good parked headlines about the batteries, right? Because the lithium ion battery is entrenched or spending hundreds of billions of dollars dollars on gigafactories, but every week there's a battery breakthrough that's going to dethrone the lithium ion battery every week. It's a sulfur battery, a nickel battery, a zinc air battery, a sodium battery, a molten salt battery. Every single week there's a new one, and yet all the battery factories are built for lithium ion batteries. Love Yahoo.

And this is the last slide, just to pick on Yahoo a little bit more. Mainstream analysts, are they a value trap? Hopefully that's large enough to read, but I noticed I had been seeing this headline. You know how you see something and it keeps coming up and you're like, I saw that somewhere else, and then I saw it again and again and they're just reusing the same title for all these stocks. Is it too good to be true? Is it a value trap? Is it too good to be true? Is it a value trap? I mean, just total clickbait search engine optimization. No thought, no analysis, just cranking out headlines for clicks, right?

So careful of parked headlines and mainstream analysts. That's it. Hopefully I made up some time because they were a bit behind. I will be doing a workshop with Gerardo tonight at 8:20 upstairs in the commerce room on the third floor. We can drill down into some individual commodities if you want. We'll drill down into some individual companies. We're going to talk about what hasn't worked, what's working and what's going to work most importantly. And then tomorrow we'll be giving an exhibit hall tour at 9:30 in the morning. Both of those logos there are also websites, dailyprofitcycle.com, resourcestockdigest.com. Thank you for listening. I hope to catch you the next couple of days around the conference. Feel free to say hi, ask questions, and please do come to the workshop. Thank you.

Jim Iuorio

"Preparing For The Pivot A Deep Dive Into Fed Policy And Its Effect On Hard Assets"

Albert Lu: Our next speaker, Jim Iuorio, is a managing director of TJM Institutional Services and a veteran futures and options trader. Jim's 30-year career has been spent brokering futures and options trades for large institutional clients in equity indexes, interest rate products, commodities, and foreign exchange. His recommendations to clients blend macroeconomic themes with technical analysis to identify trading opportunities, anomalies in options markets or hedging strategies. Jim is also an active trader of futures, equities, ETFs and options for his own account. His talk today is Preparing for the Pivot, a Deep Dive Into the Fed Policy and its Effect on Hard Assets. Please welcome Jim Iuorio.

Jim Iuorio: There's something I want to start out by saying here. This is one of my favorite conferences to be at because many of us are like-minded and we're hard money people. You wouldn't be at this conference if you weren't that way. But I think after being here all day, there's something I'm a little bit worried about, is that we're all kind of beating this drum so hard that things are awful and I believe that they are awful, but I believe that they're not all awful. I think there's some good things too. We might have a hard time uncovering this in the next 20 minutes, but we're going to give it a go. All of us have bias and we have to fight that a little bit.

So when I titled this speech five months ago, four months ago when they asked me for a title said, Preparing for the Pivot, a Deep Dive into Fed Policy and its Effect on Hard Assets. So remember that was back, let's call it June or July when expectations were quite simple, was that the Fed had hiked rates, they'd hiked one of the fastest hiking cycles in history. It was going to break something like it normally does. The Fed was going to panic, burning timbers would be falling from the ceiling and they were going to reduce rates quickly.

Well, things have changed quite a bit. Now I put this on because we're going to get back to this a second, but just last week Jerome Powell came out and said The path we're on is unsustainable and we'll have to get off that path sooner than later. And he's talking about debt issuance. For him to say that and to go against the federal government is a big deal. I mean, of course this is obvious that this is the case, but the fact that Jerome Powell is saying it to me means it's a big deal, but we'll get back to that in a second.

So second, we all expected this recession to come and it didn't. Well, it maybe didn't. I think that it's completely bifurcated economy and the extra $2 trillion that were pumped into the market due to COVID policies are still there. They just happened to be in the top 20% of the people who have the money and the bottom 80%, let's call it the bottom 60%, are suffering mightily. They're feeling a recession already and the numbers don't really show it yet. So we have to ask ourselves why haven't rate hikes slowed aggregate demand and caused the recession? Because remember Jerome Powell came out and said full well that if he caused the recession, so be it.

First, there's a couple of concepts that we have to get used to that pushed back the big punch from Fed policy. The five years that preceded the first rate hike, US 10-year yields traded at an unprecedented low period of 1.96%. Now what that means is everyone had the chance to roll into duration. Now, when you say that to non bond traders, they sometimes roll their eyes and go, "Roll into duration? What does that mean?" Think of it this way, if that five year period you had a one-year arm mortgage or a three-year arm mortgage, you'd have to be an idiot to not have rolled it into a 30-year at the same rate. So you did it.

Now let's expand that over thousands and hundreds of thousands of homeowners, thousands and thousands of businesses, small, medium and large, everyone who needed money, borrowed it, locked in those low rates. So they are insulated from the hike rates so they can sit back and look at the new borrowers and say, "Sucks to be you. I'm fine. I have a 30-year mortgage." So that's why we're seeing this show up and we're seeing it show up in real estate because nobody wants to part with their 2.7% mortgage and buy a new home where they have to pay seven and a half. So that's what's choking up the supply and it's really the rapidity of the rate hikes has obfuscated what's going on in the real economy. But when it eventually catches up, I believe it's going to bite hard.

There's a little aside here that I'm going to say because I'm going to give a doom and gloom like everyone else here because that's what we do here because there is some doom and gloom, but here, let's put percentages on it real quick. When I spoke here, let's call it five years ago, and the Trump administration had increased spending and I thought it was a bad thing that they were doing. And people oftentimes because I criticized Democrats on social media think that I'm some sort of a Trumper and it's absurd. He spent too much money. And I said to myself, what's concerning, and I said at the conference, is that I don't believe we're going to have a currency crisis. I don't believe we're going to have a debt crisis, but I believe that what was a 0.1% chance of a currency crisis could jump to a 1% chance of a currency crisis. Well, I think the nonsense that's gone on over the last few years has jumped that up to a 15% to 20% debt crisis, currency crisis, and they're the same thing. I'll explain it in a sec, but they're the same exact thing.

And then we're going to talk about the assets and how this could show up in different things because I'm going to sound like I'm a financial prepper, somewhat fair. And I'm going to sound like I believe that there's some sort of economic sabotage going on, because I do. I don't expect anyone to believe, I'm not trying to pull anyone down a rabbit hole, but I am saying there's a lot of people out there who think like me and there could be some assets that respond to that quite well and other assets that respond poorly.

Now, the second reason we haven't seen the demand blow up and the economy go into recession is because the government just has absolutely increased spending every place they could to try to keep us from going…so at the same time, the Fed is lowering rates. The federal government is pumping more money into the system and increasing M2 money supply.

Now, the third thing that should be on the list, of course we're in a recession and that's one of the reasons the stock markets rallied over the last three days, is those numbers that came out on Tuesday, the ADP number being bad, the ISM number being bad, now all of a sudden that calls into question all these nonsense numbers we've seen over the last few months that make no sense to anybody, but I guess the people who're putting them out. So the labor market, those good labor market numbers we have seen just in the last three months, full-time jobs down 700,000, part-time jobs up 1.2 million, a 7% unemployment rate equivalent.

If you added back the people who left the workforce over the last three years ahead of trend, this is a big deal. The labor market is not strong, it's strong if you want to be a hostess, a government worker or a DoorDash delivery person because other than that, there are not great jobs that are being created right now. This was what I just said about the ISM manufacturing number that just came out yesterday. It was a late add to the chart because it just came out yesterday. This does not seem like a growing booming economy. Yeah, there was a nice little turn around July we're talking about, but that turn has been completely reversed now.

Small business optimism index. I don't know if you any read Carol Roth's book, the War on Small Business. Small business optimism Index. Small business optimism is not going higher, and I don't think you'd be too optimistic too. I own a restaurant in Palatine, by the way. Brant's of Palatine is 30 miles outside the city. You guys will love it. Ribs and burgers, if you like that. There's my plug. But anyway, the same cooktop we bought when we opened the restaurant 10 years ago for $6,000, we had to replace the same exact model. It was $22,000 six months ago.

Small business, yeah, hell no, they're not optimistic. Everything has gone up quite a bit and it's hard to make money. The cardboard box indicator. By a show of hands, have any you guys heard of the cardboard box indicator? Nice. Because this is a cute little nuanced one that some of the Fed governors supposedly look at. Well, you can see the drop in price and demand for cardboard boxes over the last few months. It's happening right now. There are burning timbers crashing from the ceiling. And the problem with the market was that they didn't think the Fed understood it and they didn't think the Fed was going to act accordingly. But as of yesterday and this week, again, probably this move higher in the stock market and the move higher in the bond market are both probably just position squaring the first, because as you guys, I'm sure you've had your tickers up all day and notice that there's been counter-trend moves the last three, four days. I think it means nothing. I think it's just position squaring.

And let's look at credit card delinquency. This is 30 days delinquent. That doesn't look like we're avoiding a recession rate. Going higher. The GDP number of 4.9% that came out last week or the week before, the growth in the GDP was due to housing, utilities, healthcare, insurance, pent-up back to school spending. People weren't spending money on back to school stuff for almost three years. And guess what? Government spending.

I put the word mess in there. Debt crisis, currency crisis, are so overused, they're hyperbolic. I'm saying that things could get bad and they could get bad quickly, but to say it's cataclysmic or crisis, that's clickbait. We are in a bad way and going on a bad trajectory. If anyone could think of a better word than mess for my next speech which is in about a month, tell me because mess doesn't sound good either, but it's a question mark.

So here's what worried the hell out of me, and this goes back to the bond auction that happened on October 13th. So as you guys know that with treasury, we're spending tons of money and it used to be that we'd sell most of our bonds to the Federal Reserve. They've been doing quantitative easing for 12 years. So all of a sudden the Federal Reserve now has moved out of the bond buying game. They're actually quasi-selling them. It's kind of nuanced, so we won't really get into it. They tried to auction 30-year bonds. They thought the market was going to pay 4.8%. The market said, "We're not buying your bonds at 4.8%. We're buying it at 4.85." It seems like nothing. It's 5/100ths of a point. It's a lot because it showed the appetite.

Another quick question for you because I sometimes want to know if I'm on an island by myself. Were you guys conscious of the treasury's refunding announcement this week where they announced what they were going to buy? By show of hands, was anyone conscious of it? Okay, we are going to become a lot more conscious of this. On Wednesday of this week, they announced what they were going to be selling to raise money. Well, guess what? The market was worried about them trying to sell long-end bonds because they already stomped the long end of the curve raising yields when they did it last month or a couple of weeks ago. And all of a sudden Janet Yellen came out and said, "Well, no, we're going to sell more on the short end." And the market seemed to like that. So the treasury secretary is saying, "I am fearful that I can't sell long-end bonds where I want to," and all of a sudden that's good news in the market? I think we're living in an upside down world sometimes.

Stanley Drucken Miller who I sometimes mispronounce his name is Drunken Miller, which is not right. I like Stanley Drucken Miller, but the government needs to stop spending like drunken sailors and cut entitlements. The second part of it is never going to happen. People who get entitlements vote, but the government needs to stop spending like drunken sailors. Okay, total public debt. I have my own laser pointer here. This is one of the reasons I think there's almost economic sabotage going on.

And by the way, I know the title of this is Preparing For the Pivot. So we are going to talk about the Fed is going to pivot, but the pivot might not look like what we think it's going to look. Okay? So look at that point right there. That's Q3 2021. When that total public debt, that's deficit spending by the federal government. So the Q3 2021, June of 2021, the CPI had already printed 5.1%. The housing market was inarguably red-hot and in bubble creation mode and the federal government's response to it was not to pull liquidity. "Let's hit the gas." To me, that's completely unforgivable. The Fed's balance sheet, this is because they've been quasi-selling bonds, letting bonds in their portfolio roll off. This is the beginning of the COVID debacle and this is where they've gotten so far in rolling off their balance sheet. And by the way, stock market hasn't gained an inch since they started rolling off their balance sheet.

So the debt crisis that I'm saying could happen, debt mess, debt debacle. Let's call it debt debacle. Debt kerfuffle. I've heard that word. I don't know what it means, but whatever that means, let's go with that. So between 1900 and 2020, 98% of the countries, this is 52 out of 53 countries where debt to GDP hit 130%, defaulted on their debt, usually through sustained high inflation. The one that didn't default on their debt was Japan. And we all know what happened to Japan. They've been creating currency and doing yield curve control and they just can't get out of the situation they're in. This now is the yield curve, two-year versus 10.

So again, I hate to get so into the woods. When we back in July went to negative 108 basis points, meaning 10-year yields were 108 basis points lower than two-year yields, that's an unusual situation and is a prognosticator of a coming recession. It's a good prognosticator because what it's saying is the market ... Simply, there's about five things it's saying, but the most apparent and simple thing it's saying is that rates in the future are going to be a lot lower, meaning the Fed is going to have to respond to this and respond to it soon.

Geez, seven minutes. I feel like I'm in a race now. Current tax receipts, they're not going very well. I talk fast anyway. How could I not be able to do it in 20 minutes? Okay, this is the two-year versus 10-year. This is a five-year of it and it shows how it's exploded back up to near zero. Usually as the yield curve moves to zero from being in a negative situation is when the actual recession's happening because in normal times what happens, the normalizing of the yield curve is because the Fed has to cut rates on the short end because burning timbers are falling from the ceiling and things are falling apart.

That's not what happened this time. What happened this time is the government started selling too many bonds and the long end caught up because the price of bonds continue to go down under the sheer weight of the government increasing their spending. This is 10-year yields. By the way, these charts are two days old. Most of you know that some of these moves have reversed themselves, which I'm perfectly fine with. I don't think the long-term move is over yet. I think 10-year yields are going to go higher and they're going to go higher to a point.

Now we're going to talk about the asset part of it because as we said, I got to get going or else I'm not going to be able to fit it all in. We talked about preparing for the pivot. Right now, as of now, the market, the Fed funds futures curve says the first rate ease is going to be in May potentially and by the end of 2024, there could be as many as up to 70 or 75 basis points of Fed easing. First of all, that's nonsense. When the Fed starts to adjust policy downward, they don't do it casually in 25 basis point increments. If the Fed is going to ease rates, they're going to ease rates. They're going to take an ax, not scissors.

So things that don't fare well in a volatile high rate environment, we know that equities, particularly growth, that's tech stocks. Bonds, because I mean bonds are the ones that are being sold. Those are the ones that people don't want to be in as much. And real estate, and we discussed real estate and why it's holding in because the supply issue is an enormous deal. One year NASDAQ, again, we've seen this rally quite a bit in the last two days, but nothing to take it out of its bear market that it's been in. One-year S&P, same thing. The one-year S&P still with this huge Herculean run over the last few days still hasn't gone above the 4,400 level, which I think it has to show me to be able to be anything to change my mind right now.

And again, for those of you guys who know me or follow me on Twitter or listen to the podcast, I'm 60% technicals, 40% fundamental. Anyone can talk about what the market should do based on these fundamentals. Technicals following price is what the market actually does do. I wouldn't touch the S&P until it settles above those old highs at around 4,400 and I don't think it's going to on this turn. I think it turns around.

Let's move on. Okay, asset the hedge, propagate government spending and currency devaluation. When my wife, who's my tech department was doing the slides, she's like, "Profligate. Is that even a real word?" Do any guys who are old enough to know why I picked that word? You remember when Greenspan used to pick those huge words that everyone had to grab their thesaurus to find out what they meant? Profligate was one of them. So we kind of use that in our world as kind of a nod of the cap to Greenspan.

So gold, everybody here has talked about gold. I'm going to talk about the reasons why I really like it in a second. Silver, the miners. By the way, how many here own or trade Bitcoin? Okay, so let's talk about just a quick little aside for Bitcoin. Let's skip the gold. Can I go backwards too? I don't know how to do that. So let's talk about gold real quick, but I want to talk more about Bitcoin too. So this is the gold one-year chart where it's hovering around 2000. So remember, the environment we're in right now with real yields, which are the nominal yield of US treasuries minus inflation expectations. Real yields in the 10-year space are about 2%. That's the highest they've been since 2008, 2009. Gold hates when real yields are high because real yields compete with a non-yielding asset like gold. Gold has hung in well despite that. Actual nominal rates have gone through the roof, gold has held in despite that. To me, this is an indication that gold is ready to have a sizable move.

I want to see a settlement above 2020 where I think is going to be my entry point. It's moving right along. There's the gold six month chart. You can see why I like that 2020 level. It's above that daily high from a couple of days ago. Again, these are three days old.

Bitcoin. I don't know what the hell Bitcoin is. I don't care what the hell Bitcoin is. I own it and I've been buying it for years. And here's what I know about this year. BlackRock, who are overlords, own Bitcoin. I mean they've expanded into the Bitcoin field, so has WisdomTree, Grayscale, everyone trying to get this Bitcoin ETF. I don't believe that these big institutional people would be expanding their footprint in Bitcoin if they didn't have research teams and figure that this was going to be something serious. So I do own Bitcoin and I think it has now, in my mind, become a reasonable hedge. I think if you look at that little tiny consolidation period in the last couple bars, as soon as it breaks out of that, I may buy more.

Crude oil. The reason I love crude oil is a little bit different than all this doom and gloom I've been putting out here. I think the crude oil, when the government sold down our strategic petroleum reserve, it was idiotic and now the fact they keep coming out and telling us where they're going to buy it, $79 a barrel is the latest level where they said they're going to buy it. I know a million different oil traders all of a sudden started Tweeting, "Okay, I just sold the 79 puts," meaning it's not going to go below there. But the more important thing I think is when central banks around the world begin to ease to respond to the coming global recession, particularly domestic recession, oil will start to rally. I also believe that the Saudi Arabians and the Russians are not at all pleased that we sold the SPR for reasons that they could not comprehend because oil wasn't even that high at the time. I think most of us in this room who pay attention to what's going on politically can understand it. And I think oil could run. Oil and oil stocks are something that I like quite a bit.

So where I would get into oil, it's still staying above the 200-day moving average nicely. I think I need a settle above that 92 and a half level, which is old highs from the middle of October, daily settlement above that, and that's where I think I would jump in and grab it. I went through all my slides.

There's a couple things I want to say in closing. When we talk about these assets, there's four different elements to it. Are we talking about trading it? Are we talking about investing in it? Are we talking about protecting, hedging ourselves? Are we talking about just digging a bunker and holding out? Okay, I'm not saying the fourth thing. My daughter who's 28 years old, just switched jobs and she texted me today saying, "I have to roll over my 401k, which has become a sizable amount." She's 28. I said, "You're 28. I go 70% stocks, mostly domestic, 25% bonds, heavily weighted towards two-year, only maybe 5% each, five year and 10 year." And I said, "Also buy Bitcoin if they allow you to do that."

Well, they didn't allow her to do that in that 401k, so she can't buy Bitcoin. The only reason I say that, that's not a recommendation. I don't make recommendations to anyone. I tell you what I'm doing, what I'm looking at doing, and what I'm advising my clients to do. I don't know your guys' risk parameters. I don't know the depth of your pockets, but that shows me that I'm more rosy than many of the people here about the next 25 years. But I'm not particularly rosy about the next three years. I wish we had time for questions. I hope this was valuable to you guys. Again, I love this conference. I like meeting all you guys. Thank you very much.

Brent Johnson

“US Hegemony In A Multi Polar World”

Albert Lu: Our next speaker is Brent Johnson. Brent Johnson brings over 20 years of experience in the financial markets to his position as CEO of Santiago Capital, where he manages $175 million for high net worth families via separately managed accounts and a private fund. Brent enjoyed more than nine years as a managing director at Baker Avenue Asset Management, a $2 billion asset manager and wealth management firm with offices in San Francisco, Dallas, and New York. He was the lead advisor for several of the firm's largest clients. His talk today is US Hegemony in a Multipolar World. Please welcome Mr. Brent Johnson.

Brent Johnson: Hi, thanks. Hi everybody. How's everybody doing? Make sure I know how to work this. I'm going to probably pace around a little bit, so hopefully it doesn't distract you too much. Just wanted to say a quick thank you to Brien for inviting me back. I've been coming to this conference for a couple of years now and it's quickly moving to the top of my list as favorite ones to go to. I hope you guys are enjoying it as much as I am.

The last couple of years I've been here, I spoke about the dollar milkshake theory and the dollar milkshake theory is this framework I came up with several years ago to help me think through how a sovereign debt and currency crisis might play out and what that would mean for markets. And I'm not going to spend too much time talking about it today, although it'll be related. But essentially, if you haven't heard of it before, what I think happens in a sovereign debt and currency crisis is that capital will flow to the dollar and into the US markets. It will deprive the rest of the world of much needed liquidity and it kind of feeds on itself.

The name came from the idea that the whole world's probably going to have to print more money, do more bailouts, do more stimulus, but I think all of that liquidity that gets added, gets sucked into the United States. And this has been a little bit controversial, not controversial, but a little bit against the grain because, well, I think a lot of people agree that we're headed towards some kind of a crisis. I think a lot of people have come to the conclusion that that will be really bad for the US. It will mean the loss of US hegemony. It'll be a worse standard of living for the United States and China or Russia and someone else will take over the US role in the world. And I think that could potentially happen down the road, but I think that's a lot further down the road than many people think.

And so what I'm going to talk about today though is the idea that we are moving towards either a multipolar world or a change of hegemony. And the point I would make is that the transition to a de-dollarized world or a multipolar world cannot happen without economic volatility and/or military violence. And it would probably take both of those for something like that to happen. Now, the first thing I want to say about the talk though is I'm not going to try to convince you that I'm right. That's not my goal. My goal really is to get you to think and perhaps think differently than you currently do and think logically and walk through the step-by-step of what would have to happen again for the dollar to actually lose the global reserve currency, for the US actually to lose its world hegemony.

And the other thing I'm going to say is I'm not necessarily an advocate for these ideas that I'm going to put forward. That's not my role. I'm not trying to change the world. My clients hired me not to come up with some new system. My clients hired me to see the world as it really is, protect their money and grow their money. So that's the lens of which I look at this. And so kind of keep that in mind. These aren't necessarily recommendations as much as it is what I think is going to happen. And I think it's important for people when they're managing their portfolios to take an unemotional view and look at it that way.

It's going to build on the presentation that I gave last year, which I titled Psycho, and I think it's on Brien's website or he has a copy of it if anybody wants to see it and I'm happy to send it to you as well because I think with all that's going on in the world, it's a very polarized world and it's becoming more polarized and I think emotions are leading to bad decisions. So I think it's really important to understand how psychology plays into all of this.

think it's really, really important when you're talking to people about these things or when you're thinking about these things, when you hear things that you vehemently disagree with right away, there's a tendency to tune out or to look the other way or stop talking to that person. And that's actually a defense mechanism that's hardwired into our human behavior. When you feel like something is attacking you or attacking your ideas, you put up guards. And so it's a good thing in that it does protect you, but it's also a bad thing is that it closes down your mind and just about the time you might learn something new, you turn away.

And so I would encourage you when you hear something you disagree with, rather than immediately fight back against it, is perhaps just listen and perhaps think about it because that's probably where you're going to pick up a few gems. Now, as far as the multipolar world, one of the biggest ongoing arguments that's put forward by politicians and monetary authorities and international players is that the US role is diminishing and we're moving towards this multipolar world where there's a number of great powers rather than one great power that resides in the United States.

I actually think that there's a lot of evidence for this. You see the BRICS meetings and you see a lot of headlines from the BRICS and they are tired of being bullied by the United States and so they want to exert their own power. And you can see this in the literature everywhere. Morgan Stanley puts out a special report talking about changing strategies for a multipolar world. INSEAD, which is a top business school in Europe has a class about what it is to be a leader in a multipolar world. The EU itself put out a report talking about the coming multipolar world order and a number of different think tanks and consulting agencies have written reports about the paradigm shift from unipolar hegemony by the United States to a multipolar world.

And they'll use evidence such as this chart that shows the BRICS GDP has actually now surpassed that of the G7. And I think we've probably all heard, especially over the last year, the de-dollarization trend, you couldn't go anywhere earlier this year without, “the US dollar was in trouble. The rest of the world was going to leave the dollar, this was going to be a really bad thing for the United States. It was going to be a catastrophic result.” And so there's a lot of headlines regarding this move towards the multipolar world; however, I actually don't think it's right.

A guy named Jo Inge Bekkevold, he works for a think tank in Norway, and he wrote a report recently for the Foreign Policy magazine that I would encourage everybody to read. And he said, no, the world is not multipolar. And I kind of felt like he had opened up my head and wrote everything I was thinking down on a piece of paper. And he said, "Despite what politicians, pundits, and investment bankers tell us, it's simply a myth that today's world is anywhere close to multipolar."

And I'll go through some of the reasons why that is. Again, it's very popular to say it and it's very popular to think that the United States is no longer the sole superpower, but if you actually look at the data, you possibly come to a different conclusion. As an example, the United States is the biggest oil producer in the world. Now, I would say the most important things for any country are the inputs to the economy and the inputs to the humans that live inside. So that's energy and food.

The United States is the number one producer of oil. The United States is the number one producer of natural gas in the world. The United States is the number two producer of electricity in the world. The United States is far and away the biggest food producer in the world, especially when it comes to protein, which any advanced society tends to want more protein in their diet. From a GDP perspective, we dwarf the next biggest competitor, which is China. And on a GDP per capita number, we're like seven times the next closest competitor. So are there other sources of power in the world? Of course there are, but to say that there's equal powers out there to the United States, it just really isn't backed up by the numbers.

And if you look at something like equity market capitalization, again, you add up all the other countries together and it doesn't match the United States. So just on a purely numbers basis, the United States is still far and away the biggest power in the world. It's not to ignore the other countries. The BRICS as a group, these are important countries and they do play a role in the world, and it's important not to ignore them. They've got 42% of the world's population, 23% of the GDP, 26% of the land area.

So again, it's not to ignore these things, but when you hear somebody say the BRICS are going to take over, don't just accept it immediately without actually thinking about it. And also if you hear somebody say that and you think, yeah, that's right, maybe ask yourself why is it that you're so quick to believe it when you don't necessarily have the data to back it up?

Also, when you go back to this GDP slide, it's important to, when you see charts like this, it's important to read the fine print. It does show that the BRICS GDP is passing that of the G7, but it's only on a PPP basis, which is a purchasing parity basis, which basically adjusts for certain factors. But if you actually look on a capita basis, again, the G7 dwarfs the BRICS and it's not even close. And if you look at it on an absolute basis, the US alone is almost bigger than all the BRICS put together. And again, the G7 dramatically outpaces the BRICS.

When it goes back to the BRICS, well, when you think of them working together and they're going to create this order and as a partnership, they're going to take on US hegemony. This is a statement from their recent meeting, and it said, "In order to facilitate trade investment, we will study feasibilities of monetary cooperation including local currency trade settlement arrangement between our countries."

So that sounds pretty interesting, right, that they're really going to do something. The problem is that wasn't from this year, that was from 2010. So every year they get together and they say, "We are going to band together and we're going to take over, or we're going to throw off the shackles of the United States and we don't need to use their system anymore." And then a year goes by and they say the same thing, and another year goes by and they say the same thing, and pretty soon it's 15 years and they haven't done anything. So again, it's one thing to talk about it. It's completely different to actually do it.

And then I'm not going to go through all of these in detail, but again, as far as the dollar goes, it still by far dominates all the other currencies in the world. And again, it's not even really close if you actually look at the data and if anybody wants these slides, I'm happy to send it to them. The red is the United States. And again, you can see over time it's not exactly dwindling. And this is probably my favorite slide in the whole deck, and this is a picture of all the business leaders who are excited to do business in non-dollars and who have come out and said, "We're going to get rid of the dollar system."

In other words, every time you see these de-dollarization headlines and the people talking about this new non-dollar world, it's a politician. It's a monetary authority. It's never a business person who's actually got their own capital on the line. And I guess, who in this room has their own business? How many of you do business internationally? How many of you would prefer to start receiving Yuan rather than dollars?

Okay, I think that speaks for itself. This is the slide where people start to not like what I'm saying. And that's the military. Again, the United States has 750 bases around the world, and that number's probably low. And when I say 80 countries, it's probably closer to 150 countries. This data's a little bit dated, but the bottom line is that US has military capability that far surpasses any challenger.

These are China's military bases around the world. Again, it's mainly mainland China and a few around Southeast Asia and a few in Africa. These are Russia's military bases around the world. Now, again, if you're just defending your homeland, that's probably what a Department of Defense should do. You probably shouldn't have bases all over the world, but that doesn't change the reality that the United States *does* have bases all over the world. So the United States is the only military in the world that within 24 hours can start a war against another country with supply chains, manpower, vehicles, ships.

And again, I don't think that this necessarily should be used, but it is. That's the real world, and it's not even really close, the US military capabilities versus the others. And then you look at spending, we spend close to a trillion dollars a year on defense spending. The next closest is China at 300. So we spend 600 billion more per year than the next closest competitor. That means that the military could go out and waste 600 billion on cocaine and hookers and still be up with China.

And don't get me wrong, I'm sure there's a ton of that going on, and I'm sure there's a lot of waste and the thousand dollars hammers, but again, they can waste 600 billion and still keep up with the next closest competitor. Plus they've got 50 years of doing this back to back to back. And I know sometimes people will say, "Well, the US hasn't won a war in 50 years." Really? I mean, do you really think the US hasn't won a war in 50 years? Maybe the goals just aren't what you think they are, right?

The war is not necessarily meant to be won. If you win a war, what do you do? You come home. Well, they don't want to come home. They want 750 military bases all over the world. So if the war’s won, why do you need 750 military bases all over the world? Not to mention that maybe everything worked out exactly the way they wanted to, right? Do you think Lockheed thinks that Afghanistan was a disaster? Do you think General Dynamics thinks the Iraq war was a disaster? I don't know. I mean, the numbers are pretty big.

And then finally, from a geographic standpoint, the US literally won the lottery. And again, it's not even close. We've got protection to the north by a polar ice cap and all of Canada. From the south, we've got a desert. On the left side, we've got the Pacific Ocean. On the right side, we've got the Atlantic Ocean. No competitor can come at us at our homeland and hurt us. And again, no other country has that same geographic setup. Not to mention the fact that we have the greatest farmland in the world and the best freshwater river system in the world. And that river that's right outside this building here, I don't think people realize how big of a geopolitical advantage that is. That's one of the greatest resources that we have.

And then everybody's favorite topic, gold. So we have the biggest pile of gold in the world. Everybody thinks that maybe we're going to move to a gold-based system, or you're going to need to have gold. And I know for a fact there's some of you out there saying, "Yeah, but we don't really have all that gold, and China has a lot of gold, and we've probably got rid of all that gold." I would ask you, why are you so quick to believe that we don't have that gold? You'll probably say that hasn't been audited, right? I agree. Well, when's the last time you saw China's audit or Russia's audit or Switzerland's audit?

So I guess the point is when you automatically assume the United States doesn't have their gold and you automatically assume that China does have their gold, why? Why do you believe that that's the case when you don't have any evidence to back it up? So again, I think, maybe that's true? I'm not saying it's not true, but I'm just saying you got to protect against your own biases when you hear things that you initially reject. Now, the other thing I'd say is with all these military bases and all these military excursions we have around the world, what do you think we do when we get there? Do you think it's really all about peace and harmony? And maybe we have more gold than we say, and maybe we just haven't reported it.

But I will say I think it is true that we're moving towards a multipolar world or that the world wants to have a multipolar world. I don't think the world is happy with the current setup. And so I wouldn't deny that there are challenges to the United States. And while I really will argue against the fact that it's not multipolar, it could be bipolar. China's a real power, and if the world is bipolar, perhaps that helps explain why it's so crazy right now.

So let's think about that. Let's pretend I'm wrong. Let's pretend it either is already multipolar or is headed that direction, because I think there are challengers, and I wouldn't deny that there are challengers. I would say it's the challenge for multipolarity that is causing the problems. If the US was the only pole and everybody else was happy with it, there would be no instability. It's the fact that the rest of the world doesn't want to be under the US's thumb anymore and wants to exert their own power that is kind of causing some of these conflicts.

And to me, it is kind of a Game of Thrones, and I really think that that's what this is developing into. It's geopolitical, it's social, it's economic, it's all these things wrapped into one. And it's all coming to a head now, and I don't think anybody is just going to sit back and accept what the US says anymore. And likewise, I don't think the US is going to sit back and let China rise on its own or Russia exert its dominance on its own. So I think this conflict is real.

So why is it happening now? Because I think this has probably always existed to a certain extent. But why now? Why is everything bubbling up to a head now? And I think the big reason, it's the debt. And I think a lot of people in the room here are familiar with the debt problems that we have, but it's not just the US that has these debt problems. It's the whole world. The whole world. It's over 300 trillion in debt now.

The numbers are boggling. 1 trillion seconds? If you were to live for 1 trillion seconds, do you know how old you'd be? 32,000 years old? Think about that. 300 trillion in debt. Again, but it's not just the United States, we've heard a lot about the US budget deficit this weekend, but it's not just the United States. The whole world is running budget deficits, huge deficits. And here's the thing. We all know that the United States owes over 30 trillion in US dollars in debt, but the rest of the world owes 32 trillion in US dollars as well, and they don't have a printing press to print it. And as the dollar has remained strong and potentially gets stronger, it makes that even harder to pay off.

I'll use a poker analogy. Anybody play poker? Okay, so if you're sitting at a poker table and the guy across the table has a huge stack of chips and he has a machine sitting by his chair that he can print more chips when those are gone and the guy across the table, he's got some chips, but when they're gone, they're gone. Who are you going to bet against and who are you going to bet on? Now again, if you print too many chips, they start to lose value, I totally get it. But are you going to bet on the guy that doesn't have the printer or are you going to bet on the guy that does? This is your money at stake, right? This is your hard-earned capital that you're allocating. Who are you going to bet on? And the 30 trillion number, that doesn't even include the stuff that's off balance sheet in the form of currency swaps and forwards and other derivatives.

If you start including those, the rest of the world owes over 80 trillion in US dollars *and* now we have rising interest rates. Think about all the numbers we've heard that we're going to be spending close to a trillion dollars just in interest payments in the United States. Again, it's a huge problem, and the US is going to pay for these issues, but the rest of the world pays for it too because they owe dollars. And as interest rates go higher and the dollar stays stronger as a result of it, it makes those debts harder to pay off.

So rising rates don't just hurt the United States, it hurts the whole world who has debt in United States dollars. And so it comes back to this debt note. So how are the politicians going to solve this or how are they going to stay in power as the results of this start to play out in those economies? Well, you just keep calling when you blame the foreigners, right? Start blaming it on everybody else. It wasn't us, it was them. And you start demonizing them, and then it's their fault. It's their fault. Next thing you know, you've got some military skirmishes, and the next thing you know, you've got World War III. And from a political standpoint, war solves a lot of problems. I hate saying it, and I hope to God it doesn't happen, but it does.

Let's go back to the premise here. Why do I say you can't have this transition from the current system to a new system without great volatility and probably military violence? So the first reason is because what people often don't realize is that de-dollarization is the same thing as de-leveraging. And how many times have we tried to de-lever over the last 15, 20 years? Nobody wants austerity. Everybody eventually wants the bailout.

Politicians don't get reelected by saying that, “we're going to take away your pensions. We're going to take away your social security. You're not going to get that bailout.” They get reelected by making promises and saying, “we will deal with that later.” So austerity or de-leveraging, it's a really hard sell to the populace, but that's what de-dollarization is. De-dollarization is the exact same thing as de-leveraging, except for it's on a global basis.

And again, you don't get reelected. This is what the populace says when politicians try to force austerity to pay the interest rather than paying for entitlements. And again, in a debt-based monetary system, if you don't go the austerity route, then you've got to print, right? You've got to create more currency units. But when you create more currency units and your currency is not the United States dollar, that ends up making your currency fall versus the US dollar.

This is a chart of currencies versus the US dollar since 2008. Now, think about all the money printing that took place in the United States since 2008. Think about all the bailouts. Think about all the stimulus plans. And despite all of that, the dollar has crushed all of them except for the Swiss franc and the Singapore dollar. Why is that? And it's because despite all the problems in the US and despite what we have to print, they have to print even more because that's the way the system is designed.

The dollar sits at the foundation and everything else is pyramided on top of it. To think that the dollar's going to fail and all these other currencies are going to be fine is like thinking the foundation of your house is going to blow away, and the attic is going to continue to function as it was designed to do. It just doesn't work that way. And again, we get back to this $32 trillion and because they can't print dollars, they can't debase that debt. That's debt that actually has to be paid off. But how do they do that? So then the answer becomes, well, they'll just default on it, right? They'll just default on it and move to a new system. So if defaulting is such a great option and it makes things easy going forward, why does everybody in this room pay their mortgage?

What happens if you default? If you default, the next guy's not going to loan you money. So the default option is not a great option. The second thing is that they don't owe that money to the United States. This is a graphical representation of the Eurodollar market. The Eurodollar market is dollars outside the United States or dollar-based credit outside the United States.

So this debt that they owe, they don't owe it to JP Morgan. They don't owe it to Wells Fargo. It's France making a loan to Turkey. It's South Africa doing business with somebody in India, but denominated in dollars. It's Brazil selling crops to Japan based in US dollars. And so if they default on that $32 trillion of debt, they're defaulting on each other. They're not defaulting on the United States. So to get rid of that 32 trillion of liabilities, they've got to get rid of 32 trillion in assets. Tough to do. That would lead to a lot of economic volatility if 32 trillion in assets just disappeared overnight.

The other thing is, people will say, "Well, there's a negative international investment position in the United States." What this is showing is how much the United States owns abroad versus how much those abroad own in the United States. And this basically shows that everybody in the world wants to invest in the United States. It goes back to those charts we showed earlier where the US economy, the market capitalization, is bigger than the rest of the world. We are the market where everybody wants to invest. So they own a lot of US assets.

So then the comment becomes, "Well, they can just sell these US assets and pay off those loans." Well, they can't really, because again, 18 trillion isn't as big as 32, nevermind about the 80 trillion in derivatives. But if you get into a fire sale and you start selling assets, that level doesn't remain the same. If you've got 100 billion of assets and you start fire-selling them, by the time you get done, it might only be worth 70 or 80, but the debt doesn't go down like that. So if they started liquidating this, maybe they get out for 15, but again, they still owe 32, so the numbers just don't work. So the defaulting or selling all the US dollar assets, it doesn't solve the rest of the world's problems.

So now I know maybe they can go to gold, right? There's all these ideas that, well, they'll just stop using dollars and they'll start transacting in gold. So Ghana tried this a year ago, and Ghana was going to stop buying energy in dollars, and they were going to use their gold reserves and their gold mines were going to have to sell to the government. And then the government was going to use that gold to buy oil, and then that would free up the dollars that Ghana has that will allow them to pay off their US dollar debt. And as part of this whole de-dollarization trend over the last year, I can't tell you how many times I got emails about this or stuff on Twitter or headlines about it. Well, this is how it worked out.

It didn't. And in fact, a couple months later, they were begging the IMF for another dollar loan. And that's currently being negotiated and I don't have time to go through all the different examples, but there's been numerous examples of where different countries tried to use some kind of a gold scheme in order to get out of their US dollar obligations. But the problem is the whole world would have to do that all at once, all at the same time, and all agree to do it in a peaceful fashion for it to actually work.

So that's when the BRICS come in, right? The BRICS are going to launch this new gold-backed currency. But again, this happens year after year after year, every year about August, July, when they have this conference leading up to it, they're going to launch this gold-backed currency. And then that meeting comes and Lucy pulls the football away and they come up with some excuse why they didn't do it. And then nine months later, they start talking about it again.

Okay, so let's talk about military violence. I don't know if anybody grew up where it was cold, but did anybody ever play King on the Mountain? Yeah? Show of hands. Anybody ever play King on the Mountain? Was there ever two kings on the mountain?

Speaker 2: No.

Brent Johnson: Even if you were playing with your best friend, did you throw your best friend down the hill? That's pretty much how geopolitics works. It's all fine when you guys are sitting around drinking hot chocolate, but when it's time to go onto the mountain, there's only one, right? And that's how I would expect the United States to act. Now, I don't really like that. I wish the US wouldn't act that way, but the reality is that they do. And that has real world implications for your portfolio.

So I already talked about all the challenges that a country would have at de-dollarization. I don't think the military is necessary to stop a country from de-dollarizing, but let's pretend I'm wrong. Let's pretend they do figure out a way to de-dollarize and destabilize the United States, and as a result could potentially send the United States off the top of the mountain. Do you think the US wouldn't use everything in their power to prevent that from happening? I think that they would. And we have a lot of this stuff right here. Now, I know, again, I know a lot of people will say, "Well, the military isn't what it used to be."

Okay. Anybody have a son and daughter? Son or a daughter? How many of you would want your sons or daughter to be fighting against that? I wouldn't want my son fighting against that. And this isn't to diminish what the other countries have. I wouldn't want my son to be fighting against Russia. I don't want him fighting against India. I don't want him fighting against China. I don't want him fighting at all. But I certainly don't want him fighting against that. And I don't think when people say the US can't possibly win a war, I don't think they're thinking straight.

So again, when you're allocating your money based on these things, the way the world's going and somebody says, "Oh, the US hasn't won a war in 50 years, they couldn't even beat the guys that live in a desert." I mean, really? If things really came down to it, do you think the United States couldn't win that war? And again, practice makes perfect, right? For what's coming, the United States has been practicing for this for 80 years. And if practice makes perfect, there's a lot of problems in war. Things can go wrong. And the more you practice, probably the better you're going to fare. And nobody else has been practicing for it the way the United States has, and again, I don't like it, but I would expect them to use every tool at their disposal to remain on top of the mountain.

And then you'll often hear, "Well, you don't have to fight traditional wars anymore." Technology comes into play. China has great technology, Russia has great technology. They've out surpassed the United States. Russia can launch a missile and take out an aircraft carrier, and that'll destroy the United States Navy and it'll all be over. And my point is, when you see headlines like this, again, how is it that you think that government or the military gets bigger funding year after year after year? They go to Congress and they say, "Oh, Russia's ahead of us again. China's ahead of us again. If you don't give us $300 billion to build another aircraft carrier, we are going to be in trouble."

So then Congress gives them another $300 billion. And the other thing is with this hypersonic technology, that's the latest, China and Russia have hypersonic technology and that the US doesn't and we can't defend against it. This is a picture from 1958 that's a hypersonic aircraft. You think maybe we might know how technology works with regard to hypersonics? Just because we say we don't have it, doesn't mean we don't have it. Now, I don't know that we do, but these assumptions that the United States cannot possibly protect against Russian technology or a Tomahawk missile or whatever, or a hypersonic missile; again, maybe not, but don't just accept it when you hear that.

Again, and then this doesn't even mention our stealth technology. These aircraft right here were in operation back in the '80s, late '70s and early '80s before they were finally revealed in the '90s. What do you think we have out there now? I don't even know how to think about what we have out there now that nobody knows anything about. But here's where I really wanted to get to, and that is there's another stealth weapon that the United States has, and that is ... Well, this was so a year and a half ago, I think everybody knows the United States got together with its allies and they froze Russia's foreign reserves.

So $600 billion, basically took it away from Russia, said, "You're not going to be able to use it, and that's a result of you invading Ukraine." And there was a big uproar against that. And many people have put that down as a marker that is probably going to come back to bite the United States sometime. The rest of the world will not trust the United States anymore. And that was a really bad move. And I tend to agree with that. I think that's legitimate. When you outright take somebody else's money, that doesn't send a good signal to the rest of the world. But what if you could take it in secret?

So this is Saudi Arabia's US Treasury Holdings. So you can see they were going up and up and up into 2020. So what happened at the beginning of 2020? COVID, right? What happened during COVID? Oil went from 50 bucks a barrel to negative 30. All of a sudden, Saudi Arabia had a budget deficit rather than a large budget surplus. So they had to sell some treasuries to fund their government during that time.

And then over the last 18 months, the value of their treasuries has gone down about 10%. This is China's treasury holdings. You can see over about the last 18 months, it's down about, what is that number? 20%, 22%. So it's important to understand that some of those coming down is attributed to sales. They've sold some treasuries, but a lot of that coming down, it's just the value of the bonds coming down as interest rates have gone up.

In other words, they didn't sell all of those treasury bonds. They sold some, they didn't sell all of them. So the other losses, why did they have those other losses? This is the 10-year bond future. You can see it's down about 18% over the last 18 months, and that's the 30-year bond. It's down about, I think 34% or something. It's come down a lot, right? The reason those have come down so much is because the Fed jacked interest rates up from zero to 5.5%.

So here's where the US has the ability to. Now, whether they do it or not, I think that's open to debate, but in my opinion, this is the biggest stealth weapon that the United States has. As they raise interest rates, the value of foreign countries' US dollar currency reserves that they use to service all that US dollar debt that they have comes down in value. Not only that, but as interest rates go up, it puts enormous pressure on the rest of the world. It destabilizes them economically. So just at the time that they really need to use their savings account to help them, the value of their savings account is falling.

So if I go back here, this is the US taking money away from China. This is the United States taking money away from Saudi Arabia and there's many other countries. Many other countries owned treasury bonds as well. My point is everybody had made a big deal when they froze 600 billion in Russian assets but there has been trillions lost in US treasury bonds, all because the Fed decided to raise interest rates aggressively.

The white line is the federal funds rate going up, that's the Fed taking interest rates up and that green line going up, that's the dollar going up with it. As interest rates go up, it makes the US dollar more attractive. People buy T-bonds or they put it into T-bills or they buy dollars, and it pushes the price of the dollar higher. That puts the pressure on the other countries.

So did the US really need to take interest rates from zero to 5.5%? I mean, isn't zero to 4.5% quite a bit? Maybe the last 100 basis points was the stealth bomber from the Fed putting pressure on the rest of the world. And if you think that's impossible and I'm way off base, again, that's the dollar. All those countries on the left with the red, that's their currencies going down. This is the last 18 months.

At the same time that those countries' foreign currency reserves are falling in value because of interest rate hikes, their currency is getting crushed as well. Not only that, this is the chart of the VIX from last year. So last September, about a year ago, a little over a year ago, the VIX was at its highest point in two years. And in September of last year, the ECB had to intervene to keep their sovereign bond market afloat. The ECB had to buy Italian bonds to keep Italian bonds from blowing out.

The Bank of England had to intervene in order to keep their treasury market from collapsing. And the Bank of Japan had to intervene to keep their market from collapsing and China had to dramatically reduce interest rates to keep their real estate market from collapsing, all because interest rates were going up and the dollar was getting stronger. Do you think it's 100% coincidence? And I think some of it's coincidence, but do you think it's 100% coincidence?

