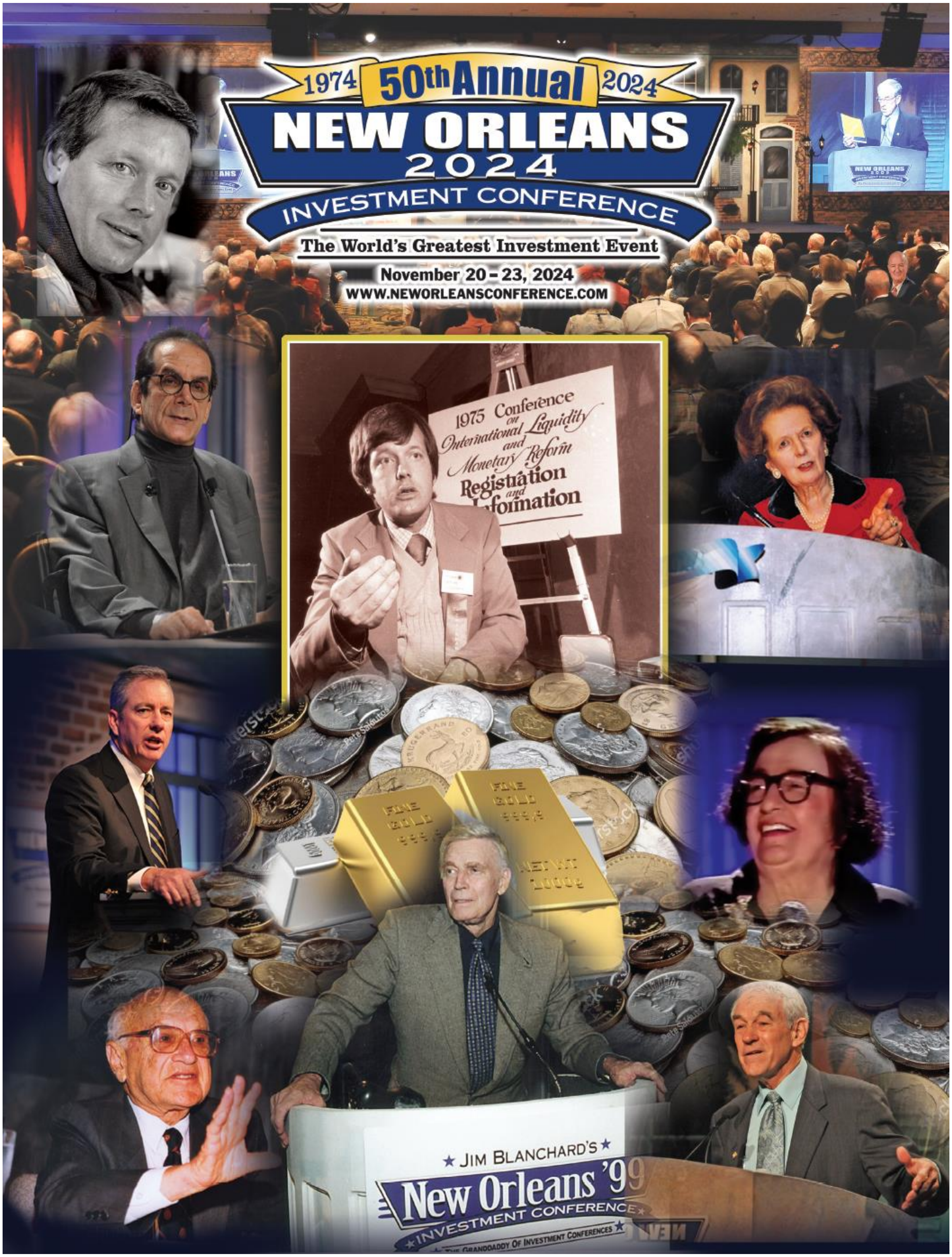
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Introduction

The following report provides word-by-word transcripts of the General Session presentations from the 2024 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

“Gold’s Explosive Phase Is Going Much Higher”

Pamela Aden:

Good morning. It's a pleasure to be with all of you this morning and thank you for coming so early. In fact, we're really excited to be here with you today after this beautiful gold rise of this year, and at the 50th anniversary of this conference, which is just a beautiful moment that we're in today. And very special. But today what we're going to talk about why gold, silver, and the commodity wave are poised to rise further.

Gold, as you may know already very well, gold's been one of the best investments this year, 2024, rising 40% since February when it reached 2,800 just a few weeks ago, and it's trying hard to get back up there now. We've been watching gold for decades, up and down everywhere, everything it's done and how it mixed with all the other markets. And honestly, this moment we feel of everything we've done in the work is the start of an explosive rise that's going to last a few more years.

We don't say this lightly. It's something that's unusual, but it's happening and we feel it's happening in these next couple of years. We've never seen so much interest in gold. Honestly in all these years, it's a record amount of interest around the world to buy gold, keep it, hoard it. And it's really growing. It's growing a lot. Even the Bank of America came out with a warning about gold being more of a safe haven than treasuries. And that's a big deal. It's clearly an example of a shift that's taking place in the world to have banks say gold is better than treasuries as a safe haven. It's always been the dear treasuries that have been the ones that held the thing.

But anyway, so why is this change happening? So briefly, I'm going to go over some of the points we think. I'm sure you've heard them before. But one of the most important things is uncertainty. Uncertainty on many levels. That's been the key word everywhere. And first it's the record goal buying by central banks. Now, they started really buying a lot after the US sanctions got the world to rethink the reliance on the US dollar is up for grabs. They worry about that.

The world countries worry about that and they worry by buying gold for their reserves. They're building their reserves. And so safe haven has been the word for gold and China has been the lead in buying gold, and it also happens to be one of the big producers of gold in the world. So, China already played an unprecedented role in gold's rise this year.

There is a strong demand for gold in Asia and really all over. And the BRICs are buying and getting stronger. Gold is just starting. That's what's really interesting. And the West, it's finally catching up to the world's interest in buying gold. So once they step in, even just a little bit, that's going to be part of this, what we think, is the explosive stage coming right up.

Another uncertainty is, of course, the ongoing geopolitical crisis, especially Ukraine and Russia being so freshly down just even today, the Middle East, the war is expanding. There's really nothing seeing, maybe Trump will deal with something, but it's just getting worse. There's so much hate and hate everywhere. Negativity and division are everywhere. And that negativity is actually bullish for gold.

So then the next one, what we think, which is actually the one that no one talks about, but it's one of the big massive problems, is the global debt. I mean global debt, not just the US debt. The global debt probably is the number one. And of course the demand is. Those are the two biggies. And so the US and the world are so massively in debt that the outcome's going to end up being an inflationary outcome. It seems to us that that's like the answer to this.

We like to quote Ray Dalio, who we respect a lot. He said it well and I like to repeat. "We are currently in the late and perilous phase of the long-term debt cycle. The level of debt has soared to such heights that it has become challenging to offer lender creditors a sufficiently high interest rate in relation to inflation." That's the end of the quote.

And yes, these deeper problems, like the debt and inflation, are the driving force in today's bull market in gold. So it's really not politics that is very secondary and very short-term reactions. So, I can't stress enough to stay invested in gold and it's not too late to buy your physical gold. We've liked ETFs, but you have to remember they go their separate ways and many times when there's a lot of volatility. So you be careful with those, but we have always liked them. But we're in a moment of physical more than paper.

Now for this first chart I'd like to show you...That's the gold price since 1967. It's just the plain gold price and it's on a weekly basis, and it's always good to refresh your eyes on the rise since then.

You can see the mega uptrend is 55 years old. It's a solid uptrend. And you'll notice that in 2018 it got stronger. And now it's at a record high. So you can see that bursting into the stronger phase of the bull market right there, the way it's been rising since 2018. If this has been growing, it's not just this year. Just this year it's started really bursting out. But it's been building. This is the bottom line. It's a very strong and powerful bull market we're in, it's not casual.

When you talk about the bull market, you say, why don't we look at what the last three years of a bull market looks like in the past to bring it to the future and see what we have to compare it to, which is always interesting. So this next chart, if you could please move the next one. Yeah, see there? These two are the final years of the prior bull market, that's in red, and it provides a good example to compare to today's final years in blue.

Now, the chart shows how closely both have been moving together since gold bottom in November 2022, just a few years ago. I'm talking about the last years of the bull market. Both bull market lows preceded the soaring years, which started with the financial crisis in 2008, and today is the soaring interest rates that happened in 2022. So remember, the one today is in blue and the one since 2008 is in red. Look at how much more we have to look forward to in a full-on bull market. And that's comparing to that one, 2008 to 2011. So, this is showing that there's so much more growth potential that gold still has built in it.

So, that's the bottom line. It has great growth potential for the next few years and this is really what the message we want you to take home today is the wide-open upside it has. We originally thought 3,500 was a good target, but it's probably going to get there on the next leg up, so it's going to be much higher than that. We don't like to put numbers on it, but it's going to be in the thousands. Definitely worth investing in.

On this aside, inflation-adjusted gold that people talk about, meaning the real gold price, it reached its 1980 highs in this last run-up. So this means that in the next leg up in the bull market we're going to see a record high in real terms, meaning real gold-adjusted for inflation we're going to see, unless inflation soars in the next year. It's going to be a new record high for that.

So, there's a perfect storm developing. It's already pretty developed. It's unprecedented. Something we have to realize, because when you're in the now, you don't feel like it's unprecedented, but it is. So, now Mary Anne will now take over to discuss the whole gold universe. Thank you very much.

Mary Anne Aden:

Thank you. It's a pleasure to be here with you and happy to see so many of you up early and attending the conference. We're just very happy to see you. As Pam mentioned, we're in a very special situation right now and most people don't realize it, because this is something, this explosive rise that we're just entering now, which is the end of the bull market, usually lasts a couple more years, two or three more years we suspect based on how these kinds of events unfold.

But this is something that happens not just with gold, but with any market, and it happens about once every two or three decades. You get a situation like the one we're in right now. It's been moving up, it's been very good this year, going up 40% and what have you, but there's big huge profits ahead. The explosive phase is where the big money is made, in this case, in gold. We think that's going to last based on history and based on movement in whenever any bull market in any market does become explosive, it always goes much higher than you expect.

It's not just gold. We're talking about the whole gold universe, which is silver, copper, Bitcoin, the gold and silver shares. All of those markets generally move together. Some lead and some lag. Gold has been leading and silver has been lagging. But I want to give you an example of what we expect for silver, because that's super exciting. Silver always outperforms gold at the end of bull markets. And I'd like to see if we can get the silver chart up.

Yeah, there you go. That chart shows silver going back to the late '60s. And you can see that it's had several big spikes upward and those always took place at the end of major bull markets during the explosive phase. The most famous one was in 1980 when silver went from a dollar something or $2 all the way up to $50, and that was just spectacular.

You can see that it seems to form a big huge bottom that almost looks like a happy face, and now in the current situation it's doing the same. It's forming that happy face bottom, it's starting to perk out, and it's going to soon be outperforming gold. It's just a matter of time. And what's interesting is that silver is also an industrial metal. It's in great demand and short supply, so it's got that going for it.

The next target for silver for, say in the months ahead, maybe in the year ahead, is $50. We're very close. We're getting there. We're in 30 some. Once it hits $50 it'll be interesting to see if it can surpass the 50, which it hasn't been able to do yet. But what's interesting and when people say, "Well, how high could it go?" For silver to get, allowing for, adjusting for inflation, for silver to get to the equivalent of the $50 in 1980, it would today have to get to $170. And that might seem way out there, but basically it would just be the equivalent of the 50. And so it's not that unreasonable to say, we don't know if it's going to do that, but it's going to go much, much higher. $100 would not be out of the question. And basically the sky's the limit once these things get going because they could just take off as we've seen in many markets.

For now, these markets, they're volatile, sometimes they're moving around. They shake people out. They get nervous. But if silver stays above $27, it'll be firm and it'll be still well on its way in the bull market. Now gold and silver shares are also, they tend to outperform in these kinds of big bull markets that we're currently experiencing. So if you have gold and silver shares, keep them. So far they've been lagging, they haven't kept up with gold, but they'll catch up. We're sure of that. And there's so many to choose from and a lot of people have their favorites. The ones we like the most, our own personal favorites are Agnico Eagle and the symbol is AEM. And we like the Pan American Silver and the symbol is PAAS.

And we like Wheaton Precious Metals, WPM is the symbol. But like I said, there's a lot to choose from. You can even here go talking to people because literally a big commodity bull market is just getting started. And that's going to take copper up as well. Copper is already bullish and it's called Dr. Copper because it tends to move with the economy. It's a leader, as far as markets and what's happening in the economy. But anyway, it's been quiet, hasn't been doing much. It is bullish, but it's set to rise further. And it'll probably start really moving up once silver does. That would be very good for the resource shares, which haven't, they've been doing okay, but they'll probably really pick up quite a bit once copper gets going. Now a lot of you have asked us about the stock market. The stock market is doing great.

It really liked the action after the election. It's strong. We recommend stocks, but it is very expensive. The market is very overpriced right now. Doesn't mean it can't keep going higher. But if we had to take a pick between stocks and gold, gold has actually outperformed stocks the last few years and we would go with gold. And if you're heavily invested in stocks and you don't have that much in gold, you want to maybe balance that out with a leaning toward more the metals sector. And last but not least is Bitcoin. Or the cryptos. We're just using Bitcoin as an example.

And that's the chart you can see here. And you can see it does move similarly to gold. And it's had these three spikes up. It just now broke out into new record high territory. It's been incredible. We know a lot of the younger investors prefer Bitcoin to gold, but that's a personal preference. I think it's great. It's got very good potential. It's headed much higher. Wouldn't dare even give it upside because we're not sure how high it could go. It's very new territory. But personally we like gold number one. And Bitcoin, again, it's fine to invest in, but after all, gold does have a 5,000-year track record. And it's proven over the years, it maintains its value.

There's nothing can compete track record wise. So that's why we like gold the best and it's going to do very well. So in concluding, our bottom line is basically that there is an explosive rise already getting started in gold. And it's going to catch on with silver, we believe. And we think it's just getting started. If you feel like, oh, the prices have risen too much, I missed the boat. You haven't missed the boat at all. There's plenty still to come and you just missed maybe the beginning of the boat ride, but there's a lot more to come. Don't feel like you're going to get left behind. And it's not too late to buy. And we would buy gold, silver, Bitcoin, and golden silver shares. And that's pretty much our bottom line recommendation. And thank you so much.

Lyn Alden

"Interviewed by Brien Lundin"

Brien Lundin:

Hi everyone. I am here, Brien Lundin. I'm here with Lyn Alden, the author recently of Broken Money, and I think one of the foremost macroeconomic experts out there. Lynn has been a good friend of the New Orleans conference, as evidenced by the fact that she's consenting to this exclusive Zoom interview. Lyn's unable to attend this year's 50th anniversary New Orleans conference due to some travel conflicts, so she has agreed to provide some exclusive content for attendees through this Zoom interview.

Lyn, over my many years in the business, I've seen lots of people talk of macroeconomics, a lot of really smart people grace our stage and comment in the public on what's going on in the economy and the markets. And if I have one talent, I think it's being able to spot who's really good and who isn't. And I take pride in the fact that about four or five years ago I noticed you on Twitter and thought, "Wow, she really has some great insights," and was one of your early followers. And since then, we've gotten you to our conference a couple of times and you've been, as I mentioned, a great friend to our event.

And really, I don't say this lightly, I think you are the finest macroeconomic analyst out there. I know you're smart because you agree with me in a lot of things, so we do have a number of shared views, but you really take it to another level. And I'd like to try to get into that in this phone call and this Zoom call and get your views on what's coming up in the markets especially, because these are interesting times. In particular, you've been writing over the past few years about fiscal dominance and you've trademarked the term taken from Breaking Bad of, "Nothing stops this train." And could you get into that and kind of explain those two terms, how they're interrelated and what the situation is that they describe?

Lyn Alden:

Absolutely. First of all, thanks for the kind words and thanks for giving me the opportunity to talk. I do my best to analyze the markets as I see them. I look through things through a system engineer perspective, so looking at how the whole model works as best I can. And a really big part of my investment thesis over the past five years or so, has been fiscal dominance, which is to say that when we look at most of the past 40 plus years of markets, we've been more in an era of monetary dominance, which basically means that central bank actions are very impactful and bank lending or lack of bank lending is a key driver of credit cycles, booms and busts and those cycles that we go through.

But a contrast to that type of environment is fiscal dominance, which is when the government is running structurally large deficits as a share of GDP to the point where it's overshadowing some other aspects of the economy. And there are a couple ways to measure that. One is that if you look over decades, fiscal deficits and the unemployment rates are very correlated. Basically, when unemployment is higher, deficits are higher. And when unemployment goes down, deficits come down. And we saw that correlation break starting around 2016, 2017, and that's because we had the baby-boomer demographic entering retirement years. And so some of those payouts became more top-heavy compared to the taxes that go into them, in addition to other reasons.

And then post-COVID seen also interest expense blow out in addition to all the other deficits that are there. Even if you put aside the big deficits of 2020 and 2021, we have this big background structural fiscal deficit, which is something like 6 or 7% of GDP. And the other way to measure it is to say that the sheer size of the deficit annually is larger than all new bank loans on net created in a given year or even comparable to all new bank loans plus corporate bond issuance.

And so basically we have this structural stimulant in the economy, and of course the downside of that is inflation and debasement at varying rates along the way. And I think this is important to understand this framework because it's what led me to expect inflation back during COVID when we had that burst of large deficits that were monetized. And then it's geared me more toward being long equities, long gold, long Bitcoin, and generally shunning the long side of bonds. Being very avoidant of long duration bonds. To the extent that I touch bonds, it's short duration or tips for damage control. And that's kind of been a pretty key part of my investment approach over the past five years.

Brien Lundin:

A lot to unpack there, as they say. One thing I'd like to get into in just a bit is what this implies for Fed policies and Fed control and what that means, because it seems to be more and more relevant as the 10-year yield has been rising out of the Fed's control and contrary to their policies. But getting back to what led to this era of fiscal dominance, my thesis has been that we're in the endgame of, say, a 45-year trend of ever easier money, ever lower interest rates by the Fed in reaction to every recession, and the inability to raise rates post those lowering cycles to any degree. And then culminating in 2008 and zeroed interest rates, quantitative easing, COVID, a multiple of what it did in 2008.
So if each crisis they do more and more and that as a result we've got markets in the economy addicted, not just to easy money, but ever-easier money and that they've developed a tolerance and therefore you need more of that monetary adrenaline in each cycle. Along with that though, is that ever-easier money, ever-cheaper money encouraged ever-greater debt accumulation, and now we have this monstrous debt, still historically low interest rates even after the Fed's very aggressive hiking. Going forward, does this mean that we can never really have normalized interest rates according to historical norms or interest rates above the rate of inflation due to those debt service costs now that we have such an immense debt load?

Lyn Alden:

I think structurally, yes. Obviously for short periods of time you can have interest rates that exceed inflation, but it's hard to maintain that for very long periods of time with debt loads as high as they are. When we look back over the past 45 years, we had ever-falling interest rates, so lower lows and lower highs, and then ever-rising debt to GDP ratio. So that meant that even though debt was getting bigger, the interest expense was manageable because it was being offset by those declining interest rates. But once we started hitting zero and heading sideways and getting off of zero, you no longer have that offset.

And one of the complicating aspects of fiscal dominance is that when the Fed tries to raise rates to slow down the economy, slow down inflation, it blows out the deficit further, which is actually in some ways stimulating, and that's where they start to lose control of their own policy. And I think that that's what they're in going forward. Japan is further into fiscal dominance than the United States is. And we saw that even when they had inflation over 4%, they barely raised rates at all. And it's largely because their inflation was not due to excessive bank lending, which is mainly what higher industry rates would slow down. And instead it was largely because of external factors and then their own fiscal deficits. Ironically, raising industry rates increases those deficits. Basically, it becomes hard to fight inflation when the inflation itself is from the fiscal source and when there's a big existing stock of debt.

So for example, in Volcker's time, you only have 30% debt to GDP. So if you raise interest rates, you do blow out the deficit but you also slow down bank lending by a bigger sum. But now when we have 120% debt to GDP, raising rates blows out the deficit by a bigger number than it shrinks bank lending. And I think that's one of the big challenges going forward that they're in this doom loop. It's an alarmist term, but it is this, fiscal spiral is generally what I use. It's a little bit softer language, I guess. But the deficits are really structurally hard to get down now.

In theory, if you had some major currency devaluation and you blow out nominal GDP and debase the existing bonds, you could then reset with higher real rates. But that would of course be disruptive. That's part of what we saw over the past five years, is basically bonds losing value on a real basis. Generally speaking when you get debt levels this high, defaults are going to happen. And the question is how are they going to happen? If it's an emerging market with dollar bonds that they can't print, they might outright default denominally. Whereas, when a country's indebted in their own currency, they generally default through purchasing power where everybody gets back every unit that they're owed. But those units might be worth 80% or 60% or less of what they expected those units to be in terms of purchasing power.

Brien Lundin:

Yeah, people look at the current situation and they say the only way out is to depreciate the currency, a slow motion default, if you will, on the debt. But it occurs to me that that can't be a strategy by any Federal Reserve official that wants to stay in the business and stay in their job. Because just to depreciate away half of the Federal debt in terms of value, that would be, what, eight years of 10% inflation or 10 years of 8% inflation. And nobody's going to undertake that as a strategy because the next guy, they'd be out of a job and the next guy would have to take up the strategy and they won't do it.

It seems to me that's something that just happens because your back's against the wall and the currency loses value when you spend to get that fiscal stimulus going. It brings up the question of why did the Fed hike at a half point initially? Why did it hike last week as we speak... Not hike, I mean, cut rates by a half point and a quarter point, when it really doesn't seem that the economy is going that badly or that policy is that restrictive right now? Do they see this debt service problem? They're not really supposed to be concerned about fiscal issues, but that has to concern them, not just from the Federal debt service issue, 1.2 trillion in rising, but also the corporate debt reset tsunami that's off the coast of the economy right now. Do you think that's something that's really driving Powell in the Fed right now?

Lyn Alden:

I think it's probably a factor. Like you said, they wouldn't really come out and say that. To use their language and their argumentation, they would say that because inflation has cooled back down and that while it's still above their target, that it's not way above their target and that it's decelerating, that they view it as appropriate to trim while still being higher than the inflation rate.

But I do think a secondary factor is that they are probably aware of borrowing costs to the government as well as any impacts to regional banks that run into friction as we saw back in 2023 when you have short end rates rise so much relative to long duration assets that they have on their books. I think one thing that the Fed is probably watching, is that right now there's a gap between mortgage rates and 10 year treasury rates that is above average. And so I think one aspect that they're trying to do is that they can lower costs for the government a little bit while still keeping private sector lending elevated, which then slows down money creation and borrowing rates. Because they might cut interest rates, but then mortgage rates might be elevated or go up, which is what we saw in the recent cut. So that's probably how they're approaching it.

And when you look at their…they did an annual report earlier this year and they forecasted that they'll eventually go back to buying treasuries. So they'll eventually go back to expanding their balance sheet in terms of treasuries, but they intend to keep letting mortgage backed securities roll off. And then to the extent that they actually pursue that policy, that gap between 10-year treasuries and mortgage rates probably remain somewhat elevated. And then from the Fed's perspective, they're basically saying, "Okay, the government's getting a fairly modest borrowing cost, but then we're still keeping higher rates in the private sector." That's probably how they're viewing it.

Brien Lundin:

We've seen a very interesting thing in recent weeks since the Fed first hiked rates... Not hiked, again. Cut rates by a half a point in September, the 10-year treasury yield has been rising fairly steadily in contravention to their policy move. What do you think this is signaling?

Lyn Alden:

I think part of it is that investors are not super confident that they'll get inflation back down to their target. And given the poor performance of bonds in recent years, I think investors want a decent amount of yield to take on the risk of locking in five, 10, 20, 30 year rates. In addition, there's a sheer amount of big supply coming to market, just the size of the deficits mean there's a lot of treasuries to absorb.

And a complicating factor is that when the dollar index is strong, the foreign sector is generally not buying treasuries as much, which is somewhat counterintuitive. But basically when the dollar is strong, central banks around the world are in defense mode. Rather than printing money and buying reserve assets like dollars, like treasuries, they're instead either not doing that anymore or even in some cases trimming some of their treasury holdings and buying back their own currency to try to slow down its devaluation relative to the dollar. And so whenever we have this stronger dollar cycle, it does start putting pressure on the demand side of treasuries. And I think that's part of what we're seeing right now.

Brien Lundin:

That's interesting, because I've been trying to figure that out. Because if rising treasury yields were a reaction toward inflation or a hedge against higher inflation, they would not be bidding up the dollar. I guess what you're saying is that in some part the stronger dollar is actually driving treasury yields?

Lyn Alden:

I think there's a feedback mechanism there. Basically, I think the market is, one, expecting higher average inflation. We have seen break-evens rise, so inflation break-evens. They've historically not been very good predictors, but when you do see them move at the same time as you see rates move, that is at least a component, is that the market is expecting higher inflation going forward than they did before these cuts. That's one factor.

But then generally speaking, when the US runs pretty loose fiscal policy, large deficits, but then they also run fairly tight monetary policy that tends to have a strong dollar period for as long as they can maintain it. So an example of that would be the '80s, where they had pretty sizable deficits, but they're also running pretty tight monetary policy and you had this big strong dollar period. And I think that's what the market's anticipating now. And I think they can continue that until they run into Treasury market liquidity issues, because the limiter there is that if you have a strong dollar, central banks around the world go into defense mode. They pretty much stop buying your treasuries. And eventually you can get an issue in the Treasury market where the Fed basically comes back in and basically does QA. And they might not call it that, they might just call it normal balance sheet operations, but then they go back to providing liquidity to the market, which generally eases the dollar and then allows the foreign sector to buy more treasuries.

I think that we're probably in the later stages of this where the Fed can continue reducing their balance sheet somewhat further, but that they're probably getting closer to the end of how much quantitative tightening they can do. And so I would expect in the second half of 2025 to probably see them return to a flat-to-up balance sheet.

Brien Lundin:

One of my theories for this, and feel free to shoot it down because that's why I'm putting it out there. I'm really curious about it. It seems to me apparent that sometimes typically in a safe haven play, move to safe havens in international global markets, you'll see treasury yields fall as investors run to the safety of US treasuries. But in some cases safe haven plays when treasury yields are rising because investors perceive that the risks are too high for the yield that the treasuries are currently. In other words, they demand a higher yield to face those risks. In that kind of a situation, the dollar is also a safe haven because whenever there's instability in the world, investors run to the dollar.

If that were, what was happening right now, what would investors be worried about, where they would be demanding higher yields and treasuries and bidding up the dollar? And it seems to me that that may be some concern about the ability of the US to continue servicing their debts regardless of who's in the administration, nothing stopping the train, deficits rising. It seems like there may be some concern. Do you think that might be playing into it?

Lyn Alden:

I do think it's a factor. I think when you look at how they could cut the deficit, there's not that many easy moves to do because social security and Medicare, defense, veterans benefits and interest expense, that's roughly equal to tax receipts. And the long tail of everything else is the deficit. And so it's hard to cut any of those really big areas. And even in the 2024 Republican platform, one of their promises is don't cut social security or Medicare and don't increase the retirement age, which is very different than the Paul Ryan era of the Republican party in the 2010s. And so it's a somewhat less fiscal conservative perspective at the moment.

I think the market's accounting for that. I also think some of its mechanical, going back to my prior point, which is that when the US does run policies that have a pretty strong mix for the dollar, so pretty loose fiscal policy, fairly tight monetary policy with technically positive real yields, then you get that mechanical, less buying globally. And so that's not necessarily decision makers, people saying, "We don't trust the dollar of the Treasury." They're saying that buying treasuries does not meet our current objective, which is to defend our currency rather than weaken our currency. And so I think some of that's mechanical.
And another way of looking at it is there's something like $13 trillion in dollar denominated debt in the world outside of the US and most of that is either sovereign level, corporate level, and it's mostly not even owed to entities in the US. It's owed to entities in China, entities in Europe, entities in Japan, all over the place. Basically the dollar's the biggest global lending currency. And all of that represents inflexible demand for the dollar. And so whenever there's any sort of dollar shortage, dollar crunch, slowing global trade and all those dollars flowing around, then there's a scramble for dollars like a game of musical chairs.

And so I think that, in my estimation, a majority chunk is probably some of those mechanical pieces. And then the smaller chunk, but still a very relevant chunk, is either flight to safety going into the dollar, and for the yields going up, it's basically people saying that, "I want to have a decent yield to compensate me for the unclear inflation and debasement expectations that I see in the next five, 10 plus years."

Brien Lundin:

Shifting gears a little bit, one of the things I like about your analyses is that you also look at the stimulative effects of the deficit of government spending, et cetera, and how that affects the economy and really plays against some of the trends. I keep things fairly simplistic. High debt's bad, low debt's good. And you go another level and show how in some cases, like with the debt ceiling coming up, that there's a Treasury buffer in the Treasury cash account, essentially. That's going to start being put into the economy rather than being held over the economy like a monetary water balloon. Can you expand on that a bit? And also the kind of yin and yang of Fed monetization of debt? Is that really inflationary? Is it really isolated or sterilized when the Fed is actually buying that? Or is it still running through the economy?

Lyn Alden:

Sure. When I look at the deficits, I am basically trying to model all of their impacts on the economy. And you can imagine right now if they said, "Okay, everybody who's receiving social security is going to get an extra 20%," there'd be a stimulatory force there because all those recipients would have more purchasing power. But of course it would also likely have an inflationary component because just because you're putting more money into the economy doesn't mean you have more goods and services to do that. You basically would've more dollars chasing what is a fairly similar amount of goods and services, at least until there's an adjustment period.

And so deficits, they can be both stimulatory and inflationary. And of course one of the risks there, if you're not on the receiving side of the deficits, you're getting all the inflationary components. Whereas the entities or the individuals that are on the receiving side are getting both an inflationary component, but then they're also getting the stimulus component. And so that's how you can get uneven outcomes in societies by basically having those selective deficits.

For the TGA, at the start of 2025, the debt ceiling comes back into effect. It's currently suspended, but it will come into effect automatically based on the way that they suspended it previously. I wrote about this before the election, that historically the Republicans tend to use that against Democrats and not really the other way around, although we don't have a really big sample size because it's only been used for the past 15 years or so. And so I would say that with the Trump victory and the red sweep, I think we're less likely to have an extended debt ceiling fight. And so I think that the TGA is likely to not drain as much as it might otherwise had if the election was different and we had a different political dynamic going on.

And then as far as the last question around monetization of the deficits, I do think that's a very big component because that's part of, that's one of the tools they use to keep the Treasury market functioning. Otherwise they could literally have failed bond auctions. That's part of their self-given privilege of having their own central bank and their own money printer, although they tend not to like to phrase it that way. And one of the things I highlighted at the start, it was later in 2020 where they were doing a lot of stimulus, they were doing a lot of QE. And there were a lot of people saying, "Well, it's not going to be inflationary, because QE was not inflationary from 2008 to 2014."

And my view at the time was that this is quite different because back then most of the QE was used for bank recapitalization. And basically, the banks had little cash. They had a lot of treasuries and mortgage-backed securities. So the Fed created more base money and then swapped it for some of those securities, which made banks more liquid, but it didn't get out to the public very much. It's not like we had a big spike in broad money supply. We just had a bank recapitalization. And the way that I described that is that it was anti-deflationary. We would have had deflation. Instead, they neutralized it. I guess it's inflationary compared to a negative number. That's how that functioned.

Whereas the type of QE we had during and then after the period of the lockdowns and everything that was more outright inflationary because they were saying, "Okay, we're literally sending people checks, we're sending corporations checks, we're sending small businesses checks, we're sending individuals checks, we're giving them tax credits." And when we issue our bonds because we have tons of bonds coming to market, the Fed is creating new base money and then buying those bonds. Instead of sucking out dollars from the economy, they're just creating more of them. And you don't have a crowding out effect because if you weren't having the central bank monetize it, then someone has to absorb those bonds. And you could have investors sell equities and buy the bonds, but instead you just create new dollars and buy the bonds with those through the secondary market, and so you get a pretty inflationary outcome.

Brien Lundin:

Basically post 2008, they ring-fenced it around Wall Street and protected the banks and the financial system, and they just went and injected the monetary adrenaline directly into the veins of the economy, and therefore those are the effects. So it brings up the question going forward, if we have bond vigilantes coming out and saying we need higher yields and the Fed is trying to lower interest rates, if we have what amounts to somewhat of a buyer strike in the world on US treasuries for whatever reasons, or perhaps because of doubts that we'll be able to fund and service the debts, then the Fed essentially loses control of monetary policy. Does it just by brute force try to regain control by monetizing the debt? Being the buyer of last resort of treasuries? Would that work or only exacerbate the problem?

Lyn Alden:

That is my expected outcome eventually, and I think we saw a taste of that during COVID. We even saw a little bit of that in 2019. When the repo spike happened, the repo rate blew out, the Fed came in with providing repo for various institutions. And there were some of us, like myself and Luke Gromen at the time, that were saying that they're probably going to have to go to buy treasuries as well, because that repo it's not really a repo problem, it's a treasury oversupply problem. And repo was the funding source that levered entities were using to buy treasuries. And sure enough, by the time we got three weeks later, the Fed was buying treasuries even though it was on its surface a repo problem. And they never really had it-

Brien Lundin:

And they claimed it wasn't QE because they weren't buying all across the curve. And they did, what, half a trillion dollars before COVID ever hit?

Lyn Alden:

Yeah, and people forgot about that because it obviously got overshadowed by COVID a few months later. And then during COVID, during March 2020 when everybody was actually ironically flocking to treasuries, the treasury market actually went illiquid because it was just completely dislocated. It was actually some of those mechanical reasons I talked about before. The dollar was spiking, foreign entities were selling treasuries to get dollars to service their own dollar-denominated debt or defend their currencies. And the treasury market literally broke. So the Fed came in with an emergency meeting and started buying every treasury they could get their hands on.

We also saw a similar thing in the Bank of England in 2022 when their gilt market rejected the fiscal measures that they proposed. And the Bank of England literally had a meeting on balance sheet reduction that they had to cancel, and they went back to temporary buying bonds to put out the fire in their yields. So I do think that going forward, there will be another period in the US where treasury rates go high or they get illiquid and the Fed comes in and says, "We're going to buy some." And I think the language that they probably use initially is similar to 2019 where they say, "It's a plumbing issue. We're going to return to gradual balance sheet expansion in order to maintain ample bank liquidity or ample bank reserves." I think that's probably how they're going to view it for a while.

But then over time, it gets harder and harder to maintain that description when you have inflation that's above target. They can say that a lot when inflation is below target, but when you have that going on, while inflation is above target, that's where I think market participants lose their view of the Fed's credibility. And they have the power to maintain it with the caveat that they can maintain yields, but they can't simultaneously maintain yields and the value of the currency. It's like you have to let one or the other go. And I think that when push comes to shove, they're going to let the value of the currency go.

The most extreme example was back in the 1940s during World War II, they had outright yield curve control similar to what Japan was doing recently. That's the end game that they could do. And the other one is simply doing QE, taking some of the supply off the market, so that the remaining demand is able to absorb the remaining supply. I do think that we'll have periods ahead where they're going back to balance sheet expansion, even as inflation may be over 2%.

Brien Lundin:

Yeah, and they'll be forced to. And it gets to the point that they can undertake these emergency operations if it is an emergency, if it's an event. But if it is a structural issue that the world then recognizes, and I was going to ask you about your view on whether the Trump administration and the Department of Government Efficiency et cetera will be able to significantly reduce the trajectory of the deficits and the debt. And I'm assuming you're going to say no to that. It is too much mandatory spending. If it's a structural issue, then what happens when the Fed then has to resort to ongoing emergency measures, becomes a buyer of last resort? Are we leading toward that great monetary reset situation at that point?

Lyn Alden:

The first part is, my base case is that they're not going to be able to significantly reduce the deficit. I intend to fully monitor all the policies and changes that happen, but because a lot of that spending is mandatory, because they don't want to raise taxes and if anything they want to trim taxes more, and because we have this weird feedback loop where if we reduce the deficit, it tends to negatively impact asset prices because we're taking away some of the stimulus, and then a lot of our tax receipts are tied to asset prices.

Brien Lundin:

Right.

Lyn Alden:

And so with a lagged effect, it actually ricochets back into tax receipts. And so it's a very difficult Gordian knot to untie. My base case is that they're going to struggle untying it, but I intend to monitor it. And then to the extent that those deficits do stay high, to your point, I think that the Fed will get locked into a longer term, always putting out fires. Similar to what the Bank of Japan has been locked in except they have disinflation. They don't really get as much criticized for it except for brief periods where, for example, the yen was devaluing relative to the dollar in a somewhat disorganized way.

But the Fed won't even have some of what Japan does. So Japan at least has reserves in pretty significant amounts that they can sell to defend their currency. Whereas the United States doesn't really have almost any liquid reserves relative to its GDP or money supply. I would describe that as the emerging market-ification of the Fed, which is to say that it wouldn't be an immediate reset. It would instead more look like an emerging market. And so a lot of emerging markets, they have inflation that is three, four, five, six, sometimes higher, structural background inflation, and it's just this slow burning fire that's there. And I think that that's kind of what we would see in the US and certain other levered Western nations when we get to that point. That's kind of my base case.

Brien Lundin:

And that brings the question of what to do about it. Because my view has been with each succeeding fiscal crisis that the Fed itself blows up and the bubbles pop. It has to do so much, it has to create so much currency and liquidity that it gets ingrained in the public's mind that there'll just be another crisis and that the currency will be so much cheaper post that, that the currency itself and the system itself loses credibility. In other words, at some point we're heading toward a reset where to reestablish credibility, you'll have to, in the US case, attach the dollar to something that prevents it from the genuine human nature of politicians to keep debasing. That would be either gold or Bitcoin, two assets that you are very much an expert on and noted advocate of. Do you see that happening at some point, that these cycles end up with that kind of a reset where we're attaching the dollar to something that's going to restrain politicians?

Lyn Alden:

I think in the long arc of time, that'll happen…Emerging markets when they completely lose credibility and they either dollarize or they take other measures to kind of tighten that back up. But the reason I think we're still far away from that is I think we have to go through the normal emerging market phase first. I'll be in Egypt at the time of this conference, which is why I'm not able to be there live. And they have, every year, over 20% money supply growth. They had up to 40% inflation as officially measured, let alone how high it really was. And yet they didn't go into a full spiral. It was a significant problem, but it wasn't like the market lost a hundred percent of its credibility with them. And then they took, they got IMF support, they took other support, but they didn't do any sort of major reset.

And the US has a longer runway than a country like that because going back to my prior point of that there's over $13 trillion worth of dollar-denominated debt out there, and all of that represents inflexible demand for dollars. There's actually more dollars demanded than there even is dollars in existence. That's a bigger number than the monetary base. It's how a debt based system works. And so I do think that we get into this longer term spiral, but that we go through a pretty long period where the US just is constantly debasing. No one's really sure what to do about it. The debasement rate is fairly contained in the sense that it's not 50% a year, but instead it's something that we normally see in emerging markets.

And it becomes a background issue that they occasionally try to put out a fire here and there, but they're never able to fully get it under control. And then maybe, yes, over a long enough timeline, it completely spirals and we go in a whole different direction. But for an investment time horizon, I think that I focus less on them resetting in any sort of say five to 10 year period. But instead I focus on individuals who are setting themselves and saying, "Okay, instead of owning a lot of this paper, I want to own things like gold Bitcoin, high quality equities, high quality real estate with a fixed rate debt attached to it that gets gradually inflated away." Those are the types of investment decisions I make with that kind of view.

Brien Lundin:

That brings us, I don't want to take up much more of your time, so that, I guess, is the conclusion that we're looking for here. You're bullish on gold despite the recent setback in the price?

Lyn Alden:

I am. In my research, I've been concerned about gold being a little bit overbought ever since it broke past 2,500, 2,600. I'm bullish, but not everything goes up in a straight line. The recent dollar strength we've seen and the higher yields I think are putting some pressure on gold. I think that kind of correction is healthy. Back when I was concerned about its overbought status, I was also saying the dollar was oversold. That was back when the dollar index was down to 100.

Brien Lundin:

Right.

Lyn Alden:

Now it's jumped up to 106. And we've seen gold's had a little bit of a setback, not too deep. We could see consolidation for months for all I know, I don't really track short-term moves. But I do think that structurally when looking out months and years, and this is the next several years, I remain bullish on gold.

Brien Lundin:

Well, I appreciate you saying the drop in gold hasn't been too deep because from my view inside the gold market, it seemed pretty deep. So that's encouraging. On the other side of the coin as it were, how do you feel about that dizzying rally in Bitcoin at this point? Is it speculatively driven right now? Buying on rumor of what's going to happen to the Trump administration and therefore what will happen when news comes? I know your belief in the fundamental long-term value of Bitcoin, but what's your feeling on this current rally?

Lyn Alden:

Yeah, so maybe my holding of Bitcoin dulls my volatility meter when I talk about other assets like gold, because Bitcoin can be all over the place. So I view this as a healthy breakout of a consolidation. Bitcoin's been consolidating since March of this year. That was its prior high. And I think what happened there was we were already off the bear market bottoms by early 2024, and then the ETFs coming to market, I think pulled forward some demand. And so we had a better performance than we otherwise would in February and March. But that got overdone, high sentiment, overbought, and so it had to go through this consolidation period.

The network's valuation improved during that time, which is basically to say that you can do on-chain analysis and find out what is the price that every coin moved at last. It's kind of like the on-chain cost basis of the network. And that steadily increased during that consolidation period as more and more Bitcoin were still trading hands. And generally it's a lower valuation when the market value is a lower multiple of that cost basis. And so it got a little bit heated in March, and then as it went sideways and the realized cost basis kept increasing, that multiple compressed.

And I think my view at the time, and I was writing about this, was that I expected a breakout rather than a breakdown of that consolidation. And it ended up being that the election was likely a catalyst for that. I think some of it's sentiment, but other parts of it are rational. One, is that I think it was kind of holding a ball underwater anyway. I think the breakout was going to happen. This just may be like the ETFs, maybe this pulls forward some of the excitement a little bit, all at once. And two, I think that there are rational reasons to view the election as consequential because whether or not they establish a Bitcoin reserve, which Trump and some others have advocated, also it takes away at least some of the risk from government, which is to say that the market says whether or not they do anything positive for Bitcoin, they're also less likely to do anything negative for Bitcoin.

And that alone, if you have a probability curve of what's going to happen with Bitcoin over the next three to five years, any sort of reasonable long-term time horizon, your probability assessment probably just shifted a little bit based on the election outcome. And so I think it's natural that it pulls forward some of that demand. It breaks out of the consolidation. And then whenever you have new all-time highs, of course you get headlines, you get a little bit of retail investors back in. And I think it feeds on itself. So I remain bullish over the next 12 to 18 months, even though I do think it's a little bit overheated now, but Bitcoin tends to do that from time to time.

Brien Lundin:

Yeah, so I've noticed. Lyn, thank you so much for your time. I really appreciate it. Wish you could be with us in New Orleans this year. I encourage all of our viewers to pick up your book, Broken Money. A fantastic Work with a lot more detail than we're able to get into today. How else can our viewers reach you?

Lyn Alden:

People can go to lyndalden.com and they can see all the free or other types of research there. And I'm also on Twitter @lynaldencontact.

Brien Lundin:

Yeah, and you put out a tremendous amount of free content out there. I'm just blown away by your website. I don't know how you do it. Totally respect it though, and it is a great resource for investors. Thank you for that. And thank you for today and we look forward to seeing you at New Orleans 2025 next year. Really appreciate it, Lyn. Thank you so much.

Lyn Alden:

Thank you.

Jim Bianco

"The Post-Election Bond Market"

James Bianco:

Thank you. Thank you for having me here. I'm going to do something difficult. I'm going to talk about, in a year one Bitcoin's up 120%, gold's up 30%, the S&P's up 24%. I'm going to make the case for an investment that's up 2% and in a bear market. It's called the bond market and why the bond market matters and why the bond market is a competitive investment, even though it looks like it's anything but a competitive investment. And I got 19 minutes and 32 seconds to do it.

So let me start with the long-term picture bonds. Here's a 10-year yield picture of the bond market. It goes back to the founding of the country so it's over 200 years of data. On there I drew some red lines to show the various cycles that we go through in the bond market. We completed a bull market in bonds from 1981 to 2000 when the yield went from 15% to .5%. We're in the fifth year of a bear market in bonds. Why would I ever want to buy something that's in a bear market? Because the bond market's kind of unique. It has a yield. So what's nice about what's happened in the bond market in the last four years is we went from an investment that yielded nothing to an investment that is now yielding 5%. That makes a big difference right now in terms of the bond market. But even still, 5% in an investment when everything is up so much more, throw a dart, just be sure you're invested in something and it's pretty much had a very good year. Why should I even consider something like that?

I like messy charts, so here's my first messy chart. This is the correlation between stocks and bond prices. When the correlation is positive like it was from 1968 to 1998, that means stock and bond prices move up and down together. When they're inversely correlated like they've been since 1998, that means they move opposite each other. One goes up, the other goes down, and that's the way they have been moving from 1998 to 2020. A lot of people during that period got the idea that, oh, this is the normal state of affairs and that the bond market is something that moves opposite stocks, so we develop the 60/40 portfolio, put 60% of your money in equities, 40% your money in bonds. Why 40% in bonds or why 60% in equities, I should say first? Because stocks go up and you want to make sure that you participate. Why 40% in bonds? Because they're crash insurance. Because when the stock market crashes, the bond market rallies.

Well, as you could see the end of that chart, the correlations are hooking back towards positive again. So that relationship is not working anymore right now in the bond market. It is changing towards a positive relationship where stocks and bonds go up and down together.

Now, what causes them to be correlated, what causes them to be uncorrelated, is the outlook for inflation. When we are worried about inflation, the '60s to the late '90s, and even in the '90s, we were worried about inflation, but we were relieved there wasn't any, but we were still worried about it. They move together. When we're worried about deflation '98 to 2020, they move opposite each other. The swing back towards them being positive is a grudging acceptance by the market that inflation is something that is kind of returning. I say kind of because I'm not in the Zimbabwe camp or anything. I think that we're in a %3 to 4% inflation world, not a 2% inflation world and over longer periods of time, that does make a big difference.

Okay, so bonds now yield 5%, inflation might be an issue, but the stock market's been up 20% two years in a row. Why would I even consider that? Let's talk about the stock market and I'll quote Paul Tudor Jones from the Jack Swigert book Market Wizards. "Every day that you have an investment you should walk in or every month or however, whatever time interval you want. And you should say, 'If I didn't own this, would I own it?' If the answer's yes, you keep owning it. When the answer's no, you sell it." The question here is, I know what the stock market has done up until November 21st, but what's it going to do going forward from here?

That's where valuation becomes an important metric to look at. People always say, "You can't time with valuation." Yeah, that's true, you can't, but it can give you an idea of what you should expect in the future. The top panel here in blue is the Shiller-Cape Ratio. That is the Cyclically Adjusted PE ratio, or CAPE. It was developed by Robert Shiller. In the next series of slides I'm going to go through, Robert Shiller is a professor at Yale University, and about 10 or 15 years ago won the Nobel Prize in economics for this exact work. He shows the 10-year average of the PE ratio in the stock market at 38. Now, if you look closely at this chart, it does go back to 1880s, so this is 150 years of data. 38 on his CAPE Ratio is one of the highest numbers that we've ever seen. It's above the ‘29 peak. It's not quite at the 1990 tech bubble peak, and it's very close, just below the 2021 peak before the stock market sold off 25%.

The bottom panel in orange is just one divided by the CAPE Ratio, is the earnings yield, and that is about 2.2%. By paying 38 for a PE in stocks, you're really getting a earnings yield. What your profits are yielding you is around 2%. I.

If we go to the next chart, the next chart here takes that same orange line, which is the earnings yield at the top. The blue line, I add in the 10-year real yield. That is the 10-year yield less inflation. On the bottom in green you get what is called the excess yield. I'm running the studio so I can get to the next chart because that's where the point is. The excess yield is very low 1.2% meaning what should I expect out of the stock market from this moment forward over the next, say, 10 years? About 1% more than the inflation rate.

Now, how's that worked out? On this chart here, the green line is that same excess yield shifted forward 10 years. That last plot in the green line is 2034 and the red line is what the stock market has actually done over the last 120 years. It's a reasonable fit to tell you that, "Yes, the stock market has done well over the last couple of years, it's doing well today, but over the next 10 years, it should probably yield you not much more or return you not much more than the inflation rate." Now that's a positive number. The inflation rate I think is going to be 3, 4%. That means the stock market should give you about a 4 or 5% return. The bond market's yielding about 5% too. Yes, you've made a lot of money in it, but from this moment forward, it should probably start to trade down around a 5% yield or 5% return going forward. That's what the bond market is offering you. How should a portfolio be constructed? It should be constructed with the idea of the old 60/40 was I had a 60 base in equities, 40 base in bonds for crash insurance.

I think the new portfolio is something like a 50 or 60 base in bonds, just churn out that yield for me. If inflation does become a problem, the yield on bonds will go up and it'll churn out a little bit more yield for you over time. Then that other 40, 50% is, like the panelists you saw here before me, are other kind of investments, maybe something a little bit riskier, but with a small bit of money to try and get something more than a 5% type of return.

Does Wall Street get that? No, not yet. Here is, as of a couple of days ago, the 10 ETFs with the biggest inflows year to date, and I color coded them. Five of them have the name S&P 500 in them. By the way, the first one VOO, the Vanguard S&P went over $100 billion of inflows. That is now a new all-time record for an ETF, first one to go for $100 billion of new money in one year. Two of them are BND and AGG. I'm quoting their ticker symbols. That's the bond market index proxy from both Vanguard and iShare. In other words, this is still the 60/40 portfolio. 60% of the money's going in the stocks, 40% of the money's going in the bonds. The assumption here is that we still have that negative correlation that stocks and bonds move opposite each other, but they're not.

We're still investing per the old cycle, but it's not working that much in this cycle. The general frustration with the bond market is because it's the one that is not up 20%, like just about everything else is in 2024 right now.

What do we do now with the bond market? I want to make a quick transition and make one more statement before a quick transition, I should say. When you talk about investing, why are five of these S&P 500 indexes? Because the perception is correct. No one can beat the index. So just buy the stock market. It outperforms 85% of professional managers. Now that's true, it does. The stock market does. But what about the bond market? Well, the studies show the bond market's very different. Professional managers outperform the index about 50% of the time. It's a coin toss if you hire an active strategy in the bond market to beating the index versus an active strategy in the stock market where 85% of the time you're just better off buying a low-fee index fund.

What's the major reason? There's lots of technical reasons for it, but the big reason is in the stock market, your biggest stocks, your biggest weightings, your magnificent seven stocks are your all-stars. If you're not all in on Nvidia and Tesla and Amazon and just all in on those stocks, you're not going to beat the index. But in the bond market, your biggest weightings are not your all stars, they're your problem children. They're your countries that borrow too much money. They're your over-leveraged companies, they're your bad structures within mortgages or structured securities and they're easy to spot. This is a problem and it's a big weighting and you step aside and don't participate in it and the index gets dragged down by it, but you don't. That's why in the bond market, 50% of the managers can beat an index. In the bond market, active management is a viable alternative.