The point is, even if the US doesn't use it for these purposes, they have the ability to do so if they want to. And what happened right after that crisis in Japan, right after Japan had to intervene in their market, that's when the Fed stopped aggressively raising rates. They've raised rates a few times since then, but not nearly as fast as they were a year ago. And shortly after, they stopped raising interest rates and Japan didn't have quite as much pressure on them. The US got a new Navy base in Japan. Total coincidence? Maybe. Kind of interesting timing.

Not only that, but they got Japan to agree to spend more on their military than anytime since World War II, not to defend themselves against the United States, but to defend themselves and to help the United States against China. I think that's pretty interesting timing. Now, here's a chart that's been going around the last couple of weeks, and I think many people misinterpret this chart. This is the rate of interest that Treasury bonds pay versus emerging market bonds.

Many people will say, this is an example of the United States becoming an emerging market. Nobody wants their bonds, so their interest rates are going higher. No, the interest rates are going higher because the Fed has been raising them. The Fed wants interest rates higher, it's being done on purpose. But this is a nightmare for emerging markets, because the way that emerging markets get money, the way they get dollars in order to service all that debt is they offer a higher interest rate than the United States.

But if the US has the higher interest rates, why would you go buy a bond from Colombia when you can buy one from the United States? Would you trust an Egyptian bond or a Colombian bond or a New Zealand bond or an Australian bond or a South African bond more than a Treasury? Maybe, but most people in the world are going to take the Treasury, and so it will deprive the rest of the world of capital. Okay, I got to run through the rest of this pretty quickly. I guess the point I would make is that I don't know if Dave Collum is watching or not, but despite the belief, the rest of the world looks at dollars the way Dave's dogs look at him when he is eating.

So just keep things in perspective. The last thing, getting pretty close to the end here, a lot of people will tell me, "But Brent, when they do these things, the United States is going to get hurt. There's going to be blowback." And I would say, you are absolutely right. The US is going to get hurt and it's going to hurt bad. But in a boxing match, nobody goes into a boxing match thinking they're not going to get hit. This is Hagler versus Hearns from back in the '80s. I don't know if you guys have ever seen this boxing match, but if you haven't, go on YouTube and watch it. It's the most amazing thing you'll ever see. The guy on the right is Marvin Hagler. If you look at his face, there is blood all over it. He got hit in the first round and he almost had to stop fighting, but he kept fighting. And you know what? He actually won the boxing match.

So I'm not going to sit here and say that the US isn't going to get punched in the nose. I'm not going to say that we're not going to get hurt and we're not going to bleed. But I think the US will win the boxing match when it comes to fighting the rest of the world and I think that has big implications for your portfolio. And the last thing I'll say is that I'm not saying that you should bet 100% that I'm right. I would just be very careful about betting 100% that I'm wrong. And the last thing I'm going to say is I'm going to give a suggestion. I'm trying not to give advice, but I'm going to give a suggestion because we do live in a very polarized world, and I think it's very important that when you live in a polarized world, you figure out how to talk to the people that you vehemently disagree with.

You need to be able to get along with your neighbors and your coworkers and your colleagues and you got to figure out how to talk to them now, because when things really go crazy later, you don't want to have to fight them later. And then also be very, very careful about demonizing the other side because once you've demonized them, it's very easy to treat them very badly. And once you have demonized the other side, you are red meat to the politicians because that's really what they want. They want you fighting against each other rather than fighting against them. All right? That's all the time I got right now. I'm going to come back out for a Q&A here in a little bit. So hopefully you stick around.

A Conversation With Konstantin Kisin

Robert Helms: So we're super excited about having a brand new speaker at the New Orleans Investment Conference, and it's going to be a little different style. In order to interview Konstantin, we're going to have the amazing Adrian Day, so let's welcome to the stage, back to the stage, I should say, Adrian Day.

Adrian Day: Thank you, Robert. Well, thank you, Robert, I don't know about amazing, that's the first time I've been called amazing. I've been called many things in my life. If you've not heard our next speaker, you are in for a real treat. Konstantin Kisin, he's from Britain, he's a Sunday Times bestselling author, a comedian, a satirist. I don't know if Americans know what satire is, but I can explain it afterwards. Sorry. Social commentator and host of a very successful YouTube show called TRIGGERnometry. He was born in the late departed Soviet Union, raised in Britain. And Kisin has appeared on flagship TV shows like BBC Question Time, Real Time with Bill Maher, Tucker Carlson, as well as The Joe Rogan Experience and many, many others.

He has spoken and written extensively about the war in Ukraine. He's on our Geopolitical Panel later in the afternoon where I'm sure he will give us his views. Many of you may not have even heard his name. I think it's not demeaning to say that two years ago, many of you will not have even heard his name. But his speech at the Oxford Union Debate has now generated over 100 million views around the world, and it's made him one of the most sought after cultural commentators in the world. So let's have a look at some of that speech from the Oxford Union.

Konstantin Kisi...: We're told that many of you suffer from climate anxiety, you wish to save the planet. And for tonight, and tonight only, I will join you, I will join you in worshiping at the feet of Saint Greta of climate change. Let us all accept right here, right now, that we are living through a climate emergency, and our stocks of polar bears are running extremely low. I join you in this view, I truly do. Now, what are we to do about this huge problem facing humanity? What can we in Britain do? We can only do one thing. You know why? This country is responsible for 2% of global carbon emissions. Which means that if Britain was to sink into the sea right now, it would make absolutely no difference to the issue of climate change. You know why? Because the future of the climate is going to be decided in Asia and in Latin America, by poor people who couldn't give a shit about saving the planet. You know why? Because they're poor, because they're poor. I come from Russia, which is not a poor country, it's a middle income country.

20% of households in Russia do not have an indoor toilet. What they have is an outdoor toilet. And I don't mean one of those nice Portaloos that we get here. I don't even mean a Glastonbury Portaloo. I mean a wooden shack with a hole in the ground that holds the collected fermented memory of the last 10,000 visits. How many of you are going to go home tonight and say, "Let's rip out our bathroom and erect a Siberian shithouse in the back garden?" And if you are not, why should they?

120 million people in China do not have enough food. I don't mean that they don't get dessert, I mean they suffer from malnutrition. That means that their immune system is breaking down because they don't have enough food. You're not going to get them to stay poor.

Imagine you're Xi Jinping, the leader of China. When you were 10 years old, there was a revolution, a Cultural Revolution in your country, and people came and they put your father in prison. Your mother had to denounce him, your sister killed herself, and you no longer enjoying the protection of your formerly powerful father, was sent to a village where you lived in a cave house. And here you are decades later, you have clawed your way up the bloody and greasy pole of Chinese politics, to be the undisputed supreme leader of the very Communist Party that destroyed your family. And you know that the main thing you have to do to survive and to stay in power is to deliver the one thing that the people of China want, prosperity, economic growth. Where do you think climate change ranks on Xi Jinping's list of priorities?

A third of all children who live in extreme poverty in the world live in India. That means they're starving and dying of preventable disease. Now, about 15 months ago, my wife got pregnant, not me, because we're old school. And for nine months we talked about what our boy would look like, what he might do when he grows up. We looked at baby scans and videos on YouTube about what the fetus looks like at nine months and 12 months and 20 months. And eventually he was born. And he's this cute little bundle of joy, he's cuter than about 80% of puppies, right? Now, if you said to me that I had a choice. Either my son had a serious risk of starving or dying from a preventable disease in the next year, or I could press a button and he would live, he would go to school, he would bring his first girlfriend home, he'd go to university and graduate and become a woke idiot. And then he'd get a job and get married and have children and become a man.

But all I have to do is press this button and for every day of my son's life, a giant plume of CO2 is going to get released into the atmosphere. Now you're all very young and most of you are not parents, let me tell you something. There is not a parent in the world who would not smash that button so hard their hand bled.

You are not going to get these people to stay poor. You're not even going to get them to not want to be richer. And so I put it to you, ladies and gentlemen, there is only one thing we can do in this country to stop climate change. And that is to make scientific and technological breakthroughs that will create the clean energy that is not only clean, but also cheap.

…And the only thing that wokeness has to offer in exchange is to brainwash bright young minds like you to believe that you are victims, to believe that you have no agency, to believe that what you must do to improve the world is to complain, is to protest, is to throw soup on paintings. And we on this side of the house are not on this side of the house because we do not wish to improve the world. We sit on this side of the house because we know that the way to improve the world is to work, is to create, it is to build. And the problem with woke culture is that it's trained too many young minds like yours to forget about that. Thank you very much.

Adrian Day: Ladies and gentlemen, Konstantin Kisin.

Konstantin Kisi...: Thank you.

Adrian Day: All right.

Konstantin Kisi...: If I knew the chairs were this color, I would've worn a different suit. I look like I'm wearing the chair.

Adrian Day: Well, we really, really appreciate you very much coming to New Orleans. Is this your first time in whatever they call it, the Crescent City?

Konstantin Kisi...: It is.

Adrian Day: Some people have other names for it, but that's a polite term. So you were born in Russia. So tell us a bit about the journey from Moscow to the Oxford Union.

Konstantin Kisi...: Well, I was born in the Soviet Union, late Soviet Union. And then during the ‘90s when things got really bad in Russia, my parents sent me to school in the UK. Eventually, I became a comedian, then I started the YouTube show, TRIGGERnometry, that I now do. And I was invited to speak at Oxford Union because we've gotten quite big now and people start to care what we think.

Adrian Day: Right. There was some witty lines in that talk, but it wasn't exactly a laugh a minute, so why-

Konstantin Kisi...: He's criticizing me already.

Adrian Day: So why the change from standup comedian to a serious commentator?

Konstantin Kisi...: Well, what I do now is opinion journalism more than standup, but when I talk, I try to make people laugh as well. I think it was George Bernard Shaw who said that if you want to tell people the truth, make them laugh, otherwise they'll kill you. And that really stuck with me, so I try to make it entertaining if I can.

Adrian Day: I did have one sort of question about that talk, I don't know if other people had the same question. In the Kisin household, how long is the gestation period?

Konstantin Kisi...: Yeah, weeks and months, I got confused, every time I watch that speech, which is a lot, I cringe when we get to that point.

Adrian Day: Okay. You've got a book out. Is this your only book?

Konstantin Kisi...: My first book, yes.

Adrian Day: So far your first book, sorry. Your first book.

Konstantin Kisi...: Yes.

Adrian Day: An Immigrant's Love Letter to the West. It's available on Amazon, I recommend it highly to everybody. The first chapter is called Trust me-West is best. So can you expound on that for us a bit?

Konstantin Kisi...: Well, the reason I wrote the book and the reason I do what I do is I'm very concerned that people in the West are starting to forget where *this* comes from. The prosperity, the security, the stability, all the things that we enjoy in the West. Young generation in particular, people my age and under, I'm 40, seem to think that you can mess with the whole system and everything will stay the same. I know that's not the case, I've seen that not be the case. And this debate that you played a clip of, it was at the Oxford Union on the subject of whether woke culture had gone too far. I don't know if people know what we mean by woke exactly-

Adrian Day: Sure.

Konstantin Kisi...: ... but I'm very concerned that that ideology is dangerous to the West, very dangerous.

Adrian Day: Yeah. And one of the problems of course is when I was at university, half the students would become communists and Maoists and everything else. But then they'd go and get a proper job and they soon forgot about it. The problem now that I see is that the people who become woke at university...

…The problem now is that people who learn these dangerous ideas at college, they actually go on to be head of human resources and diversity and inclusion at major corporations and it doesn't end. How do you view that?

Konstantin Kisi...: Well, this is the point that I made in the very end of 2018, I was still just a comedian then. I was invited to perform at a college in London by students who saw my show. And when they invited me, they sent me a behavioral agreement contract, which said that they had a zero tolerance policy on the following things; Racism, sexism, classism, ageism, ableism, homophobia, biphobia, transphobia, xenophobia, Islamophobia, anti-religion, anti-atheism. And it also said that all jokes must be respectful and kind.

And when I turned it down, it became quite a big news story. And actually what I found was that it was other comedians who then attacked me because they said, "Why are you talking about this? Why are you concerned about this? This is just some silly students." And I've made the point for a long time that silly students become heads of PR and diversity trainers and all sorts of other things and start to shape the culture, and they are having an effect. If you look at the reaction to the terrorist attacks in Israel, for example, from college students in this country and in the UK, you can tell the rot is deep.

Adrian Day: No, absolutely….absolutely. Now when you talk about the West is best, what can we in the West... Are there things we can learn from the rest?

Konstantin Kisi...: Of course there's always things you can learn from the rest. I think what we should be learning actually is not to forget who we are and why we are where we are. I think that's the real threat to us. I think of course you can learn things from other cultures and we always have done and will do. But the main problem is we're forgetting to teach our children, in schools, in colleges, universities, the values of these societies that we live in. And we don't do that well enough.

Adrian Day: Absolutely. And we see it also in how the West is all too willing to not only forget its history, but to vilify its own history. And whether you're talking about the Confederacy or whether you're talking about British colonialism. There was good in British colonialism, as well as bad, but all it seems to be now is everything was just bad and they were evil people.

Konstantin Kisi...: And it's a lack of historical context, the point I always make to people is, the British Empire was contemporaneous with the Ottoman Empire. What? You think the Ottomans were woke? We live in the sort of year zero reality where we compare our ancestors to some abstract idea of perfect people, instead of the world that they were living in. I don't think any of us want to be judged by those standards, it's going to be very painful only a few years down the line.

Adrian Day: No, absolutely. Well, we talked about the West and the rest. You come from Russia, which kind of straddles the West and the East throughout its history. Russia has repeatedly sort of looked Westwards, but it's rooted in the West. And that's just a comment, I don't know why I said that. But I think one of your best talks was the one you gave recently at Jordan Peterson's conference. That's available online, I don't know what the title is, I apologize.

Konstantin Kisi...: Yeah, you can just look it up.

Adrian Day: Yeah, but if you look it up online, it is just an incredible talk, a little more humorous than the Oxford University one, if I may say so. But in that you quoted Solzhenitsyn, and that was an interesting anecdote you gave about Solzhenitsyn and his reaction to the West and the West's reaction to him. But is there much that you can learn from Russian philosophy, do you think?

Konstantin Kisi...: Well, the point I made in the speech is Solzhenitsyn was welcomed here in America as a hero when he left the USSR. But then he quickly started telling Americans what was wrong with their country and people got annoyed with him. So I try not to repeat his mistake, which is why I live in Britain where they love being told what's wrong with them by foreigners. Well, look, Russia is, for my concerns about its current regime and what it's doing, Russia is an ancient civilization with some of the best literature and music and all sorts of other things from which we can all learn, of course. Of course.

Adrian Day: But what do you take away from Russian philosophy? Anything in particular?

Konstantin Kisi...: I don't know if I take it away from Russian philosophy, I just think in the West now we've got to a point where we live in a slightly magical realm where we imagine that the world is full of really nice people who want to be nice to each other and cooperate. I'd sort of point out that I think the reality is, particularly as it's unfolding now in the world, is that that isn't quite the case. And we have to start living in a much more real world as Russians have to do because life in Russia is a lot more difficult. So if we can stop living in this sort of unicorn world, that's kind of what I'm trying to... that's the message I'm trying to get across to people in the West.

Adrian Day: Right. Well, you only have to look around the world and look at the last three weeks to realize that not everybody is…

Konstantin Kisi...: …And the last few years, we could keep going.

Adrian Day: Yeah. So we might all agree that the West is best, and certainly the results of the last 100 years, we have a better society, a more prosperous society, a more open society. But clearly there are things that we've done wrong in the West, and I would say clearly in the last few years, things are beginning to go a little more wrong. It strikes me that one of the things that the West has not done very well recently is to handle immigration. You are in Britain, and I have to say, you can disagree with this if you wish, obviously. But every time I go home to Britain I'm still surprised and astounded at, for the most part, how good the relations are between the races, how people have integrated. You only have to look at the color scheme of the present British government to realize that there's been a lot of integration. And a lot of people, second generation immigrants, have done very, very well, both in business but also in politics.

There's one group in Britain though that I think you would exclude from that success story. And that is, broadly speaking, the Muslim community. I don't know if you agree with that first of all, but if you do, what can we do, if anything, to get Muslims to integrate a little bit more, to accept the culture that they're in? And also why is that issue so different in Britain and Europe? Britain and Europe being two different places, of course. Why is it so different in Britain and Europe than it is in the US? Because you just don't seem to have that Muslim, what I'll call problem, if I may, in the US.

Konstantin Kisi...: Well, America is a very different place and it's a country of a completely different size. So people can come here, first of all, and there's room for everybody, just physically. But also America has a dream that everybody can buy into. What is the British dream? Nobody knows. And it's a failure on our part to say, "Welcome, these are the rules by which we all play." I remember talking to a Pakistani Lyft driver in L.A. a few weeks ago. And he said to me, "Oh, the people say, well, British people are intolerant of people like me." And it's not true, it's just there's not enough room. Here there's space for everybody. And when I talked to him, he didn't want to talk to me about politics. He was talking to me about how much money he makes, what business he's going to start, et cetera.

That's the mindset that people buy into when they come to this country, which is why it's really inspiring to be here.

In Europe, we have a geographical issue. And also, there isn't really a cohesive thing for people to buy into, a sort of common set of ideas that we all get behind.

Adrian Day: No, that's absolutely true. Absolutely true. And of course America, it's often been said, is a country of immigrants.

Konstantin Kisi...: Yeah. Which Britain isn't.

Adrian Day: Yeah, up until the last 50 years, the last immigration we had was 1,000 years ago.

Konstantin Kisi...: Well, more people have come into Britain since 1997 than came in the previous 1,000 years. So we've had a very significant increase in immigration.

Adrian Day: Right, so that's a different…

Konstantin Kisi...: …And when I came to Britain in 1996, I was one of 55,000 immigrants net, last year it was 600,000. So the dynamics have changed, immigration is a very good thing for a country, if it's the manageable numbers and you are getting to choose the people who come into your country because you think they will add to the country. If you play around with either of those variables, you start to get to a bad place quickly.

Adrian Day: But you didn't really answer my question about Muslim immigration into let's say Europe, not just Britain, which has caused problems. How do we deal with that?

Konstantin Kisi...: I have absolutely no idea.

Adrian Day: Oh, okay. Thank you.

Konstantin Kisi...: I don't. No, I'm going to be Russian and British in cynicism and pessimism to say if I'm being objective, I think in Europe the problem is only going to get worse, I think it's not going to get better. Because we have, like you guys, an open border, where we don't check the people who are coming in. We're not going to... in the UK for example, glorification of terrorism is illegal. So if you go out into the public square and say, "I support Hamas." That's illegal. If you commit a crime as a foreign national, technically you should be deported, that's not going to happen. So I don't see how these problems get better.

Adrian Day: Right. Well, I'm amused when you say the combination of British and American, because we're both kind of glass half empty people, aren't we?

Konstantin Kisi...: I'm not, I'm actually very much a glass half full, but if someone is throwing the glass at me, then I'm like, "Maybe it's time to recognize reality."

Adrian Day: Well, and it's interesting you talked about, we should tell immigrants sort of what our culture is and what's expected of them. And I'm always amused when I look at that, the British citizenship test where they ask you how many players are on a cricket team or what's a googly or something. I mean that's important, but-

Konstantin Kisi...: Do you think anyone here knows what a googly is?

Adrian Day: But they're not-

Konstantin Kisi...: By a show of hands, how many know what a googly is? Two. Great. And you are British? Yeah, one of them. And you? British as well. Yeah, the Brits. Yeah, no one knows what a googly is.

Adrian Day: But you get my point, you've read that immigration citizenship test, have you?

Konstantin Kisi...: Yeah.

Adrian Day: It's not really telling people what are... asking them about what are the most important things…

Konstantin Kisi...: The cultural values of a society are not transmitted through the test, they're transmitted through the environment in which people live.

Adrian Day: Right. Right.

Konstantin Kisi...: And if you don't have a cohesive idea of what society is, it then becomes very difficult for people to automatically buy into it.

Adrian Day: Why can't I read my own writing? This is a problem.

Konstantin Kisi...: That is one question I can't answer.

Adrian Day: So one thing we've seen in both Britain and America in recent years, and I think it certainly was exacerbated with the election of Donald Trump. I'm not going there, I don't think you want to go there, do you? Maybe you do, I don't know.

Konstantin Kisi...: You are going there.

Adrian Day: No, I'm just commenting, but-

Konstantin Kisi...: You just bring up Donald Trump and I'm not going there.

Adrian Day: One of the things that I find very distressing these days is that people cannot seem to have a cordial, polite debate when they disagree without... Nobody listens to anybody on the opposite side anymore. And even if you're listening, your blood pressure's rising, nobody can have a sensible debate anymore. And worse than that, and it's certainly true in America, people will just cut off friends if they disagree on a fundamental subject. And I know growing up, many of my friends, we disagreed on many, many political issues, we remain friends. And I find that very distressing. So the question is, I don't know if you agree with that, but how do you tackle that? And then more specifically, when you come across someone new that you've never met before and you know they have an opposite view from you on X, Y, or Z, how do you go about approaching that?

Konstantin Kisi...: So I think there's three things there. First of all, yes, I agree with you that people are increasingly intolerant of each other's views. I think the way to fix that is... Look, social media is breaking society, what we are living through is a Digital Revolution. When the printing press was invented and the lock that the church had over the information that people had was broken, it caused two centuries of religious warfare. So we're actually doing pretty well, given the fact that the way we receive information and share information and communicate with each other has been completely revolutionized without us really realizing what's going on. And these devices that we carry in our pockets are breaking the fundamental fabric of society in a way that is not unprecedented because as I say, it's happened before. We're actually doing reasonably well so far, in terms of the impact on us.

How you change that, TRIGGERnometry, my YouTube show, we interview people from different political and cultural positions and listen for an hour. I think the long form, the success of The Joe Rogan Experience and shows like mine and others is a sign that actually people are tired of being fed cocktail sausages, they want a full meal. And to the extent that that success is happening and conversations are happening in that space, I think that is one of the ways that you start to change some of this. But we have to recognize that the media ecosystem is broken, fundamentally broken. The incentives are perverse, and perverse incentives create perverse outcomes. So we're in a really dangerous place, for sure.

Adrian Day: Yeah. Now, of course, what you mentioned about printing, I understand the analogy, but of course this is 2000 times more dramatic because of course in 1450 and 1500 and 1550, most people didn't have a book. Most people didn't see a book unless they went to the front of a church and saw the Bible. It was a couple of hundred years before the ordinary person even had a book. Whereas now, as you say, everybody has a cell phone, so it's more dramatic.

Konstantin Kisi...: It's very powerful technology, it's why the battle over free speech has become so fierce as well, because the technology is very powerful. If somebody can start a riot from their phone, you can see why there would want to be controls over that. On the other hand, this country's built on the idea that people are free to express themselves and that tension is playing out in the public square.

Adrian Day: Right. You mentioned Joe Rogan just then, you've been interviewed by some very good interviewers, Joe Rogan and Bill Maher, Tucker Carlson, Adrian Day. No I'm... And of course you're an interviewer yourself. Who are your favorite interviewers? What kind of style do you like? Who's given you the best interview?

Konstantin Kisi...: I think the best interviewers are people who listen and pay attention to what you're saying and then try and delve deeper into what it is that you're saying, so people who listen. Listening is the most important thing for a conversation that you're having with people, I think.

Adrian Day: Right.

Konstantin Kisi...: And Joe's very good at that.

Adrian Day: Yeah. And of course, listening, just in the one-on-one conversation is critical.

Konstantin Kisi...: Well, I say this, there's a kind of irony, but these long form podcasts that we now do, they're quite often... I don't know if this is true of everybody, but they're quite often the only time you get to spend an hour with another human being uninterrupted by your phone and people and whatever. So I love my job just because I get to connect with a human being in the way that most of us no longer do.

Adrian Day: Right, right. I'm sure like a lot of people I listen to podcasts when I'm doing my exercise or something like that because you are uninterrupted, precisely for that reason. So I know I said I would ask you this, but are there any politicians, well, anywhere around the world for that matter, are there any politicians or public figures you actually admire, you think are doing a good job?

Konstantin Kisi...: Well, politicians and public figures are very different things. Politicians wise, very difficult because our political system encourages the worst to rise to the top, and it filters out the good people right at the beginning. If you are honest, you're going to get filtered out. If you are principled, you're going to get filtered out. So we end up with what we end up with. Public figures though, the only achievement of my life that I actually care about other than my son and looking after my family, is the fact that I've spread the ideas of Thomas Sowell into Britain.

Adrian Day: Yeah.

Konstantin Kisi...: He's written a bunch of books that basically explain everything that's happening in society. He wrote them in 1987, many of them. So that to me is kind of, that's my Bible, it’s where I go for an understanding of what's happening in the world. And that's kind of the ideas I try to spread.

Adrian Day: You mentioned Thomas Sowell. Are there people in the sort of Austrian tradition that you read and admire?

Konstantin Kisi...: In which tradition?

Adrian Day: Sorry, the Austrian economic tradition. Mises, Rothbard, Hayek.

Konstantin Kisi...: I'm that much of an economic expert.

Adrian Day: Okay.

Konstantin Kisi...: I will confess.

Adrian Day: Well, you know Hayek.

Konstantin Kisi...: He was trying to ask me about gold. I was like, "All I know about gold is I'd like some, that's about it."

Adrian Day: Well, there's plenty of people out there that can help you-

Konstantin Kisi...: Fantastic.

Adrian Day: ... if you have a wallet.

Konstantin Kisi...: Hmm. Well, I need a wallet as well now. Okay, I hadn't thought of that.

Adrian Day: Okay. Okay, we'll leave that one then. I don't know how... You've spent a lot of time in the United States recently.

Konstantin Kisi...: I have.

Adrian Day: How do you view the differences between, I'll say Britain because that's where you live, Britain, but Europe more generally and the United States. What do you like about each society?

Konstantin Kisi...: America is a very inspiring place, the scale, the drive, the ambition, people here are really motivated. And there's a collaborative culture, people want to see you win. There's a competitive culture too, people want to compete with you, but they want you both to rise at the same time. And that's very inspiring to me, and meeting people in my field. I come back to Britain 10 times bigger every time, much more inspired, much more driven. And that's an amazing thing, you can see why half of the startups that get created in the world get created here.

Adrian Day: Yeah.

Konstantin Kisi...: It's an amazing culture for entrepreneurship, for creativity it's incredible. The UK is, we have a bit of tall poppy syndrome, I feel. Which is, people are sort of just, everybody's supposed to know what their station is and stay there, which I'm not that much of a fan of. In Ireland they have this saying, the moment anyone sort of wants to do something, "He's got the notions." Which means he's got the notions of being bigger than they are. But, not to go down Solzhenitsyn mistaken route, but the trade-off to the drive and ambition is that people rank each other by success and money, here more so than they do in the UK. And so I always say, I think America's a brilliant place, it's a great place to be rich, probably not a great place to be poor. So I can see why people are really driven is what I'm saying.

Adrian Day: Yeah. It's interesting because I had exactly the same experience and I came to America 1974-

Konstantin Kisi...: Wow.

Adrian Day: ... and everyone I talked to, they noticed exactly the same things immediately. The can-do spirit is... You never go up to an American and say, "This is wrong." And they say, "Impossible, can't do it." It just doesn't happen.

Konstantin Kisi...: Yeah.

Adrian Day: Whereas, in England, the default is, "Yeah, that's a problem, I don't know what we're going to do about it."

Konstantin Kisi...: Exactly.

Adrian Day: But in America it's, "Yeah, we can deal with it. We can fix it. We can change it." So that's the first thing I think that everybody notices when they come to America. And then the second thing, the less good side, is people are judged by status. And I'll never forget when I went to, go to a party in Hollywood and people ask you what you do, and if it's not what they want to hear, they just walk off and talk to someone else. Same thing happened in Washington, and maybe I'm a boring person, I don't know. But there was no concept at this party of just having a conversation with someone because they're an interesting person. It was, who are you? What can you do for me?

Konstantin Kisi...: Yes, maybe, but I also feel like the amazing thing about America is everyone's got room to be who they want to be, to be with the people that they want to be with, to live in the climate that you want to live in, to live around the people that you want to live around. And that's an incredible thing. If you want skiing, you go and live in Colorado. If you want the beach, you go and live in L.A., all sorts of things. So I think the amazing thing about this place is that you can pick the life that you want. And if you work hard enough and if you're smart enough and if you're talented enough, you can make it. That to me is the most amazing thing, it is a place that's full of opportunity. And I always say to American audiences whenever I get to speak here is, we need more of that in the world. So this is the one place that has it, you guys got to keep it going, you've got to preserve it, you've got to teach your children to keep that up. We need more of that.

Adrian Day: You said that you don't want to repeat Solzhenitsyn's mistake and sort of criticize. I've been here 50 years, so I have the luxury, I can do it.

Konstantin Kisi...: Well, go for it. I'm going to move slightly to the side when they start throwing rotten tomatoes at you.

Adrian Day: But also, when we look at the difference, we've talked about American culture, but when we look at Britain, I'm obviously older than you are. Don't you think things have changed for the better? You mentioned the Irish expression, that's a very good one. When I was growing up, there was an expression people would say, "Remember your station, you're getting too big for your station." And when you think about it, that's just an astonishing thing for a coal miner to tell his son who's got awarded a place at university, "You're getting too big for your station. You should just stay here in this beaten down, poverty-stricken village." I think that's changed, don't you?

Konstantin Kisi...: No.

Adrian Day: It's changed somewhat, don't you think?

Konstantin Kisi...: Sorry, that was a very Russian answer. No.

Adrian Day: Has it changed at all?

Konstantin Kisi...: If I were properly British, I would say, "Well, you make a good point, but on balance I would say that probably it's not quite like that." No, I think there was the Thatcher period when that changed, I think now we've regressed.

Adrian Day: Really?

Konstantin Kisi...: Yeah. Yeah.

Adrian Day: Because I was thinking of a Thatcher period when-

Konstantin Kisi...: That was a while ago, sadly. It was a while ago.

Adrian Day: Yeah. Was she someone you admired?

Konstantin Kisi...: Being a comedian in this sort of very woke, lefty field, all I ever heard about Thatcher when I was a kind of young man was bad things. The more I read about her, and the more the world goes in the direction that it's going, the more I... Her policies may, hold on. Her policies hurt some people, but the adjustment was necessary. And I am increasingly thinking that what we lack most in our societies now is leaders of courage. Politicians who are prepared to stick to principles, who are prepared to do things that are unpopular but necessary, who are prepared to lead instead of follow.

Adrian Day: Right.

Konstantin Kisi...: We don't have enough of that, from what I understand. And we've interviewed her former chancellor, Nigel Lawson, on my show. She was a person like that, we need more people like that in the world. Not just in politics, in every field. We need people who are going to-

And it's true of business, it's true of corporations, it's true of everything. The concerns that I have about the changing culture, they also take place in the corporate world. When you have people bending the knee to this idea that instead of meritocracy, we need artificial targets for these groups or those groups, instead of just going, "We need the best people." All of this stuff has to be stood up to by somebody. And leaders have to take that opportunity to lead, not just in politics. We can't just be like, "Oh, the politicians need to fix everything." They're not going to fix anything, everybody has to lead at the local level. So if you run a business, you have to stand up for the values that you have, which is your business thriving and succeeding, not ticking boxes. Everybody has to lead. And we need more people like that at every level in society.

Adrian Day: Right. I think it is interesting what you say about Thatcher. I think in many ways, Britain at that time was so broken.

Konstantin Kisi...: Mm.

Adrian Day: It was so broken, but maybe she had to even go further than perhaps she would've liked just to get back to rationality. I've always thought her biggest problem, frankly, was the elocution lesson she took because it just put people off. But as you heard from the clapping, she's very popular in America.

Konstantin Kisi...: I'm sure.

Adrian Day: And again, I'm older than you, I've had lunch with Margaret Thatcher several times when she was education secretary. Remember Maggie, The Milk Snatcher? Remember that?

Konstantin Kisi...: Mm-hmm.

Adrian Day: Oh, sorry, Thatcher, The Milk Snatcher.

Konstantin Kisi...: Mm-hmm.

Adrian Day: But if I may, may I? I'll just tell an anecdote that's in... you know Charles Moore?

Konstantin Kisi...: Yes.

Adrian Day: Writer at The Spectator, used to be editor of The Daily Telegraph. He wrote an absolutely magisterial, which means long, biography, it's the official biography of Thatcher. He wrote it while she was alive with a proviso that it wouldn't be published until she was dead and she had no rights to edit it. But it's three volumes, it's excellent, excellent. But there's one story in there that really resonated with me. During the Falklands War, you remember the Belgrano was sunk, I think 700 plus sailors died. And Thatcher stepped out of a war room and started crying. And someone said to her, "Why are you crying?" And she said, "Those lives, those 700 lives." The person said, "But they're Argentinians." And she said, "But they're boys and they all have mothers." And that's not the image you have of Margaret Thatcher, and that really, really struck me. But anyway, why are we talking about Margaret Thatcher?

Konstantin Kisi...: You started it.

Adrian Day: Sorry. We've only got a few minutes left, so we're going to talk for serious stuff. I'm not on the panel, but we're going to talk for serious stuff at the Geopolitical Panel this afternoon. And I really apologize, I don't know what time it is, but you've all got it in your programs. And I'm sure you'll talk to us then about Russia, Ukraine, Israel, so we won't end on that note. Just tell us a little bit about you as a person. Do you like sports? Do you like movies? What do you like when you can relax?

Konstantin Kisi...: I made this joke in a recent speech, I said, "My wife made me go on vacation, and I hate going on vacation because I love working and I hate spending money." Protestant work ethic in a Jewish man's body. You're taking your time. One clap, that's what a comedian works for, one person. Don't all clap, don't all clap. No, no, no. You can't milk the applause like that. No, I love what I do, so I go to work, I do what I do, I spend time with my family, I go back to work. I'm one of those very lucky people that loves their job.

Adrian Day: Right. Well, that is... And who are some of the best guests you've had?

Konstantin Kisi...: Oh, we've had everybody, we just interviewed Jay Leno, Bill Maher from the world of comedy. Jordan Peterson is one of my favorites, Douglas Murray, Jim Rickards, who I think spoke here.

Adrian Day: He did, yes.

Konstantin Kisi...: Yeah, he spoke here, Jim's been on our show a few times. So we talked to a bunch of people, left, right, up, down, business, politics, culture, comedy.

Adrian Day: Okay. And I have to ask you this, you were a standup comedian, I think you're no longer a standup comedian.

Konstantin Kisi...: Retired.

Adrian Day: Retired standup comedian. Who are your favorite comedians both here and in the UK.

Konstantin Kisi...: When I was growing up, for me it was George Carlin and Bill Hicks. Which you can tell why I'm a big fan of America, because these were two American comedians. They've really inspired my generation, and that's why I found the comedy world in the UK when I entered it so shocking because I thought comedians were supposed to challenge authority, speak the truth, all this is the job of comedians. And I very quickly found out from other comedians that is not what we're supposed to do now. But yeah, George Carlin, Bill Hicks. Of the sort of people alive today, Bill Burr is definitely somebody that I'm a big fan of.

Adrian Day: And what about, say someone like John Cleese? Didn't he sort of challenge some conventions?

Konstantin Kisi...: Yeah, he did. Yeah, I wouldn't say that... he's not doing a huge amount of comedy nowadays, is he?.

Adrian Day: No, no, he's not. He's not. He's not. Okay, well, tell us where people can find out more about you. Oh, it's right down. Oh, it's not on the screen.

Konstantin Kisi...: It's not, it's fine. I have quite a popular Substack where I write both satirical and sort of opinion journalism, it's just KonstantinKisin.com, and my YouTube show is called TRIGGERnometry, you can find it on YouTube. We have about, if you include the YouTube and the podcast, we have about a million subscribers, so it's very popular. As I said, we just interviewed-

Adrian Day: Well, you assume they like it. When you say it's popular, you assume they like it.

Konstantin Kisi...: I do.

Adrian Day: Yes, okay. Sorry. Never try to be funny when you've got a comedian sitting next to you. Okay, well, we're out of time, thank you very much for coming here.

Konstantin Kisi...: Thank you. Thank you guys, I appreciate it. Thank you.

Brien Lundin

“Metals And Miners A Generational Opportunity Emerges”

Robert Helms: Let’s welcome our host. For more than four decades, Brien Lundin has been in the investment markets. He serves as president and CEO of Jefferson Financial, a highly regarded producer of investment-oriented events like this one and producer of investment newsletters like Gold]Newsletter and lots of special reports.

Now, these publications have been the cornerstone of this industry, the precious metals industry, since 1971. As you know, this conference has been going on for 49 years. He doesn't look that old, but he is your host and the main guy, the cheese, the head honcho. Please welcome your friend and mine, Mr. Brien Lundin, ladies and gentlemen.

Brien Lundin: Thank you, sir.

I told you he was good. The only thing worse than going on before Robert Helms is going on behind Robert Helms and I'm doing both of those tonight. Who thought of that? Well, it was me. It was me. I wanted to start off this event. I've gotten in the habit of doing it to try and set the tone for the event and represent and explain the big theme, at least what I think the big theme is for this event. Other viewers, other presenters may disagree a bit, but I think, to me, the big thing that's going on right now is really in the title of this speech, which is not the title that's in the program book, it's what I came up with the day before yesterday for this presentation, Strange Times Bring Strange Bedfellows.

That's a quote from William Shakespeare in the Tempest, "Misery acquaints a man with strange bedfellows." As you can see in the description, that was spoken by a man who had been shipwrecked and finds himself seeking shelter beside a sleeping monster. The idea here is that tough times, strange times, unusual times bring together casts of characters and people and in this case, asset classes that normally don't get along together.

I'm reminded of a story that came out of Hurricane Katrina, which was the seminal event for anyone that lives down here. When Katrina came through from the south of New Orleans and went through the marshes and the Rigolets, it came through with about a 30-foot-high wall of water and a tidal surge. There were some people, one person in particular, that tried to ride out the storm, which is about as foolish as you can get, but tried to ride out the storm in his home in the Rigolets and found his home taken out around him. Found himself actually floating in the middle of all that maelstrom on a section of a wall, a big board or part of his house that had come loose. In that little island in the sea, he was joined by an alligator, a water moccasin, very venomous snake, and a nutria, which is a large rat without the attractiveness of a rat but inhabits the marshes down here.

They all kind of looked at each other floating around in the waves in the middle of the tidal surge and the alligator and the snake and the nutria. He kind of looked at each other and they basically said, "Truce? We're all in this together." It's an example of how disparate things and people can come together. In this aspect, how markets can get upset and not behave normally in really strange, weird times.

That brings us to this, so this is a three-month chart of gold. As you can see, that drop and then that big spike, gold was in the midst of a bit of a sell off when Hamas invaded Israel. That is a classic geopolitical spike reaction in the gold price. The kind of thing you don't want to buy gold on. If you're an experienced investor, you know this. That you'll end up holding the bag because only the sharpest of traders get in and out of an event like that. These kinds of rallies don't last, but it brought on some interesting things.

It's not just geopolitics that is driving the price of gold in the short-term, but there's something else, something else going on under the surface that's driving things, driving not just gold, but all of the markets. Let's explore what that might be. Strange bedfellows here, gold and treasury yields. When the gold price goes up on a geopolitical event, typically Treasury yields fall because there's a flight to safety. Investors run to the safety of treasuries, they run to the safety of gold. By buying treasuries they drive the yields down. We saw that initially. If you look at right when gold started to rise, you have a bit of a drop in Treasury yields, then it stopped, it reversed. Treasury yields started to soar even as the price of gold was rising. Why would Treasury yields soar? I'll attempt to answer that in a moment.

Another strange bedfellow, gold and the dollar. This is a representation of gold and the Dollar Index. You can see the same thing in gold, that big V pattern, the rise in gold. When gold started up though, you saw initially a bit of a rise, it's right about here if I'm doing it right, in the Dollar Index. Then the dollar just flatlined, didn't benefit from the rise in Treasury yields. If you can look at that correlation and I should have pointed this out in the other one, it went to about zero. Usually the Dollar Index and gold are inversely correlated, so that 20 day correlation should be in negative territory.

Going back to the Treasury yields, you'll see that the correlation between gold and Treasury yields soared, very positive, direct correlation. That's not supposed to happen. In fact, usually it is the opposite. Let me go back here. This is one way to represent this. This is a chart that I borrowed from Twitter/X and it featured in the current issue of Gold Newsletter as well and you can see the source down there, by the way. But what this gentleman did was he plotted 10-year real rates. In other words, adjusting for the cost of the rate of inflation. You subtract the rate of inflation from the nominal rates and you get the real inflation-adjusted rate.

When you have positive or rising real rates, it's negative for gold and tangible assets, primarily negative for gold. When you have falling real rates, it's very bullish for gold. To try and show this relationship, what you do is you plot

10-year real rates on an inverse basis. You can see the very close correlation, going back for years, between real rates in gold or inverse correlation, but it's very closely related. And then, bam-o, a disconnect, a separation, something new is happening, something different is happening right now.

Gold up, rates up. I borrowed this on a tweet, it reminds me of the scene in Ghostbusters, dogs and cats living together, mass hysteria, mass confusion. It's a sign that there is something else going on. What it is, in my view, is that we are entering the end game of a multi-decadal process, four decades plus, of not just easy money. You've heard me talk about this before if you've been at this event over the last few years…The markets and the economy are addicted to ever easier money. It has to get continually easier and easier, more extreme. That process has been going on for years. This is the one chart that tells it all.

What I've done here is I've taken the Fed funds rate, which is the blue line and plotted it against the federal debt, which is the red line. You'll see that I put a red horizontal line at the bottom of each interest rate cutting cycle. You'll notice that in every instance and this goes back to Volcker, when he had quashed inflation and had started to try to normalize things. In this instance, normalization meant getting interest rates from over 20% down to more normal levels.

Rates started to get normalized, but then when you would have a recession, they would get more aggressive on it and they would really start to ... That was the prescription, they would cut rates. The Central Bank tried to loosen monetary policy when there were tough times economically. Over those four decades, whenever there was any kind of a hiccup in the economy, they did the same thing. They cut rates. Then once the crisis passed, they tried to raise rates.

As you can see, they were never able to get it past the midpoint of the previous range without being forced to start cutting again due to some hiccup in the economy, some stumbling block in the economy. The only time they got past the midpoint of the previous range was in this instance, and in all fairness, they only had to clear two and a half percent, so it really didn't take a lot. That said, what they have done is a lot, and we'll get into that a bit too.

Over those four decades of ever easier money, you saw that line on federal debt grow. The secular trend of ever greater monetary accommodation creates a two-pronged problem. Let's look at what those two issues are. The first is that markets become addicted to ever easier money. This again is that chart, that stair step down, always getting easier and easier. But then what happened in 2008, they got to zero and they had to come up with all the other things. Quantitative easing made its debut.

Then when COVID came, they took everything that they did over four to five years post-2008 and they did it, quite literally, in about four to five days. Went straight to zero, came up with all types of programs, doubled the Fed's balance sheet, which had not grown much less than the 4 trillion they had gotten to post-2008, got it up to ‘08 and came out with a bunch of other programs. They did a lot more. Again, they had to do a lot more because the patient, the US economy in this case, had built up a tolerance to the drug, to the monetary adrenaline, so they had to do more than they did before to get the same effect. That's just the way it works.

That easy money has its effect. If you remember post-2008, they were talking about the wealth effect, trying to get people to not put money in bank accounts, but to spend it and to invest it and to create a wealth effect. If you build up the values of stock portfolios in homes, in real estate, then people feel wealthier and they spend more and they consume more and therefore drive the economy. It's the whole idea of aggregate demand and pulling on the levers of the economy to create the end result that you and your PhD brethren have deemed to be the goal.

In this case, easy money builds up bubbles. The blue line is the Fed balance sheet, the black line is the S&P 500. Correlation of 93.8%. That correlation is generally around 93% to 95%. It builds bubbles, easy money builds bubbles in home prices. You can see that very clearly here. Fed balance sheet in blue, home prices in red and when Fed balance sheet turns down, home values turn down as well. That's what easy money does.

The unintended consequences of these policies now seed the next crisis. Let's talk about one of these unintended consequences. The Fed right now, Powell and his fellow Fed officials, have been much more resolute than I would've ever guessed. Kudos to them. They have done more than I thought they would have, more than I thought they could have, but that has a problem. The dangers of higher for longer, this is one example that was brought by our friend James Grant, brought to light a few months ago by James Grant.

He noted that G20 non-financial debt has doubled since the great financial crisis to 250 trillion. The broadest measure of fixed income show yields have quadrupled now to 4%. They're actually a bit higher now, but the average coupon was only reset yet by 50 basis points. If and when, in the days and weeks ahead, those annual interest expenses reset to current rates, that interest expense, that additional interest expense will be on the order of $8 trillion. That's equal to the combined GDPs of Germany and Japan. This is a tsunami that's off the shore and building and it will crash. It will come in. It's inevitable. It's a matter of simple math.

If rates stay at these levels, we are going to have absolutely disastrous consequences as this debt resets, but something may happen even before then, we just don't know what it is. The next crisis is coming. This is the one thing that we know, that the Fed through its management of the economy tends to oversteer and overcorrect and like a large ship going down the Suez Canal, you start going to one bank and you overcorrect and you're going at a more acute angle to the other bank and then you're going toward the opposite bank because you keep overcorrecting and you're creating the next crisis each time.

The Fed in this case has gone from years of the loosest, most accommodating monetary policy in human history, 5,000 year lows on interest rates, to one of the harshest and quickest and most severe tightening regimes ever attempted by a central bank. How you take a national and a global economy, built on a foundation of interest rates near zero and then with the flick of a figurative switch, go to one of the harshest monetary policies. How you do that without breaking something, it boggles the mind. Something will break, probably a few things and we don't know what it is. Nobody can predict what it is.

For the past few months I've been saying it may be something out of left field. It usually is something out of left field that nobody is really talking about too much. It's usually a surprise. The Hamas attack on Israel would fit that bill perfectly. I don't know if that's it. I don't know if that's the first domino, but it may be. It may be. That's why we're all here.

What's the second repercussion of years and years of ever-accommodating, more accommodating monetary policy? Unmanageable debt. Again, that chart, that red line is the debt accumulation over that time period. It's 33.67 trillion now, I believe. It is unmanageable. I'll get to that in a moment, tell you why. Yes, $33.672 trillion. Obviously, this chart was done two days ago. It's a lot more today, rest assured.

The important point here, or one of the important numbers here, some of the important numbers are circled at the bottom. In 1980 when Paul Volcker was Fed chairman, the federal debt to GDP was 34.69%. Today, it's 124.42%. That means Powell cannot do what Volcker did. He doesn't have the same toolbox. Powell wants to be known as the next Volcker, but he just can't do it. He doesn't have the tools available.

Here's the gross federal debt. My friend Ron Griess who runs the site, thechartstore.com, highly recommended it, has tracked federal debt back to 1900 before the Federal Reserve. By the way, you can see when the Federal Reserve was instituted. See that sharp line? There you go. That's the Federal Reserve coming into being and that's what happened to federal debt. Even factoring in the years before the Federal Reserve, the trend line growth rate is 8.6875%.

Every year for the past, I don't know, 10 years, I've presented this chart up here and the numbers at that trend rate seem fantastical. No way we're going to do it. By the time we meet in two years, that number will be 40 trillion, by October 2025. That seems like a lot. It really does. My bet is it's going to be much higher than that. In every instance, when we look at these fantastical numbers, we've actually ended up ahead and that trend rate of growth actually ends up being a larger number. It is absolutely out of control right now.

The end result of this is that that debt is, well, debt is money. By creating those debts, you create more money. By creating more money, you devalue the current currency. This chart shows the purchasing power of the US dollar going back to 1965 when they took silver out of the currency. I chose that as a starting date and since then the dollar has lost 90% of its purchasing power. Historians look back at similar devaluations over similar periods for the Roman denarius and pinpoint that as the fall of Rome.

That's an easy metaphor, easy analogy. You've heard it a lot of other places. I'm not saying it's going to happen. Let's hope it happens like in Rome over the course of a couple of hundred years, but it is still valid to say that historians will look at that and say, "The dollar collapsed over that time period." Us, you and I, living through it say, "Well, that's a fairly significant depreciation." But historically, that is an amazing thing and a sign of not the building of a great civilization, but the eventual destruction of it.

It is different this time for these two reasons. I mentioned it before. Powell doesn't have Volcker's toolbox. Today's debt load absolutely prevents the Fed from normalizing rates. It will soon prevent it from raising rates at all. The bond vigilantes have returned. That's what the difference is. That's why Treasury yields are rising even along with gold and even as we have this geopolitical crisis. The Fed is losing its grip on rates as investors demand higher returns for the risk. That risk is embodied in a few items coming down the pipe and realized right now. One is the federal deficit for this year, which as you have heard, has absolutely spiraled out of control. Something on the order of $2 trillion in the federal deficit this year, that goes straight to building debt.

The Fed also has, as my good friend Don Hansen pointed out in a conversation to me outside this hall a little earlier today, there's about 8 trillion in old Fed paper that has to be rolled over the coming few weeks and months. That adds to about $10 trillion that has to be refinanced at current rates. Again, a debt reset.

Investors…and bond investors, Treasury securities investors are looking at the avalanche of new paper issuance coming into a market that is missing most of its buyers. Other countries are not buying treasuries. They're pulling back on their treasury purchases. We know the Federal Reserve, yes, the primary purchaser of Treasury paper, isn't buying at all and is letting its holdings roll off. That's more supply into the market. The buyers aren't there and the ones that are there are demanding far higher interest rates. That's why we're seeing Treasury rates rise and that's why the Fed seems to be losing its grip, its control, at least on the long end, of interest rates.

Now, the Fed is running into a brick wall. This is a series of charts that may be familiar to some of you but the numbers get more and more extreme. This is a chart of federal debt in red and federal interest expense, what we're paying on the federal debt, in blue. As you can see, it's going exponential. It's, I believe, 981 billion dollars, headed for a trillion dollars. Probably is already over that magical big number of a trillion dollars. Every year we're paying an interest in the federal debt. That's money going nowhere to build nothing.

Let's zoom in and I'll show you an interesting artifact of today's rate environment. The first circle shows the first Fed rate hike after the great financial crisis. That came in December of 2015. Now the Fed started raising rates back then at the blazing speed of a quarter point increase in interest rates every year, every year. Yet at that ponderous rate of rate hikes, you see that that blue line just shot up very quickly. That blue line, again, being interest expense. Now, fast-forward to today and we see that the federal debt has about doubled in that time span. Interest rates, they were doing rate hikes. In one meeting that would've taken them two years to do it in the 2016, 2017 timeframe. Now, we have debt doubled and we have the harshest increase in rates that we've ever seen.

The end result, of course, is that with debt this large, even small rises in the rate of interest create a much larger bottom-line cost. It's extremely leveraged to interest rates and that's why they are going absolutely exponential through the roof right now. That brick wall is looming directly ahead right now, we're right about at $1 trillion again at just interest expense on the federal debt. It ain't going to get any better.

With gross federal debt at 33.67 trillion, if you get interest rates at just 4%, which, remember, we are resetting toward that right now and in the days and weeks ahead. At 4%, you have $1.3 trillion in interest expense. At 5%, 1.6. We are going to get to, if the Fed goes higher for longer, we're going to get toward $2 trillion a year very quickly. Again, that line is going exponential now, just in interest costs in the federal debt.

If nothing else happens, if there is no other crisis, this alone is the brick wall that will prevent the Fed from keeping rates high. What happens when that happens? You have gold and other asset classes, not just gold, not just silver, but stocks in every other risk asset class will shoot to the moon as soon as the Fed begins to pivot. They will have to at some point in the near future.

Let's take a look at where we are now and drill down a little bit...This is SPDR Gold Shares, GLD. The price of GLD is in blue and the number of ounces held by GLD is in black. What you'll see is that even when gold shot up due to geopolitical issues, interest in GLD was still waning. Western investors didn't buy in on that price spike, they didn't buy GLD. What we're seeing now though is they're starting to buy in and this is a bit coincident with this bond vigilante phenomenon with the higher Treasury yields. At this point, you can see that Western investors are only now starting to buy into the story by buying GLD. Most of the gold demand has come from retail investors like you and I and central banks. Central banks are buying gold hand over fist. It seems to me they're getting prepared for something.

This is a 14-weeks stochastic. I'm not much of a technical analyst. In fact, I'm…nothing of a technical analyst, but I do have used this chart for literally decades now from Ron Griess. It shows the cyclicality of gold, which is fairly regular. This stochastic is now firmly in a buy signal. You can see it's headed upward.

Same thing for silver. It has actually lagged gold now, which is typical in a monetary base bull market, but it usually outperforms, rather it has always outperformed gold eventually. Silver is at a great opportunity right now because it has not responded yet as it should and as it will.

This is a longer term, 14-month stochastic. As you can see, it's also turned into the buy signal. This is a longer term measure. This indicates, by being on this buy signal, that we're due for probably a longer term period of upward price momentum.

Gold's cup and handle. You can see this formation. You've heard a lot about it. Just to let you know, the magnitude of the opportunity facing us, this projects to a gold price of somewhere over $3,000 an ounce, when and if that gets resolved.

Now the bottom line, gold will sell off when peace breaks out. Don't fool yourself, it will. The underlying monetary factors now in play, however, guarantee far higher prices over the long-term. The timing now is key. When does the handoff to the monetary drivers happen? Will they be coincident? That's the key. There's a risk and an opportunity here.

Unlike the early 2000s, gold is already near record highs. It won't take much of an uptrend. It took about two years in 2000 to get the mining stocks going. It took about two years of an uptrend in the gold price. Now, it's probably going to take two weeks if we have a sustained uptrend. This is, in my view, a generational opportunity, similar and even better than what we saw in the early 2000s. That opportunity is represented largely by those companies across the hall in the exhibit hall. I urge you to visit them and give them your attention.

Very quickly, you'll see in the Gold Newsletter booth a list of the companies that are recommended in Gold Newsletter that are exhibiting here at this conference. I urge you to visit these companies. You can take a picture of this and go visit them or just go to the Gold Newsletter booth in the hall and that has a list of the companies that are here that I recommend. They're all really wonderful opportunities.

With that, I am out of time. We want to keep on schedule because the bar will be open later with some wonderful food and entertainment. Thank you all so much. I will be here for the next few days. Grab me if you have any questions. Would love to talk about this with you further. Thank you.

Robert Helms: Nice job. Brien Lundin, ladies and gentlemen, our host for the 49th Annual New Orleans Conference.

Mining Share Panel

Rick Rule (MC), Brent Cook, Tavi Costa, Brien Lundin, Jeff Phillips, Gwen Preston

Albert Lu: At this time, I'd like to welcome up our distinguished panelists. Please welcome Brent Cook, Tavi Costa, Brien Lundin, Jeff Phillips and Gwen Preston. Your moderator will be Rick Rule. All right, Rick, take it away.

Rick Rule: Thank you. Good afternoon ladies and gentlemen. I hope you're ready to do some work. We're going to work these panelists pretty hard and I hope it's all a benefit to you. Normally, I begin this sort of thing by introducing the panelists, but I'm going to assume that these panelists are well enough known to you all that they need no introduction, besides which I'd be tempted to tell you nasty stories about all of them, which wouldn't make the panel do well.

We have a lot of questions to go through and we have a lot of smart panelists, so I'm going to ask the panelists, which I did inside to keep their answers brief and to the point, because we have a lot of stuff to go through. My first question goes to the allegation, which you hear repeated a lot on the exhibit floor, that there's a malaise in junior mining shares. I want to ask all of the panelists briefly, if they believe that there is a malaise in the junior mining shares? And if there is a malaise in terms of perception around junior mining, why that occurs? Ladies first. I'm going to give Gwen the benefit, if that's what it is, of having the first opinion around is there a malaise in the valuation of junior mining shares and if so, briefly, why is there?

Gwen Preston: Investor disinterest, I think is the answer. And I don't mean specifically from metals and mining investors. I think those who really like this space continually pay attention to the space. That's why many of you are in the room right now, and I continue to have subscribers. There's lots of people who understand that metals and mining are essential, and provide great opportunity when the cycles work. But for the last decade, you've just needed to own big tech. And if you owned that, you did fine. Why would you look for value elsewhere?

So, I don't know if it's not that people have a bad opinion about metals and mining stocks, is that they don't have an opinion about them. They just aren't looking. I also think that junior mining used to be an important playground for speculative investors, but there's been a proliferation of other speculative opportunities in the stock market over the last 10 years, AI, crypto, NFTs, whatever it is, and that has taken a bunch of the wind out of that speculative side of the market. So, it's just investor disinterest, it's just there aren't investors who care.

Rick Rule: Jeff, you're coming back into the junior mining market after hiding out, collecting rare autos, and doing stuff like that. Is there a junior mining malaise and if so, why has it occurred?

Jeff Phillips: Well, I think that's the market most of the time, Rick. I think in the 25 years... I came back into the resource market about 14 years ago, but I did come out of retirement. I think the market since the mid-nineties when I was fortunate enough to get involved with it is really, most of that time is boring, and it's not a great market to be in. It's the three or four times you get a bull market, which tends to happen after the overall markets have a pretty big correction.

So, I think we're getting ready to have a really good natural resource market. If you look back to the Dot-Com crash, in the early 2000s, we had a great resource market. And you look back to the real estate or whatever you want to call the mini recession, depression, you had a great resource market. And even when COVID hit, we saw the overall market sell off, and I watched my portfolio drop by 50% in a month. But also by the end of the year I was up 50% from where it started. So, that was a pretty good... I think we need a correction, but I think the resource market is always boring, and people are always trying to take your money, and you got to be patient. It's like a lazy river, and make sure you have your supplies and you get to the end of the river.

Rick Rule: Brien, same question. Are we in a malaise? And if we are, why do you think it occurred?

Brien Lundin: Yeah, we are in one. I think that's the easy part. Everybody knows we are in one. I think Gwen brought up some good points as to why we are. I would add that there are other ways to leverage metals moves now that there perhaps weren't in previous things, like levered ETFs and the like nugget, and dust and those sorts of things, where you can get leverage if you're a trader and not an investor who gets into these stories like, I think, a lot of us do.

I compare the situation to another bombed out market back in 2000, when gold bottomed at $252 an ounce, and I may be repeating myself from my presentation here. But back then it took a couple of years of the gold price in a steady uptrend to get the junior market lit up and going. Today, we are within just a few percentage points of an all time high in gold, so we're not going to need two years of uptrend. We're going to need about two weeks or so to get this junior market going, and it'll turn on a dime and it'll turn hard. So the question then is, what's going to turn that market? What's going to get it going? That's why I think we're all here. I think you're going to hear a lot of speakers over the next few days. But I think it's a generational opportunity where we are in these junior mining companies. They're valued like they were in 2000 when gold was at an absolute all time bottom. So, it's not going to take a lot to get it going today.

Rick Rule: Tavi?

Tavi Costa: I would agree. I think we're in a... This is just part of a long-term cycle that we're near a bottom and bottoms take a process to really unfold. And I would say that there's quite a lot of things happening at the same time. When you're in an inflationary era, which I think we are in one, because of the pillars and forces that we have on the macro side, you want to own businesses that have pricing ability, pricing power, and commodity businesses tend to do very well because the underlying commodity prices do very well in inflationary areas. So, I'm a firmer believer that this is different than the prior cycles of the 1910s, the 1940s and 1970s. And so, I think this is a time to be deploying capital here and it's been painful recently, but I think it's going to pay off tremendously in the future.

Rick Rule: And Brent, same question for you.

Brent Cook: I can't disagree with anything I've heard here. I think one thing that is also happening is that the investing sector is aging in this market. You and I, we're looking at putting in, getting safer investments and such. And the younger folks, they've grown up on high-tech, Dot-Com, AI, that sort of thing. That's what they understand. And so, there's not really a lot of new blood coming into this sector. I'd be curious how many people out here are here for the first time?

Rick Rule: Lots.

Brent Cook: Okay, good. And I've seen that, at Beaver Creek, asked the same question. And there was a number of people there who had been there the first time. So, I can see the interest coming back in, but not yet.

Rick Rule: So, I ask questions I like to answer. Rick, is there a malaise in the junior mining market and if so, why? This reminds me of the old bull and bear panels, which were always full of bull. I don't think there is a malaise in junior mining. I think the industry's overfunded. I think that the industry needs 700 junior miners to go bankrupt, but they're cockroaches, they refuse to die. The industry loses, as a whole between two and $5 billion a year, and they think they're undervalued. What would you pay for a business that lost $2 billion a year? Would you pay eight times losses, 12 times losses, 15 times losses? That belies the fact that 5% of the issued companies generate so much value that they add legitimacy and sometimes luster to a market that loses between two and $5 billion a year. Your job as speculators, of course, is to find that 5% and ignore as best you can the rest of them. On that cheerful note, let's move on.

Let's talk about speculative styles. I've listed a couple speculative styles, but you don't need to constrain yourself to the ones I've listed. There are some speculators who are drill hole play speculators. There are others who are developer plays. There is another group that are optionality plays, looking at commodities that are out of favor or commodities that they think have to go higher. There are some disciplined people who are process players into prospect generators, royalties, and other forms of boredom. There are people who pay attention to takeovers, and then there's a few old-fashioned Graham and Dodd guys who look for undervalued stocks.

A question to my panel, what style of speculator or styles of speculators are you? And given where we are in the market today, whether or not you believe in a malaise, what speculative style do you think is best suited to the market? Brent, since you had a long time to think about the last question, we're giving you no time at all. Speculative styles, what style are you, and what works in this and other markets?

Brent Cook: Well, I think all of the ones you mentioned work, it's just a matter of the individual focusing on that and doing the due diligence necessary to be successful on that. My own preference right now is a bit different than normal. I'm still involved in the real early stage grassroots discoveries and that's what I'm looking for. And I've probably got a dozen of those in the portfolio now that geologically, if they work, and it looks like they could, they're going to really do well. But I've been buying what I think are undervalued resources in the ground with companies that are competent in a good location, good jurisdiction, permittable, got water, all that sort of thing. That's where I've been putting more money recently, because I think that's the place to be. And those are the ones that are going to be taken over as well.

Rick Rule: Tavi, same question for you. Style, your own style and what style you think is appropriate at this stage in the market cycle for most speculators?

Tavi Costa: So I think I would consider myself... I don't think you said anything that is necessarily me, but I think I'm more of a macro value investor. I'm trying to really identify the biggest macro trends and then capitalize on them over time. As far as investing right now, I mostly focus on exploration and development. I see them mostly as call options. The difference here is that instead of buying a call option on an SBOI or any other vehicle, is that you're also adding the activist approach towards it, increasing your odds to that call option itself, which is priced as a failure right now because the imply of volatility basically has been imploding over this space, and you can improve your odds drastically.

It's almost like taking a hybrid VC approach, the venture capital approach, buying a bunch of call options with small businesses, in which one of them can play out very well and become a unicorn. But the difference here is that you're not buying into technology space, because everything is overpriced. You're just buying everything that's really cheap right now and priced for failure. So, I think that's quite attractive.

Rick Rule: Brien, same question. Your style and what style works if it's different?

Brien Lundin: Yeah. I would echo Tavi and Brent. Normally, I am attracted to the drill hole discovery place, because that's where you get these explosive profit opportunities, and we've benefited from those a number of times over the years. But right now, you don't have to take that kind of risk, because as Brent said, there are a lot of fantastic companies out there with really good resources, that are selling for 1/4 to 1/5 of what they would be selling for in not a euphoric market, but just a normalized market. So, you can get those drill hole play potential returns without the commensurate risk that you would have in those wildcat plays. So, it's an incredible opportunity we have for those kinds of companies and you can actually see the value. So, it's more of a value investing thing right now. In a sector that's known for burning matches, it's interesting to have value investing be the way to go right now.

Rick Rule: Jeff?

Jeff Phillips: I would say, I'm more of a development play in this type of market, but I like exploration, I can't help myself. But developments, we could have a debate of what development means. Does that mean you're in final permitting, or does that mean you might have a resource or you're coming out with a PEA? It's different than exploration. I think in this market there's a lot of good companies that have moved their asset along, and you're not taking as much risk by looking at those development plays. But again, my thing really is about share structures, I tell Brent all the time, and who are the shareholders? So, I don't care if it's an exploration play or a development play, I want to know who owns the shares, how much money you have in the bank and are you financed? Because again, most of these companies are one month away from raising money again. And anyway, share structure is the most important thing to me, whether it's an exploration play or development play. I want to know there's good shareholders in the deal with me.

Rick Rule: I should have added structure. Thank you for that. I'm so oriented the other way, I forget about fairly important basics. Thank you for that. Gwen, same question for you. What style or styles would you suggest your work is around? And given the market conditions today, what styles do you think are most appropriate for speculators?

Gwen Preston: I think the classic Lassonde Curve. Very few stocks ever actually follow that curve, because no project exists in a consistent market for the duration of its discovery through to production. You'd have to have the same market for 15 years for it to actually follow that Lassonde Curve. But the curve shows that there's two phases of excitement with a project. There's the discovery phase and then there's a whole bunch of years where you need a lot of engineering and drill holes, and money, and time and permitting, to get to the point where you can then build a mine. And then you build a mine and you get what has been coined the golden runway, where you re-rate from spending money to making money. Those two sections, that's a generalized... There's a lot of arm waving in that curve, but the curve works.

So right now, I can't know what's going to happen tomorrow. We've been muddling along in this metals space for a while with the metal prices doing fine, but the stocks getting no interest. I can't assume that that's going to change tomorrow. So, if I want to position my portfolio, I have to work in this reality. Discoveries, the first part of that Lassonde Curve, can work in any market. They are the hardest stocks to pick as winners, because it's geology and there's a lot of risk in it. But if you have a couple discovery oriented plays in your portfolio, if one of them wins, that can really add that near term excitement, that thing that could happen now when the rest of the market is muddling along. I absolutely agree with these other gentlemen that there's a huge amount of deep value out there, but that deep value won't surface until the market changes, and we don't know when that's going to happen.

So, if you want near term excitement, you have the opportunity to find that in discovery plays and in uranium. At the same time, I certainly build up the rest of my portfolio to have exposure when the rest of the market goes, and I love the rest of that curve. So, companies that are building mines, not permitting them, not doing a PFS, building minds because I think that golden runway is a very reliable thing, and these days the deep value absolutely extends to producers. There's companies out there that are making very good money with a very good gold price, and are being valued way below any historical norm. But though that second part of the curve is all the companies that will respond first and best when investors come back to the metals or gold market. So, I love to own those, but for the near term potential for returns, I like discovery and uranium.

Rick Rule: Thank you. That was a good answer, by the way. All good answers. I want to move on from style to what I've learned as a speculator is probably the most important denominator of success, and that's people. It's interesting, I answered my own question about malaise by suggesting that the market is serially overpriced because there's so many underperforming companies. And it would seem to me that the most forecastable difference between the lame, the halt and the blind, and the successful companies, is the people who lead them, at my own conference... By the way, you're at the second-best natural resource investment conference on the planet today. He'll get even, believe me.

At my own conference I have a panel called The Living Legends. And the idea here is, that there are people who are serially successful, not many of them. But there are people who are serially successful. There are people like Ross Beaty, or rest in peace, Lucas Lundin, who have had more than a dozen successful companies each when the expectation of success has got to be merely one in 20.

So, I want to talk to the panel and I want them to identify living legends, people that they pay attention to. People who have been serially successful. And people, when they hear about a new effort, automatically assume it's going to be a success simply because of the people involved. Who are the living legends? Who in your experience, in your career, have made you money, and look smart time and time and time again? And who do you have faith for in the future?

We're going to ask you about up and coming legends later, but I want to talk to you about the existing living legends now. The Ross Beatys, the Bob Quartermains, the Robert Friedlands. You can use those names if you want to. But tell me about serially successful people still active in this sector, who you absolutely expect to make you money in the future. Gwen, I'm going to start with you.

Gwen Preston: It's been such a rough few years that even some of the ones who you... Look back a few years ago, and there's companies that were debuting. I was so excited because of the board, the advisors, this looks amazing. And a bunch of those have still struggled, because the market has been that tough. But you're absolutely right that people make the company. What I really look for is the hardworking and the clever. You have to come up with clever ways of approaching problems, doing the same thing that everybody else is doing, probably isn't going to work. Sure you have a different project, but the clever approach, the ingenious. I'm going to bring up Chris Taylor of Great Bear. I was talking about him just at lunch today, one of the smartest minds in geology and executive space these days, younger guy.

But his whole approach to Great Bear, to how he found that land package, how he structured the company, how he financed the company, how he took a royalty out on his own property so that early investors could hold more value, could benefit more from the eventual value of that discovery. It was a huge, very impressive display of intelligence and shareholder oriented thinking from Chris Taylor. So, that's the name I'll put out there. There's certainly others that I like, but that's the one that I'll say. He also threatened us if we didn't keep our answers short backstage, so I'm done now.

Rick Rule: It's interesting that you began by saying it's been such a tough market, and then you look at the market performance as an example of the Lundin roup of companies or the Friedland group of companies, and you would suggest that we're in a rip roaring bull market. I think that very example made my point, there are serially successful people who deliver value. Enough pontification. Jeff, the living legends, tell me the people that you assume are going to be successful.

Jeff Phillips: Well, you named a lot of those people. That's a tough question for me, because I don't really finance those people. They don't call me, Rick.

Rick Rule: He trades with the lame, the halt, and the blind. It's a different business.

Jeff Phillips: Well, what I try to do is, I was lucky enough early in the business, thanks to you and other people. I worked with Silver Standard and Bob Quartermain. I got to design their first corporate profile when they had a $50 million market cap, and it was the original optionality play, right?

Rick Rule: It was.

Jeff Phillips: So, I've watched people and obviously know Ross and some other people, but I try to identify companies that people that may have not had that success. But again, I look at the character of the person, where they may have worked for a bigger company before and had success for that company, and I try to help them structure a deal like some of those people. Again, Bob was successful because he is Bob Quartermain. He was also successful because you financed him, Rick, and you were a good shareholder. So, I think the most important thing again is structure and who your shareholders are, and if they're going to let you develop the project. Is that an answer?

Rick Rule: Any answer's fine. It's a different style. Brien, you've been in this market now, you told me backstage, for 37 years. Talk to me about the serially successful people who've graced the stage at the New Orleans Conference as an example or who haven't, but people who you assume will be successful.

Brien Lundin: It was 38 years, but you don't listen to me anyway, so. And I would dock your pay, if I actually paid you, for that last remark, Rick.

Rick Rule: A dollar, which I have not yet received.

Brien Lundin: Yeah. That's okay, it's compounding. I would echo Gwen, that's one of the names. She took my answer as far as Chris Taylor. Everything he did with Great Bear was absolutely perfect to the T. You can't even go back in retrospect and say, "Well, maybe you should have done that." He did everything perfectly there. And he's a great promoter, because he's not promoting something he doesn't believe in the essence of his being. So, he was great. I think one of the interesting things, a lot of the people you mentioned aren't that active in the market anymore. A lot of these legends, or they don't need to go to conferences, they don't need to promote their deals. I'm still trying to get Bob to get me the story on his latest deal, but no. He doesn't have the need or the time to do that.

What's happened in the market, I think, is that a number of really smart people have coalesced into groups. Chris was part of the Discovery Group, which is one of those groups that is really well run, with John Robins and Jim Paterson, and the whole team there. That's one of those groups I look at. And if they have a company in their stable, they've already taken a few steps in my due diligence process already. Another one is the Inventa Capital group of Craig Parry and Michael Konnert, and a number of other people. These are people that have had previous successes, so when they put their name behind something, they're putting their reputation behind it, and that's more valuable to them now than money. So, if they are putting forth a new company, a new deal, then that's already a few steps down the line to me on the due diligence process. So, I would look at some groups like those that you'll see obviously here at the conference, not coincidentally.

Rick Rule: Tavi?

Tavi Costa: Well, a living legend to me is still Pierre Lassonde in a lot of ways. Even looking at what has he structured over the decades and he's just done tremendously well. It's hard not to want to learn about what he's done for the industry. But I'm going to give a unique answer. It's not a geologist, he's a guy who's very measured. Very few people know him. I think he'd be shocked that I'm picking him. Okay, I'll give it to you. His name is Alex Gubbins from Peru. I think he's a really sharp investor. Really, really sharp. I think he's identified some of the best early stage companies to acquire through his family money and it's incredible what he's been doing. I'm watching that story very closely. We're friends with him, and I think a lot of things he's been touching recently have been turning to gold. So, he's a smart guy and he knows enough of geology, knows enough of how to build a company. And I think he's going to be a known investor in a few years or a few decades maybe.

Rick Rule: Brent, historical living legends. We'll get to the newcomers later.

Brent Cook: Yeah. Well, you've mentioned all the historic living legends that I'm aware of as well and more than half of them are fading off into the sunset. And so, I guess one thing I think just betting on someone because they've been successful once, you're going to miss a lot of the brand new early stage people coming into this sector that are going to make discoveries. I try and focus on people who are up and coming as opposed to...

Rick Rule: I'm going to actually argue the backside of that. I am going to argue the backside of what you just said. If I had in the course of my life concentrated on the people who made me money in my thirties, which as you can tell is a long time ago. If I had just stuck with the people who I already identified in my thirties as important, honest, hardworking, and smart people and done nothing else, I would've worked a quarter as hard and made twice the money. I didn't because I can't do nothing. That's a very difficult thing to do. But I would argue that pedigree is more important than anything else, in any form of venture capital.

I'm going to move on from the historic legends, because as has been suggested, they often have such brand names that their cost of capital is very low. They don't have to appear at conferences like this. They don't have to give people access to attractive financings to raise money. There is a brand name associated with them. If Pierre Lassonde goes out with an issue, it's sold out before he picks up the phone. If Ross Beaty goes out with an issue, it's picked up before he goes out to the phone. There are people out there who are as good or better right now, early in their careers, but don't have the brand names that allow them to raise money based on the pedigree. They have to raise money based on what they're going to do in the future.

So, this is a bald solicitation for my program before Brien picks it up, who are the future legends? Who are the people who have already been serially successful, but they're in their thirties and forties? We had a name already. Who are the people that you expect a decade from now will be described with the same reverence that we say, Lundin, Friedland, Beaty, Quartermain.

If you go further back, people like that. Brent, who are the future legends? Who do you look to knowing that they'll be successful in the future, although they're young, based on their experience or your experience with them in the immediate past?

Brent Cook: Right. I think Brien made a good point that I didn't go to, is that there are groups that are forming like Inventa and Lumina, and what was the other one you mentioned?

Brien Lundin: Discovery.

Brent Cook: Discovery Group. I follow them and watch what they're doing. In terms of individual people, Quenton Hennigh of Crescat is someone I always listen to. He knows him. I think Charles Funk out there with-

Gwen Preston: Heliostar?

Brent Cook: Yeah, his company. What's it called?

Gwen Preston: Heliostar.

Brent Cook: Heliostar. He's someone to watch. Zach Flood. I've got a lot of respect for Zach Flood and Kenorland. Scott Berdahl, who is behind the Snowline Discovery.

Rick Rule: Be writing this stuff down, folks. Be writing this stuff down. This is important. Keep going.

Brent Cook: Who else I got down? Bruce Smith, excellent Kiwi geologist. Works with Simon Ridgway at Radius Gold. He's made some very, I think interesting, potentially significant grassroots discoveries in Guatemala and maybe now Mexico. Who else is on here? Toni Rita, successful at Kaminak. He's at Tectonic now. Good, solid, honest guy. And last, I got to throw in Nicky Adshead-Bell. You know her well. She is extremely intelligent, gets into the right thing, fixes it. She's done well.

Rick Rule: That was a great answer. Tavi?

Tavi Costa: How are we supposed to pick one?

Rick Rule: My audience is greedy.

Brent Cook: I didn't hear the “one” bit.

Tavi Costa: Well, I don't want to put my name on the back of someone who might not become that person. So, I'm going to be selective and pick one. I'm going to go with Scott Berdahl. We were early investors in Snowline, I’ve had enough interactions with the guy throughout the years, and just seeing him grow as a CEO of a company that's turned out to be one of the best discoveries in the history of North America, it's quite remarkable and I think he's been handling that very well. I think he can do it again if he's got the opportunity.

Rick Rule: Brien, future legends, who do you want to see here next year, if they're not here already, and why?

Brien Lundin: Well, I was relieved that we were going this direction so Gwen wouldn't steal my answer, but then Brent stole my answer. I would have at the top of that list probably Charles Funk, Heliostar is a great play right now. I'm invested in it, I'd recommend it. I think he doesn't have a problem raising money. I don't think any of these people have issues raising money right now, but I would say he would be one. Michael Konnert with Inveta with Vizsla Silver, I think he's done a great job with that company. It also helps to have a great deposit. But then again, they're the ones that are getting those deposits and getting those deals. So I would say that, and there are a bunch of other ones too at this conference that you can find. But again, I can't argue with any of the names have already been presented.

Rick Rule: I know you don't necessarily do this. I know that you're a structure guy.

Jeff Phillips: Share structure, Rick, is the most important.

Rick Rule: You can tell me who does the best structure, if you would prefer that, or frankly, Jeff, if you wanted to defer and say who you think the best investors are.

Jeff Phillips: I'd like to come back four years from now and tell you the people I've bet on who actually performed the best. And that's my future star.

Rick Rule: That works.

Jeff Phillips: So, I'm betting on a number of people right now that have all structured their deals well. They didn't give themselves inexpensive stock, and everybody in Vancouver, so we'll-

Rick Rule: Any of them have names?

Jeff Phillips: No, because if I name one then I'm sure it'll be the other one that's successful. So, I always say if you ask me to pick two stocks and ask my favorite one, and I give it to you, definitely invest in the second favorite stock, because it'll outdo the first one. Anyway, that's my answer.

Rick Rule: Gwen?

Gwen Preston: There's been obviously some great names mentioned up here. I'll add a few. I would say Shawn Khunkhun of Dolly Varden. I think there's a lot of very ingenious new ways of looking at how to raise money and tell stories and structure deals coming out of that new Fiore Group, the new group that's formulating around Frank Giustra, and Shawn Khunkhun is part of that, so I would watch him. He's here if you want to track him down. And I would put Darwin Green on the list. I really like HighGold and Onyx, and the way... I have had the opportunity to work more closely with them. So, maybe it's partly because I've been able to see the inner workings of how the group that he is developing, with the idea of the Discovery type group or Inventa Capital Group as the model, just the way that they operate, the way that they approach things. The emphasis on shareholder value.

Other than that, I think all the other names that I came up with, I think... Oh, and Tara Christie of Banyan. I have talked about her in my newsletter as being a model for how to do what you can to generate sticky shareholders. I think she works as hard as anybody that I've known to keep her shareholder registry up to date, engaged, interested, knowing what to expect, and then she delivers what it is that she says she's going to deliver. So, I think that's really important for keeping that shareholder base sticky, which is Jeff's most important quality.

Rick Rule: This panel over the years has always taken a predictable course. At the beginning of the panel, I want to use the experience of the panelists to, in a biblical sense, teach the audience how to fish. The audience, however, would prefer if the panel caught the fish, cleaned the fish, prepared this fish and served it up with appropriate garnish. So, we're going to start talking about fish now, which is to say companies. And I'm going to confine the discussion initially to companies that are exhibitors here at the New Orleans Conference. If you were going to suggest to people that they employ the lessons that we've tried to teach earlier in this discussion, which booths should the attendees visit and why? Brien, you'll notice this is all a long discussion. Okay, Brent, I'm going to begin with you. Let's catch some fish.

Brent Cook: All right. One thing that I think people forget is the fish can go bad.

Rick Rule: We've done that, haven't we?

Brent Cook: Yeah. And it's one thing to get in a stock pick and write it down and go buy it. But unless you're willing... Especially in these exploration and mining stocks, willing to follow the due diligence and wait for the fatal flaw and get out in time, you're going to end with a lot of stinky fish, I guess is the term.

So my talk this afternoon at 5:55, I've got three stocks I'm picking that are not here. But here, it's a really good time to be here, I think, because there's a lot of cheap, inexpensive companies out there. And I'll start with Headwater Gold. I've been to their project a couple times. They're looking for grassroots, epithermal, high grade gold deposits in Nevada. They've been successful. They've got a market cap of about 18 million or three and a half million in a bank. They're doing a hybrid model, joint venture with Newmont. They got four of those, and then they're drilling some of their own projects. Good guy. And actually I should have mentioned Caleb Stroup, the president, as another up and coming hero of sorts.

Vizsla Silver, Symbols, VZLA, they're out there with Vizsla Copper, fantastic deposit, silver. They've got in the order of what a hundred million ounces indicated, another hundred million inferred, at better than 400 grams. Heliostar, which we mentioned earlier. Charles has figured out that this thing is actually a breccia pipe, meaning it's something they're going to go underground on. The grade is there, the grade looks good, and he's very determined. Who else would I go see? Again, go talk to Tectonic as well. It depends on the drilling. So, a lot of these watch for the drill holes and decide, but at least it's a good group. And the advantage you've got here is you can talk to these people, do it.

Rick Rule: Now, folks, this is where the rubber meets the road. We're trying to make you some money now. So, really pay attention to this next part. Tavi, we're catching fish now.

Tavi Costa: Yeah, so it's interesting where we are because there's a lot of companies that have put out great results and are trading below those discovery holes they've put out recently. So, there's a lot of opportunities. I'll put out a few. So, Tectonic is definitely in the list of companies that I think are going to do very well. The second one would be Coya. They've got an asset in Peru, but what really attracts us is an Ontario asset that they have was one of the best silver grades holes that we've had in the last six months or so. And they're drilling currently, so this could be an interesting story as well.

Number three would be Altamira. I think Altamira in Brazil looks quite attractive, very similar. They already have the resource, and they're basically trying to test deeper to see if there's a larger deposit in their properties. And they've got three different assets fully funded now, and I think it's going to be a very important story as well. There's another one that I think it's, there's no such thing as a... Well, I shouldn't say that word. I was going to say no-brainer. It's no such thing as a no-brainer, but I really like Barksdale. It's amazing to me, they've de-risked this story completely. And the stock is trading below where it was when they're going through the permits and all those issues. And they've got, in our opinion, the best part of the Taylor deposit. They're drilling there now, and I think it could be a fantastic story over the years.

Rick Rule: Brien, I know you have trouble picking between your exhibitors, but do your best.

Brien Lundin: Well, thank you. It's a very convenient question, because I just happen to have a printout of all the Gold Newsletter recommended companies who are fully paid sponsors. You can also see this list in the Gold Newsletter booth in the exhibit hall and subscribe to Gold Newsletter while you're there. But looking at this list, which I realized is impossible to read in this light, I would agree with a lot of what everyone else said. I like Heliostar. I think... Where is it? Gold Basin is another company that you don't see mentioned a lot of places, but they're going to have a great deposit, very low cost deposit, and they're flying under the radar. That is a Discovery Group company. But I really like Gold Basin. Again, Heliostar.

I like Vizsla Silver, but they're not here. Vizsla Copper is here, but Vizsla Silver is not. Fireweed, you can't go wrong with it, in my mind. It's a strategic deposit, in one metal, it's a strategic deposit, another metal-

Rick Rule: Is Fireweed's here? Fireweed's here?

Brien Lundin: Fireweed is here.

Rick Rule: I missed that. Good for you. Thank you.

Brien Lundin: They're part of the Discovery Group, but they literally have two strategic deposits in two separate base metals, maybe a third, but very well managed. And I like Banyan Gold too, that's Tara Christie's project, and a bunch more, but go see the list. And I think that's enough for now. Go to the Gold Newsletter booth.

Rick Rule: Jeff, any of these companies well-structured?

Jeff Phillips: Poor Gwen has to go last, everybody's picking. Yeah, there's a number of companies that are well-structured here. And I'm biased because I'm a shareholder in the companies I'm going to talk about. So if you look, I think you said Headwater Gold, is that... Yeah, so that's a company that roughly 30%, 32% of the shares are owned by management and some, what do I call high net worth people. When I say structure, I don't particularly... People often say, "Oh, 30% of our company's owned by seven funds or institutions." That doesn't make me happy usually because those people aren't investing their own money. They're investing other people's money, and they may not be a shareholder as long as I want to be a shareholder. So, when I talk about structure, I want to see high net worth individuals, or people that are using their own money, not other people's money.

So, I think Headwater is a really interesting company, well-structured. I like it because it's a hybrid prospect generator, and they're drilling some of their own properties and they're having some great joint ventures. And I think that'll be a future star. I think they're going to make a discovery. Another company here would be Gladiator Minerals. I think it's minerals.

Gwen Preston: Metals, I think.

Jeff Phillips: Metals? Sorry, Gladiator. I got the Gladiator part right. But that's a company that 50% of the shares... Well, the Coin Brothers who are a very successful drilling company up in Canada and around the world, put the property package together. They drilled to pass producing assets owned by different people. It's been reassembled by them and the current management of Gladiator. I think the Coin Brothers and their family own 10% of the company, and management owns another 25%. One of the founders of First Quantum is a large shareholder. These people aren't trying to make a dime or 15 cents. This is a development play with high risk, like all of these stocks. But I like Gladiator, good share structure.

And I guess one more would be, there's a tiny company here and I just like the CEO. He's a good jockey. He's just starting doing the right stuff. It's called Kingsmen. And his properties are in Mexico. And Mexico has been really good to me over the years, as far as investing. Right now, it hasn't been that good, and I'm hoping to see change next year. But I really like the way he runs the money, and the way he's developing his projects, and extremely high risk. 19 million shares outstanding. I think I can call five people and those people plus me own half the company. And it may work, but he's doing the right things, and he's protecting shareholders and getting us through this lazy river of a market until we get to that bull market. Those are my three picks.

Rick Rule: Gwen, ladies first, ladies last.

Gwen Preston: Oh, thank you. I'm going to take a bit of a different stance, and talk about a uranium company, because most of the other metals have been aptly covered by these guys, and they've named the companies that I would've picked, especially in gold. So, I won't repeat those names, although I support a bunch of them. Check out Nuclear Fuels, it's a uranium company that's here. It's sort of a baby... A spin... Baby, that was a weird choice of word, a spin out from…enCore Energy, I said the wrong uranium company.

But Nuclear Fuel is a really cool, under the radar uranium company that has something called the Kaycee Project. The concept is that there's basically a large basin of roll front uranium deposits. These are the kind that you can mine in situ by pumping fluid down and sucking the uranium back up. And it's not just in the middle of the basin where you can hit one layer. It's on the side of the basin where a bunch of these roll fronts are actually close together. So, you can probably tap quite a few zones within the six square mile area that they're going to start drilling. They just started drilling.

This is a company that was born in April. They didn't get their permits until July. Just started drilling after getting land access a couple of weeks ago. This is brand new. So, the reason that that adds to the interest, because the uranium price is up 50% in the last couple of months, but this stock hasn't moved yet because it's brand new and wasn't doing anything and nobody knows about it. So, I think it's a pretty interesting way to perhaps get some exposure to the uranium market through a company that I think has a pretty good opportunity to delineate a good resource in an ISR amenable part of America in fairly short order. And it is staffed by people who have proven success in the uranium space.

Rick Rule: Ladies and gentlemen, when Brien asks you to vote for the best panel, I hope you'll remember the Mining Share Panel. We've asked them to teach you how to fish. We've asked them to give you some fish. I think they've done a great job. A great panel is comprised of great panelists. So I'd like you to join me in giving a round of applause to my panelists. Thank you very much.

Chris Powell

"Gold Market Manipulation Update…"

Robert Helms: When you're at the Gold Newsletter booth, make sure you do something else. Sign up for the Gold Newsletter, it's inexpensive and it is right on. Who's already a subscriber to Gold Newsletter? Excellent. Who's not yet a subscriber? You got to get on the list. It's so good, it's so good. My name's Robert Helms, host of The Real Estate Guys radio program. I am your master of ceremonies for tonight and a few other times sprinkled throughout the conference when my friends Gary and Albert aren't up here. We've got a couple more speakers tonight before the cocktail reception and then, after the cocktail reception, we've got some workshops for speakers that are doing workshops tonight. I'll give you all of that plus the breakfast and lunch opportunities for tomorrow. I'll give you that before we break from this room, but right now, I want to introduce you to an awesome gentleman. Chris Powell's a journalist, has been for a long time.

He hails from the great state of Connecticut where he was the managing editor of the journal Inquire, a daily newspaper there in Manchester, for 44 years. Now, he still continues to write political columns for that paper and five other papers in the state of Connecticut, and often appears on local talk programs and the like. You might know him better as the secretary treasurer of the Gold Anti-Trust Action Committee, or GATA, and if you haven't, you're going to get introduced to that here. You're going to want to embrace that, one of the workshops tonight is from his partner. He co-founded it in 1999, GATA, to expose and oppose the rigging of the gold markets by Western Central Banks and their investment bank agents. He edits the GATA Dispatch, which is the daily electronic newsletter that GATA puts out, and he's a member of the board of directors of the Connecticut Council on the Freedom of Information and was its state legislative chairman from 2004 to 2010. He's here to give us a gold market manipulation update. Please, welcome back to the New Orleans Investment Conference, Mr. Chris Powell.

Chris Powell: need these these days, unfortunately. It's great to be here, thanks for showing up. 22 years ago, the Swiss banker and economist, Ferdinand Lips, published what may have been the first great truth telling book about the modern financial systems relationship with gold. He titled it "Gold Wars, The Battle Against Sound Money as Seen from a Swiss Perspective." 14 years ago, Jim Rickards, who will be speaking here Friday afternoon, perfectly summarized Lips's premise as he slipped the profoundly subversive comment past the censors on CNBC. "When you own gold," Rickards said, "You're fighting every central bank in the world." Though you would hardly know it from following mainstream financial news organizations, that battle has continued furiously since we met here a year ago, but it seems that it's starting to go in gold's favor.

Central Bank intervention against gold and intervention against gold by the agents of central banks, the big investment banks that trade heavily in the monetary metals, bullion banks, long has been documented and publicized by the Gold Anti-Trust Action Committee, especially telling lately, as been GATA's deciphering of the monthly reports of the financial position of the bank for international settlements, the central bank of all the major central banks, and their gold broker. The BIS provides crucial camouflage for central bank interventions that hold gold down. As far as we can determine, the only person in the world, outside central banking, GATA's consultant, Robert Lambourne, reviews the BIS monthly reports and does the calculations necessary to discover what is happening. The interventions accomplished, in large part through gold swaps and leases, are not stated plainly in the BIS monthly reports, though they easily could be. The interventions are stated plainly, if obscurely, only in the bank's annual report, but recent BIS annual reports have confirmed the stunning accuracy of Lambourne's monthly calculations.

Gold swaps conducted by the BIS involve exchanges of gold among central banks and bullion banks. These swaps move custody of gold around without necessarily moving any gold itself. In effect, gold swaps, along with gold leases, often allows central banks and bullion banks to apply gold to markets where, in the view of central bank members of the BIS, the gold price most urgently needs to be discouraged or controlled. Over the years, GATA has collected many admissions from central bankers that they act surreptitiously to control the gold price. These admissions are compiled at GATA's internet site. For example, at a BIS conference in June 2005, the director of the Bank's Monetary and Economic Department, William R. White, was candid about it, apparently because he thought no one outside central banking would be paying attention. White said that a major purpose of cooperation among central banks is, quote, "The provision of international credits and joint efforts to influence asset prices, especially gold and foreign exchange, in circumstances where this might be thought useful," end quote.

Two years later at a conference at BIS headquarters to recruit more central bank members, the BIS actually advertised, via a PowerPoint presentation, that its services include surreptitious interventions in the gold market. Let's look closely at the BIS gold swaps over the last three years, as calculated by Bob Lambourne. The chart shows the swaps starting at a high level, 519 tons in October 2020, and then declining fairly gradually and then quickly all the way to zero in December 2022, whereupon they began rising again to 129 tons as of this August, falling to 96 tons in September, according to the report posted this week. The BIS operates in markets only for itself and its central bank members, so all these swaps on the books of the BIS involve central bank trading. What is the purpose of these swaps? For whom are they executed? The BIS has been asked by GATA and has refused to say.

This refusal shows that, whatever the purpose of the swaps is, it includes deception. Perhaps more distressing about the BIS's refusal to explain what it is doing in the gold market every month and for whom is the refusal of mainstream financial news organizations and especially gold market analysts to report the BIS's trading, ask about it, and report the refusal to answer. Though this trading almost surely determines the price of gold more than things that are reported, like jewelry demand in India. We may fairly suspect that the reduction in BIS gold swaps over the last several years has been connected with the need of bullion banks to comply with the new gold banking regulations that the BIS has been pressing on the world, the so-called "Basel III regulations." Under these regulations, gold derivatives that are issued by a bank, but not fully backed by physical gold, are to be charged against the bank's balance sheet.