That leads me to the final set of slides that I have, and this is my pitch. We do manage an index. It's called the Bianco Research Total Return Index. It is a discretionarily managed index by us. You can find out about it at biancoadvisors.com and there's an ETF that tracks our index. What I just described is, think the S&P index committee manages the S&P 500 and all the S&P ETFs track the S&P 500. We're the committee that manages the index, we pick the weightings in the index. Then we have an ETF WTBN, which is run by Wisdom Tree, Whiskey Tango Bravo Nancy, WTBN that tracks our index. Our index right now, year-to-date, is beating the Bloomberg Aggregate Index by 133 basis points or 1.33% year-to-date. WTBN is outperforming the comparable index ETF BND by 89 basis points. Morningstar has WTBN that tracks our index of 400 ETFs in the top 20% this year of all the indexes.

Now there's plenty of actively managed ETFs. But I would argue, and in fact it's one of the fastest growing areas right now in ETF-land that's not named crypto is that a lot of people, the Blackrocks, the PIMCOs, the Vanguards are bringing out actively-managed fixed-income ETFs left and right for this exact reason. Is that they're starting to see that the basis of a portfolio should be, I think, in fixed-income. Churn me out that 5% for a majority of it. Okay, what do I do with the rest of the money? I reach for something a little riskier, hopefully diversify. Some of them might not work out, others will work out very well. Hopefully that will return you something more than 5% to give you something in a 7 or 8 or 9% world.

By the way, that is, when you come to expectations, if you were to structure a very good portfolio, what should you be expecting? Probably around a 7%, 8% return a year is a very good, now that's not every year, 7 or 8%. That could be 20% in one year and a couple of years at 2%, but it averages about 7 or 8%. But you don't want to fall into the crypto crowds thinking, "No, you mean 20% a week every week for the rest of my life." Because that's kind of the way that they're thinking about it with Michael Saylor saying that Bitcoin is going to go to 13 million in 20 years, which would make it $250 trillion, which would make Bitcoin worth more than every stock, every bond, and every economy in the world combined in 20 years. Good luck with that argument that it's going to get to that size.

But if you put the right expectations on what you're trying to do, 7 or 8% return is good. Yes, and some of it should be in some riskier stuff that might work, that might not work, but hopefully more works than doesn't work. Then you've got this basis of a portfolio that will churn you out those kind of 4 or 5% returns. The big difference is we've had a bear market in bonds. At noon I'll be on the panel here to talk about the economy. That's why I left all the economy comments out of my presentation. My very good friend, Jim Grant's going to be on the panel and he writes a newsletter called Grant's Interest Rate Observer, and he has a great line to talk about the bond market. "It's nice to have an interest rate to observe again." Now that we've got an interest rate to observe again, that does change the bond market.

Now, 2020 to 2023 was a terrible period to be a bond investor. To go from a 0% yield, which is where the funds rate was, to 5% by '23 was enormously painful for most bond investors and it's left deep scars. Good news is we've done it. Good news is we're kind of beyond that. The bandaid has been ripped off, if you want to think about it in those terms. Now the bond market is a yielding investment. It is a competitive investment with stocks like it was in the '80s and '90s. It is an investment that can stand on its own. It's not just crash insurance anymore, you just buy it in case the stock market blows up and then it rallies. It's more than that. The restructuring of the bond portfolio or bonds into a portfolio should be rethought for people along the way.

Now, in the last couple of minutes that I've got some time to talk about this, the other thing I'll mention about the bond market is because there's a yield this year has been a struggle for the bond market. It's up 2.5%. That's a struggle year now for the bond market. Struggle year for the stock market is not going to be up 2.5%. It's going to be something far worse than that. A struggle year for crypto. Oh, look out for that one. Bitcoin's already had in the last 10 years, I think seven times it's lost 80% of its value on its way to new all-time highs. That's always going to be a thrill ride in terms of investing as well. As inflation stays at 3 or 4%, as you start to see these types of numbers, the yield on bonds will continue to go up, that's a bear market. But it will take away from you by the price going down but it'll give to you by, as you keep investing in it, you will get a higher and higher yield in the bond market.

Like I said, I'll be back at noon with a number of other excellent panelists to talk about the economy and I'll give you some more thoughts on there there. But what I wanted to discuss here today was, like I said, probably the hardest investment argument to be made in 2024, the one child that's not rallying 20% like every other child in terms of the bond market and why you should consider it, it's got a yield, it's got a competitive yield. If you look at the valuations, especially in equities, I'm not saying that the equity market's going to go down. I'm just saying that it will probably return you something similar to what you have seen in the bond market over the next 10 years, 4 or 5%, which is not bad.

If the stock market is going to continue to return to us 10, 15, 20% over the next 10 years or so, then the stock market's going to become three or four times the size of the economy and everybody's going to have all kind of money in their pocket. That's nice, but the bad thing about that is the average home price in the United States won't be $450,000. It'll be $1.5 million. If you make too much money and you have too much money, we're going to spend it on stuff and we're going to push prices up. That's why I think that the equity returns. I'm not saying they have to go down, they just have to slow down on the returns. If they do, the bond market will become a very competitive investment.

Thank you for listening to my case for the bond market. I hope I've enlightened you on it and make you consider it and consider how it would fit into your portfolio. I will see you around noon today on the economy panel. Thank you.

Peter Boockvar

"What If Inflation Rose Again?"

Peter Boockvar:

Thank you, thank you. Thank you everyone for getting up early. I always say that you never want to speak this early in Las Vegas because everyone's still sleeping, but luckily we're not in Vegas right now. So I'm going to talk about why inflation, after this deceleration, may rise again and also dive deep into the US economy and the global economy, both from a macro perspective and also a micro perspective, micro being what companies themselves are saying. Because I'm seeing very much a two lane economic highway both in the US and also globally.

Here's the fast lane. Upper income spending, the wealth created by higher stock prices and higher home prices, and where are people spending money on? Leisure, hospitality, travel, experiences. Also doing well, we know any beneficiary of AI spend. I say beneficiary because you have the spenders on AI, the big hyperscalers that are spending $20 billion a quarter on AI, and the receivers of that spend like Nvidia and all other infrastructure parts of the economy, whether you're building data centers, whether you're providing transformers to that, whether you're benefiting from utility spend to try to improve the grid, that is doing well.

Anything benefiting from government spending is doing well. Medicare/Medicaid is the largest provider of revenues to the healthcare system. Those payments continue to go up. Anything related to building a chip factory in Arizona or an EV battery in Kansas, doing very well. Question is is whether they will continue to do well after those facilities are built, but at least right now in the construction part, that is in the fast lane of the economy. And also with the labor market, and I'll touch upon it a bit, is the pace of firings distinctive from the pace of hirings still remains somewhat muted. So the labor market, even though the unemployment rate has ticked up, still remains relatively healthy.

Okay, so let's now hear some micro perspectives on where the strength is in the economy. This is from Wynn Resorts and these quotes come from earnings calls. "Demand remains healthy in Vegas. More recently," speaking of Vegas, "demand has remained healthy in the fourth quarter with strong growth in slot handle, table drop, and solid non-gaming demand. Demand from the high-end consumer remains stable." The Boston Harbor Property: "Demand was strong across the business. Demand has remained healthy through October." That's what people are spending money on. MGM Resorts, similar theme. And now F1 is coming back to Vegas for a second time, which they'll also benefit from.

Royal Caribbean, hey, when you can get 4%, 5% interest income on your savings after 15 years of being in the desert searching for interest rates while those that have savings, particularly boomers, are benefiting from that and they're cruising like there's no tomorrow. From Royal Caribbean: "Robust demand for its vacation experiences drive strong results and improved outlook." They saw stronger pricing on close-in demand, meaning that instead of preparing for a vacation a year from now, close-in demand is doing pretty well. Hyatt also "seeing high-end consumers prioritizing travel as RevPAR growth was strongest amongst our luxury brands." Live Nation, going to concerts, selling out, also doing very well.

Now let's also talk about retail and restaurants for example to differentiate the spending behavior of different consumers. Consumers are seeking out value. 25% cumulative inflation increase as measured by CPI over the past four years, consumers are seeking value. So Chipotle, you go to Chipotle and let's just say you have $10 to spend on a meal. You can go to Chipotle and you can get lunch or dinner and you can have leftovers and have a second meal the next day. That's one of the reasons why Chipotle's doing very well, because that $10 can stretch in terms of the amount of food you buy, relative to McDonald's where $10 is getting you one meal. So that's why it's somewhat confusing when you hear why is McDonald's doing so poorly and blaming the consumer, but Chipotle, Sweetgreen, as I mentioned here, and even sort of the middle casual dining spots like Chili's, Cheesecake Factory, Shake Shack, Texas Roadhouse, because they're providing value and generous portions.

Amazon, also talking about how consumers are being very careful about how much they spend, “we're continuing to lower prices.” So lower prices, value, and convenience is what's working in retail to try to differentiate again the behavior of the consumer. Mister Car Wash, they sell their car washes, $10 to wash your car. And they're talking about because that's a low-priced item, consumers are still spending on that sort of stuff because they see value.

Those companies benefiting from government spending. Martin Marietta Materials that makes gravel and aggregates benefiting from the Infrastructure Bill, "Looking ahead to 2025, we expect to benefit from record levels of federal and state investments in highways, streets, and bridges." Also of course the data center build. Nucore Steel, which is making the steel for a lot of these data center builds and also infrastructure, semiconductor factories, they are also benefiting with respect to the economy. Steel Dynamics, talking about the same thing, US infrastructure program. So this is the real world on the ground beneficiaries of this government spending. Nvidia of course, spending a lot of money to Taiwan Semi. Taiwan Semi talking about still strength in the business we heard from Nvidia this past week.

Now the slow lane of the economy. The lower to middle income consumer that is very stretched and that does not own a home, maybe they're renting, they don't own a stock portfolio, so not benefiting from the wealth effect there. Capital spending on anything other than AI. This is particular in the semiconductor sector where obviously the AI spend is healthy, but if you're selling chips into the industrial side of the world, the manufacturing side of the world where manufacturing has been in a two-year plus recession, well business is not so good. If you're selling it to the automotive space, business is not so good.

You have existing home sales, the pace of transaction at 30 year lows. Now keep in mind when a buyer does not buy a house from the seller and there's not turnover of that house where then the seller goes someplace else, well there's not paint being bought, there's not carpet being bought, there's not flooring being bought. There's a lot of ancillary activities that don't take place when a housing transaction does not take place. Global trade, very muted. And to the backside of what I said about the labor market where the pace of firings is somewhat low, the pace of hirings has slowed down a lot. So speaking of which, hiring, ZipRecruiter, one of the leading digital online search firms, while each labor market cycle is distinct, by several measures, this is one of the more prolonged downturns in hiring activity. Even comparing it to 2008. The great stay, meaning quit rates, continues with the currently employed leaving their jobs at the lowest rates since 2015. “This persistent reduction employee churn is further driving down hiring levels." Now does that sound like a healthy labor market? No. Gets to my point: hiring has slowed. TriNet, another company talking about the same thing.

Now let's talk about the sensitivity to that lower income consumer. Hershey's, who doesn't like chocolate? But they're talking about a challenging consumer environment. We're talking about low-priced items as well and they're dealing with high cocoa prices. Papa John's also talking about "consumers that have become more deliberate in managing their overall ticket and are showing a preference for brands that are offering a compelling value." Value keeps popping up. That's what consumers are in search of. Coca-Cola, talking about this troubled consumer again looking for deals. They're looking for combo deals when they're away from home, particularly at quick service restaurants. Smaller packs. Consumers are being very deliberate here in how they spend their dollars.

McDonald's, "We shared the quick service sector had meaningfully slowed in many of our markets with industry traffic declining in several major markets and that consumers, especially those in the low-income category, were choosing to eat at home more often." Now when McDonald's is offering you a meal for $10 or a hamburger for $3 and consumers are wanting to eat at home instead, it tells you how choiceful and how careful consumers are in this economy right now and Starbucks talking about the same thing.

So when someone says, “oh, the economy is great” or, “the consumer is strong,” it's much more nuanced than that and you really have to look under the hood in determining where the strength is and where the weakness is. Now let's get to the manufacturing side, which as I mentioned has been in a manufacturing recession. We've been in a manufacturing recession for a couple of years now. Schneider National, I'm sure when you're driving down the road you may see a Schneider National truck, talking about how their business is also under pressure. MSC Industrial, if you've never heard of it, they're one of the largest distributors of industrial products to the industrial space, selling everything from fasteners to safety products or whatever. Talking about how the continuation of the challenging outlooks will continue into their fiscal '25. Conditions remain soft and we see it in industrial production numbers, automotive, heavy truck, primary metals, machinery, equipment, all weak. They said this not too long ago in the earnings call.

I mentioned everything outside of AI and capital spending is soft. Microchip Technologies, which sells chips into a lot of end markets, talking about an inventory correction that is still going on. "All regions of the world and most of our end markets exhibited varying degrees of weakness. The exceptions were aerospace and defense," and yes, again, "the AI sector of data center." But everything else is soft. Celanese, which is a major chemical company. The stock I think was down 20% the day that they said this. "During the third quarter, they continued to navigate persistent demand weakness across key end markets like paints," which I mentioned before with slowing housing turnover, coatings, construction, all soft.

Mohawk Industries makes flooring products, carpet, so on, talking about the negative impact from a reduced pace of housing transactions. And Whirlpool of course making appliances, less transactions, less need to upgrade and buy a new washer and dryer. Fortune Brands and Wayfair also selling into that end market, Wayfair of course, the online furniture store company. "Consumers remain trepidatious in their spending patterns and are demonstrating more price elasticity than we saw in the early months of the year." So I think you get the point about how differentiated the US consumer is.

DR Horton, speaking of housing, because while the pace of home transactions has been very low, new builds have done better because we need more supply. So those home builders that are able to deliver product in a more affordable way are doing okay, but the home builders, the big publicly traded home builders, are still having to rely on a lot of discounting. Paying down your mortgage rate, so instead of paying a market rate of about 7%, they are able to buy it down and maybe you're paying only a 5% mortgage rate, but it's costing them money in terms of margin. But they are able to do this as opposed to a lot of the smaller builders which don't have that same flexibility.

So just a couple of other anecdotes, eBay talking about, "the dynamic macro and consumer spending environment. And as we noted on the last earnings call, political news, sporting events, and elevated travel influenced consumer behavior." In other words, they were buying more stuff on experiences and less on goods. And Malibu Boats, the reason why I brought up this company is because we have higher interest rates, and if you're going to buy a big ticket item and finance it, well it's going to cost you a lot more money than it did pre-2022. And Malibu Boats, both you have a discretionary item and the cost of financing remaining high, they say "retail demand remains challenging and will likely remain challenging until payment buyers return to the market." Payment buyers, meaning those that buy things and look at what their monthly payment is, those monthly payments to buy something like a boat, are too high right now.

CDW, this is one of my favorite companies to pay attention to in the tech space. They are a major tech distributor of everything with a few hundred thousand customers, billions of dollars of revenue, so what they say you pay attention to, and also getting to my point that anything outside of AI is struggling. "While demand for cloud solutions," which is related to AI, "remains strong and we continue to see a pickup in client device growth, hardware solutions remained under pressure. The macro and IT spending environment remains challenging. Technology complexity," and you can read this, blah blah blah, and you can see that "limited demand environment has heightened competition, increased pricing intensity across all end markets."

Okay, so let's talk about inflation now, which we obviously saw the rapid increase and we've seen now the deceleration. Now the market expectations right now is magically, we go up like this, we come down like this and we're just going to stay at 2%. Incredible, right? I'm of the belief that we're in a new regime of inflation volatility and that we should enjoy this deceleration in inflation while it lasts because it unlikely will. And I'm going to get into the rental component of inflation because it's the biggest chunk of CPI and I'll explain what are some of the factors that will lead to a pickup again in inflation. Just some visuals. CPI services ex energy. Understand that by looking at this chart, when the Fed debated with themselves on the transitory nature of inflation, services inflation is never transitory. The 20 years leading into COVID, services inflation ex energy averaged 2.8% per annum. It was the good side of inflation that averaged zero and why inflation in the aggregate averaged to about 1 to 2%.

So like I said, services inflation, never transitory. Goods prices can be because of technology, production efficiency and so on. So this is the chart, speaking of core goods prices, you can see pre-COVID, it averaged around zero, then it had the cyclical spike, and now on a year-over-year basis is back around zero again. So a key thing in determining whether inflation picks up again is whether services inflation remains persistent and we eventually get a lift in core goods prices.

So let's get into the rental component. It's 40% of core CPI, it's about 30%+ of headline CPI. Now rents, in reality, all have decelerated because there's an enormous amount of multi-family supply coming online this year, but it's mostly in the Sun Belt states. The East Coast, the West Coast, the Midwest, rental increases are still taking place. But what's going to happen though is after the market absorbs all this 2025 supply plus the population growth into these Sun Belt states, plus the employment growth in these Sun Belt states, rental prices are going to go right back up again in the latter part of 2025 into 2026.

Here's Avalon Bay, which focuses on East Coast and West Coast, talking about how rent increases are now picking up again. Again, not Sun Belt. Sun Belt is under pressure. But at least on the coasts, rent increases are beginning to pick up again, and again, this is the largest component of CPI. I mentioned the Sun Belt state. Camden Property Trust is a major multi-family operator, full disclosure, we happen to own the stock, and they're seeing slower rent increases. Okay, so multi family starts and getting to my point where we're eventually going to see an uptick in rents in the latter part of next year as the current supply gets absorbed. You can see multi-family starts are falling off a cliff because it doesn't pencil out. There's too much supply in certain markets, we have a high cost of capital. The economics are not the same in building multi-family apartments and the lack of supply is going to eventually lead to higher rental prices. This is a multi-family permits. You can see the sharp deceleration from the peak of a couple of years ago.

Okay, let's get back to the goods side where I showed the chart showing no change year over year. This is the Manheim Used Car Index. Car prices are a key contributor to goods inflation, both new and used. And you can see this chart, understand that when we had COVID, 2020, 2021, 2022, we saw a dramatic slowdown in the pace of new car sales. Well, let's just assume you get a three-year lease. If there are less three-year leases, that means in the three years following, there's going to be less used car supply. Less new car sales, eventually less used car supply. So even to this day, 2024, we are running at a lower sales pace in new cars relative to 2019, which means that there's less used car supply every month coming onto the market.

So even though we've seen a deceleration in used car prices, they're well above pre-COVID levels and I do think there's risk that inflects higher again. So here's the chart on vehicle sales running still below pre-COVID levels five years later. And we know affordability is one of the reasons because not only do you have a high average price of a car, but the high cost of capital in financing it. Container shipping prices was a major factor in the inflation that we saw in 2022. Keep in mind, everything that is produced in this world ends up either on a plane, a ship, or a truck to get from point A to point B. So this actually measures container prices on ships that come from one part of the world to the other. And this is the Shanghai to LA chart and you can see the big spike, the big fall, but we've now almost tripled this year in container prices. A lot of that having to do with the redirection of ships from the Red Sea. This is a source of future inflation.

Anecdotally on the truck side, this is what Old Dominion Freight said just last week, and again, everything ends up on a truck at some point. Almost a 5% general rate increase effective December 2nd. And why such a rate increase? Rising costs of real estate, new equipment, technology, investments and also wages. Wages are running double the pace of where they were in 2019. Some businesses can offset that through productivity gains, others pass it on to the customer. PPI bottoming out, ticking up again. And all that government spending. This is a chart of the budget deficit as a percent to GDP and at 6% in a growing economy with a low unemployment rate tells you just how much government spending there is, and as I showed earlier, how it's lifting parts of the economy.

All right, so let's get through this. I remain bearish on long-term bonds. I think the bond bear market is still alive and well after a 40-year bull market and that long-term interest rates are going to stay elevated. This is just the chart of negative-yielding bonds, which was the peak of that 40-year bond bull market, which is now unwinding. The 10-year yield. This is just some charts on how we're financing ourselves. We're relying more on T-bills, which I think is a growing risk, particularly if the Fed does not cut interest rates as much as the market thinks, because inflation's ticking up, that means that Janet Yellen just missed her window to sell more longer-term bonds to finance the US budget deficit because she was so concerned with upsetting the long end and she sold more T-bills instead.

The weighted average of debt outstanding further declining because we're focused more on the T-bill market to finance US deficits. And now financing our government has become really expensive. Interest expense is now 13% of government spending. This is a problem. Now it matters and I expect interest rates to stay high for longer, particularly long-term interest rates, and I think the 10 year yield goes back to 5%. This is one chart showing we're losing the kindness of strangers. Foreigners own less and less of the US treasury market. We now have to finance our debt domestically. And it's not just a US thing. We are all in this bond boat together. And this is just a correlation chart between the US 10 year yield and the German 10 year yield to show how we are very correlated. And this is one on the Japanese... I'm sorry, the previous one was Japanese JGBs, this is one on Germany. So we're moving in lockstep in terms of yields.

Okay, so what's the Fed going to do? The Fed wants to cut interest rates. Jay Powell wants a soft landing, but the inflation reality I think is going to prevent him from cutting too much more. Now I'm going to get to some investment ideas, because that's one of the reasons why you're here, in the few minutes that I have left. I am very bullish on agriculture right now. This is the one area of the commodity space that has been very beaten up, particularly the fertilizer stocks like Mosaic, which is a producer of phosphate and potash. And this is Nutrien, which focuses more on potash, also phosphate, but nitrogen too, and they also have a retail division. Look at these charts. If you want to buy low, sell high, these are two stocks that I like a lot. GDX, which we're obviously here for a mining reason, I'm very bullish on gold and silver, yes, but particularly the miners themselves and you can see GDX is still well below its 2011 highs.

BP, a beaten up, hated oil company. I remain bullish on oil and gas stocks. I think BP, with its 5%+ dividend yield and cheap valuation is very attractive here. EQT, the largest US E&P company in natural gas. Natural gas is a major supplier into this whole AI theme, the whole LNG theme, and US dominates when it comes to natural gas and EQT is a great way to play that. Platinum, I just bought platinum for clients last week. Platinum, as you can see in this chart, is about half where it was in 2011. Historically, platinum actually trades above the price of gold, but that is no longer the case. There was a lot of worry that if everyone moves to EVs, you don't need catalytic converters for emissions control which platinum is a big component of catalytic converters. Well, what we've seen is there's more demand for hybrids rather than EVs and there's actually more platinum use in a hybrid than there is an internal combustion engine, so I think platinum is really attractive here.

This is one interesting chart showing the outperformance of US stocks relative to the rest of the world. It's now three deviations over historical trends. And I like international markets. Raise your hand if you would think about buying a Chinese stock. Okay, so there's about 10 hands out of all this, not too many. So I happen to like some Chinese stocks. AIA group was the life insurance business that was spun out of AIG in 2008 when AIG went bankrupt. They are one of the largest life insurance companies in all of Asia, benefiting from the growing middle class. The growing middle class in Asia is the most exciting economic growth story., looking out over the next 10 to 20 years, AIA Group, a beaten up stock along with many other stocks in Hong Kong, is a great way of playing that growing middle class in all of Asia.

Macau. Macau is the Las Vegas of Asia. The Chinese love to gamble and Macau also is making a big push to expand throughout Asia and bring in more customers. Las Vegas Sands the largest operator in Macau and also in Singapore. Melco Resorts, another way of playing that, a beaten up stock. I like to buy low. And that is it. Thank you very much.

Booms, Busts, and Bubbles Panel

MC: Albert Lu, Peter Boockvar, Dave Collum, George Gammon, Jim Iuorio

Albert Lu:

You, Gary. So the first step in assembling a great panel, is to start with the panelists, wind them up and let them go. We've got a great panel. I think all of these gentlemen are familiar to you, so I won't go through a lengthy introduction, but I want to give a special welcome to George Gammon, I think, who is the new guy on the panel. Welcome, George.

George Gammon:

Thank you.

Albert Lu:

I want to start by talking about fear and greed. Both play a complementary and vital role in the markets, they contribute to booms and busts. And I think something's happened to fear in our economy, and I think of it kind of like, we're all parents here, so I think of it like the time when you realize that your children are no longer afraid of you, as a father. When they were really young, I could just kind of look at them funny, or modulate my voice, and that'd be enough. And if I scared the older one, the younger one would just run, too.

And then what happens is it starts to wear off, they sort of call your bluff. They realize, there's only so many times you can pretend to get out of your chair, and they figure it out. And not only does it become ineffective, it actually becomes a joke to them. They look like, look at dad, he's so funny. What were we doing? They don't care. And I think that's what's happened to fear in the markets. I'll give you a couple of examples. Depositors at banks are no longer afraid of bank failures, because of the FDIC. In fact, it's worse than that. People who have uninsured deposits are no longer afraid of losing their money. The bond market doesn't seem to be afraid of skyrocketing interest rates. And the stock investors, even they're not afraid either, because they know about the Greenspan put, which was the Bernanke put, the Yellen put, the Powell put, and whoever's coming next. So I think fear has evaporated to a large degree. I want to start with that, and we will look at the bubbles, or the booms and the bubbles, from the context of why is the market tolerating these valuations? So I have a couple slides, but I want to start with the broader markets, maybe the S&P, the NASDAQ, these tech stocks, and go to Peter. What's your view on the valuations we're seeing here? Why do you think we've come to where we are Peter?

Peter Boockvar:

Okay, well, from a multiples standpoint, without having an opinion on it, the S&P is trading at 22x expected 2025 earnings. And just for perspective, in March, 2000, we were trading at 24 and a half times. So the multiples are getting very stretched here. Now you can sort of slice and dice the S&P and try to figure out where a lot of that valuation excess is coming from. And the top 10 stocks of the S&P make up about 35% of that index. In March, 2000, the top 10 stocks made up about 27% of the index. So you can really point to exactly where a lot of those valuation levels are coming from. So the question is, are we pulling forward a lot of future returns, or can we stay at high multiples? I always like to say that valuations don't matter until they do. If there's one thing that makes them matter ... well, there are actually two things. One is a slowing rate of earnings growth, but that even hasn't seemed to matter much. And the other thing would be interest rates.

And I do feel like we're at a point where the stock market's valuation is sort of playing a game of chicken with the bond market. The stock market thinks, okay, more Fed rate cuts are going to ease the interest rate burden, even though since they cut in September, the exact opposite has happened because rates have gone up. Whereas the bond market is saying, "Hey, if the Fed's going to cut, we don't like that. We want them to be diligent on inflation. We are worried about US debts and deficits, and so on and so on. We're worried about government spending." So I do think that we're reaching a point in time, where there needs to be some sort of reconciliation on whether the fundamentals and the level of interest rates can sustain this level of valuation in stocks.

Albert Lu:

And I like the free-form discussion. So I invite the other panelists just to jump in. Let's go next to Dave, and then just like I said, jump in when you have something to say.

Dave Collum:

Yeah, I think investors have lost sight of what valuation means. I do a lot of podcasts, and I have to explain it to them, and I go-

George Gammon:

Its because they don't care.

Dave Collum:

... It's the price ... well, they will. It's the price divided by something that is on a track, and they're both inflation-sensitive. And so at some point you'll regress. There's not a single overvalued market in history that didn't become undervalued. Not one. And so the question then is when? And the answer is, I don't want to be around to find out. I use the Case-Schiller as fun, the first from 1880 to 1990, the Case-Schiller averaged 12. I take out the next 30 because I think it's perturbing they average so much, it's now sitting at 38, which means we're at 200% overvalued, which means if we have an uneventful non-destructive regression to, but not through the mean, we're looking at 60 to 70% correction.

I don't need to know when, I simply need to know that it's coming. And then any gains I get from here, I'm going to give back, if I'm buying hold. If I'm a trader, George probably trades much more than me, for example, I don't have it. We're told not to do it until we get crushed, and they'll say, "Oh, you should have sold," but I think I'm in my bunker of doom at this point. And that's assuming that we don't have a destructive correction, and I think the bond market *is* grabbing hold. And so I think that there's a lot of people that Peter talks about, that are hanging by their nails saying, "If I can just hold on until Powell drops rates, then I will be able to be insolvent, and my eighty-story office building will not die." And Powell finally dropped rates, and the rates went up.

And I think those guys, we've got some real estate experts down here, I see some nodding too. I think those people must be ready to mail the keys in. So I think we've got pain ahead of us, and I'm just happy to stand as far away from this as I can.

Jim Iuorio:

Yeah, I think you're looking at it wrong. I think that-

Dave Collum:

You've been talking to my wife.

Jim Iuorio:

There's a couple things that are happening here. If you tease out those names that Peter mentioned, that have been leading the stock market, and then you take that entire stock market, against the fact that the dollar is literally 70% or 65% what it was three and a half years ago, and the gains you've all made in the stock market, that all look great on paper, are not gains at all. If you measure the dollar's value against 10 different things, I do all the time, you go with meat, the stock market, gold, silver, everything has gone up roughly the same amount. Stock's a little bit more, because the extra two and a half trillion that's been still legacy in the system from Covid relief, is ending up in risk assets. And I know you probably say to yourself, well, earnings should then follow suit, if it's that money going into it, and that could just be a delayed effect.

So this is a booms, busts, and bubbles panel. I've been arguing for six months, there are no bubbles, we are not seeing any of this unbridled enthusiasm and leverage that goes down to the mom and pop level, to borrow, to buy, whatever. We might be seeing it in Bitcoin, that's a weird different animal. As Dave described in the green room, it's like cars hit black ice, wherever that thing goes, I sure as hell don't know. But I don't think there's a bubble in equity markets. I don't think there's a bubble in metals. What I do think is, we have a dollar that's weaker, much, much weaker than it was three and a half years ago.

Dave Collum:

What if the bubble is simply missing the euphoria? What if this is the bubble that's not euphoric?

Jim Iuorio:

And then, but how does it bust?

George Gammon:

How's it not euphoric? I don't know.

Dave Collum:

I also think it's euphoric if you're buying it at 200% over historic valuation.

George Gammon:

Yeah, I mean, what I do, my morning routine is, I wake up about 6:30, I've got a home gym, I go down there and I work out, treadmill, whatever, and I watch CNBC.

Jim Iuorio:

Oh God. By the way, Jim Cramer just said that Bitcoin's going straight up this morning. Did you hear that?

George Gammon:

I've never seen more euphoria in my life about anything. And I mean for heaven's sakes, they just named that government efficiency agency DOGE, after Dogecoin, I mean, are you kidding me? Do we need more euphoria? But a couple of things I'd like to add to some great comments, and I might have a little bit different perspective, because I don't live in the United States anymore. I live in Columbia.

Dave Collum:

Are you illegal?

George Gammon:

I am. I'm an illegal …

Dave Collum:

By the way, Brien-

George Gammon:

I'm part of the problem. Trump's kicking me out of here in about five minutes.

Dave Collum:

Brien, I didn't appreciate all the Haitians in my room last night. No more Haitians in my room. The Haitian Voodoo queen was cool, but-

George Gammon:

Right. But I think this is why you have to look at the DXY. And I know a lot of people probably in this room like to ignore the DXY and say that doesn't even matter, because who cares what the dollar is doing, versus another currency, when the dollar is obviously going down relative to goods and services here in the United States, and that's the only thing that I care about.

That's fine. But if we're trying to analyze the stock market as far as inflows, what you have to realize is, the dollar has gone up massively against other currencies, since let's say 2012, to the point to where the dollar has gone up against goods and services in other countries since 2012. So let me repeat, let me repeat. The dollar has appreciated in value against goods and services in a lot of countries, in fact most countries, since 2012 to maybe 2014. So as an example, if I have $1 in Colombia, it buys me more stuff today than it did in 2012, in India, in Malaysia, in Japan.

Jim Iuorio:

Well, what's the implications domestically?

George Gammon:

Because they're going to want to buy dollar assets. So as an example, I've got an employee of mine in Colombia that just set up his first stock brokerage account. I said, "Well, what are you buying?' Everything he's buying is dollar denominated

Everything. Because in his lifetime, the dollar has not just maintained or gone up relative to his local currency, but it's actually maintained value against the goods and services that he buys. You see? So as Americans, we have to understand that, when we're trying to figure out what the hell is going on in the stock market, because it's true. You look at it and you come to Dave's conclusion, we're like, this is complete insanity, right? These valuations don't make any sense, and I completely agree, and I wouldn't want to buy here either. But when you're trying to step back and look at it from a 30,000 foot level, and trying to understand the dynamics, and the mechanics involved, I think you have to start with narrative. And when you're in these bull markets, this euphoric type of bull market, it isn't about valuation, as we all know, it's just about narrative.

All the market needs is another narrative. Does it make sense? It doesn't matter, because we have more buyers than sellers. So if the narrative is that the Fed is going to drop rates, and therefore that's good for stocks, then stocks go up. But then the narrative will switch to, well, if the Fed doesn't drop rates, well that's good for stocks, because that means the economy is booming, and then we just need another ... oh, Trump got ... so then you have to ask yourself, where does the money come from? And then we're either creating more money, which we're not, if you look at bank credit, or loans and leases, then the only other factor there, the only other variable, is money coming in from overseas, or that might be sitting on the sidelines. And then the question becomes, how long does that last? That's how I look at it.

Albert Lu:

Guys, can we pause for a second here? So-

Dave Collum:

The narrative-

Albert Lu:

Hang on for a second. Hang on for a second. David, have I understood this correctly? So we've got Dave and Peter, are you saying you think there's bubbles in the economy? Jim obviously explicitly said no?

Peter Boockvar:

I need to elaborate, and respond to Jim on there's no bubbles. When we had $18 trillion, when we had $18 trillion of negative yielding securities, it was the biggest bubble in the history of financial bubbles. And it hasn't fully unwound. We are in a bond bear market now, after an historic bond bull market, that's where the excess was, was in sovereign bonds, with that many negative yielding bonds. And a 40 year bond bull market that culminated in that, doesn't just end in a couple of years. So interest rates, I believe, market-driven interest rates, not Fed-driven interest rates, not central bank-driven interest rates, market-driven interest rates are going to trend higher in the coming years. One interest rate that I particularly look at, as sort of a measure of this too, is the Japanese 40-year JGB yield, and I go out 40 years because it is least influenced by BOJ sitting on the neck of short-term interest rates. And that yield is at the highest level since 2008. And if the ten-year yield goes back to 5% in the US, I can say with confidence that the S&P 500 is not going to be at 15 on 50, it'll probably be lower.

George Gammon:

It depends on the narrative though. I mean, honestly, they could switch the narrative to where that's good, Peter. That means stocks and interest rates are 10%-

Peter Boockvar:

Well they can do whatever they want, I'm arguing that the narrative doesn't switch, if that happens.

Jim Iuorio:

And I'll give you a hundred percent that I was looking at domestic assets that we generally look at, and your point is very, very valid.

Peter Boockvar:

Well the S&P is trading off that-

Jim Iuorio:

And if that disrupts, everything disrupts. I mean markets tend to move like that, but you have to admit the disruption that happens, and the bust and implosion, is much, much different, if it's a highly ;everaged domestic asset, that that's what you're taking in water on. You know what I mean? When people hit the sell button, because they borrowed a bunch of money, and bought stocks with it, and got down to mom and pop, we saw that in the tech bubble, and we saw that in real estate. In absence of those, the correction will be more muted.

Peter Boockvar:

So households have the highest percentage of assets in the stock market. We have never been more dependent on the direction of the stock market, in terms of wealth, and in terms of consumer spending. And I'm not saying it's ending anytime soon. This can continue on. I'm just saying that that household, if the stock market starts to fall, that's going to create a reaction. Like I can't disrupt my retirement, by having all my money in the stock market.

George Gammon:

Panic selling.

Peter Boockvar:

Yeah. So they don't need to be a levered player, they just need to be overly exposed to the stock market, relative to their pool of assets.

George Gammon:

I think there's plenty ... I mean, didn't the yen carry trade show us that there's plenty of leverage in the stock market-

Peter Boockvar:

Yes.

Dave Collum:

Gold.

George Gammon:

And usually those carry trades don't play out in two weeks. They usually take a lot longer.

Dave Collum:

The narrative said was over.

Jim Iuorio:

I do think that things are a little bit different-

Dave Collum:

The narrative said it was over, George.

George Gammon:

What's that?

Dave Collum:

The narrative said it was over.

Jim Iuorio:

Yeah, I know, but I think things play out quicker-

Dave Collum:

I want to poke at the narrative. The dumbest narrative of them all, is actually that when the Fed drops rates, that's good for stocks. Look at the last two bear markets. The day, to the day they dropped rates, the markets went into massive correction.

George Gammon:

You have to ask why they're dropping rates.

Dave Collum:

But I don't care, to say that as soon as they start dropping rates, the markets are going to go up.

Peter Boockvar:

That's how they've been trained.

Dave Collum:

That's how they've been trained. And by the way, if you think Trump's going to save us, he's inheriting 200% overvaluation.

George Gammon:

Yeah. And I want to be clear, I'm not saying that just because the narrative can change, and stocks can go higher, and the trend might be up, that I would buy, that is not what I'm saying. I'm just trying to give you an explanation as to what we've seen, over the past couple of years. I always like to remind people in my videos, that in all the research I've done, I've come to three things that all great investors do. And number one, and this is by far number one, is risk management. It's always risk management. So it doesn't matter if you're looking at Paul Tudor Jones, Stan Druckenmiller, Warren Buffett, it doesn't matter. You pick them, and the number one thing is risk management. Number two is they have to have an edge. So you got to ask yourself in a conference like this, what's my edge? If I'm going to the gold market, or the silver market, or the stock market, or the bond market. And number three, they always make asymmetric bets. So there's got to be way more upside, than downside. So number one, I'm explaining my version as to what's happening, but number two, I'm suggesting that if you are looking at the stock market or anything, you ask yourself, how much more upside is there relative to the downside? And that's where I don't think it-

Jim Iuorio:

No, I actually like it, that's an excellent point. Today's point about rates, it is such lazy thinking to just say the stock market likes low rates, because that's not true, and it hasn't been true. The stock market likes low rates if they can make the argument in their head that they're lower than they should be, based on ... juxtaposed against the economic commission. And for 15 years the market made that conclusion, I don't know why they're keeping rates at zero. Things are pretty fine, let's buy stocks.

Dave Collum:

I think they're queuing off Buffett's ‘99 article, where he said lowering rates is good for stocks…Lowering real rates, not the-

Jim Iuorio:

You get a point for that one. That's a good one. Bringing up Buffett.

Dave Collum:

So Buffett said, bear markets are when rates are going up, and bull markets when they're going down in a secular way, and people turn that into low rates are bullish, instead of, no, low rates means you've just gotten clamped in the groin by a bear trap, and you just hit the end of the chain. You're done.

Jim Iuorio:

It's a hell of a metaphor, doc.

Dave Collum:

You're absolutely done when the rates are-

Jim Iuorio:

When you've got the foot the bear trap, maybe it had to get the groin.

Dave Collum:

I am just speaking for a friend about that story.

George Gammon:

But I think it's also, the big key here-

Dave Collum:

This will be my last…

George Gammon:

But I think the big key here is moral hazard, right? When you create this moral type of hazard where we're going to bail everyone out, and then you look at 2010 to 2020, I mean if you're a corporate CEO, why on earth would you take that balance sheet capacity, and invest in your business, when there's downside risk, when you could just take that balance sheet capacity, borrow from a bank that's willing to lend, and then buy your own shares back. And then the risk reward makes a lot more sense.

Dave Collum:

At zero cost.

George Gammon:

Yeah, it makes a lot more sense, but I think that is a component of the moral hazard that came from the bailout. So then the question becomes, when does that moral hazard go away, and how would it go away, to the point where it would lead people to start selling?

Dave Collum:

And that's Peter's point, and the bond market takes control.

George Gammon:

So I would disagree with Peter on that one in the short term and the mid term, but the long term I would agree. So I think there's probably a little more runway there.

Jim Iuorio:

But when that shows up, when all the bailouts and Janet Yellen came out and said, "If you are a bank that we consider significantly important to the system, we'll bail you out. Everyone else is out of luck." But they did bail out SPB, they opened the Fed up, that window too. But the point is that, if that bailout nation continues today, and I think a lot of people believe in it, where that eventually manifests itself, is in a problem with the dollar. And as you said before, we seem ... the dollar may be the world's tallest midget, but it's still good in global trade, and it's good at collecting funds. So what do we have to see, to think that the dollar is turning tail, because we're devaluing it, we're increasing M2 money supply. What do we have to see? What's going to be the indication? Or do you just buy puts? Is that why God created puts?

George Gammon:

Yeah, I don't know if the release valve is necessarily the dollar, just because of the way the dynamics. I'll talk about that later. But I mean if you look at all the arguments against the dollar, they've all played out over the last 30 years, or pick a timeframe, just since Covid, let's say, since 2019. I mean, look at what the debt has done for heaven's sakes. Look at what the deficits have done. Look at what the trade deficit, and what has the dollar done, on the DXY? It's gone up. It hasn't gone down. So you got to ask yourself why?

Jim Iuorio:

Because everyone else is doing the same nonsense.

Peter Boockvar:

I think it's gold-

George Gammon:

In my view it goes back to-

Peter Boockvar:

It's gold that's expressed its dissatisfaction with the finances of the US government, I believe. Gold has outperformed the S&P 500 since March, 2000.

Dave Collum:

I love that.

Peter Boockvar:

So the dollar is appreciating, the DXY is appreciating, but it's falling dramatically against the price of gold. So I think that's been right now the expression of the world that, for decades, has been recycling trade surpluses into the US treasury market, that have decided to do much less of that, and instead to own gold as a reserve asset in a greater percentage, relative to their total reserves.

George Gammon:

But in that environment still, the stock market's gone straight up. So I don't know that-

Peter Boockvar:

I'm not saying it's to be one or the other-

George Gammon:

Yeah, I'm just trying to connect that with what-

Peter Boockvar:

... I'm just saying gold been an expression. We keep talking about the dollar, yeah, the dollar against the yen, the dollar against the euro, but the dollar versus gold has depreciated substantially.

George Gammon:

Yeah. I'm just trying to connect that to what Jim is saying, because he's saying that could be the catalyst to the stock market decline. And I just-

Jim Iuorio:

I said, I was asking would it be the ... I mean, is that what we think? I don't know what the catalyst, I don't know. Is it going to be lending in the short end? Is it going to show up in repo markets? What's going to show up first to think that-

George Gammon:

It's a very interesting point, and a lot of people on my channel ask me, if we have a recession, you got the curve inverted where you got all these other things, how steep of a decline do we see? And what's interesting is, I think if you did have just a mild, garden variety recession, I think stocks might go down more, than if we had a collapse. Because I think just the way the central planners look at things now, they got their finger on the trigger. If the stock market goes down in a disruptive fashion, for who knows what reason, by 20% in two weeks, they're going to come in guns a-blazing. And that's going to prevent what would've maybe been a 40% decline, over let's say a year, as long as it's orderly.

Dave Collum:

What if inflation, which has in my opinion, transcribed its way into the DNA of the system, how is that for pulling a Covid story? What if the system now is such that, as soon as they start trying, inflation corners them, and they say, "We can't do this?"

George Gammon:

Yeah, I'm not too worried about that, because you don't have money supply growth increasing, and I've got to see the banks play ball. I've never seen significant inflation outside of price shocks, or price controls, where the banks weren't increasing the money supplies significantly. So if you look at bank credit, if you look at M-2, if you look at M-1, just over the past two years, you see things pretty much flat, and way, way, way below trend. And I'm not a monetarist a hundred percent, but when I do look at consumer price inflation, and trends in consumer price inflation, or a reacceleration of inflation, I kind of put on my Milton Friedman hat, and I say, you have to have an increase in the money supply, because if you have the price of water going up, then people are going to have to buy that water. But they're going to have to take spending, and aggregate demand away from someone or something else, in which case they'll put downward pressure on those prices. So the way that you have this sustained level of inflation that we saw in the 1970s, is if you have M-2 just going straight up, which is what we saw, and today it's flat. So I think that some prices can go up-

Dave Collum:

How long is that for? What's the time period?

George Gammon:

The last two years or, so-

Peter Boockvar:

That's a rate of change. If you look at a long-term trend line in money supply, we went like this. So yes, we've declined some, but we're well above that trend line. So on a rate of change basis, yes, it's flat lining, but relative to its long-term trend line, it's still well above.

Jim Iuorio:

That's still $3 trillion.

George Gammon:

You see waves, but you see waves. So as an example, a lot of people reference the 1970s, when they look at a re-acceleration of consumer price inflation, you have stagflation. But if you actually look at that, when you had the recessions in the 1970s, when you saw a significant spike in unemployment, it was disinflationary. Inflation did not re-accelerate. It did not go up, went down. That’s not to say that prices went down, it's just the rate of inflation went down. So if you believe, and that's another reason why I don't ... at least over the midterm, I think the 2020s are definitely going to be a decade of consumer price inflation, for sure. But I think it'll look more like the 1940s than the 1970s, because of those two reasons. I think we're going into a recession, I think that's disinflationary, we're starting at a point of 2.6, let's just say. And I just don't see how, with an inverted curve, with negative swap spreads and all these things, that would imply the banks don't want to lend. They don't want to play ball, the risk off. It is hard for me to see a re-acceleration, or a sustained consumer price inflation, without the banks increasing their balance sheet, or their appetite for risk, outside-

Peter Boockvar:

How do you bring the whole burgeoning private credit industry, that's now a trillion and a half dollars?

Dave Collum:

How big is it, is that what it is?

Peter Boockvar:

At least, that is really replacing a lot of banks when it comes to lending.

George Gammon:

Because it’s not new money supply.

Peter Boockvar:

Yes, but it's an enormous amount of money that is supplementing no growth in bank lending.

George Gammon:

Yeah. I mean, if they're taking low, what I would consider low-velocity money, savings, and turning it into high-velocity money, like checking, which is basically what the government did during Covid, I can definitely see how you're going to get a burst of inflation, because of that velocity increase. But if you're just taking money from over here, and putting it over here, on a sustained basis, I don't see how that takes us to a 1970s, I think it's more than 1940s, when you see these big spikes. But that's due to the government increasing-

Peter Boockvar:

Yeah, I'm more worried about more of just inflation volatility. We're not going back to 9% inflation, I don't think. I think 3 to 4% is much different than one to two, after a period of zero interest rates. And I just want to tie in one more thing with interest rates, and them being higher, the two biggest drivers of profit margin expansion in corporate America, over the last 15 years... actually I have three, was the cut in the corporate income tax rate, that obviously happened in 2017, or actually it was passed in 2017, came in 2018, and it was lower interest expense, and it was low labor costs. So when you looked at the pie of a company's expense base, what went to labor, back in probably 2017, 2018, it was the smallest since World War II, wage growth is now running ... and it's good for the wage earners.

I'm not saying this is a bad thing, it's a negative for corporate profit margins, but it's good for other parts of the economy. But wage growth is running at almost twice the level of 2019. And interest expense, low interest expense was one of the biggest drivers of profit margin expansion, over the last 15 years. So hire for longer matters, because every single day, whether you are a junk borrower, you are a real estate borrower, or you are an investment grade company, your debt is coming due. That was repriced, that was priced before 2022, that is getting repriced much higher. So that is going to flow through in the coming years. Now this is not-

George Gammon:

But that's also disinflationary, right?

Peter Boockvar:

Putting aside disinflation, I'm talking about earnings growth for the S&P 500, a main driver has been expansion of profit margins. Profit margins, I believe in the next coming years we'll start to decelerate, therefore earnings growth will decelerate, which would then potentially make people even higher-

Dave Collum:

You mean shrink, shrink, shrink.

Jim Iuorio:

The productivity story too though, is that what you're saying?

Peter Boockvar:

No. Productivity story is sort of its own animal. I'm talking about the main drivers of profit margin expansion, which for years, Buffett, speaking of Buffett, he talked about profit margins at 6 to 7%. They're like 13% now, they're so far off the charts. So just some mean reversion and some normalization of profit margins, could flow through to earnings growth, which then can flow through to combine that with interest rates, and where that multiple ends up being. Because that's the most difficult thing when it comes to investing is, you can sort of budget, and estimate what's an earnings stream, but trying to figure out what's the right multiple to put on that earnings stream is always very difficult. When everyone is happy, that multiple is high, when everyone's depressed, it's low. When things are sort of even-keeled, they could be at the long-term average. And right now that multiple people are willing to pay on that dollar of earnings is very high.

The bulk case is, well, it can sustain it. And we're in a new era of 22 times multiple earnings, and as long as you get earnings growth or the high multiple, the market can keep on going. And maybe so, the question is what wakes investors up to say, you know what, I'm getting kind of weak knees paying 22 times earnings. I only want to pay 18 times. Well, that four multiple turn on $270 of earnings estimates, is more than a thousand points in the S&P. So those are things that I think we have to think about.

Albert Lu:

Okay. Peter, can I interrupt here? I want-

Peter Boockvar:

Oh yeah.

Albert Lu:

I want us just to be-

Jim Iuorio:

Who invited this guy?

Albert Lu:

I'm sorry. No, this is very interesting from a theoretical sense, but I monitor the yawn index, so you guys are familiar with that?

Jim Iuorio:

We got some yawns. I saw them too.

Albert Lu:

It's rising. Okay, so let's get back to narrative.

Jim Iuorio:

That was the panel.

Albert Lu:

Because I think narrative is very interesting. George talks about narrative, I want to talk about AI, because in the late nineties we had a narrative. The narrative was the internet is going to change everything. And then all this money went into the dot coms, and the gentleman from Sequoia looked at AI and said, "Look, based on the spend we have in AI, there's an implied revenue of something like 600 billion." We don't have that. What do we have, combined revenue of these companies? Is it even 10? So that's a narrative, and it's a narrative that a lot of people have bought into. It's a narrative that a lot of money is chasing. George, what do you think of the AI narrative?

George Gammon:

I don't have too many insights on AI. I think these guys would know a lot more about that than I would. What I can tell you is I hang out with a lot of old hedge fund guys in St Barts, and these guys are extremely smart. They've been making money for 40 years, and all of them think that just put your money in NVIDIA and wake up in 20 years, and you'll be doing fine.

Jim Iuorio:

What about in five years though?

George Gammon:

Exactly. That's my point.

Dave Collum:

So what about what?

George Gammon:

About five years?

Jim Iuorio:

Yeah.

George Gammon:

So I mean, if I just had to give you my view on it really quick, I think it's going to be very similar to the internet, where you just have this massive run up, and then prices come way, way down. It flushes everything out. But then if we wake up in 10 or 15 years, it has made a substantial, substantial impact, that would justify maybe the prices now, but we're just way ahead of the game.

Albert Lu:

Okay. So that's Mr narrative. Let's go to Mr no Bubble.

Jim Iuorio:

So I had just written down technology when these guys were talking about inflation, because you mentioned, everybody in the late eighties and early nineties gives Paul Volcker credit for slaying the inflation dragon. Ronald Reagan for kicking past regulations, and making things easier. But nobody really mentions enough how the internet was the biggest deflationary tool in history, *and* it still exists. *And* AI might be part of this new productivity world that's coming too, but as far as investing in it, I wouldn't touch NVIDIA at these levels. I am long it, but just with call spreads, defined risk, and I'm staying with that exposure too. But I think to put all your money in NVIDIA, and these guys saying wake up in 20 years, is theoretically great and probably true, but we don't live on a twenty-year time horizon, right? If you're a retiree at 66 years old and all of a sudden you get your ass handed to you because NVIDIA came down 40%, that's not too pleasant.

George Gammon:

Most people don't have the psychological makeup to not sell.

Jim Iuorio:

To not sell. Exactly. I fight that, and I'm supposedly a professional, but so to think the AI thing is overblown, I think is perfectly reasonable, from a current price level.

Albert Lu:

Okay. I'm going to go to Peter and Dave. Peter, you told me privately that, look, you think the mega-cap tech is way overdone that obviously would be referring, in part at least to NVIDIA.

Peter Boockvar: Well, I'll start by saying technology's been a deflationary force, since the history of the world.

Jim Iuorio: Hold on though. You haven't think it's accelerated though since the-

Peter Boockvar: No, no. We've benefited tremendously.

Jim Iuorio: Okay.

Peter Boockvar: And AI has been around for 75 years. The first papers were written in the early 1950s. So we're really talking about the current iteration of AI, generative AI, and I think right now there's going to be a lot of benefits. But just one of the most interesting comments was from Satya Nadella, the CEO of Microsoft, who on their second quarter earnings call, so not this past one, but the one to before, said, "At the end of the day, AI is just software," which it is. And every year we have a new improvement on the previous piece of software. We have a new iPhone, we have a new PC, we have a new this, we have a new that, and every new one is an improvement on the prior one. Now, AI could be leaps and bounds better than what we saw before, but right now it's a tool that enhances our productivity and efficiency.

It's someone who can sit at their desk, and have a project where it would take them three hours to do. Now they can do it in five to 10 minutes. That's a tremendous boost. The question is, how does that sort of tie into economic growth? And to my point about the big cap tech stocks is, right now, and we started to see this in July, when the NASDAQ peaked in July, and it was right around when the big cap tech earnings started to come out. And I think the market started to differentiate between the spenders that are spending 15 to $20 billion a quarter, and the receivers of that spend, like NVIDIA, like Dell, and other networking companies, and the beneficiaries of all that infrastructure build out. They will continue to benefit, as long as the massive spend continues. But now their questions are, to what Sequoia said, is all that spend going to be worth it?

Copilot is charging money for access, ChatGPT, you pay 20 bucks a month, but Meta is creating a free product called Llama, where you can get generative AI for free. So if someone's giving it away for free, then how can Copilot and ChatGPT still monetize their model? So models are going to become commoditized. So to me, it'll be the users of this, in terms of being more productive, more efficient, rather than the creators of this, once it gets created. Because they're spending so much money, and also just to sort of get too granular here, but all this spending that they're doing, is being capitalized. They are building in a higher depreciation expense, for many years to come. Meta, Amazon, Microsoft, that are all spending all this money. So this is not free money that they can spend. There is an earnings impact in terms of higher expenses, that if they can't offset it through stronger revenue, then we'll have to see. And one last thing, you look at Meta, and how are they using generative AI right now? And it's working for them. It's enhancing their ability to connect the advertiser with the eventual consumer.

So they're seeing a benefit, but they're not benefiting directly from AI. It's just an extra piece of software that's really good, that's enhancing their sort of marriage between those two. So they can better sell to their advertisers, and say, "Hey, with our new AI, we can better pinpoint who your customers are,"-

Dave Collum:

But it's not a new revenue stream. It's not a new revenue stream.

Peter Boockvar:

So they're benefiting ... yeah ... from enhanced advertising revenue, through a better model of using AI to do that. But that's what software does. It makes your business better every year.

Jim Iuorio:

But we got to say, is it an investable thesis still or not? Is it?

Peter Boockvar:

I think the infrastructure beneficiaries, yes. The question though is, NVIDIA's $3 trillion market cap, then you throw in Microsoft's, that's three and a half. And Apple, you're talking about three companies that are 10 trillion a market cap. Global GDP is only a hundred trillion, only. If you're talking about 10% of global GDP is in three companies. And the only issue with NVIDIA is not their technology, not their race being far ahead of everybody. It's just at the end of the day, it's still a cyclical business.

George Gammon:

Can you, just because we're at a commodity conference here, can you play that through energy?

Peter Boockvar:

Yes. So on long natural gas stocks, as one way of doing it. Yes, because there's so much money still going into the data center build out, and that's going to play out for years. Now at some point, are they going to overbuild data centers? A hundred percent, just as they overbuild fiber optics.

George Gammon:

And what do you guys think about Google investing in nuclear?

Jim Iuorio:

Investing in what?

George Gammon:

Nuclear.

Peter Boockvar:

Yeah, so nuclear is another great way of playing it. Absolutely.

Dave Collum:

You say “nuc-u-lar.”[inaudible 00:44:04].

Jim Iuorio:

Nuclear.

Peter Boockvar:

But the one interesting thing about Google-

George Gammon:

Whatever you say.

Peter Boockvar:

I'll wrap up with the big stocks. So nuclear, yes, a huge beneficiary of this, for sure, because everyone's realizing that physics matter, and wind and energy don't match up with physics, when it comes to providing safe and reliable power for the rest of us. Google, interestingly, with 90% market share in the search business, is, just as the government is suing them, and wants to break them up, their business is at most threat that it's ever been, between Perplexity, between ChatGPT wanting to add a search engine. Google is the most under pressure right now from a business model perspective that they've ever been. Just as the government sued Microsoft, just as their business was going to get disrupted, it's happening now with Google. So to me, Google is sort of dead money for a period of time, until we figure out how this plays out from a competitive standpoint.

Albert Lu:

Sorry, I got to interrupt, because we're running out of time. I want to conclude by just talking about a different kind of bust. When economists talk about booms and busts, they're talking about business cycle, they're talking about malinvestment, liquidation of assets and whatnot. But now that we have the Fed, the government basically bailing all this out, I feel like we're building a different type of bust, and that bust might be our standard of living. Okay? And I'll give you a personal story, I was at the airport coming, I always get a sandwich or something before I go, because they talk about so many people living under food insecurity. I think a hundred percent of people who fly these days are living with food insecurity. So I always make sure I've eaten before, I'm eating a bacon sandwich, and a piece of bacon above the size of a nickel falls on the table, and the voice inside of me is going, well, I don't really want to eat that because the table's dirty. But that's probably like $1.50 worth of bacon on the table, at today's prices. So our standard of living seems to be slowly busting.

And Peter, in his great speech, he talked about Chipotle, people going to Chipotle because they can get a big burrito for $10, eat it twice. Having to eat Chipotle twice to me is a degradation of my standard of living. So guys, what do you think about our standard of living being part of the bust?

Jim Iuorio:

There's no question in my mind, if anyone ... I've seen people who look age contemporaries of me. Sweet. If anyone remembers the seventies, yeah, we had three cars. None of them actually worked and you had to bring parts back to each other to get anywhere. And that's the way the seventies were. You remember, the middle class people didn't have a lot, they didn't go out to dinner, particularly the families were a lot bigger than two. But I think we're looking at that, particularly for the lowest 60 to 70%. I think the rich are going to get richer, anytime you disrupt ... what we went through in 2020, I think was the biggest wealth inequality creator, the policies that followed Covid. And I think that's going to follow on.

Albert Lu:

Gotta move on, George.

George Gammon:

Yeah, I mean I think you have to look at 2019 to today and say, is your standard of living or the standard of living in aggregate total, higher or lower? And obviously it's much, much lower. And I think we have to differentiate between the stock market and the economy. These are two completely separate things. And in fact, often there's an inverse correlation between the two. And unfortunately, I think the way they prop up the stock market, going back to that moral hazard, is bad for the poor and middle class. And right now, going back to Peter's point, asset classes in the United States, that's all we got. Our entire economy is built on asset prices. So if they continue to have to have to prop those up, if we go into a downturn, unfortunately my base case would be that gets worse for the poor middle class, and the standard of living overall.

Albert Lu:

Not much time, Dave?

Dave Collum:

I think AI might be being used to smuggle nuclear into society. So I think we might have causality in reverse, and I have this image of 10 years from now, that Amazon and Microsoft and NVIDIA, and they'll be in the XLE. And-

Jim Iuorio:

That's the energy ETF.

Dave Collum:

That's the energy Index. Yes. So they could be shifting. Google's a great threat, because you get a bunch of links, or you get a couple of paragraphs that tell you what's in those links. And that's a huge difference. So I love it. Don't forget that NVIDIA looks like it's vendor financing, just like the guys did in the dot com. And so there has got to be a massive washout. It might be great, as George said, 15 years from now, but you are going to get taken out at the kneecaps, en route to that. You could wake up 15 years from now, okay, finding you're missing a few organs, and things like that, along the way.

Albert Lu:

Finally, Peter, are you happy about eating Chipotle two days in a row?

Dave Collum:

Richard Russell said something years ago, he said, someone said, “why can't this go on forever?”This is really one of the questions that we're debating. And he said, "Go into your kid's room, start stacking blocks, keep stacking. What happens? The higher the stack," this is a chemist speaking by the way, “whether it's earthquakes, avalanches, explosions in my lab, the higher the stack, the more shock-sensitive it becomes. The more disaster you get when the thing comes tumbling down.” So you get a big stack, someone slams the door downstairs, boom, the thing falls.

Albert Lu:

Okay, Peter, take us out.

Dave Collum:

You do not need to be able to say what will bring it down.

Peter Boockvar:

I'm just going to give one very quick tell on the state of that lower-income consumer, not this past quarter, the quarter before, Casey's General store, which owns convenience stores, like Seven-Elevens in the Midwest. And the question to the CEO was, “what's the state of your consumer?” They said the upper-income consumer spending as is, no big deal. The lower-income consumer, still spending, but they're moving around the store. Well, what does that mean? They're buying more fountain soda, than buying the cans and bottles out of the fridge. Now, if you're trying to see 50 cents on a purchase, your standard of living is challenged.

Albert Lu:

Yeah, yeah. All right, let's round of applause for our panel, folks. That's it. That's all the time we have. Thank you guys. Great jobs.

Sean Brodrick

“Uranium Goes BOOM!”

Sean Brodrick:

Hi there folks. There we go. Good. Yes. My name is Sean Brodrick. I'm going to talk to you about Uranium. I've been in this business a long time. Uranium's cyclical, and we are starting in an up-cycle now. It's hard to really describe Uranium stocks to people who aren't in the industry... Does anyone here like horses? Horse fans? Okay. I almost had a vet describe to me that horses have two moods, suicide and murder. This was during an unfortunate incident. And Uranium stocks seem to have two moods too, which is depression and euphoria. We've been depressed for quite some time, but I think euphoria is around the corner, and so I'm ready to saddle up and look at some good horses or runners in this place, and so I'll cover some things here. What I'm seeing, what's moving the market, there are new developments.

I put this together Friday and already things have happened in the market that aren't on this any more just because there's new stuff coming all the time, so we'll just get to it. We've seen the bottom in the Uranium cycle. The US used to be the world's biggest Uranium producer. That was decades ago. Most of the world's Uranium now comes from places like Kazakhstan...And even when Kazakhstan produces Uranium, it then goes through Russia to be processed into nuclear fuel. So we didn't have much mining at all for a while, but now our mines are starting to come back, and there are some great little companies out there that have just brought mines on this year and the market barely noticed. There are more mines coming on next year. The market is acting like they're doing nothing. There's just some really tremendous opportunities out there.

So I started in 2021 because you have to think long-term in this business, and I'll explain that in a bit, but these are the numbers for what global demand for uranium for nuclear reactors was in 2021, which was 62,500 metric tons. By 2030, that's forecast to rise to 79,400 metric tons, and by 2040, 112,300 metric tons. That's just seeing the nuclear power plants that are already proposed being built. Now, before you get too excited about uranium, it's easy to see how much demand there will be, and the nuclear power industry is at the present time, growing at a pace of around 3% a year. That's not too exciting. What is exciting is the supply, as I'll get to, because there is some stuff going on in supply that could make North American producers especially, but also producers in Australia and other friendly places look very, very good indeed.

Russia supplies billions of dollars worth of uranium and nuclear fuel. In 2022, America bought 32.1 million pounds from foreign suppliers. Both the US and the European Union are working on laws to cut or halt imports of Russian uranium. The US recently passed one, bipartisan legislation. This is popular on both sides to ban uranium imports from Russia by 2028. As of now, there are loopholes in that law big enough to drive a semi through, but they're going to tighten up and get tighter and tighter and tighter. So the fact that this is coming, and again, you have to take the long-term view in uranium, the fact that this is coming lights a fire under US and Canadian uranium miners. Now, it hasn't been a great year really for uranium miners. They're only up 3%, compare that to say the GDX, which as a group is up about 23%. I was looking at it earlier.

If you were looking at those two things to say, I definitely want to own gold miners and hey, I recommend gold miners. We took some gold mining gains recently. They were fantastic. Now I'm just waiting for a chance to get in again. I wasn't on the panel they had here. I think gold's going to 6,900 an ounce. So I am bullish on gold, but for select uranium miners, the outlook is really, really tremendous. It's nice when the US government is on your side. As I said, it was bipartisan legislation to ban uranium imports and also the US Department of Energy is directing $3.4 billion to ramp up domestic uranium production. And the US senate is fast-tracking the deployment of a new fleet of advanced nuclear reactors. And at a recent climate conference, the US government put forward that the Westinghouse reactors are actually very, very good and they've learned a lot from recent builds.

The problem with nuclear power plants is they build them so rarely they have to reinvent the wheel, and so there are huge cost overruns and stuff like that. What they need to do and what they seem to be about to do is just that this is the one we're going to build. Everybody's going to build it, it's going to become much cheaper that way, and that's probably what is going to happen. That'll be the big mainstream nuclear reactors. There's also small modular reactors, which is something I'll be speaking about in my workshop on Saturday. And also the Department of Energy wants a strategic uranium reserve. Again, that's really bullish for those companies that can produce it.

And then data centers. Now, when I was putting this together Friday, the forecast was data centers will gobble up about 9% of total electricity generated in the US by the end of the decade, and this is where a lot of investment is going, and so that requires a lot of electricity and it has to be steady. It can't be something that you have cloudy days or days without wind. You would really be in a bind. You need nuclear power to do this right. And then Goldman Sachs just came out with new figures today and it just ramped up how much it thinks we'll see electricity demand from data centers going through 2030. I mean, it's just really going to be enormous. The only way to really fix that right now is to build more nuclear power plants. The US isn't building any right now. It's bringing an old one online and recently got another one completed, but we aren't in the process of proposing new ones. I think that's coming soon.

Meanwhile, there was action on the other side of the pond. I told you that the US said that it's going to ban Russian uranium by 2028 while the Kremlin said, “Hey, wait a minute. You know what? Maybe we're going to halt the supply of uranium to you guys,” and that's exactly what they did. They said that they're going to restrict, temporarily, uranium exports to the US. Now, could this change with the next administration? It might, or this could be part of a longer process that is happening. This is the thing that put the latest bid into uranium stocks. This just happened recently, and so we've seen uranium miners generally rally hard. In fact, Cameco was up, I think 6% today. UEC was up more than 3%. So this might be short-term, but it's emblematic of a longer-term problem, which is that we need to source our uranium, which is a vital and critical material from sources closer to home and not from people that might hate us sometimes.

Then we have to talk about Kazakhstan. Their national uranium mining company, Kazatomprom, is the world's largest producer of uranium, 20% of supply. Again, much of that has to be processed through Russia. And in August, it lowered its production for next year. Basically, they produce a lot of uranium, not all the uranium, but a lot of it by running battery acid through the ground, and they have a shortage of how much battery acid they have. That also lit a fire under the price of mining stocks. Now the interesting thing is they had a high forecast, they lowered it. This is the 5th year in a row that they've had a high forecast and they've lowered it. Obviously, things are not running right over there, and since they are such a major supplier of uranium globally, that again points the way to much higher prices.

The spot price, again, this was Friday. It's since pulled back to I think $79 and 70 cents. It's fluctuating in that area. When you look up the price of uranium online, you'll see the spot price. The spot market is a small, discretionary and not fundamental part of the market. It does create a reference point for buyers, but most of the uranium sold by mining companies is in long-term contracts and contract prices are heading way higher. Let's talk about that. Cameco in its recent earnings report said that the pullback in the spot market, which we were seeing at the time, just because someone sold 50,000 pounds of material in a clumsy way into a thinly traded market, has nothing to do with the appropriate price of uranium two years from now, out and beyond. That's what they think about. That's how they plan their mining and their contracts and their deals is at least two years in the future.

So they talked about long-term contracts being priced at a floor of 70 with a $130 escalating ceiling. The midpoint is around a hundred, and we should probably consider that as the term price for uranium. Cameco, they're looking at the big picture. On a global basis, there is not enough primary supply capacity and secondary supply availability to meet demand growing in a very certain and predictable way. Like I said, that's that 3% per year thing that I'm speaking about. So we need higher prices and there's a squeeze coming that is unavoidable.

Encore Energy, which I believe is at this conference. I want to catch up and have another chat with them. From their earnings call, they said term contract pricing now is higher than the current spot price, which at the time was 77, so in fact, their term prices are higher than back when the spot price of uranium was $115 per pound. So they reported contract sales from $77 and 14 cents to $84 and 45 cents. I think Cameco can get better contracts, but that's really nice for a young up-and-coming company.

So this is the forecast for nuclear power demand. As I said, growing 3% a year now, it's going to grow more than that, and Global Atomic, our capacity could more than double by 2050. There are more nuclear power plants coming online and being announced. They're being announced in places like China and India and stuff like that. Again, we aren't announcing new ones here yet, but even Switzerland announced a plan to overturn its ban on building new atomic plants. Germany, which was phasing out nuclear completely, has now decided maybe that was a stupid thing to do. Japan is even bringing nuclear power plants back online, and they had the worst nuclear accident ever. So uranium demand is expected to jump 127% by 2030.

Now, what we have here is the projected uranium supply-demand gap basically, and through 2040, 60% of what utilities will require is uncovered. That is, they haven't bought the uranium to actually fill what they'll need. Now, of course, that's through 2040. They have some time, they can do it. This is partly due because they are waiting to see if incoming President Trump can get the ban lifted on the Russian exports of uranium, but also they just think that if they wait long enough, there'll be more supply and so they can buy it cheaper. I think that's highly unlikely. We'll see who's right.

More on the data centers, just the surge there. It's just going to be massive and just bring more demand. And again, while wind and solar are nice, you really need nuclear power to keep the lights on.

There were three deals going on. Amazon, Google and Microsoft all made deals to get nuclear power to keep their data centers going, basically. Now, two of those deals have hit regulatory snags. It's really unlikely that these snags will continue in the next administration. One thing they are going to do is ease up on regulation, and so these deals will probably go through. A lot of big tech companies are looking to nuclear power to give them the electricity they need.

And then we're going to talk about the best uranium ETFs. In my workshop on Saturday, I'll have individual stock picks and stuff like that, but I did want to make the point that all uranium ETFs are not created equal. You have some choices now. You have URNJ, URNM, URA, and what's the difference between those? Well, the Sprott Junior Uranium Miners ETF, URNJ holds a basket of up-and-coming uranium companies. URNM tends to be the larger companies in that group. Then there's URA, it holds miners, industrial companies. It actually holds some things like lithium, I guess it's all over the energy space. And then you have VanEck Uranium and Nuclear ETF NLR, it holds miners, utilities, industrials. Right now, NLR is actually leading the pack. I think as things progress with uranium, we'll see URNM and URNJ really shine because those are the ones that hold the most miners.

That's something, if you want to check out my stuff online, go right ahead. It won't cost you anything. And so the thing about the uranium sector is it's slow, slow, slow, and then it moves very, very quickly. We've seen that just in the past year. As I was going back to the horse analogy, everything seems to be despair and suddenly euphoria kicks in. It's just how this particular market works. We have a bunch of uranium stocks in the resource trader portfolio. They're all up double-digit percentages. Even though uranium stocks as a group are only up

3% this year, the best stocks are really leading already, but they can go so, so much further, and I think this could be an extraordinary time to be in that space. So my workshop Saturday at 05:10, Churchill C1, second floor. I'll have picks, I'll have a list of all the projects coming online between now and I think it's 2028. I'm not sure, I put that together again last week.

And then one of the uranium miners just announced that it's going to produce 20% less uranium next year, which puts even more of a squeeze on. Mining is not an easy business. It's a business for optimists, which is why you always have to be careful when you're talking to mining CEOs because if they weren't optimists, they wouldn't be in the business. I mean, they have to believe they can turn a bare patch of ground into something that's really going to pay, and they have to believe they can work on that for 10 years and then have it pay off. Pessimists do not get into this business at all. So you have to sift through. You have to see what's what. You have to see those projects that can actually work and those projects that cannot.

Visiting a project helps. Talking to the management absolutely helps because you have to realize what their plans are. I mean, is their plan that they're just going to sell out to a much larger company? You can wait a long time for that to happen, but maybe that is a good exit strategy for them. Is their plan to bring something online? That's great. It can be expensive. How do they plan to actually finance it? If you dig through all these things, you can find the ones that are really going to win, and I have a portfolio that actually shows that. So if you want to get more insights, use that QR code.

And I think that's about it, and I have a minute to spare. I'll take one or two questions if anyone has any. Yes, over there, miss.

Speaker 3:

In addition to speak about UROY. Royalty. Uranium-

Sean Brodrick:

Oh, Uranium Royalty. Sure. UROY. Well, I've actually done videos with those guys. Great people. They have some real potential. That's not currently in the portfolio, but they're on my watch list, so we'll have to see how that goes. Certainly they have potential and they should be on your watch list as well. Okay? Any other questions? She asked about a company called Uranium Royalty Corp, which is UROY, and it's not currently in my portfolio, I was saying, but it's on my watch list. I talked to those guys a couple of times a year. I think I'll be talking to them this weekend. And so it's an interesting play and they should be on your watch list. I'm just not recommending them at this time. I hope that... Yes, sir.

Speaker 4:

Yeah. When Kazakhstan reduces their output, it seems the reason is always obtaining sulfuric acid. Is sulfuric acid that hard to get?

Sean Brodrick:

Well, they had some problems at the plant that actually produces sulfuric acid. That seems to be it. And I guess it's hard to, I mean, I'm not in the sulfuric acid business, but I guess it's hard to get foreign supplies of it. So that's part of it. Part it is mismanagement. Part of it is something I didn't cover here, which is they raised taxes on uranium mining in that country and did it in a staggered way. So the more you produce, the higher your tax rate is. Well, the obvious thing to do is to produce just under the next highest tax rate. So that really limits how much uranium is actually going to be produced there. And if I was running one of those mines and they said, hey, you should really be increasing your uranium production to be there, I'm stuck at this level. I can't go anymore. I'm sorry. I don't have enough stuff to do that, and that would keep your taxes down, and so you get more bang for your buck.

Again, I don't think it's well run over there. I think they have constant problems, and so counting on them as a reliable supplier is just not a good thing to do. On the other hand, we have some great up and coming companies here in the US, and we also have Cameco, which is in one of my portfolios and is an excellent company, and they own the part of Westinghouse that makes nuclear reactors. So their opportunity is like both sides now. They're going to make it supplying uranium and also building reactors. They had a tough financial quarter, but I think things look really good for them. So I like them a lot…

Dave Collum

"The Most Pressing Question: What Is A Fact?"

Dave Collum:

Last year I presented the case for a 40-year bear market. What do you do this year? Right? It's not like that's going to change. And so I'm going back to non-economic topics. I'm going to tell you a story about, I'm going down a rabbit hole, and it's somewhat about the journey itself, and I apologize to those who already know this story at some level because it is out there, in my opinion. But I went down it this year.

The question of what is a fact is now a pressing one in the sense that it seems as though there's almost nothing you can state definitively without wondering if you've been gaslit, and there's questions of which killed more the vaccine or the virus? Is 9/11 an inside job? Is Lindsey Graham the love child of Nancy Pelosi and Peanut the Squirrel, right?

And so where it all starts is my knowledge. I'm going to talk to you about World War II in 20 minutes. And I went down this rabbit hole with a strong foundation of Bs in social studies, and the story was simple, right? So Germany started causing hell because they were still pissed off about World War I. And so they started attacking everyone, and then we attacked back, and then we eventually kicked their asses.

Japan attacked us without provocation, we kicked their asses, and then we saved the world. And it's part of the American story. In fact, it's probably the high water mark in the American story. It's probably where we saved the world from tyranny. The question I'd like to ask is what if that narrative's wrong? Maybe it's not true. It'll be the first one that is true, best I can tell. So let's go there.

So these are three famous guys, Matt Walsh is struggling with the whole definition of women. Feynman is the one who said it's hard to know something. And how many of you guys know who that guy in the right is?

Audience member:

That's Robbie Parker.

Dave Collum:

That's Robbie Parker. Yeah. See that? Look at Robbie's expression. Robbie is two seconds away from explaining how horrible it is to have his daughter shot that day. And you look at Robbie's picture and you go, "Did he just have his daughter shot?" I don't think so. There's something wrong with that picture. So we'll move on. Alex Jones lost a billion dollars chasing that story.

So the rabbit hole for me started when I was actually copy-editing Benn Steil's book, which means I read it really carefully on the Battle of Bretton Woods, where Harry Dexter White battled John Maynard Keynes to set up the currency regime post World War II.

And two things jumped out at me while I was reading this. One is that this lovely story about us helping the British because we're their big best friends, was actually, we bent the British over a barrel and we let them have it with everything we had, such that when they left World War II, they would never ever be a superpower again. We cut a terrible deal for the British.

The second story was, is, that Harry Dexter White was a Soviet spy. And that seems just a little strange. So this really is a journey. This one started, this was a number of years ago because this book's been out for a while. This year, I read The White Pill, which I recommend is by Michael Malice. It's a history of the Soviet Union, but he doesn't get tangled up in the skis or what we would say in the business, getting too far out over his skis.

And it's a great story of Joseph Stalin and Stalin said, "Look, a million casualties is a statistic, whereas one is a tragedy." He killed 40 million people, but it never said how. And he goes through it, and he basically describes in lurid detail of how he got society to consume itself with his own ruthless policies as well. But it's a vivid tale. And one of the things he hints at is how guys like Walter Durante, who were journalists from the West, wrote articles about how everything in the Soviet Union was sunshine and Skittles rainbows. So for some reason, we told our people that everything in the Soviet Union is wonderful while he killed 40 million people. The question is why?

From there, we get to the book that really got me down the rabbit hole, recommended to me by my brother. This book was written by Diana West. It's called American Betrayal, and she does what is often called a revisionist historical look. And she was not really a historian. She's a journalist. She used to be on Lou Dobbs twice a week and she's very prominent.

And she dug into the American story of World War II and she discovered some things that just are troublesome. And that is, for example, Stalin was not a nice guy. He was not our ally by any reasonable measure. It was very clear that Stalin controlled the flow of World War II in almost every respect. He determined that we would land at Normandy. He determined everything that we would do. And the question is, wait, wait, wait, how is that possible? Well, it turns out that FDR's right-Hand man was a guy named Harry Hopkins. Harry Hopkins was a Soviet spy. He was a full-blown spy. Now, there were some guys who were a little vague where you go, they seemed to think telling the Soviets some stuff would be helpful for us.

Harry Hopkins was a Soviet spy, so everything that FDR did was cleared through Harry Hopkins, who was a right-hand man like Dick Cheney was the right-hand man of George Bush Jr. And so Harry Hopkins made sure that FDR and Churchill would be kept away from each other so that they couldn't work together. And so everything we did.

So now let's think about things like what did we do for the Soviets? Well, this Lend-Lease program, which I said, we bent the British over a barrel. FDR had autocratic authoritarian levels of power over who we gave arms to, and we gave arms to the Soviet Union that are probably between 10 and 20 times as much as we gave to the Brits. It was so insane that we actually coerced the Brits into giving their arms that we gave them to the Soviet Union. We gave them over a million, several million, tons of armaments. We gave Stalin everything he asked for.

He sent people over to our country to look at our factories to decide like it was some Walmart or something to shop. Meanwhile, we were actually rationing in the US the things that we were giving to Stalin. And so partway through the book, I called my brother and I said, "This sounds like a commie behind every curtain person. Are you sure this woman's legit?" He said, "Just keep reading. Just keep reading." By the end, she convinced me. But in the middle of the book, she mentioned a guy named Stephen Coughlin, who's the goat of Radical Islam in the Pentagon. He is the number one guy in the Pentagon on radical Islam, and I happen to know Stephen. So I reached out to Stephen. I said, “is Diana legit? Because she's telling an interesting story here.” And he says, "She's absolutely legit. I read her book and the neocons went at her like you would not believe, and she had to go into hiding."

So, what else in the story? Here for example, at the end of the war, we supposedly had maybe a dozen or two dozen American soldiers who were missing in Soviet territory. Now, what we didn't know was that every time one of our soldiers ended up in Soviet territory, unlike you would expect from an ally, they'd be sent to a gulag. We weren't getting them back. The narrative was that between one and two dozen seemed to be unaccounted for, the numbers turned out to be closer to 15,000 to 25,000 American soldiers. By the end of the war with FDR in trouble physically, kind of Biden level gone, you should be laughing at that. Let's have a moment of silence for Kamala losing. Okay, that's enough.

And Churchill was just exhausted. Churchill had been battling Stalin, been battling Roosevelt, been battling the Germans, and he just said, “screw it.” He just didn't have anything left in him. And there's people who say Churchill was a bad guy. There's actually, they would say, "Is he the hero?" There are alternative historians out there saying, "No, dig into what Churchill did. He did some bad stuff." So this is a very strange, strange tale. So from there, I decided I would reach out to Diana West and find out what else she knew.

So I had a podcast set up between a friend of mine named Mike Farris and Diana, who's on the upper left, and me, and I got to ask her some more questions. And one of the pressing questions is, "Why did we leave the troops behind?" And she said that we got so far into it that it became an embarrassment for both sides, and we just said, "It's over. We're just going to let this go." For years, these troops, people would get out of a gulag and say, there are Americans in those gulags, and we would do nothing about it. So we had a lot of interesting chats. I'll move on.

So then a guy named Sean McMeekin noticed I was having casual discussions before that podcast, and he sent me an email saying, “now you have to read Stalin's War.” He had sent me an email three years ago telling me to read Stalin's War. It's a big mother, so I didn't pay attention. But so then I went through Stalin's War, and he went through in gory detail, all the things that we gave to Stalin. Stalin's army was incompetent. We kept them alive by just dumping so many weapons on them they couldn't possibly completely lose the fight. He also describes the psychopathy of Stalin, the things he did. Stalin was playing everyone. So Stalin teed us up to get attacked by Japan because he didn't want to have to deal with Japan over there, and he wanted us in the war. His goal was to get the Western powers to destroy Germany so that he could achieve what he wanted to achieve. So the war was actually extended by him, best anyone can tell. And so Stalin, for example, said, well, he knew that Japanese were going to hit Pearl Harbor.

So that gets us to what's called The Red Thread. This is a little premature, it's a little off topic. In 2013, West did an epilogue, and it's called The Red Thread. She talks about what has happened since she posted American Betrayal. And there was almost no mention of Soviets or anything in this book, but there was mention of problematic people in the country. And in our podcast, I asked her, I said, "Did you not mention the Soviets because you don't know what they're doing or because the enemy is now within, and it's no longer about Soviets influencing us, it's about people here influencing us?" And she kind of didn't quite answer that question.

But we've heard the rumor, for example, that John Brennan, there's a lovely guy who supposedly voted for a commie when he was young. You say, oh, stoned hippie voted for a commie. Okay, let him head the CIA. But it turns out she gave a gory detailed account of how deeply embedded in that party he was, and there's no evidence that his roots ever got pulled out. And then she starts talking about James Comey and who James Comey admitted influenced him, who was a neo-Marxist. And she goes into these players who we are now suffering from today. And you wonder if the neo-Marxist movement isn't because of enemies within.

Okay, so that's a little bit of a tangent. So I said, okay, we're going to chase this down. Was FDR duped by Harry Hopkins? Was FDR a Soviet agent in so many words? And I think it was a combo. It's hard to statistically weight it. So I move over to New Deal or Raw Deal, which is a book about what FDR did in the Depression. Now, bunch of, I'll say on average, right-of-center people sitting in this room probably have the same view of FDR that I had where you said, well, he kind of brought in the welfare state. He made government big. He took Woodrow Wilson to a whole another level.

I had given FDR credit on the logic that the Trotskyites were making progress after the capitalists had screwed the pooch, and we had the Great Depression. And I said, FDR had to go take it to the hoop hard because if he didn't say what Amity Shlae's book calls The Forgotten Man, that we would lose to the Trotskyites. So he said, "Okay, we've got to protect the little guy. We got to put in the safety nets." That turns out to be a little naive, it turns out. I had given him too much credit. So what you get out of New Deal or Raw Deal is that FDR was a psychopathic liar.

He was good at nothing, nothing, until he discovered politics. People he worked for when he was young said, "We couldn't get him to do anything." He becomes a politician. He is a compulsive liar. He's such a bad liar that there's journalists who would not talk to him because he was so smooth they didn't want to get duped by him, but he reneged on all his promises. He'd say whatever he wanted to get what he wanted. The New Deal, which you say, well, at least we built parks and stuff like that. The money was given 100% to political cronies. It was exactly what you'd predict. “You support me, you back my ass, you go on TV, you tell them I'm good. I will send a New Deal program your way.” So you had the WPA and the AAA and all these programs. Who was in the middle of all these programs? Harry Hopkins.

So this is really kind of a bizarre story. So then they do a nice job, without it overwhelming the book, of explaining how his programs inhibited the recovery from the Depression, price controls, but it doesn't dominate the book. So this is not a right-wing screed about left-wing politics. This is a very good book. And so I had to finish the story and I went to Day of Deceit, it's about Pearl Harbor. And we've heard the rumors that we kind of knew they were coming, and F-Troop had guys in guard towers watching the Hikawi Indians. But we didn't have anyone watching for Japanese planes coming our way, even though there was chatter in the Pacific?

Well, it turns out this book does a nice job of laying out everything. We knew everything about the attack on Pearl Harbor. We had cracked the codes. We cracked every code. We did everything we could to make sure that the high command at Pearl Harbor did not know. And then they attacked. And then we get into World War II. Now, this guy gives credit to FDR, saying, "Well, it's a tough time. It's war. You make tough decisions. You know the bombers are coming, but you got to do what you got to do. And that's what Commanders do.” But he hadn't read all these other books about what a psychopath FDR was. And so I would say, I'm not that generous to FDR's decision to do that sort of thing.

And so the bottom line is that the World War II narrative is really suspicious, and you go, well, they all are, aren't they? Now, why is this so important? Why did the neocons attack Diana West? And the answer is because if you start questioning the best narrative in our country's history, you're going to start questioning other narratives. And they don't want that. And I think that's the problem.

So these books will take you down that path there. There's a lot. You can't do World War II in 20 minutes, right? This is not an easy task, but it'll get you started. Now for something more upbeat, this looks like the wrong slide to me.

This is Ithaca. Ithaca is a Utopian place. Here's how you can reach me. If you ever buy a dog, buy a Boston Terrier, I promise. I have had so many dogs and I would never get any other breed, but a Boston Terrier, any Boston Terrier owners out there? Hoot. Any Hooters? Yeah, any Hooters. Boy, I used that a few times in college.

They're just phenomenal. I've had labs and Irish Setters and Basset Hounds. These are special. We have three. My son has two, that is a pile of dogs in the upper right. I would have 10 if my wife would put up with it, but you must be ready for them to sleep under the covers with you. There is no documented case of a Boston Terrier who doesn't sleep under the covers with you. That is their natural habitat. And by the way, they love the crotch. Now, that's another line that I think I used in college a few times, but I'm not kidding. They're amazing. And I actually beat my twenty-minute deadline by 30 seconds. I will take questions.

Audience member:

You said Steven Coughlin was the goat?

Dave Collum:

He was the goat.

Audience member:

What do you mean?

Dave Collum:

Greatest of all time. So Stephen Coughlin was the Pentagon expert. I met him first on a Zoom call during Covid. So I was in a Covid Zoom group with a bunch of doctors, lawyers, NSA guys. Stephen Coughlin turned out to be the NSA guy. And Stephen went to the Pentagon and said, "If you want to solve this Middle East problem, you got to get smarter about Radical Islam. You guys are not understanding it." And they told him to go take a hike. And Stephen is brilliant. I picked up on Stephen. As soon as I heard him, I go, “holy cow, this guy's good.” And he's mild mannered, and he's like four tours of duty in some faraway God-forsaken place. And he's just a genius. And he said...

Oh, and by the way, oh, the narrative about opening up the archives to the Soviets to find out what actually happened? They never got opened up, not even close. And how you know this? Well, first of all, there's probably a billion pages. So this idea that we found out what happened in there, second of all, the Soviet leaders were still alive. Do you think they wanted those archives opened? The answer is no. The US leaders who had probably a half a billion pages dedicated to them, did they want those archives opened? No.

Those archives got invaded by a guy in 1990 something, early nineties, who had this unique technology that was innovative. It was a hand scanner, and he got into the archives and got some information, and that was about the extent of it. I happened to run across a write-up by him ranting about how good American Betrayal was. So he supported American Betrayal.

Audience member:

So did you see the Red Thread in the coded response of our government?

Dave Collum:

I think our government's so corrupted that I'm not sure the origin of it. I for two years have been head in the crock pot on the question of why does our government make decisions that make no sense? None. Why are we doing things that are not in any way of interest to us? And my conclusion is they're all compromised. At what level? Five-year-old kids. It's that bad. They're all corrupted. They're all corrupted with the exception of maybe Thomas Massey. I mean, it's really, I know Ron Johnson a little bit. I don't think he is, but it is a mess…

…Yeah. So I don't know how to fix that. So I'm going to write about that. And what you'll find is that I think there's a darkness in our government that has to be rooted out somehow, and it's quite possible. The reason that they went after Trump with everything they had is because he has now the power to root it out. That might be the origin. I think Pizzagate and stuff are lingering in their skulls. I think Pizzagate's real. I've done podcasts with pedo hunters, with guys who've been tracking this story. Guys like, anyone know Nick Bryan? Nick Bryan. The Franklin Papers is the best story about a pedophile ring that got unraveled. The Franklin scandal. They can't let those unravel. All hell breaks loose when those unravel.

That got dark fast, didn't it? But make sure you buy the stock market because everything's sunshine and its Skittles rainbows. Thank you.

Conference Retrospective Panel

MC: Brien Lundin, Mary Anne & Pamela Aden, Gary Alexander, Bob Bishop, Doug Casey, Adrian Day, Rick Rule

Robert Helms:

The group assembled here has been at this conference more than anyone else. To introduce you to them, the moderator for this panel, ladies and gentlemen, our host, Mr. Brien Lundin.

Brien Lundin:

So, am I supposed to announce a panel or what? Everybody come on up. This is going to be a fun panel. I hope we're going to give some content that's actually applicable to the future. Ladies, come on up and have a seat. As I said in my opening remarks, I don't want this to be self-congratulatory. Maybe just a little bit, just a little bit.

Yeah. We want to focus on what this conference means for the future and how it will grow for the future. We've been very organized throughout this event, so please grant us this one small period of disorganization. So we have, in our panelists here, Gary Alexander. Bob Bishop, the iconic mining newsletter writer, my idol in the industry, who did not know he was going to be on this panel until I just plucked him from the audience.

Bob Bishop:

To replace Mark Skousen.

Brien Lundin:

Yes.

Bob Bishop:

I can't hope to do that.

Brien Lundin:

Nobody can replace Mark Skousen.

Bob Bishop:

I know.

Brien Lundin:

Nobody would want to. Adrian Day, who sounds so smart for so many years on this stage.

Gary Alexander:

He's British.

Brien Lundin:

The inimitable Douglas Casey who has consented to come in digitally. I assure you, this isn't AI, that is Doug Casey. Mary Anne Aden and Pamela Aden who had their first appearance in 1981, I believe. And does anybody know this guy? His name is Battle Bank, WWW what? Rick Rule, our friend and such a gracious friend of the New Orleans Conference over so many years. Panelists, I look at this panel and I'm reminded of a television show.

Gary Alexander:

What?

Brien Lundin:

Survivor. These panelists, as Gary Alexander has just shared with me before we came up here, represent over 300 years of cumulative New Orleans investment conferences. Did you include Doug in on that?

Bob Bishop:

Thank you.

Gary:

Oh, sure. Doug is included. I think Rick Rule is the latest, but he has more hours serving-

Brien Lundin:

That's true.

Gary:

... people than anybody.

Brien:

We worked Rick like a dog. Rick, actually just a quick story, asked me if he could make some presentations one year at 7:00 in the morning. I said, "Rick, sure nobody's going to go to that." So he started doing it and one of these years after that, I moseyed down and looked at the room and it was packed and I said, "Rick, sorry, I'm taking that time back. I'm selling it." And that's where we came up with our sunrise sessions.

Rick:

You got a better value for me, by the way.

Brien:

You didn't pay me anything. All I get from you are smart-ass comments. Graciously received, by the way. But it occurs to me, and I touched on this in my opening remarks, that when this conference began, there was an alternative media out there that you didn't get. There was no financial media, there was no cable, there was very little talking about finance and investments on the three major channels. So you had to get your information from newsletters, economic, macroeconomic. They couldn't even recommend specific investments in those newsletters. That was illegal at the time along with gold.

And every week or once a month, you would get those newsletters and they'd have detailed commentary from some really smart people. And the only place that those really smart people got together where you could meet them, talk to them, hear them in person they could interact, was this event. That was the role we played then. And things have changed over the years and we had a couple of decades in there where we focused on general investments as well, all the markets, and we still do.

But today I see a real parallel to those days, that there is an alternative media that has come up, social media. And like then, we were in extraordinary times in the 1970s, we had extraordinary people rise to the front to explain them. I feel that we are again in extraordinary times and we have extraordinary people again coming up to explain them. And that's the role of this conference, as you can see from our speaker roster. So what I'd like to do is go down the panel and have everyone share their thoughts on the symmetry, the way history rhymes. Are we repeating times like we had in the 1970s? What about then applies to today? Let's start with Gary at the end.

Gary:

Okay. Thank you very much. Like you said, newsletters were the beginning of it all. And I was able, because my father was a part of a business club in Boeing Airline where he worked. It was headed by John McFalls, one of the original gold bugs who subscribed to Harry Schultz and Vern Myers, some of the original gold bugs. And dad passed those letters to me. This is the late '60s. And I was able to read them and I worked for a magazine then and was able to predict the decline of the dollar, the devaluation because of Harry Brown's book, and also the decline of the dollar and the rise of gold and the rise of the Swiss Franc and other investments in the '70s. The same parallel that Jim Blanchard was doing before I ever heard of Jim Blanchard.

So I was early into that movement, thanks to my dad and John McFall in parallel with this movement because of the newsletter industry. And the newsletter industry is what I want to focus on because when I came to the conference first in '81, the exhibitors included a lot of newsletters and people I later worked with. John Dessauer, Louis Navallier, of course Mark Skousen, whom I met at the time, and Richard Bane and so forth.

So I would spend hours in the exhibit hall too, learning from them. And what I want to stress is that it's education, is what this conference brings to people. Not just stock picks in a vacuum, but the education and how to use them. So what you've learned here is from a new set of people. And I just look at the last two speakers, George Gammon and Danielle DiMartino Booth. They are so wonderful and the education that these people bring to you, and that's what the conference brings, I think, to you and the next generation of investors.

We see so many wonderful youth here too. So I think that's the parallel of how history rhymes. We hear so many wonderful things from these new speakers that I had the wonderful advantage of hearing 50, 55 years ago that brought the light to my eyes at that time. I can see the light coming to the eyes of people who didn't hear these things ever before and now they're hearing for the first time.

Brien:

Bob.

Bob:

I'm a late edition here, filling in for Mark Skousen and I guess I'll date myself. '78 was when I went to work for a guy named Howard Ruff. Some of you may know the name. He was a big deal then. He had, I think 13,000 subscribers when I went to work for him. A year and a half later, he had 179,000 and had sold 4 million copies of a little book called How to Prosper During the Coming Bad Years. He kind of rode that wave very nicely. Doug Casey exceeded that financial book record with Crisis Investing a few years later.

But anyway, that was my start in the business. Kind of evolved into Howard's ghostwriter and worked my way out of a job into a newsletter in 1983. And I probably didn't speak at this conference until, I don't know, late '80s, somewhere in there. I had the misfortune of following a guy named Robert Friedland, first time I spoke at this conference. That was an experience. Not somebody you want to follow if you don't know the name, he's gifted. What I've come away with frp, New Orleans is friendships, lifetime friendships, so many people, so many great experiences in this town.

Lots of riding of the waves of the economic events that have unfolded in these last 50 years. Got to know Jim Blanchard pretty well as a result of the diamond play. I still have on my corkboard at home, I've got a letter from Jim asking me if I knew anything about a little company called Dentonia Resources that he happened to own a million shares of. Turns out that he ended up with that because something else had gone awry, which happens a lot in the natural resource space, especially way down the food chain where I plied my trade. Anyway, got to know Jim well. Diamond play, he rode it up to $13 million as Brien was telling me yesterday, all the way down. Anyway, Jim was the lifeblood of this place, and he's the guy that we honor by being here today.

Brien:

An example of do as we say, and not as we do on occasion. But Jim was a brilliant buyer and seller. That one, he got a bit star-shocked by those results getting ready to come out that could have taken it to hundreds of dollars. Adrian.

Adrian:

Well, Brien, you asked if history rhymes. So I've got a rhyme for you. I just made it up. The greatest speaker ever was Margaret Thatcher. Now there's no one around who can match her. That's my rhyme.

Gary:

History rhymes.

Adrian:

Sorry.

Adrian:

I've also got one for Ayn Rand and I've got one for Jim Blanchard, but I think we'll leave those. I agree with everything these two have said. The education is fabulous, but also for friendships, both friendships among the speakers and also among and with the attendees. And when people say to me, what's your favorite conference of the year? Oh, dear. Rick, sorry.

Brien:

If he didn't know what his favorite one was, he wouldn't worry about talking right now.

Adrian:

When they asked me what my favorite conferences of the year are, and I say, New Orleans. "What do you like about New Orleans?" And I say, it's like an old friends reunion. It really is. It is just getting back together with old friends, some of whom unfortunately are no longer with us. The other thing though, that really is important about this conference, I think, throughout all these years, throughout all these 50 years with gold going up, gold going down, stock market up, bonds up, bonds down, et cetera, you are always getting voices on this podium that are very, very smart. Not all of us, of course, but I mean me. But you are getting a lot of very smart people that you're not seeing on CNBC and you're not reading in the Wall Street Journal.

So people like, well, Brett Johnson for example, Jim Iuorio. These are really smart people and you just don't see enough of them in the regular financial media. So this is a place where you can see these, I'll call them alternate voices. And I think that's a really important thing that you bring. And you are very good at finding these people.

Gary:

Yes.

Pamela:

Yes, you are.

Brien:

I work hard at it. And I have to say, I'm very proud of the roster because I'm a fanboy for all of these people. So these are the people I like, and I hope everyone else appreciates them as well. Doug, when we talk about history rhyming, you have the, or unfortunately, have some of your statements from the Phil Donahue show in the late '70s…recorded. And you're saying things today that really rhyme with that, what you used to say back then. What is the significance? I think you especially can look back at those times in the 1970s when there was a lot of economic chaos, but yet everything didn't completely fall apart. Can you talk to that? Is this kind of a similar situation and is this the end game as it were?

Doug:

Okay. Well, that's what we call a really good question, Brien.

Brien:

Doug, you're going to have to repeat. We're trying to get your audio up here.

Doug:

Oh, let's see when we do this.

Gary:

There we go.

Brien:

There you go.

Adrian:

There you go.

Brien:

Go ahead.

Doug:

All right. Brien, that's what we call a really good question. I think that the inevitable, the consequence of running gigantic debts and gigantic deficits and huge money printing programs that have resulted in outrageous inflation, the inevitable, which is going to be a grand and catastrophic inflation, inflationary depression, probably inflationary, maybe deflationary, but much worse, much different and much longer lasting than the unpleasantness of 1929 to 1946. That's in our future.

And I've got to say, I enjoy giving great doom porn to the audience and the audience loves it. Everybody loves a horror movie. I really enjoy being here with my old friends on the panel, and everybody on the panel is an old friend. I miss some of the guys that were here with us in the past. Gary North, Harry Brown, who was certainly one of the best speakers that we've ever had here. Although I've got to say the best speaker that the New Orleans panel has ever had was Ayn Rand.

That speech was spectacular that she gave that year. And I've got to say I was shocked when Rand was giving her speech. I think it was 1982, about three or four months before she died. The audience was booing and hissing as she gave her speech, partially because of what I thought was her best line in the speech. Somebody in a question from the audience asked her, "But Ms. Rand, what are you going to do about the poor?" And she said, "Don't be one of them." and went on to the next question.

But you've had great people like Rand and Milton Friedman and PJ O'Rourke and these guys. But there's also been some hardcore criminals that have graced the stage in New Orleans. I'm thinking about Dick Cheney, Alexander Haig, Henry Kissinger, George Tenet. So New Orleans is kind of like a ‘77 Sunset Strip. You got the high brows and the hipsters, you got the starlets and the phony tipsters. I'm sorry, I'm not there with you guys, but that's all I got to say.

Brien:

Doug did not hesitate to tell these criminals that they were criminals to their face either. So I regard Doug's absence bitter sweetly, let's say. Mary Anne, your thoughts on how today rhymes with the past. What you've seen in the past, are we facing similar times?

Mary Anne:

Well, as Gary mentioned-

Brien:

I'm sorry, I skipped Pam.

Mary Anne:

Yeah, you did.

Brien:

I can't see that far, Pam.

Pamela:

Okay, I forgive you.

Brien:

Yes.

Mary Anne:

Go ahead.

Pamela:

Oh, you want me to go? Okay. Well, actually what Doug said was very true. First of all, this has become a family after all these years. Our first year here was 1981, and prior to that we were studying on our own and eventually with Jerome Smith, some of you may have known him. And so this is where we got all our background from. And then we met Jim. He came to visit Jerome down in Costa Rica where we live, and then they invited us to come speak here. And it happened to be the same time Ayn Rand was giving her speech was our first time here.

So we were in awe of everything here starting... Of course, Ayn Rand was incredible. She came by a caboose on the train. She wouldn't fly. So she said, "I can come." And Jim was just thrilled to have her get picked up at the railroad station. He had a friend, I thought this is a great story. Because he had a friend who specialized in the cabooses and made him very VIP and hooked him on anywhere on Amtrak. So he brought her down on that and she was so happy to come because she could come on the train in a good caboose.

So anyway, so she had, like Doug said, for us to be the first time and seeing her, and we already had read all her books and we already knew very well who she was, and we were just in awe of her. She's amazing. So that was one of the real highlights. And it happened to be our first year. But after that, we all have become a great family. And same with the attendees. You get involved with everybody. But when we come here, like you were saying, we come back to see our old friends and we really enjoy each other. We really like each other and enjoy being together when we can. So this has become a community of really, I think, top people. And not saying we are like you said, but-

Brien:

The others.

Adrian:

The rest of them.