The new regulations powerfully discouraged bullion banks from selling claims to gold that they don't actually hold. That is the new regulations discouraged bullion banks from selling paper gold, gold credits, essentially imaginary gold that has greatly facilitated gold price suppression. By pushing bullion banks out of the paper gold business, the BIS's Basel III regulations may force central banks that are still intervening against gold to put more of their own physical gold reserves at risk for gold price suppression, something they might prefer not to do. Returning to the gold swaps chart, why did swaps start rising again in January this year, jumping from zero in December last year to 103 tons, a month later? We can guess that some central bank was getting more alarmed about rising gold prices, even as other central banks were announcing acquisition of more gold for their reserves.

Last October, another central banker who seems to have thought that only other central bankers and bullion bankers were listening, confirmed the central banks are deeply involved in the gold market for purposes quite separate from increasing their gold reserves. This confirmation came from Peter Zollner, head of the BIS's Banking Department, in a presentation he made to the Global Precious Metals Conference of the London Bullion Market Association meeting held in Lisbon, Portugal. Zollner said, quote, "Gold should not be seen just as a dormant asset in a vault for the rainy days, gold is an asset that offers opportunities in the financial markets. It can be used to create liquidity via gold currency swaps, or as collateral, often more cheaply than using other assets. Sometimes using options or placing deposits to enhance the return can be an appropriate strategy," end quote. For central banks, intervention in the gold market is, indeed, sometimes a matter of strategy.

Of course, the last year has brought more documentation of subsidiary manipulation of the gold and silver markets by traders for bullion banks that act as gold and silver brokers for central banks. In March, two former Wall Street traders, one of them formerly employed by Deutsche Bank and Bank of America, the other formerly employed by Bank of America and Morgan Stanley, were sentenced in federal court in Chicago to a year and a day in prison for a multi-year fraud scheme to manipulate the price of gold and silver futures contracts. They did this with the rapid placing and withdrawal of orders that were not meant to be filled, the infamous practice of spoofing.

In August, the former head of JPMorgan Chase & Company's monetary metals desk and his leading trader were also given prison terms in federal court for manipulating the monetary metals' futures markets with spoofing. Remarkably, one of the convicted Morgan traders, Michael Noack, the head of the bank's monetary metals desk, was simultaneously a member of the board of directors of the London Bullion Market Association. Noack long was at the very center of the central bank and bullion bank business, maybe that's where he learned how easy it was to manipulate the gold and silver markets, especially when central banks consider such manipulation to be God's work.

Over the last year, some governments and central banks have been expressing resentment of the US dollar's domination of the world financial system, and they have been openly contemplating ways of getting around the dollar in international trade. Much of the world has taken note of the financial sanctions imposed by the United States on countries that don't cooperate with US foreign policy, the US seizure of Russian assets was a loud wake-up call. In July, The Financial Times reported, quote, "A growing number of countries are bringing their physical gold reserves back home to avoid Russian-style sanctions on their foreign assets while increasing their purchases of the precious metal as a hedge against high levels of inflation." The Financial Times continued, "Central banks globally made record purchases of gold in 2022 and into the first quarter of this year as they hunted for safe havens from high inflation and volatile bond prices, according to a survey of sovereign investors by asset manager, Invesco."

Two weeks ago, Reuters reported that many researchers advising the government of China have concluded that to avoid the US sanctions that would follow an attack by China on Taiwan, China's financial system must rely more on gold and start issuing gold-denominated bonds. The New York-based research group, The China project, reported in June that China's currency reserves are far larger than officially reported, that China has the equivalent of trillions of dollars that don't show up on the financial ledgers, instead being hidden in government-controlled banks. That is a lot of wealth to protect against sanctions and, of course, China is now the largest producer of gold and its experts in finance long have considered gold as the primary escape from domination by the dollar. It would be foolish to think that China fully reports its gold reserves.

This year, the BRICS group of nations, which China is joining, sparked much speculation that they might eventually create a gold-based currency for international trade. Nothing seems to have come from that idea yet, but it has emphasized what the Chinese researchers have concluded, that the only credible alternative to the dollar as a world reserve and trading currency is gold, the former world reserve currency.

This year, gold did return as a trading currency, notably in Ghana, which is now Africa's foremost gold producer, and in January, began paying in gold for some of its oil imports. While this growing worldwide interest in gold as a trading and reserve currency is intriguing, and while gold is almost certainly the only escape from the dollar, it should be remembered that gold's great value as a form of money remains the restraint it imposes on government's money creation. Eventually, countries looking to escape the dominance of the dollar and subservience to US foreign policy will have to consider whether they want to trade one master for another. Do those countries have the civic virtue to accept restraint in their money supply now that people living under big government increasingly believe that everything desirable should be free? That will be the day.

I'd like to conclude by reflecting on GATA's 25 years of documenting, exposing, and complaining about gold price suppression by Western central banks. As shown by the Ferdinand Lips book I cited a few minutes ago, GATA's perceptions at the outset were not unique. The gold war had been waged for years before GATA came upon it, but it was not widely recognized, certainly not recognized at all in financial journalism or in polite company generally, nor were many of its manifestations and actors yet identified. We surely have not discovered and exposed all of them, but we have exposed far more than enough of them to establish that gold price suppression is no mere conspiracy theory, but is longstanding government policy. The people who, years ago, scorned us as conspiracy theorists leave us alone now. The last thing they want to do is to discuss the documentation piece by piece, documentation that establishes conspiracy fact.

They consider the documentation to be unhelpful to their business of promoting the shares of monetary metals, mining companies if investors in those companies understand that governments are often very much opposed to what those companies produce. In contrast, GATA has long figured that our work reveals the enormous opportunity in monetary metals mining, opportunity inherent in the massive and unfillable naked short position that has been run in the metals by central banks and their bullion bank agents. We have figured that exposing the naked short position would hasten its destruction. We figured that, once monetary metals price suppression was better documented and exposed, mining companies and financial news organizations would raise hell about it. As someone who had been in the news business for 30 years before GATA was founded in 1998, I especially believe that exposing dishonesty and unfairness in government and the markets was a basic objective of journalism.

Boy, were we wrong. How naive we were. With a very few heroic exceptions, mining companies have been too scared of and dependent on their governments and bankers to criticize them. With even fewer exceptions, financial news organizations and analysts have been just as determined not to make any trouble for their governments and the biggest banks, which are often their advertisers. Now, gold price suppression is pretty much an open secret, but while nearly everyone connected with the industry knows about it, no one can talk about it, not even to dispute it, since disputing it would just bring more attention to it. Until mining companies, news organizations, and market analysts can deal with the issue honestly, retail investors can't be expected to do much to bust the naked short position. Ironically, the salvation for gold and free markets generally almost certainly rests with governments and central banks that have become aware of how far gold price suppression has gone and are discontinuing their cooperation with it or even working against it, because they now consider it against their national interest.

All major central banks are members of the bank for international settlements and they all now surely know something about the gold price suppression that has been masterminded and executed there. Indeed, the major central banks, even the US Federal Reserve, may be working together through the BIS to ease the transition from the dollar back to gold. They may be planning to raise the gold price dramatically to reliquify governments that have huge unpayable indebtedness, but also substantial gold reserves. Over the years, GATA has managed to achieve serious consultations with five major central banks or governments. I'm confident that, almost 20 years ago, GATA sparked much of the interest that has been taken in gold by Russia and China. In 2004, the deputy chairman of the Russian Central Bank cited GATA by name in a speech to the London Bullion Market Association meeting in Moscow. "Gold Anti-Trust Action Committee" were the only words he spoke in English.

Since then, the government-controlled press in China has been full of material about western gold price suppression policy and the opportunity for China to use gold to escape the dollar system. Of course, Americans, like people everywhere, also can use gold to avoid oppression by their own government. In our view, gold is less valuable as a medium of exchange than is a protector of individual liberty. That observation isn't unique to GATA either, it is almost as old as gold itself, but it will be ironic all the same if some central banks are used to bust the oppression committed by other central banks. If that happens, we amateurs will have done what we could do to help. You're all invited to GATA's workshop meeting tonight from 8:20 to 9:00 in the Churchill B1 room on the second floor of the hotel. GATA chairman, Bill Murphy, will be speaking and I'll join him in answering any questions you might have, we'd love to see you. Thanks much for your kind attention.

Robert Helms: Thanks, Chris. All right, good stuff.

Robert Prechter

“Consequences Of Market Optimism”

Robert Helms: All right, so we're going to start off this morning with a bang. We're going to kick It off for sure. Who's familiar with Elliott Wave? Who's familiar... Oh, good. If you're not, you're going to be amazed at Robert Prechter's presentation. Robert's firm, Elliott Wave International, forecasts stocks, commodities and currencies. Back in 1978, his book, Elliott Wave Principle, forecast a 1920 style stock market boom, which of course happened. His latest book, published in December 2021 is entitled Last Chance to Conquer the Crash. If you're interested in that, you can find it at your favorite book locations or at robertprechter.com. His talk today is called Consequences of Market Optimism. Please welcome back to the New Orleans Investment Conference, Robert Prechter.

Robert Prechter: Hey everyone. Thanks for coming early. I know you probably just downed your coffee, but I think these charts will keep you awake a little bit more. I hope so. My topic is Consequences of Market Optimism. Who cares about optimism? Well, optimism is what drives bull markets, increasing pessimism is what drives bear markets. If you can get a handle on how optimistic people are about a market, you can get an idea of how close you are to a top and vice versa, if they're extremely pessimistic, you can start to feel you're getting closer to a bottom. So we're going to look at some charts to determine how optimistic or pessimistic people currently are on the US stock market. We're going to start by showing some pictures that I showed right here in this room two years ago. My title two years ago was, A Stock Market Top for the Ages, and the reason was, I showed 20 pictures of sentiment indicators telling us how bullish or bearish people were saying they were and also based on their actions and every one of them was at an all-time extreme in 2021.

Here's a couple of examples that I showed two years ago. The stock market was priced at three times corporate sales. That's not earnings or profits, that's sales. And you can see at the previous major market tops of 2000 and 2007, you had numbers of 2.36, 1.71. Well, we were at 3.11, by far the highest ever. On the right, you can see that the Wilshire 5000 index, which contains 5,000 stocks, a very, very broad index, was priced at double the quarterly US GDP. And again, that was way higher than all previous readings. People were going into debt to buy stocks in 2021 at a record rate. And we showed this chart showing that people were borrowing and borrowing and borrowing so they could buy more and more shares of stock. Each time they had gone to extremes previously, as you can see on the top chart of the S&P 500, there was a pretty serious setback.

So we said this is a bearish indicator. Finally, the third chart from that period that I'm going to show you today, we had very low cash levels in mutual funds. The managers of stock funds were saying there's no better time to be completely invested than right now. Only 2% of all the money they managed was in cash rather than in stocks. And unfortunately for the customers, mutual fund managers tend to get really bullish and overloaded at tops and then they pull back and they have less stock at bottoms when they should be doing the exact opposite. We've got history on that going back more than 60 years and this was a record. The question for today is has anything changed? If people are pessimistic, maybe it's time to buy stock. Well, we are actually quite shocked at our shop to find that people are just as optimistic today as they were back then.

Now, this is a ratio I'm going to show you to begin with, of the Nasdaq 100 index divided by the Dow Jones Utility Average. Well, why would we pick those two? Because the Nasdaq 100 is the most speculative stock index there is. It's packed with tech stocks. When people are optimistic, they tend to buy more tech stocks and the Dow Jones Utility Average is the most conservative of all the averages. It's regulated industries. They pay dividends. People, when they're conservative, tend to lean towards stocks like that. So we went back and showed the ratio between the two and you can see when it's very, very high, as it was in March 2000 there over in the upper left of the chart, that was the top in the S&P 500 for nine years, went into a bear market for nine years. The ratio then was about 16 times. Well, in 2021, it got up to 18 times. We said, "Okay, here's yet another record in 2021."

We can hardly believe that just a few weeks ago, it registered another all-time high at 19 times. So even though stock prices, as you can see on the bottom chart, have come off a bit from the previous highs, the enthusiasm to speculate is even higher than it was in 2021 based on this measure. Now we've got a couple of indicators here as well. Well, we've got the S&P 500 on the top and we've got the NASDAQ underneath. And you'll see one indicator labeled VIX, V-I-X.

That is a measure of expected future volatility, or at least it's billed that way. Really, it's a measure of current complacency versus fear. The last time we had a VIX as low as the one we recently had, and even then it wasn't as low, was way back in February of 2020. That's just before the market virtually crashed from February through March. And as you can see, even in the top in 2021, it wasn't that low. But a few weeks ago, even though prices were off the highs of 2021, we had an even lower reading on expected volatility. What does that mean? It meant people were very complacent. There's no way the market's going to go down, there's no way that volatility is going to increase.

And the other indicator shown on here is labeled DSI. That's the Daily Sentiment Index on the NASDAQ. And as you can see, just a few weeks before the all-time high in the NASDAQ in 2021, the DSI got to an extremely high level of 93. A hundred is as high as it can go, and sometimes it gets as low as two or three. This was 93. We had that again a few weeks before the top this year that occurred in late July. So we had the same kinds of readings on two different indicators saying that people were extremely optimistic and complacent. You're also seeing magazine covers like this one, "Feeling Bullish." You'll see ads if you go on YouTube for videos telling you stocks that are going to go up 10 times, how you're going to become a millionaire, this will be worth trillions.

And these are the kinds of things you also get when people are really optimistic about the stock market. You don't see these things in March 2009 and you don't see them in December 1974. People are cautious then, they're telling you, you should be in money market funds. But now the big thing is still the stock market. Have you ever heard of something called the hemline indicator? This was developed actually way back in the 1920s and a researcher noticed that women's hemlines tended to rise and fall with the stock market. Well, why would that be? I think it's because stock prices are moved up and down based on positive social mood. The more positive it gets, the more people are inclined to bid stock prices higher and the friskier women like to dress. When mood is pessimistic and more negative, people pull in their horns, they get conservative in their investments and women get more conservative in the way they dress.

Well, the latest thing, they were wondering if they should bring back a hot pants trend and they decided, no, that's not enough for us. We're going to initiate a no pants trend. And that's what we've got, not only on the runways, but there are pictures of several celebrities sporting this look. So I thought I'd just spice it up with a little different indicator for you. Now, people also buy more calls on stocks when they're bullish and they buy more puts when they're bearish. What we have here is the S&P 500 on the top and underneath it, we have the CBO total put/call ratio. And the higher you see the line on the bottom chart, the more optimistic people are with their gambling or speculating on puts and calls. And as you can see this summer in July, we had a reading that matched that at the all-time high in 2021.

So again, yet another indicator showing optimism. So in late July, in fact on the 27th, I published an interim bulletin, whenever we think there's really something important to say, we'll rush out a one-page bulletin. And I called it A Day To Remember, and you can see not only were people buying calls like crazy, but stocks had reached the upper channel line of the advance from October of 2022. So there were many indications that it was time for the market to turn back down and this is what happened thereafter. This is what's been going on since late July. None of this proves anything except that optimism had consequences. When it got too extreme, that meant too many people were long in the stock market and it was time for it to go in the other direction. Now, so far it's done that and as you can see, prices have come back below the lower channel line.

So we think we're on the right track. We'll see. The stock market has already levitated longer than we thought it could. But I think eventually one of these days, I hope, I will be here showing you, okay, now look at how pessimistic people are. This is a really good buying opportunity, but right now, that's just not what we have. Now here's another thing that I think would interest people here at the New Orleans Conference because I know you're listening to a lot of speakers talking about commodities. So what we've done here is we are showing a ratio of the price of the Dow Jones Industrial Average divided by the CRB Commodity Index, and this goes back more than a hundred years. What's amazing about this is way back in 1920, the ratio was under one. So people valued things way above stocks, and for a hundred years, all the way until 2020, people began to value stocks higher and higher and higher and higher relative to things.

I did the multiple from the low to the high, and it turned out to be 233. So the multiple grew 233 times over a hundred years. I think that's a ridiculous amount to overvalue stocks relative to things. Well, that ratio topped in 2020 because as you know, commodities began to move up. And stocks were holding up, but they haven't been going up very much and they have actually pulled back a bit. So this is an update of that picture. You can see that the ratio has pulled down some, so people are starting to value stocks a little less relative to things than they were before. Things are suddenly becoming a little harder to get and a little more expensive, but I think that's only the beginning of a long shift away from overvaluing stocks and back toward valuing things again. If you look at the dash lines at the bottom, this may be a rather dramatic target area, but that's where we think this ratio is ultimately going to go.

So I would expect a future lasting years, maybe decades, where things become a little scarcer and stocks become something that people are less interested in than they are now. Something really unusual has recently happened, and that is that the rate of change in M2, which is a basic money supply, it's cash and deposits and short-term debts, has actually gone negative. There's been a shrinkage in the overall supply of money, of M2. And this shows you going back about 140 years that the previous times when M2 rate of change on an annual basis has been negative, it has led to a depression. There can always be an exception, but we rather think that's unlikely. You combine an overvalued stock market with potential for depression based on a shrinkage in M2, and you've got quite a combination for a big drop in stock prices and a big contraction in the economy.

When it happens, we're just going to have to wait and see, but it certainly seems to be lined up that way. Okay, if all these things are true, what kind of investments do we think are attractive right now? The one that we pushed the strongest and in Last Chance to Conquer The Crash, which is the book I put out in January of 2022, I really focused on a little known investment called FRNs, Floating Rate Notes. And these are pegged to the T-bill rate. So if rates go up, you keep getting higher and higher interest. Of course you can roll over treasury bills and get the same sort of thing. At the time, rates were close to zero. Well, now the T-bill is yielding 5.5%. And as you know, if you invest in long-term bonds, the value of your bonds go down when rates go up. But in these instruments, treasury bills and so on, you keep getting a higher and higher rate.

So you're getting 5.5% for basically doing nothing right now in one of the safest investments in the world, currently, maybe not forever, but currently, which is the US government. Now, the chart on the right says something interesting as well. This is a chart of the US dollar index. It's the dollar relative to other currencies. And in the lower left you can see that when stocks were making their all-time high in 2021, the dollar was valued rather low. People didn't want cash, they wanted stocks. So then the stock market went down into October 2022 and that's when the value of the dollar began to soar. Then as stocks recovered into this summer, the dollar went down. Now that stocks are settling back and going negative again, the dollar's heading back up. So another reason I like this investment so much is you can be getting free money in an asset which is actually going up in value relative to other things. So 5.5% on the US dollar when the US dollar is gaining ground against other currencies is a very good place to be.

Can rates continue to go up? Well, nobody knows for sure, but this is a history going back hundreds and hundreds of years of interest rates in the world. And as you can see, the last time rates were extremely low was the 1930s and '40s. That's where that red circle is on the left, and then rates went substantially higher from there. Well, we had another period of extremely low rates ending two years ago, and that line is heading back up. Again, we don't know exactly where it's going, but there certainly is a lot of room on the upside for higher interest rates. So I think there's still a lot of potential in these short-term yielding instruments. We're also very bullish on gold right now. Now, this is a short-term picture, it only goes back a few years, but it's to show you that gold's been going mostly sideways for quite a while now. And most people would say there's not anything exciting in this picture, but we think there's some very exciting things in this picture.

Number one, we've got some labels. You can see some numbers and letters on here. That's our model, our Elliott Wave model that we use. And you'll see a 1 up there toward the upper right and a 2 also on the right toward the center. That means we think that was wave 1 up and wave 2 down. There are going to be wave 3 up, 4 down and 5 up before it's over. That should carry gold to new all-time highs and it should last a year or two. And if you look at the bottom graph, you'll see the activity of a group called the large speculators. Now, you would think that large speculators are smart people and they would be making money in the commodities markets. The truth is they're just trend followers. So if you look at the history, you'll see that little black line at the bottom.

Notice at the low in gold a year or so ago, they had very little in their long portfolios in terms of gold futures. When gold went up, they finally decided, okay, now we want gold again. And then it pulled back and they said, "Oh no, we're afraid we don't want gold now." But as you can see, they still have a very low percentage of investment in gold futures. So they haven't fully embraced this rally yet. By the time it's over, they should do so, and we'll be able to render that signal when it happens. But right now we think there's lots more room for these large speculators to be buying gold. So that's a bullish thing.

We've got some special offers for people here. If you're interested in the book, Conquer the Crash or any of the services we have on gold or anything else, you can go to this address, elliottwave.com/NOIC... But I really want to encourage you to go see my colleague Steve Hochberg. He does a workshop here every year. It's very strongly attended and for good reason. I just had time today, 20 minutes, to show you some hints of the kinds of charts and graphs that we produce at Elliot Wave International.

Steve's got a whole portfolio of these with him. He can show you the long-term pictures, the intermediate-term picture, the short-term picture, and what we think about all these markets. So be sure to go see Steve. He'll be in the Royal Room, that's on the 3rd floor, tonight at 8:15. So here I am at 8:15 in the morning and he's going to be there at 8:15 at night. And neither one of those times is that convenient for you all. But if you can find the space, be sure to take it and come and see him. And I want to thank you so much for being here this morning. I hope you have a terrific conference and I feel rather privileged to help kick it off. So, take care and good luck in your investing.

Robert Helms: All right. Nice job, sir.

Robert Prechter: Thank you.

Robert Helms: Good stuff. Look, the room’s getting more full by the minute.

Precious Metals Panel

Kai Hoffmann (MC), Omar Ayales, Rich Checkan, Dana Samuelson, Keith Weiner

Kai Hoffmann: Thank you. Well, great to be back. Good to see everybody again. Thanks for joining us for this Precious Metals Panel. My name is Kai Hoffmann. I'm the @JRMiningGuy on Twitter and also the CEO of the Soar Financial Group. We'll be hosting a lot of media interviews outside as well, so join us, watch, ask questions. Love to hear from you. Now let me introduce my panelists. I'm really looking forward to this discussion because it really emulates what we do in our YouTube channel. I think it's going to be the perfect offline event here at this show today.

First up, we have Keith Weiner. He's the CEO of Monetary Metals. Please join us. Thanks for coming on. Rich Checkan, he's the president and COO over at Asset Strategies International. Thanks for joining us. Dana Samuelson, he's the president at American Gold Exchange. Good to see you. And last but definitely not least, we have Omar Ayales. He's the chief trading strategist at [Gold] Charts R Us. Good to see you. Thank you.

So, a bit difficult to pick a topic for this panel, to be quite honest, because everybody's here for the same reason. We all like gold and we're just trying to figure out when to buy it and maybe even how to buy it. So we don't have to convince you to buy gold, but we want to make a strong case for it and take a look at it in the current environment. I think it makes a lot of sense. How does it fit in? Bond yields are at 5%, that's probably quite attractive for some of you. And how does it compare? But before we dive into the topics, I'm not sure if you're aware of our panelists here. I've kept the introduction, on purpose, quite brief, because I want them to introduce themselves. It's much more lively than me reading from a transcript and saying, "Hey, this is X, Y, Z and this is what they do." It's kind of boring. So Omar, why don't you start us off. I threatened you. 30 seconds, I'll cut you off.

Omar Ayales: Thank you, Kai. Well, my name is Omar Ayales. I write a newsletter called Gold Charts R Us. We follow gold very, very closely and we have been for the past 20 years. It's a weekly service and I do some of the research together with the team and then I am the editor.

Kai Hoffmann: Fantastic. Awesome. Thanks for that. Rich, President, CEO at Asset Strategies International. What do you do?

Rich Checkan: All right, so Asset Strategies, for those that don't know us, are a full service tangible asset dealer. So, big words for we buy and sell gold, silver, platinum, palladium, coins, and bars. We also buy and sell early US gold and silver, world and ancient coins, but the majority of our business has been bullion, whether you take delivery yourself or we help you store it worldwide in programs like the Perth Mint Certificate Program, and others.

Kai Hoffmann: Fantastic, thanks. Thanks so much, Rich. Dana Samuelson, president of the American Gold Exchange.

Dana Samuelson: So this is my 40th year I've been at this conference, because I started in 1983 with Jim Blanchard. I was a protege of Jim's and worked for Jim for 10 years and that's how I met Brien. I started the American Gold Exchange on the example that Jim taught me, which is a national mail order physical precious metals dealer. We're located out of Austin, Texas. I'm also a vintage US gold coin expert, past president of the Professional Numismatist Guild, which is the leading organization of rare coin dealers in the country. So I'm just a physical precious metals and US gold coin nerd, is really what I am.

Kai Hoffmann: Awesome. And Keith Weiner, CEO of Monetary Metals.

Keith Weiner: So I also founded something called the Gold Standard Institute. So we're all about the use of gold as money. Monetary Metals, the concept is paying a return on gold, not just waiting for its price to go up. So we're making gold a proper investment asset.

Kai Hoffmann: Fantastic.

Keith Weiner: Not just, as Warren Buffet calls it, a dry speculation asset.

Kai Hoffmann: Fantastic. Keith, thanks so much for that introduction and let's dive right in. Everybody's aware that the economy is not doing as great as everybody probably thinks or as the indicators show. It feels very different. We just had a really interesting discussion…backstage as well, talking about indicators like the GDP number that came out this week. We all scratched our heads a little bit, but that's the card we've been dealt. Let's lift the skirt on the economy a little bit. Omar, let's start with you. How do you see the state of the economy, right now?

Omar Ayales: Well, I do live outside of the US so my view is specifically from looking at indicators and looking from the outside, in. So, like we were discussing earlier, many of you, or my colleagues here in the panel, you get to live every day and breathe the economy, when you go by a cup of coffee or get some lunch or travel with family. From the outside, basically the US looks very strong. From a foreigner perspective, you have very strong GDP numbers, you have very strong unemployment numbers, you have very strong participation numbers compared to historic levels. And not only that, the thing is that maybe we're not... As Americans, you're scratching your head a little bit, but the reality is that when you compare the US economic miracle with what's going on everywhere else in the world, it's, for the most part, outpacing a lot of the other countries.

So at a very strong pace, plus the US dollar, even though as many of you saw in Brien's presentation how the dollar has lost its purchasing power over the past 100 years, almost at 90%, the reality is that global currencies, ex the dollar, have suffered a lot more or are suffering a lot more, sometimes even 100% devaluation against the dollar on a yearly basis. So from a foreigner perspective, I see the US in general, US economy, very strong. I hear a lot of talk about recession and of course I think the economy does run in cycles and at some point we should see it, and we still have to see what the gravity of that recession is going to look like. But I'm also thinking that we could have entered into a new era. Last year was a huge year when the 30 year yield of US treasuries broke above a key downtrend.

And the reason this is important is because it's telling us that longer term inflation expectations have been rising, are rising,. So the bond market's coming to terms with this higher inflation, higher interest rates for longer. And the reason that is, is because of a strong economy. In the end, investors, people sell the treasuries for many reasons, but one of those is because they're trying to look for better yield than the treasury offers. And when you have treasuries at 5% and investors and countries still dumping that, you have to wonder. You have to wonder if really the economy is as good as the indicators say. And there's a big part of me that does believe that.

Kai Hoffmann: Glad you ended up with that note because that was my next question as well, because during our YouTube interviews, and I'm German so we always look for the straw that breaks the camel's back, we always look at the negatives, we rarely look at the positives, like why is the economy actually doing so well? Why are we getting a 4.9% GDP growth number? We always think it can't be real. It feels different, it looks different, it has to be different. But Rich, maybe to follow up on that as well, is, the 4.9% GDP number, and Omar mentioned a few factors and indicators that he's looking at, how do you feel about the situation?

Rich Checkan: Well, I look at different indicators. The official numbers are out there. You can believe them, you can not believe them. You can go to different sites, shadow stats or what have you, and get different numbers. You can change the numbers. We know the government does that over the years. I look at what it feels like, in the economy. Anybody go out there and buy tomatoes or eggs lately? Those prices are sky high. The people in the middle class, I think are financing their necessities. Things they need, day-to-day. The gas, the food, et cetera. They're putting that right now on their credit cards. Credit card debt is over a trillion dollars, individual credit card debt. We're following our national guideline for indebting the world and people are going to have hell to pay when it comes to pay those credit cards down at such high interest rates, is where we're headed right now.

They can't, like they did in the past, tap into their home equity line, because refinancing now at 3% takes you to 8%. They're not going to do that. It's having an impact on the gold market. Dana and I were talking, I'm seeing this for sure, we're not seeing the investors buying gold right now, which is something they do for the future, to protect themselves, but they do it when they can. They won't buy gold over food for their family. Instead, what we're seeing is people are cashing in gold in small amounts, periodically. Why? It's liquid. They need cash, they need to meet their needs and necessities. I think the US numbers look good from the outside because we have the world financing our standard of living. However, I think there are some real problems at home and I think there are bigger problems on the horizon. I don't think the bank crisis is over yet. I think the rapid increase in rates have destroyed balance sheets for banks. That is going to eventually come to fruition. The other thing is commercial real estate, it's going to put immense pressure on the banking system. So I think we have bigger issues here. We may look better than the rest of the world, but I think we are fooling ourselves if we think life is good, right now.

Kai Hoffmann: Interesting. Interesting comments there. Dana, I think we've talked about that on our YouTube interviews as well, but where is the recession? Everybody's been forecasting it. I remember discussions here last year in October about it as well. Where is it? Why is it taking so long?

Dana Samuelson: Well, I'm not an economist, but I do play one on YouTube sometimes. It's a confounding situation right now. The full effect of the sharpest interest rate hike cycle the Fed's ever done, has not fully been felt yet, although it's beginning to be felt now. Like Rich, in the physical precious metals business, we have seen some distress sellers over the last couple of months, which has been unusual. And to me, that's a sign of people reaching into their golden savings because they need cash to supplement some of their spending power. And we do have, as Rich said, record high credit card debt and lower savings rate. But the economy is not a monolith, it's not *the economy*, it's different parts. So if you look at it that way, there's a definitive cycle when you go into an interest rate hike cycle pattern like we've gone into, where housing is affected first because it's the most interest rate sensitive, then new orders slow down, then purchases, manufacturing slows down, and employment's the last.

And if you look at employment over the last year, manufacturing jobs are down 55,000 where leisure and travel jobs are up 1,200,000. So we've gone through a really weird phase where we had big ticket spending during Covid and now we've had revenge travel and it really felt like when we got into the business cycle in September, vacations are over, kids are back in school, things have tightened up a bit. So I feel it, but the GDP is not reflecting it and employment's certainly not reflecting it, but that's the last thing to go. Employment is a rear view mirror statistic and that's what the Fed's looking at. So I think we're going to be challenged more than most people realize, but probably not until the first or second quarter of next year.

Kai Hoffmann: And it's interesting, Keith, I'll get to you here, because it seems like gold has lost a bit of its appeal, quite honestly. Based on what you said, people are selling their gold. But also if you look at the World Gold Council gold report that came out recently, the demand for bars and coins actually has dropped off. Has gold lost its appeal as a safe haven investment and maybe do the investors or the buyers of gold, don't feel like they need it right now? Keith?

Keith Weiner: That's a question that comes up, we're talking about the business cycle, has gold lost its luster cycle? And that question comes up every time the price action doesn't quite satisfy what people expect or want or need. I've just spent over three months traveling mostly overseas and I can say there are big parts of the world with big populations where they're buying gold hand-over-fist. In America, in western Europe, there's definitely a cyclicality to it, and I'd say principally Q3, retail demand dropped. I think there's starting to be pickup in Q4, from what we're hearing in at least certain places. But at the end of the day, if you own a dollar or any other currency or own any kind of financialized asset, you are a creditor that depends on some other party making good on that. And we talk about the debt problem, we talk about the skyrocketing interest rate, that's not an environment in which being a creditor is necessarily the best position to be. Buying gold is opting out. If you own gold, you're not a creditor. You own, as Warren Buffett put it, a useless piece of metal that doesn't change. But not changing is actually a good thing in an environment where most of the change is really bad, like defaults and bankruptcies and losses and cram-downs and all the things that happen when you're a creditor to a company or to maybe even a government that can't pay.

Kai Hoffmann: Just following up on that safe haven aspect, Omar, is there competition out there for gold right now that is maybe sucking money out of our sector?

Omar Ayales: Well, I do believe that actually gold right now, and I think we can have a little bit of a discrepancy in the panel regarding where demand is coming from, but I do believe that gold has become, or it traditionally has been a safe haven of course and one of the preferred ones, but I think especially over the past year and since... And again, I go back to what I mentioned earlier, in my first comment, when the longer term, the 30 year US treasury yield, broke off from a mega downtrend of 40 years, and is now suggesting that it could continue to rise, that basically means bonds stopped being a safe haven.

Or at least for now. I'm not saying that this is necessarily something that is going to happen forever, but for now it seems, definitely it has. And I think a lot of that money has been going into gold. A lot of the safe haven money that was in bonds might be going into gold. And I think that one of the reasons, even though the bond does offer a yield and gold doesn't, but sometimes it does, but even though it really doesn't, I think that the reason why people look for gold instead is because really, gold does catch up to inflation. Gold will rise with inflation and really the treasury yield that rises is really catching up to the inflation itself. So a bond holder, if you buy a treasury of 30 years, you don't know if that inflation is going to stay at what it is right now or if it's actually going to rise to 10, 15%, double digits. We don't know that.

Actually, by how things are going and how expensive everything is, the likelihood is that it will continue to rise. So why, as an investor looking for safe haven and safety, why would you buy an asset that is just going to become obsolete and worth less over the course of its life, when you can actually have gold that yeah, maybe won't give you a yield in itself, but it will not lose its capital power, its value. And I think that in itself, if you see, for example, correlations between gold and interest rates or inflation, that's why in inflationary times, gold will outpace treasuries, and during deflationary times, the opposite is true. And the reason is because inflation is exactly the opposite. And that tells us a lot of where we are right now, and I do believe that gold is the preferred safe haven today, between at least the dollar... Well, together with the dollar. But basically compared to treasuries, for sure.

Kai Hoffmann: Interesting. Rich, a question popped in my head is, do you feel comfortable buying 10 year bonds right now with a 5% yield? Do you think you'll get paid back? Because a 5% yield is fairly high. How much fear is part of that percentage?

Rich Checkan: I've been going to a bunch of conferences and right now, virtually everybody out there is saying, "My God, this is a no-brainer. Why aren't you buying bonds with…5% yields? The shorter duration, the better." And they're basically going to cash and bonds. Just to go on to what Omar said, you mentioned earlier to us that gold was up 12% so far this year, and I'm telling people that investors aren't in this market. So, that begs the question, who the hell is in this market? I think there are two people right now, or two groups.

First one, central banks. They set records last year for all the buying they did. Most buying we've ever seen from central banks, ever. Certainly going back 50, 60 years. This year first quarter outpaced first quarter last year. By the end of the second quarter, we were ahead of pace for last year. Third quarter, we fell behind the pace on a quarter-to-quarter basis. But it looks like we're going to at least have central banks buying as much or more gold as they did in a 50, 60 year record year last year. So central banks are buying, make no mistake.

The other component of this is crisis speculators. Since October 7th, gold went up, what? $160 an ounce. And that's people jumping in the market for fear, but also looking to cash in on a short-term reward, and I think you're seeing some profit-taking here as well, and you have some people stuck in the marketplace as well, who bought later. But I think those are the two that are propping up this market right now. I don't think this can be sustained. I don't think we're going measurably above $2,000 an ounce unless the investor gets back into this market, and they will, eventually, but the Fed's got to pause for a duration and then pivot, and I think then it's gold's time to shine.

Kai Hoffmann: Fantastic. I want to switch gears just a little bit, Dana, with you here. We'll come back to gold and I want to talk about the gold role in regard to the US dollar, but this is a precious metals panel and we keep forgetting about talking about silver, so I think we need to talk about silver for a second here, Dana, because it seemingly can't catch a break. The gold/silver ratio is still at 86. It's not catching up, it's moving maybe in tandem at best, with the gold price. What is silver's role right now?

Dana Samuelson: Well, silver is a half industrial and a half investment grade metal, so it is affected to some degree by the economy. Remember, gold was in a downtrend going into October 7th. It had broken 1900 and got down to 18 and a quarter, in a phase similar to last year when the dollar was extremely strong. The dollar broke out above 105 earlier this summer and got up to about 106, 107, which pressured gold down. So gold is back up because it catches the fear bid, which silver does not. Silver lags and then follows. And if you remember what happened when Covid hit, gold was about 1600 and it ran to 2070 and silver couldn't get out of bed above 18.75 for about six months and then finally, when it ran, it ran to 29 on a bullet. So that's the kind of catch up silver can play and I think we're in a similar phase here where we're not quite sure where gold is going to go, because the Middle Eastern war, which is the worst one that I've seen since 1974, and I say that slowly for emphasis, I think this is bad, is confounding the markets, right now.

I do think that gold is going to hold about 1975 here. I don't think peace is going to break out anytime soon. I think there's a whole host of reasons why gold can go substantially higher and silver will outpace it, as Brien said earlier during his talk. So it's lagging, it's a great buy right now. It's a steal at $23 an ounce. And premiums on physical silver are very competitive again. So I like silver more than I like gold at these numbers. The ratio was higher when both were lower before the war broke out.

Kai Hoffmann: Thank you. Thanks for those comments. Keith, your company is called Monetary Metals. Is silver playing a role in that equation, at all?

Keith Weiner: Yeah, we pay interest on silver and silver as well as... I should open my shirt here so people can see.

So we pay interest on real money in real money, so gold and silver, and we certainly see a lot of demands from companies that are using silver productively for silver financing, as well. I think I second what Dana was saying, that silver is going to lag. I'd make one additional differentiation. So yeah, silver has an industrial as well as a monetary reservation demand, is what I'd call it, but silver is more of the working person's... It's the wage earner's savings and money. Gold is a capital asset that trades off against other capital assets. If you want to call it the 1% or the capital-owning class. So as long as there are assets that are trading, gold trades against that, where silver is much more people that are working for wages, and if they're under stress or pressure, then you see silver struggling to get out of bed, as somebody used that term.

Kai Hoffmann: Okay, appreciate that. Let's get back to the gold, the role of gold, obviously. I want to talk about, Omar, maybe you can chime in here, but the US dollar seems weak but it's strong in comparison to other currencies, obviously. But if I look at the current deficit in the US, interest payments on debt, the dollar seems to be under pressure. Do you think gold can save the US dollar at some point when it comes to the breaking point? Can gold jump in there?

Omar Ayales: Well, gold and the dollar tend to move in opposite directions. I think that that has not necessarily been the case recently as much, given that both are the safe havens, I think, of choice. But going back to, again, I think that internationally, there's a great demand for dollars. Maybe you see weakness in the dollar here because, again, you go to the store and you buy tomatoes, they're more expensive. Absolutely. But again, in relative terms, which ultimately the discussion should be relative to what everybody else is doing, and there is a great demand for US dollars worldwide and that remains, and that's why you say the dollar is weak, but it has been weakening obviously for the past year, but the US dollar index, above 100, I think is very strong.

I don't know if you remember, maybe it was about a year or two ago, two years ago or something like that, where it actually broke above 100. It was huge news. When it broke above 94, it was huge news. And it has been falling from the highs of 115, but the dollar still remains very strong, very influential, and that's not going away unless you see a real, significant downshift, which, we can argue if that's going to happen, I think it's a big possibility.

In the end, can gold save the dollar? Reportedly, of course I'm not putting my hands in the fire for this, but reportedly the US reserves are 75% in gold. Foreign reserves. So the US dollar is backed by gold, in a way. So how can this save the dollar or the other way? I'm not exactly sure, but I do believe that there is space for both of them to continue stronger for a bit longer.

Kai Hoffmann: Fantastic. Rich, higher for longer seems to be a term everybody's using these days. Nobody knows though what the ramifications are really. How does that factor in? We had a fed meeting today, or actually the last couple of days, and Jerome Paul spoke earlier. What did you take away from that, and how does it impact gold?

Rich Checkan: Well, first off, it's just painful to listen to him talk for 45 minutes on Q&A, but I did do it again today and they did nothing. They left it standing pat. I've been saying this for a while, that they are at the end of their rope. If this is not the end of their rope, it's just one more knot further down the line and then they're at the end of their rope. They cannot finance this debt, 33 and a half trillion dollars at higher interest rates than what we've got right now. They can't honestly do it where we are right now, at 5%, five and a half percent. And everybody looks back and says, "Well, Volcker went much higher in the '70s, in the '80s." Well, he didn't have a 33 and a half trillion dollars debt to finance, so he could go higher.

Powell is done. All he's got right now are strong words, and he's hoping he can talk tough and talk inflation down for as long as humanly possible, because I don't think he's got more than another rate increase or two in him, before he's got to stop and he's got to start going the other direction. I do believe, now their indicators suggest that everything is healthy, the economy is resilient, the labor market is wonderful, I agree with Dana, labor market's the last to feel the pain. That will come. But I do believe that what they've done with these higher interest rates so fast, they've pretty much broken the banking system and they're breaking the backs of the middle class, and this is not how you sustain an economy. Higher for longer is what he's hoping everybody will buy into, and inflation will cower. I don't see it happening.

Kai Hoffmann: Fantastic. Dana, I'm going to jump over you for a second and talk to Keith here to ask him a question there. Did Powell generate enough wiggle room for himself to actually maneuver when push comes to shove, like five, five and a half percent? If the economy really starts to break, like a lot of analysts predict maybe in early Q2 next year, does Powell have enough ammunition, dry powder, and enough wiggle room?

Keith Weiner: I kind of look at it backwards the way the mainstream view does, that they think higher interest rates breaks inflation, but the interest rate is the cost of financing production. The more you hike the cost of financing production, the more production is rendered sub-marginal and goes offline. So before interest rate hikes, something like 20% of all corporate debt outstanding was zombie debt. Now this is not a term that you hear in the fringes of the internet. This is defined by the bank for international settlements. So a zombie corporation is a company whose profits are less than their interest expense. They can't afford to service the debt and so they only exist by grace of very forgiving credit markets and very low interest rates. So you take the interest rate from zero to 5.5% plus a spread for junk credits. What are these guys paying now? Eight or 9% or something? What percentage of them can't afford to service their debt at this rate? Well, we don't have the statistics yet, or I haven't seen them, but probably a heck of a lot higher than 20%. So in the short term, you hike rates and that freezes a lot of spending and so everyone can say, "Oh look, there's less demand, prices are going to go down," but in the longer term, all this production has to be taken offline and destroyed.

There's a causal relationship between higher rates and higher consumer prices, which is not well understood. So we, Monetary Metals, we published a cartoon a couple of years ago, with Jay Powell talking about higher interest rates. It was a picture of this building, this industrial complex that's on fire, and he's got a gasoline truck and he's spraying the gasoline and the reporter is saying, "Do you think it'll be enough to put the fire out?" They've got the relationship exactly backwards, in my opinion.

Rich Checkan: Best cure for inflation is inflation, not interest rates.

Kai Hoffmann: Interesting. Now Dana, you brought up the topic of geopolitics. I don't want to dive too deep into the politics of the geopolitics, but I really want to talk about how much is it affecting the gold price,= right now, and how sustainable is a 1975 gold price where we're at, or a 1980, roughly? How sustainable is that current level if maybe, or hopefully, tensions wane a little bit?

Dana Samuelson: Well, gold is reacting directly, right now, I mean in the very short term, to what is happening on the ground in the Gaza strip. The threat of the Israeli ground invasion on Friday caused gold to go up $25 and now it's proven to be a little... It's not just this big massive wave of tanks going in. It's these probing... It looks like they're trying to cut off Gaza City and they're doing it very selectively so far, and there's talk about, some of the hostages have been released and they're letting humanitarian aid people get out into Egypt finally. So there's a little bit of easing of tension. I think there's a base under gold that's right here, right at 1,975. I don't think the fear factor is going to let gold get much cheaper over the next couple of weeks, unless peace breaks out, which I think is highly unlikely because all of the Middle Eastern tension right now goes directly back to Iran.

And I've been stewing over this for a month now, thinking about previous conflicts. This is the worst one since the '70s. And this is a direct threat to the survival of Israel as the Jewish people see it and they have to deal with the problem hard and fast now, otherwise they truly feel that they could be wiped out, so they're going to do what they think is necessary. And I've talked to clients who are Israeli and they've all told me, to a man, we have to defend ourselves, and what has happened, this attack on them was horrendous, but it's horrendous on both sides now. And I saw a statistic that goes back over all the wars. Every time one of these breaks out, about five times as many Palestinians are killed as are Israelis. And that's exactly what's happened now, again. And it's just so stupid. But gold is not going to give much up here, and I don't know if it's going to go a lot higher, but it's not going to give much up. That's the answer to your question. And I think this is going to persist, and if it does grow into a greater conflagration, I think gold could be 2100, 2200 pretty easily, but things are not going to be good because of it.

Kai Hoffmann: Omar, it might be a good question for you to answer is, the conflict in the Middle East obviously affects the oil price quite a bit, as well. Could that indirectly also affect the gold price, and what are some of the ramifications you see from that?

Omar Ayales: Well, absolutely. Absolutely. Like Dana was saying, I think there's a fear factor there that is fueling the price of gold, and it's a very delicate situation. It's a very complicated problem, and I agree with Dana that it's not something that it's going to go away very, very quickly. There are very strong positions on both sides of the aisle, in that situation, and I think the risk of that little skirmish turning into a full-blown war with other participants, I think is very real. I feel that that will continue to be supportive of gold, absolutely. Wars in the Middle East have always been very bullish for gold, and I think this could end up being the mother of all those issues, just of how things have been evolving, and absolutely, I think that that not only puts a floor on gold, like Dana was saying, but I think that that projects gold. That's just one of the other items or issues or fundamental reasons that it's going to push gold higher, absolutely. Again, I just don't see that conflict being resolved easy or anytime soon, and definitely not without more casualties and more uncertainty and more fear and more money spent, et cetera. I do believe that. Yeah, absolutely.

Kai Hoffmann: Okay. I want to get away from that topic. It's not my favorite topic to discuss, personally, I have to admit. Rich, I want to follow up with you on something, I think you mentioned it, it was central bank buying of gold. And I wanted to follow up, why are they doing it? What's the whole point, and what are they trying to achieve by doing it?