Pamela:

Yes. And we're very proud of everyone here and we're very proud of Brien and all. You have carried on Jim's legacy that has been amazing. You even look alike, they look like brothers. And it's just been a wonderful ride. And we say about inflation now versus the '70s, I think I'm with Doug, this is much worse. '70s was pretty local, meaning it was just a U.S. phenomena but this time it's a world phenomena and it's much greater and it's much more complex than something we've ever seen. So we're very careful on this and we think everyone needs to invest accordingly for protection really. And so that's about all I have to say for now. I'll have more in a bit.

Brien:

Mary Anne.

Mary Anne:

When we first started coming here, we had previously come to a few conferences as attendees. And what Gary said was very true that you would find out information that you could only get in a newsletter or listening to a speech at a conference, this conference in particular. And it really blew my mind because it was things you never... I was always a news junkie and it was things you wouldn't see in the newspaper. You wouldn't see it on news TV or anything. So I felt that we were really learning something that was so important, but it wasn't widely known.

And so in that sense, comparing those days to today, I think there are some similarities in the sense that a lot of people think that they can get all the news they need on social media, they don't really need to understand what's happening. And by coming to a conference like this, I think it's so educational, it's fun, and you learn a lot and then you can go home and do your own homework on it and keep track of certain things that you otherwise would not have done.

And we were lucky because we were blessed by, I think someone mentioned Harry Brown, Richard Russell, Harry Schultz. Those were the people that were like our mentors, Jerome Smith. They were our idols. They were like rock stars for us. And the fact that we ended up becoming friendly with them. And in the case of Richard Russell and Harry Schultz, when they were retiring, they passed their newsletters onto us, which we felt very honored for that recognition but we had been fans of theirs for 40 years. So I think even if this is your first conference or you've come here quite often, you will make friends. You'll be able to talk to a lot of like-minded people and you'll learn a lot.

Brien:

Rick, you've had a lot of time to think.

Rick:

I have.

Brien:

So this better be good.

Rick:

Thank you for that. 50 years ago, this conference was born of something called the National Committee for Monetary Reform, something like that.

Brien:

Before that the National Committee to Legalize Gold.

Pamela:

That was in '72.

Rick:

Legalize gold, right. And I think what I want to say about that is that this conference came, in effect, 50 years ago out of a protest movement. Not the type of protest movement that most people characterize as a protest movement, but a protest movement. And I would suggest to you that 50 years later, this conference is still part of a protest movement. It's part of a group of people who understand that individual initiative has somehow managed to fund collective stupidity. That was true then, it's true now.

It was also a protest movement that was unusual in the sense that the founders of that protest movement, then Jim Blanchard, now Brien Lundin, believe that you should do well while you do good. That's unusual in protest movements. This was 50 years ago a forum that presented voices that weren't commonly heard. And I'm not trying to say over 50 years that we've all always been right. That isn't true. That notwithstanding, this was 50 years ago, a forum for voices that had a message that wasn't a popular message, but overall has been true as it still is today.

What has been special about the conference for me, I guess originally watching Jim Blanchard as an example in the early 1990s when nobody cared about starting silver standard, there has been the ability of the conference organizers to have controversial and unusual voices. And the country needed controversial and unusual voices in 1974. And the country needs controversial and unusual voices today. The thing that makes me nostalgic about the conference, I'll get back to the then versus now in a minute.

But no, in fact, I'll do it right now. There was a guy 50 years ago, no way to say it. He loved you. He just flat loved you. I would talk to him and he would just, when he was describing his audience in the conference, he would just beam. Jim Blanchard was a guy that had some challenges. He would just beam. Every now and then Brien Lundin and I drink a little whiskey together. Probably surprises all of you.

And he loves you too, which is really nice. The last thing I want to say about then, and I want to say about now about the protest movement is you all then, and you all now make the conference. I remember many years ago in one of those 7:00 sessions before Brien stole them from me, I was giving a pretty detailed, and I thought fairly boring talk about risk-adjusted analysis of offshore oil and gas exploration, is when I did more oil and gas and I'm about to hold forth and be an expert

Brien:

That'll wake people up. Go ahead, yeah.

Rick:

And I looked down in the room and there's Jim Bob Moffett from Freeport and a guy from Ocean Engineering and something. And I realized in this 7:00 session that I was probably in the mid-range of knowledge about that particular topic. And the point of that is when you come to this conference next year, you will, just like if you'd come to this conference in 1974, don't confuse yourself with the idea that all of the knowledge, all of the information is going to emanate from the dais out to the crowd, because that's not the way it works. There's hundreds of you who are successful and want to become more successful. Work hard, share notes, drink a little bit of bourbon, have fond memories of Jim Blanchard. And while you're at it, give great thanks to Brien Lundin and the staff that have carried this 50-year legacy.

Brien:

Thank you. I appreciate that. We had them bring waters out. I should have had them bring tissues as well. But let me tell you-

Rick:

For me.

Brien:

... no hero here. Somebody would've told me 25 years ago, "You're going to have to run this thing. We've thrown it into your laps and you're going to have to run it for the next 25 years," I would've run for the hills. But all we've done is do like everything in life, you do the next and you do next and you do the next. And pretty soon the days turn into weeks, et cetera, et cetera and years and you look back and look at what you've done.

And I have not done this. You have done this. Rick's right. Jim loved all of you because he was one of you. I look out in the audience and I see you furiously taking notes. Jim would be back there furiously taking notes in front of that television screen. He would be putting out a cigarette in the tuna sandwich he ate for lunch at the same time and pushing his glasses back on. But he lived on every, hung on every word. He would be, like you all, up at 7:00 and up in the morning and 9:30 at night taking notes.

So he was one of you. He told me one time, and I told this story many times when I was a young copywriter, literally days in the job, brought me in his office and he said, "Brien, gold bugs are nuts, but silver bugs are effing crazy." And he said, "Don't ever forget that." And I knew he could say that because he was both. He was both. God help us if he and Eric Sprott had actually overlapped. Though the values, the share prices of those companies out there would be double what they are today.

But so back to kind of the point of this, you mentioned that there were good arguments and predictions. I mentioned in my opening remarks that the forecast and predictions weren't always true in terms of timing. And I think that's a very general truth that we should know. It's hard to pick the timing. But there was no big event that wasn't predicted from the stage beforehand.

And Rick reminded me of something that I hadn't really considered. There was one truth always spoken from this stage. It's the bedrock of this conference. It's a common theme throughout the whole event. And that's personal liberty, that's free markets, free minds, sound money. And that's the thing we preach all the time. And that's one of the things that really is cohesive and holds us all together. So with that bit of preaching done, let's go to, I want to devote the rest of this panel to our best memories from this past 50 years, however long you've been here. And Gary, we'll start with you.

Gary:

Wow, that's so tough because '81, when many of us came was Ayn Rand, that’s special, the eight political panels with Charles Krauthammer and his several jousting partners were special. And one time I asked Karl Rove why the Republicans couldn't control spending when they controlled all houses of Congress. And I said, "You broke our hearts." And then was silent for five seconds, he couldn't... There are all kinds. But I want to isolate 1998, which was the 25th anniversary.

And you mentioned Jim Blanchard…You mentioned Rick Rule, that Jim Blanchard, you mentioned the phrase doing well by doing good. That was the title of Robert Blyberg, I think was the editor of Barron's at the time Jim and I worked on his autobiography, Confessions of a Gold Bug. And it is a full-page review and he just loved the book because that's Jim's life in that phrase, doing well by doing good.

You mentioned, Brien, his intelligence in book learning. You ought to see his library and every book is just notes in the margin and so forth. He was such a student. In that 25th anniversary, there's part of the film is Eric Watson interviewing Margaret Thatcher, your favorite speaker. And I got to interview Milton Friedman in that edition. And what made it so special is that dear Jim passed the next March. And most of us, I think all of us, wrote in Brien's special tribute to him the next season.

I wrote a story about a man in full, Jim Blanchard. We all wrote tributes to Jim. And he was such a leader and it's sad to see him go, but that was the beginning of a big bull market in gold. And I'm sorry to see he missed it, but he was the beginning of people investing in gold and making gold part of their portfolio, not just as the be-all end-all but as an insurance position and a way to balance your portfolio. And he was the one who made that happen in the last 50 years, more than almost anybody else. So I think that 1998 kind of crystallized the conference for me. It's the best one.

Pamela:

Very good.

Brien:

Bob.

Bob:

I was a newbie when I first came here in '79. Yeah, 79 it would've been. And I think it was probably '80, maybe '81, Howard Ruff and Jim Dines had a debate and they were both pretty quick on their feet. And Howard told a story about Sergeant Preston in the Yukon. And anyway, Dines had the last word saying the lead dog goes through the ice first. And anyway, it was great repartee. And another one that sticks out is a lunch with Ian Smith. Many years ago.

He was here. I've still got the book he signed. Apart from that, and all the friendships are just the great experiences in this town. This is one unique city in this country, and I could reel off 25 restaurant names in a heartbeat, most recently lunch with the Adens today. So many wonderful evenings with these people and others. And I hope you people have gotten out and made good use of this town. It's special.

Brien:

Adrian.

Adrian:

Gosh, there's so many memories. Obviously, one of the memories, as everybody says is just meeting people and having lunch, dinner or whatever, or after dinner, drinks with people. I think another thing has been being able to meet people that are your heroes or heroines and actually meet them and actually talk to them. I mean, I mentioned Margaret Thatcher, but I wish you hadn't mentioned Ian Smith, but I'm going to duplicate.

Ian Smith was one of my heroes. And having lunch with Ian Smith was just a phenomenal experience. And I'll never forget, people were going on about the new government and Mugabe and what about the land stealing and what about apartheid and South Africa and so on and so on. When someone asked him about his cattle, his eyes lit up. I'll never forget that.

Brien:

That's the conversation I had with him about animal husbandry of all things.

Adrian:

And he got so animated about his cattle, whereas the rest of the stuff was just sort of boring to him, I guess because he'd heard it so many times. The other thing I remember very well is, whether they were well-known people like Thatcher or people that, frankly, I'd never heard of before you invited them like Konstantin Kisin. It was just really interesting to sit and listen to people like that, whether you had heard of them or not. Some of my best experiences though were Doug Casey berating the audience. And I will never forget the time he said, "You're all like whipped dogs rolling over and wetting yourself." And the audience clapped. Remember that, Doug? Anyway, that's me.

Brien:

Doug would always ask me after his speeches, "How did I do?" And I said, "Well, Doug, half the audience loves you, half the audience hates you and nobody in between." And he says, "Good, I hit the mark." Doug, please, your memories.

Doug:

Well, I can't one up anything that you guys have said. A bit of nostalgia, it's that I'm afraid that the day of the physical conference, regardless of how valuable it is being in New Orleans for all the reasons that everybody's recounted, it may be coming to an end, Brien. And one indication of that is that I'm able to sit here in the comfort of my living room in Buenos Aires, don't have to travel. I think that that's going to be the future, especially as the internet becomes even more competent and more developed.

A lot of people aren't going to want to travel anywhere because they don't have to. And in fact, when you do these things remotely, it's possible to relate one-on-one to attendees even better than you can in person, believe it or not. Questions from the audience can be sent electronically a lot easier than on an illegible piece of paper.

Brien:

So Doug, other than trying to kill my business model, do you have any fond memories of this event?

Rick:

Yes, that's the question.

Doug:

What I'm saying is that I think that this model, Brien, I'm serious, I think that the model that we're using now is going to fade into the mists of history in the future. And forewarned is forearmed. That's what this conference is all about.

Brien:

Thank you.

Doug:

Predicting the future. So no, I'm really happy to have been part of this since I think about 1977 was my first year. And the reason that Jim invited me to the conference was that my first book, the International Man had come out and that gave me the requisite stature to stand up and tell people what I thought. But I don't have anything else to say except this is the best conference in the country as far as I'm concerned.

Brien:

Well, thank you for ending on that note, Doug. I appreciate it.

Gary:

He closed well.

Brien:

How many people would prefer to do this virtually, other than being in the audience now with all of your fellow compadres? How many people would rather come here than do it virtually, raise your hands. Doug, I think you hit like 99.5% hate on that remark. So you're getting better. You're getting better.

Brien:

That's a new personal best for Doug Casey.

Doug:

50% to 99%. I'll take that.

Brien:

Okay, good.

Brien:

Pamela.

Pamela:

Yeah, I'm here. Well, on that note, and it's true, COVID started this whole Zoom easiness and the young people are so used to it and they're doing it. But then on all the social media, and as we were talking about, there's no one-on-one communication. So this is where you get it and in a good way with like-minded people. And you can communicate, you can talk, you can converse with each other because they're all very interesting people out there and here.

And so this is very special. So human contact is very important. I don't think that'll ever go away. But it might be comfortable sitting in Buenos Aires right now because that's far from here. But if you're a couple of hours away, it's really not that big of a deal. And so anyway, that's that. And aside from anything else, they've also said it so well, they pointed out the highlights of the people there when that generation before us that were remarkable.

And I don't really have to repeat their names again because they've all been said several times and we have admired all of them, all our lives. And it was a shame that they end up going away and here we are, and as you see, life just going on. But everyone here has so much to give you and so much to share with you. All the speakers that have been here and talking to you and interacting is the best. And I think that that's what should continue.

Brien:

Thank you. Mary Anne.

Mary Anne:

I think there's been so many wonderful moments and great speeches that I've seen over the years being here that it's hard to pinpoint which is your very favorite. Because just seeing a lot of, and getting to meet a lot of famous people and seeing what they're really like, things like that, they're silly. But also very informative, educated, brainy people and their ideas and their comments. And then of course, Jim Blanchard, several of you have mentioned, having him and having him be in charge and nurturing us personally along the way and all the other speakers.

We all became very good friends and we really, I just think the world of the encouragement that he gave us. And in the beginning, we were just two young girls. We were pulled out of a research department in Costa Rica and put before an audience, and we really didn’t know what to do. And so it was kind of a shock, but then we just grew to love the conference so much. It's a great part of our lives and all the benefits everyone has mentioned, including Bob Bishop's great restaurants and the city, the friends, the friends you'll all make amongst you. It's just the best. And I wish Jim was here to see gold approaching $3,000 an ounce. He'd be really excited and he'd be thrilled. And I'm sure he's watching and he's happy. Rick.

Brien:

Rick.

Rick:

Two comments, Brien. The first is general. I came here, I guess 1986, 1987, early in a new marriage and the welcome that we've enjoyed, Bonnie and I, over 35 years from yourself, from the speakers, from the attendees, spectacular. A couple of years ago, I was tired, I didn't want to travel. I told my wife, "I don't know about New Orleans this year." She says, "Well, you do what you want, but

I'm going." And I think that says a lot because she's been to a lot of investment conferences, believe me, she doesn't need to listen to the panel drone on.

But being part of the community of friends, and I know there's a bunch of folks in the audience that feel the same way, there's been 35 years of interest and acceptance and community, which in a general sense is a memory. To answer your question, just for fun, to be specific, I know that seldom happens here in New Orleans.

Brien:

Yeah, right. Thank you.

Rick:

To be specific, easily my favorite circumstance was the intellectual courage that you all had, allowing Doug Casey to speak behind the politicians. The politicians would give their speech and then first, Jim and then Brien, were either courageous or stupid enough to give the podium to Doug. And Doug's sort of annotated memory of those recent speeches, particularly the Cheney appearance, was easily, for me, the high point of New Orleans...

Bob:

Absolutely.

Rick:

…Separate and apart from the sense of community. Specifically either Doug Casey debating a social conservative and a liberal, or Doug Casey following, as he would've said, some elected criminal, was to me easily the high point of the conference. So thank you for causing that to occur.

Brien:

You're welcome.

Bob:

Absolutely.

Brien:

We have learned, as you saw at the Future of Money Panel, how to put on a good show, if nothing else. We got in the back and we said, "That's good television." Reminds me just talking about memories, which was the start of this, that reminds me of a couple of speakers one time getting in a fight in the exhibit hall, and somebody came running up to me, and I won't mention names, "Such and such and such and such just had a fight in the exhibit hall. This is terrible." And I said, "Terrible? This is fantastic. Where are they? Do we have it on film? Are they still doing it? Can we get them to do it some more?"

So we do like to entertain here. My fondest memory is easy for this event. It was with Margaret Thatcher. We had a private lunch, and it was a long table. Jim put a number of the Wall Street type speakers at the table, to impress them at lunch with Lady Thatcher. Lady Thatcher was at the head of the table. My wife, Fran, was next on this side, and I was next to her. And Lesia and Jim were on the other side. And Lady Thatcher was just the real deal. She was so gracious, so nice, turned to us, asked us, did we have any kids? We had young children, toddlers at the time. Happened to be the same age as her grandkids. Well, that was it. She was talking to Fran and I for the next half an hour about kids, about toddlers and raising kids. It was the most genuine. Nothing about politics or anything else.

Well, down the table of waves was Jim Rogers, who some of you may know is a bit pugnacious. And Jim, at one point yelled out from the table, said, "Lady Thatcher," something like, "why didn't you join the Euro," or whatever. And Lady Thatcher was talking to Fran and I, and she turned up and looked at him and gave her pat answer about losing sovereignty, yada yada, all this stuff. Then turned back to talk some more about her grandkids.

Well, Jim was having none of that. He says, well, something like, "We've all heard that before. What do you really mean?" And at this time she turned even more slowly and she looked at him. Nobody at the table can even remember what she said, but she rhetorically tore him to shreds without batting an eyelash then turned right back and picked up her conversation about her grandkids without missing a beat. I can tell you that we have had a number, and especially in the years when we had a lot of big political speakers and the like.

Some of them were empty suits, frankly. They were there to collect a check. And you'd have a meeting with them, and they were just one word answers and the like, and they'd get on the stage and just deliver stemwinders. They were paid performers, frankly. And they did their job. They did it well. But we have strived not to have people like that back, whether individually or as a category. And we've strived to or striven.

Adrian:

Striven.

Brien:

Adrian, thank you. I knew you were right there. I knew it. Genuine people. Genuine people like you. And I say it all the time. I think so many of you could be up here if you wanted to be and say the same things that we're saying. You have those kinds of insights. There's a lot of intelligence in this crowd. Please, please take advantage of it. Share contact information, keep in touch, bring your friends and family. This is a special event. It's growing. It's growing over the past few years. I think we're catching a wave here. And I'd like to thank our panelists. They're just an incredible group of friends, incredible audience. Onward and upward. We've got a lot more to come. Thank you all so much.

Charles C.W. Cooke

“What The Heck Just Happened?”

Charles C. W. Cooke:

All right, thank you very much. I don't think I have lost my accent. My wife has been very keen to keep it. So I suggested the title for this talk before we knew the result of the election. And I suggested it because irrespective of who won or how, it was pretty clear to me before the result came in that we were living through something of a remarkable event. From top to bottom, the 2024 election was pretty weird. The intensity of the coverage often obfuscated that fact. But when you stop and think about it relative to pretty much every election since about 1970, it was unusual. The Republican candidate, Donald Trump, was nominated for the third time in a row. And that's actually only happened four times in American history. The last candidate to be nominated three times in a row, four times actually, was Franklin Roosevelt between 1932 and 1944.

Roosevelt was nominated four times. He won four times. And prior to that, you have to go back to 1908 when William Jennings Bryan was nominated three times in a row by the Democrats, he lost all three of those elections. They kept going anyway. Before that it was Grover Cleveland who, like Trump, won, then lost and then won. And then before that, you have to go back to Thomas Jefferson, who lost in 1796, won in 1800, and then won in 1804. Richard Nixon was nominated three times, but not in a row. He lost in 1960, won in 1968. He won in 1972. And then... Well, anyway. So it was an odd situation this year on the Republican side. And as you'll all know, it resulted in only the second time in American history that a president has won non-consecutive terms. Oh, and on top of that, the Republican candidate had been prosecuted and convicted of a felony, I think unfairly but convicted nevertheless.

So for him to come back, get the nomination for a third time and win the election, represented really one of the greatest comebacks in world political history, extremely unusual. On the Democratic side, 2024 marked the first time that a major party ran a candidate whom a majority of voters told pollsters they thought would literally die if elected. And that was before the debate. It was the most curious thing. Polling outlets started asking people whether they thought that Joe Biden would live through a second term and majorities, occasionally super-majorities said that he would not. But then you get the results from the other questions in the election, and the election would be split 50/50 anyway. So in other words, you had half the country saying that guy's going to die, but we're still going to vote for him. America can be a strange place at times.

So thankfully Joe Biden did not die, but he did drop out. And in dropping out, he made this election the first time that a president who had planned to run for re-election didn't since 1968 when Lyndon Johnson stepped aside and shocked the nation. Now, before that, this practice was actually a lot more common. Harry

Truman declined to run in 1952, Teddy Roosevelt in 1908, a host of presidents in the 19th century. But it's not common nowadays, and frankly, it only happened here because it became so obviously necessary that nobody could deny it any longer, although they would have if they could have because only a few months prior to Biden dropping out, we were still reading stories in the press about how he liked to spend his days during one arm push-ups and playing Mozart's Requiem on the harpsichord and performing one man productions of Hamlet and so on.

But that failed. It became too obvious. And so we got a candidate who had been through no vetting at all, and his last foray into American politics was dropping out before a single vote had been cast with about 3% in the polls. And then there was the independent candidate, another unusual feature of the election, Robert F. Kennedy Jr. who as I'm sure you all saw, became the first politician in American history to run for office while occupied by a literal brain worm. I'm not being literary here, you can look it up. He literally had a brain worm in his brain that he had to have removed. So naturally if it all goes according to plan. He'll soon be the Director of Health and Human Services with 20% of the federal budget under his control because of course he will. So just as strange as the candidates in this election was that the election didn't, at many points, seem to be about anything.

Now, that's not to say that voters didn't think that it was about anything, they did. But while voters took positions, neither candidate made the election about a given topic or theme. Kamala Harris couldn't decide what she believed in if anything. Donald Trump made the election about absolutely everything. And so in the three weeks prior to the vote, I was asking people, "What do you think this election is about? Or what do you think the candidates are running on?" Now, people could answer what they thought the election was about. They had lots of views, but they struggled to say what the candidates thought that the election was about. It was a strange, strange time. So Trump won and he won decisively. Why? That's a complicated question, but I think at root that there are three answers. The first is that the Biden-Harris administration simply wasn't very good.

Within two months of Biden's inauguration, he had signed on to a $2 trillion bill that turbocharged inflation. Within six months, he presided over an embarrassing withdrawal from Afghanistan. Within a year, he'd helped create the worst border crisis in recent memory. And in large part, that was because Biden had forgotten how he became president in the first place, which was by running to the center and promising moderation and calm. Or to put it another way, Biden became president by realizing that Twitter is not real life. But he then governed as if Twitter is real life, which was a catastrophic decision, and he never recovered from it. He never recovered from that, and he never responded to it. And having finally grasped, two years in, that inflation was a real issue, that it was destroying his presidency. He convinced Congress to pass a bill called the Inflation Reduction Act, that as CBS famously reported, had nothing at all to do with inflation and people noticed.

The second reason that Trump won is that people look back fondly on the Trump years, and it turns out they don't blame him for COVID. People liked that economy. They especially liked it in around 2019. They liked the border security, and I suspect they liked the atmosphere of the country in 2020 as well before 2020, I should say, when we got a pandemic and we got a moral panic after the death of George Floyd, that has lasted in one form or another until now. This astonished many people. But if you look through the focus groups and you look through the polling, people preferred those years than the Biden years, and they voted to get them back. By 2024, Americans thought Trump had been a good president and the presidency had been a good time and they wanted him back. And the third reason that Trump won was that Kamala Harris was a historically terrible candidate.

The last Democrat to perform as poorly as Harris did was Michael Dukakis in 1988. Harris never decided who she was. She ran away from the positions she'd taken in 2019. She wouldn't quite denounce Joe Biden. She also embraced Joe Biden. She was a chimera. And on top of that, she was just not a good retail politician. She wasn't a good vision politician. She wasn't a good stump politician. She wasn't a good politician in essence. And Trump, while he has a lot of flaws, is. So the question is what's going to happen next? A few consequences of this election come to mind. The first one is that the 2017 tax cuts will be extended, perhaps in their entirety, perhaps even increased. During the campaign, Trump liked to play Oprah Winfrey wherever he went and promised people that they in particular would pay lower taxes in the future.

So he offered to abolish taxes on tips, on overtime, on Social Security benefits, on the interest for anyone who took out a loan to buy an American car, he promised to restore the salt deduction that had been abolished by his own bill in 2017. There will be some pressure to include at least some of those things in any overhaul. We'll get some executive-led deregulation as last time, possibly even a return to the President impounding funds, which we haven't seen from the ‘70s onwards. And we'll set up a fight in the Supreme Court. We'll probably see an explosion in energy production. As a matter of fact, I wouldn't be surprised if that ends up being the biggest achievement of a second Trump term. The originalist majority on the Supreme Court is safe for now, possibly safe for a generation. But on the other hand, and this matters just as much, we're likely to see no attempt whatsoever to deal with our annual deficits or with the debt that they cause, or with the untrammeled entitlement spending that causes both.

We now have two parties in Washington DC that simply don't want to talk about that issue, and they don't want to talk about that issue because the public doesn't want to talk about that issue. And that isn't going to change in a second Trump term absent some economic cataclysm. If Trump's nominee for the Labor Department is any indication, there's going to be a fight in Washington DC over the role of unions with some of the questions raised, answered in ways that free marketeers may not like. And then the biggest uncertainty in the next four years is to what extent Trump is serious about his desire to impose tariffs. There is, for reasons I've never quite understood, an awful lot of power vested in the presidency by Congress to impose tariffs. I don't know why that's the case. We don't allow presidents to impose taxes without Congress, but tariffs we do.

And it is going to be extremely important to know whether Trump intends to use tariffs as a tool to achieve certain geopolitical aims or protect certain industries, or whether he's serious about blanket 10, 20% tariffs as he kept saying while he was campaigning. That could make a big difference to the economic outcomes. Now, I think that is a key point because everything that I said in my description of why Trump won and why Kamala Harris lost ought also to serve as a warning for Trump and for his team in that Joe Biden was bad, but if Trump is bad too, he'll meet the same fate. People look back fondly on the first set of Trump years, but if they dislike the second set, he and his party will be kicked out of office too. And while Trump has a certain eccentric talent, it won't be tolerated if people don't like its results.

And this is a thing that we just miss in politics, is how fast American politics changes. That just six years passed between Watergate after which the word Republican was effectively an epithet and the landslide election of Ronald Reagan, and then after that domination in Congress by the Republican Party. There were just two years between the election of Barack Obama in 2008, when George W. Bush's approval rating went down at one point to I think 28%. And the Republican landslide midterm victory of 2010. Lyndon Johnson in 1964 won a sweeping victory over Barry Goldwater, after which it took 32 years for his party to win a second term in the White House. Now it is, of course, absolutely human for the team that just won to believe that it's now ordained to win forever, that its enemies have been vanquished, that it will sweep all that is before it in perpetuity.

But it isn't true. Joe Biden destroyed his presidency within a couple of months of becoming president because he allowed a bunch of academics to go into the Oval Office and convince him that he was Franklin Roosevelt. It could happen to Trump too if he forgets why he won.

So since the election, I've been asked by a good number of people what I'm the most worried about going forward. And look, I'll put this into perspective. I'm a Jacksonville Jaguars fan, so I'm quite difficult to upset, worry, alarm, or even anger. I've got the training. I've years of training of upset. People often ask me, "Really, you moved to the United States from England and you could have chosen any team to support, and you chose that one?" Well, I did. I guess I hate myself, but I'm also accustomed to worry. And the answer to the question of what I worry about far more than anything else above really big challenges that the US faces, the deficits, the debt an invasion of Taiwan perhaps, is that we are going to keep going down the road of illiberalism and cancellation and censoriousness that we have been on for many years now.

And in the process, we're going to destroy our country and destroy the foundations of our prosperity. Now, I know some people think that Donald Trump's victory will herald the end of that, and perhaps it will help, but we ought to observe what has happened in the immediate aftermath of that victory, which is that a rallying cry has gone up in opposition to what is often termed misinformation. But what is better understood, I think, as normal political speech, as hyperbole, as eccentricity, as the free flow of ideas and so on. Now, it's not to excuse lying. Obviously there are people who spread lies about politics, but neither party or ideology or faction or group has a monopoly on that. That's what happens in a free country. And what I worry about more than anything else is that the attempt to strike at it, whether it's in the law or in our non-legal institutions, will end up striking at the heart of what makes America incredible, which is its weirdness, its toleration of trial and error, and its penchant for heresy even.

I was thinking about trial and error last night after I got a text message from my wife that because I got a new iPhone was dutifully interpreted and rewritten for me by this thing called Apple Intelligence. So I don't know if anyone has this, I got a new iPhone because my battery died on the old one. And it has this feature where it reads through your unread messages for you and then it tries to summarize them. And the problem with it is that it just can't handle idiom or hyperbole or colloquialisms of any kind. So my wife played tennis yesterday with her best friend, and the message she sent me read, "I lost. She kicked my ass. I'm dead tired," but Apple Intelligence informed me on my screen and I quote, "Kate's tennis instructor has attacked her. She has died."

So that's misinformation. But the thing is, it's unavoidable. It's unavoidable while we train the technology which will get better and better and better. And the point I'm trying to make here is not to criticize Apple Intelligence. It can be useful. The point I'm trying to make is that you can't have America without the rough edges that too many people in our society are trying to smooth out. Or to put it another way, any culture that seeks constantly to exclude the people who are a bit different will end up excluding the people who make a big difference in the world. And one of our strangest modern tendencies, I think, is to fill important rooms with people who look different or have different immutable characteristics, the least interesting thing about anyone but who all have the same views on everything or were chosen, in fact, because they all have the same views on everything.

And the story of the last decade, thankfully there's some pushback, but the story of the last decade is the story of our removing unique people from positions of influence, encouraging the people who remain behind to stay quiet when they disagree and building a system in which the best way to get ahead in American civic life is to repeat whatever mantras are popular that day. John Stuart Mill once said that, "So few now dare to be eccentric marks the chief danger of the time. They are the visionaries who make giant imaginative leaps." That word eccentric is, of course, from Latin. Literally, it means to be away from the center or away from what we think of as normal. And we will find that in almost anyone who makes a big difference. I have a few examples of this I love. One is William Buckland, who wrote the first major work about dinosaurs.

He was probably the greatest geologist of the 19th century. He refused to give any scientific lectures at his university unless he was on horseback. He managed to get himself appointed to a government committee on exotic animals simply so that he could import them into England and then eat them in his mansion. But this guy was a genius. He made a big difference. John Napier, who discovered logarithms and popularized the use of the decimal point in mathematics, always carried a spider with him when he traveled, he kept it in a box and he had a rooster, which he would use to tell him which of his servants were stealing from him. Henry Ford was a pretty weird man with some pretty ugly views, frankly, so was Charles Lindbergh. And a lot of those people…Is Elon Musk completely normal? Is Peter Thiel? Is Mark Zuckerberg?

As you may have noticed, I'm originally English. I think Americans sometimes don't understand and the way foreigners do, just how incredibly peculiar the American free market is in what it produces and in the people who produce it. Because America has this great toleration for individual autonomy, it's invented all sorts of odd things that would just never be dreamed up in a controlled economy or in places where conformism and regulation and censorship are the norm. If you stop for a second and think about it, America has produced some crazy stuff, roller coasters, Hot Pockets, drive-in movie theaters, paintball, bubble gum, the electric guitar, virtual reality glasses, Star Wars, the golf cart. I'm a big golf cart guy. I live in Florida. There are hundreds of companies across this country that build custom accessories for golf carts. I don't even play golf, but I have this golf cart that I work on and use to get around in, and I can do that in America.

I'm constantly modifying it. And perhaps my favorite example of this is a TV show that I used to watch as a kid called Teenage Mutant Ninja Turtles. Now, this has always interested me because as hard as I try, I simply cannot imagine the looks on the faces of the guys at the TV company when this show was pitched. So the writers went in, they were asked what their idea was, and then they must have begun describing this sort of insane drug vision, "Well, it's about these four turtles, which well, they're mutants and they live down a sewer in which they train in various martial arts under the tutelage of a rat named Splinter."

The guys go, "Okay, that's a bit unusual, but I'm listening. What are their names?" "Well, they're actually all named after Italian Renaissance painters." "Oh, they are? They are?" "Yeah. Hence, their love of pizza of course." Only in America. Only in America would this happen. And the fact, by the way, that last year they made a new movie with the same characters that were first put on TV in the 1980s should tell us something about what happens when you start to purge the free thinkers. So I want to add a final thought about what just happened, which is that despite the way in which this election was often cast in the press, the candidate that seemed more normal actually won. Now, I don't mean by that that Donald Trump is normal, he's not. Nor do I mean that being normal is desirable, given all that I just said.

But I think a majority of people felt that if he were in the White House rather than Kamala Harris, then they might be freer to get on with their lives, whether those lives are normal or abnormal. And there's a line from C.S. Lewis that I've come to love because I think it serves as an excellent reminder that we should not lose sight of why we have a political system in the first place. And Lewis writes, "We must say that the sun looks down on nothing half so good as a household laughing together over a meal or two friends talking over a pint of beer or a man alone reading a book that interests him and that all economics, politics, laws, armies, and institutions save insofar as they prolong and multiply such scenes are a mere ploughing the sand and sowing the ocean a meaningless vanity and explanation of spirit."

And ultimately, that is true. Politics exist to protect civil society. It exists to protect what we're doing today and what each of you does when you are not here. And if it doesn't do that, then it's useless at best and it's evil at worst. And those of us who spend our days writing about it as if it were baseball, ought always to remember that. Thank you very much.

Tavi Costa

"2024 Recorded Presentation"

Tavi Costa:

Okay. Hi everyone. Well, thanks for having me in this great conference, by the way, from Brien. I'm a big fan of this. One of my favorite events of the year and unfortunately I couldn't be there, but I'm happy I was able to at least share some of my views here virtually. The topic of this representation to me is something that I see as one of the most important macro trends of the next, call it one to three years. I remember the first time I presented at this conference, I believe it was a virtual one, and I was talking very much about the inflation risk. There was another one in 2021, I believe, where my focus was mostly on the issuance of treasuries, of which I thought it would lead to higher interest rates. Here we are now, and I've got a lot of things wrong too.

It's not just those things that went right, but I do sense there's a third wave of this big macro trade that is underway and I believe this is going to be the depreciation of the US dollar, not only versus other intangible assets, but relative to fiat currencies, other fiat currencies too. I know Brent Johnson will be at this conference as well, and he's a good friend of mine. I hope he's watching this as well because I'm going to present the other case of the dollar that I think it's even more important. I'm showing here a chart of DXY, it's a little bit older chart, however, still relevant and less meaningful because I think technically is not the real reason for why the dollar is likely to be at approaching a peak level, but there are other fundamental reasons that I think would be very important to point out.

I'm going to start moving to the next chart here, which I think, when we learn about macro and things that have worked in the past to what we know is that the dollar itself it's a relative trade, and I think Brent speaks about this very often. One of the things, however, that is absolutely critical about the dollar itself and understanding those big moves of the currency versus other currencies is also when you have this combination of policies, which you have the tightening of monetary conditions along with aggressive fiscal spending, tends to be this mix that helps the dollar to appreciate versus other places. In my view, we're about to see something, not only on a relative basis that I'll present, but also this chart is extremely important. We're seeing one of the lowest levels of pro-growth, fiscal spending percentage that we've seen in the last 40 years.

How am I calculating this? You take fiscal spending overall, which has been, as we all know, a very large percentage of GDP, but then you remove all these things that are not really creating growth. Which ones are those? Social Security, Medicare, veteran benefits and services, and most importantly, net interest payments. It's basically entitlements and also net interest payments are basically the big portion of this non-growth, fiscal spending. The remaining side of it is what I'm calling here pro-growth, which is not all of it, it's actually a little bit of an overstatement of what it really creates growth fiscally, but it's an important aspect that I think everybody should know that we're reducing that amount of pro-growth to a level that is now starting to become concerning. On top of that, we're seeing the Fed easing its monetary conditions by reducing the level of interest rates.

I think this is only getting started because of the next chart of which we now look at across the globe. I was in the camp of Brent, I was really in a camp that the cleanness of all dirty shirts out there, I've always been at the view, but I can't help but look at that chart. This chart specifically has the best answer for why I think this is not the case any longer. Back two years ago, this was not the case. We didn't see public debt, net interest payment relative to GDP of 4.6%, it used to be a lot lower, it used to be much more in line with all these other economies. Notice some of them here. Japan. Despite the fact, Japan is running a much larger leverage in terms of its government and total debt to GDP, you can see clearly that any economy can run... What is unpopular here, I guess is, the US can run a much worse balance sheet in terms of its fiscal agenda.

It can actually have a much larger public debt to GDP, hence why Japan has been able to do the same in other economies too in Europe. What becomes a problem is when the cost of service that debt, it starts to really eating to your GDP growth level and you start seeing that becoming an issue. We did see this with other reserve currencies in the past. The British Empire, for instance. The time when things started to become a little more problematic for them was precisely when the net interest payment to GDP shot up to above 4%, between that four to 6% range is really when it started to create some problems and some sense of emergence from their central bank to do different things or their government to do different things to really avoid an issue. I think we are at that level.

Most economies today, Canada, for instance is 0.9%. You've got the UK even at 1.6%. Notice some very indebted economies that also have much lower net interest payments to GDP. I do think that it shows that the Fed has a much greater sense of urgency to reduce rates than the actual, than other places in the rest of the world. This is a view that I think is very contrarian, not just because of what I say, but also because of the data. If you look at the Canadian dollar today, good luck finding anybody even in this audience that would agree with me that a Canadian dollar is an interesting trade for the next three to five years. I think majority of people would actually have a different opinion on that front, but if you look at the positioning on the futures market today, it's one of the most shorted currencies in history and I think this is setting the stage for a big, short squeeze of some fiat currencies and this is why I'm so focused in this trade.

Okay. We're looking at that bar of 4.6 more. Look back here. This one is only looking at federal debt interest payment to GDP. The prior one was also including local debt. The reason why I'm looking at that one specifically here is because the chart goes back to the 1700s and you can see that when we had the same level of debt as today back in the 1940s, the interest payment GDP was much more manageable, and today we're approaching three and a half to 4% and we're probably going to go up to 4.1%. This is assuming the CBO projection, which usually tends to understate the scope of the issue that we have in front of us.

I think this is probably one of the most important charts of this whole presentation that I, regardless of what we think the Fed will do in terms of their views about labor markets and inflation, I think what matters is this, and them having to reduce, when we talk about efficiency and all sorts of things in terms of running a better agenda, fiscally speaking, we can reduce a bunch of spending and all sorts of things, but that's really going to be a marginal amount. The majority of the spending comes from non-growth segment, and majority of that that we have control over outside of the radical changes we can make on entitlement would actually be suppressing rates regardless of what inflation and labor markets are. That is extremely bearish for the dollar, in my view, particularly if you know that other economies don't have the same issue regarding net interest payment to GDP being almost half of what the US is today. I think that this is likely to become a big part of the problem.

I think we're going to see the Fed actually easing rates and the Delta, not the actual amount of fiscal spending may stay high, may stay elevated, but that Delta is not going to create more growth spending moving forward, and if we see that, I think this is also going to be another reason to add to my bearishness on the US dollar, and then The Economist comes out with this great cover, which to me is something to be concerned about and reminds me of the Rio de Janeiro of Christ that had also this takeoff picture as well from The Economist back in, I think it was 2011 or so, I could be wrong of the timing, with the idea that this was the beginning, that Brazil was going to emerge and become a developed economy. It never did, it was actually at the very peak of the Brazilian market.

When I looked at something like this and this entire bullishness about the US economy and also the dollar, I questioned a lot of that and I can't help but be very bullish about, not only intangible assets but also emerging markets too. I looked at Brazilian equities today, they keep providing these attractive, in my view, opportunity in terms of value that you can find in Brazilian equities. Here is just looking at Brazilian equities market cap relative to money supply. Clearly we are at levels that we've seen during other major bottoms for the Brazilian market, which makes me very bullish. Another region of the world that I'm very bullish is the Latin American region, relative to US equities. As you can see, the valuation differential is substantial in terms of the difference here.

The second channel or panel of this chart is just looking at the differential of a free cashflow yield, how much you're paying for that free cashflow that those companies are generating, and that spread between Latin America versus US has never been larger. It has been larger, but you can see the trend here, usually, those big discounts tend to happen at moments when we are approaching a bottom, not a peak level for these markets, and so this is why I'm paying attention to this. I look at global money supply and we're seeing a large increase of this, which gives me the conviction of inflation. I think inflation will follow this chart quite closely. I think global money supply right now is surging for many reasons. We haven't even seen that. Supposedly, the bazooka coming from China and the spending we may see from their government and also dilution of money that we're probably likely to see here, that will also have an impact on inflationary trends.

I am of the view inflation is here to stay, I'm of the view that inflation is likely to run at much hotter than historical standards, and that to me is what brings back the capital flows into tangible assets in a large way and why we're seeing this rotational market dynamic in commodities where sometimes lumber is the flavor of the month and then it moves to copper, it moves to ammonia, then it moves to agricultural commodities, it moves back to gold and then silver. You can kind of see these things changing over time that are, in my view, are just building on themselves as we move along. I look at gold itself and silver. Gold is recently making new highs, about 40% or so above that 2011 peak that we know was an important one.

I looked at silver itself, it's about 30% below that 2011 peak, and so clearly there is some level of asymmetry. A lot of people have been very frustrated buying silver, there's no doubt about that, but I still think this is one of the most important macro assets to own in this coming decade and why I pay so close attention to not only only the metal, but only high quality assets that have leveraged silver because I believe strongly that silver will be trading at sort of stupid levels per se in this coming decade as well. When I looked at the silver miners very recently from a technical perspective, they broke out from a very important resistance that was formed all the way back to 2011. If you look at this chart, we're about 55% away from the 2011 levels. I think this move is only getting started. We've had a bit of a scary correction since Trump got elected, slightly before Trump got elected actually we did see silver miners declining a bit. It's interesting, the miners are starting to move and people are not paying attention.

I mean, until recently actually, gold miners are outperforming NASDAQ. Very few people know that year to date has been an incredible year for equities overall, especially the fake stocks and the technology space. Mining stocks, not too long ago were actually leading the segment of the economy. I do think this is the beginning of something at the end of one, and so this is why I pay close attention to that. This is another technical chart, but you can look at junior gold miners are also starting to outperform the S&P 500. It's always an interesting set-up when you start seeing the riskiest parts of the gold mining space.

I mean, yeah, gold miners have been left behind for a while, but imagine the junior space, which I think most of you and the audience knows very well, have been a very difficult place to be invested. I do think that will change as we see the money coming into the mining industry overall, and most importantly as Trump gets his cabinet and the leaders we'll see in the following years, it won't shock me at all if we see the mining industry become a critical industry for the US economy, and I think we're going to see this across most developed world. This is just as a reminder, back in the 1960s, mining spending as a whole used to be close to 20% of GDP in terms of investments and all sorts of things, and today is 0.3% and I think that that will change over time.

The main reason for that has to do with the fact that we've been actually very dependent on ore imports over the years, and given the deglobalization trends that despite whoever is leading the economy, I think those strengths that have more to do with the debt and inequality issues globally will continue to lead to more, either wars or conflicts between countries, overall. Silver production, we've had a big increase in silver prices in the last 12 months or even little further than that, and that has not reflected into a large increase in production of... I'm looking at Mexico and Peru, the largest producing countries in the world. What is interesting about this is because the metal is constrained, it is difficult to find primary silver assets and to also find an asset that has substantial production to move the needle on supply of the metal globally.

This is a main reason why I love silver so much. Gold is predicated on the fact that supply is so constrained. You have other places in the world that are so important as well because they understand the need for precious metals in their own cultural aspects, not only for celebrations and weddings and all sorts of things, but also for monetary reasons. I think India has been a place that culturally understands that the devaluation of money and the need for holding these jewelries or also metals as a way of not losing purchasing power, and so I pay attention to those countries in a big way. Emerging markets in general have that sense much better than developed markets that are just now learning about these things with Bitcoin and crypto and all sorts of other assets, but it's important to notice, especially these legacy assets like silver or gold starting to become a big focus for these markets.

I pay attention as well to the gold prices adjusted to money supply, which to me is one of the most important potential breakouts that we may see here in the following months or so. It could happen even before this presentation goes on air, but it, to me, is an important one. This is going to be very meaningful for the world when we see gold actually breaking out from this big trend, downward trend that we've had in gold prices adjusted by money supply, and I think it's a matter of time for us to see the metal actually rising significantly higher. The main reason for that, it really falls back into who is the buyer of precious metals, especially gold? It is central banks in a big way, and central banks used to own about 74% of their balance sheet used to be gold.

Today, well, even before, it used to be a hundred percent. Somebody came up with a thesis to own debt from another indebted economy to supposedly improve the quality of your international reserves, which is absolutely ludicrous, but here we are, and now I think we're finally coming back to earth with the idea that gold is the ultimate way to really bring back that fundamental reason to hold a fiat currency specifically just because of a country that has accumulated enough gold to back their own fiat currency. This is a beginning of a trend, not the end of one as well. I look at gold miners, which have been, as I mentioned before, have been actually doing fine. They have not done bad at all. Remember back in 2022, September of 2022, there was a good headline that I think was historic, from the Wall Street Journal saying gold lost its reserve status.

Since then, what we've seen is, gold prices have gone up about a thousand dollars per ounce, and I don't think that the cost to mine gold has gone up to the same degree, certainly not a thousand dollars per ounce, and so the margins of these companies are improving quite drastically, but everything comes down in the mining industry, in my view, studying this industry for some time now, I think everything comes down to aggregate capital spending. When capital spending is at ludicrous levels, then yeah, you just probably should avoid investing in this industry. This is not the case today, particularly where we are in terms of relative to GDP levels, but also in nominal terms too. You can see clearly that companies are just not spending enough money, they're not drunk or sailors like they used to be, and so I think this is also a reflection of where we are in this cycle for mining too.

Cashflow margins have been improving, you can see in this chart, if the precious metals industry was a sector, which is not, it's an industry, it would have been, actually, it would have had some of the best margins or the best margin across any sector today, including energy and technology, which supposedly has incredible margins. Clearly, we're seeing some of those improvements fundamentally as well, which I would suspect that a lot of the value investors and other funds are starting to realize the potential change here for a legacy industry that is yet to see a secular move in underlying metal prices that could reflect in a big change in multiples that have been historically low, and I do think that that's going to be the big change here ahead. Now, I look at forecast is for silver as well, which is always a good way of understanding where the sentiment is today. Silver prices forecast are still, for 2024 is about 28, which is about right, actually.

2025 is about $31 and all the way out to 2027 we are the same price as now. I highly doubt that would be the case, I actually think we're going to see substantially higher silver prices, probably higher. It wouldn't surprise me to see double, it wouldn't surprise me to be more than double in prices, and so I do think that we have that set up to see something along those lines. It's been the right metal to be in the last year or so, and I think this is just the beginning because when gold really starts moving the way we've seen recently, usually that signals the beginning of a bigger move in silver prices as well, which as I said before, remains about 30% below is 2011 peak levels, which it was a historical level as well. Lastly, I'm just going to touch on equity markets real quick.

One thing that is shocking to me is, CAPE Ratio today is higher than 1929 at the very peak, but hey, people would say there's so many reasons behind that, I just don't buy it, I think there's so much risk in the US markets personally, especially if the dollar is about peak and all sorts of things. I do remain extremely cautious about the overvaluation of US companies. Do you know what really shocks me is the fact that we're about 38.1 on the CAPE Ratio today? In 2021, at the peak of the market where everyone in hindsight said, yeah, that was a bubble, it was 38.3, so we're not too far from those levels, but guess where interest rates were back then? 1.5%. Guess where they are today? About double where they were back then. How do we justify these multiples? It's getting a bit absurd in my view, so if you want to talk about risk, I think this is a picture of risk, in my view.

I think recently we're starting to learn a level where the treasury market is starting to bother the NASDAQ, or I should say overvalued companies overall, which is NASDAQ essentially. You can see here this breakdown of the treasury bond, ETF, I think it's a real breakdown, I think we're going to see much further bond prices on the long end. In other words, I think we're going to see much higher interest rates in the long end as well. I'm a believer of the steepener of the yield curve trade, I think that the steepening of the yield curve is highly likely in the US and globally, but we're playing this as a 30 year and the two-year yield is our main play, and also the 10 year versus the two-year yield. Those to me look like we're probably going to see much more an inversion of those spreads moving forward.

My last chart is this one, which I think it just smells risk, it screams risk. I don't know what else to say. I mean, if you look at junk bonds today, junk bonds, for those who don't know, they're called junk for a reason, they have the lowest credit rating of any bond, a corporate bond out there. I guess, leverage loans have even lower, but mostly let's just go with one of the lowest credit ratings out there, they're called junk for a reason. When you think about how much is the spread between buying a junk bond, what are they offering you in yield, relative to the fed funds rate, we're about two percentage points away from that. Why even bother buying a junk bond when you can get pretty much the same yield on a Fed funds rate?

This speaks to volumes about the complacency we're seeing in markets right now. It shouldn't shock you if we see this number itself surging from here because that's just the risk we have already. All the risk has been priced out of the market ultimately, and I think that this is just total complacency and I don't understand really the need to even go in this market and purchase these assets, and I think we're going to see a big reckoning of junk bonds ahead. With that, this is the end of my presentation, I hope you enjoyed this, and thanks again for having me.

Adrian Day

"The Ring of Truth: What Gold Is Telling Us"

Adrian Day:

…Going to do something a little different today. In Wagner's Ring Cycle, gold is at the beginning of the epic, is at the end of the epic, and it is central throughout. It's there at the beginning of time, it's there when the humans fight and destroy themselves, it's there when the god's power is shattered and it's there when the world and Valhalla with it are engulfed in flames. But gold survives. Gold is immutable. For over 5,000 years, it has been recognized as something precious, and it's a store of value holding its value, purchasing power throughout this time. This graph shows you 400 years and it's maintained its purchasing power through inflations, deflations, depressions, periods of growth, through wars and panics.

We talk about the price of gold, but instead we should really talk about the price of fiat currencies because gold is a constant. It's the antidote to fiat money, to the manipulation that has existed long before the Federal Reserve came into being. Gold is what I call the ring of truth. It tells us about the state of the world, the health or fragility of a financial system, the health of the economy and the risk in the markets. And gold is a reflection of all of this. So what is gold telling us now? Well, in the very near term, as we know, after the election, gold did fall sharply. There's optimism about the U.S. economy, economic growth that sends a dollar up. There are those who think that the new policies will exacerbate inflation, which will cause the Fed to slow down its rate cutting as we heard in the panel earlier. There's optimism about cutting waste and inefficiency from the government budget…There's even some cautious optimism about a cessation of hostilities in Ukraine and the Middle East. Well, maybe.

Let's step back a couple of years to the start of the most recent run-up in gold. Gold is up over 70% in two years to the high last month. So very briefly, what drove this astonishing move far more dramatic than the pullback, which took us back a mere 7% and a mere five weeks to where we were at the end of September? That's not much of a pullback. Now we know that central bank buying to record levels drove the most recent run-up in gold and almost, single-handedly it was central banks that were driving the price until the beginning of this year when Chinese consumer buying, you can see that huge spike at the end, when Chinese consumer buying came in.