Rich Checkan: Similar reasons to why we buy gold. And I'm glad you asked that question. I didn't know you were going to ask it, but I actually wrote it down. So World Gold Council did a study, came out in the second quarter, assessing both emerging and developed markets as to why they are buying gold. Because it's across the board that central banks are buying. This is the list of all the reasons. Performance during times of crisis. I think we're seeing that right now. Long-term store of value. Inflation hedge. Effective portfolio diversifier. No default risk. Highly liquid asset. Concerns about systemic financial risk. Concerns about sanctions. Anticipated changes to the international monetary system. And part of a de-dollarization policy. These are the reasons that central banks are buying. These are all the reasons that we buy gold. I think if we're capable of taking care of our allocation for gold at this current time, I don't care that the price is around $2,000 an ounce, if you're not doing that, I think you've got your head in the sand. Gold is going to go much higher, long-term. We measure it in fiat currencies. Gold is making new all-time highs in virtually every currency around the world, right now, except the US dollar. It's coming. Long-term, gold does its job. For all these reasons, you should own it. I think we need to be our own central banks and follow their lead.

Kai Hoffmann: Okay. Dana, you have a follow-up, there?

Dana Samuelson: Yeah, I want to add to that. Central bankers were net buyers of gold in the '70s, they were net sellers of gold, net sellers from the '80s all the way to 2010 when they flipped over again and they've been net buyers since. Now, what do central bankers have? The printing presses. Fiat currencies are being debased at the fastest rate we've ever seen in history, and these are the guys that are printing the money. So they're buying gold at the fastest rate in history. Why no counterparty risk? I think it's just as simple as that. They know what they're doing, and they're protecting themselves from their own behavior, is what I think.

Rich Checkan: I can just add to that too. Another reason I think they're buying it, friends and enemies of the US did not take lightly to the sanctions and being cut out of the world money system. So they're looking at this, if you're an enemy, you're saying, "I need an alternative." If you're a friend, you're saying, "What if I piss off the US someday and they cut me off? I need an alternative." So we've pushed friends and enemies away with this push to gold and shedding the dollars.

Omar Ayales: And to your point, Rich, I think that eventually the gold will be the only, really, arbitrage between two different economic systems in the world, and it looks like we are moving in that direction.

Rich Checkan: Common ground real value. Yeah.

Omar Ayales: Absolutely.

Kai Hoffmann: Fantastic. Yeah, appreciate the interactivity there and going back and forth. I think it really adds some good color and value there. Keith, how would you go about buying gold, right now?

Keith Weiner: Well, obviously I would suggest people put it into a program and get a yield on it, but more broadly, if you don't have any gold, you should buy some and it's not really a function of price. Have five or 10 ounces in the sock drawer, as I say, sort of lightly. If you have some and you're looking to trade it, I think we're not in the dark age, the bear market of 2012 through call it 2018. We're in a bull market and so it's a buy the dips market. So look at the dips, that's the place to buy, and the dips may or may not be moving up in the short term, but longer term, I think you're going to see higher lows and higher highs.

Of course, I have to add one thing, which is to the question, how high can gold go? It's really the inverse of the dollar. So I would say it's not that gold is going up, it's that the dollar, which is roughly 16 milligrams of gold per dollar, going down. And with the dollar debasers, AKA Jay Powell and co., debasing at the fastest rate ever, how fast can they debase the dollar? Well, they can debase it as fast as they want, I suppose. And that's not a good thing for the world. But if you own gold, it's kind of like if the elevator's going to crash into the basement, if you step off the elevator on the 26th floor, you may not necessarily be gaining a lot, but you're not losing by being in the elevator when it crashes into the basement. And that's, people around the world are discovering that. I say this as an American and I love Americans and I love America, but spending so much time abroad, I have to say, Americans understand gold the least of any culture in the world, by far.

So in Europe, a number of countries have had hyperinflations in recent living memory, and in the rest of the world, their currencies are basically, I hate to say this, a joke, and nobody takes them that seriously. So you meet pension funds, for example, in Southeast Asia. What do you think the balance sheet of a $10 billion pension fund is in Southeast Asia, is denominated in? Dollars. So they understand, but they understand also that the dollar is not their friend. This monetary policy, if you think the treasury is hurting, paying these interest rates, take a look at businesses, whether they're farms or factories, all over the world, take a look at... They're getting crushed. So they have a love-hate relationship with the dollar. They don't have any love for the US policy and the dollar, but they don't have any love for their useless toilet paper currencies either. And so it's dollars, but increasingly gold as the anti-dollar.

Kai Hoffmann: Dana, if you were to follow Keith's advice, go out to the store right now, or go to your own store, and pick out five to 10 ounces of gold that you'd have to buy, which one would you, A, recommend me to buy, and B, which should you buy? Just, which one's the most interesting?

Dana Samuelson: I like American Gold Eagles, made by the US Mint. I like Austrian Gold Philharmonics, made by the Austrian Mint. They're the two most popular products here in the US and in Europe. They're very competitively priced, right now. There's plentiful supplies. You pay a relatively low premium. But physical gold does have a transaction friction to it, between the bid and the ask, which can be about 4%. So it's not for trading, it's for buying and stacking and holding for the longer term. So it's your nest egg that you save in, instead of dollars. So I like the Austrian and the US minted products the best.

Kai Hoffmann: Rich, since you run a bullion store as well, I have to ask.

Rich Checkan: Personally, I like whatever's the cheapest premium at the time because of that friction. I like to get more gold for my money. So we'll look around. Right now you can get Britannias pretty cheaply. They're recognized worldwide. Nobody's going to turn it away in an emergency, so I tend to go with them. I like bullion coins or bars. I've heard of the argument over the years that coins are much more liquid than bullion bars. I've been doing this for 27 years, our company's been doing it for 42, I've never had a problem buying or selling a bar. Whatever is the cheapest premium, is what I like.

Kai Hoffmann: Is right now the time to buy for Christmas gifts?

Rich Checkan: It's typically-

Kai Hoffmann: We've got about six, seven weeks. When is the best time to buy it before Christmas?

Rich Checkan: Two weeks ago. But no, anytime. So you ask what's going on in this market and what do you do right now? I'm suggesting that nobody change their plan. Just work your plan. Markets go up, markets go down, gold price goes up, gold price goes down. You continue to work your plan. I wouldn't chase gold higher, but I wouldn't shy away from it because it's higher, either. I would buy my allocation and I would hold my allocation, because number one, first and foremost, I'd buy it as insurance for my portfolio. I'm not trying to get rich quick on gold. There are plenty of other asset instruments out there to do that with. I want to buy it, I want to hold it. And what's happening in the world doesn't change that, for me.

Kai Hoffmann: Fantastic. Omar, you're getting the last question before I want to switch over to some Q&A here from the audience. What do the charts tell you? Where's the gold price going? It's a bit of an unfair question, but what does your crystal ball tell you? Or the charts.

Omar Ayales: So, no, the charts tell me that gold is going higher, and actually, I wrote an article recently for ASI, regarding a seven year cycle in gold, where every seven years since the gold market was basically opened back in the early '70s or late '60s, every seven years, gold has a major low. A major low, and from that low, then eventually an 11 year high stems from that. And the last major low that we had, the past couple of major lows that we had, 2015 was a major low and 2022, last year, was a major low. So basically what this tells me is that we have seen the lows for the current move and my chart's telling me that we're going to see a peak in gold in 2026, 2027. And I don't want to speculate as to what that could be, but it could easily be 3,000 depending on what happens in the Middle East and depending on a lot of different things.

But absolutely, I think it's going higher and I think the lows are behind us. And yeah, we might have some fluctuations. Dana had talked about 1,975. I have on my support levels, I could see gold fall all the way down to even 1,700, which of course I don't want to necessarily want to ride that or whatever, it doesn't feel great, but it'll still be bullish within the cycle if it's above those 2022 lows. So I do see gold going much higher. And like Rich was saying, I feel that especially when you're buying physical bullion, don't pay too much attention to the price. You just own it because you got to own it. You have to hedge your dollar positions and your cash positions. That's the only way, really, that you can do it, especially when you have global currencies so depressed. So just to add to what Rich and Dana were saying, I would add to that, that you want to have a diversified approach.

You want to have physical, you need physical. There are better coins than others that have different premiums, like Rich was saying, I also like the lowest premium, but you can play that. But I also think it's important to also have the ETFs so you can bounce in and out if you need to, at any given moment. I think it's important to hold a little bit of the miners as well. We talked about gold not offering a yield. Well, again, but if you own a company for example, like Agnico Eagle or Franco Nevada, they pay dividends. That's pretty close to gold earning a yield, especially when you have solid companies like that, paying you dividends. So I would definitely have a diversified approach. I would definitely own bullion. And because it is going higher. It is going higher.

Kai Hoffmann: Fantastic. Awesome. We have two minutes, unfortunately, left for questions. So if you have any questions, please go ahead and ask them.

Speaker 9: Very quick question, Dana and Rich, in terms of numismatic value for a gold coin, let's say you have $15,000 for a creases stater from 560 BC, compared to the same amount for 10 gold bullion coins, give me a macro view of which is a better deal, of buying an ancient coin or bullion gold.

Rich Checkan: Personal opinion, I'll take the bullion every day of the week. I think you have less to overcome on the upside to where you're in a profitable position, and there's too much left to chance on the numismatic or rare coins, because it's all dependent upon collector desire. That can come, that can go. It tends to be supported over time. But we have seen that market dip down as well, when those coins lose their luster. They're not making any more of them, so they are rare. And you gave a good example. It's an ancient coin. I will tell you, whatever you do, don't get sucked into buying modern issue collectibles. I think that's a great way to lose a lot of your money. Premiums gone out the window, you'll never see it again, trust me. But I like bullion best.

Dana Samuelson: You have two different markets there. One is a supply and demand driven market, which is the collector market for an ancient coin. Now, ancient coins are in demand around the world. There are collectors all over the world for a good ancient coin, a rare ancient coin. And rare ancient gold coins in particular have done very well over the last few years. Ounces of gold are a totally different way to look at gold as an investment. It's nice that you can take $15,000 worth of gold in a little coin and put it in your pocket and carry it anywhere around the world and trade it somewhere. The same amount of gold in ounces, well, it's about eight ounces right now, it's not that much different for portability or saleability, but they're two different markets. So it depends on what your long-term goal is, if you're an investor or if you want to have some safety against, or an insurance policy against crisis or continued debasement of the currency. The higher the gold price goes, it just means the dollar continues to lose purchasing power. And as I said earlier, all fiat currencies are heading down the toilet, in my opinion.

Kai Hoffmann: Great. Guys, we're out of time, but I want to give each of you five seconds to promote your presentation. Really keep it short because we're out of time. Omar.

Omar Ayales: No, this is here. I came for this panel and I'm here for the panel, but I'll be at the conference and happy to talk to anybody at any time.

Kai Hoffmann: Rich.

Rich Checkan: Got an exhibit booth as well. Come see us, by all means. But tomorrow at 10:40 in the Canal Room, giving a presentation about gold being an important part of a wealth strategy.

Kai Hoffmann: Fantastic. Dana.

Dana Samuelson: Tonight at 8:20 after the Exhibit Hall party, I'll be giving a talk on de-dollarization fact and fiction. We have a booth, 104 in the Exhibit Hall, and Friday afternoon, I believe, I'll be giving a bullpen talk on why gold has explosive upside potential.

Kai Hoffmann: Fantastic. Keith.

Keith Weiner: So I'm giving a bullet tomorrow morning on the so-called BRICS currency and Monetary Metals is in booth 118.

Kai Hoffmann: Fantastic. Awesome. I'll be doing an Exhibit Hall tour tomorrow at 3:15, so join me for that as well. Everybody else, thank you so much for watching. I hope it was valuable. Thank you so much. Thank you.

Robert Helms: All right! Good stuff! Thank you, sir!Welcome. Good to see you.

Gwen Preston

"Is It Terrible OR Is This Prime Positioning Time (Both!)"

Robert Helms: Coming up next, it's Gwen Preston, The Resource Maven. She's well known and respected in the community. She's a resource writer and speaker who draws on her many years of experience analyzing junior-mining stocks.

Prior to her beginning her weekly junior-mining-focused subscription-based newsletter under the flag of Resource Maven back in 2014, she worked as a writer for the Northern Mine newspaper and as a ghost writer for Marin Katusa at Casey Research. With the objective of seeking out junior-mining investments with standout potential for those who subscribe to her newsletter, Ms. Preston has gained a deep understanding of what makes a company successful and how that information could be used for investors as they create their individual investment plans.

In addition to The Maven Letter, Gwen also writes several other newsletters, including one with financing opportunities for accredited investors and another one that's focused on the green transition. Ms. Preston, who's based in Vancouver, British Columbia, has a Bachelor of Science in chemistry and a master's degree in journalism.

Here to enlighten us, please welcome The Resource Maven, Gwen Preston.

Gwen Preston: Good morning, everyone. It's so lovely to be back. I usually come to this conference every year, but had missed the last three years. Two years, there was that pandemic thing, and then last year, I was very pregnant, and it was not allowed to get on an airplane. So it's really nice to be back here, and to be up here at the beginning of the conference, kicking it off.

This is the title of my talk. If you are a junior-mining investor, you may think it's terrible out there. If you're sitting in this audience, it's likely that you also see the opportunity, hence the second question. But it's pretty rough out there.

I was just reading a news story that a friend posted, a friend sent over to me, about how a hedge fund that went caput and was banned from trading on Monday. Guess what, it had a bunch of junior-mining positions, and so now Echelon has had to unload a bunch of those positions in the last few days, which is one reason that we've been seeing extra pressure on even some of our favorite junior-mining stocks in the last few days. These are the kinds of things that happen when a market is in rough shape.

It is in rough shape. Is it terrible, or is this a really good time to position? I hate arguing the latter, because I feel like there's long periods in the junior-mining space where we all talk about positioning, but these moves, these markets can develop quickly, and so it's always important to consider precisely that question.

Okay. This is the picture. I don't need to spend much time painting it for you. Sentiment is terrible for most metals and minings investors, but a few are absolutely undeniably jump out of their seats excited. I think that divide captures everything about the metals market today and can help guide each of us how to invest.

I'm going to have a workshop tomorrow evening where I'm going to dive a bit more into the details of what I'm doing with my portfolio to put these thoughts into action, because I can't fit it all into 20 minutes. Feel free to join my workshop tomorrow night if you want to talk a bit more about detailed actions.

This chart just shows what those of us who like the gold space know all too well, which is that as the stock market keeps rising, or has been rising over the last few years, the gold sector has not had the opportunity to participate.

Sentiment is terrible even though metal prices are really not bad. The problem is that we don't have investors interested in this space. I think there's three main reasons why.

One is that general conservative investors have just not needed to look for anything different. They can buy big tech, also known as index funds, because that's what the indexes are these days, and they've been doing just fine. Recently, that's shifting, but over the last ... since COVID certainly, and also really since the great financial crisis, speculative investors used to gravitate to exploration stocks as a great speculative, high risk, high reward arena, but that arena has gotten more crowded in the last 15 years. There's now, or last 10 years, there's all kinds of speculative opportunities that the new speculative crowd, the Robinhood traders and all of them, are diving into, crypto, weed, NFT, AI, all of these, and there's more. That's just a sampling. So I think the exploration side has gotten a little bit drowned out because of that.

And it's now just been a while. Memories are short. It's been a decade since the last really good bull market. That's a chart of tech from, what is it, 2004 to 2011 I believe. Obviously, there was a great financial crisis that put a little bit of a dent in the middle of that.

But the point is fantastic returns when you participate in a metals bull market, but lots of investors either haven't done it before, have forgotten about it because was a long time ago, have been doing other things in the interim. It's one of the reasons that investors are not really interested.

Is there a reason to think that this is going to change soon? It's important, as investors, to divide up our thinking into what's going to happen tomorrow and what is going to happen, right? It's hard to know when it's going to happen. I certainly think this is going to change, but I don't think it's going to change tomorrow.

Metals markets move when two things happen. First, shortages push metal prices higher. We are not yet at a position ... You can put all kinds of charts up about copper stockpiles and days of inventory, but those charts have existed for many years now. We're not in a situation where those who need copper can't buy copper. That situation is developing, but we're not there yet. So we're not actually in a metal prices going higher because people can't get their hands on the goods set up. We are for uranium, so that's the case study that is already underway. Buyers can't get their hands on uranium right now, and the price is going skyward.

The other requirement for a metals bull market is that speculators get interested. They're not interested.

More generally, November and December are rarely good months for metals. That's for gold and for base metals. Big-picture-wise, metals do well when investors are confident that there's economic growth ahead. That is not a statement that we can make right now.

So there's a bunch of reasons to think that in the very near term this isn't going to change dramatically. Gold is an exception. I'm going to have a bunch of slides on gold in a moment.

But then there's some investors out there who are desperately excited, who are buying as many positions as they can. The difference here is that a lot of us investors have limited patience. That goes for companies needing to raise capital, and it goes for investors in the space. The limited patience means they need to either raise capital or see portfolio returns fairly soon. That's a normal requirement for a lot of people. Those majority are seeing the sentiment being terrible. It makes you despondent.

There are, however, some investors who are not under pressure, those with very deep pockets, those who have standout projects and can finance no matter the market. They're able to focus on the big picture. The big picture is that we don't have enough metal production to meet demand over the next coming years.

That disjunct is being amplified by the green transition, which is a little bit on pause because of the slowdown in global growth in general. But still, the green transition is really ramping metals demand higher, and we don't have the metals to meet that demand.

And then gold. We are seeing it right now that gold is playing a central role as the world de-dollarizes, deglobalizes, and absorbs the impacts of a really intense rate hike cycle. Those are very real reasons that this metals market will happen. That's why those who are able to have patience are really excited.

Let's step back and look at the context a bit. If we look at the four big commodity cycles that have happened since the 1900s, three of them occurred during inflationary periods, the 1910s, the '40s, the '70s. Then of course, the fourth was China, its entry into the World Trade Organization, and its emergence as a global manufacturing hub, and its massive construction boom. So we've had inflationary moments and we've had massive construction moments.

What are we facing today? We are in an inflationary environment. There's lots of reasons to think that that is not going anywhere. Lots of speakers up here will speak to that over the next few days, I have no doubt. And we are facing a global manufacturing revamp, a required one because of de-globalization and the green transition.

I would say that the requirements for those previous four commodity markets are met today. Again, that doesn't mean it's going to happen tomorrow, but it does mean that the odds of a metals market happening are very high.

I think anybody who is interested at all in base metals knows this kind of story. I'm using copper as an example of the kind of supply deficit situation that we have across *many* base metals.

The top left is what the green transition is doing to copper demand. These are dramatic changes. Take nickel. Nickel, for years, most of its life ... Its life? Does nickel have a life? Anyways, nickel has always been a stainless steel story. Nickel goes into stainless steel, very important use, but that has been the nickel market. Now, we need nickel for every battery out there. All the EVs need nickel. Yes, it's lithium, sure, but it's nickel. The sea change in the nickel market is dramatic. This is the kind of impact that the green transition is having on metals, but because metals have been in a bear market for a decade, there are not the mining projects to meet that sea change in demand.

The pair of charts on the top right there shows the number of big projects available to be built in the copper space from, I think it's 10 years ago until today or 12 years ago until today. Guess what. They're not there, because investors haven't been putting money into mining companies and so mining companies haven't been advancing projects. It's a harsh reality.

So then you get the chart on the bottom, which puts us facing a significant copper supply gap. That is the general picture that we're looking at in the metals market.

Gold is, of course, a different beast. We have been seeing that in the last few weeks, for sure. Gold usually has a very reliable inverse correlation with real interest rates. That's what this chart shows. We have real rates inverted and gold right way up. You can see that they pair quite closely.

Real rates say that gold should not have done as well as it's done, especially over the last year. Real rates have been marching higher and gold has stayed strong. What's going on there? Well, to dive into the weeds a little bit, yields rose this year. Last year, yields rose because the Fed was raising rates, and inflation was starting to come under control, just starting. That was a more normal context. This year, yields rose because of improved growth perceptions. People were not buying bonds because they were more confident in the economic outlook.

The question that that raises is whether that improved growth perception is going to hold. Is that justified? That's a question that I'm sure will be debated a lot over these next few days, but there's certainly hesitation there.

Then there's this question of an oversupply of treasuries, another topic that I'm sure will get lots of airtime over the next few days. This is a big new problem. This ... new. It's been an evolving problem for many years, but this is a problem that will ebb and flow, because the treasury's market is, of course, the biggest, the deepest, most liquid, most important market in the entire world, but it is showing cracks.

It's showing cracks because, of course, the ability to issue endless debt, truly endless debt to nations and banks that always needed US dollar liquidity, trading and storage, that ability to issue endless debt, because there was always that need from nations and banks, fueled America. It fueled how the American government was funded. But that pool of buyers who always needed those US dollars, those places to put US dollars or ways to own US dollars, that pool of buyers is shrinking.

Just to list a few, of course, China, Japan and banks that are seeing cash pulled because people want to put their cash in their own money market funds ...

China, Japan and banks are certainly buying far fewer treasuries. Russia is, of course, buying no treasuries. The outcome here is that there are still enough buyers for treasuries. I'm not trying to suggest that the biggest and most liquid market in the world is suddenly completely broken. But we are seeing some coverage issues at treasury auctions.

This is a real reason why treasury yields are rising. There's an oversupply. When there's an oversupply of something, its price falls. When you're talking about bonds, that means their yields go up. This is one of the key reasons that yields are rising right now. There is an oversupply of treasuries. What's really important about that concept is that there's no way out from that oversupply of treasuries.

The chart in the middle there, with purple, shows the deficit spending of the US government. There is no escape from this deficit spending. I think it's a reasonable statement to make that there's no way to increase taxes or cut entitlements. There's no practical way to do that in this country. What is the outcome? You need to continue to fund operations via deficits, so the deficit needs to just keep rising.

The chart along the bottom there shows treasury issuances. Note that, what is it, the first few bars are five-year gaps, and then the yellow bar is a one year. The blue bar is 2023 and the yellow bar is 2024, just to point out that timeframe, which is a bit odd for a chart. You can see how much debt needs to be issued by the US government. It's insane. Absolutely, a bunch of this is rolling over existing debt. This is not all new issuances by any means. But the needs are very significant. There's no escape from it.

The needs are very significant, and the pool of buyers is shrinking. This is a process that will take some time to evolve, its impacts will ebb and flow, but it's real…

I think the thing to remember about that is it may mean that the connection between real rates and gold has changed. I don't think it is necessarily a reliable thing anymore. We have seen this over the last few weeks, especially with the Gaza War. It's a real thing now that rates and gold can rise together. They can move together, because there's an acknowledgement of oversupply in the treasury's market, and so yields are responding to that as much as they are to other more conventional pressures on yields, like geopolitical risk or economic risk.

Geopolitics, certainly deglobalization is boosting gold. There's a shift. A lot of nations are quietly buying gold. The chart that I really like here ... Certainly, the lower left chart shows Central Bank gold purchases. The light blue is the Q4 purchases, which certainly are not shown on the 2023 chart because we're still in the midst of it. We're on track to meet or beat last year's record-setting Central Bank purchases.

The chart on the right I really like, because the blue parts of the bars are Central Bank gold purchases that are disclosed. The World Gold Council always knows which central banks are buying gold, but the central banks tell the World Gold Council whether they can disclose their names. So the blue parts of each bar are the central banks that are like, "Sure. You can tell people that I bought gold. That's fine." The yellow parts of the bar are the central banks that said, "No. Don't tell anybody that it was us. We're just doing this." So guess what. Over the last few years, a whole bunch of central banks have been just quietly buying gold, lots of it, and not wanting their names out there. This is the BRICS-plus nations of the world developing gold stores because of deglobalization and de-dollarization.

Again, long, slow processes that will ebb and flow in terms of their impacts, but they're absolutely happening. They are creating a real foundation for the gold price. It's not helping gold stocks, central banks don't buy gold stocks, but they're buying gold. That's creating a very strong foundation for the gold price.

Then there's the classic role of gold, which is the safe haven. If we just look at retail investors like you and me, rising risks absolutely are having investors want safety right now. We can see that in China, where rate cuts, a real estate market that's in shambles but for a long time was where the wealthy put their money, a sliding currency, a weak stock market ... Chinese retail are flooding to buy gold. That's a very significant move. We are also seeing increasing interest from Western investor institutions in gold because the risks are very present. They're very real.

This is something that I could spend my whole talk discussing. Are we heading towards a recession? There are certainly warning flags out there. Those warning flags are the kinds of things that get investors to move towards gold.

That one ended up in small font. I'm sorry. I do not usually put this many words on one slide but in my newsletter last week, the week before? I went through the mental game of, "Well, what happens next?" Because we've been muddling along in this metals market. We've been muddling along for an annoyingly long time, where metals prices, and in particular gold prices, have been doing really quite well, but metals stocks have not. My portfolio has not appreciated the performance of metals stocks in the last little while.

Yet, I am so bullish on the big picture, so I had to go through the exercise of, "Okay. Well, what's going to happen in the near term?" I went through the possibilities. This is not an exclusive list, but these are the main possibilities that I came up with.

There's certainly the possibility that a bond auction fails, so there are not enough buyers to cover the issuance. If the change in the treasuries market is like a freighter really slowly changing direction in the ocean, that takes a long time, but if a hurricane hits that freighter, dramatic things can happen. That's a good analogy, I think, for the treasuries market. This change is slow. It's underway. It's going to take time. The waves are going to go where they're going to go, but a hurricane could still hit. Something like a failed bond auction or a series of failed bond auctions ...

As I was starting this talk, the treasury was issuing its expected auctions over the next few months. I'm keen to see what that list is, because they're going to be big. I'm curious to see what the reaction is and how people anticipate buying interest in that list. If a bond auction fails, yields go higher, gold responds, for sure.

A credit crunch. Where we've had an intense rate height cycle, we could absolutely have a credit crunch. Gold benefits in that situation, for sure. The Gaza war worsens. Yields would, in that case, drop because investors would buy treasuries as safety, the classic move, but gold would benefit. That would probably be a shorter timeframe.

Perhaps the Fed sees risk rising, and navigates a perfect path from high rates to moderate rates that enable growth while managing inflation. It's possible. But in that situation, then a broad metals bull market happens, because investors get to see that confident economic growth that they've been missing, and they buy into metals because there aren't enough of them to enable that growth, and gold participates alongside.

All of the major baskets of what could happen next end up supporting gold. Again, I'm not saying this is going to happen tomorrow, but I am saying that it's going to work.

I'm running short on time here, so I will go through this very quickly. I do think patience will be rewarded. As I mentioned, there's a case study right now in the uranium market where we have a shortage of the commodity and prices are responding in spades. Happy to talk with anybody about uranium. If you see me around, if you come to my workshop, I'm absolutely happy to chat about uranium. I think there's a lot of room left in that market, but it is a really good case study of this deficit situation that we're facing.

That's what I wanted to say. My last two slides, these are the products that I produce. I write a weekly newsletter about what I'm thinking, buying and selling in my portfolio. It's a subscriber-supported letter. I also, for those who are interested in financings, I try to provide my premium subscribers with access to the financings that I am buying, because it takes a network and knowledge to find good ones. And I write a newsletter about the opportunities of the green transition.

Here at this lovely conference, I am on the mining share panel, which is at 1:40 today. Tomorrow, I am co-hosting a breakfast with Banyan Gold. I will do an exhibit hall tour at 9:45. I have a workshop tomorrow evening. I'm generally around. Feel free to stop me and chat. That's what I'm here for. I love meeting investors and chatting.

Thank you all so much for your time and attention. I hope you enjoy the next few days. Thank you to Brien and the team for putting on a fantastic event and allowing me to be part of it. Enjoy the rest of your day.

Robert Helms: All right. Nicely done. Nice to have The Resource Maven back with us after a couple of years off. All right.

The Real Estate Guys

"What YOU Can Do To Promote And Protect Main Street Capitalism"

Albert Lu: It's time now to introduce our friends, The Real Estate Guys. The Real Estate Guys Radio show is an investing talk show featuring hosts Robert Helms and Russell Gray, broadcasting on conventional radio since 1997. The podcast version is heard in over 190 countries. Notable guests have included Steve Forbes, Peter Schiff, Donald Trump, James Rickards, Mark Skousen, Robert Kiyosaki, and many others.

To listen online and subscribe to the free newsletter, visit www.realestateguysradio.com. Today they'll be talking about what you can do to promote and protect Main Street capitalism. Please welcome The Real Estate Guys.

Robert Helms: Hey, good afternoon. Welcome, and we're so glad you're here. I'm Robert Helms, that's Russell Gray, and we're often in the same place at the same time, but here we are, thrilled to be back at the 49th Annual New Orleans Investment Conference. Hi, all you folks at home. Our talk today is going to be different than what you've seen in the past. If you don't know anything about us, The Real Estate Guys have been as Albert said, we're 27 years on radio or on the Salem Radio Network, and you can find us at all your favorite podcast outlets. Wherever you listen to podcasts, you can find our free podcast. And there you go. So our talk today is about...

Raise your hand if you were at our pre-conference session?

Russell Gray: Okay, so we closed out with, there's a belief out there that capitalism is a disease and socialism is the cure. And of course as capitalists, that's a concern for us because socialism means taking the stuff that you've worked for and redistributing it to the people maybe that haven't. And so there's class warfare going on out there, but it's like if you get sick, like your liver gets bad, you won't rip your liver out, the liver just needs to be cured. So capitalism needs a little bit of a makeover.

And so really, there's a difference between crony capitalism, the kind of capitalism that has a lot of corruption in it, the capitalism that crushes Main Street and Main Street capitalism. Obviously as real estate guys, we spend a lot of time on Main Street. Main Street is where we believe all the wealth is created and somehow we siphon it all up to Washington and Wall Street and we let them skim off whatever they want and they send us back the scraps and if they blow it in the casinos, they put the losses to Main Street.

So Main Street capitalism is the cure. And last year, and I think the year before, both times, George Gammon got a standing ovation. Who was in the room when George got a standing ovation? It was amazing. And I remember sitting here and one woman cried out. She goes, "George, what do we do?" So we thought about our presentation for this year. We thought we wanted to come with something you can actually go home and do. So it's a lot less about your portfolio, although it impacts your portfolio. It's a lot more about what can you do to advance the cause of capitalism.

And so here's the situation out there. There's a belief system out there that the central planners really want to put us into positions of dependence. So the argument is about left versus right or Republican versus Democrat or-

Robert Helms: Liberal versus conservative.

Russell Gray: Liberal versus conservative. It's really about people who want to be in control and make you dependent on them and your innate desire to be independent. That's the battle. And so on the left-hand side, you see Klaus Schwab in the World Economic Forum and they get together and they make plans because they're smarter than all of us, about the way our lives should be all the way down to sugary drinks and how much money we should have or shouldn't have. In fact, they have a saying that you're going to hear in a minute, versus on the opposite side, we teach Main Street capitalism. That is a seminar that you can see Robert's picture there, where we're actually teaching people how to do Main Street capitalism.

Their philosophy is you're going to own nothing and you're going to be happy, and they're indoctrinating young people to believe that to be true. And you can imagine if you own nothing but have needs, then you're dependent on whoever it is that supplies those things. And so it sounds a lot like slavery to me.

Robert Helms: So how many are familiar with Ayn Rand's work? Believe it or not, she appeared here at the New Orleans Investment Conference. In fact, you can find that footage and hear her talk. She said, "The smallest minority on earth is the individual, and those who deny individual rights cannot claim to be defenders of minorities." And yet, does it feel like your individual rights are increasing or being diminished every single day? We continue, as a species, to sacrifice our privacy for convenience. Some of you flew here. How many of you had to put your face in a camera to fly here? Yep. More and more. I fly a lot. Every time I fly out of the country, I do that. This was the first time on this trip that they made me look in the camera before I even got through security.

So ask yourself. I remember on this stage, Ron Paul talked about walking through the TSA and he said, "Ask yourself this. Is this the position of a free man?"

Russell Gray: Here's a concept, very important. We talked about this the other day. Freedom precedes wealth. It's really, really important that we as Main Streeters get our mind around that because a lot of us want to become financially independent. We want to get rich so we can be free. We want to preserve our wealth so we can preserve our freedom. It's the other way around. Our founders set us free and we took our freedom and became rich. As our leaders take away our freedom, we become poorer. If you want to protect your wealth, you gotta protect your freedom. The founders at the end of the Declaration of Independence said, "We mutually pledge to each other our lives, our fortunes and are sacred honor." They were already rich, but they knew their riches didn't matter without their freedom. So they sacrificed those things to regain their freedom and rebuild their riches. Always remember that.

Reagan said it best, and I want to play this clip for you. I was born in California, I'm going to call it the late great State of California. When he was inaugurated in 1967, California was still basically pretty free. And people came out there and they were excited about freedom and opportunity. Of course, it changed just like it did for Michigan. But Reagan said this and it was true then. And just listen to what he has to say.

You and I have lived too long with this miracle to properly be appreciative. Freedom is a fragile thing and it's never more than one generation away from extinction. It is not ours by way of inheritance. It must be fought for and defended constantly by each generation, for it comes only once to a people. And those in world history who have known freedom and then lost it, have never known it again. Knowing this, it's hard to explain those among us who even today would question the people's capacity for self-government. I've often wondered if they will answer, those who subscribe to that philosophy. If no one among us is capable of governing himself, then who among us has the capacity to govern someone else?

Using the temporary authority granted by the people an increasing number lately, at all levels of government, have sought control even of the means of production as if they could do this without eventually controlling those who produce. And always, they explain this as necessary to the people's welfare. The deterioration of every government begins with the decay of the principle upon which it was founded. This was written in 1748 and it's as true today as it was then. Government is the people's business and every man, woman and child becomes a shareholder with the first penny of tax paid.

Russell Gray: All right, so Ronald Reagan, “freedom is a fragile thing. It's never more than one generation away from extinction.” We've allowed the public school system and the higher education system to extinguish a lot of what made America great the way we think. It's our responsibility to fix that. I'm very encouraged with what I see going on across the country right now. I've been in education for a long, long time because basically that's what we do, financial education, entrepreneurial education, and it's so exciting to see what's happening. But he says it's got to be fought for and defended constantly, by each generation.

So the challenge today for all of us is to look at that next generation. We're going to give you some practical things in a minute. This thing he said, "Using the temporary authority granted by the people in increasing number lately," this is 1967! "At all levels of government have sought to control even the means of production." What's that? That's socialism. "As if they could do this without eventually controlling those who produce," that would be you and that would be a theft of your freedom. This is what we're under right now.

Benjamin Franklin, when asked what kind of government the founders gave us, he said, "A republic, if you can keep it."

Robert Helms: So this is a picture of our dads. This is Russ and I, his dad, my dad. We were raised by capitalists and we're raising capitalists. So when people say, "What can you actually do?" We're going to go in a direction you may not expect, which is to tell a little bit of our family background, but to illustrate that you really can change the world if you'll start in the right place. Both of our dads had great work ethic and they took the time to teach and to show and to lead us, and that's an extraordinary gift.

I was raised in a real estate household. My dad, from the time he was little loved real estate, he started to invest into it and the very first apartment building he bought with my uncle, I was the onsite residential property manager for. Little by little, I got the bug. I started collecting real estate and never looked back. I had a job once. It was the worst two weeks of my life. I've been an entrepreneur forever. I don't know what it's like to work for a paycheck. I don't know what it's like to work for a boss. I got that from my dad who had been through that but had saw a better way and his better way without even realizing it was hard assets that do the work for you. The great part about real estate, somebody else pays down your mortgage as the property goes up in value, whether it's cashflow or equity, there's a lot of ways. Russ had a great story growing up as well.

Russell Gray: So this is my grandfather's family. My dad is the tall boy on the right-hand side. He was 14 years old. They immigrated from the Philippines. My dad was born in 1940. The Philippine Islands were occupied by the Japanese army. Brutal. You hear about some of the stuff going on in Israel. Some of the stories about what the Japanese soldiers did to the Filipinos, it's horrific. It's horrific.

So my dad had a very first-hand understanding of what tyranny, what real oppression looks like, and they fled to the United States. Thank God that they had the United States to flee too. That's my dad there holding me when I was six months old. Six years after that first picture when he came to the United States, he's a father. He goes to work. That's me on the right-hand side, believe it or not, when I'm 18 years old and I got married. And notice behind my head…is the Declaration of Independence.

Until about two years ago, I've had this picture for 40 years, more than 40 years, I never realized that my dad had a copy of the Declaration of Independence on his wall. But a funny thing, when I look at my house and my wall, I got the Declaration of Independence, a Bill of Rights and the-

Robert Helms: You have the Statue of Liberty as well.

Russell Gray: The Constitution, I got it all. So my father influenced me without saying a word. Think about that. Think about the symbols that you put up, the things that you subconsciously or subliminally tell your children and the people around you are important. My dad gave that to me.

Robert Helms: So raising capital, this is the idea of letting your kids see. My sister's a chiropractor. She has this great sign in her office. It says, "Are you leaving your children home to develop the same problems you're here trying to fix?" So how many of you know of a young person that could be in the room today? When do you start teaching your stuff? Because I don't know about you, but my kids have followed a lot of what we think and believe by the people we put them around, and it is intentional and we're going to share some of that with you because it's going to happen one way or the other.

I'm an Eagle Scout. My oldest son, Ethan, who's here in the room, is an Eagle Scout. His little brother is first class working on being an Eagle Scout. Now, scouting taught me a whole bunch, but it taught me about the great outdoors and it taught me about liberty and freedom and the scout law and the scout oath. That's my youngest son at one of our events running camera. He loves drones, he loves camera, he loves to make money. He's getting involved. And there the kids are on one of our Investors Summits with the guy you may recognize, and they've known Robert Kiyosaki since they were little. Only recently do they recognize who he is. Ryland thinks he's my friend that flies helicopters. Ethan is in the middle of reading Rich Dad Poor Dad right now.

Here we are with George Gammon. George Gammon took Russ and I and Ethan out racing and having fun. That's my son Ethan having dinner with George Ross, who was an incredible, amazing, still is, real estate attorney. And so who are your kids around? Who are your grandkids around? What are you doing with them? How do you have them thinking?

Russell Gray: So here's Ethan now at the show. And so he started out just being a little kid and now he's there taking the picture and hanging out with Peter Schiff. That was fun. Went to dinner with him last night. This is my son Sean there, my youngest son. You can see Peter there in a bathrobe, singing.

Robert Helms: As usual.

Russell Gray: If you want to see that, then you need to come on the Investor Summit. But you can see my son Sean there with the S on his chest, Superman. He is there in the other picture there with me. He's hanging with Simon Black, made every opportunity for my kid when he was a young man to get around successful entrepreneurs. Through that relationship with Simon, he ended up, he and his sister Stacey, going to Simon's entrepreneur camp in-

Robert Helms: Lithuania.

Russell Gray: Lithuania, thank you very much.

Robert Helms: Easier said.

Russell Gray: And all five of those little babies you saw with my wife and I holding right there, every single one of them grew up to be entrepreneurs. Every one of them, every one of them did.

Robert Helms: Sean wrote a book.

Russell Gray: Sean wrote a book, 22 Without A Clue, about his journey from being completely lost at 22 years old. And all his friends were following the structured path into corporate America and he decided to be an entrepreneur and he was floating in outer space. It's several five star ratings, encourage you to check it out. This is my daughter Stacy there on the right hand side, the blonde and she is there. That's Robert Kiyosaki. Robert Kiyosaki interviewing the young people. He's so excited about getting around young people.

And so the Kiyosakis have been encouraging my daughter and her entrepreneurial journey since she was 16 years old. Today, Stacey is older than that. She's in her mid-30s. She runs a business where she teaches people who raise private capital, how to organize their business operations. There she is teaching at an event. I couldn't be more proud and I love quotes and she's actually got one of my favorites. She goes, "If it's not on the calendar, it doesn't exist." In other words, if you don't budget time to do the thing that you think you want to do, some day is no day. And then if you're lucky, one day she'll post something on social media and tell you what an important role you had in helping her develop her entrepreneurial capitalistic bent.

This is my dad, a little bit bigger than he was the first time he was holding me when he was six months. I'm there in the middle of my son, Ryan. Ryan, I put together events where I could invite the capitalists that I know in my life to mingle with my kids. We put together a firearms training event. Ryan came because he was interested in firearms. He ended up meeting with a buddy of mine, Travis, who's an entrepreneur, and I think Travis might even be in the room here somewhere.

And anyway, they ended up going into business together and now they've got this business they're developing together. So my point is that you have the ability to create opportunities to introduce people to other people who need to know each other. And this is a fundamental principle of being an evangelist for capitalism. If you want to change the culture, you've got to change the minds of people. How do you do that? You got to get people around other people that think the right way.

So all my life we've been creating environments to get young people and the people I care about into relationships with other people. And it's not about charts and graphs, it isn't about information, it's about tribe. It's about culture and the way people think. If you're not a capitalist or if you are a capitalist, just remember it's not just what you leave your children on the balance sheet. It's what I'm hoping to leave my children and I think I'm so far been pretty successful at is the ability to create a business out of scratch from nothing. If I give them that life skill, they can survive whatever transitions the idiots upstairs create. And I don't mean the man upstairs, I mean the people in the ivory towers.

Robert Helms: So the other thing, it's not just about you and your kids and your grandkids, it's who else do you know? We live in communities. How well do you know your neighbors? We for years have been training capitalists, not just the ones related to us, but folks to show them that there is a way. It's hard to let go of those corporate shackles and to not depend on the paycheck. Many of you have been in that position, some of you still are. Once you break free of that, the world changes and all people need is an example and teachers.

It's pretty simple. You start hanging around with people you like and the people that you're... Jim Rohn says, "You become the average of the five people you spend the most time with. If you spend time with people that go to more concerts than ball games, you're going to go to more concerts than ball games. So who are the five you're spending time with and what do they have you thinking and how do they have you believing?

Russell Gray: So one of the things that's fun is we have these students. In fact, if you're a student, if you're in our syndication training program, just stand up. Just stand up if you would, just real quick, stand up, stand up, stand up, stand up, wherever you are.

Robert Helms: There's some capitalists that we're training right now. Yeah, awesome.

Russell Gray: So these are people that come through our program. They're being taught how to go raise private capital, become fund managers to not buy Wall Street assets, but to buy Main Street assets. Thanks everybody.

Robert Helms: Thanks everybody.

Russell Gray: And so these guys, they're raising hundreds of millions of dollars. They're writing books, they're teaching others. And that's such an important principle because if you're a capitalist and make sure one of your long-term investments is in teaching, training, mentoring, encouraging and investing in other capitalists. If capitalism is a disease, then it needs to go viral. And we need to make that happen. We need to spread the gospel, if you will, of capitalism, Main Street capitalism if we want to really redeem our freedom in this country. If people don't value private property and their rights to keep what they earn, they will vote those away so that they can own nothing and be happy. And that's where the globalists, the central planners control the production and those who produce. And that's where your freedom goes away. And if you're only rich but you're not free, you might have material wealth, but you've got poverty of spirit. I don't think any of us want to be enslaved even if we're in a fancy cell.

Robert Helms: So we train capitalists and connect capitalists. So on the left there a bunch of the folks that just stood up, hanging out the first day at the event. This is kind of a fun picture we dug up from our annual Investor Summit. We're about to, next year, go on the 22nd annual Investor Summit.

This is in Robert Kiyosaki's cabin. There he is with Ed Griffin, who wrote The Creature from Jekyll Island with Kim Kiyosaki. I see Peter Schiff there, Brien Lundin is hanging out, Chris Martenson, Adam Taggart. We put ourselves in positions to connect people. Now, you could easily argue that every person in that room is more influential and more well-known than Russ and I, but this is the party we threw for these folks and brought them together. We have spent our career connecting people. We had the opportunity to introduce Robert Kiyosaki to Steve Forbes. Now obviously, they both knew who each other were. They could have easily met. We were at an event at the same time. We knew them both. We took them together and that was powerful to connect people.

So be a connector. Too many people think scarcity. Well, if I show them that gold guy, they're going to buy from him instead of me. That's stinking thinking. No, no, no. Abundance is together, everyone achieves more. Everybody brings something to the party. Here's a great story that has to do not just with an event that you can put together. This is Garrett Sutton in the pink shirt. He is the Rich Dad advisor for legal, one of our attorneys. Amazing guy. There I am with my dad and that's Teddy on the left-hand side. Teddy has been coming to our events since he was 11 years old. Garrett brought him on the summit so he could get around some folks like that, and today Teddy runs the law firm.

Russell Gray: So Gary Keller wrote a book, Gary Keller started Keller Williams. He wrote a book called The One Thing. If you haven't read it, might take a look at it. It's really about leverage. He says, "Find that lead domino and whack away at it until it falls." Find the one thing that makes everything else you have to do either easier or unnecessary. And so when you think about what's going on in the world right now, there's a lot going on. It can be overwhelming. It's like where do I start? Some of us want to just have a bunker. We want to run to the hills, we want to go to some offshore island. And we've looked at all those options. In fact, we have some of those options. But at the end of the day, to quote Ronald Reagan, “if we lose freedom here, where are you going to go?”

So the one thing in my book is to build a strong network in local community. If you invest in relationships, if you build a network of peers, people who are like you, that are concerned about what you're concerned about, that are studying what you're studying, they're working on solving the same problems you are and you create mastermind groups and you compare notes and you work on improving, you will get better. You find mentors, people that have been there, done that. There are people who have lived through 2008. There's people who lived through the stuff that happened in the early 2000s or even back in the ‘90s and the ‘80s. Get around those people and learn from their experiences because that perspective, the people... I heard Ronald Reagan speak when he was alive. Some of you young people, we did the Blues Brothers thing, we opened up, people like, "Who are those guys?" Right?

But you get to a point where you've been around a little bit. So mentors are super important. Advisors, be strategic about picking people that are experienced experts that have been through the wars before. Operators are the people you invest in. Warren Buffet doesn't run the companies he invests in. He picks great management teams. When you look at these resource companies, I think that... And I'm not a resource investor, mining stock investor, but I've been to this conference so many times, I understand how important the management team is. You got to pick people that actually know what they're doing. You're investing in the people as much as you are in the project, and that's true on Main Street as well as anywhere else. So invest time in building those relationships.

And the other one, local community. You may not have a lot in common with your neighbors, but if everything goes bad in the world and the only people you have access to are the people you live next door to, it's a pretty good idea to have a good relationship with them. Try to find some common ground.

Robert Helms: Well, there's a couple of things there. That's what we call social capitalism. We got that from this great book Prosper, Adam Taggart, who you'll meet around the conference and certainly hear from this stage before we're done. And Chris Martenson wrote this incredible book, they talk about the eight forms of capitalism and ask you... We all learn about capitalism and we want to know about money, but your relationships are one of the most rich. And how they have you measure your ability to have social capitalism is, imagine that you couldn't get home and get your kids from school. How long is the list of people you could call that would one, go and pick up your kid and two, your kid will get in the car with? If that's not a long list, you don't have much social capital.