All this time, Western buyers were sellers, as we know. And I just want to emphasize this. So you see here, the Western investors were…selling and they were net sellers well before this. So on this table, North America is dark blue, Europe is green. And up until July, Western investors were net sellers and North American investors didn't turn bullish until September. Now, in many ways this was not really illogical. It was not illogical that the price of gold was going up, and yet Western investors would continue to sell. And that's because the economy was seemingly strong. Interest rates were high, inflation was apparently low and falling, so real rates were high, the dollar was strong. In those sort of circumstances that's exactly the opposite of the economic environment in which you want to be investing in gold.

Now, there were some insightful and intrepid gold buyers, like the Valkyries who came down from Valhalla to scoop up fallen heroes. Our Valkyries are those who preach the value of gold and the emptiness of the Fed. There should be some sound, please, the emptiness of the Fed and the entire fiat system. These are the people in the vanguard who see the fragility of the economy and financial system, and they want protection.

Adrian Day:

So, if one is used in The Ring Cycle as a bit of an analogy for gold, then you can hardly, one can hardly not employ the Valkyries, even if one has to stretch for metaphor just a little bit. And so to anyone out there who is a fanatic on The Ring, because you don't have people who like The Ring, there's people who don't like it. And there's fanatics. If anyone out there is a fanatic, I apologize for the blasphemy.

So that sets the scene to where we were up until the midsummer. And then of course, the Fed cut rates. And since the post-Volcker era, every time that the Fed has first cut rates after a rate hiking cycle, gold has risen and risen sharply. And that's what happened in September, October. And it's important to remember that this cut came before inflation had been firmly quashed. Even though inflation had come down, it remained, it had not been yet firmly quashed. And so this led, as I say, this first rate cut led to a reversal of North

American investor interest in gold. And you can see here at the end on the right, how now we see those blue bars in the positive sign, we're beginning to see inflows into gold.

And coincidentally, that came precisely at the time when central bank buying and Chinese buying were both easing and dropping. And so Western inflows filled a void created by those two. In the third quarter central bank buying dropped almost 50% from the year ago third quarter, admittedly an all-time high. And similarly, Chinese investing absolutely plunged in the third quarter. It was 36% below its ten-year average. But of course, we didn't see these numbers until after the end of the quarter. So Western buying now filled that void. But when Trump came, when we had the Trump election victory, and Western investors then started selling gold, we didn't have the central banks and the Chinese to pick up the slack. So gold dropped.

A couple of things I'll mention. First of all, this has happened before. This is gold after President Trump's 2016 victory. If history rhymes, then we're already well over halfway through the correction. More fundamentally. More fundamentally, the reasons that the various groups were buying gold over the last two years remain. They have not gone away in any way. Central banks want to continue to diversify their foreign reserves, even though the dollar as a percentage of foreign reserves has declined meaningfully over the last, well over the last five years, let alone the last 40 years. Still, dollars are still the major asset, the majority asset of central bank’s foreign reserves. So there's room for them to diversify further. And of course, central banks still have very good reason to continue to be concerned about the weaponization of the dollar.

What about Chinese investors? Well, they've still got reason to be concerned about the vulnerability of their economy, the fragility of their banking system. Now perhaps at the margin there might be more Chinese buying of local stocks because the stocks have come off a bottom apparently and are rallying. But Chinese investors will continue to avoid real estate. They're not allowed to buy crypto. And so gold, I believe, will continue to see buying from this source. And what about Western investors? Are the reasons that Western investors turned in September to gold, and they turned hesitantly, are any of those still valid? Well, government debt levels continue to grow, not just in the U.S. but around the world by about $139 billion. Now, what's $139 billion? $139 billion is how much the U.S. national debt has increased while I've been talking. So this is not a small problem. This is a major problem.

Obviously, I wish Elon Musk and Vivek Ramaswamy well, but the task of reducing government spending and unfunded liabilities and annual deficits is enormous. So optimistically, perhaps by the end of President Trump's term, by 2028, we will have a balanced budget. We will have a sustainable national debt. You can laugh, but I think we can say for now, it continues to be reasonable to buy gold. And we know why we have a lot of problems at the moment. The problems come about, just as in the 1920s, as Jim Grant was talking earlier, because of the excess money creation during the boom, the excess money creation, which created the boom, which increased debt and then leads to the bust. So we have because of that excess money creation, we have a lot of distortions in the economy, things that on the headlines might look positive, but if you look in the mirror, or under the hood, under the bonnet, whichever you want, they don't look quite so favorable.

I know we discussed a little bit of employment, a little bit about employment in the panel this morning, but in my view, the employment situation in the U.S. is nowhere near as rosy as the headline numbers suggest. We talked about the low labor participation rate. I mentioned that the majority of jobs created in the last 12 months... Think about it. The majority of jobs created in the last 12 months were either government or part-time. That is not a healthy jobs market because most people are not looking for a part-time job. It's all they can get. And then of course, the other thing to look at is these constant revisions. We know that in August, the Bureau of Labor Statistics put out a release saying that 818,000 jobs that they had reported as being created last year, well, actually didn't exist. If you look at this year, the monthly revisions have reduced the jobs that were announced by 362,000.

Just think about that. That is well over a million jobs in the last 18 months that the government said were created, that were not. I'm not saying it's a conspiracy, but it's either a conspiracy or it's incompetence, or the jobs market is just plain too complex for the government to announce the jobs, the numbers properly. And we could go through other things, look at inflation. So yes, the CPI rate, this is the core CPI for people who don't eat or heat their homes or drive a car. But the core CPI, which is the Fed's own preferred measure, it's come down. But look at that. if you look at that graph, I would say that it is picking up over the last five months. At least it's found a bottom. And that bottom is well above where we were before Covid and it is well above the Fed's own arbitrary 2% target.

And so in the last four years, the dollar has lost by the government's own numbers, the dollar has lost over 20% of purchasing power by the government's own numbers. So is inflation vanquished? I don't think so. And we mustn't forget today's relatively modest increases in inflation are on top of the larger increases in the last three years. So we are simply building. We're compounding, right? They're compounding. And yet people's wages, most people's wages or income, have not gone up commensurate with the decline in the purchasing power of a dollar. So why is the Fed cutting? I don't think it's because they think inflation is conquered. I don't think it's because of unemployment is under control. I think it's because of government debt. The enormous burden of service in the government's debt, even as most of the large holders of treasuries are no longer buying.

And so we see in my view, the total fraud that is the Fed, the hubris of thinking that a handful of men and women sitting around a table in Washington D.C. can fine tune the economy and can dictate the most important price in the economy. That is the price of money, it is what Friedrich Von Hayek called “the fatal deceit.” This is the Fed, the border is of depression of the 1930s, the inflation of the 1970s, the financial crisis of 2008 and so on and so on, by enabling excesses and distortions, enabling excesses and distortions with the inevitable results. It happened before in the 1920s, the message that inflation is controlled and that there are no consequences to 12 years of monetary excess is fantasy and is no longer believed. So to get back to The Ring, something more important.

Adrian Day:

So just as Wotan's spear, that was the god, Wotan's spear represents power through political means, the power to dictate the outcome of the world, Siegfried shattered Wotan's spear and broke his power. And so too, if the Federal Reserve and the fiat system, which is increasingly seen for what it is, a fraud, an empty promise, deception and betrayal. The Fed is no longer being believed and the power of the Fed is being destroyed.

This is a global phenomenon. You can see here, inflation according to the IMF around the world, almost three times, again, this arbitrary target of central banks. And take a look at this. This is the Bank of England's balance sheet going back to the 17th century, going back to the 17th century. And yet in the last few years, we had this enormous jump in the balance sheet of the Bank of England. We could do the same for the Bank of Japan, the Federal Reserve, the Swiss National Bank. I ask you, did they really think that there would be no consequences to this enormous excess monetary creation? I probably should ask, did they even think at all?

Now we've been here before of course, the last period of manic money creation in the ‘20s, it didn't end well. It ended with a global depression and a world war. And so we are approaching, in my mind, a sort of conclusion to this. And just as in Götterdämmerung, the world is engulfed in violence, in murder-

Adrian Day:

...ending in flames of destruction, fiat money, which is deception leading to poverty and violence will be destroyed. Something new will take its place. But in the meantime, sorry, I've got to listen to this music. But in the meantime, throughout this violence, murder, gold survives. Gold is our protection.

Adrian Day:

Thank you.

Danielle DiMartino Booth
“The Future Of The Fed In The New Political Economy”

Danielle DiMartino Booth:

Thank you. Yes, it is. So let me know if Texas scores please, and don't let me know if Kentucky does because you don't want to see me get upset on stage. You may notice that I changed my outfit from this morning and the reason is, I figured that I should be in a cocktail dress so that you guys are ready for the aftermath of my speech when you might need a cocktail. And by the way, just make a future note to yourself. Don't sit on a cryptocurrency panel. Well, that wasn't the punchline, but okay. But don't sit on a cryptocurrency panel if you don't want to be bombarded by crypto criminals on your Twitter feed afterwards. I've been bombarded all day long, and I didn't even barely get a word in edgewise. Okay.

It was interesting to listen to the last few minutes of George because I too am somewhat optimistic because I believe that we really need change. One of the reasons I believe we need change though is because the markets have been broken for so long. The whole idea of supply and demand and actually having consequences for making bad loans, making people accountable for their debt. I mean, one of the best things I think that Trump has been saying is that, no more with this student loan forgiveness. I mean, seriously, can I get an amen? I mean, I had to pay mine off, you had to pay yours off. Why are we teaching an entire generation that their contractual obligations can be nullified?

In any event, I was talking to Adam Taggart at lunch and he and I both agree with one thing. You guys know what gaslighting is? Yes. Okay. Well, we've been gaslit for two years now. For two years we've had the government lying to us. I'm not a conspiracy theorist. I only follow the data, and that's what the data's saying. Let's jump in. We are told over and over and over and over again that this time is different. That the yield curve is broken as an indicator. That credit spreads are revealing the truth. Even though in 2007, 2008, we didn't have more than a trillion dollars in fixed income ETFs, and today credit spreads represent what? Credit spreads today represent a handful of high yield bonds that are redeemed when there are outflows and purchased when there are inflows into the ETFs. And that's why I just finished reading a Bloomberg article that said that there's a 25% short position against high yield.

In any event, it's not different this time. The conference board leading economic index, which the conference board itself has come out and said is a broken indicator, is not broken. It's not different this time. We want for it to be different. And by the way, my former employer, the Federal Reserve, their work is finished. It is a fait accompli, that is, that orange line is durable goods inflation, the CPI, the consumer price index back to 1936. If you want to tell me what efficacious monetary policy looks like, and by the way, that's very clever for wonky people. What I did there with the F, anyways. If you want to know what it looks like, it looks like the deepest durable goods deflation since they started collecting records in 1936. I bought my 18-year-old a 46-inch TV for $329 recently before he went off to UT, which kicks off in just two minutes. Anyways.

China is a train wreck. Europe is a bigger train wreck. They're firing people left and right in nations that have really strict labor standard laws. Bosch announced yesterday that it was going to be firing 5,000 people. Today, it announced that it was going to be reducing the salaries of 10,000. These are coming out of countries that don't even have labor laws that allow for this kind of stuff, and yet we're seeing it. Volkswagen closing three plants. We're watching history because we're watching a lot of the world in recession at the same time, when, unlike 2009, 2010 and 2015, 2016, China's not riding to the rescue. China's dumping all kinds of goods.

I mean, we couldn't have better news yesterday than the fact that Scott Bessant is going to be our Treasury secretary because at least he wants to allow companies, US manufacturers, he wants to give them two years of runway, carrot not stick, to bring their manufacturing facilities back on shore into the United States before imposing the tariffs. So be very careful when people in the media or everybody on my panel earlier, says that inflation is just going to appear when China is exporting deflation of the magnitude that they are right now, which our core PCE follows.

Now, this is why we've been gas-lit. This is a picture of being gas-lit. Now, I'm only talking about private non-farm payrolls, the aqua bars, because like George, that's all I care about. I don't care about the government creating 50% of jobs. Why should we? That's not productive. For every penny that the United States government spends, it sucks the lifeblood out of the private sector. And since January of 2022, the initially reported non-farm payroll figure for the private sector has been downwardly revised by the Bureau of Labor Statistics from them querying 630,000 some odd employers across America every month, downwardly revised every single month. There's been two months where we had upward revisions. Why? Because the government jobs were so overwhelming that they covered up the decline, the downward revisions in private non-farm payrolls.

And what did we learn on Wednesday of this last week? On Wednesday of this last week, we learned that that aqua bar that was originally reported as 2.331 million jobs created in the private sector was actually 737,000. That's gaslighting. That's why we just came through the election that we did. So that green line is what we were told had been created overall including government jobs. The blue line shows you the layoffs that had been announced over that same period. What the revisions are telling us is that these two lines are a lot closer to one another than we thought. From the data that we have in hand right now, it looks like private sector job destruction. It printed it negative 28,000 for the month of October, but it looks like actual private sector job losses started in April of this year, which happens to be when the level of unemployment in the United States had risen by 10% and crossed a threshold over which the United States has always been in recession.

Continuing jobless claims hit 1.905 million this week. They've increased. After a September reprieve, we saw announced job cuts go right back up in October. Companies continue to announce job cuts when they announce their earnings. This is not normal. We're not in a normal set of circumstances when the private sector continues to atrophy the way that it's been. But why isn't it in initial jobless claims? Why aren't we hearing it in initial jobless claims? In the state of Tennessee, you can get 12 weeks total of unemployment benefits and about $300 a week in benefits. Or if you're in Memphis or Chattanooga or Nashville, you can go drive for Uber instead of applying for jobless benefits. How many have done that? Well, as of the first quarter of 2024, we see that there are 7.1 million Uber drivers in the United States, up from 5.7 million in the first quarter of 2023. That's a lot of gig workers and that's just Uber, not Lyft, not DoorDash.

At the peak of the aftermath of the Great Recession, unemployment is the most lagging of all economic indicators. At the peak of the aftermath of the Great Recession, part-time jobs peaked, hit that top, the blue and the orange combined. We are *already* back there today. Why? Well, Uber didn't exist. Uber came about in Paris in 2009. We didn't have a gig economy to absorb all of the extra people who did the math, who've done the math correctly and said, "If I can make 750, $1,000 instead of $300, I'm going to choose to go drive for Uber." I can't tell you how many 70-plus-year-olds have been picking me up and taking to the airport lately. They're driving for Uber. Appreciate this because the media is not going to tell you the whole story.

So what does it look like when you have a bunch of full-time positions turn into part-time positions, when your income is cut by 1/3? This is what it looks like. This is fresh data out of the New York Fed as of 2024. You can see what credit card rejection rates are. You're going to Capital One and applying for a credit card. They're saying no. Look at auto rejection rates at close to 15%, and then look at your mortgage rejection rates. Almost 25% of people applying for mortgages are being turned down. Not pictured here is the rejection rate for refinancing, 25.6%. These are very, very high numbers and they reflect this gigantic pouring …full-time positions into part-time work. The US consumer is not strong, but the US consumer has had a lot of access to a lot of credit since the pandemic hit.

So how bad is it out there? Well, this is a pretty complicated slide, but I want you to focus on the first thing, which is the yellow bars. That's the reported delinquency rate for Discover, the sixth-largest credit card issuer in the nation. So they say it's 3.93% and that it's been stable over the last year. What do we not see when they report, but yet legally they have to include in their bank call sheets? That would be the percentage of credit card loans that they're modifying. Your rate's 27%, the bank does not want to call you delinquent. The shareholders don't like it. So instead they modify the loan. 3.52% of credit card loans on Discover Bank's books have been modified. Add the two together and you get to 7.5%, a lot higher rate than what's being reported in the media.

Where are auto delinquencies? With an unemployment rate of 4.15% before the unemployment rate starts to catch up. Well, what if everybody drives for Uber? Is that feasible? No. I'm having more and more drivers at the airports tell me they can't get enough good rides because there's too many drivers out there. There's too much competition. So we will see the unemployment rate continue to rise, and we will see the unemployment rate continue to rise and now we'll actually hear about it because your average Washington DC bureaucrat is a Democrat. I'm not making a political statement. I am simply providing you with an observation. I think I might've been the only fiscally conservative individual inside the Fed when I was there. And they think the same and they cannot wait to unleash this data now that this election has come and gone. Open the gates of hell and tell the truth with a political bent and shame.

So where are we in the US housing market? It can't be as bad as it was in 2008 and in 2009 when we had the subprime mortgage crisis and anybody who could fog a mirror could buy a house. It can't be that bad. It's not. We'll get to commercial real estate and you just hold on there. Buckle up buttercup. We'll get there. But now we've gone from a first time home buyer being in their twenties to being 38 years old. In 2010, 50% of all the home buyers were first timers, which is what it should be, when the millennials were coming of age. Today, that's 24% are first time home buyers. The growth of multi-generational household formation has completely skyrocketed. And it's not because of what you think. You think that's because juniors moving back in with senior, that's only half of it. The other half is senior moving in with junior because it's so expensive to have an elderly parent and put them in a home.

Now, this is what I was talking about this morning and with due deference to Peter Schiff, inflation's not going to happen because he told us sp. That was an unsatisfactory answer when we were kids. Why are you doing this mom and dad? Because I told you so you didn't like it then. I don't like it now. And again, shelter's 40% of the input for core PCE. It's the largest weight by far, and the Cleveland Fed new tenant rent index, that green line, has turned negative. 46% of the apartments coming out of the apartment pipeline, that blue line right there, as you see, this is the highest number of homes, apartments, coming out of the construction pipeline in a half century, half a million units in '24, half a million units in '25.

The Census Bureau has told us that only 54% of the new apartments coming online are actually being rented. That's a lot of excess supply, and that is why the Cleveland Fed new tenant rent index has already written the page on where shelter inflation is going because it told us at the peak that shelter inflation was going way up and it did. It did, but it's also already telling us that shelter inflation will be at 2% by the end of 2025. The history has already been written. The data already exists. We know where shelter inflation is headed in 2025 that will be overwhelmed by tariffs.

If tariff inflation was three times the rate what it was in 2019 after the last trade war, you'd still get core PCE, because of shelter, down to just 2.7%. If tariff inflation is only what it was in 2019, which filtered through to goods. Deflation right now is negative 1%, negative 1.0% if you're taking notes. But in 2019, those tariffs caused goods deflation simply to dissipate to negative 0.3%. If that repeats itself. And Scott Bessent, our new Treasury secretary has said, "I'm not rolling out these tariffs overnight. I'm going to give American companies two years to re-onshore." But even if we had somebody come in with shock and awe and impose 60% tariffs on China tomorrow, it would still take a year to filter through. And if it was a repeat of 2019, you'd still just get to the Fed's 2% inflation target by the end of 2025. It's just math and it's going to make the Fed's job a lot harder.

Hurricane Barry, Hurricane Helene, Hurricane Milton drove a path through 100,000 single family rentals, 4% of which had flood insurance, 4%. We're seeing homes purchased in 2021 and 2022 with enormous levels of delinquencies when people bought at the peak of the COVID aftermath. Right now, today, this is a brand new graph. Remember I was telling you rejection rates on mortgages, look at lending standards for mortgages. They're just getting tighter, unless you are the most pristine credit. And then look at that blue line on the left-hand chart. What does that say? It says FHA loans that are delinquent because the FHA is going to ask the question, why are you delinquent? The answer being because I'm unemployed is above its Great Recession peak today, with an unemployment rate of 4.15%. That's on its way up. We're going to need a bigger scale. Okay. All right, now? All right. You got to stop writing. It's commercial real estate time. You can raise your seat back, put away your table.

We know this about commercial real estate. It's starting off worse than it started off in 2006 in terms of delinquencies, and that is with tremendous amounts of extend and pretend. The write-offs will follow the path that they followed in 2009. Jay Powell has been dragged through the mud by Trump, by Biden. Heck, Kamala Harris was one of the 12 who voted against his confirmation in 2018. Imagine what she would've done to him, but he's not going to rescue the commercial real estate sector. There's a hell of a lot of pressure on the banking system right now to do so. I met with somebody after the panel this morning for an hour and a half talking about how crazy bad commercial real estate is right now, and we're not seeing it because the FDIC doesn't want us to. But even so, here's the delinquency rates and good God, look at the office delinquency rate with an unemployment rate of 4.15%. I know I'm a broken record. I keep reminding you about that. Any news on the Texas game? You've got a burnt orange shirt on, sir. Do you know? Well, at least you're dressed right.

So this is where we are today. While we're extending and pretending, I'll get to that in just a second. Commercial real estate isn't nearly as bad as what it's going to be because just like a line of credit for a company prior to the beginning of the downturn in commercial real estate, there was a lot of untapped credit lines for commercial real estate. That, as you see with the blue bars, is almost gone. So the financing in this sector is about to get worse. “But it's small Danielle,” you're right. Banks have only got $3 trillion of this stuff in loans. That's it. Just 3 trillion.

And it's not an office specific thing, even though I just showed you only office, it is bleeding into multifamily. I just told you only 46% of multifamily completions are being absorbed by the marketplace right now, so it's going to get worse. Retail is a train wreck. We're closing so many stores in the United States, and there are several major chains that are poised to follow into Chapter 11. Other major retailers that have gone out of business. And here we are with the FDIC and the OCC in an absolute panic trying to help banks not have all these CRE loans on their bank books default.

So banks are modifying the loans as you see in the blue bars, a lot of them. They're extending and pretending as quickly as they can, but Moody's came out with a report because these credit rating agencies are scared stiff they're going to get blamed again. Even though the FDIC is telling the credit rating agencies to be quiet, Moody's nonetheless, came out a few days ago with a report about second defaults. So the same exact CRE loans that have already defaulted once are starting to re-default. Well, you wanted me to talk about commercial real estate. You can't complain about what I'm saying.

Speaker 3:

Community Reinvestment Act.

Danielle DiMartino Booth:

No, it's not the CRA. But don't say I didn't have a happy slide. Are any of you bankruptcy attorneys in the audience? Because if you are, you're buying round a drinks for everybody because there's some serious inflation in what bankruptcy attorneys can charge. In fact, you can see it's gone completely off the trend line. We get a new measure for this every single month in the producer price index for bankruptcy attorneys. They're in high cotton. They're making more money than God. And as you can see, I mean we are running at the fastest pace in 2024 that we have since 2010. And December's usually a big month for throwing in the towel.

In the month of November, as of yesterday, I expect this will stop because we've got Thanksgiving next week to push pause. But in the month of November, according to Bloomberg, we've had 19 corporations in the United States with liabilities north of 50 million file Chapter 11. In January of 2008, we had 16. January of 2008, the second month of recession, the highest we ever got was 23 during the Great Recession, large bankruptcies in one month. We're seeing it filter right through as it should to household bankruptcies.

But Danielle, the GDP is so high. The Atlanta Fed and there's such big fat gigantic numbers. So how long did we take as Americans to find out that the United States was in recession in 2001? Well, it took five long quarters before we found out that the print that was positive was actually negative. How long did it take in 2007? That first quarter that we were in recession, that first quarter of 2008, it took five quarters. Revisions take a long time. And remember this, every single individual... Germany's in recession. How do we know? Because they had two negative GDP prints in a row. Simple enough, technical recession, call it, move on. We don't do that. Since the Truman administration, we've had the National Bureau of Economic Research Business Cycle dating Committee. That's a big mouthful. And every single individual on the business cycle dating committee happens to have been appointed by Barack Obama and we wonder where the recession is.

So I mentioned that unemployment had crossed a critical threshold in April of 2024. What do we know happens after that? Well, typically the 10-year bond decreases yield by 24% and typically the S&P declines by 32% before troughing back to history to 1953. Instead, we've taken off for the races. Maybe it's different this time. CEOs are hoping that it's different this time. That cute little yellow bar, see that, on the left, you've got national Federation of independent business profits tanking in the S&P 500 through the roof. And what's going to be the holy grail? What's going to save the day? What's the silver bullet? According to the

CEOs on their earnings calls, rate cuts are. They're looking for that zero bound and they think it's going to save them and they think it's going to forestall recession, or at least that's what they're saying on their earnings calls.

What they're doing, as 2025 earnings projections flatline and are appreciably worse than the 5 and 10 year average is according yesterday…What the insiders are doing is dumping their stock, which you see on the right hand, they're dumping their stock. Do as I say, not as I do. Meanwhile, back at the ranch, me and George hope that this lunacy stops, which means that Trump is going to have to revoke Trump, because the only person who spent more than him who wasn't named FDR was Biden. So he's going to have to show restraint. He's going to have to be the tiger who changes his stripes because what Musk and Vivek are discussing is deflationary. Do we need to get rid of the waste? Absolutely, but it won't be pretty. It will redeem him.

How are they going to cut it when mandatory spending, the blue line, has gone up so much? When the average US worker’s median weekly wage has gone from 25% to 35% to support every social security recipient, the mandatory spending. Discretionary spending much lower, that's what they can cut. Let's see if they can cut Medicare with this swampy Senate. I don't know, but I do know that it needs to be cut. $12,200 per capita a few years ago, every American, what we spend on healthcare, twice what other developed nations spend on healthcare. It's insane. It's insane that we have the American Medical Association set Medicare rates. Look, it's a hen house, let's invite the fox in and call it good public policy. It's asinine.

So what did we vote for? Did we vote for Trump? Well, 46% of this cohort that was queried on Twitter did vote for Trump. 28% voted for Trump to vote against Harris. 22% voted for Harris to vote against Trump and 4% voted for Harris to vote for Harris. Just numbers. When was the last time we had an incumbent thrown out of office three elections in a row? Well, that would be the 1840s. You guys remember the Whig party, don't you? We all do. And the Civil War. We are voting for change. If we're not voting for change, we're searching on Google about how to become a Canadian. Seriously. I don't know about that. I did visit with an immigration attorney in Florence a few weeks ago. Full disclaimer, that's Italian. That man is making more than a US bankruptcy attorney, by the way. He's busy. So I want you to focus on just the upper left hand and if you really want my slides, find me, maybe I'll send them to you and be nice. I don't know.

But I want for us to understand the magnitude of the challenge facing this new administration, this new Congress, because it's time to talk about the midterms. Why is it time to talk about the midterms? Because people who are my geezer age, 40-58, would rather be unhappy than be unemployed. 72% of us would rather be unhappy than unemployed. But if you're 18-26 years old, 54% of you would rather be unhappy. 46% would rather not have a job. This needs to change. The work ethic in America needs to return. We can't have half of our young people saying it's an experiential lifestyle because mom and dad pay my iPhone bill and my rent. It's really messed up. Something needs to change and I hope that this administration can do it. I really do.

Field goal? Woo! Hook'em, baby. Boy, that just changed my mood. The eyes of Texas are upon you. I love your shirt. The burnt orange is getting brighter and brighter. There you go. Was that a Gig 'Em? Lord, have mercy on your soul. Bite your tongue. Damn cold. Tickets are going in thousands. Anyways, I digress.

So, can the Fed escape the situation it's created for itself? Everybody wants for the Fed to lower interest rates. "Lower interest rates, save the commercial real estate industry, lower interest rates, save residential real estate, lower interest rates, bail us all out, give the speculators all their zero interest rate policy and QE. Give it all back, back, back, back, back." But can the Fed succeed? We've only got like 3 1/2 minutes. So the answer is I'll let you know. In the meantime, every time the Fed lowers interest rates by 50 basis points, corporate America saves $27 billion on interest expense. Now, every time the Fed lowers interest rates by 50 basis points, savers lose $61 billion, more than double. Does this matter? We've all been piled into cash, $7 trillion in money market fund assets. A lot of it's been collecting 5.5%, not anymore. A little bit lower than that. And yet when the Fed lowered interest rates, money went piling into money market funds.

In any event, every time the Fed lowers interest rates, savers lose $61 billion. Interest income, 70 cents of every dollar Americans get off of interest is spent into the economy. It has a powerful multiplier effect. Every dollar increase in stock holdings, 2 cents is spent. It matters that the Fed is lowering interest rates. Why? Because of this, 24.6% of the United States working age population, retirement age. Passive investing is a force to be reckoned with. There are 100,000 more 401(k) millionaires because they're in target date funds. So their funds flow automatically into the stock market. Their price agnostic buyers. Individuals with IRAs, same company, Fidelity, 100,000 fewer of them. Why? Well, because they're not price agnostic. They're concerned that maybe the stock market is in such a far tail using standard deviations as your measure. That it's only been more overvalued than it is, 1.1% of the time in the history of the United States.

If there are enough Americans who lose their interest income, if there are enough of them, that they start to sell their stock holdings. Americans over the age of 70 own 25% of residential real estate. Americans over the age of 70, own 40% of the stock market. Now, what were these individuals able to do in 2001, and what were these individuals able to do in 2007? They were able to go back into the workforce. My mom turned 78 on Thanksgiving Day. She's at the outer edge of baby boomers. She was born on Thanksgiving in 1946. She's not going back into the workforce.

Jay Powell, the Federal Reserve, the Fed put, is about to be tested. We're going to see, because if they lose their interest income and they can't go back into the workforce to make things up, if the stock market starts to fall out of bed, they're going to sell their stock holdings. They're going to sell their real estate. That's a game changer for the Fed put, my former employer. I appear to have zeroed out. It says I have trusted insights in uncertain times, so find me.

I thank you for your attention. I hope that we can talk about the change a year from now. But boy, do we have some obstacles in between here and there. And I hope at least Trump is honest with us enough to say, "Let's get through this together. Let's do this." And then when we come out on the other side, capitalism and democracy will be saved. But let's take our lump. Thank you for your time.

Economy Panel

MC: Adrian Day, Jim Bianco, James Grant, Brent Johnson, James Lavish, Mark Skousen

Adrian Day:

Well, thank you ladies and gentlemen, and thank you, Albert. I have to say that we couldn't hear what you were saying standing behind you, but most of what you said wasn't true.

So, I'm not going to spend a lot of time introducing everyone, because Albert's already told you they are, and I think you know most of the people on the panel. So, let's get right down to it.

We've already heard, this is really interesting, we've heard from James, James and Jim. I don't know if that was organized that way, but what's interesting to me, we got recommendations for gold, for bonds, and for Bitcoin. So, fairly diverse range of Jims. So, let's start with one of the other two, if I may, and then we'll come to you later. First question is very general. I want to ask everybody on the panel this, and don't roll your eyes. We had an election earlier this month, you probably know. So, the question is, how does the election outcome, which means one party controlling all three, and the appointments that we've seen so far, how does the election outcome change the economic outlook? Have you changed your views at all, based on the outcome of the election? Let's start with Brent, may we? Johnson?

Brent Johnson:

Well, I think it would be a very big understatement to say that Trump winning was not a big deal. I mean, it is a very big deal. It hasn't really changed my outlook, although it has probably amplified it a little bit. And I would say that Trump's policies in many ways are... They contradict each other in some ways. Sometimes he'll say, "I want to kill inflation," but then he'll also say he wants a weak dollar. And then the next sentence he'll say, "The greatest war in the world is tariffs."

And the reality is, is even if he gets his rate cuts, tariffs are basically like a rate hike for the rest of the world, because it's going to mean less dollars circulating outside the United States. And that has tremendous implications for the global economy. And I think 2025 is going to be very similar to 2022. I think it's going to be kind of rough to start off for the first half, maybe the first two or three quarters. But I think in some ways, the tariffs will actually be good for the United States once people get a handle on them, and I think the U.S. will continue to outperform the rest of the world.

Adrian Day:

That's it? Okay. Mark?

Mark Skousen:

Yeah, there's a lot I disagree with Brent on this. First of all, Trump is known for King Dollar. He wants a strong dollar. I don't know where you got the weak dollar business, but…

Brent Johnson:

Because he says it.

Mark Skousen:

Larry Kudlow is a big follower of course, and he talks about King Dollar on Fox business all the time and Trump is in that camp from what I understand. Make America great again is all about making the dollar strong. The other difference is that we need to recognize that the tariff, the 20% tariff, has a very small chance of passing Congress, thank goodness. Economists across the board have done study after study showing that tariffs are bad long term, and short term, for the country. And Donald Trump was asleep when he took Econ at the Wharton School, because he should know better than to push that agenda.

Overall, I do think that it is a form of Reaganomics number two. I had a big argument also with Peter Coy of the New York Times who says, "Well, there's another group that lost from the election, and that was the economists." And in a sense, he's right about that, because economists do say that when you're at full employment, which I think we all agree, we're close to full employment, we should be running surpluses, not $1.7 trillion deficits. So that is a very serious problem that needs to be addressed and I really admire Elon Musk and Vivek Ramaswamy, who are making an effort to gut the federal government. If you listen to the language, and that Wall Street Journal column that just came out the other day, yesterday, I guess, boy, they are really taking on a really tough battle to fight the establishment and really cut government. No Republican or Democrat has reduced government spending, starting with Ronald Reagan. So, it's a real tall order, but I'd like to see it happen.

Adrian Day:

Okay, thank you, Mark. Let's start at the other end and just work down the other three. James Grant?

James Grant:

Well, Adrian, I think that if you want to bury an idea in Washington, you form a commission. And the DOGE commission, the Directorate on Government Efficiency, ladies and gentlemen, it has two CEOs. Now, is that efficient?

Brent Johnson:

Good point.

James Grant:

If there were a real determination, I think to bring down government spending, and to reduce the rate of public debt, growth in public debt, President-elect Trump would not have said that he would never touch entitlements, but he said that, and by the way, he did, Mark, and maybe I misunderstood, I think that the Republican platform, certainly the Vice President-elect has made clear they want a weak dollar. So, I think we... All of us in this room would hope for better things in this administration, but I think that the rhetoric is stronger than the intention.

Adrian Day:

Okay, Jim?

Jim Bianco:

So, I'll go a little different, so I don't echo some of the comments that have been made earlier. Let's talk about the President-elect in Donald Trump and who is perceived to be the second most powerful person in Washington, and that is the Federal Reserve chairman. Trump is not going to reappoint Powell, but Powell knew that, he wasn't going to get reappointed even if Harris won, she was probably going to appoint Leo Brainard to replace him in May of '26. Trump is not, I don't think, going to fire Powell. I don't think he wants to have the spectacle. He'll just threaten to fire him every week, and he'll just say mean things about him every week, and he'll blame everything, including male pattern baldness on Powell as he tries to move forward.

Although if he did want to fire him, and he did follow through on his initial earlier idea that he, Trump, should be the Federal Reserve chairman and the President at the same time, we will be giving Jim Grant so much new material to work with, to have Donald Trump Federal Reserve chairman slash POTUS at the same time. But I do think though that it's going to be very interesting, because what you're looking at right now, Tim Morose arguing even today in the Wall Street Journal, that the Fed might be done cutting rates, and Trump wouldn't be wrong to say, "Boy, does that look very political. You were cutting rates before the election like crazy, 50 basis points. Then I win, and you stop." That could wind up becoming a narrative early on in the Trump administration, his stressed relationship with the Federal Reserve chairman.

Adrian Day:

Okay. And James?

James Lavish:

So, I think Trump speaks in contradictions. We've established that, everybody knows that. He talks strongly about tariffs and tariffs are inflationary, but in my opinion, Trump is going to use tariffs as a threat. I mean, he loves wielding a big sword. He's got a massive, gargantuan ego. So, I think that it's a little bit more of a threat than actuality, number one.

Number two, he talks about, "Drill, baby drill," which he wants to open up federal lands, and maybe restart the Keystone pipeline, whatever it may be. He's going to do things that he wants to bring energy costs down here in America. And we all know that energy is the largest component of CPI, and the inflation rate. So, that's a contradiction. I mean, he wants a strong market. He and his buddies love the stock market to be at all time highs. I do think he's going to pressure whoever is the Fed chairman, whether it remains Powell or not, he's going to pressure him, and he's going to needle him. He'll call him names, he'll call him Little Powell, or whatever he's going to say. He's going to come up with a good nickname for him, and…

Jim Bianco:

He can't putt. Remember that one?

James Lavish:

Yeah. He has no club head speed.

Jim Bianco:

Yeah.

James Lavish:

So, he's going to belittle him and try to bully him. And I don't know how effective that is. Powell's been pretty effective in his role of doing what he said he wants to do. Whether or not he's doing the right thing at all times is another conversation entirely. But I think that ultimately Trump wants expansion. He can't touch entitlements. You can talk about laying off people in the DOGE committee, whatever that's going to be, but how many people can you lay off? There's 4 million federal workers, right? So, if you lay off a million of those, and they make on average $150,000 each, that's $150 billion. That's literally a drop in the bucket of our spending, and it's just a fraction of our deficit.

So, no matter what he does, unless he really cuts back on entitlements, which he said he won't do, and I think that would be pretty damaging. So, however he comes at it, I think that you're going to see easy money, and he's going to push for more liquidity, because he wants the stock markets at all-time highs. He's going to tweet about it, he's going to post it on his social media platform, and he's going to talk about it ad nauseum. I think that we are still on the road to inflation no matter what we do.

Adrian Day:

Okay. Well thank you everybody. Awful lot of points that were brought up at different times that I'd like to dig into. Mark, you mentioned one thing I'd like to start with, if I may, and you said that the employment picture in the U.S. is extremely strong, and nobody can dispute that or deny that. I'm a moderator, so it's not up to me to deny anything. I'm not going to argue with my panelists, but is there anyone on the panel that takes a different view on the employment picture? No?

Mark Skousen:

Well, I could add to my comment that the future, job growth is slowing down, B2B spending, there is a business recession that's going on. A lot of businesses feel that. So there is a fear of a possible recession, and the first six months of all this uncertainty under Trump to cause a bear market. So, that's a possibility, for sure. But I think in general, we are certainly near full employment. It's 4.1%. That's traditionally a benchmark for full employment.

Adrian Day:

Well does the fact that we have a low labor participation rate come into anything? Does the fact that the majority of new jobs created over the past 12 months have been either government jobs, or part-time jobs, does that have any impact on the health of the economy? I could carry on, but I'm only the moderator.

Mark Skousen:

No, no, that's a very... I agree with all of that. Yeah.

Adrian Day:

What?

Mark Skousen:

In the private sector, job growth is really slow, and people who have graduated from college recently are having a hard time getting a job. So, it is an issue.

Adrian Day:

Jim?

Jim Bianco:

The other thing about the labor market to keep in mind is some of the statistics that we've seen that have portended weakness, and I'm thinking the unemployment rate a year ago was 3.5, went to 4.3. I think that was a major catalyst for the Fed to start cutting rates in September, because one of their mandates is full employment. But what we're learning now is, to use Jay Powell's term, an increase of excess labor supply. What's also happening with the labor market is the population of the country is growing at its fastest point in at least 20 years, if not faster, about 1.3%, because of migration. And most of the migrants that are coming, unfortunately, are unemployed, and that's getting picked up in the surveys. So, the surveys are showing more and more unemployed people.

Now, you would normally think that means people are losing their jobs, that's why they're getting unemployed. No, every day the population in the country just got a little larger, with a lot of them being unemployed, and that's what we're seeing in the labor market. So, that has also been a difficult thing to kind of skew in the data too, is the total number of people that are unemployed. It gets to the competition for jobs, especially at the unskilled level, as well. And then finally, one other thing, I'll throw a little bigger picture about the labor market. 2019, remote work, meaning remote work, just to give you a definition of it, means at least one day a week you work away from a central location, an office, a site, a store. You get paid to work not at that central location at least one day a week. That's remote work. That was about 5% of the workforce in the United States.

Then we had COVID, it spiked up to about 65% of the workforce was working remotely. Today it's 30%. So, we went from 5% to 30% of the workforce is remote. That is a profound change in the nature of work. One of the other problems I think with the labor market is we're still using 2019 measures in the labor market, and with this level of remote work, and this level of population growth with migration, we're maybe drawing some errant conclusions in what we're seeing in the labor market. Now, I'm not going to tell you I know what the conclusions are. I just know that the standard analysis needs to be rethought a little bit, because it's a very different labor market.

James Lavish:

Yeah, but you could also say that the corporations are going to use that as an excuse to reset their labor too, because it's easy to just say, "Okay, everybody, come back to the office," and use that as kind of an excuse to lower their labor costs, which is another kind of wrinkle.

Jim Bianco:

They've been trying to do that now for many years. The latest iteration of this is Amazon forcing everybody back to the office in January. Problem with Amazon is four years ago, they let them go remote, and a lot of people live 1,000 miles away from the office, and they're going to quit.

James Lavish:

Yeah.

Jim Bianco:

Goldman Sachs, as a matter of fact, Goldman Sachs invented the term five zero, meaning get back to the office five days a week. And if you know anything about Goldman Sachs, that really means seven zero, if you work at Goldman Sachs. They had to relent on it. The federal government tried to get everybody back in the summer of '23, back into the office four days a week. They had to relent on it. Workers have learned, I think, that they've got a lot more power. "I'm not going to go back. I quit." Or, "I don't want this job. I quit. I'll find another job." And we're seeing that also in the number of strikes, and the labor settlements that we've been seeing, and the wage increases, because I think before 2019, there was a fear, you don't want to push too hard, they're going to fire you, and then that's going to be bad. And today it's, "No, give me what I want, or I'll go find another job."

Mark Skousen:

One of the problems with federal workers is the public unions are so strong that it's now almost impossible to fire a worker. I just finished reading a book about the SEC, and the SEC has been an absolute disaster after the Bernie Madoff scandal and so forth, they didn't fire a single person as a result of that scandal. And one employee, the book points out that one employee, did not work for five years and finally they got rid of them after five years of negotiations. I mean, this is one reason DOGE with Elon Musk and Vivek Ramaswamy, want to make serious inroads into this whole debacle called federal employment. And it's not just federal employment, it's obviously programs. That's what really needs to be cut. You're right, you can't do that much with federal workers, but you can at least make them more productive, because if…you're going to work forever for the government, and you can never be fired, well, you're not going to have a very productive workforce.

Adrian Day:

Well, Mark, personally, with the SEC, I would rather that they keep the people that don't work, and fire the ones that are working. Okay, let's switch gears if we may.

Mark Skousen:

Good line.

Adrian Day:

I'll start with Jim Grant. Jim, I have to use the last names. I'm sorry. Too many Jims on this panel. I'll start with you. In your talk yesterday, you referred to, my word, the absurdity, but the absurdity of having a 2% inflation target and calling it stable money. But of course, the Fed's first rate cut was before we had reached 2% on any measure of inflation, cost of living. Do you think the Fed started cutting too soon?

James Grant:

Yes.

Adrian Day:

Can you elaborate on that?

James Grant:

I do think it started too soon, and I think perhaps that what is in the back, or not so far back of its mind is the leveraged condition of American finance, and of the rather strained condition of the federal P&L, and indeed of the balance sheet. There was one little augury, I think Jim Bianco probably knows more about this particular episode, which happened I think yesterday. But there was a really, really strikingly weak 20-year auction, a 20-year security auction. The 20 year is notoriously the redheaded stepchild of the government yield curve. And it was actually the security auction of 20-year securities was the only one to have failed in modern memory. That was in 1973. So, the weak auction yesterday was by no means a failure, but it was strikingly weak.

And I think there's a great deal of pressure on the Fed to ease. It's an inflationary world. It's measured in different ways, but the members of the Fed, members of the Federal Reserve are deflation-phobic. There used to be a shared consensus, this is a long time ago, that prices ought to decline as well as rise. And one of the critiques of the years of the 1920s in the wake of that depression of the '30s was that there was inflation in the '20s because there had been terrific advances in technology in the 1920s, and yet prices had not fallen to reflect the improvements in productivity and the reduction in cost. The prices remained more or less unchanged throughout the '20s. And people today, they would've counted that a great success, right? They wouldn't want 2%, but a lot of people would.

But the point was that by suppressing market forces, by refusing to let market forces take prices lower as they naturally had been taken, for example, in earlier decades, before the turn of the century, the Fed had contributed to a great inflation in asset values and in debt accumulation. So, today we have pretty wondrous achievements in technology, and yet the Fed insists upon a 2% plus rate of inflation as defining stable prices. And in so doing, it has created enormous amounts, or facilitated the creation of enormous amounts of debt priced at sometimes strikingly head-scratching prices. Credit spreads pressed close to the lowest in a generation in some cases, whether it's investment grade or junk. So, you asked about 20 minutes ago whether the Fed felt it needed to do more perhaps than one would've thought it had to do in September, with 50 basis points. And I'm thinking that though it didn't say the things I have tried haltingly to say that they might have been a part of its reasoning process.

Adrian Day:

Yeah. And just quickly, just quickly, not 20 minutes, how do you see inflation playing out in the next year or two?

James Grant:

I think that inflation is like an underground coal fire that flares to the surface, but is always present in a social democracy, and you can feel it in the soles of your shoes. And one point of contrast that Jim was remarking on this, alluding to it, was you can compare and contrast the dock workers, the strike of the dock workers, and that outcome with the strike of the air traffic controllers under Reagan, I think 1981, which coincidentally marked the bottom in bond prices and the peak in bond yields for that 35 year bond bear market. So, in 1981, Reagan, "Okay, you want to strike? Go find work elsewhere."

And Biden cheered, Biden famously walked a picket line, and he cheered on the settlement, perhaps facilitating the settlement of the dock workers for a very high rate of pay. So, I think inflation is... I think that this imagined coal fire rages, and I think that inflation is by no means, as they said in 2008, contained. It's not contained.

Adrian Day:

Okay. Anyone want to add to... Brent, do you have something to say?

Brent Johnson:

I would just say that I don't think that they started cutting too early, but I don't think they should have done the second 50 basis point cut. Going from 5.5% to 5%, to me, that's still pretty restrictive. I mean, I can remember coming to this conference over the last four or five years and rates were at 1%. And so, to say that 5% is not significant, I think it is significant.

The other thing I would say with regard to inflation is I think it will be stickier than kind of the market is... Well, the market's kind of changed its mind over the last month, and it seems to be anticipating more inflation than it did a couple of months ago, and I think that's correct. But the one thing I would say is you have to understand, with a credit-based monetary system where money is loaned into existence, and it has to grow in order to not crash, despite persistent inflation, you always have a threat of massive deflation. And so, rather than predicting whether we're going to have inflation or deflation, I just try to focus on understanding how the system works, and being ready for anything.

Adrian Day:

Mark, I know you're itching to talk.

Mark Skousen:

Well, I just think that the Fed has done a decent job. I mean, you now have an almost flat yield curve, where the short-term rates and the long-term rates are about the same, a little over 4%. That's an improvement over the negative yield curve that you had for some time. In addition, one thing that I'm critical of Jay Powell, is that he ignores the money supply, which is Milton Friedman's mantra. He made a point of that at this conference many times, that inflation is a monetary phenomenon, and you have to look at the quantity of money changes, and that ballooned 40% in 2021, causing this massive inflation, and the tiger by the tail, as Hayek would say.

But if you look at monetary growth, it's come down dramatically. It's growing now a little bit, but not much. And it suggests that maybe inflation should be coming down, as it has been, based on prices. So, I'm optimistic that that's the case. And the other key factor is the gold price. The gold price has risen dramatically, but when Trump won, gold dropped, the dollar strengthened. We'll see how long that lasts, but that could be beginning. You got to remember that when Reagan was elected, the dollar strengthened, gold dropped dramatically, and eventually the stock market took off. And I see a same kind of phenomenon occurring with Trump. And so, I think that's a good sign for the economy that things are doing better.

Adrian Day:

Jim?

Jim Bianco:

I want to echo something Jim Grant said, and put it in a different light. In 2022, when the inflation rate hit 9%, at least the posted year-over-year CPI hit 9%, through that whole year, the highest the ten-year yield got was 4.22%. Today, after three rate cuts, and an inflation rate that got to 2.3, we're still above 4.40%. Why are yields higher now then they were at the worst point when we were having 9% inflation two years ago? And I think the answer is it's a confidence game. Two years ago, the Fed was raising rates, 75 basis points a meeting. Jay's on the case, he's doing something about inflation. I'm okay with my bonds, he's going to bring it down. Today, he's cutting rates. He's given up the fight. I don't want to own bonds. That's why we've got this situation where we've had an 80 basis point, nearly a 1% rise in the 10-year yield since the day they cut rates.

That's the biggest rise we've seen in at least 40 years of data, of interest rates going straight up as they started cutting rates, he was asked at his press conference, "Why are rates going up?" And he was asked by the de facto chairman of the Fed, Nick Timiraos of the Wall Street Journal, "Why are rates going up?" And his answer was, "I don't know." And when Austin Goolsbee, the president of the Chicago Fed was asked on CNBC last week, "Why are long-term rates going up?" His little answer was, "The Fed's got to figure it out." They know why rates are going up. They just don't like the answer, that's what it boils down to. It's a rejection of their policy. You want long-term rates to come down, you've got to fight the... You've got to have a credible fight on that underground coal fire Jim Grant was talking about. You give up that fight, and the bond market vigilantes, they've been in hibernation for a long time, they will come back out of hibernation, and I think we're starting to see that right now.

James Lavish:

Yeah, I would agree with that. We've seen the vigilantes come out. I said that this morning. But, look, just to simplify it for people here, not everybody has all the acumen, and acronyms that people talk in our world. So, the Fed has two mandates. One of them that you heard these guys talk about is stable pricing. That's a 2% inflation rate target. And so, why that is, Powell was asked that on

60 minutes last year, and he gave some word salad answer that had nothing to do with the actual target rate, but it's what they can get away with. That's what it is. They can get away with 2% without you all rioting in the streets, and being angry about it, like you see in places like Venezuela, Argentina, Lebanon. So, that's the one mandate.

The second mandate is full employment. There is no real measure for that, what full employment really is. We just heard that there's a lot of different opinions about what the full employment actually is, depending on who you're counting, and how you're counting it. So, when the Fed got to this Fall, honestly, I think they should have cut 25 basis points, interim cut, before the first 50 basis point cut. It would've made things a lot easier, but they didn't have a meeting set up, so they waited until that meeting, they cut 50 basis points. Why did they do that? Well, if you remember, right at the beginning of the fall, we saw a spike-up in unemployment, spike, just enough to trip what's called the SOM rule. The SOM rule basically says that if you're 50 basis points above the lowest rate... I won't get into the math of it, but for simplicity, over the last year, then you're in a recession.

Why is the Fed worried about that? Well, they're worried about that because of all the money printing they did back in 2020. First they did it in the great financial crisis, then they did it again in 2020. They're concerned that they're going to have to do that again. Why would they be concerned about that? Because if we enter a recession, what happens to your budget at the federal level? Your entitlement spending goes up, your GDP goes down, your tax receipts go down, your deficits widen. You have to borrow more, and then you have to print money in order to make up that gap. And so, they're concerned about that. And I think he's playing a game of chicken with Yellen, who's using the short-term treasuries to fund the government. They're drawing all of that money out of the reverse repo, which is just extra money that's out there, and it's going into the economy. And so, they're just playing chicken right now, and he's hoping that he can land this jetliner on a piano wire. Whether or not he's able to do it, that remains to be seen.

Adrian Day:

Brent?

Brent Johnson:

Yeah. I just want to make a point here in case people don't quite understand the whole bond vigilante word. A bond vigilante is basically when market participants come in and start selling the bonds of an issuer, whether it's a company, or whether it's a country. And the idea is that you start selling the bonds, or you don't buy them, you have a buyer strike, and therefore the yields go up, and then you can't fund your government. I would say that while I don't totally disagree with Jim's point, in my opinion, the only bond vigilante in the world that is of any consequence on the U.S. Treasury is Janet Yellen herself. The more bonds she sells, then the higher the yield goes, or potentially goes.