And it sounds crazy, but those of you that are preppers, you're prepared for what may come. Good for you. What about all the neighbors that live near you? They may be not prepared, you better be over prepared.

Russell Gray: All right, so the key is getting down to brass tacks. What can you do? And we talk about this all the time with the entrepreneurs that we coach, and it's really a business of inviting. See, this isn't a business of just learning and absorbing and getting information and managing your own portfolio in the solitude of your own home and office. And I understand we're all private people, but if we do not share ideas, if we do not invite people to get into relationships, if we do not create organizations, informal or formal, where people can bond, like what Brien Lundin had kept alive here after Jim Blanchard passed, he kept this thing going and it's been fantastic. We've been running our summit for 22 years. We promote other people's events too because it doesn't matter if it's ours or it's somebody else. What matters is that people get together and put good ideas in their head and get inspired and get encouraged.

So those of us that are on stage can do a little bit, but those of you in the audience can do a lot more. So start inviting. One of the things you can do is share discussable content.

Robert Helms: Yeah. It's great when you get in this ether and you've had all these great ideas and met all these people and have these questions, and then you leave here and it dissipates. Thankfully, almost all of the speakers here have podcasts, YouTube channels, and when you're sharing something like that, it's not like just, "Hey, I think this would be interesting." You want to study it together. We do book studies where we take a book and we spend time and we do these live and we also do these over Zoom and you can get so much deeper when you discuss, when you, as Abraham Lincoln said, "Rub your brain against other brains."

So you get the latest edition of the Gold Newsletter, rather than just read it and go, "Oh my gosh, awesome." Get a discussion group, talk to your family, or maybe your friends or maybe people you don't even know, but this is how you start to... You don't have to create the content, you just have to share it.

Russell Gray: Yeah. Last night I was at dinner with Peter Schiff and George Gammon. I was sitting right at the end of the table, they on either side. And George is talking about listening to Peter's podcast and they're both going back and forth. It happens at every level.

Robert Helms: It was so great to hear George, who has a great big number of subscribers, but not as great as Peter, giving Peter advice about how to get his numbers up. It was so awesome.

Russell Gray: It was crazy. Play educational games. Robert Kiyosaki created a great board game called Cashflow. If you haven't played it, discover it. You can host games and invite people to your home. We do a big thing in our Investor Summit where we get dozens of people together and play the game. It's just a way to get people excited about having a bonding moment, learning about investing. Join or start a club. We have an investor mentoring club. We can give you information about two hour online, once a month just to listen to stuff and invite people to, and then have discussions afterward. We have a Syndication Mentoring Club for people who want to raise capital. We just created a program or merger program with George Gammon and Ken McElroy and Jason Hartman called the Collective Inner Circle. You could start a book study club. There's all kinds of stuff you can do, but get social with your capitalism. It's really, really important. You can promote and attend events. Here's a whole bunch of them.

Robert Helms: It's coming next year, the 50th annual New Orleans Investment Conference. If each of you brought one more person, then think about what the budget would look like to bring that many more amazing speakers. We have our annual Summit at Sea. We'll shamelessly promote that at our booth. We'd love to have you come. George Gammon will be there. Peter Schiff will be there. Brien Lundin will be there. The list goes on and on. Kenny McElroy, Tom Hopkins, you can be there. George's Rebel Capitalist Live is coming up. Here we are hanging out at Rebel Capitalist Live and there's the quote I shared from Jim Rohn, "You become the average of the people you spend the most time with."

So start going to places where you can hang out with super cool people. We've made it our mission to never be the smartest guys in the room. Early in our career, we went to a lot of real estate events. We were the smartest guys in the room. That didn't work out very well for us. Today, it's easy when we come to places like this not to be the smartest guys in the room, and you learn so much more that way.

Russell Gray: So remember, it's not about information. It's about transformation. The way you think, the way your neighbor thinks, the way the government, that officials that you elect think, the way the people that are doing business in the marketplace, the way they vote, think, affects what they do and what they do affects the results. And sadly, you don't live on an island. You are not completely in control. Other people and the way they think affects you. If you want to change your life and protect your freedom, you have to change the thinking in society. So it's about sharing information for the purpose of transformation, not just learning. Information is just a tool to drive towards transformation.

Here's one thing I do. I get involved with my grandson. He and I, we buy a big bag of junk silver from Dan Samuelson. We open it up and we go searching through the coins. We found a 1907 coin and I was able to teach him so much about how come the money doesn't have silver in it anymore? 1907 was the year of the financial panic that led to the formation of the Federal Reserve, and there's a whole story there. And I said, isn't it interesting that all the old coins had pictures of concepts like liberty and peace and all the new coins have pictures of men? It tells you something about the evolution of society. There's so much you can teach with such a simple little thing.

Robert Helms: Some of you know that anytime you stop me publicly, I'll always have a silver coin in my pocket. I learned that from Dr. Mark Skousen. It's the pebble in the water. Everything you can teach will affect and you have no idea where it's going. If you're interested in changing the world, you got to start with the young people. So how do you get involved with young people? You can sponsor a conference or a club, put together something. You could bring some kids to this thing. Why not next year bring some people that you know in their 20s, 30s, 40s? This conference, let's face it, I like to come to this conference because it makes me feel young.

Russell Gray: Yeah, and we need to bring this thing home. We just got a minute left. We want to close out a couple of things, but kids learn capitalism by doing. If you invest with your children, buy a property together, start a business together, it can be small. The risk can be modest. Remember, it doesn't have to succeed or fail. What you're doing is you're raising the kid. Like Scott is here with his daughter, Chloe. Wave everybody. Okay, that's awesome. Love that. Invest in Main Street. Support local business. Invest in local projects and private placements.

Remember, keep the main thing the main thing. We've heard that many times in life. Keep the main thing the main thing. Well, when it comes to your investing, keep the main thing the main thing. Keep your Main Street money on Main Street. Here's an example of one of our students, has built a company that has $300 million of equity raised and $500 million of assets under management. They're doing a ribbon cutting ceremony.

When Main Street capitalists invest, they build amenities for local communities. They give local investors the opportunity to participate and they create local jobs. These aren't overseas jobs. These are right here in the United States. We trained that guy. He didn't even know what the word syndication meant. So we got a workshop tonight? Tomorrow?

Robert Helms: Tomorrow night.

Russell Gray: Tomorrow night. Tomorrow night, we're going to talk a little bit more about how you can get involved more in real asset Main Street investing. For some of you, that's a little bit foreign. Come check that out. We have other things, but we're out of time. So we're going to call that a wrap. Ladies and gentlemen, thank you so much. Really appreciate the time and attention.

Robert Helms: All right, thanks for having us.

James Rickards

"Back To The Future (With Gold)"

Albert Lu: It's time to bring up Mr. James Rickards now. James Rickards is the editor of Strategic Intelligence, a financial newsletter. He's the New York Times bestselling author of The New Great Depression, Aftermath, The Road to Ruin, The New Case for Gold, The Death of Money, and the 2011 classic, Currency Wars, my favorite. His talk today is Back to the Future With Gold. Please welcome James Rickards.

James Rickards …The New Orleans Investment Conference, I don't have to tell you one of the oldest and best attended and most important conferences of its type. So it really is an honor to be here. I knew when I was supposed to start this presentation, I wasn't quite sure how much time I had. They told me 25 minutes. I have about two hours' worth of material, but that's okay. We'll get through it all. I'll just have to talk a little faster.

My topic today, the title is Back to the Future with Gold. But in particular, we're going to look at the BRICS, that's a group of countries, Brazil, Russia, India, China, and South Africa, and what they're doing in the monetary system and how it impacts gold. So I promise you, we'll bring this whole thing around to gold in very important ways. But it's not something that is a household word or everyone knows everything about it. It makes the headlines every now and then, but I do think it's important to really look at it closely and understand what's going on and the importance it has for the dollar and for gold.

I have a photograph on the slide from the most recent Leaders' Summit. They have about a hundred little conferences a year on a lot of different topics. They do women's rights and sports and the environment and a lot else. But the leaders, the heads of state, get together typically once a year. And from left to right on your picture, you have Lula da Silva of Brazil, Xi Jinping from China, Cyril Ramaphosa from South Africa, Prime Minister Modi of India, and the guy on the right obviously does not look like Vladimir Putin. It's not. It's Sergey Lavrov, who's the foreign minister of Russia. But what happened was Putin was supposed to be there, but the International Criminal Court issued a warrant for his arrest for war crimes, a very political kind of thing and South Africa couldn't assure him that he wouldn't be arrested by some group or NGO or opposition politicians when he arrived. So he attended virtually, and Sergey Lavrov attended in his place. I still don't have a picture of the five leaders together. Maybe we'll get that next year.

I want to start with Aristotle and it's kind of to go back to the source. If Plato was the father of philosophy, Aristotle was the father of logic. He obviously was a philosopher, a student of Plato actually, taught Alexander the Great. Aristotle made a lot of contributions, but one of them was logic. And here you have a very simple piece of logic. I think we all probably learned this by the fifth or sixth grade. But if it's true that A equals B and B equals C then it is true that A equals C. This is, they call it a syllogism or transitive law. But if a number of things are equal to each other, then you can move them around and they are still equal. This, believe it or not, this is 2,400 years old and is the key to the future of the international monetary system. So I'll come back to this at the end but let's bear it in mind as we go forward.

I want to talk about the role of BRICS 11 in a new gold-linked monetary system. A little history is in order. BRICS actually started as a Goldman Sachs marketing report in the year 2001. They're always figuring out new ways to sell you stocks, so one of their analysts came up with this idea of BRICs. At the time, it was Brazil, Russia, India, and China. The small S was just a plural. As I say, it was a marketing brochure to get people to invest in emerging markets. If you look inside your 401Ks, you probably have an emerging markets index fund in there somewhere, and it's probably tied to the BRICS.

In September 2006, however, it became real when the actual foreign ministers of the actual BRICS countries met on the sidelines of the UN General Assembly. They got together and said, "Well, we actually are the four largest non-developed or developing economies in the world. We have a big future. Why don't we talk?" Coming forward, in June 2009, you had the first formal meeting of the BRICS leaders. This was in Yekaterinburg, Russia. For those of you who know your Russian history, Yekaterinburg was the place where the Bolsheviks slaughtered the Romanov family, the Czar and his ministers. But I guess they thought that was a good place to have a meeting, and they did. And the attendees then were Dmitry Medvedev, who was the president of Russia at the time, Lula da Silva, who's back. By the way, between then and now, Lula da Silva was convicted of felonies and put in jail. Then he was released from jail, and now he's the president of Brazil again. So maybe there's hope for Donald Trump after all. Prime Minister Singh of India and Hu Jintao, who at the time was the president of China.

Coming forward, December 2010, South Africa was invited to join the organization. South Africa is a very small economy relative to the other four. It's not quite in the heavyweight category, but it was felt that Africa was a missing piece of the puzzle, and they had Asia and Europe represented. Why not include Africa? So they did. And then the S went from small to capital, and that's how you get the current acronym BRICS. In 2014, the BRICS created something called the New Development Bank with $50 billion of capital, $50 billion of callable capital from the members. And they were also authorized to issue bonds, so they could lever up that $100 billion of capital as much as they wanted by issuing highly rated bonds. Notice this New Development Bank is designed on the model of the World Bank. This is exactly how the World Bank works. They have capital from the members of the IMF, but they can issue bonds. World Bank bonds are very highly rated. They've issued hundreds of billions, and they're very liquid.

Then in 2015, the BRICS created something called the Contingent Reserve Arrangement, CRA. This had $100 billion of capital. I list the contributions of the individual countries. You don't have to read those. The Contingent Reserve Arrangement is a swing lender, meaning if one of the members had a run on the bank or needed to impose capital controls and they just needed to get some hard currency quickly to avoid that kind of crisis, they could borrow it from this fund and then give it time, fix up their policies, and then pay it back. Well, who else does that? The answer is the IMF.

So what you see here coming out of Bretton Woods, so what you see here is that the BRICS... First of all, this has been going on since 2006, so that's 17 years. So it may be making headlines today, but they've been working at this a very long time, number one. Number two, they have carefully replicated the Bretton Woods institutions. They've got one that looks and walks and talks exactly like the World Bank. They've got another one that walks and talks exactly like the IMF. They're working on a fiber optic communications network so they can do financial transactions without getting interdicted by the United States or the collective West. So my point simply is that they've been working at this a long time. They're very methodical. They're working towards something that resembles an alternative international monetary system. It's easy to kind of snicker at one point or another, but as I say, this has been a very studied and thorough development.

So let's go ahead to the latest developments. What's going on with the BRICS today, given that long history? The biggest news, they had a Leaders' Summit at Johannesburg, South Africa, at the end of August and they did a number of things, but they admitted six new members: Argentina, Egypt, Iran, Saudi Arabia, United Arab Emirates (UAE) and Ethiopia. I'm now calling them the BRICS 11. I don't think they formally adopted that name. It's like you have the G20 and the G7. Well, now it's the BRICS 11, the four originals plus South Africa, plus the six new members. Importantly, 18 other nations are on the waiting list to join BRICS, Algeria, Mexico, and some others. I list them all on the screen. You don't have to read them all. So they've not only expanded from five to 11, but they've got 18 on the waiting list and I think we fully expect that they will be admitting new members from time to time. Maybe once or twice a year, five more will come in, et cetera. They have to reach consensus among themselves, but you can look for this group to expand.

Here are a couple of stats about the group, the 11 as they stand now. This includes two of the three largest oil producers in the world, Russia and Saudi Arabia. The other one being the United States. But actually, you've now included UAE as well. So if you count them in, it's even bigger. You kind of have your own OPEC. Remember, Russia is not a member of OPEC. But if you put Saudi Arabia, UAE, Brazil, and Russia in the same room, you've got your own OPEC, actually more combined output than OPEC. You have four of the seven largest countries in the world in terms of landmass. You have a group that comprises 30% of the Earth's dry surface. They are 50% of the world grain production and 15% of total global gold reserves. So this is not a collection of ragtag, what we used to call third-world countries. They are dominant in a number of categories and, as I say, comparable to the collective West.

China, India, Brazil, and Russia are four of the nine highest population countries on Earth. They have a combined population of 3.2 billion people. That's 40% of the Earth's population. If you just take China, India, Brazil, Russia, and Saudi Arabia, they have a combined GDP of $29 trillion. That's 28% of all the GDP in the world. And there are different ways to measure GDP. So that 28% figure, that's a conservative nominal measurement. But if you use an alternative measurement called purchasing power parity, it doesn't just look at the dollar amount. It says, "Well, how much can you actually buy with it in your country?" Then that number goes up to 54% of global GDP. So more than half the world economy is represented in this group.

And also China and Russia have two of the three largest nuclear weapons arsenals in the world, Russia being the single largest. The other one, of course, being the United States. So again, put any notion of third-world, developing economies, poor... Of course, there are many hundreds of millions or a billion or more people in poverty in these countries. There's no denying that. But there's no denying the collective power, weapons, GDP, natural resources, population, landmass, oil production, and a lot else that come out of the BRICS.

So what's going on with this new currency? Well, again, we're going to talk more about it. What has given rise to that? Well, the answer is simple. It's the weaponization of the US dollar. Now, there have always been linkages between geopolitics and geo-economics, warfare and financial sanctions. The Royal Navy blockaded Europe during the Napoleonic Wars to cut them off from trade. They weren't invading anything. They were cutting off trade. Napoleon attacks Spain and Russia partly because he was a megalomaniac, but also partly because they weren't joining his new economic system. He created something called the Continental System, which is not that unlike the present-day EU.

So the idea of economics and geopolitics or war is not new, but it is becoming a lot more acute and a lot more technical. We have economic and financial sanctions, embargoes, freezes, blockades, et cetera. The United States used this in 2011-2012 to force Iran to come to the table, which they did, and we got the Joint Comprehensive Plan of Action, JCPOA, in 2015. I don't want to debate the politics of that. I think it's an awful agreement. Trump tore it up. Biden put it back. But leaving that aside, we got Iran to the table using financial weapons, not by attacking Iran.

Sanctions today are in place in Syria, North Korea, Venezuela and Cuba. Here's the thing with sanctions. A lot of the work I did for the intelligence community had to do with financial warfare. I teach financial warfare at the US Army War College. I'm very engaged with the intelligence community and the military community in this regard. Sanctions can work, but there are three conditions to working. The first is that the target has to be a small-to-medium-sized economy. Now, Iran is not a small economy, but I would put it in the medium-sized category. Two, the target country has no alternative payment channels. You cut off their channels, but they have nowhere else to go. They don't have another alternate banking system or credit cards or hard currency, delivery mechanisms, or anything else you need. And then three, the target doesn't have much in the way of hard currency or gold to begin with. So they don't have a lot of hard currency assets. They don't have alternative payment channels, and they're small to medium-sized. If those three conditions are met, sanctions can be very powerful.

None of those conditions apply to Russia, not one of them. So going back to the Russian special military operation in Ukraine beginning in February 2022, remember what happened afterwards. Joe Biden gets out there. "We're going to crush Russia. We're going to destroy their economy. We're going to destroy the ruble. We're putting on sanctions left and right. They can't sell any more oil. We're cutting off their exports of strategic metals. We're making sure they don't get any semiconductors. We're basically going to single-handedly crush Russia without firing a shot using financial sanctions." And we did. At least, we put all the sanctions in place. There were bans on exports, et cetera.

We went further than that. We kicked Russia out of SWIFT, which is really the central nervous system of the international monetary system. They say, "We're not a bank. We're like the telephone company. We send messages." That's literally true, but the messages are... Deutsche Bank sends $10 billion to Citibank. How does that work? Well, it goes through SWIFT, and that message is irrevocable, and that's how the big banks settle payments between themselves. Russia was kicked out. Their banks no longer have access to SWIFT. How are they going to pay or receive dollars or Euros or yen or anything else if they couldn't do that?

But we went even further than that. We froze the assets of the Central Bank of Russia. Now, again, this is the largest landmass in the world, the largest nuclear power in the world, one of the three largest oil producers in the world, the 12th largest economy in the world. And about a third of their assets were invested in US government securities, and that's just a phone call. I mean, that's an electronic ledger. People talk about Central Bank digital currencies and cryptocurrencies. The dollar is the biggest cryptocurrency in the world. The message traffic is encrypted, and it's all digital. There hasn't been a paper US Treasury note issued since 1979.

So we froze their Treasury assets plus any other bank accounts that we could get their hands on and that was unprecedented. So now where are we? And I mentioned I teach a class in financial warfare to the US Army War College. I did it in the spring of 2022 and again last spring. And in 2022, I listed the sanctions. I told them they were all going to fail, and they would be worse than failure. It would actually blow back and hurt the US economy. It would hurt us more than it hurt them, even though we're the ones throwing the sanctions on. When I got to the class, I got a lot of pushback on that, by the way. Lieutenant colonels and colonels, and one woman was brilliant, in charge of a whole battalion of artillery, a Navy commander, and they were all gung-ho about the war and they pushed back. But it was seminar style, so you want that. You want the pushback.

In this year's class, I opened by saying, "Here's what I told them last year and I was right about everything." These sanctions have failed. They have hurt us more than it hurt them, et cetera. And the class was a little more attentive. The nice lady from the State Department took me aside at the break and said... I'd listed all my sources. By the way, The New York Times, The Washington Post, NBC News, Financial Times, The Economist are all lies. Not even bias. I'm not saying bias. I'm saying lies. If you think you understand anything about Ukraine from those sources, you actually don't know anything about what's going on. But it took me a long time, but I developed my own sources on this, which were much more reliable. I had to dig around a little bit.

The lady from the State Department comes to me and says, "Would you mind giving me your list of sources?" And I said, "No, I'd be glad to," and I did. I sent her the links and all that. But I thought to myself, "You have a top secret security clearance." There's actually stuff beyond top secret I can't mention. "But you've got the highest security clearance out there. You're a senior official at the State Department, and you're asking me for information?" But that shows you how polluted their own channels are and how much of our intelligence communities lie to the State Department. But anyway, the sanctions have been a failure. Russian growth in 2023 is projected to exceed US growth. The US/Ruble was stable around 70. It was 70 before the war. It crashed to 130 or something for about a minute. It came back to 70, stayed there for a year. Today it's about 90, 95. They have a little inflation in Russia, but it's doing very well. All Biden's hot air about crushing the ruble was completely wrong.

And importantly, a lot of countries have not joined the sanctions. This is a coalition of the unwilling or an un-coalition of the unwilling, if you want to put it that way. But the major countries that have not joined the sanctions, not joined: Brazil, China, India, Turkey, Malaysia and a lot of other nations. These are huge economies. I mean, again, it's not the United States, but if that group of countries do not join the sanctions, you don't have sanctions. China and India are buying all the oil that Russia cannot ship to Europe.

So the short answer is the Russian economy is doing extremely well. Unemployment's going down. Inflation's under control. Putin's put the economy on a war footing. They have labor shortages actually because they're all busy making hypersonic missiles that our Patriot batteries cannot shoot down. They're making jamming devices that cause our GPS-guided artillery to go off course. All the wonder weapons we sent them have failed, which makes you worry about whether NATO could defend like a drugstore or a shoplifting situation. And again, the fact that the Patriots cannot shoot down these hypersonic missiles should keep people up at night. I don't know if it does or not. And they're outproducing us. We're out of ammo. We cannot supply 155 millimeter shells. We actually had a stash in Israel that was there, but they were ours. We took them, sent them to Ukraine. Now Israel doesn't have 155 millimeter shells. We're begging them from South Korea and places like that. So it's been a complete fiasco.

But that brings us to our next stage, which is de-dollarization. In other words, it's because of the weaponization of the dollar. In other words, how many times can you hit a punching bag before the punching bag gets up and leaves the room metaphorically? And I warned the Treasury and the Pentagon about this 10 years ago. I told them, I said, "Look, our sanctions work. I understand how, but you're overusing them. You're over-weaponizing the dollar. You're creating a situation where other countries in the world are just going to want to leave the table and get out from under the dollar." Now, easier said than done. You can't do it overnight. But we have started the process. But I've often said that the world cannot destroy the dollar, but the United States can. We can destroy our own currency, which is historically what countries do and we're in the process of doing that.

Quickly, when the US Treasury froze the Russian US Treasury Securities, it was about $200 billion worth. What was that? Well, it was a default, right? Russia earned the dollar selling oil. They bought the Treasury securities. They legally owned them. They were entitled to principal and interest, and the US says, "No, we're just holding them, and you can't have that." Well, that's a default. Now, it might be a selective default. It's only one country, but actually Moody's and the S&P have a category for selective default. That's what it is. So every other leader in the world said, "Wait a second. What if the United States wakes up one day and they don't like what I'm doing? They don't like my policy in Gaza. They don't like my policy in the South China Sea. They don't like what I'm doing... I'm doing business with North Korea. And they freeze my assets. If you could do it to Russia, you could do it to anybody."

And that is going on. And that's why these countries have come together, with the BRICS being the principal forum, to create currencies that are alternatives to the dollar, payment channels that are alternatives to SWIFT and the other payment channels we've seen. By the way, this has now gone even further, just to bring it up to date. Not only have we frozen the assets, but the EU decided just a couple of days ago that they were going to take the interest... $200 billion, you should be getting $10 billion a year in interest, give or take. They're going to take the interest and use it for the reconstruction of Ukraine. I mean, there's not going to be a reconstruction of Ukraine because the Russians are going to win the war, and there won't be much left. But that's the notion. Well, now you've gone beyond freezing the assets. You're actually seizing the assets, confiscating them. So this is just outright default and theft, but that's what's going on.

So there are a lot of de-dollarization discussions underway. They're bilateral: China/Malaysia, Dubai and China, Saudi Arabia and China. And I'm sure you've heard about them. It's like, okay, Saudi Arabia's going to sell oil to China and take Chinese yuan instead of US dollars. Dubai's having the same kind of conversation. Brazil and China just came up with a very large agreement that covers a wide variety of goods. Brazil sells pretty good aircraft and soybeans, and

China sells manufactured goods and they're going to pay each other in those local currencies.

There's a big problem with this. It can work, but here's the problem. Whenever you have two countries that decide to accept each other's currency, the problem is if you're the seller and you get paid in Chinese yuan, Brazilian reals, or whatever it is, you can only spend it in that country. I can't go shopping in Europe or South Asia with Brazilian currency. I can only spend it in Brazil. And Russia's having this problem. Russia has been selling oil to India in exchange for Indian rupees. But what are you going to do with the rupees, and how much curry do you need? So the key to... There are a lot of keys to coming up with a substitute payment currency. I'm not saying it's easy. But as kids, we used baseball cards and bottle caps. As long as both parties are willing to accept it, it's a good form of currency. But with any of these national currencies, you're limited to one market. You can only sell it in one place.

So the key to a successful trading currency as an alternative to the dollar is to expand the market, and that was the genius of adding the six members to the BRICS last August, because all of a sudden, you're not five countries. You're 11 countries. I said a waiting list of 17 or 18. You've got to get up to 20 or 30 countries, but then if you launch a new currency... I'm going to call it the Bric for convenience. I don't know what it'll be called, but let's just call it a Bric. If I'm Russia and I sell oil to India, and India pays you in Brics, in this BRICS currency, but I can spend them in China for semiconductors, or Iran for drones, or Brazil for soybeans, et cetera, now it's much more feasible, much more valuable. And the same thing for everyone who receives it.

And I got in a debate with a guy who's just brilliant. I read his stuff, a really great analyst, but he was objecting. He said, "You can't have..." It's called a currency union. He said, "You can't have a currency union unless you have a common fiscal policy." And I said, "I guess you've never heard of the Euro," because there is no common fiscal policy in the Eurozone. Anybody think Germany's fiscal policy is close to Greece, or the Netherlands' fiscal policy is close to Italy? No, of course, they're completely different, but they do have a common currency. What you need is a common central bank of issue. You need the European Central Bank to control the money supply. You do need that. But they already have it: this New Development Bank and this Continued Reserve Arrangement I talked about. Or create a new institution that can perform that role. So the fact that they don't have a common fiscal policy is irrelevant. They will need a central bank of issuer.

I expect that this will spread beyond the BRICS 11 to include members of the Eurasian Economic Union. That's Putin's alternative to the EU. It covers some central Asian republics. Shanghai Cooperation Organization, that's a Russia/China Central Asia organization, et cetera. They're all working along the same lines. Now, here's the key, and I promise to get back to gold. One Bric, I'm using a ticker BRI, will be defined as a specified value of gold by weight. In other words, they're not going to say one Bric equals $1 or one Bric equals $10 or anything or Euros or anything of the kind. They're going to tie it to gold by weight.

Now, to be clear, it's not a gold standard as most of us might understand it, because in a real gold standard, you can take the currency and go to any one of the central banks and say, "Give me some gold." You're not going to be able to do that. You're not going to be able to take this BRICS currency to the People's Bank of China and say, "Give me some gold." So they're going to stop short of that. But that doesn't matter for this purpose because it has to be worth something. You have to have some way of knowing what it's worth, and they're just going to say it's equal to a weight of gold. So from there, the actual weight doesn't matter. I'm assuming one Bric equals one ounce maybe. Maybe it's a kilo. I don't know. But it doesn't matter. The math is the same, and the principle is the same. You will need an issuer.

This will then be a valid medium of exchange for exports/imports, settlement of trade balances, credit instruments, bank deposits, et cetera. You can recreate the entire international monetary system using the BRICS currency instead of the dollar. They're building their own payment channels. They're building their own institutions, et cetera. This will take time. It's going to take a few more years to add members and get to the point I'm describing, but this is the path they're on. We have good information on that and the Russians are really the brains of the operation, if you want to put it that way. Not surprising.

As far as reserve currency, yeah, reserve currency is a heavier lift. You need a bond market. For a bond market, you need futures, options, repo, dealers, settlement mechanisms, rule of law. You need a whole lot of stuff that the US has had 230 years, since Alexander Hamilton, to develop. Not easy to do overnight, but there is a model from World War I, the Liberty Bond, which Woodrow Wilson created. But we basically sold government bonds to individual citizens. As a patriotic duty, take your savings and buy Liberty Bonds. By the way, that was really the beginning of retail investing in the United States. Prior to that, wars had been financed by Nicholas Biddle and Stephen Girard in the War of 1812, Nicholas Biddle in the Revolutionary War, James Cooke in the Civil War. There've been these financiers who financed the US government securities market, but Wilson was the one who took it retail. That's around the same time that firms like Dean Witter, EF Hutton, Merrill Lynch all came into being. You could do that in Brazil. You could get the Brazilian people to buy these bonds.

I want to talk a little bit about what the new BRICS currency is not because there's a lot of misunderstanding about this. It is not the petro-yuan, the oil-backed yuan. It is not a petro ruble. It is not the gold-backed yuan. None of those things are feasible. Nobody has enough gold to back a currency in the classic gold-standard manner. And it will not be the end of the dollar. The rise of the BRICS is not the end of the dollar. In fact, the BRICS want the dollar to be around because they want the dollar to do the dirty work in the gold market. And I'll come back to that and explain exactly what I mean by that.

This new system bears a striking resemblance to what John Maynard Keynes proposed at Bretton Woods. John Maynard Keynes wanted a commodity-backed currency, and he looked at a basket of commodities, and he pretty quickly realized that oil, it's not fungible. There's 72 kinds of oil around the world based on viscosity and sulfur content and transportation costs and a lot else. Corn, it goes rotten. The more he thought about it, he came to the conclusion that gold was the perfect medium for a commodity-backed currency. Just make the currency equal to a weight of gold. Keynes has this reputation as a gold basher. It's not true. He was a major defender and proponent of gold as a monetary standard at key times during his career, and this was one of them. In fact, to join the IMF, it's not true today, but back in the day, you had to contribute gold to the IMF. The IMF still has 1,300 metric tons of gold, even though they say it's not money. The key is a large currency union, which we talked about that, and it resembles the European monetary system in that respect.

So let's get back to gold and Aristotle. So I said one Bric equals an ounce of gold, and I should have updated the slide for $2,000, but that's okay. One ounce of gold, when I wrote this, it was $1,900. Using Aristotle's transitive law, one Bric equals $1,900. But here's the thing: it's not a gold standard. The dollar price of gold will fluctuate, which means that the Bric dollar equivalent will fluctuate. But the anchor is that the Bric itself is tied to gold, not the dollar. So in a simple example, the Bric is an ounce of gold. But now let's imagine a world where an ounce of gold is $3,000. That's not much of a stretch. In that world, one Bric equals $3,000. But what actually happened here? Because the Bric was equal to an ounce of gold before and after, but gold went up to $3,000. So what actually happened is the Bric gained 58% against the US dollar by doing nothing.

And this is what I meant about why they want the dollar to be around, because the dollar has to fight in the gold market. Gold will be priced in dollars. The BRICS don't have to own any gold. They don't have to buy any gold. They don't have to prop up the price of gold. They can just free ride on the dollar gold market. And then the question is, what do you think is going to happen to the dollar over time? Well, I think we laid out a pretty good case of the dollar is going to depreciate. And this example where gold goes from roughly $2,000 to $3,000, what really happened is the dollar lost 38% of its value measured by weight of gold. And I think it was 0.00053 to 0.00033 of an ounce at 38% devaluation. The Bric gained 58% measured in US dollars. And the dollar lost 38% measured in gold, which is less than the dollar lost between 1971 to 1980. So we've seen this before.

But the point being the BRICS don't have to do anything. They just free ride on the dollar gold market. And as gold goes up, the value of the Brics go up. So the point being, what do you think the BRICS want to happen to the price of gold? They obviously want it to go up. They don't have to do anything. They just have to let the US screw up the dollar, which we're pretty good at, and then their currency goes up and up and up. So all of a sudden, China, Russia, Saudi Arabia, the other countries in the group, Brazil, very powerful countries, all have a rooting interest in a higher dollar price of gold or basically the devaluation of the dollar, because their currency goes up by doing nothing. And that's the result of our friend Aristotle. That's what this transitive law tells us. But we're entering a world that's coming quickly where, again I don't have to go back over all the statistics, 54% or higher of global GDP is rooting for a higher dollar price of gold because their currency linked to gold by weight goes up and they get more powerful.

These slides were pretty boring. They were all text, but I've got some color here. So this is the world of BRICS 11. The countries in red are the members of BRICS, including the six new members. So let's go forward. When you add the groups I mentioned, the Eurasian Economic Union... sorry, the waiting list rather, the 17 countries that are waiting, this is what the BRICS 11 plus the waiting list looks like. If you go further and add the Eurasian Economic Union, the Shanghai Cooperation Organization, and the Commonwealth of Independent States, all of which are under the sway of China or Russia or both, this is what the world looks like. The red area is this new currency union.

Now, I want to take you back to 1910. Halford Mackinder, who is the father of geopolitics, he created this... Not this slide, but this was his map. He called this the World Island. The green area, he called it the World Island. And he identified an area really on the China/Russia border, and he called it the heartland. And he said, "He who controls the heartland controls the World Island. And he who controls the World Island controls the world." So just go back to where the BRICS are going and compare that to Mackinder's original geopolitical theory, and you can see what's happening in the world.

And by the way, I'll go back to this slide and see if I can get my... I can't... Sorry, I'm going to work on this one over here. But you notice you've got the Suez Canal. You've got the entrance to the Red Sea. You've got the Straits of Hormuz. You've got a toehold here in the Straits of Malacca. In other words, Cape Horn, Cape of Good Hope. You've got all the key maritime choke points. Mackinder was focusing on land. He said, "If you can move goods from Vladivostok to Rotterdam, who needs the Navy? Who needs the ocean?" And he's right, although this is still being built out under the Belt and Road Initiative with China.

But it was Admiral Samuel Eliot Morison, one of the greatest Naval... he was an admiral, but one of the greatest Naval scholars of all time, who said, well, the key to the world is really the choke points that I identified, again the Suez Canal and the rest, getting from Europe to Asia that way and that's why you need a Navy. And so the World Navy supported the British Empire. The US Navy supported the US Empire, but we're getting closer to a point where the BRICS are going to control the overland route and the choke points around the world. So don't look for the dollar to go away anytime soon, but do look for a much higher dollar price of gold, a much weaker dollar, and the BRICS kind of coming into their own to get out from under dollar hegemony. Thank you very much.

Albert Lu: Thank you very much, James.

Rick Rule

“Investing And Speculating In Precious Metals And Natural Resources”

Albert Lu: Okay, our next presenter is Rick Rule. Rick began his career in 1974 in the securities business and has been involved in it ever since. He's known for his expertise in many resource sectors including agriculture, alternative energy,

Rick Rule: forestry, oil and gas, mining and water. In 1990, Rick founded the business now known as Sprott US Holdings, merging into Sprott Inc. in 2011, he retired from Sprott Inc. in 2021 and resigned from the board of directors in 2023, but remains Sprott's largest shareholder. Mr. Rule is a sought after speaker at industry conferences and a frequent contributor to numerous media outlets including CNBC, Fox Business News, and BNN. Mr Rule is actively engaged in private placement markets through originating and participating in hundreds of debt and equity transitions. I'll add that he's also the founder of Rule Classroom, an online community for natural resource investors. His talk today, Investing and Speculating in Precious Metals and Natural Resources. Please welcome Rick Rule.

Albert was too modest to mention that my partner in the Rule Classroom and Rule Investment media is this really smart guy named Albert Lu. I am talking about investing and speculating in natural resources and the talk will really have two parts. The first will be an overview from my point of view of natural resources and precious metals markets and why I suspect that there is a bull market coming in at least one, but from my point of view, probably both, and I'll tell you why I believe that to be true. Depending on whether you agree or disagree with the first part of the discussion, you can stay for the second part. The second part we'll talk about why and how you should take advantage of the information I imparted, which you either agree or disagree with. I believe that we have upcoming good markets in both precious metals and industrial materials for a bunch of reasons.

I should caution you that the industrial materials part, base metals, energy and stuff like that is a little bit economically dependent. I will argue that we're going to have supply shortages across a wide variety of industrial commodities. You can have a supply shortage if you have a recession driven demand shortage and prices don't go anywhere, that's the caveat. That said, let's begin. The precious metals bull market case first. You've heard a bunch of it here, but you're going to hear it in a different way, from my viewpoint. My experience, and I'm not claiming to be a historian, I'm actually a credit analyst, is that precious metals bull markets are... They're derived from a concern that people have about the purchasing power of their savings denominated in conventional financial instruments. I'm not making a penny stock argument. I'm making an argument about natural resources, or pardon me, precious metals being a traditional store of value.

They move, on occasion, in the near term for other reasons, other forms of fear, as an example, war fears. But my belief looking back over history to the extent that I've been able to is that precious metals do well during periods of time where people are concerned about the maintenance of purchasing power in conventional financial instruments, particularly dominant instruments. As an example, like the US dollar. You'll hear a lot of doom from the podium about the US dollar, and I need to begin my remarks by saying that I agree with Doug Casey who said that the US dollar is the worst currency in the world with the sole exception of every other one. He described the US dollar as the prettiest mare at the slaughterhouse, which is a bit gloomy for me, but I think he does make the point that in terms of incumbent reserve currencies, that the dollar has a lot of life left. But the dollar itself is challenged and for US dollar denominated savers like yourself, I think you need to look at a few things around precious metals with regards to the dollar.

The first is quantitative easing. If any of you did quantitative easing, which is to say printed specious currency units backed by nothing, you would be called counterfeiters. You'd be put in prison. If a congressman does it, it's popular and he or she gets reelected. But quantitative easing, irrespective of who does it, is actually counterfeiting. The production of new specious currency units does not make existing currency units worth more, it makes them worth less, irrespective of the near term consequence. But that isn't the important part of the thesis. The next, which is to say debt and deficits are a much more important reason why investors and speculators should be concerned about the maintenance of purchasing power in US dollar denominated assets. Much is made about the fact that the on balance sheet liabilities of the US federal government, before state and local liabilities, exceeds $33 trillion. That's, by the way, 12 zeros to the left of the decimal point, it's a big, big, big number.

Unfortunately, that's not the problem. The problem is the off-balance sheet liabilities. The net present value, not the nominal value, but rather the net present value of entitlements. If you want to look at the budget problem, look at the podium, me. Or for many of you, look at yourselves, Medicare, Medicaid, social security, too many old folks who made themselves too many promises and forgot to pay for them. The net present value of entitlements in the United States alone, at the federal level alone, not including state and local, exceeds, by the estimates of the congressional budget office, $120 trillion. So the on balance sheet liabilities and the off balance sheet liabilities, offset by at least the cash assets of the Fed, approximate $150 trillion. The interest payable on this, as some of you may have noticed over the last couple of years, at least the rate that they pay, has doubled.

Not a pretty circumstance going forward. But of course it gets worse in terms of the view of the maintenance of purchasing power in US dollars. Negative real interest rates. Now, some of you in the audience will say, "We don't have negative real interest rates. We have positive interest rates. I read it in the New York Times and the Wall Street Journal. It must be true." Let's examine this arithmetically for a little bit. The CPI, the Consumer Price Index, is mooted as an index of inflation, as an index of declining purchasing power. It's not. It's an artificial construct. It's a widely believed artificial construct, but as an example, when it's inconvenient, it doesn't include food or fuel. I don't know how many of you drive or eat, but an index that doesn't include food or fuel is useless from my point of view is a cost of living index. But much more importantly, and I want this to sink in, don't forget this, the CPI doesn't include tax.

The biggest burden on most working households in the United States is the cost of government, tax. The idea that their estimate of the cost of living doesn't include the cost of government, while convenient for them, is not a reliable index. I estimate, as best I can, that my purchasing power in US dollar terms... And by the way, I'm past my prime purchasing years, I don't buy much. But my belief is that the purchasing power of my currency is declining by about 7% compounded, shadow stats says 12, but let's use seven just for fun. This so-called conservative estimate.

If you buy a US 10 year treasury yielding, what? Let's call it five to make the math easy, in a currency where the purchasing power is declining by seven, the US government absolutely positively guarantees that they'll reduce your purchasing power by two percent a year. The first promise my government has ever made me that I believe they're going to keep. If you are concerned about the decline in purchasing power of your savings in the United States because of quantitative easing, debt and deficits, and negative real interest rates, another thing might interest you, which is to say the market share of precious metals and precious metals related securities.

It is estimated by JPMorgan Chase that the current market share of precious metal and precious metals related investments in the United States is one half of one percent of total savings and investment assets in the United States, which is to say one half of one percent of savings and investment assets of Americans are comprised of precious metals and precious metals related securities. An insignificant number. The four decade mean is two percent. I'm not going to argue from the podium that we're going to have the collapse of the dollar or that gold is going to replace the dollar as a global standard.

I'm arguing that because of quantitative easing, debt and deficits and negative real interest rates that the market share of precious metals and precious metals related securities in the US economy will revert to mean. If that happens, demand for this asset class increases fourfold, which is precisely what I think is going to happen. The bull market that I'm talking about in precious metals doesn't require abdication around the belief in the US dollar or conventional assets. All it requires is reversion to mean.

Let's move on to industrial materials. This argument is rooted, first of all, in the ascent of humankind, there's 8 billion of us on the planet. And as a species, we've done a remarkable job over the last 40 years of lifting up the fortunes of the poorest of the poor, a good thing, and that's continuing. Did you know that a billion people on earth have no access to electricity? None whatsoever. Another 2 billion people on earth have access to only intermittent or unaffordable electricity, and electricity is just one thing. My suspicion is, in the next 20 years, pardon me, the world becomes effectively electrified. Which says a lot about the materials needed to generate power, which is to say wind, solar, coal, uranium, oil and gas, and it says a lot about the materials that are necessary to transport power and store power.

I believe that the whole range of industrial materials will do well because of the ascent of humankind. I also believe, because I look at statistics, that as a species we have under invested in the exploration for and the development of industrial materials of all kinds for 30 years. Right now, the big thinkers of the world are telling the investors in the world that the end of oil is approaching, that we will reach peak oil demand in 2032. If that happens, their cars won't start. It's interesting that a bunch of big thinkers fly 1,000 private jets to Davos every year to tell you to drive less. I don't know if the incongruity of that has struck you, but it tells me an awful lot about the ascent of humankind and what is likely to happen with regards to industrial materials. This very assault on industrial materials by the big thinkers is the guarantor that they will do well.

Supply constraints, regulatory constraints, the social take, otherwise known as government theft, are all circumstances that will reduce capital to the industry and perversely keep the prices high. Geopolitics too, we've come out of a period of 40 years of relative peace, a relative lack of nationalism. Societies now have to compete for resources which you're seeing around the world, and this too I think will drive demand for industrial materials in the means of production.

And finally, technology. What's useful about the price of raw materials is that they're a fairly small component in the finished product of the goods that you buy. Let's look at platinum as an example. It takes $125 to produce enough platinum, buy enough platinum, to put in a catalytic converter, to enable the sale of a $50,000 car. If the price of platinum were to double and the input cost went up to $250, it wouldn't change the finished price of the product. And the other argument around industrial materials is that if the price must go up and it can go up, it will go up, and I would argue that all of those are true.

If you don't believe in the thesis around industrial materials and precious metals bull markets. The second part of this discussion, you don't have to pay too much attention to. If you do care, let's get on with it. I've learned a lot about investment performance and investor performance in the last 50 years in this business. I have in the last six years graded 80,000 natural resource portfolios. For those of you who don't know, if you submit your natural resource portfolio to me at ruleinvestmentmedia.com, I'll rank your portfolio, your natural resource portfolio at no obligation and send it back to you. I've done this 80,000 times in six and a half years and I've learned a lot about what investors do right, what they do wrong, and I'll share some of what I've learned in that context. The first thing is, if you're a believer in a secular bull market, if you're investing in natural resources or precious metals primarily because you think that you are going to see a bull market in these materials, don't speculate, invest. Buy the biggest and the best.

If your primary motivator for buying gold stocks is you think that the gold stock is going to go from 2,000 to 2,500 or from 2,000 to $3,000, don't spend too much time on the juniors. The truth is that precious metals and natural resource businesses are so cyclical, so incredibly cyclical, that a bull market rises all boats and it does it dramatically. The truth is, if you see a rip snorting bull market in precious metals, the biggest precious metals mining companies will give you two or 300% gains, and they'll give you gains with much less risk than you would encounter in the juniors.

Besides which, given that none of us know when a precious bull market might occur, the dividends that you get from the biggest and the best companies, in fact obviate the time value of money challenge. I repeat, if you are investing in precious metals or base metals, industrial materials, because you are a believer in the thesis around a bull market, construct the bulk of your investments around the highest quality names. You reduce your performance around the bull market thesis the least with regards to risk of company failure.

These big companies have a difficult time failing. If you believe that the price is going to go up, the companies that actually have some of the commodity, which will benefit from the price going up, obviously benefit first. And the margins will increase first in the producing companies much, much, much later in the explorers. It is important too because we've learned the difference between the phrase inevitable, which means it has to happen, and imminent, which means it has to happen quickly. Very different phrases, that the time value of money is a problem. I've made jokes about myself that if you are as early as I am on a thesis, six years early with regards to the first uranium bull market, at the right discount rate you want early, you're wrong.

What you learn as an investor is, as an example, I think the oil price will continue to do well. If you agree with me, a five or six percent dividend takes away most of the risk associated with a time value of money. Obviously, these juniors don't pay dividends. I'm not saying avoid the juniors by the way, I'm going to get to the juniors in a minute. What I'm saying is that if the reason for your thesis, if the reason for your investing is because you believe there's going to be a bull market, start with the seniors, start with the best of the best. It isn't as though you skip a lot of upside when most of you enjoy a double or a triple in a junior. I know from personal experience you're overjoyed. The truth is that if we have the kind of bull market and industrial materials over the next 10 years that I think we're going to have, you're going to see triples in Exxon.

You're going to see triples in BHP, you're going to see triples in Rio. You don't need to take the junior risk for a triple. You need to take the junior risk for a 10 bagger, which is speculation. I think I've beat that to death, but I do want to give you a couple words about investing that I think are important because I think investing is an under covered topic in New Orleans because the speculative outcomes of this conference which has been so good for 50 years.

The big thinkers of the world will tell you that we're not going to have any demand for oil in 2032, as an example, peak oil demand is going to occur in 2032. My suspicion is that peak oil demand occurs in about 2065. And I'll tell you why, and this is relevant to investing. Everybody says, "Well, what about wind? What about solar?" All that kind of stuff. Humankind... Now notice I was politically correct. I didn't say mankind. I want everybody to take note of that. Humankind now has invested almost $5 trillion, $5 trillion in alternative energy. I invested in some of it by the way. And that $5 trillion investment... Write this down, that $5 trillion investment has reduced the market share of fossil fuels from a high of 82% 40 years ago to a low of 81% today.