But if that's the case, and yields go higher in the United States, that is a nightmare for the rest of the world, because if you can get 5% for owning a Treasury, you're not going to go buy an issue from another foreign issuer without having them pay you a lot more. And so, I think a lot of times when we talk about the higher rates, it's not that they're not an issue, and I don't want to sit here and pretend it's not a problem at all, but it's a much bigger problem outside the United States than it is inside the United States. And if you think that this is incorrect, just go back to 2022, when the Fed was raising rates dramatically, and the ten-year went from whatever it was to 4.22. I think that's what you said. It was Jim, right?

Jim Bianco:

Yeah.

Brent Johnson:

And in that year, Japan had to bail out both their government bond market and the yen market. The Bank of England had to bail out the GILT market. The ECB had to set up a special facility to buy Italian bonds, and the Chinese market started to crash precipitously. So, higher rates are a problem for the whole world. It's not specifically a U.S. issue.

Adrian Day:

Yeah. Well, you've mentioned the rest of the world, and we obviously don't have time for a deep dive into the rest of the world, but we can't ignore the rest of the world. So let me just ask one quick question. As you know, as you read, apparently a lot of government advisers in China are advising the government to do a greater stimulus. So, if there is more stimulus from China, what impact will that have on the global economy? How will that affect us here in the U.S.? Anyone?

Brent Johnson:

I mean, I'll just follow on. I would say the more stimulus they do, the ultimate stimulus is de-pegging their currency. They have a managed currency right now. They have both a deflation, and an inflation problem. They have an internal deflation problem because of their massive real estate bets that have gone bad, but they can't let their currency go down too much, because they import a bunch of needed commodities. So from that perspective, they don't want the price of oil to be more expensive, or food to be more expensive. But their debts have gotten so bad that they've had to start stimulating, and the currency is starting to weaken towards the top of the band. And if they have to stimulate more, and it goes to the band, then that makes the dollar stronger. And again, just go back to 2022 to see what a strong dollar does to the global economy.

Adrian Day:

Okay. Okay. Final question. We're running out of time. Giving five really smart people 45 minutes to talk about the economy is pretty tough. Each person's got 45 seconds. So, if you can think of a black swan, and think of a white swan, please tell us. Mark?

Mark Skousen:

Yeah, I'll start by talking about Trump imitating Milei in Argentina with his attempt, in his unique role of coming on like Grover Cleveland the second time for presidency. So I don't think he sees it as a lame duck. And this can be a white swan, and a black swan in essence, right? Because he's doing a lot of really good things with really trying to reduce government, and reduce the national debt, which is a problem, is headed for a crisis. The interest on the national debt is now-

Adrian Day:

That's your 45 seconds, Mark. Who else wants to-

Mark Skousen:

The defense spending. So that's a real problem.

Adrian Day:

Who goes next? 45 seconds.

Brent Johnson:

I'll just build on that really quickly, and I'll say, I think the potential white swan builds on what Mark was just saying, is that I think most of the success that is attributed to Milei in Argentina is because he has hit the ground running, he hasn't slowed down. He's done exactly what he said he would do, and he keeps charging 100 miles an hour. And I think if Trump does something similar, he has a better chance than is currently expected. But if he slows down, then they'll eat him alive.

Mark Skousen:

Agreed. Yeah.

Adrian Day:

Okay.

Jim Bianco:

I'll go. Black swan, I'll feed off some of my earlier comments. The economy's growing at full potential right now. We're going to get a lot of fiscal stimulus. If the Fed wants to continue to cut rates, they're just going to continue to drive long-term yields higher, and higher, and higher, because they're not fighting inflation, as I mentioned before, and that could very well turn into a Black Swan event. A white swan event, it would be the opposite. Why don't you hike rates? Why don't you show that you're worried about that underground coal fire, since we've established that's what it is, and show you're vigilant on it? You might actually get lower interest rates, if that's really what you want, but the Fed is not thinking in those terms.

James Lavish:

I would say the black swan event is similar to what Jim is saying, where the bond market just goes no bid. For whatever reason, we have some sort of event like we saw in the fall of 2019, where you saw the repo market spike up. Whether that happens because of policy error on the Fed, or for some other reason, that's a black swan event that nobody's really expecting. By definition, a black swan event is something you don't expect. So, it's really hard to sit up here and name something that's a black swan when you're not supposed to see it. So, yeah, the white swan event would be... I don't know how this would ever happen, but these guys balance the budget, and we get to some sort of surplus.

Jim Bianco:

Wow. You live in a fantasy.

James Lavish:

I do, man.

Adrian Day:

That's a fantasy. That's a unicorn, not a…

James Lavish:

It's a unicorn event.

Adrian Day:

James?

James Grant:

Okay. Black swan. Inflation ticks higher, rather higher, higher than even the bears had reckoned with, and the Fed, however, has to cut rates, because there is dysfunction in the government bond market, and that would crystallize fiscal error, and underlying inflation, and the Fed's too big balance sheet. And the white swan is that Jay Powell is prevailed upon to buy his first ounce of gold. Not for his personal account.

Adrian Day:

Okay. Well listen, that was a great note to finish on. Thank you very much. I'd like to thank everybody on the panel.

Mark Skousen:

Wait. Wait. Before we leave, we need to give a shout out to Adrian Day about last year. Huh? Last year, you said you would eat your hat if gold didn't go over $2,000 an ounce, and it went way over, so you do not have to eat my hat. Congratulations.

Adrian Day:

I won't eat your hat. Thank you, Mark. Well, I'd like to thank everyone on the panel. James Grant, Brett Johnson. Mark Skousen, sorry, Dr. Mark Skousen, Jim Bianco, and James Lavish. Thank you very much, and thank you, ladies and gentlemen, for attending.

Future of Money Panel

MC: Adam Taggart, Danielle DiMartino Booth, Russ Gray, James Lavish, Lawrence Lepard, Peter Schiff"

Adam Taggart:

Thanks so much. Everybody getting up here? Great. Well thank you everybody. I'd like to start by congratulating Brien on yet another phenomenal conference here. I've been coming for many, many years. To be here for the 50th is a true joy, and Brien has done a fantastic job his whole tenure here. I know Brent just did this, but if we could give him another quick acknowledgment.

Real quick I'd just like to start with a personal note. A year ago I made the leap of faith to leave a company I had been running, the company is called Wealthion. I founded it, but I did not have control over it and I went to go fully independent. And just four days after that decision I stepped onto this stage to moderate this panel last year, and I was still in a bit of shell shock if I'm being completely honest with you all. But the amount of support, encouragement, and goodwill that so many of you showed me here, it really was staggering and it helped cement my confidence to forge ahead and create Thoughtful Money, which many of you probably know me from. So I owe all of you here a deep debt of gratitude and I really hope you can find me in the halls after this. I'd love the privilege of being able to shake your hand and thank you to your face. So anyways, thank all of you for that.

Now onto the main event. I've been moderating this panel for a good number of years now, and I think it might be more topical than ever this year. The US dollar is the strongest it's been versus other fiat currencies in more than two years. With Trump now the President elect, many think it may continue even higher from here. And we just heard this morning that President-elect Trump has appointed Scott Bessent to run the Treasury, and in that announcement specifically mentioned that one of his priorities is going to be to maintain the dollar as the world's global reserve currency. So that at least is a stated priority of the administration. Meanwhile, gold has had a phenomenal year rising to a record all time price high as central banks around the world have opted to buy it over US Treasuries. And Bitcoin, well, it's had an even better year. Up over 160%, year over year, and as we talk it's just a whisker away from hitting $100,000 a coin for the first time.

So suddenly the world is full of questions related to money. Questions like, will the US continue as the world's reserve currency or could it soon be supplanted, and if so, what could replace it? We've heard rumors of a new BRICS hardback currency. Is there any truth to those rumors? Are all fiat currencies doomed to perpetual devaluation, and if so, what would replace them? Would it be a hard asset-based currency or maybe something like a central bank digital currency? For those that just care about a store of value, putting their wealth someplace safe, where it will be safe from inflation, what are the best solutions for those wanting to do that? Will companies like Microsoft start allocating a meaningful part of their vast cash balances to Bitcoin, as Michael Saylor is trying to convince folks this week to do? Will the US really establish a strategic Bitcoin reserve? What would these mean for the price of Bitcoin if indeed enacted?

So to discuss all these questions, we have a murderer's row of top-tier talent lined up for this discussion. Our talent is... We'll give them all collectively some applause.

We have Danielle DiMartino Booth. She's the CEO and chief strategist for QI Research and author of the book, Fed Up, An Insider's Take on Why the Federal Reserve Is Bad For America.

We've got James Lavish, managing partner of the Bitcoin Opportunity Fund and author of the Informationist Newsletter.

We've got Lawrence Lepard, founder and managing partner at Equity Management Associates.

We've got Russ Gray, real estate investing expert and co-author of the book, Equity Happens.

And Peter Schiff, chief economist and global strategist at Euro Pacific Asset Management, chairman of Schiff Gold, founder of the Schiff Sovereign newsletter, and host of Schiff Radio.

So one more round of applause for our august panel here. And a couple of ground rules. Several of today's panelists are known for being, shall we say, passionate speakers on this topic. We also increased the panel size this year. We've got five panelists, more than we've ever had before, and only 45 minutes, so time's going to be tight. So folks, please try to keep your answers concise. If an answer starts getting too long, I'll politely ask you to wrap up your point within the following 30 seconds. If that doesn't work, I am going to open the bag, and please, don't make me open the bag.

Lawrence Lepard:

What's in the bag?

Adam Taggart:

All right. So with that being said, panelists, we'll try to keep this pretty conversational. But some of you submitted some questions in advance, I've taken some questions from the audience. Let's kick off with this one and then see where we go.

Panelists, we're talking here about the future of money. This is a great segue from the presentation that Brent Johnson just gave about money itself as a concept. Let's start with fiat currencies. That is the world that we are living in, as Brent says. Do you think fiat currencies eventually will fail? And if so, what will replace it and why? And Mr. Schiff, we'll start with you.

Peter Schiff:

Well, I think they're already failing. That's obvious. The world is suffering from that failure right now. Inflation is running rampant throughout the world. I mean, people think that it's been subdued by some of these rate hikes, it has not. Inflation will rear its head again very soon. And so the question is, when will the whole system collapse? That I'm not sure. I think we're obviously a lot closer to it than we've been in the past, and my feeling is, when it does, we will go back to a gold standard. I think that the future of money and the past of money are the same. I think gold is money. I think these fiat substitutes don't really work well as money. I know there are people here that promote Bitcoin. I really don't even know what they're doing on the panel because it's about the future of money and Bitcoin is not money. It's never been money in the past and it will never be money in the future.

But no, I think that it makes perfect sense for the world to go back to gold. I mean, it's the only thing that works. I think that's why foreign central banks have been such heavy buyers of gold throughout the year. I think that will continue during the Trump presidency. Maybe the Treasury secretary is in favor of a strong dollar policy again, but the sum total of that policy in the past was simply repeating the mantra that a strong dollar is in the national interest. But I do expect both budget and trade deficits and inflation to be higher under Trump than they are now. And that is not good for the dollar.

Adam Taggart:

All right, great. Thank you. Thank you also for the concise answer. Awesome. And I got to give Peter props. We were getting mic'd up in the back there and Peter and Lawrence were talking and Lawrence said, "Hey Peter, nice gold tie." And Peter went right back to Lawrence and said, "Hey, thanks so much Lawrence. Nice Bitcoin tie."

Lawrence Lepard:

It's a digital tie. I've got a digital tie. It's real. You can't see it, but it's real.

Peter Schiff:

Yeah.

Adam Taggart:

So we'll go down to the panel on this first question just to give everybody a chance here. Russ, thoughts on the future of fiat currency?

Russel Gray:

Yeah, so I mean I think history's clear. No fiat currency survives forever. I think really the question we're asking is, is it going to survive throughout the rest of our lifetimes? And who knows? They can kick the can down the road a long time. So I think yes, ultimately all fiat currencies will fail just whether that happens in a decade, or a century, or two centuries, who knows?

As far as what replaces it. I think right now, and I may have more to say on this later, but I think right now the market's going to decide, the people are going to need to decide. I think a couple of years ago or maybe a year ago, we talked about the idea of central bank digital currencies. Brent talked about this, that the money system is a system of control. In fact, when he was talking... Beardsley Ruml, who worked at the New York Fed from 1937 to 1947 and he gave a talk, and I have the transcript of it, and if you're interested I can tell you how to get it. But he basically said once we came off the gold standard, they didn't really need taxes. Money was overtly a system of control. So I mean that's not a new, novel theory, that's a fact.

And so the people who have control aren't going to want to let go of control. And so I think if the people in control get to decide what the new currency is going to be, it's going to be central bank digital currencies, because they want complete control. I think the people don't want that. I think Bitcoin is evidence that people want something that is the opposite of that. Now whether it's real or not, we can debate that, but it's real because it's a real alternative. So if it's gold standard, fantastic. As long as it's something that people can't control. And again, I'll have more to say on that right now. But yes, fiat currencies I think are doomed at some point. Don't know when. What replaces it will depend on whether the people are willing to be ruled or whether they want to be free.

Adam Taggart:

All right, Larry, we're here to you, and feel free to address any of the slams that Bitcoin's taken so far.

Lawrence Lepard:

Well, I agree with the prior statements that fiat is in the process of failing. We're going to have high inflation. I think ultimately fiat will totally fail. But as Brent puts out, we were hoping that and thinking that in '74 and here we are 50 years later.

Look, the notion that Bitcoin is not money, let's discuss that, or unpack that a little bit. Menger said that money is the most widely agreed upon liquid good. And it served two roles really. It was a store of value and it was a medium of exchange. Bitcoin's not much of a medium of exchange today. We all concede that. It's early days and it's going to take a long time for the medium of exchange piece of its moneyness to emerge. And I agree with Michael Saylor that really what it is right now is its digital capital, and the medium of exchange piece will come, which will then ultimately make it money.

And my belief is that what got invented when Bitcoin was put together by the person, or group of people who put it together, was immutable digital scarcity. And that's actually a meaningful, once in a millennium kind of breakthrough invention that will change and has changed the world. And you can say it's not money and yet it's got a $2 trillion market cap. And if it's not money, it's the largest bubble ever in the history of the world. And it's a bubble that's lasted for

15 years. And I don't think it's a bubble. I think it's the beginning of a new monetary system.

But over some period of time as we reset to a sound money standard, which we will inevitably have to do, it'll probably involve some form of gold and some form of Bitcoin. I think the BRICS are betting on gold. I think if America were smart, we'd bet on Bitcoin, because I think ultimately the digital solution will outweigh the analog solution. But make no mistake, in my view, Bitcoin is emerging as money. That's what the marketplace is saying, and I'm driven by market results. And what I know is 200 million people use it, and 200 million people hold it, and it's performed extremely well. And so to me it is emerging money, no doubt.

Peter Schiff:

Yeah. Just a brief, brief response there. Because you admit Bitcoin is not a very good medium of exchange, but it's a lousy store of value because it doesn't have any value that it can store. When you buy Bitcoin, what you're storing really is faith. Just like fiat currency, its value is derived from the belief system that people are going to want it. And the reason that most people want it is because they think the price is going to go up. So that is really what you have. But you can't store a belief, you can't store a price. It doesn't have an underlying value like an actual commodity does, like gold does because it's a metal. And sure there is a scarcity in that there's only 21 million Bitcoin, or I look at it as 2.1 quadrillion satoshis, because there's really no difference between a satoshi and a Bitcoin. You can't do anything with a satoshi. You can't do anything with a hundred million satoshis.

But yes, you could say that Bitcoin itself is scarce, but there's an infinite supply of other scarce, worthless crypto tokens that can be created. Maybe it was the first one, but it's not the only one, and it's not the last one, so I don't see anything unique about Bitcoin other than the mystique around the cult of Bitcoin. And I think that the bubble might've already popped had the Bitcoin community first not corrupted Wall Street and gotten them into the act with these ETFs that bought up a bunch of Bitcoin. And now that has run out, now they've corrupted the government and they bribed a bunch of politicians to use the course of power of government to force taxpayers to buy Bitcoin so that they can sell. And I think a Bitcoin reserve would be a fantastic exit strategy for the Bitcoin holders.

Adam Taggart:

Okay, Peter-

Peter Schiff:

... but they're lousy for the country.

Adam Taggart:

... We're going to let James…

Lawrence Lepard:

Take it away, James.

Adam Taggart:

... James, go.

James Lavish:

Peter, you are famous for having a tremendous blind spot about Bitcoin. You and I see-

Peter Schiff:

There is a blind spot, but it's the other way.

James Lavish:

... You and I spoke backstage and we agree on so many things about what's going on in the economy, about fiat currencies, about the massive amount of debt that we have, not just in this nation, but all over the world. People are waking up to it. People are waking up to the fact that fiat currencies don't work. They're stealing from you every day. They steal from you every single day.

So what do we have in Bitcoin? We have trust. Why? Because it's trustless. Why is that? So let's unpack a little bit of what Larry touched on. Bitcoin's decentralized, it's run on tens of thousands of nodes around the entire world. All of those nodes are incentivized to keep each one in check. And if you try to put forth a transaction on a node that doesn't match every one of the other nodes, you're kicked off the network. It doesn't work. It's trustless. You don't have to trust it.

So what is money? It's trusting that if I give you a dollar, that you're going to be able to go and use that dollar somewhere else. That's the trust there. Gold does have some function. I agree. And we are actually right up to the point, Peter, I agree with gold, I like gold, I own gold. But the fact is that you have to trust that someone's going to believe that that gold is real. You go into a market and you've got a gold coin. Is it real? Is it fake? I mean we're getting to the point now where diamonds are becoming worthless, right? Because you can just create them in a lab. Okay, so-

Peter Schiff:

But you've got the trust part backwards. I don't have to trust gold, you have to trust Bitcoin.

James Lavish:

... So, it's also immutable. What does that mean? It means it's secured by a tremendously large network. It's secured by a network that operates on 175 megawatt-hours. It's the equivalent of 20 nuclear reactors running at full force all year round. So you would have to have that much power to just enter the system. So it would be the number 18th out of the G20 in power usage. We won't get into the use of power and why that's a negative, it's actually a huge positive for Bitcoin because it uses all wasted energy. It looks for the lowest cost energy in the world. It's just like water looks for the lowest ground. It's the same thing. It's also divisible. You can divide one Bitcoin into 100 million satoshis. That's like dividing a dollar into a hundred million pennies. So don't confuse that with infinite supply. It just means everybody can use it. You can have billions and billions of microtransactions a day. So it's like taking-

Peter Schiff:

You can do the same thing with gold.

James Lavish:

... You can, but you have to physically go there with it. So it's also portable, which is to your point, Peter. If you go up to a border, and you guys have all seen this and some of you heard my talk a few days ago about this, but if you go to a border and you've got a suitcase full of US dollars, or a suitcase full of gold, it can be confiscated. If you go up to the border and you know your 12 words on Bitcoin, wherever you go, you're not taking it with you, it's there already. You can just access it with your keys. It's also scarce. There's only going to be 21 million Bitcoin ever created, ever. Ever mined. So you can trust, because of the system that I just described with the nodes and with the miners, you can trust that that's the full amount that'll ever be made.

And so you know that it's scarce, which is the exact opposite of what's going on with fiat currencies today. Fiat currencies, people are waking up to the fact that... Look, when I was a kid, we had inflation, tremendous inflation. But why was that? Because we had a conflict with Iran. Oil spiked in price. We had a debt to GDP of 30% versus 124% today. So they were able to raise rates and battle it.

But flash forward just over 20 years, you have the great financial crisis and suddenly they come out with a money bazooka. And people are starting to wake up to the fact that, well, they bailed out Wall Street with the money bazooka. And then we go into lockdowns in 2020 and then we print almost $6 trillion and prices go up. "Wow, I can't believe that prices went... It wasn't just transitory?" Of course it wasn't transitory. They printed a massive amount of money, and people are starting to get, they're starting to be educated about this.

And so that's why there's a movement to look for things that are scarce. Gold is good and gold is going up in value for that reason. But Bitcoin is the future. It is the digital form of gold, and it will take the place of gold in the store of value in the future, in my opinion. Now I can have an opinion, Peter, you can have opinion, and you can have a blind spot. Or you can open up your mind to this and truly understand what it is that we're talking about.

Peter Schiff:

Look, Bitcoin is no more digital gold than a picture of a hamburger is digital food. You can't live on a diet of Bitcoin, you'll starve to death. Look, I've been in the investment business for almost 40 years. I've never heard so much nonsense in my life than I've heard with respect to Bitcoin. And what's even worse than what the people who advocate Bitcoin say about Bitcoin is what they say about gold, in many cases. They're as wrong about gold as they are about Bitcoin.

James Lavish:

So what Bitcoin has is the strongest network in the world. That's its value. So you don't have to trust it. It would be like me telling Larry, "Here's a dollar," and every single one of you says yes or no. And he doesn't have to trust me, he just has to trust that the network-

Peter Schiff:

Well, what if the network changes? What if something replaces it? What if it's not there?

Lawrence Lepard:

Let me respond to Peter on something.

James Lavish:

Sorry.

Adam Taggart:

And Danielle, I promise we're coming to you. In fact let's-

Lawrence Lepard:

Yeah, I'm sorry.

Adam Taggart:

Let's get Danielle's voice in on the conversation.

Danielle DiMartino Booth...:

Thankfully I don't have much to add to this discussion-

Adam Taggart:

Well, let's finish the original conversation about fiat.

Danielle DiMartino Booth:

... but I will say this much, I am all about empirical evidence. So this is my message to an advocate for an alternative to fiat currency, and that would be, the next time we have a global financial crisis don't double down on the dollar. That's it.

Adam Taggart:

Don't double down on the dollar.

Danielle DiMartino Booth:

Meaning create more global debt denominating in dollars, which is what's happened time and again. If you want to abandon the dollar, then quit adopting it. But I'm just an empirical kind of a person. There's all kinds of theoretical bullshit going on up here. I just look at history and practicality. I'm watching the Euro melt, I'm watching the rest of the world in a massive recession, and the only thing that I see is a continued piling into the dollar. Until that ends, I don't think this discussion is relevant. But it's a lovely day here in New Orleans.

Adam Taggart:

Of course that's Brent Johnson's main message, right? Is until we decide to pursue something different-

Danielle DiMartino Booth:

... It's not we, it's the rest of the world.

Adam Taggart:

It's the rest of the world. Exactly.

Danielle DiMartino Booth:

It's the rest of the world that chooses for their debt to be denominated in dollars. Until that ends, then the faith in the dollar is not going to be shaken. And again, we have an opportunity, right? There's another global financial crisis coming. Let's not double down again.

Adam Taggart:

Well, so it's a great point. So basically Brent's dollar milkshake will rule until potentially there's a crisis and we look to do things differently. And Churchill had a famous quote where he said, "In times of crisis, the solutions that get implemented are the ones that are already on the table." So gold is an option that has been on the table, we're familiar with the gold standard. That's one that we could be potentially moving back to. I think that Bitcoin enthusiasts are trying to get Bitcoin on the table as a potential option for-

Danielle DiMartino Booth:

Well, they did a good job of that by creating ETFs, which destroyed its value.

Adam Taggart:

Yeah, so we will let the Bitcoin guys weigh on that in just a second. Russ, I want to come to you for a moment because I think a big trend here, that I think is somewhat echoed in everybody's answers, is moving to solutions that are outside of the government's control, to the thug that was in Brent's presentation there. I believe you've got a theory about this move towards ever decentralization. Do you want to comment on that?

Russel Gray:

Yeah, and I want to give you something to think about. Is intellectual property an asset?

Peter Schiff:

Well, sure, but that's not the same as Bitcoin.

Russel Gray:

You guys can noodle on that. I'm not trying to make you wrong.

Peter Schiff:

I'm not against intangible assets.

Danielle DiMartino Booth:

Look everybody, Peter got in another ding.

Russel Gray:

I don't want turn it back, but I just wanted to get that out there.

Peter Schiff:

Yeah.

Russel Gray:

So I think that when you miss a megatrend, then you don't have the context for maybe where you're at in a particular cycle. And I was on a panel with George Gammon, Chris Martenson, Robert Kiyosaki at Kenny McElroy's Limitless Expo. And it was kind of the State of the Union. It was similar to this. Like what's the future? Where are we at? Where are we headed? And George was talking about economic cycles. And I was sitting there thinking about it, and I thought, "What we're going through right now is bigger than an economic cycle. It feels bigger than that. It feels like kind of the end of what I call a power cycle." And I think that power began when the Federal Reserve was created and we really changed the way money worked. And then eventually that system took over the global financial system at Bretton Woods. And so that's a big power cycle.

Built into that model is this fundamental requirement for inflation, which is the degradation of the purchasing power of the currency. And so at some point you get to an endgame, and I don't know when that time comes, that was the kickoff question, is, "When is that endgame?" And then I thought, "You know that doesn't really fully explain everything." And I kept asking myself, "Why did I miss Bitcoin? Why do I not understand Bitcoin? What am I not seeing?"

And what finally occurred to me is that going back far, it seemed like we had the British Empire that kind of controlled the whole world, and that was very centralized. The kingdom on which the sun never set. A group of people said, "Hey, we don't like this. We're going to go someplace up. We're going to set up a decentralized system. And our constitution is a system of decentralized, not power in the king, power to the people."

And then that cycle began, the United States began a consolidation of power. Civil War, Lincoln kind of crushed states' rights. The Fed came in 1913 and took over the money supply, crashed the economy, grabbed the gold, put in the new deal, grabbed Bretton Woods, began to take over the world, IMF. All this consolidate, consolidate. World Economic Forum. Just consolidate, consolidate,

consolidate. And I think what happened when Nixon took us off the gold standard was really the reaction to the world wanting to get out from underneath this control.

And Charles de Gaulle is like, "Hey, you better go get your gold because the United States has printed too much currency." And so then the gold run began, and gold dropped from 20,000 tons in Fort Knox to 8, and Nixon's like, "Whoa, stop, because this is money we're hemorrhaging. We're defaulting." And when the rest of the world saw that, the European Union got together and began working on the Euro, and it took them almost 30 years to get it done, but they got it done.

And then I said, "Okay, so that was the beginning of this decentralization." So I thought, "What is the grand unifying theory of what's going on?" And I thought, "Well, you've got the BRICS trying to get out from beneath dollar hegemony, which explains the central banks accumulating all this gold." So I got gold right for the wrong reason.

And then you've got new media taking over old media. Decentralized media, no longer centralized media. We homeschooled our kids in the '80s. We pulled people. We wanted control over our kids. We didn't want to be part of the centralized system. We pulled them out. We got a great homeschooling family right here in the front. These kids. You got two young kids that are both... This guy's 15 years old and he owns 40 properties.

Peter Schiff:

Your other point?

Russel Gray:

So anyway, so my point is there's this big megatrend of decentralization and I feel like if that's true, and I'm not saying I'm right, it's just my thesis, that anything that is going to support that move towards decentralization, and I believe that this last election proved that the people... The people did not vote for Republican, they voted for a dismantling of central control. They're hoping that Trump comes in and just rips the guts out of the deep state and gives the power back to the people. Now whether he does it or not, I don't know, but I think that's what Main Street wants. And so to me that's a megatrend. And if Bitcoin is a vehicle that people feel like they can keep control and be decentralized, that's the part that I missed. And I think that that's a wave that we're riding. So I'll leave it at that.

Adam Taggart:

So Larry I see you pointing a lot there, and you're a Bitcoin and gold guy.

Peter Schiff:

Yeah, I don't think the election was really a mandate to dismantle the deep state. It was for some people. I just think the economy was lousy and voters wanted change. They just wanted something different because they knew what they had was no good. And the problem is not much is going to change. I think things are just going to get worse.

Russel Gray:

But how does that explain how visceral the resistance of the left to Trump is? I mean it's insane.

Peter Schiff:

Yeah, well, I agree there.

Russel Gray:

I think they feel existentially threatened and that's not a normal shift.

Lawrence Lepard:

They should.

Peter Schiff:

But I think the average voter wasn't thinking along those lines. I think it was a pocketbook election and the phony numbers on the economy, the public wasn't buying it. And Trump promised to change things and make things better, and they knew that things were better when he was president, and so they're hoping they'll be better again when he's president. I think they're wrong, but that was the hope.

Russel Gray:

Okay, be honest. How many of you hope Trump dismantles the deep state?

Peter Schiff:

This isn't a sampling of the electorate. I hate to point that out.

Russel Gray:

I think the election was a sample.

James Lavish (to Danielle DiMartino Booth):

I'm not sure you're going to get to talk at all.

Adam Taggart:

Well, look, Larry, as I said, you've been nodding a bit there, so I think you'd something to contribute.

Lawrence Lepard:

Yeah, so I just want to respond to the digital hamburger comment. Because I think there's a basic lack of understanding here, Peter, on your part of kind of what's going on. Money has always been a ledger. Money is just human obligations to one another. I mean, owing a friend a favor could be theoretically thought of as a form of money. In the French caves, in prehistoric times, there are marks, they would keep tallies sticks. They kept track of who killed what.

Gold didn't even exist. Gold emerged as the best form of physical money for 5,000 years and it still is a beautiful form of money. It's analog sound money. I accept that and I'm a gold bug. Having said that, what's happened here is that we've figured out a way to digitally create the same thing.

Peter Schiff:

It's not the same thing.

Lawrence Lepard:

Yes, it is.

Peter Schiff:

Not even close to the same thing.

Lawrence Lepard:

Yes it is, Peter. It's the exact same thing.

Peter Schiff:

Okay, you tell me where can I substitute Bitcoin for gold? In what industry can I use Bitcoin instead of gold?

Lawrence Lepard:

Well, I'm not-

James Lavish:

You could buy gold with Bitcoin.

Lawrence Lepard:

... First of all-

Peter Schiff:

So what? It's not a marketable commodity.

James Lavish:

You can literally go online and buy gold.

Lawrence Lepard:

... First of all, in store of value. We have absolutely f***ing crushed you.

Peter Schiff:

No, you haven't stored value.

Lawrence Lepard:

We have crushed you. You have cost your clients millions and millions of dollars.

Peter Schiff:

Storage of value-

Lawrence Lepard:

We've crushed you.

Peter Schiff:

Storage of value is not a speculative asset going up-

James Lavish:

Okay.

Peter Schiff:

... Just because the price of Bitcoin went up, because greater fools paid higher prices, doesn't prove it's a store of value. It's been a very successful speculation for the people who made it. Unfortunately, most people are never going to cash in because the mantra is, "Never sell your Bitcoin." No matter what you do, you buy your Bitcoin and you never sell any of it. You stay hunkered down in your parents' basement and you don't sell your Bitcoin. No matter what. And so as long as people keep holding it and buying it, the price can go up, but you're not storing value because you have no actual value to store.

When I have gold, I have gold in this bracelet, in a thousand years somebody can take this gold and do something with it. They can conduct electricity with it, they can use it in aerospace. There are a lot of things that you can do with gold. There's nothing you can do with Bitcoin. So you don't store anything when you own it. Bitcoin has a price, you cannot store a price. Price can go up, but you can't store it because it's totally dependent on the market. And as long as people want Bitcoin, it can have a price. But when people stop wanting it, it won't have a price. The reason people want it now is because they want to go to the moon and get rich. That's why they own it. It's a get rich quick scheme-

James Lavish:

So let me respond to that, Peter.

Peter Schiff:

... and eventually people are going to go broke in Bitcoin.

James Lavish:

Let me respond to it. And I'm sorry, Danielle is just stuck over here with this-

Adam Taggart:

And we're coming to Danielle right as soon as you're done.

Danielle DiMartino Booth.:

I think I'm up here to... I'm the token woman right now.

James Lavish:

Very quickly... You say what?

Danielle DiMartino Booth:

I'm the token woman.

James Lavish:

Okay, so just really quickly, there are some very outspoken Bitcoiners. That's true. And they're extremely loud, as some people are. But what's important to understand here is that the real passion for Bitcoiners is self-sovereignty. They want to be out from under control of what the government can do to their money.

So one of the really big movements with Bitcoiners is that we can see a world where there is nothing but CBDCs. And if you don't know what a CBDC is, I encourage you to go home and do some research about it. It is the most terrifying hell that you could ever imagine. It is a digital currency that the government or state has control over, down to a single transaction. And if they don't want you to make that transaction, they cancel it. They can cancel your money, they can take your money. They can refuse to allow you to buy a steak because you've had too much steak this month, and so your carbon footprint is too high. You can't travel this month. You've traveled twice this year. Your money is no longer good for travel. It is literally evil. And that is the main part about Bitcoiners, is that's what they want to avoid. It's not about going to the moon or getting rich, it's about getting out from under control of the government and what they can do to your money.

Now I'm done with that part of it, and I hope we can move on from the Bitcoin fight because I'd really like to hear, and I was hoping to hear, what Danielle had to say about the future collapse of fiat because I know what she's talking about with the dollar. Well where do we go from here? And I would really love to hear that instead of more fighting about Bitcoin.

Adam Taggart:

Great. Thank you. And Danielle in your answer if you can, if there's more to say on the question that-

Danielle DiMartino Booth:

No, I don't think there's very much more that can be said.

Adam Taggart:

... Okay. No, I meant on the question of the future of fiat. But I'd also like to get your thoughts on more... We've sort of been talking about the long-term future of money, what replaces fiat. In the shorter term we have a new administration coming in that will likely replace Chairman Powell when his term is up at the Fed. Kevin Warsh is the talent that is being talked about right now as his most likely replacement. I would love to get your thoughts on what you think future monetary policy is going to likely be in the near term, in the end of Powell's tenure, and at the beginning of someone like a Warsh.

Danielle DiMartino Booth.:

So first of all, Powell's term ends in May of 2026. We will probably know in the next 12 months, well maybe, I don't know, Trump changes his mind with the wind. But we'll probably know in the next 12 to 15 months who the most likely candidate is. I'm not sure it's going to be Warsh, because Warsh was not chosen to be Treasury secretary and the press leaked that Warsh wanted a pathway to be Fed chair by way of being Treasury secretary. He was not chosen. He's a huge free trade advocate, he's anti-tariff, and he believes in free markets, and he's terribly hawkish. And of course Trump wants lower interest rates.

Adam Taggart:

Right.

Danielle DiMartino Booth:

I think the irony here is that Trump's going to get lower interest rates, but not for the reason that we want. Just a show of hands, I actually can't see because there's this light in my eyes, but show of hands, the law of supply and demand, does that still exist?

Adam Taggart:

Yes.

Danielle DiMartino Booth:

Okay, thank you. If the law of supply and demand exists, having a half century high supply of apartments coming online, having the highest number of spec homes in the nation since 2009 on hand, the sheer wall of inventory that's coming onto the market and is now about to nationally surpass 2019 levels. So if you believe in the law of supply and demand, and if you believe in the Cleveland Fed's rent metric, which actually, it collects real time new rents, we know that shelter inflation is going to go from 5% this year to 2% by the end of next year.

I'm not postulating, I'm not theorizing. Clearly there's a lot of that going on. I'm just telling you math, in terms of what we know. So even if tariffs are what they were from 2013 to 2019, then the Fed's preferred measure of inflation, Core PCE will drop to 2%. If we get massive tariffs tomorrow, and they filter through to three times the magnitude of what they were in 2019, which is highly unlikely given Bessent wants to give US manufacturers a two-year runway to onshore their factories. So he wants to give them time, a carrot rather than a stick. But even if we were to have a tripling of goods inflation in the next 12 months, again, highly unlikely, but it could be different this time, then you would end the year 2025 with a Core PCE of 2.7%.

So Trump's going to get his lower interest rates, but not because he necessarily wants them. He's going to be battling a recession. And moreover, I mean believe it or not, I was probably the only fiscally conservative person I knew at the Fed, but they don't talk about gold inside the Fed. In fact, most government bureaucrats, including those at the Bureau of labor statistics are extremely left leaning. And you cannot tell me that they're not going to unleash the gates of hell and release all of the data that they've been hiding, trying to get a Democrat elected for president. So the data is coming, the revisions are coming, deflation is coming, and lower interest rates are coming. But again, not for the reasons that Trump would prefer.

Adam Taggart:

So the new Trump administration might find itself facing a deflationary gale force wind for the reasons that you just mentioned.

Danielle DiMartino Booth:

It only has to do with supply and demand. That's it.

Adam Taggart:

Yep. So I know, listening to you guys talk in the green room-

Danielle DiMartino Booth:

But gold outperforms when the shit hits the fan. It doesn't matter if there's inflation or deflation, gold outperforms.

Adam Taggart:

... Okay, so gold's something good to hold going in here. Now Peter, something I believe you and James agree on is you guys think more that inflation's sort of baked in the cake going forward. Can you elaborate on that?

Peter Schiff:

Well, I think more significant than the reduction of interest rates is going to be the return to quantitative easing, because ultimately I think that's where the Fed is going. Because so far the rate cuts have not worked, they've actually backfired, and that the long end of the curve has actually risen in response to the Fed's rate cut. Which was something I had long forecast would be the case. And I think that continued rate cuts will be met with the same dynamic. I think the yield on the 10 year, and out to the 30 year, are going to continue to rise as this massive supply of Treasuries, and the prospect for future monetization, diminishes the global demand for those Treasuries. And so I think the Fed is going to go back to QE in order to suppress those long-term interest rates, particularly if it sees the economy weak, if it sees the labor market weakening or a recession-

Danielle DiMartino Booth:

So Peter, when do you think that's going to happen?

Peter Schiff:

... I think it's going to happen early next year.

Danielle DiMartino Booth:

You think the Fed's going to go from 4 and change, to 0 and QE?

Peter Schiff:

No, no, they're not going to zero. I don't think they're going to get to zero, but I think they're going to do QE. I think they're going to stop cutting it sometime. I don't know that they're ever going back to zero again, but they are going back to quantitative easing. Because they're going to be more concerned about bringing those long-term rates down than anything else-

Danielle DiMartino Booth:

So I'll give you a copy of my book-

Peter Schiff:

... And the only way they can do that is by buying those bonds.

Danielle DiMartino Booth:

... Central bankers have to get to the zero bound before they launch it again.

Peter Schiff:

No, they don't have to.

Danielle DiMartino Booth:

It's the Bernanke Doctrine, it's written in stone.

Peter Schiff:

So you're telling me that they can't do quantitative easing-

Danielle DiMartino Booth:

I'm telling you that they won't.

Peter Schiff:

... unless they're already at zero?

Danielle DiMartino Booth:

Correct. It's a prerequisite.

Peter Schiff:

But where? Is that actual law? They're not allowed to do it?

Danielle DiMartino Booth:

Well, it was a law that was dictated behind closed doors in 2007, between Ben Bernanke and the people who happened to run the global financial system.

Peter Schiff:

It was a couple of years ago, they came out with this new law about inflation averaging, that they didn't want to target 2% inflation, they wanted it to average 2%. And then as soon as we went above it, they threw that out the window. So I don't know, I mean I would think they could go back to QE without going back to zero first, but if that's a prerequisite, then that's what they're going to have to do. And that'll be an even bigger disaster than the one that I'm forecasting. Because that is even more inflationary than stopping the rate cuts, but just doing QE. Because without QE, I don't think there's any way to bring long-term interest rates down. They're going to keep on going up and mortgage rates are going to keep on going up. And look, they haven't even... Credit card rates, I mentioned, they're still 25%-

Danielle DiMartino Booth:

That's true. That part is correct.

Peter Schiff:

... That is cut rates. That's all time record highs.

James Lavish:

So what they could do is something that's QE, that's not QE. They could come up with another acronym and... BTFP wasn't really, it wasn't QE, but it-

Danielle DiMartino Booth:

It was not.

James Lavish:

... it did-

Lawrence Lepard:

It was close.

James Lavish:

... It was close but it wasn't QE. But they could come up with an acronym that is QE. We know that.

Peter Schiff:

What was it when they bailed out the banks? When Signature Bank and Silicon Valley Bank and they failed and they just all of a sudden printed all this money.

James Lavish:

BTFP.

Adam Taggart:

That's the BTFP.

Danielle DiMartino Booth:

That was a bank bailout.

Peter Schiff:

So couldn't they come up with some other kind of bailout and just print money and buy bonds, without-

James Lavish:

Sure. They will.

Danielle DiMartino Booth:

It's not the same mechanism and it doesn't transmit through the economy in the same fashion.

James Lavish:

But it avoids the deflationary event.

Danielle DiMartino Booth:

It's the law of supply and demand. You cannot avoid what's happening in 40% of the inflation metric.

Adam Taggart:

Right. So Danielle-

Danielle DiMartino Booth:

It's the biggest weight in inflation.

Adam Taggart:

... you don't think it's possible to avoid the deflation? It's baked in the cake-

Danielle DiMartino Booth:

You can't, no. I mean, not for the next year or so, at some point this supply will be absorbed. But we're seeing FHA delinquencies north of 14% right now. I mean whatever was going to happen has happened, and now we're sitting on more supply than anybody knows what to do with in housing. And until they revoke the law of supply and demand, we don't have a choice about what's happening to the largest input to inflation.

Peter Schiff:

On a minimum though, they could halt the quantitative tightening program that they have right now.

Danielle DiMartino Booth:

They've already tapered the quantitative tightening-

Peter Schiff:

They've tapered it, yeah, but they haven't stopped it.

Danielle DiMartino Booth:

... but they're not tapering the mortgage-backed securities roll off.

James Lavish:

It would be more just a signal, because it's $25 billion a month now. It's nothing. I mean it's not really impacting anything.

Danielle DiMartino Booth:

Well it is certainly impacting the mortgage-backed security market.

Peter Schiff:

Well at the margin it is more selling-

James Lavish:

What's that?

Peter Schiff:

... At the margin it has to, it's just more selling of Treasuries. The government is selling, the social security trust funds are selling Treasuries, the Fed is selling Treasuries, the Chinese are selling Treasuries. So I'm not sure who's buying the Treasuries. Somebody must be buying them.

Danielle DiMartino Booth:

A lot of pension funds.

James Lavish:

The greater issue will be-

Lawrence Lepard:

Citadel.

James Lavish:

... The greater issue is when the Treasury has to move out on the curve and they have to stop issuing T-Bills. That's going to be the greater issue. And when that happens, I don't know, it's about what? We're $200 billion away from the reverse repo. We're about 500-

Danielle DiMartino Booth:

Yeah, the reverse repo was supposed to be dead in April. I mean that's what everybody was saying.

James Lavish:

... I understand that. Okay, well just say that when that does drain out and we've got $500 billion until the bank reserves are at a level where the Fed starts getting nervous, ala the repo crisis of 2019. Is that about right?

Danielle DiMartino Booth:

The Fed will pull the plug on Treasuries. It has just released a paper blueprinting the runoff of the mortgage-backed securities portfolio through the end of the year 2035. It's getting out of that business.

James Lavish:

It's getting out.

Adam Taggart:

All right, so look, I want to begin to wrap up here because we only have a few minutes left. Just in case folks didn't note the stat that Danielle mentioned, and one of the reasons why she's so focused on the shelter inflation component is because it's 40% of the inflation calculations.

Danielle DiMartino Booth:

It overwhelms every other inflation input. And by the way, that is every central banker's worst nightmare.

Adam Taggart:

And real quick Danielle, like literally 20 seconds, if you can, talk about the importance of the latest QCEW numbers.

Danielle DiMartino Booth:

And I'll get to this in my discussion later on today, but in the year-end at March the 31st, 2024, there was a negative revision of about 818,000 to non-farm payrolls. On Wednesday morning, this past Wednesday morning, they announced the initial preliminary negative revision in the year-end at June 30th, 2024 was 1.25 million jobs. Private sector job creation in the year ended June 30, 2024 was 737,000.

So we'll get into the math later on when I'm doing my presentation, but the odds are, because that was a year-end at June 30th, 2024 that we actually had... When we see all of the revised data, and I can tell you the left-leaning bureaucrats are going to release it, I can promise you that, we will end up seeing through the rearview mirror that job losses began this year.

Adam Taggart:

Right. And if the new incoming Trump administration is good on its word of gutting the federal bureaucracy-

Danielle DiMartino Booth:

And that's been 56% of job creation in the last 12 months, has been government jobs.

Adam Taggart:

... Exactly, that's been driving job creation. Right.

Danielle DiMartino Booth:

And all the COVID money to state and locals, all the COVID money has run out. So there's no more till to create more government jobs.

Adam Taggart:

All right, so-

Peter Schiff:

Do you see a problem with 40% of the CPI being shelter and-

Danielle DiMartino Booth.:

I am not talking about the construct. That's complete crap.

Peter Schiff:

... No, but my question is, but it doesn't even include actual rents, or home prices, or the real possible-

Danielle DiMartino Booth:

No, but the Cleveland-

Peter Schiff:

... It's just owners are pulling rent.

Danielle DiMartino Booth:

... That's why I'm trying to explain Peter, it's just the math. The Cleveland Fed came up with a better mousetrap. So now we know because of where new rents are, which has turned negative year-over-year, where the shelter component is going with a lag.

Adam Taggart:

All right. I got to jump in here, sorry.

Danielle DiMartino Booth:

There's nothing we can... It's a freight train. You cannot stop it.

Adam Taggart:

I got to jump in to give the last question here in terms of wrapping up. And we'll start with you Danielle and we'll work our way towards Peter.

Danielle DiMartino Booth:

I'll be brief.

Adam Taggart:

Yeah. So if you can, very briefly, I think we know what yours is, but just summarize your outlook for the next year or two in terms of whether you think it's inflation or deflation that's in the driver's seat. And the topic of this conversation is money. For folks that want to preserve the purchasing power of their wealth the most during what you see coming in the next year or two, what assets do you think are most favorable for doing so?

Danielle DiMartino Booth:

So I think in the next year again that... There's a good reason that when you query most Americans, not at the top of the K, but the bottom of the K, they'll tell you that we're in recession. They're not imagining things. And we're watching people's perceptions of inflation decline very rapidly. So I think that we will have a recession finally be recognized in 2025. And I think that the statisticians are going to let us know that that is the case.

The stock market has been as overvalued as it is 1.1% of the time of history. So I think you're going to be paid to be defensive. I fully believe in high dividend paying stocks. I heard a few days ago that Chevron has not cut its dividend in 70 years. So I fully believe in high dividend paying stocks, as well as the fact that the Fed is being forced at gunpoint by Wall Street to slow go its rate-cutting exercise. So you're still being paid a pretty penny to be in cash. And again, watching the Euro meltdown, we found out that Europe's in recession yesterday. For the moment, right now, the dollar continues to reign.

Adam Taggart:

Great. Thanks Danielle. James, you and folks, please be brief. We're running out of time.

James Lavish:

Yeah, so I think that I agree with Danielle that we do have a problem with the stock market being overvalued, and if we are entering a recession we'll have a drawdown in the stock market. But my difference here is that I think if the drawdown is steep and it capitulates down 20% or 30% or something, then we will have a V-type of recovery. Because I also agree with Peter again, that we'll come in with a money bazooka and whether we do QE, or a quasi-QE or something, there will be money printing on the reverse side of that.

So how do you protect yourself? Well, you do have short-term Treasuries, T-bills, that has no duration risk, so you're getting paid a nice interest rate on that as one of your pillars. You do have defensive stocks as a pillar. And you have things like gold and Bitcoin, your assets, as a pillar because they will do very well on the backside of an event like that. So when that happens? How that happens? I don't know. I mean nobody really knows. The only thing that really scares me, keeps me up at night, is that next black swan event, that hundred-year event that seems to come every seven years.

Adam Taggart:

All right, thank you. Larry, 30 seconds, buddy.

Lawrence Lepard:

Yeah, I think we're very close to the "everything bubble" popping. It's the biggest bubble in the history of the world, driven by QE and ZIRP. And when it pops it's going to be devastating. The Fed is going to come in with a "big print", as I call it, and the balance sheet's going to go to 20 or 50 trillion. Powell's going to look like a deer caught in the headlights. He's not going to know what hit him. And everybody's going to be worried literally about the ATMs not working and the world falling apart. And being a prepper and having gold and sound money is probably the best way to go.

With respect to the two forms of sound money. I think Bitcoin is far superior to gold. It's got a much lower stock-to-flow and it gets halved every four years, that stock-to-flow ratio. And as a result of that, I think it's going to continue to outperform gold massively. And so anybody who has 0% allocation of Bitcoin is missing the most asymmetric bet that I've seen in 43 years of investing.

Adam Taggart:

Great. Russell.

Russel Gray:

Well these guys are all a lot smarter about all this paper asset market stuff than me. But to me, I think anything that's real, essential, and productive. And I think that if you try to buy low, sell high, you might miss. But if you're buying streams of cash flow, whether it's a profitable company that's paying a reliable dividend, I think as far as paper assets go, that's my favorite. I think that real estate in the right market. The advantage is it's not a commodity like many of the things that get traded and the way people think in the macro, you can exploit inefficiencies in real estate and find deals. You can serve specific demographics. Residential assisted living, it's a very cool space because it rides a demographic of people getting older and needing healthcare. I think real estate related to healthcare probably because that could be a good space.

I think we're going to get a very aggressive energy policy and it may drive down the actual cost of energy, which is the goal, but it'll create a lot of energy related production activity. So if you can find investments, especially real estate investments, just like distribution, as we went more from retail to the internet, the Amazon-effect distribution centers turned out to be very good places to invest.

I think riding the AI wave, whether that's energy or the real estate related to it, I think there's going to be some opportunities there.

Adam Taggart:

You've got to wrap up, Russ.

Russel Gray:

I think that it's always smart to have some cash. I got a chance to interview Donald Trump once before he was who he is. And I just asked him, what did you learn in the down times? He goes, "It's always good to have a little cash." And I think there's going to be opportunities for people who have cash on hand. I'm a huge fan of gold for all the reasons everybody talks about. And sorry Peter, I've opened up to Bitcoin, so I hope we can still be friends. But I think I finally understand what's underneath it and so we won't get into that. But I'm not opposed to that. I think that's probably not a bad thing to have.

Adam Taggart:

All right, great. Thanks Russ. And Peter?

Peter Schiff:

Yeah, well Murphy has a law, "Anything that can go wrong will." And I think the one thing that we're going to get is the one thing that the Federal Reserve not only hopes we don't get, but has no contingency plan for, and that's stagflation. The combination of recession and high inflation at the same time. Although I think it's going to be much worse than what was experienced during the 1970s. And so I do think that people who own paper assets…are going to see a significant decline in the real value of what they own, as inflation just wipes out that value.

And so I think people need to be in real inflation hedges and that would include holding real money, gold, rather than fiat. But it also includes a lot of other investments around the world that I believe will weather that storm and provide real returns over time, real dividends over time. Just one final word just about Bitcoin-

Adam Taggart:

It's got to be short because we're in overtime.

Peter Schiff:

... I mentioned sound money. The whole origin of the term "sound money" comes from the fact that when you drop a gold coin on a table, it makes a sound. So I mean, even by that definition, Bitcoin isn't sound money. I think the whole idea of Bitcoin has done more damage to the cause of sound money, and freedom, and libertarianism, than probably anything that I've seen in my lifetime. It's just going to be a disaster when this thing falls apart. I just hope that Trump and the government doesn't enable a Bitcoin reserve. I mean, it'll just make the problem worse because we'll create even more inflation in the process of buying up Bitcoin. But I think it is going to set the cause back dramatically and it's going to set the government up to say-

Adam Taggart:

Peter, don't-

Peter Schiff:

... "We told you so." The left is going to come out-

Adam Taggart:

I'm being told to pull the bag. So we got to wrap this up.

Peter Schiff:

All right.

Danielle DiMartino Booth:

Oh, come on Adam. Go for it.

Adam Taggart:

Go for it?

Danielle DiMartino Booth:

Go for it.

Adam Taggart:

Anyways, huge thanks to our panel. Very much appreciate it. Thanks for being patient with us. All right, that was fun.

George Gammon

"The Greatest Asset In The World Is At Risk"

George Gammon:

Thanks Robert. All right, guys. How's everybody doing today?

Audience:

Yeah.

George Gammon:

Oh geez. I know it's right after lunch, guys. One more time. How's everybody doing today?

Audience:

Yeah.

George Gammon:

All right, fantastic. Let's get into why I'm actually bullish on the United States. That may come as a surprise to a lot of you because quite often I'm bearish. But I think that it's always a question of on net balance. So there's always reasons to be bearish, and there's always reasons to be bullish. It's just which one outweighs the other. And I usually talk about the bearish stuff because I think there's a lot of things that we need to change about this fantastic country of ours. But today I want to talk about some of the reasons why I'm more bullish than I have been in the past. And in the process, I want to go through why I think everyone is wrong about inflation.

All right, so let's start here. I don't have my glasses, so you guys will have to bear with me. What's the first slide we've got? Oh, there we go. A very unfamiliar slide. How many of you have seen this before? Everybody, right? Everyone.

You've seen this constantly on social media, on Twitter, Instagram, YouTube videos, whatever it is. You see this massive decline in the purchasing power of the United States dollar.

And why is this? Why has the dollar declined like this over the last hundred years? Well, it's money printing. Everybody knows that, right? The government is printing all of this money. And the more money they print, the more it devalues the dollar relative to goods and services.

Audience:

Printing and production.

George Gammon:

Well, we're going to get into this in just a second here, my friend. So this is the typical way that ... And even people that are a little more sophisticated, like the "experts", this is how they will tell you that it works because they'll say, "Yeah, yeah, yeah, George, I get it."

Now, the government really isn't literally printing money, but what happens is the Fed buys these treasuries. They increase the size of their balance sheet, they print these bank reserves. And then this increases the balance sheet capacity for the commercial banks. And then the commercial banks take that and they lever up with a fraction reserve banking system. And that's what creates the dollars, the additional dollars that are chasing goods and services that create the consumer price inflation.

So we've got it right here, and I guess this laser pointer is completely worthless here because I can't do anything but you guys see that. You guys see it. We start with the government. They produce a treasury in blue that goes to the Federal Reserve. There's a little process there at the primary deal, but effectively, this is the way it works.

And it goes onto the Fed's balance sheet, and they use a bank reserve to pay for this. And that bank reserve is a liability of the Fed. And of course, it's an asset of the banks themselves, and this creates a deposit, or they can create multiple deposits using that one bank reserve. This is how it is shown in textbooks. This is what all the experts tell you. This is why the dollar has decreased in value so much.

Well, I am here to tell you this is completely wrong, and I'll show you why. This is a chart of bank reserves. So we're not focusing just on the Fed's balance sheet. We're actually getting into the nuance. And like with most things, the devil's in the details. So if we go all the way back to about 1940, you can see back then there was about 10 billion, 10 billion with a B, bank reserves in the system. Okay.

And then you can see this increases and it goes up and it kind of peaks out there in 1990 or so. And then we have this slight decline. But notice, even in 2007, prior to the GFC, the amount of bank reserves in the system was a whopping 40 billion. 40 billion. So the amount of bank reserves in total, that was all this money printing. This was the money printing right here. We printed a whopping 30 billion from 1940 to 2007, but yet we had all this decline in the United States dollar.

So you sit there and you scratch your head and you say, "That's weird. We printed $30 billion and the dollar lost that much value. How is that possible?" The answer is it's not. There has to be something else that is contributing to the decline of the dollar. And if we sit here and get hyper focused on money printing, we're ignoring the real problem. So let's keep going.

This was the chart we were just on of bank reserves. But now what I want to do is dive into the details even further. All right? Let's put on our CSI hat. In 1959, banks began to include vault cash in their bank reserve total. Now you guys know what vault cash is, right? They are green pieces of paper like Boss Hogg, right? That vault that he has in the bank. It is just the green pieces of paper that are in the bank vault.

Well, how many of you have gone down to a bank where they actually give you green pieces of paper if you take out a mortgage? Anybody? How many of you have a loan on your car, mortgage, credit card, anything like that? Most of us in here probably. And how many times has the bank given you green pieces of paper when you take out that loan? Never. The answer is never. That's not what happens. Or how many of you think that banks are settling transactions, where the bank will take a commercial deposit liability, commercial bank deposit liability and transfer it to another bank, and then in order to give them an asset to match up with that liability, they'll send them a Brinks truck full of green pieces of paper? No, it doesn't happen.

So my point here is the vault cash is basically useless other than just to give the random person a hundred bucks that comes in and says, "Hey, I need a hundred dollar bill," or it goes to the ATM or something like that. That's what vault cash is really used for. So if we really want to be specific and determine how much money printing contributed to the decline of the dollar, we've got to eliminate vault cash starting in 1959. In other words, all the way to 2007. And before I go to the next slide, let's just go back one more time here so we're all on the same page.

So you can see 1960, we'll call it. Right around there, they started to include vault cash. So anything prior to 1960 going all the way back to 1940, it was just bank reserves, no vault cash. So to compare apples to apples, what we have to do is look at just the amount of bank reserves in the system in 2007 relative to 1940. We've got to strip out that vault cash. So let's see what happens here.

This is the H3 data, which any of you can pull up. You can just google H3 data. And this is the Fed's breakdown of those bank reserves that banks actually have on the asset side of their balance sheet, liability of the Fed.

So look at this highlighted column. Can you guys see that? So we start off here in 2006. We go through the first few months of 2007. I thought this would be sufficient because you can see that starting off at the top there, we've got about 9 billion in bank reserves. This was not 1946. This was 2006, okay? And look at where we peaked out here, right around 10,000, which in other words is $10 billion, $10 billion in 2007. So you know what that means, right?

That's how much money the Fed printed. It doesn't look like a lot, does it? Zero. In 1940, there was roughly 10 billion in bank reserves. In 2007, roughly 10 billion in bank reserves. You start to get my point? There was no money printing, at least not by the Fed, and that's not what caused ... In other words, the Fed's balance sheet is not what caused the decline in the dollar. It was something else. And we're going to get into that in just a moment.

Okay. Currency in circulation, because this is another mistake that I see a lot of people make that I wanted to address. So if you look at the Fed's balance sheet in total, you're going to see, well, the Fed's balance sheet going like this. And then that's the asset side. You're going to see the liability side do the exact same thing, and on the liability side is going to be all this currency and circulation. And then on the asset side, you're going to see treasuries.

So if you just take that at face value and you don't get into the details, you think that, "Well, my gosh, the Fed is buying all of these treasuries and they're creating more currency units." But let's think that one through. Is anyone honestly going to say that the Fed is printing green pieces of paper to buy treasuries? Of course not. Of course not. If they have to do QE, they're not sending a Brinks truck over to Janet Yellen. So there's got to be another answer.

The mechanism behind the Fed's balance sheet has to be something that's different than what we see at face value. So let's go through how currency in circulation is actually created, right? Because again, most people think it starts with the government or it starts with the Federal Reserve, the Treasury, what have you, but actually it's bank lending.

So what happens here, you can see the first step, a bank lends money into existence. So if you go down to a bank and get a loan for $500,000, that's brand new money or currency, as my buddy Mike Maloney says, that is lent into existence. All else being equal, M2 money supply or the amount of currency units chasing goods and services just increased by $500,000. Okay?

So then what happens? Well say that the bank deposit was created because now you've got $500,000 in your bank account that you didn't have before that you can use to buy that house. So then let's just assume for a moment the customer wants cash. So let's just assume that another customer comes in and they want, not that they get 500 grand, but let's just assume that they could. So they say, "I want my $500,000." So the bank says, "Okay, we'll go ahead and give that to you, but we don't really have it right here in our vault cash. So what we're going to have to do is we're going to have to get more vault cash. We're going to have to call the Federal Reserve. They're going to have to, through the Treasury, whatever process they use, they're going to have to print the green pieces of paper, and then we'll literally send it to you in a Brinks truck.” So the bank says, "Okay, we can give you your 500 grand, but you got to come back in a couple days," or something like that. "Okay, fine."

So then the customer comes back. What the Fed does is they send the Brinks truck with $500,000. The $500,000 is a liability of the Fed. That's new currency in circulation. But they don't just give it to the bank for free. What happens is the bank has a bank reserve, let's just say for $500,000. So the Fed takes that bank reserve out of the system, it's no longer there. And then what they do is they replace that bank reserve with actual currency, and then the currency goes to the bank. The bank gives it to the customer. The customer says, "Thank you very much," and the bank decreases their balance by $500,000. But they have that $500,000 bank reserve that's gone. So what happens is the bank's balance sheet has decreased by $500,000 in that process.

But M2 money supply, in other words, the amount of currency units chasing goods and services is the exact same. It hasn't changed at all. The only thing the Fed did, is just took electronic M2 money supply and replaced it with green pieces of paper money supply, currency in circulation. That's all that happened. And it didn't start with the Fed. It started with the banks lending it into existence, and then a customer coming in and actually saying, "Hey, I want some cash." "Okay, here, here's your $500,000."

But then there's one last step. I've gone through here without reading these. The one last step is now the Fed has one less bank reserve in the system. Now, even though they barely had any, in the Fed's mind, they wanted to keep a consistent level. Let's just say it was right around 10 billion. So now they have 10 billion minus that $500,000 of bank reserves that they took out to replace it with currency in circulation. So they say, "Well, we want to get back up to that comfortable level of 10 billion." So what do they do? They go out and buy another treasury, because that replaces that bank reserve that they took out by giving the bank cash.

So this is why you see the Fed's balance sheet do that. Now, I cannot see the dates here, guys. I apologize. Greenspans on there. So I assume this is probably the end of the 1960s to before QE.

Anyway…The upper part is the asset side. Lower part liability side. The green, currency and circulation. That little pink line that states pretty much the same, that's the amount of bank reserves including vault cash.

So if you just look at this, you're like, "Oh my gosh, the Fed is printing all of this money and buying all these treasuries as a result." No, they're not. Again, they're not increasing M2 at all. They're just replacing electronic M2 with whatever the market demands as far as cold, hard cash.

All right. So then the other argument is going to go, "Oh," is going to be, "Okay, George, I get what you're saying. Okay, maybe the Fed hasn't literally printed money. Maybe it's all the banks. Maybe their balance sheet has pretty much remained the exact same, but, but, but, but they've kept interest rates artificially low. And if they keep interest rates artificially low, then the banks are going to be able to create more currency units. And this effectively is the exact same thing, which is why you see this decline in the value of the dollar."

So the way this concept works is pretty straightforward. And if you read this in the textbooks and the experts and whatnot, they'll sit there and tell you that prior to quantitative, we know this doesn't apply to QE because now they got interest unreserved, but prior to QE, we had the Fed's balance sheet right there, assets on the left, liabilities on the right. You've got a treasury blue, bank reserve in red. And let's just say with one bank reserve, interest rates, and…I'm talking about the overnight rate that the Fed sets, the Fed funds rate, okay?

Let's just assume that one bank reserve was 10% interest. So the banks are lending back and forth to one another. So they're lending these, theoretically, they're lending these bank reserves back and forth. And so if you add more bank reserves, more supply, what's going to happen to the interest rate? Oh, it's likely going to go down. And if you want the interest rate to go up, you just do the opposite. You just take bank reserves out of the system, okay? Same demand, less supply, interest rates go up. So this is just a very basic diagram of that.

So let's just assume one bank reserve, 10% interest rates. The Fed wants to drop interest rates down to 5%, so they just go ahead and buy a treasury. They add another bank reserve. There's more money for interbank lending, and therefore the interest rates go down. This is how the textbooks tell you the Fed managed the front end of the curve prior to QE.

So as an example, from 1980, when Volcker jacked interest rates, what we would assume he was doing was taking reserves out of the system to get that overnight rate up. And then we know back then interest rates, I don't know, Fed funds was maybe 18, let's say roughly. And then from 1980 where rates were 18%, you fast-forward to 2007 when rates were right around 5.25%, what would've happened is they would've just added more and more and more and more bank reserves to the system for that interbank lending, which would've brought down the rates, right? That's how it goes. Easy. Makes sense, George. I don't know what all the fuss is about.

Well, let's go back and look at another chart of what I was showing you before of bank reserves. And this is the top chart. Again, it's the exact same flat. There's just a Fred chart, very similar to what I was showing you before. But now let's look at the vault cash, because remember, that's now included in the amount of reserves, bank reserves, the same bank reserves that they're adding to the system to bring interest rates down. So you'll notice the top line is pretty much flat, right? We've got about 40 billion and 40 billion. But look at the amount of vault cash. What does it do? It goes up.

So if the vault cash is going up, but the total reserves stay the same, what happened to the amount of bank reserves? They went down. They went down from 1980 to 2007. But wait a minute here, interest rates went from 18% down to 5%. How is that possible? It's because the Fed doesn't control interest rates and banks don't use bank reserves. They use them. They can, but they don't need them.

So the punch line here for this part of the presentation is, "George, in your view, why has the dollar lost all this value?" We can't dispute the fact that it has. And I would argue the reason the dollar has lost so much value has nothing to do with the Fed "printing money." I think we can prove that definitively. It has everything to do with government spending as a percentage of GDP.

So you'll notice that, and this is by the way, this is federal and local. So as the government spending as a percentage of GDP goes up, higher and higher and higher and higher and higher, what happens to the overall economy? It gets less and less and less efficient, therefore it produces fewer goods and services, less stuff. And if you continue to create money, even if it's the banking system, it's creating additional currency units, and we have less and less and less stuff being created, what's going to happen to the value of the dollar? It's going to go down. It's going to go down.

Now, let me give you another piece of proof to kind of back up my hypothesis. What we have here is, and again, you guys can look this up on longtermtrends.net. This is the M2 money supply growth from 2000 to 2020. Can you guys? Are those the dates on the chart there?

Audience:

Yes.

George Gammon:

Okay, thank you. I should have worn my glasses up here. But you can see that this top black line represents M2 money supply growth, and the red line, those are the two lines I want you to focus on, that represents compounded CPI over the span of those 20 years. So how much, according to the CP-lie, as Rick Rule says, and I agree with them, but according to the CP-lie, this is how much prices actually went up from 2000 to 2020, right around, was it 50%? Okay.

And what do we have for M2 money supply growth? Right around 250% over that timeframe. Okay, fantastic. Fantastic. And this is a pure fiat standard. And remember, this includes three, or you could argue four if you count the repo blow up in 2019, four rounds of quantitative easing. This is during a timeframe when the Fed took their balance sheet from 800 billion to what, 7 trillion during this timeframe.?This is pure fiat. This is as fiat as it gets. And the M2 money supply went up by 250%.

So now let's go back and compare this to a time when we were on a strict gold standard. This is a perfect conference for that, right? Everybody's dream. This would be Nirvana. This would be heaven. This would be an economic boom. If we could just go back to the gold standard, it would limit the amount of currency units that were being created, and therefore we would have all of this productive deflation that would benefit the poor and middle class. That's the argument, right? So let's just go back to the 1980s. We'll go to 1980 to 1900 and look at what M2 money supply growth did back then. What did it do back then? What was that?

Audience:

The same.

George Gammon:

The same thing. You got it. This is not George Gammon's opinion. This is just the data. Don't shoot the messenger. M2 money supply growth grew the exact same when we were on the gold standard, as it did when we were on hyper-fiat mode with QE from 2000 to 2020.

But look at what happened to the CPI. Did it go up by 50% like you would expect with the exact same money supply growth? No. It went down. We had the productive deflation that benefited the poor and middle class.

So my point here is it has to be something other than the Fed's balance sheet. It also has to be something other than just the banking system creating more currency units. There has to be something else. And again, I would argue that something else is government spending as a percentage of GDP, because it distorts the economy. It creates the malinvestment. It creates the misallocation of resources. It creates the inefficiencies.

Why did we have 30% deflation back in the 1980s? Because we were producing so much stuff. And guess what government spending was back then as a percentage of GDP? 5%. 5%. Just think about how efficient our economy would be right now. Think about how much stuff we would create. Think about what the standard of living would be right now in the United States if 95% of our economic output came from the private sector and only 5% came from the government, instead of what we have today with 50% coming from the government and only 50% coming from the private sector. So this ladies and gentlemen is why I'm, let's just say, more bullish on the United States than I have been in quite some time.

Do you guys know why Hayek wrote *The Road to Serfdom*? Because, he wrote it right during the time or right after World War II, and he saw this move not only in Europe, but in the United States towards central planning, more government. Because even in the United States, the argument was, wow, look at how wonderful this central planning is. We beat the Germans. We beat the Japanese. We beat everyone in World War II. And obviously it was due to central planning. So if central planning is so awesome at winning a world war, then why wouldn't it be just as awesome at managing an entire economy?

And Hayek was like, "Ah, yeah, yeah, yeah. Whoa, time out here, guys. Be careful what you wish for." And his pushback to change the narrative in society was *The Road to Serfdom*.

And the good news is it worked. It worked because, myself included, can get a little gloomy on the United States economy and the future of, let's just say, government spending. But we have to know that it is actually possible to go down this road or start down the road to central planning and wokeness and all the insanity that we've seen over the last decade or so and go onto a different road, a road that's getting closer and closer to what we had back in the 1880s.

But that wasn't the only example of when we've, let's say, got off the road to serfdom. It's also with Reagan. And I had a quote on my phone. I'm running late here so I can't get it, but Reagan, when he left office, his last speech, he said that in the 1960s, he saw the United States getting closer and closer to central planning, going down that road to serfdom. And that's one of the reasons why he got into politics. So he could put a stop, or he could do his best to put a stop to this.

And I don't know that he reduced the size of government. He probably increased the size of government. But what he did do along with some others, is he changed the narrative. He changed the narrative along with Thatcher and I would argue Milton Friedman. Appropriate on the 50th anniversary of this conference, right? They changed the narrative. They made small government cool again, right?

And I think today, although we don't have anyone close to Thatcher, Reagan and Milton Friedman, we do have three guys that are doing their best to make small government cool again. And this is our biggest problem. It's the size of government as we can show here with these slides. And as long as we have guys like this that have a massive amount of influence that are trying to change the societal narrative to show people the benefits of small government and how intrusive and destructive large government bureaucracies and all this red tape actually is, this makes me optimistic, at least, much more optimistic and bullish on the United States than I have been in a long, long time. Thanks a lot guys.

Geopolitical Panel

MC: Gary Alexander, Charles C.W. Cooke, Mary Katharine Ham, Scott McKay

Gary Alexander:

…Let's get started. I'm sure we're celebrating in one sense that the election went the way it did. There was no perfect resolution, but it's better than it was if it went other way. I think most people would agree in the audience and up here. Let's do some name association. Mr. Trump has named a lot of unexpected names that will be quite controversial. Already they are. And when it comes to confirmation time, we still have about nine weeks until the inauguration. So let me give you some names. We're financial to begin with. So Secretary of Treasury, I believe it's Scott Bessent. I've seen him on Larry Kudlow's show. I've read him in the Wall Street Journal. He's an economic and market historian and I like what he says. What do you think the finance secretary will be like, will be approved, and what do you think of financial situation that he'll bring us. Start out, Charles.

Charles C.W. Cooke:

Well, first off, I absolutely think he'll be approved. I think that's an uncontroversial pick. The Senate will go for it. I think it's one of Trump's really good picks. He's obviously an expert in the field. He has spent his entire life around markets. He has a right of center outlook. In a sense, he's not an interesting pick, right, because he's so competent and straightforward that I think he'll sail through.

Gary Alexander:

Any enemies? Does he have people... I saw somebody on the internet, they have all kinds of kooky people on that piece of electronics that everybody carries. They said he once worked for a Soros unit. Is that a problem?

Charles C.W. Cooke:

Well, it's not a problem that he worked for Soros. It would be a problem if he had the same agenda as Soros, and he doesn't. The only criticism of him that I've seen from anyone that made me think, oof, was that he's too much of a Keynesian. But I watched an argument between two people and one said he is too much of a Keynesian and the other said he's not. And I think when you're into that level of granular critique, he's going to be all right.

Gary Alexander:

Any other comments on him or shall we move on?

Mary Katharine Ham:

I think one thing that's important to note is that he is a gay man married to his husband who lives in South Carolina with their adopted children. And so I guess the camps that the gay folks were supposed to go to is just the Treasury Department. So that's good news. It turns out that Trump was not into that.

Charles C.W. Cooke:

Shocking.

Mary Katharine Ham:

The hysterics on the left often inform some of my takes on picks, which I shouldn't be reactive to it, but I tend to be like, if y'all are freaking out this much, maybe things are fine. It's a…

Scott McKay:

Yeah, it's a qualification.

Mary Katharine Ham:

And I don't want to be reactive and always judge people by that. But I think Bessent is a very sort of middle-of-the-road competent pick that is not going to get anybody too up in arms.

Scott McKay:

Well, the one thing I would expect when he goes through his confirmation hearings, which I agree are not going to be overly eventful, is Bessent is a proponent, at least to an extent, of both tariffs, both as a potential revenue source for the government, and I'm sure during the election a lot of you guys saw that Trump was sort of floating a trial balloon of, hey, maybe we should go back to tariffs as a revenue source for the federal government instead of income tax, which is a out-of-left-field thing. Although it actually worked for over a century to fund the government when it was considerably smaller than that. I don't know that Bessent would go quite that far, but I think you will get a little bit of a discussion about tariffs and what their role is in federal policy.

And that's something, like I talk all the time about how Trump is a departure from Bush Republicanism, and this is a big departure because they didn't like tariffs at all. And Trump thinks they're a tool of economic policy that maybe hasn't been used enough over the past half century.

Gary Alexander:

Right.

Scott McKay:

So you'll see a little bit of that discussion with Bessent, and I think it's probably a productive one. Certainly it's more productive than what we're going to get with some of these other picks where we're going to be talking about sex in the Senate hearing rooms, which I think we could all do without since we just spent four years with guys in dresses running the nuclear stockpile. And now all of a sudden we're going to become puritans about sex again. And it's like, okay, here we go. So Bessent's going to be, I think, more of a productive confirmation hearing than-

Gary Alexander:

Yeah, I liked for one thing that he picked allies and some people called him cronies or whatever, and picked for the most part younger people. And for the first time, I don't know if he really expected to win, but he picked people like Rex Tillerson and some generals who didn't align with his views and they backstabbed him in print and in public and leaked a lot of things. Let's turn to the geopolitical situation. This is geopolitical. Secretary of State, Marco Rubio and a controversial perhaps pick Tulsi Gabbard for intelligence. Dealer's choice here, pick one or both of those and comment.

Charles C.W. Cooke:

Okay. Well, before I pick one, I just want to jump on something you just said, which is that Trump had picked some people last time around who weren't aligned with him. And I think this is an important thing to talk about because some of Trump's picks I don't like, but the reason I don't like them is because I don't think that they would be good at the job, not because Trump doesn't have the right to pick people who align with him. One of the craziest ideas that we have in our modern politics, and it comes increasingly from the left, is that there should be people within the executive branch who act as a check and balance on the president, which is insane. There are checks and balances on the President, there must be, but those checks and balances are Congress, the courts and the Constitution. You don't have people within the president's own department working against him because he's the guy who won the election, he's the only democratically elected person within that branch.

And yet if you look at some of the pushback we've seen from the Democrats in the last few months, it has been, look, if Trump wins again, we're really going to need a bunch of people in the executive branch who stop him. Absolutely not. So I just want to set this up with that point you made because Article II vests the power in the President not than anyone else. Now in terms of Secretary of State, I'll take Marco Rubio, the criticisms of Marco Rubio that you will see coming from the left and to some extent from Trump-aligned Republicans assume that Rubio's role as Secretary of State would be to set all of his own policies, and it's just not what's going to happen.

So I think he's an excellent pick. He is somebody who has a background in foreign relations. He's always taken an interest in it since he joined the Senate. He is smart, he's patriotic, he's a Cuban. I live in Florida. Those people have seen tyranny up close as his family did if he didn't personally. And he has become over time a lot more aligned with Trump. And so I think as someone who's going to serve under the President and affect the president's agenda, Rubio's an excellent choice. I would be shocked if he got fewer than 70, maybe even 80 votes in the Senate. We've already seen a bunch of Democrats who serve with him say that they're happy to put him on. He'll get every Republican vote I would expect. So he's one of the best picks.

Gary Alexander:

Okay. MK.

Mary Katharine Ham:

I agree on Rubio. In fact, at one point in the first week of this process with the transition, I was like, if you had told me in 2015 that in 2024 Rubio would be the Secretary of State, Elise Stefanik would go to the UN, John Thune would be the majority leader, I'd be like, am I president?

And then later that week it was like Matt Gaetz, and I was like, oh, okay, okay, we're back down to sort of where I expected to be. I talked to a very close Trump ally who works with America First think tank on policy for him and sort of set him up in this administration for a transition that will be better and more equipped to add people who agree with him, who are allied with him. Because last time around he's like, oh my gosh, I won. What do we fill all of this with?

Charles C.W. Cooke:

Right.

Mary Katharine Ham:

So he was sort of caught flat-footed, and I don't think that will happen again. But even she was like, "Look, it's Trump. It's going to be bumpy." And so that's what we're dealing with. I don't think Rubio is bumpy. And I think Rubio will be smooth. I think he's a competent guy. I think he's a very good speaker and communicator, something that Trump looks for. I think it will be interesting that his interests will naturally, I think, make Latin American issues forward in this State Department. Freedom for Latin American countries and pushing for those issues and talking about those issues, which I think to some extent will serve the new constituency that has joined the Trump coalition, Latino voters who are from those countries and are concerned about their families and friends back home. So I think that will be important.

When it comes to Tulsi Gabbard, I like her personally. I think she's an interesting figure. I kind of like that she bucks people's expectations of what she's going to do. The thing in particular that has always stuck with me is the Assad meeting that she took and what concern... This is an interesting thing, Charles is right about how you approach evaluating these folks. Can she do the job? And I think the more that people freak out and just point at people and go is a clown, this is ridiculous, the more Trump supporters get their backs up because you're not making an argument.

But in the case of Gabbard, I think my concern would be that if her dovishness occasionally leads her to believe someone like Assad or to believe a narrative that is not reflective of what's actually happening, that person as a DNI might be problematic. Now, she's walked back from a lot of those assertions in the past and she should be asked tough questions. But I think she's... Again, his preferences matter here, and these people will get tough questions in a hearing.

Scott McKay:

Yeah. Picking up on what you were talking about Rubio, Cuba and Venezuela in particular, there are something like 900,000 Venezuelans in Florida. And generally speaking, the Venezuelans in Florida make the Cubans look like the woke suburban housewives. These people have, even more directly than the Cubans, have fled communism. And Venezuela was a richer country than Cuba ever was. So you're talking about people who really, really feel it.

And so Rubio coming from that background, I think gives you a very, very interesting Secretary of State who is going to emphasize definitely Latin America, but emphasizing de-communising Latin America. And I think with everything that's happened in Cuba, with the way they stole the election in Venezuela, I think the U.S. State Department is going to be a lot more muscular with respect to those things. Because if you think about it, there's a whole lot of problems that get solved really quickly if Cuba and Venezuela are no longer communist countries. Now, our traditional way of doing those kinds of projects-

Mary Katharine Ham:

That's such a good euphemism.

Scott McKay:

... has, let's say, a spotty track record. So innovation and disruption in how the deep state does things is I think starts to become a factor here. And maybe that's what makes Tulsi interesting. Right? I don't want to repurpose Victoria Nuland to go do a green revolution in Venezuela, right? And I also don't want the CIA to be air dropping packets of guns and bombs into the jungles so that the partisans can pick it up and turn into the Contras. There has to be a different way to make elections matter in Venezuela, and I'm looking forward to maybe some people trying to figure that out within the State Department and the intelligence community. Because those are things that actually forward America's interests perhaps. And certainly those are two agencies, which again have a spotty record of doing that of late.

Gary Alexander:

I have a really short anecdote I hope you'll enjoy, but almost a decade ago when Trump first announced his first candidacy, I was at another conference, Freedom Fest in Las Vegas. Trump would make one of his first appearances, and I was in a bookstore picking up Marco Rubio's book and reading it. And a hand reached over my shoulder and said, "Don't buy that book." And I turned around and I was less than this distance from Donald Trump. He was walking through the bookstore and he just happened to see me reading that book. And my point is that it's amazing how many never Trumpers, and Marco was one of them, JD Vance was another, have come around to support Donald Trump and how Donald Trump's so dismissive of them come around to support them. So there's kind of been a detente in the last decade of so many different people.

Scott McKay:

Well, the fun part about this, and it goes back to what you were talking about, Tillerson and Mattis and all these other guys who were representing the deep state to Trump rather than the opposite, which was their job, is that over the course of the last eight years, Trump and Trump's supporters more pointedly have transformed the Republican Party from something that was Mitt Romney's leftovers to what it is now, which is really an entirely different political, I won't say it's a different political movement because the same movement. MAGA is the tea party, and before that it was Newt Gingrich's contract with America, and before that it was Reagan's Revolution. It's the same people. And the Republican establishment keeps beating them down time and time again, but I think they've run out of energy.

And now MAGA is the Republican Party. So a Marco Rubio who was Little Marco back in 2016 is now fully on board Trump's team. And his evolution over the past eight years has really been interesting to watch. And so these guys that... Ted Cruz was another one. There's not much difference between Cruz and Trump in terms of policy anymore. So that's all changed, and I think it's healthy. I think the party is more unified than ever before. And you look at a guy like John Thune who comes from a Mitch McConnell tradition, but is now in a position to be Trump's floor leader in the Senate. And so does he push back against Trump or does he say, hey, we're all on board the team for the big win, right? It's going to be interesting to see how that works, but yeah.

Gary Alexander:

Okay. Without commenting yet on Elon and Vivek and DOGE, I'm not going to name any other specific cabinet appointments. I know RFK is controversial and Pete Hegseth and so forth. I'm not going to ask you about anyone specific, but let me know if there's any nomination you're particularly against. Anyone.

Scott McKay:

I don't like the labor secretary. I think she voted for the PRO Act, which was the Democrat's attempt to turn California's basically ban on independent contractors, forcing them to be employees. They tried to do that in Congress, and she actually voted for the PRO Act. And I'm guessing she's the Teamsters ask, right?

Mary Katharine Ham:

Yeah.

Scott McKay:

Which it's great that they got the Teamsters on board even though they didn't actually endorse Trump. And I would've said, well, if you want your labor secretary, I'm actually going to need an endorsement from you. And he didn't get that, and yet she got the job. So I'm not much on her. I don't think she's going to put the Pro Act in place in the Trump administration.

Gary Alexander:

Okay.

Scott McKay:

Right? I don't think she can pull that off, but it's a little bit of a…

Gary Alexander:

Well, that's a new romance of the Republicans with labor anyway.

Scott McKay:

Yeah, there's that, but I don't think she's going to push that agenda in the administration. It's just you'd like to have somebody with maybe a little tighter bona fides.

Gary Alexander:

MK.

Mary Katharine Ham:

Well, and the PRO Act is such a disaster.

Gary Alexander:

Oh, yeah.

Mary Katharine Ham:

And it's been such a disaster in California. They keep it on the books, but they keep carving out each special interest as they come to the government and say, "But no, we need our gig workers, so just give us those." And they've done it to a hundred different jobs at this point.

Scott McKay:

Yeah.

Mary Katharine Ham:

But things like community theater basically disappeared because you can't have full-time community theaters. So Newsom murdering community theater is quite a turn. It's just a disaster. And it takes so many opportunities from people. And so just bad judgment to have backed that, particularly as a Republican. I agree with you, if the Teamsters did not endorse you, perhaps they should not get their pick at this position. And also, I understand that there is a part of this where, and I think this is where many never Trumpers... I was very critical in 2016 and 2020. But a thing you have to recognize as someone who I was concerned about Trump and remain concerned about Trump because he's not conservative enough for me in traditional ways, but I also recognize that he grew the coalition in ways that my advice was not growing the coalition. He got minority voters, he got Latino voters, he got black voters, he got young voters this time around doing basically the opposite of the autopsy from 2012 that the RNC pitched.

Scott McKay:

No question.

Mary Katharine Ham:

And so I have to contend with that and say, okay, well, where do I slot into this coalition and what can I get out of it? And Labor Secretary is a place where I'm going to be upset.

Scott McKay:

Yeah.

Mary Katharine Ham:

I might also not like HHS head, RFK Jr. who I think is going to run into a lot of problems and confirmation. But again, my pitch to people about why I have issues with him is does he actually have a vision or a record of wrangling a giant organization like this? I love the idea of COVID skeptic doctors like Jay Bhattacharya possibly ending up at NIH or Marty Makary at FDA.

Scott McKay:

Right. I was going to mention him at FDA is such a home run.

Mary Katharine Ham:

I love these ideas and I love them surrounding whoever's at HHS. But I also have to recognize once again that part of the coalition is the Make America Healthy Again moms who were I think an underrated political force that RFK brought into the Trump coalition and got a lot of those suburban mom voters who were mad about COVID school closures, about the COVID vax being forced on their kids, and frankly, seed oils and processed food. And that is a payoff to that part of the coalition. So while I don't think he's going to be effective and is too wackadoodle to be effective in many ways, I understand what Trump is doing with that pick.

Charles C.W. Cooke:

So I just add one point to that. I agree with everything that Mary Katharine Ham just said as a fellow skeptic of a lot of the parts of the new coalition. That is true. The one issue of course, that Trump will run into here is that you can only have one policy.

Mary Katharine Ham:

Yeah.

Charles C.W. Cooke:

And so you can bring lots of different people in to your cabinet, and maybe you should. There's the famous idea of the team of rivals where you want people who disagree. I think that's a good thing. But at the same time, you can only implement one vision for the country. And so we talked about the nominee for Treasury, and he said the other day that this might be America's last chance to grow itself out of its deficits and $36 trillion of debt. That's great. That's music to my ears.

You have a Republican Senate that wants to renew, perhaps even enhance the tax cuts from 2017. You have an energy secretary coming in who wants to explode American energy production. All of these are great things. There's a theme here, and that theme is unleash the American economy. You have the OMB director coming back. One of the things that they will push is deregulation, a lot of which can be done through the executive branch. Great. You cannot have an untrammeled drill, baby drill, build, baby build, grow, baby grow agenda, and a labor secretary that is trying to push the PRO Act through the back door, that's just not going to work. So this is the one area of it that I find very interesting. Are those people being brought in, is RFK Jr. who isn't really as related to economics, but is he being-

Mary Katharine Ham:

Although he's pro-regulation of a bunch of food information stuff.

Charles C.W. Cooke:

Right, right. So is he being brought in to put it in a prominent position, a new part of the coalition? If so, that's very clever. That is the equivalent of what happens in Europe but through the American system. In European parliamentary systems, after an election you very often have two or three parties who are kind of aligned with one another having to form a coalition so that they can form a government. In America, we do that before the election. So Trump assembled this team of people. Formally it was RFK Jr. and Tulsi Gabbard who've now been given cabinet positions. Informally, he brought on people like Joe Rogan and Elon Musk and Vivek Ramaswamy, and he tried to build this coalition. It was clever and it worked. Mary Katharine Ham is right. So maybe you put them in the cabinet and you try and reflect that new grouping.

But there is going to come a point at which if you want to advance the agenda that Trump has been hinting at which he's going to have to tell his labor secretary, no, we aren't doing that. And I just wonder at that point, what do the Teamsters think? So there's going to be some tension in this cabinet in a way that you wouldn't get with a smaller, narrower coalition, although as you point out, maybe that smaller coalition didn't win the election in the first place. So it's a good problem to have.

Mary Katharine Ham:

Yeah.

Scott McKay:

Yeah.

Gary Alexander:

Yeah, we're about at the halfway point, and this is the big brontosaurus in the room, not this room, but in Washington D.C. And this is the DOGE thing. I was here 40 years ago when J. Peter Grace spoke two years, and the Grace Commission began, and it was announced here, and J. P. Bolduc was his chief executive officer in charge of it. And I printed some articles in our magazine about that, interviewed the principals. They had a wonderful multi-volume work on it. They got a few things passed, but Congress stonewalled them, special interest stonewalled them, and they really didn't stop it. And we had $1 trillion in accrued deficits then. And we thought that was huge.

So now here we are. I can admit that Vivek and Elon Musk are exceptional businessmen. However, waste, fraud and abuse is only going to go so far. And the big elements are interest on the national debt, which will approach $1 trillion in the next year, and social security, Medicare transfer payments, and you can't stop them by waste, fraud and abuse, you've got to stop them by congressional measure. And it's not going to be done by this DOGE panel. So first of all, what can Vivek Ramaswamy and Elon Musk do? What's their limit? What can they do? And then what are the chances for the other big things to be attacked in the swamp?

Scott McKay:

Well, the first thing they're going to do is fire a lot of people. That's going to happen. How much of that impacts the budget in the trillions of dollars sort of way, probably not that much. I think foreign aid is likely going to go down. I think the federal payroll is obviously going to go very far down. I think you're going to start to see fewer agencies. They've been pretty out front about that.

I think that Medicare and Medicaid will both get vigorous examinations. In Medicaid's case, there's so much fraud it's unbelievable. And in Medicare's case, there's a lot of fraud as well. So there's probably more money there than... Well, you can only cut so much of the discretionary budget. I think they can get into some of that. We'll see how far that goes. And then really it's the deregulation piece and how much you can grow the economy out of the deficits that you have. But what I'll say is this, Trump winning the popular vote was so important in terms of reframing the status quo in Washington where it's, oh, you can't do that, we've never done it that way. It's been this way since 1932. And it's like, yeah, but that's a political era that went away on November 5th. And $35 trillion in debt has a way of focusing the mind.

Charles C.W. Cooke:

It's 36 now.

Scott McKay:

30, okay.

Charles C.W. Cooke:

Yeah, it ticked over.

Scott McKay:

Even more focused.

Charles C.W. Cooke:

Since the election it ticked over.

Scott McKay:

Right. So that's a big deal. And people I think do understand that, okay, this is something that has to be addressed and nobody's actually had a plan to do it. So you bring Vivek Ramaswamy and Elon Musk who, one, is maybe the most articulate guy in American politics and the other is the most successful businessman who ever lived. And when they get together and say, we think this is a good idea, there's some influence and power in that. And it'll be interesting to see. I don't know what the specifics of what they're going to bring to the table are, but I do think that a lot of what they offer is going to be accepted simply because nobody else has a plan and nobody else is more qualified than these guys when it comes to doing things efficiently and innovating.

Mary Katharine Ham:

Yeah, I think to your point, I think we've reached the limit in American politics of Joe and Mika saying, "You can't do that."

Scott McKay:

Right.

Mary Katharine Ham:

And everybody agreeing that we can't do that. Maybe we can do that. And I think that Elon Musk is a creative thinker, and I appreciate that about him and having him on this. I think generally the American public doesn't really care about budgets and spending. I wish they cared more.

Scott McKay:

That's how you got to 36 trillion.

Mary Katharine Ham:

Right, exactly. However, I think a thing they do care about is when you do highlight, this is the beauty of the waste and fraud, it is so ridiculous, it does look so disrespectful to their paychecks and their money when you see the hamster testing or whatever it is they're doing, giving hamsters cocaine. People get upset about those things. And I think just having Elon Musk highlight those things is a bit of a populist play to bring attention to budget issues in a way that people actually respond to and get mad about, which then can create popular support maybe for doing tougher things. I think one of the things on budget, obviously it's harder to talk about entitlements. It's harder to talk about these programs where you have to cut more and where people might actually have their benefits affected, right? Earn some trust by doing the easy stuff first.

And by the way, I think the Washington pushback on this two trillion is going to be damaging to the cause of the critics because the American people hear, there's a $980 million grant that went out to the door to some crony-ed up org that no one knows what they're doing that was created six weeks ago that's friends with the labor secretary or what have you, and the Biden administration. And people in Washington go, it's like chump change. And the American people go, I've never seen a million dollars in my entire life. You can't call that chump change. And I think it just illustrates how big the problem is. And so I think that might be helpful publicly. We also have on our side the idea that Loper Bright from SCOTUS allows for some dismantling possibly of the administrative state in ways that we have not seen before. And I think the popular vote and a popular guy arguing for it might lead to popular support for such a thing.

Charles C.W. Cooke:

So I'm going to be slightly more pessimistic.

Mary Katharine Ham:

Go for it.

Charles C.W. Cooke:

This isn't because I don't think this is a good idea. I really do. And I'm a big fan of Elon Musk. I've been defensive of him against the sneering. He's a genius. I mentioned it in my address earlier. You need people like that. And I hope that they find all manner of bureaucratic waste. I hope they find all manner of corruption, and I hope they do exactly what Mary Katharine Ham said. If you look through what they identified, one of the criticisms was, well, only $200 billion of it is misdirected payments. We can start there. That's a lot of money. That's a lot of misdirected payments. If the only thing they achieve is to fix that problem, it will absolutely have been worth it. So do not get me wrong. I'm not pouring cold water on this per se.

But we know already what our problem is in the United States. And insofar as this rhetoric around this idea pretends otherwise, I think it's a problem. And it has tended that way already. Musk is an excitable guy. This is why he's a great genius who has made his name in a bunch of different areas, cars, rockets, bank payments, bought Twitter. But it is not the case that DOGE is going to solve the underlying fiscal problems in the United States or even get close.

Most of the payments in the initial document they put out last week were interest payments on the debt. Those interest payments are not waste in the sense that we would talk about it as a problem of frivolous spending. They are the necessary consequence of our frivolous spending by Congress over the years. And until we address that, it's not going to change. And the reason we haven't addressed it, very simply, is that the American public doesn't want to address it. If you go back to the Obama administration in 2010, Obama was not good on this at all, but he at least acknowledged there was a problem and he had a commission, which he ignored. Paul Ryan was the vice presidential nominee for the Republican ticket in 2012. Talked about this all the time. And what the Republican Party learned from that experience was don't talk about entitlement reform.

Mary Katharine Ham:

George W. Bush 2005 as well.

Charles C.W. Cooke:

Right. Now, look, that is a good political lesson to learn. Again, I don't think it is a good idea for Republicans to just charge into a wall every election and lose, because what you end up with is more in entitlement programs, more spending and a bigger problem. But the issue is entitlements and a Republican establishment, which includes MAGA, that just doesn't want to touch discretionary spending except for the very easy wins. And until that changes, there is no commission that you can possibly establish that's going to fix this issue. And I would just warn Republicans who are very excited about this against believing otherwise, because we already know where the big problems are. They have buildings in Washington D.C., they have department heads with logos on them, and you've got to fix that or we're just going to keep spending and spending and spending until we fly into the sun.

Gary Alexander:

Well, Vivek campaign-

Mary Katharine Ham:

One thing I... I'm sorry. I was just going to add one thing. One thing I do think that I hope they'll do, because you could maybe kill some things in the cradle, is deal with Inflation Reduction Act spending.

Charles C.W. Cooke:

Yeah, true.

Mary Katharine Ham:

Things that are built into that boondoggle that you could just say right now we're not even starting this. I would hope that they could cut…

Charles C.W. Cooke:

Congress should repeal that law.

Mary Katharine Ham:

Yeah.

Scott McKay:

Absolutely. Well, what is there? Three, four, $500 billion a year that's being spent on illegals, basically transfer payments to illegals. So when you start talking about mass deportation and what it's going to cost to do that, it's like, well, let's spend $500 billion this year getting rid of all the illegals that cost us $500 billion a year and next year it might work out pretty well for us.

Gary Alexander:

And there are about eight or nine departments, cabinet departments, start with education, energy, you can go on down the line, that have budgets over $100 billion a year. And Vivek campaigned on total abolition of a department. Say, start with education. And I lived up there 15 years near the Beltway in suburban Fairfax County. All those surrounding counties are 80% or more, mostly 90% Democratic voters. And all your neighbors are Democrats. You can't get around it. If you abolish some departments or, say, move the Department of Energy to

North Dakota, how many want to move there and sell their houses and move there? The real estate would collapse in D.C., hooray for that. And who could find homes in Bismarck? So there'd be that dislocation to begin with. But that would be a signal victory, just one department to be abolished, that would maybe start a domino effect to the next department, the next department.

Scott McKay:

Well, education is-

Mary Katharine Ham:

Especially when people notice that it didn't change their lives at all, that there's no department anymore.

Gary Alexander:

That would be phenomenal if it-

Scott McKay:

Education is, when I say easy, people go, yeah, well, none of this is easy, and I get that. But education is easy because prior to Jimmy Carter, we didn't have a Department of Education.

Gary Alexander:

Right. They all came out of a crisis.

Scott McKay:

And we were really good at education at that point. We're not anymore. And largely-

Gary Alexander:

Our scores went down.

Scott McKay:

Yeah, our scores have dropped basically every year since that department was founded, and now pretty much all it does is pay states to educate their kids worse than before the money showed up. So from the standpoint of, are you going to make people's lives worse by getting rid of the Department of Education, I would say that's a department that has been doing more harm than good since 1977.

Gary Alexander:

Right.

Scott McKay:

And so that's kind of a cutting out the cancer type of thing.

Charles C.W. Cooke:

But that will be a fight, right?

Scott McKay:

Oh, no, no. I'm not saying it's not a fight.

Charles C.W. Cooke:

This is important because presidents get to do two or three things, maybe two before the midterms. And the house majority is going to be, what, five, six. And the Republican electorate is now really inefficiently spread out across the country for the first time in quite a while. So even though Republicans did really well in the house this year, they're going to end up with a tiny majority. And in midterms now, Democrats are more motivated to vote than Republicans, which is one of the things that shifted. Republicans do really well with low-propensity voters, hence the coalition that has been built. But you want to abolish the Department of Education. I agree with you, it would be fantastic. It would usher us into sunlit uplands if we could get rid of the Department of Education. But you know what's going to happen the second that there's an actual fight, they're going to be told you are abolishing education per se. You hate kids in poor states, you hate minority kids. It's going to be a real fight.

Now, I think they should do it, but if they do that, there's an opportunity cost and they're going to have to understand that and prioritize it and wait for the fruits of that to come to fruition over years rather than instantly.

Mary Katharine Ham:

If I had to choose two things, I would choose to extend the tax cuts because that's going to be a tax hike for everyone. That's just crazy damaging. By the way, I love that The New York Times finally had to admit now that we're in danger of losing these tax cuts they're like, by the way, we should inform you, you did get a tax cut. I know that we were lying about it in 2017, but you should know. So that would be number one. And number two would be maybe move a handful of agencies or abolish one. Those would be my two picks.

I do think the idea of moving agencies out of Washington could be really beneficial because what you end up with, and I live in the Northern Virginia area, so I'm slagging myself as well, is you end up with a bunch of political climbers at these agencies who are sucking up to whoever they need to at the moment and moving up that way instead of actually doing what is effective or doing their jobs. If you move a department to Nebraska or Alabama, you get a bunch of people who want to have a nice cost of living, buy a home, raise a family, are interested in doing their job well, and not climbing up the ranks at HQ, at the Hoover building, right? And I think that changes the dynamic in really interesting ways.

Scott McKay:

It definitely does. If you had a Department of Energy that's in Texas, the people who are at that department interact at barbecues and everything else with people who are in that business, and they start thinking of themselves as partners of the people that produce in that sector. And that's a totally different thing than what you get in D.C. now.

Mary Katharine Ham:

Yeah.

Gary Alexander:

Yeah, and I think four of the last five presidents have had a spanking in the first midterm. Clinton had a big one, and Obama and Trump and Biden. They lost one of the houses, usually the house, in their midterm. So you've got to do some big things in the first two years. And if you do them well, you might escape the midterm spanking. So you mentioned a couple of things. What would you choose as the two things Trump has to do and succeed well to maybe avoid the midterm reversal?

Charles C.W. Cooke:

Well, I think he has to renew the tax cuts and secure the border. I think if he does that, he will be on good ground, especially if he can unleash energy and if the economy stays good, which won't entirely be under his control, unfortunately. If we were to get a recession in 2026, that's not going to help him in the midterms. It might have nothing to do with him. But I think your model is a good one. Can I have three? Because one's an executive order. I would do taxes. For executive action, I would deal with the border. The border is an entirely executive problem. I'm the guy who always wants Congress to act. Those who read me will know, I'm a Congress guy. I hate the way that we have this imperial presidency now that does things without the legislature.

Gary Alexander:

I know.

Charles C.W. Cooke:

But the border is an example of where it really matters who's president, because the laws are already in place. It's already illegal to come over it without authority. Joe Biden just decided to open it up. Look at what happened the minute he became president. It was extraordinary. So you can do that without Congress. And then the second thing I do with Congress is I'd have the fight over the Department of Education, and I do what Mary Katharine Ham says. I'd move all of these agencies out into the country to stop the concentration and the corruption in D.C.

Gary Alexander:

And they'd get closer to Trump voters if they did that.

Charles C.W. Cooke:

That's true too.

Gary Alexander:

Do you have a list?

Scott McKay:

I say decentralize the agencies for sure. I would say the border, but you're right, that's an executive order situation. And the only people that really talk about how Congress is the solution to the border are Democrats, because what they want to solve the border is to make all these people Democrat voters. And you don't have to do that if you're a Republican president. So you can fix that.

Mary Katharine Ham:

Also, the results of the election suggest maybe they won't be democratic voters. So Democrats might be like, maybe we should send them back.

Scott McKay:

Yeah. The ironic thing you may have find some Democrats that want to do mass deportations. The other thing is is I think you need to reform the Department of Defense, because I'm very, very nervous about the next five to 10 years with China. And the Chinese to date have not pushed for a military conflict with us because what they're doing has been working really well. But there will come a time when China is going to see us as gettable, and we need to be prepared for that. And right now with the military we've got, we're not. And it's a miracle that Trump won this election because another four years of this crowd running the military, we would absolutely lose the next war that we fought in ways that are not Iraq and Afghanistan losing the war. We lose the battles in the war.

Gary Alexander:

I agree with that. And Trump is the only one of the last 10 presidents that hasn't initiated a war during his four years, and Biden has added a couple in his four years. But in that light, what do you think of Pete Hegseth and can he be approved and can he rebuild the military in the way you're thinking?

Scott McKay:

I wonder if there's not a Pam Bondi sitting right behind Hegseth. The things that he represents in terms of reforming DOD, you're going to have other people that can do the same stuff. Hegseth is fun because he's very, very charismatic. And when you get him in confirmation hearings, you're going to have a little bit of an Ollie North thing go on there. But I'm not going to say there aren't problems. This sexual assault thing sounds like a lady that cheated on her husband who was staying at the hotel and to avoid blame basically did this.