A $5 trillion investment has reduced the market share of fossil fuels by one percent. I suspect that rate will continue in the future, which says a lot for the impact of demand around fossil fuels. But the fossil fuel industry has been under investing in sustaining capital to the tune of about a billion dollars a day, $365 billion a year. When you under invest in sustaining capital, you reduce your ability to produce two years from now, three years from now, four years from now. So the circumstance is that the industry as a whole is, and I'm including state owned oil companies, under investing in oil and gas production to the extent that the prices will have to stay high over time. I'm not trying to say that the price couldn't fall from $85 to $60.

What I'm saying is that the price five years from now won't be higher, it'll be materially higher than it is today. Meanwhile, at today's price, the oil and gas industry is enjoying record high cash flows, and they're being polite enough to give some of it back to you, the shareholders, by way of buybacks and dividends. For me personally, and I'll give you this non pontification, this piece of actual advice, the best investment theme that I know of right now, now that the uranium theme has been actualized, is US and Canadian natural gas. The delta between the energy equivalent price of natural gas in the North American market and the energy equivalent price of natural gas, liquified natural gas and petroleum in European markets and Asian markets is gigantic, and that delta will be closed.

It could either be closed by falling prices for oil, and hence falling prices for natural gas, which I don't see given the market share discussion that we just had. Or the gap closes, the delta closes, by increased natural gas prices, which is what I think we will see. We have a circumstance now where natural gas in the United States and Canada is priced below $4 per million British Thermal Units in the United States and Canada respectively. And $12 per million British Thermal Units in international markets, an enormous gap and an enormous gap that will be closed. Meanwhile, because the industry is so stupidly out of favor, high quality American gas producers, the Devons of the world, the Equitables of the world pay six percent, very sustainable dividends while you wait. As an investment theme, the idea that you are investing in something that is inevitable but maybe not imminent, but you're getting paid six percent while you wait is an awful lot of fun, it reduces the need for speculation.

But we're not here to talk about investments solely. We're here to talk about speculations. Whenever I make fun of speculators, particularly if I'm dumb enough to do it in the company of my wife, she rolls her eyes and if I don't sort of hush her, she says, "You know, Rick, you might tell these people that all of the money that you now invest conservatively, you made speculating wildly," and this is true. I enjoy speculation. I know that you all are here for speculation. You didn't come to hear me talk about Exxon or BHP. So let's talk about that, let's talk about speculation because it has treated me well and I know from personal experiences treated some of you well, too.

We speculate not to generate beta, beta being defined by me as the amount by which a sector outperforms the broad market. If oil does well relative to the broad market, the oil stocks have generated, at least by my definition, beta. Alpha is a tougher test. Alpha is why you speculate. You're trying not just to outperform the oil market... I mean not just the general market, but you're trying to outperform the oil market too, which is to say you are speculating on an outcome which is, while unlikely to occur, extremely profitable if it does occur. It's important that everyone in the room who speculates understands that the most logical, the most common outcome in speculation is failure.

Why do we do it? Well, the arithmetic around speculation is excellent. If you have one 10 bagger, which is to say one stock that goes up in price 10 times, 1,000% return, you amortize a whole bunch of little tiny failures. The 20% loss is the expectation in speculation. The 10 bagger, the 15 bagger, the 20 bagger is the reward. And if you're right a few times, it amortizes a lot of failure. How could you be more right than others? We'll talk about that. Sadly, it comes down to work and attitude. Let's talk about a few techniques. First of all, buy what is hated. How many people were here two years ago? Fair number. Two years ago, there was a speculation that was the most obvious speculation on the planet. It was uranium and it was hated. The market hadn't moved except for down for years, and people would say, "When is the uranium price going to move?" And I had to say, "I don't know."

But here's what I do know, the stuff is priced at 30 bucks a pound, it takes 60 bucks a pound to make it, and if the price doesn't go up, there isn't any more available, and if there isn't any more available, the lights go out. And I don't think the lights are going to go out. The question is this simple? Is the price going to go up or are the lights going to go out? The answer has to come to us within five years or the lights literally go out. Well, the lights didn't go out. What was the lesson? The lesson is that you buy what's hated. The easiest way to make money in speculation is to buy what's hated. The problem today is that not very much is hated. That's the problem.

My nomination for the easiest commodity that this audience would think about in terms of hatred is probably silver. The price doesn't have to go up because silver is produced mostly as an adjunct of base metals production. It's produced as an adjunct to lead, zinc, copper, and stuff like that, but it sure makes the definition of hated. Speculators who believed in silver around the sort of Reddit silver squeeze, as an example, who thought they were going to stick it to Wall Street and see the silver price go to 150 bucks? Maybe they can't spell, but they think silver's a four letter word. There's no speculative premium in silver stocks and even in silver... Pardon me, and less speculative premium in silver stocks.

So if you're looking for a speculation that most of you can wrap your head around, silver and the high quality silver stocks probably meet the definition of hated. Time, speculation takes time. I've been lucky enough in my life to have literally scores of stocks that went 10 for one, 15 to one, 20 for one. A subject, by the way, I'm much happier telling you about than the ones where I've lost 30 or 50% of my money. And what I've looked at, the trades that have worked out well for me, 10 baggers, 15 baggers, 20 baggers, there's been three consistencies. The first is that my average 10 bagger has taken between five and six years to play out. Most speculators, as demonstrated by the 80,000 portfolios I've ranked, have trauma holding stock over a long weekend.

They don't have sufficient faith in the work that they've done to identify the opportunity to stick with the opportunity over time. Warren Buffet says the eighth wonder of the world but the first wonder of investing is compounding. Speculation is answering unanswered questions and more than one, answering two or three, and that takes time. So if you're going to be a speculator, the time arbitrage is the most important arbitrage. You're competing against people who have trauma holding stock over a long weekend, and you have to have the patience, the fortitude, and the confidence to hold the stock for five years. If you don't have the patience, don't buy the stock.

The second is perseverance. I have noticed that probably 80% of the speculative stocks that I have owned that have generated 10 to one returns, have generated 50% share price declines during the period of time that I own them. So you have to have enough confidence in the stock, not only own it for a long period of time, but also to have your patience tested and tested hard. You need to understand or have an opinion about the value of the company that you're buying, not just the price, but rather the value of the company that you're buying. Yes, you have to change the estimate as circumstances change, but it's important that in addition to having patience, that you have persistence.

And the third variable that I've found in my life, and those of you were here for the last panel, understand the value of this to me, is people. Those of you who are familiar with Pareto's law understand the dictum that 20% of the people do 80% of the work, which is a different way of saying that 80% of the utility in any given activity is performed by 20% of the people. Those of you who have listened to me drone on in past years know that 20% of performers, if you put it through the same performance dispersal curve, conformably aligns for at least two standard deviations. That tells you that one percent of the aspirants in junior mining generate 40 or 45% of the value.

It's important that you hang out with the serially successful people. It's very important that you confine your effort to people who have been successful in that same activity in the past. And further that their resumes conform very closely to the task at hand. So to speculate, it helps to buy what's hated, but you don't have to do that. But you do have to associate with serially successful people, and you have to be patient, and you have to be persistent.

I think for the most part, you need to do one more thing. You need to focus on size. If I've learned nothing else as an investor, it's that anything that can go wrong with a big mine can go wrong with a small mine, but a small mine can never make you big money. If I don't have the opportunity to participate in at least a good tier two in discovery, but preferably a tier one, the juxtaposition between risk to reward doesn't work. When somebody talks to me about the high probability of a 500,000 ounce gold deposit, I kind of don't care.

The idea that you're going to use the free cashflow from this deposit to grow without having to issue stock is a wonderfully seductive narrative that's worked three times in the 50 years that I've been in the business. Which is to say, while it's an attractive vision, it's one where the risks to the rewards don't conformably align. So size matters, people matter, patience matters, persistence matters. If you're in this business because you believe in a bull market, don't bother speculating. Invest. There's plenty of money to be made in market beta and you get paid a wonderful dividend while you wait while reducing the risk associated with sole company performance. I hope that you put all of this to use. Those of you who have questions, by the way, I'm doing a speaker round table right after this in the exhibit hall. I'm available for any questions or comments afterwards at the Battle Bank booth.

Many of you know I'm celebrating my retirement by starting a new bank, something I don't recommend for retirement. And I'm also doing a Sunday workshop, which was identified in your program as being open to subscribers only. That's wrong. Brien told me I'm not discriminating. He says, it's open to everybody. Brien the boss here, so it's open to everybody. Further, if any of you care to continue a discussion with me about natural resource investing, you can do it in a personalized fashion by going to ruleinvestmentmedia.com. If you list your natural resource stocks there, I'll rank them personally, one to 10, no obligation. I'll make individual comments where I think my comments might have value.

If for some reason, by the way, you're unhappy with your current banking relationships, I don't know why that would happen, either go to battlebank.com or at ruleinvestmentmedia.com in the question and comment section, write

"Bank" and we'll put you on the Battle Bank waiting list. Ladies and gentlemen, it's a joy to speak to you. Good luck with your investing. Good luck with your speculating. I hope to see you all back here next year. Anybody who cares, I'm doing a round table right away. Thank you.

Albert Lu: Thank you, Rick. We'll see everyone back here at 5:10 PM.

Peter Schiff

"Time To Pay The Inflation Piper"

Albert Lu: Our next speaker has been a financial professional for more than 30 years, and is the host of the Peter Schiff Show podcast and a widely recognized economic and financial analyst who has appeared frequently on Fox News, Fox Business, CNBC, CNN and other financial and political news outlets. He achieved national notoriety in 2008 as being one of the few economists to have accurately forecast the financial crisis well in advance. Between 2004 and 2006, he had made numerous high profile statements predicting the bursting of the real estate bubble, significant declines in national real estate prices, the collapse of the mortgage market and the banking sector, the bankruptcy and bailout of Fannie Mae and Freddie Mac. Peter has authored several bestselling books including Crash Proof, Crash Proof 2.0, How an Economy Grows and Why it Crashes, The Little Book of Bull Moves in Bear Markets, and The Real Crash. His talk today is Time to Pay the Inflation Piper. Please welcome Peter Schiff.

Peter Schiff: So I was just on that panel. We were all trying to discuss whether or not we're in a recession or when the recession might begin and it reminds me a lot of 2007. I don't know for a fact if I was here in October of 2007. I probably was, but I couldn't say for sure, but I know I was speaking at a lot of conferences in 2007 and I've been coming to this one for quite some time. In 2007, I was forecasting a major recession, a financial crisis that finally hit in 2008. But what's interesting is that in 2007, in October, November 2007, none of the experts thought that there was a recession coming at all. Everybody said things were great. It was a Goldilocks economy. It was perfect. It was the greatest story never told, whatever Kudlow used to say when I was on his show. But everybody thought the economy was doing well because the government statistics said that the economy was doing well.

But one of the reasons that I knew that it wasn't was because a lot of stuff happened in 2007 that I had been forecasting for many years. I mean, we finally saw the collapse of the subprime market, and since I had been warning about that for many, many years, I appreciated the significance of what happened when it imploded but the mainstream just ignored it. Even the Federal Reserve, remember they were saying back then, "Don't worry about subprime, it's contained." I was saying it was the tip of a huge iceberg and we saw the rest of that iceberg in the fall of 2008 when we had the bankruptcy of Bear Stearns and Lehman Brothers and we had what's now known as the global financial crisis. Then in December of that year, in December of 2008, the government came back and revised a year's worth of economic data and said, "We've been in recession since the fourth quarter of 2007." So none of those economic statistics meant anything.

In fact, I was going on television in the summer, in July and August of 2008, talking about the recession and the problems and the financial crisis. And even then, people said, "Oh, you're wrong. There's no recession anywhere in sight," even though we were in the middle of what is now known as the greatest recession since the Great Depression. So I think we're in a very similar position now. I don't have a lot of confidence in these rosy economic statistics and I think there's a good chance that they're going to go back in time and revise all these numbers lower and we will find out that we've been in recession. Again, I mentioned on the panel, I don't think Joe Biden would be this unpopular, as bad as he is, he wouldn't be this unpopular if these numbers were accurate. It's because the economy is much worse than the numbers would suggest that he is so popular.

The other reason that this reminds me of the fourth quarter of 2007 is because a lot of the predictions that I've been making, now, for a lot longer, have finally come true with respect to the debt and the consequences of 0% interest rates and quantitative easing. A lot of people, they want to blame the problems on Biden. Again, I'm not a fan of Biden and I don't think he's going to get reelected if he runs. In fact, I think Trump is going to be the first president since Grover Cleveland, who I didn’t think was a great president, to serve two non-consecutive terms. But this is not Biden's fault. Sure, I mean he inherited a bad situation and made it worse, but it didn't start with Biden. The problems with the debt, recently people want to criticize Janet Yellen because she didn't try to lengthen the maturity of the national debt when she had a chance.

Every Secretary of Treasury that preceded her had a chance to do that and didn't do it. In fact, it started with Robert Rubin who was the Secretary of the Treasury under Clinton. I criticized Rubin back then for doing what he did. But what he did was he shortened the maturity of the debt. Why? Because it temporarily reduced the interest expense to the government by financing their liabilities with shorter term paper rather than going out on the longer end. It also helped keep longer term interest rates lower because the government wasn't borrowing on the long end. What the government did is they made the same mistake that a lot of Americans made with their homes and they took out a teaser rate. They took out an adjustable rate mortgage and that was one of the things that I criticized back in 2004, '05 and '06.

I knew what was going to happen to these mortgages once these teaser rates reset and the people who borrowed the money couldn't make the payment. So Janet Yellen simply did what all of the other secretaries of the Treasury did. And the same thing with Jerome Powell. He's not the cause of the problem that's about to happen. Yes, he's done the same thing as all of his predecessors, but he's simply going with the same playbook that Alan Greenspan wrote. In fact, I think a lot more of the blame for what's about to happen can be laid on Alan Greenspan, especially since he should have known better. He knew what he was doing was wrong. I don't think Bernanke or Yellen or Powell, I don't even think they have a clue how bad they've screwed things up, but I think Alan Greenspan did. So I think that's why I think he's more responsible, but everybody has been following that playbook.

Now, some of these Fed chairman, they've added pages to that playbook. They didn't have quantitative easing when Greenspan was Fed chair, so they've added that. They've added some other pages, but it's basically the same game plan, which is kick the can down the road, create inflation and paper over every problem so that we don't have to deal with it, so that we can postpone it. That is the reason that a lot of these predictions of gloom and doom haven't completely come to fruition because we have been able to get away with kicking the can down the road. When I was forecasting the financial crisis of 2008, when I knew that these banks were going to fail, I didn't realize that the government would succeed with the bailouts. I thought the world would be smart enough to recognize the predicament that we were in and I thought the dollar would crash back then.

That didn't happen and so we got away with blowing up the Fed's balance sheet. But even early on when Ben Bernanke went to Congress and testified that QE was temporary, that the Fed was buying these bonds only temporarily, that we weren't monetizing the debt, back then in 2009, I said he was lying. I said, "Of course they're monetizing the debt." And here we are now with 8 trillion on the balance sheet. Clearly Bernanke was wrong. We were monetizing the debt all along, so I didn't recognize that we would be able to postpone the pain. But we didn't cancel it, we just delayed it. What's been happening now that reminds me again of 2007, is for years when everybody was talking about how great it was that Americans could go out and borrow money and refinance their mortgages at 3% or 4%, this was great because that means all these Americans are going to get to have low mortgage payments, and they were also talking about how great it was for the US government who was borrowing all this money at really low interest rates.

Remember all the politicians, "Now is the time to borrow. It's so cheap. We need to borrow all this money because interest rates are so low." Everybody borrowed all this money because interest rates were so low, and I was one of the few people that was pointing out the problem of all this cheap debt. I was focusing on the lender. I kept saying, "Sure, a 30 year fixed rate mortgage at 3%, that's a great deal for the buyer, the borrower, but what about the lender? What about the bank that's going to be left holding a bag, holding that piece of paper for 30 years?" I knew eventually, interest rates were going to have to rise just like I knew eventually real estate prices were going to fall and that was going to be the catalyst to collapse the housing bubble. I knew eventually the banks that made the mistake of buying long-term mortgages, buying treasuries, were going to fail and that finally happened in March of this year.

You had Silicon Valley Bank, Signature Bank, one other bank, that failed. And why did they fail? Because their depositors wanted their money back. They loaned out to a lot of crypto-related companies or other tech companies that really kind of had a cash crunch. So they went to the bank and they wanted their money. The problem is the banks don't have the money because they loaned it out. Well, who did the bank loan the money out to? Well, the US government, they own treasuries and mortgages. And so when the customers wanted their money, they didn't have it. Now, Silicon Valley Bank and Signature Bank, they are not the exception. They are the rule in the banking sector. When we made the mistake of 2008 or 2009 of bailing out the big banks with TARP, and I was a very vocal opponent of the TARP bailouts, but the government told us that, "These banks are too big to fail. We can't let them fail because they're too big."

What I said back then was, "Well, if we don't let them fail now, when they eventually do fail, they're going to be a lot bigger." That's exactly what's going to happen because I think every bank that we bailed out in 2008, 2009, is insolvent today because every bank made the same mistake as Silicon Valley Bank or Signature Bank. They're the tip of the iceberg, just like the subprime. Had the Federal Reserve not stepped up and backstopped all of those banks, we would've already had the beginning of a much bigger financial crisis than the one we had in 2008 because the 2008 financial crisis was about mortgages. It was about people who borrowed money to buy homes. They couldn't pay back the loan or they didn't want to pay back the loans. Why pay back the loan when your house has lost value?

So the banks were only at risk because of their mortgage loans that went bad, which was a fraction. It was still a small fraction of the loans that went into default and that was enough to create the financial crisis. The problem now for the banks is not just that people are defaulting, but that they're paying. The banks are losing money on every mortgage they own. That's the problem. People are paying their three or 4% mortgage and interest rates are in the fives. The bonds have collapsed in value. But also, not only do the banks have a bigger mortgage problem today than they had in 2008, they have a huge problem with commercial real estate that wasn't even a problem in 2008, 2009. In fact, their commercial real estate loans gained value because the Fed was able to slash interest rates to zero in 2009 and their portfolio of commercial real estate went up.

Commercial real estate has imploded. These buildings are worth half of what they were when the owners borrowed money. The commercial loans are not 30-year fixed rate loans. These loans are five years, 10 years, and then they mature. They have balloon payments. These things are going to go into default. This is the perfect storm. You got all these people working from home, so they're not going into the offices. You got people shopping online, so you got these shopping centers, strip malls, office buildings, are all worth a fraction of what they were worth when they were pledged to the banks as collateral. So we have this completely insolvent banking system, but it's not just the banks. The US government is now in the same predicament that the subprime mortgage borrower was in because for all these years, we were taking out a teaser rate on the national debt and interest rates were at zero and the US government was financing the debt at 25 basis points, so it was no big deal.

Now, interest rates are 525 basis points. Over the next three years, half of the $34 trillion national debt is going to mature. The problem isn't just that we have to pay the interest. We need to repay the principal. We need to find a sucker who is going to buy all these bonds when they mature because people are starting to do the math and they're realizing that the US can't pay. I mean we can print, but printing doesn't count because over those three years, not only do we have to refinance $17 trillion of maturing debt, but we're going to add on another 10 trillion of new debt because the budget deficits are now over 2 trillion a year, probably close to 3 trillion a year, and we're not even officially in a recession yet. Imagine when we are in an official recession and tax revenues plunge even more and government spending increases and we're running four, $5 trillion a year deficits.

It's already, I think Mark Skousen pointed out, that at the end of this year, we're going to be spending more money on interest on the debt than we spend on National Defense. Well, by the end of next year, I think interest on the debt will be the number one line item in the budget. It's going to exceed Medicare and Social Security and probably a year after that, even if rates stay where they are, which they're not going to do, they need to go up, but in a couple years, I think 50% of all the government's tax revenue is going to be earmarked for interest on the debt. And in a couple more years, if interest rates just stay where they are, all, 100% of the government's tax revenue, every nickel that is collected in taxes is going to be needed to pay interest on the debt.

So there's nothing left for Social Security, Medicare, Defense. Everything the government does, 100% of the government's expenditures are going to have to be borrowed. Now obviously, we're not going to get there. There is no way the world is going to continue to loan us money knowing that that's the case. In fact, it's already happened. The de-dollarization process has started, the run from treasuries has started, and I think we accelerated the exodus with the sanctions against Russia. We basically shined a spotlight on the dollar as the reserve currency in this monetary system that we created and we showed everybody just how vulnerable they are if they accept this system because we were able to yank all of Russia's treasuries and all their reserves, and basically we told China, Saudis, anybody else, "we got you. If you do something we don't like, we're going to sanction you. We're going to punish you."

I don't think other countries like to be in that position. So that was just another reason on top of all the financial reasons that they have for moving away from the US dollar. So I think that is where we're headed now. This crisis is not going to be a subprime mortgage crisis. This is a sovereign debt crisis. It's not just home buyers that can't pay their bills. It's the US government that can't pay its bills. Again, paying with a printing press, paying with devalued dollars doesn't count. It's still a default. Once our creditors recognize that the only way that we can pay is to inflate, they're not going to want to participate. That's the only way this is going to end. If you borrow more money than you can possibly repay, default is inevitable.

The only question is how are you going to do it? Are you going to do it honestly by just acknowledging that you're broke and restructuring your debt? I mean, that would be the preferable way to go. The US government should come clean and let everybody know that we borrowed way more than we can repay and we're going to have to restructure the debt. People are not going to get a hundred cents on the dollar on US treasury debt, and they should make the same confession to people on Social Security or Medicare. "Yes, we promised you all this to get your vote, but we don't have the money, so we're going to have to make cuts to your benefits, not cuts to future recipients who can't even vote, but we're going to have to cut social security for the people who are currently getting checks because we don't have the money. We're going to have to make cuts to pensions of government workers."

But because no politician is going to do that, then the only politically feasible way to default is through inflation, through a devaluation of the dollar, whether there's an official devaluation where we actually take the value of the dollar... By the way, if you don't know, right now, the dollar is officially defined as $42 is an ounce of gold. That's where we have the dollar. Because Nixon devalued the dollar twice before we went off the gold standard. But obviously, the dollar is worth a lot less than it was then because the market price of gold is about $2,000 an ounce. But in order to pay down a reasonable proportion of the US debt to the point that the US government can actually service it, you might have to devalue down to where gold is 20,000 an ounce or $30,000 an ounce. That's the type of devaluation we need now in order to square the books.

But of course, that means significant inflation. But the alternative to doing something like that could be hyperinflation where we never re-anchor the dollar to anything of any value, and we just start printing money. Then the US Federal Reserve doesn't become the buyer of last resort, but of only resort. It becomes the only buyer of US treasuries. I mean, right now the Federal Reserve is actually selling US treasuries. I'm actually surprised it got away with selling as many as it has because it's lowered the balance sheet down from 9 trillion to a little under 8 trillion. That's part of the reason that rates have gone up to 5%. But at some point, the Fed is going to go from a seller to buyer. That's what they did. If you go back to March, when we had that beginning of the banking crisis, the Fed blew up its balance sheet by 300 billion in one week just because a couple of smaller banks went under.

Imagine the amount of money they'd have to print to bail out Bank of America or Wells Fargo or JP Morgan or Morgan Stanley or any of these really big banks because they're all in the same predicament, or to bail out the US government. We talk about the government having these Treasury bond auctions. Well, what happens when we can't get one off? What happens when there's not enough buyers? Is the Fed going to just sit back and allow a failed Treasury auction? Is it going to allow a financial crisis bigger than 2008 by an order of magnitude? Because the only way that they can fight inflation is to allow the banks to fail because the minute they try to bail them out, inflation takes off. In fact, it was only because the official inflation rate was below 2% that the Fed was able to get away with creating inflation.

Quantitative easing is just a euphemism for inflation. That was the government's cure for every problem, was it created inflation. That's what the Fed did. Well, now inflation is the problem. Obviously the Fed can't cure an inflation problem by creating inflation, if they try to go back to QE, and they will try to go back to QE. But when they do it, but inflation is well north of this so-called 2% target, then it's over. It's game over for the Fed because now the markets and our creditors realize that it's a pipe dream to get inflation back down to 2%. One of the reasons that the price of gold hasn't moved up dramatically from here, one of the reasons that the dollar hasn't already tanked is because people still believe the Fed. They still have confidence that the Fed can do something that is impossible, which is bringing the inflation rate back down to 2% without creating a financial crisis.

It's not just that in order to do that, they would have to bring about a recession. They have to bring about a financial crisis because in order to get rates to where they need to be and in order to stop the spending... Because in order to stop the inflation, the government is going to have to massively cut government spending. Individual consumers are going to have to stop spending. But when you've built an entire economy based on consumption, based on spending, you can't turn that around. You can't raise interest rates and collapse all that without having a massive depression. Now, all of that would be cathartic and cleansing. I mean, we need to restructure the economy. We need to have an economy that's built on a foundation of savings and under-consumption and production. We can't just have a debt-fueled consumer economy that runs trillion dollar trade deficits with the rest of the world in perpetuity.

We've been able to get away with it for a long time, but I think we've run out of road to kick down the can. So the question is, what do we do about it? How do you position yourself? I think a lot of people who think they're just going to sit in cash and wait for some sign that's going to tell you, "Aha, now I want to get out of my dollars. Now I want to get gold." I think by the time it's obvious to everybody that now is the time to get rid of the dollar, it's too late. Because when it's obvious to you, it's obvious to everybody, and there's got to be another side of that trade. You can't try to get out of the dollar or get into gold when everybody is doing it. You got to do it before them.

Yes, I've been doing this for a while and I've been very early, but I think that being early is going to be a lot better than being late because being a day late is too late. I'd rather be 10 years early than a day late because then it's too late, then it's gone. Once the dollar collapses and the purchasing power is gone, it's not coming back. So you've got to recognize that inflation, devaluation, this is the only political way out of this. Now, it's not going to get us out of it because it's actually going to end up being worse, but you have to understand from an investor's perspective what you have to own because the biggest bag holders are going to be the creditors of the United States who are going to lose. They're either going to lose because they don't get their money back or their money doesn't have its purchasing power.

If you have money in a bank, either that bank's going to fail and you're not going to get your money because the FDIC doesn't have it and the Fed won't print it, or you get your money back because the Fed did print it, in which case the money that you get back buys very little. So you have to own the type of assets that are going to preserve their value with inflation, that are going to give you a meaningful income that will be able to rise as the cost of living goes up. You have to invest internationally. But yes, you have to recognize that there are problems all around the world, that we're not the only country that's made mistakes. I just think they're more profound in the United States because America has built an entire economy around the dollar as the reserve currency.

So no other country has had that exorbitant privilege, and so I don't think any other country will suffer as much when that privilege is lost and the dollar becomes just another fiat currency. Anyway, I noticed that I'm out of time, so I'm going to continue this theme at my workshop, which I think begins at 8:15. I'm not sure what room it's in, but I'll see you guys there. Thank you.

Albert Lu: Thank you, Peter. Great job. Thank you.

Mark Skousen

“The Courage To Be Disliked Why Gold Bugs Don't Like My Favorite Contrarian Technique for...”

Albert Lu: Dr. Mark Skousen is a presidential fellow, and the Doti-Spogli Endowed Chair of Free Enterprise at Chapman University. He holds a PhD in economics from

George Washington University, and in 2018, received the Triple Crown in Economics from Steve Forbes for his work in theory, history, and education. Dr. Skousen is the author of over 25 books, including The Making of Modern Economics and The Maxims of Wall Street, and he's the producer of FreedomFest, the world's largest gathering of free minds. His talk today is The Courage to be Disliked: Why Gold Bugs Don't Like My Favorite Contrarian Technique for Making Money. Ladies and gentlemen, please welcome America's economist, Dr. Mark Skousen.

Mark Skousen: Thank you. Well, thank you very much. I'm glad to see some of you still around. I asked Brien. I said, "Really? Are people sticking around?" Some people are leaving. That's fine. Sooner they leave, the better. But do people really stick around in New Orleans, and they're out to dinner seeing a jazz show, or walking down Bourbon Street, or what have you? But I do want to, every time I give a talk at this conference, I try to make some things that make you think. So let me start with this first chart, CPI inflation from the beginning of our nation to today, or more recently, 2012. But the trend continues along those lines. But you'll notice that up until World War II, essentially what happened was that the only time we had inflation, it was temporary. And it was during wartime, 1812, the Civil War, World War I, and so forth.

Thank you. Well, thank you very much. I'm glad to see some of you still around. I asked Brien. I said, "Really? Are people sticking around?" Some people are leaving. That's fine. Sooner they leave, the better. But do people really stick around in New Orleans, and they're out to dinner seeing a jazz show, or walking down Bourbon Street, or what have you? But I do want to, every time I give a talk at this conference, I try to make some things that make you think. So let me start with this first chart, CPI inflation from the beginning of our nation to today, or more recently, 2012. But the trend continues along those lines. But you'll notice that up until World War II, essentially what happened was that the only time we had inflation, it was temporary. And it was during wartime, 1812, the Civil War, World War I, and so forth.

And you notice that right after the war, inflation came back down. You had deflation. But look at what happened after World War II. This is a chart that was prepared by Reinhold and Rogoff at Harvard University on the hundredth anniversary of the Federal Reserve. And they discovered, this is really quite an amazing chart to discover that there's been a permanent sea change since World War II, because prior to those times, we saw inflation coming down. But after World War II, it stopped. So when I teach this topic, I show the graph to my students, and I say, "All right, so what caused this permanent change? Why is inflation now permanent? Is it because there are never ending wars in the industrial military complex? That certainly could be the case. Could it be because of the creation of the Federal Reserve?" Because in the Federal Reserve in 1913, we saw a new creation, and many people, including Murray Rothbard argued that the Federal Reserve is really the engine of inflation.

Its purpose is to defend the dollar, and to be a lender of last resort. But the fact is that it has been an engine of inflation, and certainly the printing of money, 40% increase in the money supply in 2020 as an example. Could it also be because of the adoption of Keynesian economics after World War II? After all, the most popular textbook in economics that I was taught from is Paul Samuelson's economics, who was a Keynesian economist. And what did Keynes advocate? They said, "Government should not retrench during a recession, but should stimulate the economy, deliberately run deficits." And if you look at since World War II, that's what we've been doing, is running these massive deficits. And we seldom see a balanced budget. Or could it be going off the gold standard, which occurred in 1933 and 1971. And in fact, you'll notice that really the bottom between World War I and World War II on this chart is, let's see if we can see it.

You can see right there that there really was a bottoming pattern right there, and it's been rising ever since. And notice in 1971, it accelerated. So could it be going off the gold standard, and losing that discipline? I just returned from Bretton Woods, New Hampshire for a conference that was sponsored by the Mont Pelerin Society, which is an international group of political and economic thinkers. We had about 300 or 400 people there. And I did an ad hoc session on this chart, and we had some pretty top economists there, and people from all over the world discussing why this happened. "So out of all these reasons, what is the number one reason," I asked my students? And I asked the people at the Mont Pelerin Society meeting, "What is the number one reason? Is there a primary reason why we have permanent inflation?" And of course, their answer was, and the answer that Reinhart and Rogoff said, "It's the end of the gold standard because the gold standard is what really provided that discipline."

And we've lost that discipline." All the other factors are contributing to the permanent inflation. So don't ever think that inflation is over, folks. It's here to stay. Now, even though we've had this permanent inflation, notice that stocks have really done quite well. So if you have a modest amount of inflation, and you're not running hyperinflation like Germany, or Argentina, or Venezuela, or Zimbabwe, then you can adjust to a modest inflationary pattern. But inflation is inherently unstable. Notice that when inflation came back in the United States, there's a lot of strikes. We had not had strikes hardly at all in the United States, but now we have a lot of strikes. Why? Because wages don't keep up with inflation. That's one of the problems. But anyway, the long-term trend here for stocks is really quite remarkable, that through two world wars, and the boom and bust economy, you still see stocks moving higher, and higher, and higher, and outperforming bonds, T-bills, money market funds, gold, and the dollar.

So this chart is provided to us from giving us a long-term perspective on how well the US economy has done since the 1800s for over 200 years. And it's quite a remarkable chart to suggest that it pays to be bullish on America, and the long-term prospects of our country. But this is dependent on a very critical element, that is we must fundamentally be a free enterprise capitalist system. And if we ever lose that free enterprise spirit, we're going to enter, as many other countries have had, a long-term bear market. But I do want to point out that stocks outperform gold pretty dramatically, because gold is an asset that doesn't pay interest. It's not a business. It's an insurance policy against bad times, and against inflation. And you do see that gold has become a superior inflation hedge since we went off the gold standard in 1971.

But it can't really compare to the performance of successful businesses, which is what Wall Street and the stock market is all about. Now, I do know that there are friends of mine. My gold bug friends showed me this chart, and you've probably seen it, that since the year 2000, the gold price has outperformed the stock market, the S&P 500 total return. You can see that it's up 600%, stock market up 400%. So it does look like gold is a better investment than the stock market. But, if you look at since 2011, you can see quite an opposite point of view. The S&P 500 has dramatically outperformed the stock market. And then, if you want a longer period of time since 1990, you can see the stock market has way outperformed the gold market. And the reason is simple, because gold is a frozen asset. It increases a little bit every year with new mining, and so forth, but you can't compare to the success of entrepreneurial companies that tend to dominate the S&P 500.

So I've had a pretty good record in my own newsletter. I've been writing my own newsletter Forecasts & Strategies since 1980 when Ronald Reagan was elected president. And it was a major change in my career because I grew up, I cut my teeth, if you will, in the inflationary 1970s. And in fact, my very first investment happened to be a silver dollar, which I keep with me, to remind me of my first investment. It was not stocks or bonds. It was gold and silver. And Swiss francs, and real estate, those were my investments, alternative investing. But when Ronald Reagan was elected, I realized that there was a sea change. And I was at this conference in the Hilton Hotel in 1980 when Ronald Reagan was elected president. I was here at this hotel, and it was incredible buzzes. Just by show of hands, was anybody there at that conference in November right after the election in 1980?

Anybody at that conference? So there were over 2,000 people. There's a record turnout because everybody wanted to know, "What does this mean?" And what really surprised me, I'll give you a little historical background, is that Jim Blanchard and the others were very skeptical. They didn't think anything had changed with the election of Reagan, that everything would be the same. But there was actually a revolution that took place under Reagan. It was a marginal revolution. He didn't eliminate government. He reduced government. He didn't cut. He didn't reduce taxes to zero. He simply just cut taxes, and he cut regulations, and he imposed monetary limitations on the Federal Reserve.

So there were marginal changes, but it was enough to make a huge difference in the stock and bond markets, which had a huge rally. I did a promotion. My very first promotion for my newsletter I wrote. And so for Forecasts & Strategies, my promotion in 1981 was the following, "Open this envelope to find out what the shock, the financial shock of 1981." That's what I called it, the financial shock of

1981. "Open this envelope." And people opened the envelope, and it said, "Reaganomics will work. Sell your gold and silver, and buy stocks and bonds." Now, that turned out to be a really good forecast to start my newsletter off. Did the promotion work?

No, it failed miserably because nobody believed it. And that's often the case when it comes to Forecasting & Strategies. That's why I've had to eat my hat a few times. It's very difficult business, but I've had a pretty good record on gold and silver. So as you can see here, I recommended selling gold and silver ETFs in December 2011. But then back in 2018, I said, "It's time to buy gold again." And it's had a modest rise since then, not particularly dramatic. So I am, if you get a copy of my newsletter, and I'll have copies of it tomorrow in my workshop, you'll see that I'm still continuing my gold recommendation. And in my trading services, I've been recommending gold as well. I've been recommending uranium more, and I'm going to talk about that tomorrow my workshop. Uranium is one of the few real bull markets that's going on, and there's some fundamental economic reasons why the demand for uranium is going to go up, and the price is going to continue to rise.

So I'll be talking about that tomorrow evening. So this is a really interesting chart to demonstrate the difficulty it is for you all going over to the exhibit hall and deciding to invest in penny mining stocks. So this is the Gold Miners ETF. This is not GLD. It's GDX. So it's not gold itself, which I am recommending. But the gold stocks, do you see a pattern there? Do you see a bull market? This is since what, 2006? You see a bull market? Can you make money in gold stocks? Probably not. They're very cyclical, and the long-term trend is not particularly good. There are very few gold stocks that have done well over 10 years, 20 years, and 30 years period. Meanwhile, we have lots of examples of industrial stocks and technology stocks that have made you rich.

So my workshop on Friday, November 3rd, tomorrow 6:25, it should be I think 6:24 to 7:05 in the commerce room on the third floor, Bears make headlines, Bulls make money: My Favorite Growth and Income Stocks for 2024. So my strategy is to look for income producing investments. I look for rising dividend policies. I have a more conservative approach with my newsletter, which I think will appeal with a lot of people. One of the things I like to do to keep it really simple, because a lot of you are interested in individual stocks to try to play the market, to try to even beat the market. I actually do this myself. So I divide my IRA account, and I put half of it in the S&P 500, or the XLK, the technology fund that's done really well. So I put it in some index funds, and then I take the other half, and I put it into individual stocks.

And this is a great opportunity for you to test your ability to beat the market. Can you beat the market? I found that the reason I write my newsletter, I think my newsletter would not be successful if I just recommended the S&P 500, or an index fund. I like to recommend individual stocks because people love stories. You love the stories about what's happening in the world. So right now, I'm recommending a uranium stock, which is actually making money. It's called

Energy Fuels if you want to know about it, symbol UUUU for those who are writing down stock symbols. And here's a stock selling for 13 times earnings, and doesn't pay a dividend, but it's actually making money. So there's a lot to be said for that. So I'm going to go into that category, and why I think that will be a really good investment. But also, the energy field looks very positive to me.

The technology sector has held up pretty well, and so I don't think we're seeing the end anywhere near of the technological revolution that we're occurring. So I encourage you to come to my workshop tomorrow. I'll have my newsletter there. My book, The Maxims of Wall Street, I just heard from the printer, we're temporarily out of stock. So I've gone to the 10th edition. We've published 50,000 copies. Many of you have copies of that book. So I'm very pleased that that book is coming out pretty soon. Anyway, got a couple of minutes for questions. Anybody have any questions? Okay, I'll have a question for you. By show of hands, how many of you are subscribers to my newsletter? I think I see four or five hands, and so forth. Fantastic. Well, I hope I can meet you tomorrow. I'm going to be here for the entire conference. I'll be spending time in the exhibit hall, and so forth. And I look forward to meeting you all. Thank you all very much.

James Stack

"Monetary Collision! How The Feds No-Win Situation Will Impact Stocks, The Dollar And Gold

Robert Helms: All right, well, we have our headline speaker about to come up and as soon as he's finished, I will have some important announcements about the party, but if you were here last year, you know that you're in for a treat. James Stack is our speaker tonight and he's president of InvesTech Research and they are one of the leading financial analysts and money managers in the country. His first appearance at this very conference was with the co-founder of the event, Mr. Jim Blanchard all the way back in 1986, Jim Stack was recognized for forecasting the 1987 stock market crash and providing advanced warning about the tech bubble of the '90s. Plus he foresaw the housing bubble in 2007 and lots more. His track record has been described by Forbes as more or less impervious to declines. Please welcome back to the New Orleans Investment Conference, wrapping up tonight, Mr. James Stack.

James Stack: Thank you, Robert. I've got some important ground to cover tonight. Robert did not mention SFM, that's Stack Financial Management, our firm on the money management end, we manage client accounts in 48 out of 50 states and we're proud of it because it's on the Forbes Top 250 wealth advisors. And just last month, CNBC named it one of the 100 top financial advisors in the country. I am not here tonight to talk to you about wealth management. I'm here to talk to you about markets on the research side, the InvesTech research side, and we've got a lot of ground to cover because I'm going to talk about the technical and the monetary and what likely lies ahead. And I'm going to start with last year's title slide and I'm going to update it slightly and say keep your seat belts fastened and you'll see what I mean in a moment.

I'm going to start with an important insight. We're going to look at the small cap premier index, the Russell 2000 Index, 2000 small cap stocks and this next graph is going to show what that Russell 2000 Index looks like around every bear market bottom going all the way back to 1980. It shows you what happened going down into the bear market bottom in the middle and so then it shows you the 12 months afterwards. On average the Russell 2000 has gained 76% in the first year of a bull market. What's it look like today 12 months out from last year's bear market bottom? Okay, now that I have your attention, the Russell 2000 Index hit a new bear market low last Friday. You don't see that in any of the headlines and we're going to go into some other valuable insights and talk about what ifs. Talk about probabilities. The S&P has rallied 20%, over 20%, off last year's October low. It's only up about 17%, so it's really not back in new bull market territory.

My warning. Don't get caught up in the bull versus bear debate and the reason is simply this. I'm going to take you back to one of the biggest bear markets. 1929 to '32, there were five different 20% rallies in that bear market and one year into that bear market you had the president of the United States saying that they were convinced that the worst has now passed and that we shall rapidly recover. Of course it didn't. I'm not forecasting a '29 to '32 bear market. What I'm telling you is don't rule out the possibility and I would call it a probability today that what we've seen is a 20% rally in what could be a continuing and ongoing bear market. In fact, if you look at this from '29 to '32 and say, when have we seen that before? This next table shows you the 20% rallies in the major bear markets. Going back at the top is the '29 to '32. You'll see a couple other bear markets in the thirties, but guess what?

Most investors don't realize this. In the unwinding of the tech bubble in 2000 over that bear market, there were two separate 20% rallies and in the last big bear market, the housing bubble that gave way to the financial crisis, we also had a 24% rally. Don't rule out the possibility that what we've just seen is a 20% rally in a bear market. I want to start with the monetary outlook. Simply stated, we're still on a collision course. If you look at all the Federal Reserve tightening cycles, discount rate hikes from the first discount rate hike, I'm going to put them all up on one graph here. They're going to be colored different based on the years, but it shows you how the Fed raised the discount rate from that first rate hike out through the final one. Some of them went a lot longer, some of them went a lot steeper. The two steepest ones were from the early ‘80s. Where are we today? I'll draw that in. That's what today looks like. Unfortunately, those two from the early eighties, '77 through '80 and ‘80 and '81 led into the deepest recession since the 1930s.

Now, again, I'm not forecasting the deepest recession since the 1930s. I'm telling you that I look at that graph and I don't like what I see. There's a widely held belief out there that with Federal Reserve policy that they're done hiking. They didn't raise rates today. Good, but they also widely believe that the Fed's going to start cutting rates by early next year, hopefully at the latest and that a soft landing is guaranteed. Our view is that all these views are correct on the first one. I do think the Fed is most likely done raising rates. However, I think the widely held view on the second is wrong, that they're not going to start cutting rates by early next year unless the wheels come completely off the track and we'll talk about that. But the third one, the widely held view that we're in a soft landing, well, we'll come back and visit that in a moment.

I want to give you a graph of the pressures on the Federal Reserve. They say they follow the core CPI. That is without the volatility of food and energy. However, this is what is known as the sticky price CPI. These are prices out there that are less likely to come down without a hard landing, that is, without a recession. A year ago at this conference that was up there over 6% and where is it today? It's come down a whopping 1.5%, less than one and a half. Down to 5.1%. That's still two and a half times the Federal Reserve's 2% target and that's what has Powell worried in his comments after the FOMC meeting today. So the monetary outlook, I would summarize this way. Interest rates higher for longer, possibly much higher for much longer. Second point, we are historically unlikely to see 2% inflation without a hard land and that means a hard recession.

And the third point is the next 12 months will be high risk. Now, why would I say that? I could put up a plethora of evidence. I'm going to put up just a couple things here, right here. I'm going to put up something related to small businesses. Now everyone thinks, well, everything's controlled by the big companies, Microsoft, Amazon and Apple and everything. Small businesses, believe it or not, make up, are 97% of the US exporters. It's just the bigger companies tend to export more, but 97% of the exporters, the small companies make up 46%. Almost half of the workforce and small businesses make up 44% of GDP. So what is the small business outlook on the economy? The NFIB has a survey. National Federation of Independent Business. I'm going to put up that survey and that's where it is today. It hit the lowest level last year and it's rebounded, but guess what?

It's falling again and it's nearing a 50 year low and it's actually small business outlook for the next six months is lower than where it was back during the double digit inflation of the late ‘70s. That all signals potential economic risk. And what's the problem with all the soft landings? Well, this has given away to an unimaginable number of soft landing headlines. Everyone's buying into it, everyone's supporting it. Everyone from economists to the big banks, Goldman Sachs, Secretary of the Treasury, Yellen, who used to be a Fed chair as well as even the Federal Reserve's own officials and analysts are now predicting a soft landing. There's a problem with that. I know too much about history and what I mean by that is when do these soft landing headlines appear most prevalent? Well, I happen to have brought a chart that shows the total number of soft landing headlines in the Wall Street Journal year by year going back to the early eighties.

The red bar shows you the total number of soft landing reference headlines in the Wall Street Journal. When were they most prevalent? Right before the recession, the one exception, 1995 and inarguably 1995 was the only successful true soft landing that the Federal Reserve pulled off. That is, they were raising rates, the economy cooled, inflation simmered down and late 1995 the Fed cut rates. Cut the discount rate, which set the stage for a latter half of that 1990s bull market which went into the tech bubble. So one soft landing out of the past 60 years is not a good track record. The next thing I'm going to step into and I'm going to change gears and go away from the monetary side and step over a little bit more into the technical side of the market. We use a lot of technical tools that we've developed over the years. Some of these look at breadth, some look at leadership.

I'll give you one on leadership in a minute, but on the technical side, I would summarize it this way. Technical warning flags are increasing. I did not say decreasing out there. They're actually increasing in spite of this rally off of last October's low and I'm going to put a couple tools up here. The first one is called our Canary Index or properly, full name, Canary in the Coal Mine Index. Why did we call it a Canary in the Coal Mine Index? Because canaries used to be carried in the coal mine. If the canary fell over dead, the miners got out because it said there's deadly methane gas. So we meant it jokingly, but we introduced it a couple years ago and we constructed it of the most speculative high flyers in the market and among these were DoorDash, Peloton, Beyond Meat, Pinterest. There's over 20, 25 stocks in this thing and we said when this speculative frenzy, which had soared out of the pandemic, when this peaks and when it breaks down, batten down the hatches because warning flags are increasing fast.

This is what the InvesTech Canary Index looked like in January of last year. You can see the basic parabolic rise coming out of the pandemic in 2020 and soaring up to new highs. It stumbled in early '21 but by late '21 then it broke that support line and what happened to these speculative high fliers? many of which, most of which are still not earning a penny, they're down over 70%. Now they took part partially in the rally earlier this year, but they're falling back down and this graph is not updated through current. It's actually much closer to breaking to new lows. That tells me that the speculation in the market is again starting to give way. I'm going to switch from canaries over to, this is going to sound odd, over to gorillas, not this type. Lisa and I were in Africa just this past month and fortunately we were in Rwanda and were able to get a permit and go in and visit the mountain gorilla family in Rwanda.

And the trackers on one of these, if they find the family and you do get to see them, teach you to speak gorillas. It is two deep grunts and then low guttural growl and you don't look them in the eye and that means I'm your friend and it must have worked because when I did it, this big guy came over and sat down 12 feet from me. I won't tell you what happened after that, but I will tell you in the exhibit hall reception afterward. The gorillas I'm going to talk about now are the gorilla stocks, the big cat momentum stocks, the ones that everyone has to have been invested in this year in order to make even decent money in this market. The Gorilla Stock Index is one that we came out with again two and a half years ago. I'm going to put it up here. The Gorilla Index. You'll see how these, there's only 10 stocks, 10 of the biggest cap momentum stocks out of the S&P 500.

And you'll see how they start out of the pandemic low. They attributed or contributed one third, literally one third of all of the S&P gain. If you were not invested in these stocks that include stocks like Apple, Microsoft, Meta or Facebook and Google, you didn't reap the kind of gains that everyone else was getting if they're investing in those big cap gorilla stocks. This is what we were watching early last year when all of a sudden it went off a water slide going into January of 2022 and we started moving more defensively positioned. Because it basically was falling and then at the conference last year, these 10 gorilla stocks on average were down over 35, almost 40%. Here's what's interesting, what's happened to them since then? They went up to new highs, they led the gains coming out of last year's low. The biggest gains of the rally off of last October's low were the same stocks that took some of the biggest hits coming down and they've again gone back up, many of them, some of them to new highs.

Now the risk with that is where we are today and this isn't quite updated because if I updated to through last week, it actually is lower than that. It has broken down again. You want to know how much trouble we're in, in the next couple months? Watch this Gorilla Index. If those big cap momentum stock, and you don't have to get InvesTech to do this, but just look at the big stocks like Apple, Google, Meta and so on. If they start falling, if they start selling off, it means that big money is starting to batten down the hatches and we're going into another potential downslide like what we saw last year. The last tool I'm going to put up here is in leadership. It looks at not upside leadership. It looks at downside leadership. In all of our historical research and we did a lot of this back in the 1990s, we found if you want to find out where there's risk in market, look at the depth, breadth of downside leadership. Stock seeing new lows.

And what you'll find is our negative leadership composite or NLC, it helps us identify periods of higher risk. This next graph shows the S&P 500 index since the last bear market bottom, true bottom, in March of 2009 and it shows you the negative leadership composite. It was down at the maximum negative reading. It came out of that March, 2009 bottom and basically all that downside risk disappeared for the first two plus years before we went to the first correction. Last year, going into last year, it again went all the way down to minus 100. Good reason for us to be defensive. Toward the end of last year, it came off that low very reluctantly, very slowly. It was part of the reason for our distrust of the new bull market. It didn't look like it was unfolding like a true bull market would. And here's what's interesting is that in the last month and a half and two months, it has fallen back down to minus 100.

Now if last year's October low was the bear market bottom, we are about 12 going on 13 months into a new bull market. When has that negative leadership composite signaled a return of bear market leadership in the first 15 or 18 months of a new bull market? Never. Never in the past 60 years. So what does that tell you about today? Well, it tells you we're back in a high risk zone. This is not market timing, this is risk management. It's recognizing those periods of higher risk and positioning your portfolio to be defensive during those periods of higher risk so you can protect your capital and take better advantage of those true buying opportunities that come around. Now I want to mention the wild card. This is interesting because I call it a wild card because it's an economic wild card.

It's also a Wall Street wild card. It's one that if Wall Street is going back into a bear market, this could turn it into a much more severe bear market and that is housing. Housing is the economic wild card today just as it was back in 2005. Historically, home prices move very closely or track long-term cumulative inflation. Now that makes sense because wages tend to go up the same rate as long-term cumulative inflation, so do housing prices. Here's a long-term chart and you'll see all the way through the ‘80s and ‘90s, housing prices tracked very closely to inflation, but as we went into the early 2000s, up through 2005, we saw that divergence that took median family home prices 35% above the cumulative inflation. And what happened? Well, it turned out to be a housing bubble. It popped and housing prices came back down.

But when you look at what's happened since 2011, all I can say is wow. I want to give you another graph here and put it in perspective, I'm going to take this last 10 year runup in housing prices and look at it on a percentage basis compared to that housing bubble that led up to 2005. And we're also going to put in the housing bubble in Japan. If some of you remember that back from the 1980s, it didn't peak until the early 1990s and then housing prices fell for over 10 years after that, and that is on this graph. The green bar shows the housing bubble that peaked in 2005. Japan's housing bubble is shown in the white and today's housing prices over the last 10 years is shown in yellow. I think the best way to describe that might be to step back. If you're going to bet on housing, I think it might be a step back to Clint Eastwood's famous line out of the movie Dirty Harry, “do you feel lucky?”

Be careful about housing out there. Be careful about counting on it stabilizing. It might for the first time in history level off or might slowly come down over the next 10 years, but that graph right there makes me nervous. What else can you say about housing? I want to put another couple graphs up here on housing and why we are so nervous about it. The first graph actually looks at an NAHB survey, National Association of Home Builders. These are the home builders themselves doing the survey. It shows the traffic of prospective buyers in the top. It shows the builder confidence in the bottom. Look what happened to this last year and you see the red trend lines we added on there. Look back at what happened in 2005 leading into the housing bubble collapse of '08. Now, housing has rebounded this year.

Home prices just hit new highs. But here's the other point I want to bring out. The rebound that we've seen both in home prices as well as this survey of prospective buyers and builder confidence is very similar to what occurred in '06, '07. Again, the next 12 months are going to tell a lot and you've got some very important statistics on this coming out in the next couple of weeks. Write that down. NAHB. If that takes a big drop down, batten down the housing hatches. Okay, the last thing I want to put up here on housing. I know that Aden Sisters made this point, at least with respect to 30 year bonds. I want to make it with respect to mortgage rates. The 30 year mortgage rate has gone up to almost 8%. Now you can say, well, yeah, we were higher than that back in the ‘90s. Yeah, you weren't higher when you had prices of homes at such overvalued extremes.

The truth is we haven't begun to feel the full impact of the wipeout if that is where we're heading in housing and that's what makes the next 12 months particularly dangerous when it comes to investing in the market. If I haven't scared you or if I haven't depressed you, if you happen to be a realtor, I'm going to step over into strategy. I'm going to talk simple strategy, very simple. Three parts, and also touch on gold during this. First part. Think safety first. All investment opportunities are not created equal and today don't try to make a great opportunity on Wall Street out of something that isn't. This is not a low risk market either from a valuation standpoint when it comes to stocks or from a monetary standpoint or from a technical standpoint. And to show that what I mean here is our invested allocation for our InvesTech model portfolio over the last 15 years.

The top chart shows the S&P 500. The bear markets including the pandemic plunge are shown in red shading there. The bottom graph is the InvesTech net invested allocation to stocks. You'll notice three things. One, back in the bad bear market of 2007 to '09, we were down to almost 50%, even under 50% invested throughout a lot of that bear market. That took out a significant part of the bear market risk, especially when you factor in sector allocation. If you look at the bull market within four months coming out of that bear market bottom, we were over 95% invested and throughout the past decade up until 2021, we averaged over an 85% invested allocation. The reason I put that up there is to make the point, I am not a perma-bear. I am very nervous today. I am bearish today and until I see a lot of these warning flags disappear, I am going to be more defensive.

And of course you'll see that we wound down allocation last year. We unwound some of that defensiveness going into this year because we saw the blocks develop for a potential bull market, but it looked more like a rally and now we're moving back toward that most defensive position that we had since that great financial crisis. The second part of that strategy is to diversify and be patient.

What do I mean by that? I mean be selective in your sectors. What are the sectors to avoid? Well, just like the last housing bubble, I would stay away from financial stocks even if they look gold plated and sound, try to avoid most of them. Definitely stay out of the real estate sector and I would stay away from the consumer discretionary stocks. There are analysts out there saying, "Oh, these things are great buys."

Yeah, they are. But right now you have consumer spending like mad with money that they don't really have and I think that's going to change in the coming months immediately ahead. The best sectors, I'm going to give you several here. Healthcare. Healthcare is bear market defensive. They tend to hold up well going through what could lie ahead. Another one, consumer staples. What are consumer staples? There are shopping that consumers go out and buy regardless of whether you're going into a recession or not. In fact, their buying often increases. And I'll just mention one of the staples that we have and it's on the money management side. We have Walmart. People will actually increase their shopping at Walmart and reduce it at high end selective stores as you go into a recession.

Full disclosure, yes, we do own Walmart in the money management side just like we did in the last recession in 2007 to '09 and past performance is no guarantee of future results. So important for me to make that disclosure out there. Another insight on sectors is energy and gold. Energy is a late cycle sector. I wouldn't load up on it, but if you're holding energy stocks, I think there's still potential there, particularly if you're holding some of the good solid producers. In terms of gold, what I want to mention on gold is the misconception that most investors have about gold and that misconception is simply this. Everyone thinks that gold moves with inflation. If it did, gold would've soared in the last couple of years when all the inflationary surprises were to the upside. It doesn't. Gold moves with the dollar, inversely to the dollar, and I'm going to show you a graph that will help you understand this.

This shows gold over the last, since the mid-1990s, over the US dollar. Look at how the strong US dollar throughout the decade-long expansion of the nineties, the strong dollar drove gold prices down literally through the whole decade. But look what happened as the tech bubble started unwinding and the Fed went to an ultra accommodative loose monetary policy. The dollar fell sharply all the way out through the second bottom in 2011, gold not only doubled, tripled, quadrupled, it even quintupled. Now here's what I want to point out today and this is what I find intriguing. I'm not a gold bug. I do have a lot of gold coins that I bought back in the ‘80s. They're sitting in a safe deposit box. I won't tell you what they were bought for, but they're basically an insurance policy. But this is what I find intriguing about the outlook for gold today.

Look how strong the dollar has been over the last couple of years and gold has not fallen. To me that means there's a lot of resilience in gold right now. In fact, it's still bumping. It was just over $2,000 an ounce. What that means is that if the dollar falls and the dollar could very well fall if the US starts heading down a recessionary path, if the housing starts coming off the track and if we start seeing the stock market sliding, we could actually see the dollar falling and that means upside on gold. I'm not forecasting 3000 or $4,000 an ounce, but it could easily go up 10, 20, 30%. In terms of precious metals or gold, generally we don't advise putting more than about 5% of your portfolio, 10% at max. But again, right now my outlook on gold is that it's a good defensive allocation, diversification and defensive allocation. And I'm going to close with this last slide or this last point.

The last part of the strategy is to anticipate the unexpected. There are significant risks out there. Risks that the wheels could drop off the track, that the soft landing could be aborted and that the bear market might resume control. And all I'm saying is that every analyst, economist out there is forecasting or expecting a soft landing. Just be positioned in your portfolio in case it isn't. Thank you very much and we'll see you at the reception in the exhibit hall.

Robert Helms: All right, James Stack, ladies and gentlemen, nicely done. Good stuff. Last year, he was fabulous. Did not disappoint.

Matt Taibbi

"How Two Decades Of Assaults On Civil Liberties Resulted In A Free Speech Crisis"

Robert Helms: We have a new speaker to the New Orleans Investment Conference. Matt Taibbi is the author of 11 books. Four of his books, including Griftopia and Insane Clown President are New York Times bestsellers. He is the publisher of the newsletter, TK News, and the host of the podcast, Useful Idiots. He won a national magazine award for his writing for Rolling Stone, and you probably know him best as the guy who broke the news of the Twitter files in an investigative series. Please welcome to the stage, Matt Taibbi. Welcome, sir.

Matt Taibbi: Thank you so much. Thank you. All right. Thank you so much. When I was very little, my parents brought me to Mardi Gras, and I remember the first time we went out to eat, having the thought, "Why isn't food like this everywhere?" So among other things, this conference has given me the opportunity to return the favor to my three little boys who are out having, I think, their first gumbo as we speak. So thank you so much to the investment conference for inviting me. It's a tremendous honor. My name is Matt Taibbi. I'm an investigative reporter. I've been doing this for over 30 years now, and because my father was a journalist, it feels like longer than that.

I've been around newsrooms my whole life. And one thing I learned about journalism early is that you never really know what a story is about at the start of it. It can go in pretty much any direction. And this was the case with a story you might've heard about from last year called the Twitter Files. And this was a situation where Elon Musk had taken over Twitter. He opened up the internal files to one of the world's largest communications companies, to a group of reporters, and Bari Weiss, Michael Shellenberger, and I were suddenly looking at tens of thousands of emails and Slack communications, and we had no idea what we were looking at or what we should be looking for. Fairly early, we started to see emails and Slack communications saying things like, "FBI referral," or, "Flagged by the FBI," or another one, "Flagged by the DHS."

And we started to get very curious. And soon after that we started to see a lot of things that looked like this, which were basically just big spreadsheets of account names that had been forwarded to Twitter by a whole cornucopia of government agencies ranging from the FBI to the DHS, to the CDC, to Treasury, to the CIA even. They would never phrase it exactly like, "We want you to remove this," but it was always sort of implied. We also started to see communications about removing things, requests to remove things with, for instance, anti-Ukraine narratives. We also saw reports that looked like that, that came from agencies that didn't even identify themselves on the paper. They came through an FBI portal, but they could contain information about things like Hunter Biden's relationship to Burisma, whether or not there were neo-Nazis in Ukraine.

And this naturally raised the question of why a domestic communications company like Twitter would be getting reports like this from, clearly, foreign intelligence services. Then we saw this, which is the USG/industry meeting, and we learned that Twitter, Facebook, Google, and probably two dozen other major internet platforms were having regular meetings with the FBI, the Department of Homeland Security, the office of the Director of National Intelligence. And these meetings, first we saw them having them every month. Then as the 2020 election approached, they started having them every week. And we started to wonder why they would do that, why they were building virtual war rooms for election night, why they were anticipating what they called delegitimization claims. And we didn't know anything about this or where it might lead. But pretty soon we learned that we were looking at what you might call an expansive system of public, private censorship.

And this system really began by targeting explicitly foreign activity and then moved over to targeting almost exclusively domestic activity. And that switch is what I want to talk about because this is a very serious crisis for the First Amendment, I think, and it's certainly, I think, an unparalleled situation in the history of our country. So I'll try to summarize the digital censorship conundrum in a few quick points, the first being that this is not a new program, it goes back to the war on terror. Most people know that American society obviously changed very dramatically after 9/11. One of the ways that it changed... And people forget this, but there was an enormous expansion of just government itself after 9/11, just the construction of the Department of Homeland Security, which has 245,000 employees. This was the single biggest federal reorganization since the creation of the Defense Department, and that's only one part of the expansion.

The Congressional Research Service has estimated that there were two trillion dollars spent in emergency allocations after 9/11. Other people put the number at six trillion. No matter what, it was a lot of spending, and we built a lot of things and a lot of new bureaucracies. We also, in addition to physically expanding the government, we expanded the government's capability. Now, I would say we expanded the government's legal powers, but actually it's probably more accurate to say we expanded the government's extralegal authority since a lot of the new things that we started to see were not technically legal. They weren't always illegal necessarily, but they weren't expressly permitted. And we really took the gloves off. Most people are aware of the programs abroad, like extraordinary rendition, targeted killing, which is just another word for assassination, mass surveillance. A law called the AUMF permitted the president to declare, to start military conflicts without asking Congress.

And at home, we had warrantless searches, we had even warrantless detention cases, really the first significant ones since the Civil War. We gave the FBI access to grand jury information, issued tens of thousands of national security letters which allowed the government to access all kinds of private data records without having to inform the person in question. The companies were usually gag ordered. And even when we did things like this, droning an American citizen, in this case, Anwar al-Awlaki and his 16-year-old son without any due process, most people just shrugged. Al-Awlaki, after all, he was in Al-Qaeda. And most people thought, "Well, however I feel about this, it's not going to end up affecting me personally because this mechanism will never really be fully turned inward against the United States." But it did. It started to, through this anti-disinformation program. And to take an example that we saw in the Twitter files of the through line from the war on terror to this current project, there's an organization called the Global Engagement Center, and we started to see an awful lot of correspondence in the Twitter documents about this organization.

Most of us didn't know what it was. We had to learn all kinds of crazy acronyms. The FITF, the CFITF, the VP, the EIP. I get nightmares just thinking about all the different ones. But most of us had never heard of the GEC, and online it's listed as a State Department entity. We saw some very curious internal correspondence about the GEC in the Twitter files. There were lots of strange reports that were coming from them, to them. There was correspondence about the GAC. We found one very curious email in which one Twitter employee talked about being not so anxious to work with the GEC because of its history of what they call offensive IO, which is offensive information operations. This is a euphemism for doing things like creating fake news or fake social media accounts. Traditionally, in the counter-terrorism context, this would be to do something like discredit a foreign terrorist adversary, but why would they be worried about that in the domestic context? That was very strange.

When I looked into this... Oh, I forgot to mention that this was the... The GEC was a successor to an agency called the CSCC, which was founded by Hillary Clinton in 2010, itself was an outgrowth of some other counter-terrorist agencies. They did things like produce videos like this, which was a sarcastic recruitment video for ISIS that began with the phrase, "Run, do not walk, to ISIS land." And they got a lot of heat for this from comedians like John Oliver because the whole success of this campaign depended upon the targets of the recruitment realizing that this was sarcastic. So we may have actually spent taxpayer money recruiting people to ISIS.

The CSCC, its mandate was basically to do counter-messaging against ISIS and Al-Qaeda. Their specific problem was that those groups were having a lot of success reaching mainly suburban kids in the UK and in places like Southern California. So the CSCC would do counter-messaging. They would tell them that it was very dangerous, that there was no land to get if you joined ISIS, that you would be very likely to be killed. And the motto in these campaigns of the CSCC was, "Contest the space." And the problem was that when the ISIS and Al-Qaeda threats faded, the counter-messaging apparatus was reworked to address other foreign concerns, like first it was Russia, then it was China, then it was disinformation generally. And that's where the trouble really starts. The GSCC, now morphed into the Global Engagement Center, which I learned from multiple intelligence sources, was not technically just a State Department entity, but actually a multi-agency task force, primarily funded by the Pentagon with a whole gang of intelligence services involved.

It was created by an executive order, one of Barack Obama's last, and it was followed by a bill that passed in Congress promising what they call the whole of government approach to countering disinformation that would leverage all elements of national power. In the reports of counter-terrorist agencies, you would also often see the wrong kind of speech described using words like poison or toxic. And I bring this up because one of the people that I talked to from this world said, "There's just something about speech that makes people crazy the same way that vampires get crazy around blood." You will see people in enforcement agencies get more worked up about the articulation of ideas than they will about somebody who's committed murder or many murders. And there's a real kind of hatred that comes into play when people feel like the wrong kind of speech is allowed to be broadcast.

So we started to see ideas and speech described using words like poison or toxic. They often employed the language of disease, so ideas were presented as infections. The people who transmitted them were called vectors. They created the term infodemic or... Created, but it was popularized in the mid-2010s. We would later find this language all over the Twitter files, but also in the popular press. And you would even see the WHO adopt this concept of information as disease. And why is this important? Because prior to 9/11 in kind of old Schoolhouse Rock, rule of law America, the government really didn't have a whole lot of reasons to monitor speech because it didn't have much of a legal remit to do so.

The Supreme Court standard for incitement was incitement to imminent lawless action, which is a pretty narrow category of speech. So they didn't pay a whole lot of attention to trying to prevent that kind of speech. There was no department that would be engaged in just doing that. But these counter-terrorist organizations saw things completely differently. They didn't look at messaging from ISIS or Al-Qaeda and say, "Wow, is that technically imminent incitement? Is that illegal? Can we stop that?" No, they just declared it poison, and they stamped out as much of what they called poison or toxic speech as they could using whatever means they had available.

The problem came when ISIS, Al-Qaeda, Al-Nusra, when they receded as threats, new disruptions appeared in the form of populist electoral movements. First, you had the Arab Spring in the Middle East, but then you also had movements in Italy. There was a comedian named Beppe Grillo named after Jiminy Cricket who got eight million votes. There were leftist movements in Spain like Podemos. Viktor Orban's party on the right rose. There was the Tea Party, there was Occupy Wall Street in America, and the GEC and a lot of these other organizations that we were looking at started to become intensely interested in this kind of speech, particularly. A lot of the stuff that we were looking at, they would couch it as being Russia-aligned or Russia-favorable, or China-aligned or China-favorable. But actually it was most of the time just ordinary Americans expressing the fact that they were upset with government for one way or the other.

It was organic political discontent. And one former joint terrorism task force official described this shift to me as CT to CP, or counter-terrorism to counter-populism. And if you take one thing away from this entire speech today, it's just this idea of CT to CP became sort of overweening in this community. We spent 20 years building up this enormous capability to target and suppress a very specific kind of speech abroad. And then at the drop of a hat, particularly after Brexit and the rise of Donald Trump's campaign, they moved that entire capability inward and started looking at Western countries and the United States. And a lot of people are probably okay with that, but there's a thing about this that's the problem, and this comes to point number two which is that there's a lot of mission creep in the anti-disinformation world. By the time this project got rolling in the United States, the US and its allies already had the capability to collect more information about its own citizens than the most infamous totalitarian countries of the past.

The GDR, the Soviet Union, where I actually went to college, believe it or not, they could access your phone records, your contact lists, your identity if you were behind an anonymous account, your medical records, they can get your financial records a half a dozen different ways. The FBI in 2021 alone tripled the warrant list, “US person searches,” they're allowed to conduct. Well, not allowed, but they do conduct, under the Foreign Intelligence Surveillance Act. And a lot of the companies that do social media monitoring now for the government began their relationship with the US government by selling information about, for instance, your location.

And a lot of people think, "Well, doesn't the law protect me?" Well, not exactly. Take an example. In 2018, there was a Supreme Court case, Carpenter v United States, which ruled that it's a Fourth Amendment violation for the government to get access to geolocation information, meaning where you and your phone are right now, they cannot do that without getting a warrant. But just this year, FBI Director Christopher Wray admitted that they had been purchasing geolocation information. It also came out that the Department of Defense was doing it. They were accessing the geolocations of millions of Americans. The Customs of Border Protection admitted that they were doing it. And how does this work? Well, typically it works when you download a silly little app. An example would be something like a storm tracker or something that tells you how to make do-it-yourself shelving in your kitchen. And before you access it it'll give you a little prompt, "Hey, do you mind if we use your data for this or that?"

Everybody just clicks yes, and off you go. That company will then start selling off that information, which can include your geolocation. In one kind of incredible episode, there was an app called Muslim Pro, which was used by Muslims, believe it or not, to orient themselves to where Mecca was at prayer time. So it just was basically a big arrow. They sold that... 98 million people downloaded that app. That app sold its data to a company called Babel Street, which in turn sold its data to the Special Operations Command in the Pentagon. And this is just one of many of these situations. So they have access to things that, for instance, the Soviet or East German governments couldn't have dreamed of knowing back in the day. And a lot of people say, "Well, if they're only going after bad guys and extremists, what's the problem?" Well, the problem is who is defining extremism?

Who's defining what terrorism is? Who's defining what a threat is? They always start with something benign or obvious. And we saw how this worked in the first half of the war on terror. After 9/11, for instance, they began for the definition of an enemy combatant, that was pretty narrow. It had to be somebody who was actually fighting the United States in Afghanistan. Then it had to be somebody in Afghanistan, who didn't necessarily need to be fighting. Then it was, didn't necessarily need to be fighting the United States, but just part of a terrorist organization. Then it didn't even necessarily have to involve active or knowing participation. And then ultimately, they came around to a definition of material support to a terrorist organization that could include what one court case described as a little old lady in Switzerland who thinks she's giving to an orphanage. And again, a lot of people kind of shrugged at these ideas when it was about terrorism, then it was about these kinds of suspects. But they do the same thing with speech. And this leads to the last point.

…The question is, who's doing the censoring? Not you. And the illustration, the corny illustration that I picked out here is Mount Olympus, but it's actually not really a joke. The privilege of doing censoring is not meant to be for mere mortals. One of the first heads of the GEC was the former, believe it or not, editor of Time Magazine. His name is Rick Stengel. He was also appointed under Barack Obama. He wrote a book called Information Wars, and he talked explicitly about how episodes like Brexit and Donald Trump's rise to the nomination we're influencing him. He said the information battles that we were fighting far away had come home. He added a kind of axis of evil argument. Trump employed the same techniques of disinformation as the Russians and the same scare tactics as ISIS.

And he added that all three of them, ISIS, Putin, and Trump, weaponized the grievances of people who felt left out by modernity and globalization. So this is the same thing that we saw before. You start with Osama bin Laden in a cave, and you end up with a little old lady in Switzerland who thinks she's giving to an orphanage. They started here with the same thing, terrorists, and they ended up with ordinary Trump supporters whose real crime ultimately is that they supported Donald Trump. And the thing that united them, in the minds of people like the former head of the GEC, was that they weren't accepting the wisdom of official pronouncements, that they really didn't follow or believe the news that they were told.

In the Twitter files, we saw how this played out very graphically with programs like the Stanford Internet Observatory and the Virality Project. These were cross-platform content flagging efforts created in partnership with agencies like the Department of Homeland Security and GEC, again, and along with partners like a group called Graphika, which is kind of quasi-private, funded by the Pentagon. We saw these projects essentially define content that undermined public confidence in either the government or certain kinds of experts as a form of misinformation, even if the content was true.

Graphika wrote this. They had a whole section about how the continual process of seeding doubt and uncertainty in authoritative voices leads to a society that finds it too challenging to identify what's true or false. In addition to defining disinformation as anything that undermines confidence in authority, anti-disinformation is repeatedly tried to define truth as whatever government sources said it was. Sometimes this was made explicit to the platforms. I actually, in researching a story about a podcaster who was taken off YouTube, had YouTube tell me explicitly that their guidance for what was and was not allowed in the platform came directly from the CDC and other health authorities.

And because government officials aren't just occasionally, but quite often wrong, this leads to situations where even the most credentialed experts, people like Dr. Jay Bhattacharya at Stanford, Harvard's Dr. Martin Kulldorff, Dr. Aaron Kheriaty of the University of California, they could be suppressed for citing true, peer-reviewed information or even just for expressing a scientific opinion that says lockdowns are bad or unadvisable. Here, for instance, if you look all the way to the far right there, that's one of the first things that we found in the Twitter files.

Bari Weiss and I were sitting looking at a terminal, forgive my bad photography, but you can see this is a picture of what Twitter was looking at when it looked at Dr. Jay Bhattacharya's account. And you can see quite openly it reads, "Trends blacklist." That means that this doctor who never wrote a single thing that was incorrect, factually untrue, that he was blacklisted within Twitter for a variety of reasons, mainly because of his position on lockdowns. After Bhattacharya and Kulldorff signed a declaration saying that lockdowns were a bad idea, the director of the NIH, Francis Collins, sent an email, and that's also here, to Anthony Fauci, in which he said that there needs to be a quick and devastating takedown of their ideas. And the statement that those two doctors signed, by the way, was ultimately cosigned by about a million people, but the government felt it needed to be suppressed. Bhattacharya and Kulldorff soon became two of the most suppressed people on the internet.

Kulldorff was removed from a whole variety of platforms. Among other things... Because he made the observation that the government later admitted was true, that natural immunity is as effective as the vaccine. He's a Swedish epidemiologist with a long history of advising the CDC on health policy. And people automatically, when they think about him, they think he's an anti-vaxxer or (anti)vaccine. Actually, the opposite is true. Kulldorff was censored for both things. He was censored for saying that the vaccine was unnecessary for young people, but also censored after the Johnson and Johnson vaccine was pulled because they had found out that it caused blood clots in some women under 50.

He crunched the numbers and decided that in his opinion, that there was a greater risk to elderly people from COVID than there was from the side effects. And when he wrote this, this too was censored. So as he told me, he's the only person, he thinks, ever to be censored for being pro-vaccine. But this is the basic problem. All censorship programs start by targeting speech everybody dislikes, and then gradually the purview expands until it's a commonplace thing that nobody even thinks about anymore. First, we'll go after tweets that say that it's bad when... Or that when you get the vaccine, you're going to have a microchip implanted in your arm. And everybody agrees with that because they say that that's ridiculous. But then fairly quickly, as we saw in the Twitter files, they start going after any speech that they say promotes what they call vaccine hesitancy. So that could be true information.

That could be somebody just saying, "Wow, a relative of mine got the shot and died of myocarditis." Well, that might be true, but it produces the wrong political behavior, so they suppress that. And the government believes that this is a legitimate purview of theirs, even though legally there is no case, there is no Supreme Court case that says that they can do this. The Department of Homeland Security has designated the information landscape critical infrastructure, and even more than that, the head of the Cybersecurity and

Infrastructure Security Agency, which is a sub department of the DHS, the former head of it, Jen Easterly, she said that the government also has an interest in protecting what it calls cognitive infrastructure, which is basically just your thoughts.

So it believes it has purview over even the things that go on in your mind. And just to wrap all this up, all these censorship or anti-disinformation ventures have one thing in common. None of them are administered by what you might term ordinary people. People doing the flagging in every single case come from... They're all upper class professionals working in higher education on campuses, from intelligence services, from the news media, or from the senior ranks of communications corporations.

In the Twitter files, we looked at probably two dozen government agencies ranging from the GEC to the State Department, the FBI, CISA, to Britain's 77th anti-disinformation Unit. I bet most people here didn't know that there's a uniform military operation designed just for countering disinformation, which is a euphemism for censorship. And in all these cases, all these organizations stress what they call expertise or some kind of credentialing system that prevents ordinary people from getting in. In the European Union's new Digital Services Act, which is a comprehensive bill designed to institute control over what goes on on the internet, and which they very much want to institute here in the United States, you must be approved to be what they call a trusted flagger with proven expertise and competence who can represent collective interests. That's a phrase you see a lot, "Represent collective interests," as they search for illegal content.

And this concept of authority comes up over and over again. Google, in 2017, they redid their search engine, in a thing called Project Owl, designed to do what they called surfacing authoritative content. This meant up-ranking search results that came from kind of mainstream organizations that have been recognized with things like Pulitzer Prizes and down-ranking organizations from the Gateway Pundit, to Truthout, to Common Dreams. So independent media, down, major mainstream media, up. When I did a freedom of information request on one of these anti-disinformation programs, one of the things they talked about was that the people who even did the grunt work of making sure that the news stories that were reviewed, these people were tagged with the Orwellian term, cleaners. Those people had to have bachelor's degrees, and the people who actually reviewed the content had to have master's degrees. And a lot of people think that that makes a lot of sense.

But the problem is what ends up happening inevitably is that it's one group of people who come from a very rarefied, narrow segment of society reviewing the speech of everybody else. In the case of Stanford... Stanford, while it has these massive content flagging operations, it also has what it calls the Global Populisms Project, and they say outright, "Populous parties are a threat to liberal democracy." So they can be defining simple electoral dissatisfaction on either the left or right, frankly. It could be populous parties on the right, it could be the

Sanders movement. But that's a sweeping statement, and it animates their entire belief system.

The famous civil libertarian, Ira Glasser, he's the guy back in the day when the ACLU actually was the ACLU, he was responsible for the decision to defend the neo-Nazi marchers in Skokie, Illinois. He once answered a group of college students who wanted to institute hate speech codes on campuses. And he said, "I sympathize with what you're trying to do, but the issue isn't the hate speech. The issue is who is going to decide what's hate speech? It's going to be some group inside the university, and you're not going to be included in that process." Who's going to do the censoring? His line was, "It ain't going to be you." And that's who's going to be doing the censoring under this new system.

And just to finish off, Stanford, in its election integrity partnership, actually very helpfully created a graph of what they called its external stakeholders. These are the people who are going to take part in the process of flagging and reviewing content. You can see, they list, four major stakeholders, government, civil society, platforms, and media. And does anybody notice who's missing from that list? People, exactly. Yeah, ordinary people. If you're not in the club, you do not get in the club. This is political repression, it's not harm prevention, and it's a total violation of everything that the First Amendment stands for. And anyway, that's my presentation. Thank you so much for having me today, and would love to talk about this more.

Robert Helms: Matt Taibbi. He'll be back on the panel in just a bit. Thank you, sir. Yep. All right.

Lobo Tiggre

"Making Volatility Your Friend, 2023 – 2024"

Robert Helms: All right, let me introduce you to our last speaker before lunch. Lobo Tiggre's the founder and CEO of Louis James LLC. You may recognize that name, and principal analyst and editor of independentspeculator.com. He researches and recommends speculative opportunities, and did that for Casey Research Publications from 2004 to 2018 writing under the name Louis James. While with Casey Research, he learned from and got the ins and outs of resource speculation from the legendary speculator Doug Casey.

Although frequently mistaken for one, Mr. Tiggre is not a professional geologist, however, his long tutelage under world-class geologists, writers and investors has resulted in an exceptional track record. In fact, a fully transparent documented and verifiable track record is a central feature of independentspeculator.com and their services. As of September 5th, 2023, the average gain of all his closed trades is 61.8%.

Another key feature is that Mr. Tiggre will put his own money into the speculations that he writes about, so that his readers always know he has skin in the game. Please welcome back to the New Orleans Investment Conference, Mr. Lobo Tiggre.

Lobo Tiggre: Thank you very much. I need to come up with a shorter bio, that one's kind of embarrassing. In the interest of transparency, I'll say I've closed a couple more transactions at a loss since that writeup, so it's down to 50 some percent right now for all closed trades. I have a talk, it'll be brief, to the point. A couple quick questions. How many of you are subscribers? Just so I know. So if I make claims ... not that many. Hey, good audience. I'll do my best sales job here if I can.

How many of you were here last year and heard me speak last year? A fair amount more, okay. So an interesting thing has happened, because one of my shticks is to rail against what I call the prediction racket in our space. But I stood up here at this podium last year, and even though we're all gold bugs, I'm a self-professed gold bug, we all love gold, I stood up here and I said last year that my highest conviction speculation for the year ahead was uranium, that other yellow metal. Boy, for the next few months, I got a lot of grief for that, but now nobody's complaining. That's worked out really well.

I also said I like gold, silver I wasn't so sure. That's worked out pretty well. Anybody who was here last year should remember this. So, of course everybody says, "Well, what do you like this year?" That puts me in the prediction predicament. I don't want to claim to be this guru who sees all my secret sources in the CIA or on the astral plane, or wherever it is that they hang out and give me my anointed wisdom. That's not me. I was Doug Casey's due diligence guy, but then people say, "Well, what do you think about the economy?"

You know how it is. You watch the mainstream news, the financial media out there, and you don't believe half of what you do here. The half that you kind of sort of believe, you know it's questionable, it's distorted, it's twisted, it has spin. So if you're going to be a contrarian or an independent speculator, if you're not just going to follow the herd into Nvidia or whatever the flavor of the day is, you have to think about these things yourselves, you have to be something of an economist and you have to look forward.

So let me digress just for a moment, and I'll give you the prediction or the projection, but let me focus on this a little bit first. They may never invite me back for saying this, but I just feel this is important. Every time I sit down to write or anytime I step in front of an audience, I always ask myself, what is the most important thing I can say? What is the most helpful thing I can give this audience right now?

I have to say, more important than my big expectation,my highest conviction trade for the next year, is for you to be skeptical. Everybody here is selling you something, I'm selling you something. Even your fellow attendees, if they talk about their favorite gold stock, everybody's selling you something. Nothing wrong with that, but remember, that's why we're here, that's what's going on, and be skeptical.

If you remember nothing else, if you remember nothing else, just that's the bottom line of my talk today, don't be a sucker. That's the punchline, that's everything, don't be a sucker. Here's the thing, if you're arguing with somebody who disagrees with you, or if you're talking to somebody who hates mining, thinks it's evil, and gold is a pet rock and all that, that person's not going to make a sucker of you. You're not listening to them, you already have your defenses up, you're on your guard.

It's the people who agree with us, it's the people who think the way we do, it's the people who know that the Federal Reserve is a criminal organization and are happy to say so. "Yeah, yeah, they're on our side, and therefore sign up now for this." Those are the people who make suckers out of us. I'm not accusing anybody of any necessarily nefarious activity here, but I'm encouraging everybody to remember that this is entirely a sales proposition. If there's 100 companies over there, they can't all be the best. Mathematically only one can be the best, so please be skeptical. I will get back to the promised punchline, but let me just bring a couple examples to you.

Do you remember a few years back, or actually more than a decade back, there was this huge panic about naked shorts. Naked short selling was going to destroy the mining sector. Does anybody remember that? Am I the only one with enough silver in my hair to remember that? It was this huge scare. There was a lot of newsletters sold on how to deal with this naked short crisis. Then there was the IMF was going to dump 400 tons of gold on the market. Does anybody remember the great big IMF scare? IMF is perennially still a boogeyman used to alarm gold bugs and mining stock enthusiasts.

More recently, how about Basel III? For years running up to, first one, and then, well, maybe this is the next deadline. Well, no, no, actually no, it's January of next year. There were all these predictions of doom and gloom, or glory, that all the central banks were suppressing the price of gold until the new Basel III accord went into effect. Then gold now is a tier one asset, all the central banks were going to re-monetize gold after Basel III. There were different claims, not all of them quite so extreme. Does everybody remember that? Basel III came and went, and what happened? Nothing, crickets, right?

I could go on and on. There's these big ideas out there. How about, here's one that I even participated in for a while, 'cause I got excited about, the war on cash. That's happening, CBDCs are happening. I'm not even saying that these things are necessarily lies or untrue, but I've been hearing about how the war on cash was going to send gold to the moon for going on 20 years. That's not an investable theme, it doesn't tell us what to do or what decisions to make.

Or how about platinum? How many of you heard, oh, platinum is rarer than gold, it's undervalued and it's time for platinum to finally take off? They'll have charts, they'll have all kinds of stuff about the political risk in South Africa and now Russia. Very convincing arguments about platinum or palladium, but the problem with that is those arguments about platinum have been that way almost my entire time in this industry.

Well, but the really strong arguments that no, no, platinum's going to have its day in the sun really started once the gold dollar exchange ratio, as I call it, instead of the price of gold went north of the platinum dollar exchange ratio. Ever since then, there's been somebody promising this is the year platinum's going to reclaim its glory as the most valuable credit card in your wallet.

How useful has that been to you? Has anybody found that this story about platinum has made them money? Anybody want to raise their hand on that one? Not one in the entire room? There's usually one in the back, not me. Recently I saw a headline of $10,000 gold within 10 years. Are you kidding? 10 years? Okay, maybe that's even true, but in the first place, a world where we have $10,000 gold is probably a world of $150 or $200 oil, and who knows what those poor mining companies are paying for trucks and tires and equipment and things.

A world of $10,000 gold is not necessarily going to make your mining stocks give you big money. Now, the ramp up to $10,000 will be interesting, but the main point is the 10 years. 10 years, that's not an investable thesis. If the idea is, "$10,000 gold. Yay, we gold bugs are going to have our day in the sun, sign up now." By the time this thesis is either proven true or false, you've paid years of subscription fees, or your stock's gone nowhere or whatever has happened.

So when I say don't be a sucker, I have a very specific piece of guidance to offer you. If you are sold a big idea, especially one you agree with, “those central bankers, it's all their scheme,” right? If you find yourself excited, moved, persuaded by some big idea like this, watch for the expiration date. If it's something that cannot be known to be true or false in less than a couple years, beware, right? You will have paid and paid whatever the idea is, until finally, oops, sorry, judgment day isn't coming for another decade. But by then you've already paid, so don't be a sucker. Watch for big, bold brassy predictions that cannot be known to be true or false anytime soon.

That's more important than my favorite commodity for the next year or anything else I can tell you. I sincerely believe this, and maybe they'll give me the hook here and never invite me back, but that's how I think I can be helpful. This is important to me, because some of my dear friends who have read my articles about the prediction racket have accused me of making predictions and getting them right, and it's kind of embarrassing. I'm the anti-prediction guy.

There's a difference between a projection and a prediction. A prediction is what will happen, what the price will be and when. A projection is, here's the trend, here's where things are going. People often ask me, well, what's your price target for gold or lithium or whatever it is? I have none. I'm not just demurring and not saying so, I literally have none. I'm so happy if I just get the direction right. So, you can make money getting the direction right. If you listened to me last year on uranium and you bought stocks when everybody hated them, they were in the doghouse, well, you'd be doing quite well right now.

Adrian just stole a bit of my thunder here. Actually, Nick Hodge yesterday also had a whole series in his presentation yesterday, if anybody missed that, watch that on the replay later. He had a whole series of these big claims that didn't work. Oh, the BRICS one. The August of this year BRICS claim. Oh, the gold-backed BRICS currency was going to come and save the day for gold bugs. My thunder has been stolen piece by piece here, so that's why I boiled this talk down to this one thing, this one simple idea. So, watch for the expiration date on these big ideas.

So that having been said, Adrian really did a good talk. So, what's my number one highest conviction trade for the next year going forward? It's actually not uranium. I still love the uranium story, and everything that I said about it last year's true. If you want the gory details, frankly, Justin Huhn at Uranian Insider can explain the ins and outs far better than I do. But the thesis is there, the demand is just increasing, the supply is constrained.

But we're at a point now where the voluntary supply constraint, the part of the supply constraint that's voluntary, the Camecos and the Kazatomproms of the world that cut back on production, they're bringing that back online now. Now, I don't think that will be enough to supply the market. I'm still bullish, as bullish as ever on uranium, but we are seeing the supply come back on the market. So for this year ahead, it'll be interesting to see how that balance is.

So I like the thesis, I'm just not quite as excited about it as I was last year when everybody hated it. This year, which one is the other yellow metal? There are a lot of people who are much more excited about the uranium story right now, so I'm actually liking gold a lot better. The short version of that thesis is basically to agree with Adrian's chart about how gold does in recessions.

My view is that the world is in a global recession already. It's getting deeper and the statistics, they lag, so it's interesting when you see Germany and Europe going into negative growth, it's like they're finally admitting it. I think this is a powerful trend and I don't think American exceptionalism applies here. I don't see the whole world going into a serious global recession and the US somehow being just fine.

But beyond that, I think the US ... I mean, you'll even hear some of the mainstream folks admit that there's this rolling recession idea or parts of the economy in recession, but the labor market isn't. You can't have a recession with strong labor market by definition. Well, that's not true. There's nowhere that it says the definition of a recession is a weak labor market. You can have economic contraction and in command and control economy, you can have 100% employment even in a shrinking economy. These are not the same thing.

So, I think ... and we're in uncharted territory, so nobody can prove this. There's no chart I can show you that's going to prove this is the case, but my view, for whatever it's worth, is that the post-COVID lockdown distortions have resulted in a lot of labor hoarding and other oddities in the labor market, which are giving us this appearance of this super strong labor market. That is the one-legged stool everybody's hanging their hat on on how great the economy is.

I don't think the economy's that great. You look at so many things. Nevermind the leading economic indicators which have been negative for X-teen months in a row, but bankruptcies and layoffs, there's so much data that Team Soft Landing is just blithely ignoring 'cause how wonderfully strong the labor market is, and yet we know that there's these post-lockdown distortions.

In my view, this actually makes things worse. If companies that should be laying people off don't because they're afraid they can't get them back, that means they're going to be running higher costs, they're going to have labor that they don't need. When they have no choice, it's going to make things worse.

So I think we're going to see the recession not just happen, I think it's happening already, but I think we're going to see the recession become undeniable next year. When the recession deniers give up the ghost, I think we'll see lots of fireworks, and I think that will be very, very good for gold.

What about silver? I don't have my Darth Silver mask with me this time, sorry, but I'm actually more positive on silver right now than I've been for a while, because in the new war in the Middle East, silver reacted very strongly as a monetary metal should. That was very encouraging, 'cause over the last year silver has frequently been trading much more like copper than gold. Its industrial side has really come to the front. So I'm very encouraged as a person who owns quite a few silver stocks to see silver acting like a safe haven as a monetary metal should, but it doesn't mean we're out of the woods.

I mean, when 2020 hit, we had a classic flash crash, gold, everything sold off as it does in a crash. Gold came screaming back and silver was like the old lady in the commercial, "I've fallen and I can't get up," right? Silver just dragged along, and still, gold has hit new all-time highs since the inflation and post-COVID era, silver has not, so there is a difference here. I'm not anti-silver, I understand that silver is the word for money in many languages. I don't need the lecture, I love silver, but the data tells us that it's different this time. It's not behaving as it always has.

Before we could say, “in any bull market silver underperforms, that it eventually outperforms gold on a percentage gain basis.” That was true 100% of the time since 1971 until 2020. That is no longer true 100% of the time, there is now an exception. So, what happens next time? Well, the odds are pretty good. If in one out of 11 bull runs silver underperformed, well, that's pretty good odds that silver will still deliver in the end, but it is different. We can't ignore that there's been that exception, and we can't ignore that the industrial argument here is stronger than ever. We can't ignore that silver has been, frequently, you can watch it on the intraday basis, moving more like copper than gold. So, word to the wise.

So, takeaways are, please don't accuse me of making predictions here. The trends that I see, the projections that I'm making as I stood here last year, have reversed the order a little bit. These are the takeaways. Going forward, I like gold more than anything else. It's my highest conviction trade for 2024, and luckily, the gold stocks are in the doghouse. So unlike uranium, which I'm also positive, just not quite as positive on, the obvious winners, the high-flyers in the uranium space, they're all way up, close to 52 week highs or even multi-year highs in some cases. So the value proposition in my highest conviction trade, gold, it's nothing new, but for what it's worth, that's my highest conviction. It's a much more compelling value proposition now.

Silver's a question mark, and then after the recession does its worst, absolutely love copper. Way too soon to go there, but going forward, maybe before the end of this year, we'll see when the powers that be jump in to save us from the evil recession, 'cause recessions aren't allowed to happen anymore, by the way. I'm not saying that we're going into Doug Casey's greater depression. I would expect the money bazookas and helicopters and floodgates, all that stuff to open up again. That's going to be fantastic for a lot of commodities, but I want to see it happening first before I go there. So, right now it's gold and gold stocks. Thank you very much.

Robert Helms: Thank you, sir. Good stuff. Lobo Tiggre, ladies and gentlemen.