But the other side of this is like, hey, Pete, could you be faithful to one of your wives? Come on. And so that's kind of a little bit of a problem with him, obviously. But what you want is you want the confirmation hearing to be about what this guy is going to do as defense secretary. And so we'll see. I can't predict how that's going to go. I just hope that whether it's Senate Republicans or the Trump administration or Karoline Leavitt or whatever, try and keep the public's attention on the substance rather than the sex.

Gary Alexander:

Right.

Mary Katharine Ham:

I basically agree with you in your assessment, both of the sexual assault facts of that allegation and Pete in general. And look, I didn't like this thing where people were so dismissive of him as if he's just a morning show host. First of all, all the people doing that are morning show hosts. So there's that. But he was a combat vet. He served honorably. He's decorated. He's been working on veterans issues since 2006 when he came back from Iraq and Afghanistan.

Scott McKay:

Has written books about what needs to be reformed in the DOD.

Mary Katharine Ham:

The thing that I would like to see forward, whether it's Pete or ends up being someone else, is a person who can increase recruitment and the brand of the U.S. military, which has not done well in the past four years. And I think that because of his charisma, because of his experience, he is a person who young men would look to, young women as well, but young men in particular and go, oh, is that the kind of warrior I could be? Maybe that would be worth doing. And that's something we need desperately.

Scott McKay:

Big time.

Gary Alexander:

I'm really sorry to break it off, and we'd like to solve more problems of more wars and other deliberations in the future, but our time has run out, and I'm a good MC about that clock. So I'm going to turn it over to Brien to have some closing comments. Brien Lundin. Thank you to our panelists, please.

Mary Katharine Ham:

Thank you.

Avi Gilburt

"I Am Seeing Some Crazy Things For The Equity And Gold Markets In The Coming Year"

Avi Gilburt:

Good evening, everybody. For those of you that do not know me, my name is Avi Gilburt and I'm going to be taking you through some of the market calls we've done in the past, as well as take you going forward as to what we're seeing in the markets. Now, I'm what you would call an Elliott Wave analyst. What that means is that I view markets as being fractal in nature, with these fractals representing overall societal sentiment. It also means that I believe that societal sentiment is what drives markets rather than exogenous factors that most investors and analysts follow. While I know that may sound quite controversial, I'll simply note there have been many studies conducted over the last 30 years which support the claim that I just made.

Now, I'm not going to bore you with citing the many studies which support my assertion, but I'll cite one study entitled Large Financial Crashes published in 1997 wherein the authors concluded the following, stock markets are fascinating structures with analogies to what is arguably the most complex dynamical system found in natural sciences. In other words, the human mind. Instead of the usual interpretation of the efficient market hypothesis in which traders extract and incorporate consciously by their action all information contained in market prices, we propose that the market as a whole can exhibit emergent behavior not shared by any of its constituents. In other words, we have in mind the process of emergence of intelligent behavior at a macroscopic scale that individuals at the microscopic scales have no idea of. This process has been discussed in biology, for instance, in the animal populations such as ant colonies, or in connection with the emergence of consciousness.

Now, I also want to note that my analysis has led to some really crazy market calls. In fact, quite a number of my market calls have been called things such as voodoo, absurd, crazy, insane during the last 13 years in which I've been making market calls. While I'm not going to be citing them all, or else we could be here for quite some time, I do want to present two such calls simply to illustrate why to many of you, some of my market calls as sounding outright crazy.

I'd like to start with the COVID crash. Now, on November 24th, 2019, I published an article entitled Sentiment Speaks Early 2020 will Signal a 30% Stock Market Move. My primary expectation at the time was for the SPX to drop down to the 2,200 region from the low 3,000 region. Now, consider this was before anyone even considered or heard the word COVID. As we now know, the S&P topped in early 2020 and we saw a 36% decline in the SPX. While I was calling for the 2,200 region as our bottoming target, the market actually bottomed at 2187, I was 13 points off, but the kicker was when we were approaching that 2,200 target region, I outlined to our clients that it was time to load up on the long side, as I was looking for the market to rally from there to north of 4,000.

Now, consider how truly crazy this was at the time. The world was falling apart. The highest death rates were being reported at the time, and we were seeing economic shutdowns worldwide and unemployment was hitting record highs. A major market rally would begin imminently is what I was telling people. Now, as you can see from this slide, when the market began to rally from our support point, most of the market did not understand what was happening. I'm now going to show you two public comments which were posted in reaction to my article calling for that rally from 2,200 to 4,000 plus, describing my analysis with various choice adjectives.

Now, I'm not going to read the entire quote, but I highlighted this commenter's calling my rally expectations silly, absurd, magic, insane. Now, this next comment was posted by actually another analyst on Seeking Alpha. The main lines I want to focus on in this quote are in bold. “Here is the 2,200 exactly that you said the S&P would bottom at before taking the trip back up to 4,000. The bull market is dead, so it can never take us to 4,000. What you predicted can never come true, so you have my common sense view or you can believe Avi's chart magic will get you through all of that and is right about a big bounce off 2,200 all the way back up to 4,000.” I think we all know just how crazy this eventually turned out.

But next I want to show you another crazy call, but this time in the gold market. For those that may remember 2011, gold was seeing a parabolic rally during the summer of that year and the only argument that you heard between investors and analysts at the time was how far beyond $2,000 was gold going to go? But I published the following market call on August 22nd, 2011. In fact, this was the first market call that I made publicly and it was entitled A Different Perspective on a Top for Gold. And I noted at the conclusion, "Since we are most probably in the final stages of this parabolic fifth wave blow off top, I would seriously consider anything approaching the 1,915 level to be a potential target for a top at this time."

Now, in the comments section of these gold articles that I would publish at the time, I was literally vilified and ripped to shreds from making such an outlandish call. However, one person actually humored me and asked me where I see gold dropping to should it top at my target. My answer was the 1,000 region, and that call was made during the parabolic rally before gold even topped. As we all know now, gold topped at 1,921, $6 within my target and then bottomed a little over four years later at 1,050. In fact, on December 30th, 2015, I urged investors to be moving back into the metals complex as we were looking for a long-term bottom to be struck due to the significant bearishness evident in the market.

And I specifically wrote, "As we move into 2016, I believe there's a greater than 80% probability that we finally see a long-term bottom formed in the metals and miners and the long-term bull market resumes. Those that followed our advice in 2011 and moved out of this market for the correction we expected are now moving back into this market as we approach the long-term bottom. In 2011, before gold even topped, we set our ideal target for this correction in the 700 to 1,000 region in gold. We are now reaching our ideal target region and the pattern we have developed over the last four years is just about complete. For those interested in my advice, I would highly suggest you start moving back into this market with your long-term money."

Now, again, I want to explain that these types of prognostications can be made using Elliott Wave analysis due to its fractal means of tracking market sentiment, which is what I believe to be the underlying driver of markets. In fact, I made a gold market top for a call and the target for low all based on a 100-year Elliott wave analysis. Now, I'm about to show you a 100 plus year Elliott wave analysis on the S&P 500, and that'll outline my next crazy market call as to where I foresee the S&P 500 going. But before I show you this hundred-year chart, I want to give you a very basic background as to how to apply Elliott Wave analysis. And as I mentioned before, it's based upon market fractals, which provide an analysis of market sentiment. Now, when I say it's a fractal analysis, it means that the analysis and the structures are variably self-similar at all degrees of trend.

So what does that mean? Well, as you can see from the basic Elliott Wave construct, Elliott theorized that markets move in five wave structures. Three waves move in the direction of the trend, two waves move in the counter trend. This is where fractals come into play. As you can see from the chart, Roman numeral waves one, three, and five move in the direction of the trend, but as you further break down those initial waves one, three and five into substructures of five waves each as well. So you can see from the chart, I use the third wave as an example and show how that breaks down into a five wave structure as well. But we can do the same thing with waves one and five within wave three as well, but I just didn't show that. And you can do this ad infinitum as you scale down to the smaller and smaller degree structures.

So now that we have a very basic understanding of how Elliott Wave analysis works, let's look at the a hundred-year chart in the S&P 500. Now, there are a few points I want to make about this chart. First is I want you to see all the way on the left bottom side, Roman numeral two in parenthesis. That was the low that struck after the 1929 market crash. This is what led us into the Great Depression. Now, I also want to note that in 1941... What was going on in 1941? World War II. World World II was literally raging around the world and Ralph Nelson Elliott in 1941 made one of the best market calls I have ever seen in my life. In 1941, he called for a 70 plus year bull market in the middle of World War II. Now, when you follow the chart all the way up to where we are today, we started at the bottom of a wave two in parenthesis, and we're now approaching a wave three in parenthesis.

In other words, we're completing a very large degree third wave, and as we're completing a five waves within that third wave off the 1932 low. Now, since I have degrees as a CPA and a tax attorney, I know what comes after the number three, and that's usually four. And if you remember from the first chart that I showed you about Elliott wave, wave fours are countertrend to the general larger degree trend. Now, if you look at the consolidation on the chart between the years 2000 and 2009, take note that that was a fourth wave but of a lesser degree than what I'm expecting, and that took nine years. 2000 to 2009, sideways market took nine years, so it is likely that a fourth wave of a larger degree is going to take longer than that nine-year period.

Elliott also provided us with a theory called alternation, and that suggested waves two and wave four are going to be very different. And as we know, the crash from the 1929 market crash was straight down 80% and took two, three years. So we're going to expect something very, very long and drawn out during the fourth wave I'm expecting to begin in the not too distant future. My general estimation right now is that it'll likely take us anywhere from 13 to 21 years to complete that next bear market. So now that I've explained my crazy stock market call, let's take a look at how crazy I think I am with gold.

Now, I want to start by explaining that the four-year pullback we experienced between 2011 and 2015 represented a fourth wave correction as well. That means we are likely within a fifth wave rally. Remember, five comes after four. And due to time constraints, I'm going to fast-forward to the last segment of that five wave rally, which began late in 2022. You can see the expectation that I presented to my clients at the end of 2022 from this chart, we were expecting the market to hit a bottom and start a sizable rally. Then in late 2023, I outlined the strong rally I was expecting in 2024, and the market has followed through on that expectation quite nicely so far. Let me show you what that chart looks like today.

Now, as you can see, I'm still expecting this fifth wave rally to continue over the next approximately 12 to 18 months before we complete the current fifth wave structure, which began at the start of 2016. I'm also expecting the last segment of this rally to be parabolic in nature, as that is often how commodities complete their cycle. But first, I'm expecting to see a multi-month pullback/consolidation in 2025 before that final parabolic rally takes hold, and we may not complete it until 2026. I'm not wholly certain about the timing. I really look at structure much more than timing. Now, ultimately my target now is about 3,300 to the 3,400 region in gold for that final parabolic rally. But as the pattern develops over the coming year, I'll be able to refine that target a lot more accurately.

But I want to warn you, during the last parabolic rally that I expect in the coming 18 months, I know I'm following Brien and I got to tell you, it's hard for me to say this because of how much I respect Brian, but I know a lot of people are going to be calling for 5,000 and higher in gold. When this five wave structure completes, it's going to complete the cycle from the 2016 low, and then I'm expecting what could be a five to eight year correction. So since the 2011 to 2015 correction was a fourth wave of a lesser degree, then it's reasonable to expect the upcoming correction to take longer than that four-year correction.

Like I said, I feel bad coming out here and saying this, but I know a lot of people are looking for 5,000, 7,000, some even 10,000 in this gold rally. I'm really not seeing that at this point in time, so that's my crazy call in gold. I actually have a little time and I usually like to open the floor to some questions if we have a little time. There are microphones in the middle, so feel free to go to the microphone so we can all hear you. Microphone over there, and there's a microphone over there if anybody has any questions. We have our first taker.

Speaker 2:

You called for a consolidation in 2025 before the parabolic fifth wave. Right now where we're standing, can you give us an idea of what that consolidation would look like in terms of a number? You've given us the top of the wave of 3,300. Do you have any idea what the consolidation would be?

Avi Gilburt:

If you look at the chart in front of you, you'll see that I'm still expecting potential for one more push higher before that multi-month consolidation takes place. Once we get confirmation that the multi-month correction has begun, then I'll be able to calculate the ideal target for that pullback because our analysis is based upon Fibonacci mathematics, I need to know where the bottom is and where the top is, and then I could start looking for the appropriate Fibonacci retracements for them. So I hope that answers the question.

Speaker 3:

Yeah, I have basically two questions. The first one is do you-

Avi Gilburt:

You may want to leave it to one because we have some other people and we're running out of time.

Speaker 3:

Okay. If I understand you correctly, we're in the ABC down wave of the fourth wave and we're-

Avi Gilburt:

That depends on the degree you're looking at because there are several fourth wave degrees on this chart, so I don't believe we have completed the third wave. I think we're in the fourth wave of the fifth wave of that third wave. This is where Elliott wave gets very complex.

Speaker 3:

I understand what you're saying and that was my question, so thank you.

Avi Gilburt:

No problem. Yes, sir.

Speaker 4:

The wild card here in gold is the monetary impact of central banks' needs. Is that taken into account in what you've said today?

Avi Gilburt:

The answer is no.

Speaker 4:

Thank you.

Avi Gilburt:

You're welcome.

Speaker 5:

That was the exact question I was going to ask as well.

Avi Gilburt:

Then I'll go into a little bit more of an answer and then I'll be done. Because we believe that markets are driven by sentiment, that means the sentiment of the general public, not necessarily the sentiment or what a central bank does. If you often look at it, central banks are usually on the wrong side of the trend as the trend turns. For example, anybody remember Brown's bottom? When England sold tons of its gold, that marked the bottom of a major market correction in gold. Back in 2015 when Canada sold most of the rest of the gold that it owned, I called that the Maple Leaf Low. Right now we're hearing about how many central banks are getting involved in the metals market. That usually is a counter. It's a contrarian sign usually. So if you're asking me about do I rely on what central banks are doing? Generally, it's better to look the other way as to what central banks are doing, but thank you very much.

James Grant

"The Post-Election Bond Market"

James Grant:

Too many birthdays.

Since I am among friends and such good friends, I will tell you the story of my first adventure in gold investing. It was January 1980. And I queued up outside the Lower Manhattan Coin Shop of a Deke and Company to buy a Krugerrand. I remember it was cold. And the wait was long, but I didn't care because the Dollar-denominated value of gold, as high as it was, was surely going higher.

Now, this was a time of rampant inflation, remember 1980, and of the Iran Hostage Crisis, of the discredit of the Dollar and of the Government that printed it.

So I pushed across the price of that coin to the teller behind the thick, double-glazed, hazy glass. And he, in turn, slipped me my treasure.

I thought of President Grover Cleveland, savior of the gold standard, when it came under strain in the dark days of 1894. And probably, too, I thought of Scrooge McDuck, who didn't stop at the purchase of one coin, but kept right on going.

And what I did not immediately consider, I did not immediately consider the price. And if it wasn't the top for the next quarter-century, that is around $850 an ounce, it must have been close. Neither did I think about the timing, or the multitudes of amateur speculators who just saw the matter as I did, exactly as I did. As to value, what was there to think about? No metal, not even a precious one produces cash flow. A chartered financial analyst would almost certainly judge it unanalyzable.

What I did know from my reading was that gold is money, that the gold standard was the least imperfect monetary system, that's a phrase I pinched from Lewis E. Lehrman. And that the Dollar was destined to go the way of all paper money, eventually.

Well, I've had 44 years to reflect on that investment, and on the place of gold in the sweep of American monetary history, and on the contribution of gold to a modern investment portfolio. You see, besides being a gold bug, I am also a bookworm, a kind of double invertebrate, though not actually one without a backbone. Certainly, you need a little bit of spine to say out loud some of the ideas that bring us together this evening.

In preview, I'm going to contend that gold was money, is money, and will be money, world without end $3 trillion in crypto market cap or is it $4 trillion in crypto, one loses track, not withstanding.

I will say a few words about interest rates and the price of gold, I will demonstrate that the arguments over gold, and paper, Central Banks, and moral hazard are as old as the United States itself. And I will contend that gold deserves a monetary role in President-elect Trump's Reimagined America. If we can conceive of lunch, ladies and gentlemen, without french fries boiled in oilseed, or of a Government, sans an education department, or of RFK, Jr. telling us just how to go about eating carrot sticks, if we can do those things, we can surely imagine a monetary system restored with *some* grounding. Some grounding in the ancient truth-telling monetary medium.

Now, nobody can doubt that gold was money. No, that is a fact. Now the bezant, ah, there it is. There was a coin, this is a coin of ancient Byzantium, circulated for more than 600 years, after its debut at about 300 AD. All the while, it retained its weight, four-and-a-half grams. Its purity, on the order of 980 parts of 1000 of pure gold. This is according to Robert Sabatino Lopez, Sterling Professor of History at Yale University. Now that, ladies and gentlemen, is aging gracefully.

I was going to, I had this coin at home, and I was going to bring it in and pass it around during cocktail hour. I just forgot it.

Speaker 3:

Good move.

Speaker 4:

Yeah.

James Grant:

I listened to the last session. There are things you do not do with your gold.

So gold was still money in 1792 when President George Washington signed into law Alexander Hamilton's Coinage Act. It was a law that established gold and silver coins as America's legal tender.

Now, one lesson of the 2024 Presidential Election is how little the American voter likes inflation. And the Founders hated it. And the Coinage Act provided for an annual assay of a sample of the coins produced by the U.S. Mint to be conducted in the presence, mind you, in the presence of the Chief Justice of the Supreme Court, the Secretary of State, and the U.S. Attorney General. Embezzlement or debasement of the coins by an employee at the mint was punishable by death. As it should have been.

But what about the bankers, the creators of paper claims that passed for money? Now there's the eternal rub. Whether ancient Byzantium conducted a fractional reserve banking system in which, say, a Constantinople Bank and Trust Company would sometimes get out over its skis and come begging for help from an imagined Central Bank of Istanbul, that's beyond my knowing, I don't know that.

What I do know is that the metallic U.S. Dollar competed right out of the blocks with the notes of America's infant banking system. Notes weren't money, but critically, they were rather promises to pay money, convertible into that coin into…

People say that the gold standard, "That gold backs the money."
No, it doesn't back anything. It is the thing. It's a critical distinction.

Gold is in the language of derivatives, is the underlying, and the notes of the derivatives. If you look on a Federal Reserve bank note, it says bank note, it says note, that is a debt obligation.

The late great John Exeter whom, I daresay, spoke of this event more than once, called Dollar Bills, "I owe you nothings."

So the truth about gold is that, cubic inch for cubic inch, it weighs more than paper. You can write that down if you like, it's a fact. Not a startling fact, to be sure, but one that helps to explain the inroads made by inflation-propagating banks throughout the 19th century and into the 20th century.

All sorts of things leap out at you as things that are new, yet old. If you read enough monetary history, I'm looking for remarks by a Senator from North Carolina who's a populist. And what he said was something to the effect, I'll tell you exactly what he said, but it's worth looking for. His name was Marion Butler. He was a Populist Senator from North Carolina, the year is 1900. And he was testifying against the Gold Standard Act, which was intended to settle once and for all the question about whether gold, silver, paper, counterfeit, what have you, would be the coin of the realm.

And here is what this today, rather obscure, Senator Butler, Marion Butler said in a speech on the floor of the Senate. He said, "It doesn't make any difference whether it's gold, what is true," he said, "with respect to money made out of gold is true with respect to money made out of any other material. The stamp of Government may be placed upon a piece of paper with that same function that can clothe metal money with. If not, why not? Mr. President," he said addressing the vice President Of the United States, "the making of money out of gold and silver is a relic of barbarism. Surely, the time will come in our civilization when we will discard that one last relic."

So Keynes didn't say it first. Barbarous relic, that was Senator Marion Butler of North Carolina, in the year 1900, when he went on to say that, "Paper is the thing you have to have," said, "where is Justice Long? It's more convenient to handle," now quoting directly. "It's easy to transport." Yeah, yeah. "And it costs less to produce." So, it's perfect, right?

Well, we live and learn.

So, I want to talk a little bit about, not too long, I promise you, about one of the forerunners to the Federal Reserve, which is the Second Bank of the United States. This is the institution whose charter President Andrew Jackson famously vetoed. And which, subsequently, under Pennsylvania Charter went to rack and ruin.

But this is an interesting chapter in our monetary history. Before it hit the rocks, this bank stood very tall. It was solvent, it was profitable, it seemed to underwrite well. It performed some central banking functions. It helped to make a dollar a dollar in many parts of the country all at the same time without arbitrage.

So people came to prefer its notes over gold on the very grounds of convenience, portability, and also reliability. And panics and politics ended the gold's prosperity around 1836. And gold, the money itself, divorced from banks and the banking system found its champion in Thomas Hart Benton.

Now, Thomas Hart Benton was a tough guy on the right and he got into a gunfight with Andrew Jackson. They both, I think, they wounded each other. But they made it up. And no hard feelings. And shared a certain amount of monetary lore and opinion together. And Benton was a Senator from Missouri, and the great uncle, and the namesake of the 20th century American painter. He liked the ring of sound money.

Herbert Hoover said that once Hoover said that, he said, "The Dollar will ring, ring. Drop it on the counter, it rings." I guess Hoover is not an exemplar for the way forward in money, but he said it.

So like old John Adams, Benton rejected the Federal Reserve's business model for banking. Now his long, tendentious, unavailing crusade to make gold and silver, alone, the nation's money earned him the moniker, Old Bullion.

Now, he wanted us to walk around with bags and pockets full of gold coins and silver coins. There was purity in that project, but there was not convenience. Nor was the opportunity for financial leverage, which we've seen.

So Daniel Webster, then a Senator from Massachusetts, the fellow on my left, perhaps on your left, too. I don't know…He's the darker figure with a good, dark bow tie.

Webster answered Benton with a plea for a mixed currency, partly of gold, partly of silver, and partly of good paper, redeemable, and steadily redeemed in specie, meaning gold and silver on demand.

So gold and silver, alone, he said, "Reminded of the iron money of ancient Sparta."

The two of them found common ground on the point that, "Government-owned and government-managed banks," this was Webster's words, "are among the most dangerous of all inventions."

Among the most dangerous of all inventions. Some of us might share some of that opinion ourselves.

And here is Benton, on that very point. "What are the tendencies of a great moneyed power connected with the Government and controlling its fiscal operations? Are they not dangerous to every interest public and private?"

Now we charge that the central banks, as we know them, promote borrowing and debt accumulation and they facilitate wars.

Now, he had in mind the Napoleonic Wars and the Bank of England's role in that project.

But it's something to think about. I think that Ron Paul has thought a great deal about that.

Now, it might amuse Old Bullion, if he were returned to life today, for a monetary and fiscal update. To learn the Treasury holds the whip hand over today's Federal Reserve. It's called fiscal dominance, the Senator's tour guide would inform him. And he would go, "So big is the public debt, Senator Benton. So big is that debt, so great is the interest cost, that the Central Bank, in your day, you called it Monster, may soon have to subordinate other policy considerations to paying the public creditors."

If the Senator asked about these other considerations, he would learn that the Fed actually seeks to inflate the currency by no less than 2% a year, to prevent prices from ever falling. And that it chooses to call this intended debasement price stability.

Moreover, today's monster is broke. The briefing would continue, in a theoretical, hypothetical way, because the Fed's cumulative operating losses of $186 billion overwhelm stated capital of $43 billion.

Now, this has become rather a hobby horse of ours at Grant's. I wonder if I can interest you in some of these facts. The Fed carries $43 billion or so in book value net worth. It has racked up, as I say, between 180 and $200 billion in operating losses. It still records $43 billion in net worth. Every Thursday on the H41 form it says dissolvent. There is a line item that says, that it is merely borrowing the money from the Treasury. That the Treasury is writing it an undated and non-interest-bearing loan.

And this calculation, by the way, has nothing to do with the market-to-market on the portfolio. The Government owns $2.3 trillion worth of mortgages, the Fed does. And they're probably showing $400 billion or so of losses there. And those securities earn 2.2% and the Government pays 4.8 or 4.9 to fund them. So it's out every year, it's like $60 billion in funding, is carrying those securities. So the Fed is not just a little broke, it's actually really broke. Hypothetically.

So Benton hears all this, turns around, puts his hand over his eyes, and goes back to heaven.

The so-called Bank Wars, by the time of Andrew Jackson, raged for a full generation before the Civil War, before the National Bank Act, before union greenbacks, before Confederate paper dollars, before the post-war, legal tender Supreme Court cases that sanctioned the Government's production of paper money that a creditor could not refuse in payment of a debt.

Now, even so, gold held its place in the composition of American money. Indeed, the Gold Standard Act of 1900 wrote that place into the Federal statute books. This was the act against which our friend from North Carolina spoke in debate in 1900. It defined the Dollar as 25.8 grains of 90% pure gold, or $20.67 an ounce, that was about where the market would've had it, I think.

Perhaps that act, when you look back on it, marked peak gold standard,, it would be just like Mr. Market, wouldn't it, the prankster, the ironist, to allow the proponents of a fixed and immutable currency to believe that the battle of inflation was over and won, just like him.

In 1902, just around the time of that inflection point, a man named George Gilbert Williams, President of the old Chemical Bank of New York City, gave an interview on the occasion of his retirement. Now Williams was only 76. He was retiring. What was that about?

Well, each to his own. But still, he thought it was time to retire. And he had presided over a wonderfully liquid, and profitable, and well-capitalized, and fabulous bank. It was the arch-type of the pre-FDIC, pre-too-big-to-fail, leveraged financial institution. It was impervious, it seemed to deposits, to runs, and the panics, and the paid-out gold at every panic during Williams's time, including the one in 1858, which earned him the nickname, just as it did Benton, earned his bank, Old Bullion.

So on the occasion his retirement, a reporter asked him for the secret of success, "What's the secret of your success?"And Williams said, "The fear of God." Better than the FDIC.

Well, on reflection, the Gold Standard Act did mark the peak in the strong-form American gold standard. The Federal Reserve came along in 1913 and the President Franklin D. Roosevelt, between 1933 and '35, called in the people's gold, devalued the dollar, instituted federal deposit insurance, and removed the contingent liability from the shares of nationally-chartered commercial banks, all this between 1933 and '35.

You know about accessible bank stock, do you? In the day, when you bought bank stock, you paid in knowing that if the bank became impaired or insolvent, you, the stockholder, were at risk of a capital call for a measured portion of the par value of the shares.

And the directors, if they made a loan in excess of the allowable exposure of that bank under the National Banking Act, to a single borrower, they were liable, personally, to make good that loss for the bank. So this is personal responsibility.

So that went out the window beginning of the Banking Act of 1935.

And to continue with the decline of the dollar, I say, dollars to doughnuts. In 1971, President Richard Nixon announced the close of what little remained of dollar convertibility by suspending the right of foreign official creditors to exchange their unwanted dollars for the ingots at Fort Knox at the fixed rate of $35 an ounce.

You may remember that he preempted Bonanza, a fabulous TV show, for that.

"Gold is money. That's it." JP Morgan said that.

How many of us would agree with that today? I mean, apart from my friends, you and me? Not the Fed, which owns not a single ounce.

Oh, by the way, before I go on, did you see today in the news that the lady Senator from Wyoming said that the Fed ought to sell its gold certificates and with the proceeds buy Bitcoin for the National Strategic Bitcoin Reserve?

Now, not to be pedantic, but the Fed doesn't have any gold. What it has is a fake bookkeeping entry called gold certificates. Those are the IOUs.

Like, okay, when your kid borrows $5 and leaves a note in the coffee can, “I owe you $5.” That's the gold certificate account. It's $11 billion in the Fed's balance sheet.

But one sign of the frenetic financial times, ladies and gentlemen, is that our elected officials in this upper chamber are misinformed as to the nature of who owns what and what is money. Remind me to write a letter to the editor.

The Fed does not believe this, nor the academic economists. I think there are 23,000 members of the American Economic Association, and I would bet you one, Bezant circa AD 300, not one of them would subscribe to some of the things we have been talking about today.

So they wouldn't subscribe, nor a crypto-besotted Wall Street would not subscribe, I think, to the idea that gold is money. Whatever passes for money is gold in their view. And I guess there's some merit in that idea if you don't carry it too far.

Okay, so let's get down to cases. What about the men and women of MAGA Part II. Is gold money?

I have known Larry Kudlow my whole professional life. I'm not sure he would say that, now.

Scott Bessent, he came and spoke at our conference on October 1st, I guess it was. I'm not sure what he'd say.

I would say that, in general, it's doubtful. It might be different if the World Gold Council had contributed a few more hundreds of millions of dollars to the president-elect's election campaign. But crypto got there first. So I would say it's doubtful.

However, this is an iconoclastic Administration, right? They keep on telling us. And they have the personnel to show it. So, let's shake up the Pentagon. Yeah, let's do that.

There was a wonderful item in the Babylon Bee about RFK Jr. And it said something like, showed a picture of a tragically obese American, no face, just figure. And the copy beneath it said something like, "The sickest and fattest country in the world can't do anything different."

It's apropos of the uproar of RFK Jr. So we'll see. We'll see about some of these things.

But what about gold? What about money? What about the Federal Reserve's balance sheet? What about the fiscal situation? What about the things that, if I may say so, really matter?

Maybe the iconoclasts will be open to persuasion. Interest rates are straining the public credit. Oh, here's an idea. Why not issue zero-coupon bonds that provide the investor the option to receive payment in paper dollars or gold? You know that the U.S. Government has been single-minded about excluding gold from the options and world money since the '70s at least. Forced the IMF to take gold out of its protocols. The government officially is anti-gold. That's the book on the U.S. Government.

So what the idea is here is trying to get the Government to reconsider. Government might also consider allowing the Fed, or indeed suggesting to the Fed, that it might buy some to anchor an otherwise, somewhat, undignified balance sheet.

So if the new Department of Governmental Efficiency redeems even one half of its promises, the gold price, yeah, may fall along with interest rates, and inflation expectations making the taxpayer aware, miracles do happen.

Certainly it would take some miracle to affect the significant improvement in the Government's fiscal position without a reconsideration of the incoming administration's pledge to lay not one little finger on entitlement spending. Now there's a table here, that is the representation of something that I'll get around to in just one moment.

But this is a table that shows in a certain, vivid way the adverse projected trend in the relation between revenue, on the one hand, and on the other hand, the sum of mandatory spending and debt service costs. And the yellow lines indicate years in which the revenue fell short of covering those two critical things of pandemic years. But look at the out years and the big improvement you see in whatever it is, a couple of years at '27, that is very questionable because the CBO which produced these data is assuming that the Tax Cut And Jobs Act of 2017 will not be extended, where we're almost certain it will be.

So we're on the verge, if not on at the start, of a ponzi finance in which we, the taxpayers, the Treasury, the Department of the Debt, not the Treasury, Department of the Debt, are looking at the necessity of borrowing money with which to pay interest. Not a healthy sign. So, good luck to the DOGE team.

During the long-ago Bank Wars, Danny Webster asked, apropos of a proposed National Bank, "What security is there? Where is there any security that these national institutions should not run to an excess in their issues of paper?" Who was to guard the guardian? Who was to watch the sentinel?

The market prices of the proposed gold-linked securities could help to restore fiscal order. I'd call them Shelton Bonds after the economist Judy Shelton who dreamt up the idea.

So we Americans, in our pride and our prosperity, sometimes forget that we are not alone in the world. Well, for one thing, there are the innumerable, unidentified, anomalous phenomena, flying saucers, that even respectable newspapers are writing about. And then, there are the Central Banks of Asia and Europe and they're basically accumulating gold, almost as if it were money.

The Central Banks of Poland, Hungary, India, Turkey, and Uzbekistan, in the third quarter, were in the vanguard of the buyers.

Jan Nieuwenhuis, such a perceptive, and humble, and searching researcher, and thinker about these things, proposes that the purchases are not random, not random transactions, but in some way are coordinated, as if an expectation of a shift away from the overabundant paper dollar to some gold-themed monetary Plan B.

A full-fledged gold standard asks much of the countries that participate in it. It's a device. It is a device for securing fixed exchange rates and for integrating prices and income structures of the member states. It is an international project.

And when people were criticizing moving away from that standard in the 1930s, they railed against economic nationalism or monetary nationalism. Friedrich Hayek wrote a long monograph against monetary nationalism.

But that's the program today, right? It's America First. So that seems problematical for a Gold Standard.

So the Gold Standard evolved in a time of laissez-faire. Currency controls, verboten. Free trade was the norm. Government budgets were in balance. And in fact, the Central Bank balance sheet showed very little, if any, government debt. It was not done.

A gold standard Central Bank was in business first and foremost to protect the convertibility of the currency it managed.

Does it sound like a surefire 2024 vote-getter? Imagine if, this is good, imagine the FOMC press conference in which Jay Powell explains the Fed is raising the funds rate to check an outflow of gold. "Mr. Chairman?" comes a question. "The economy is looking really soft and the unemployment rate is rising. Why are you tightening policy?" And Powell says, "Next question."

The gold standard also was a cultural thing. It was, you take your hat off in the elevator, that kind of thing. Maybe it's a different place, different regime for a different time. But I'm talking about now the full strength gold standard, classical, 1880, call it, to 1914.

Yet, ladies and gentlemen, even the hollowed out, Friday casual-caliber, gold exchange standard, that President Richard Nixon put out of its misery in 1971, served a function. It must have served a function.

I so conjecture because of what happened to the growth, for example, of the public debt after 1971. Look at that. True, Congress, the Treasury, the Fed, pursued palliatives more than fiscal prudence in the '60s and the 1950s.

An example of this was the London Gold Pool, which was an American-led gimmick. It was set up in 1961 to rise herd the price of gold, make sure it didn't rise much above the $35 per ounce authorized fixed price.

But the U.S. spent more than it earned. And the price would not hold. And the pool dissolved in 1968. And in 1971, the whole shooting match ended.

So the gold standard asks much of a country. What do we, the gold bugs, ask of gold?

Gold is such an incongruous thing that draws us together, that we live in a time of Elon Musk, you know him. He's a member of the DOGE Commission. So Elon launches a rocket and catches it on the way down in mechanical pincers. I mean, the world is full of extraordinary things. Technology is just breathtaking. And what is less technologically breathtaking than this lovely, inert rock?

So do we ask too much? I find myself rooting it higher, rooting gold higher, as if it could hear me. As if it were not deaf and mute, but some kind of listed AI play with a coming shot on Squawk Box.

What's the price of gold? Ladies and gentlemen, it is an opinion, it's a monetary opinion.

I heard a wonderful line from someone the other day. Who said, An investor he knows only has low-conviction opinions. And right away I knew how old the guy was.

So, I used to have high-conviction opinions. I still have ideas. And I have bodies of belief. I have convictions about many things. About the future of finance, of investments, of prices. I have hopes, I have expectations. I try not to let the hopes get in the way of more reasoned thinking. But we can't know. Gold is an opinion.

So my opinion happens to be that the dollar-denominated gold price will rise. It will rise because it holds its value over time; because gold is an asset which is nobody's liability; because its supply, over the long run has risen, in step, approximately, with the growth in the world's population; because its appeal is universal and instantaneous, it's money at first sight.

Then there's the competition. The monetary system against which gold competes is the PhD standard. That, my friends, is the improvisational manipulation of interest rates by former college economics faculty. The manipulating ex-professors and graduate assistants are deflation-phobic, they are bubble-tolerant, and they are price-discovering averse.

They're the handsiest people in Washington. Their default state is a combination of meddling. But a high-leveraged financial system may check their ability to rise to the challenge of the next inflation.

In the '70s, inflation just didn't go up, and stay up, and remain up for 10 years, or 15 years. There were waves, there were three distinct waves. And at the ebb of each of these flows, somebody would say, somebody in a position of authority would say, "Whew, glad that's over."

Now, we don't know what awaits us with respect to inflation. It seems to me that this society is inflation-prone, as my friend Bill Fleckenstein says, "In a social democracy, every long road leads to inflation."

He never does say how long the road is, but that's what he says.

So these Mandarins, these ex-professors, these former high-achieving graduate assistants are the prisoners of their models, which models did not do a very good job at either predicting the events of 2007 through '09, nor of those of 2020 through 2023.

They don't seem, even, to notice, let alone to object, to the fact the Fed is hypothetically, theoretically insolvent.

So I remain bullish on number 79 in the periodic table of the elements.

One final, practical suggestion, and word of advice, ladies and gentlemen, never, ever stand in line to invest in anything. I thank you.

Alexander Green

"Why The Best Investors Are Ignorant And Small-Minded"

Albert Lu:

Our next speaker is the Chief Investment Strategist at the Oxford Club who will tell us why the best investors are ignorant and small-minded. And here to introduce him by video is best-selling author, Bill O'Reilly.

Recorded video of Bill O'Reilly:

Today, one of the nation's top financial minds and I are going to talk about how to make Americans rich again and not in a theoretical way. I'm talking about greatly increasing your wealth beginning today. Here's a shocking stat, American

Mints 1,917 newfound millionaires every day, 365 days a year. Yet millions of other Americans are not doing so well. We want to change that. Joining me on this mission is a man who's responsible for showing hundreds of thousands of Americans just how to achieve their financial goals. He is a four-time, New York Times best-selling author. He's been a guest on The Factor. And I've quoted him on the air over the years because I respect his views. In fact, I pay for his views. I've been following his work for more than 15 years. His writing and research are direct, concise, straight to the point, even I can understand it. Many have begun to call him the millionaire maker because he's taught so many regular investors how to create a seven-figure net worth. He is Alexander Green, Chief Investment Strategist of the Oxford Club, America's oldest financial think tank.

You'll hear directly from some of the millionaires Alex has helped create today. These are everyday Americans who have gone from worrying about their bills and their futures to becoming freshly minted millionaires. Alex should be commended for what he's done to help the folks. As I said earlier, I've personally been following Alex's work for more than 15 years. He's helped me make a ton of money, I'll admit it, and I'm going to tell you how he did that in just a few minutes.

Albert Lu:

All right, and with that, please welcome to the stage Mr. Alexander Green.

Alexander Green:

All right, hello. Bill O'Reilly is a longtime subscriber of mine, was kind enough to do that introductory video. He'd had me on The Factory, he'd had me on the No-Spin News. And when I'd asked him if since it was a longtime subscriber if he would do this promotional video, he said yes. And then I turned things over to my people. He turned things over to his people and we got ready for the shoot. And then a woman at the O'Reilly organization called us up just before we shot, the same week and said, "Just want you to understand that while Bill is happy to host this event, he's not going to endorse anything. He's a journalist, he's not an endorser, so just want to make sure you understand that." And I thought, "That's too bad." So then he shows up and he sits down in front of the camera and immediately ad libs that, "He's made me a ton of money over the years and he can make you a lot of money too." And I thought to myself, "Wow, I really like the way Bill doesn't endorse."

So anyway, I want to talk to you about some of the themes that I touch on in my investment letter, the Oxford Communique. My topic today might sound a little counterintuitive, how the best investors are ignorant and small-minded, but I think when you hear me out, you might agree. So what we'll discuss today is the many advantages of being ignorant and small-minded, which you might not have considered. Why this is the best time in history to be alive, which is maybe a little counterintuitive, especially at this event. How to legally profit from inside information which is quite possible and profitable. Why you should not follow the headlines of the news day to day. And I'm going to talk about a stock that I think could triple by the end of next year.

So the challenge that all of us face is that because the monetary rewards in financial markets are limitless, it attracts the smartest people with the most capable teams of individuals using proprietary research and advanced algorithms and super-powerful AI platforms. And if you think about this, if you're going to beat those people, if you're going to compete against those people, you better have an edge and not just a perceived edge, an actual edge. And so I'm going to talk to you today about how you can do that. Now, here's the starting point. You need to be ignorant and small-minded. So when I say that, there's a difference between being ignorant and being stupid. Now I'd like to think that this is an audience that's not made up of stupid people, but if we're honest with ourselves, we're all hugely ignorant of all sorts of things that are happening in the world and even more ignorant of the things that are going to happen in the future. And so when you come to an investment conference, you invariably hear people with competing ideas, opinions about what the future holds.

And some of those people will prove to be correct, some will prove to be incorrect, but you never know who it's going to be until you're looking back in hindsight, and the best investors of all time have realized that they are ignorant. They don't play this game where they try to forecast the economy, time the market, predict the election, and combine all these things into this world view from 30,000 feet, which is how you're supposed to invest your money. So the best investors of all time, and I'm talking about men like Warren Buffett, chairman of Berkshire Hathaway, Peter Lynch, who was the most successful equity fund manager of all time, his track record of over 15 years, 29% a year at the Magellan Fidelity Fund. John Templeton was the pioneer of global investing. He managed the Templeton Global Fund.

And when I first got into the money management business in 1985, almost 40 years ago, I was so frustrated buying my firm's “strong buy” recommendations because we'd make money on one trade and we'd lose money in the next trade and we'd make money, we'd lose money, and I just felt like we were spinning our wheels and we weren't doing any good. And just out of sheer frustration, I quit listening to the people in my firm and I just decided to just do a deep dive into what people like Buffett and Lynch and Templeton were doing. And here's the interesting thing I discovered, even though these are three different men with totally different approaches to the market. I mean, Templeton was a global guy. Lynch was a growth guy. Buffett's a value guy. They had a couple of things in common that made them successful. The first is they weren't just trying to think big and figure out what the world was going to do next. It's too big and too messy for anyone to do. They know that no one can consistently forecast the economy.

They know that no one can consistently time the market, and it's far better to think small. And by that I mean focusing on individual companies that are financially sound and well-managed and profitable. And they have a moat around the business, something to protect the profit margins. That's generally patents and trademarks and copyrights and brand names. And that's what keeps your competition at bay. So they started with the idea that they were ignorant about the future, but they also know that while the short-term outlook for the market is unknowable, the long-term trend is pretty clear. If you look at the chart, it goes up and to the right. That's what this market market does for the long term. So they're short-term neutral, long-term bullish. But the second thing I found even more surprising is that Templeton and Lynch and Buffett had an optimism about the future that simply didn't have an off switch.

And that was a big shock to me because I thought to myself, "How can these guys, these world beaters be so misinformed, so naive about the state of the world?" And yet what they've discovered is that what you want to do is follow the trend lines, not the headlines. The trend lines tell us that this is the best time in history to be alive. The headlines tell us we live in a horrible country at a terrible time and the world's going to hell in a handbasket. Now, some people might say, "Well, that's pretty much the truth." If you look at cable news, that's how the world appears to you every day. But let's look at the facts and not opinions. The majority of the world's population today is at peace. This is an aberration, if you look at world history. Global poverty has been declining for decades. The New York Times could run a headline saying 35,000 people left severe poverty every day for the last 30 years. But the headline never said that because it's not news, it's a long-term trend.

Worldwide economic inequality is decreasing because the people who earn the least are seeing the biggest increase in their living standards. The US dollar is the world's reserve currency, what's called the exorbitant privilege because it conveys so many advantages. We have just 4% of the world's population, but we're responsible for almost a quarter of the planet's GDP growth every year. We're the leader in technological innovation. The internet was created here. Thank God for Al Gore, right? And so were Apple and Amazon and Meta and Tesla, Twitter, Uber, NVIDIA, chatGPT. If the United States is just another western democracy, no different than the others, why are all these dominant companies headquartered here and not some place else? There must be something special going on. Technology is revolutionizing our lives. 40 years ago, most Americans didn't have a personal computer. 30 years ago, most Americans didn't have a cell phone. 20 years ago, they didn't have a high-speed internet connection. 10 years ago, most Americans didn't have a smartphone.

Two years ago, no Americans had used generative AI, which now virtually everybody, well I shouldn't say... it's still slightly less than half, but it’s pretty amazing. That's just some of the facts. There's also other things. We have revolutionary new therapies, vaccines and medical devices that are saving and extending our lives. A hundred years ago, Calvin Coolidge was in the White House. His son, Cal Jr. who was 16, played tennis on the White House lawn with shoes and no socks. He got a blister, it became infected, and five days later he died. He died because a hundred years ago there was nothing that the best doctors in the nation could do for the son of the most powerful man in the world before the advent of antibiotics. The American lifespan has doubled in the last century and extended by three months every year. The longer you live, the longer your extended lifespan is likely to be, even if you're not eating as healthy and exercising as much as you should be.

Cancer, heart disease and stroke are all in decline. If it doesn't seem like it, it's because these are diseases of old age and people are living longer than ever. Air and water quality have been improving for decades. US carbon emissions, this a surprise to most people, have been declining for years. They're not declining globally, obviously, that's why you don't hear it called national warming. Violent crime peaked in the 1960s and has been coming down to something you don't see on cable TV. Abortion, divorce rates, domestic abuse, and now even opioid deaths are declining. All good news that you don't hear about much. Educational attainment in this country has never been higher. There are more people with a high school diploma, some college, a college degree and a postgraduate degree than ever before. No country in the world attracts more students, more immigrants, both legal and illegal and more investment capital. The US leads the world in business, science, entertainment and the arts. US median income is at an all-time high. US household net worth is at an all-time high.

Americans have never had more purchasing power, the ability to enjoy more goods and services and have more leisure time than ever before. And the country has never been, despite what you hear in some quarters, less sexist, less racist, less homophobic than it is today. And yet, in a poll last year, the majority of Americans said yes to the question, "Were things better for people like you 50 years ago?" And Americans are the most charitable people in the world, both in the aggregate and per capita. So things are not all that terrible here. And so these people: Lynch, Templeton, Buffett, it wasn't they were misinformed, it wasn't they were naive. They saw major trends that other people didn't see. So is the world really getting better? It seems like sort of a matter of opinion to many people. But Stephen Pinker, a Harvard psychologist, says, "It requires only the conviction that life is better than death. Health is better than sickness. Abundance is better than want. Freedom is better than coercion. Happiness is better than suffering, and knowledge is better than superstition or ignorance." All these things can be measured.

And the data tell us unequivocally that life is getting better. And if you really think that things were better back in some distant golden age, then I've got one word for you, dentistry. All right. So what I'm not saying, because some people, they take this and they run with it. I'm not saying that we don't have serious problems today. I'm not saying that nothing was better in the past, popular music comes immediately to mind. I'm not saying that everything will be better in the future or that the economy will keep expanding or the business cycle has been repealed, or the bull market will continue indefinitely. That's not likely to be the case. But rather that people today are living longer, healthier, safer, richer, freer lives than ever before. And we should stop occasionally to appreciate that. You have all the bad news dumped on you by the media day after day, you should take the time to look at the good things that are happening. I've often said, wouldn't it be a good idea to listen to what the most successful business people and investors say about the state of the world?

Bill Gates says, "By almost any measure, the world is better than it's ever been. People are living longer, healthier lives. You might think that such striking progress would be widely celebrated, but in fact, many people think the world is getting worse. This isn't just mistaken, it's harmful." Warren Buffett, "Many Americans believe that their children will not live as well as they themselves do. That view is dead wrong. The babies being born in America, they are the luckiest crop in history. America's economic magic remains alive and well." You can see again the positivity, the optimism of the people who are doing the best in the market. Jamie Dimon of JP, Morgan, "America's future has never been brighter. The US has the best universities, hospitals, and businesses on the planet, and our people are the most entrepreneurial and innovative in the world. From the factory floor to the executive suite, we have by far the widest, deepest and most transparent capital markets in a citizenry with an unparalleled work ethic and can-do attitude."

So we have a lot of good things. We also have problems, but problems also are opportunities. Carbon emissions are a problem. Nuclear energy is an opportunity. Cyber crime is a problem, cybersecurity is an opportunity. Rising labor costs are a problem. Robotics is an opportunity. Obesity is a problem. Weight loss drugs are an opportunity. Cancer, stroke and heart disease are problems. Biotechnology is an opportunity. Geopolitical tensions are problems. Defense stocks are an opportunity. So you should focus then on the companies that are solving problems because they have the most to gain. And I think you should be doubly small-minded, not just trying to figure the whole world out, but focusing on companies, but focusing on smaller companies. Why? Wall Street doesn't follow small-cap stocks and particularly micro-caps. When I say micro-caps, I'm talking about any company with a market cap of less than a billion dollars. There's a lot of them. They haven't had time to study them, they don't have any research on them. So Wall Street has no recommendation on these stocks, which creates anomalies in the pricing in the market.

The mainstream media doesn't cover these stocks for the same reasons. They build a lot of their research on what Wall Street does. Institutional investors can't buy them. If you're managing billions or tens of billions or hundreds of billions of dollars, you can't buy a company that's got a market cap of 200 or 300 million because you'll drive the stock up on the way in and drive it down on the way out. And so they leave them to the rest of us where you have a much better chance of bidding the market than with the big... Everybody's looking at Microsoft and Nvidia, all over the world. So the chances of finding a pricing anomaly is quite small. So focusing on these small companies, the individual investor has a significant edge, but this is just the start of the edge.

Warren Buffett, he's not given to braggadocious statements, but I wanted to use this quote to give you an idea of what he thinks, "If I was running a million dollars today or $10 million for that matter, I'd be fully invested. Anyone who says that size does not hurt investment performance is selling or talking their book. The highest rates of return I've ever achieved were in the 1950s. I killed the Dow, but I was investing peanuts then. It's a huge structural advantage not to have a lot of money. I think I could make you 50% a year on $1 million. No, I know I could. I guarantee that," he said. That's how much easier it is to find mispriced securities in the small cap space versus the large cap space. So how are you going to get an edge with these small cap companies? If you look at the same small companies that the insiders are buying themselves. When the people that run a company invest millions of dollars in their own company with their own money at the current market price, you can't get a much better heads up than that.

They have an unfair advantage when they go in the market to trade because they have material, non-public information about the prospects for the business. Material in that it's relevant to the company's future performance and non-public, meaning that those on the outside looking in can't access it. So who are these insiders? There's three classes, officers, directors, and 10% shareholders. An officer is someone who oversees the company, the chairman, president, CEO, chief legal counsel. Directors are board members who are appointed to meet with the officers on a regular basis. And beneficial owners are anybody who owns 10% or more of the outstanding shares. You might wonder why they're designated as insiders. But in the view of the government, if you like a company's prospects so much that you've bought 10% or more of the outstanding shares, you probably have had conversations with the company's management in which you've gleaned information that's not available to the general public. So you have to start reporting if you buy more than 10% of the outstanding shares.

What do these insiders know that the rest of us don't know? A lot. Here's a list of it. They know the direction of sales since the last quarterly report. They're looking at the cash register receipts for the business every day. They know about the new products and services that haven't been released but are in development. They know if the company has gained or lost any key customers. Remember, if you're a small company and you sign on an ExxonMobil or Microsoft as a customer, it could be a complete game changer for you. Or if you've lost or gained any key employees because some people are rainmakers and they add to the business when they come and they detract when they leave. They know about the instigation, settlement or threat of litigation against the firm. They know the status of all the outstanding litigation. They know if the company's receiving any unsolicited takeover bids or anyone's talking about taking the company private. In essence, they know everything that can be known about the company, its employees, its customers, its suppliers, and its competitors.

And so when they go in the market to trade their own company shares, they have a huge advantage, which is why the government requires them to file what's called a Form 4 anytime they buy or sell their own company shares detailing how many shares they bought or sold on what date at what price. And that alerts the rest of us to what they're doing. So when I said earlier on that you can profit legally from inside information, you're not going to be able to access the inside information, you're going to be able to do the same thing the insiders are doing, which is accumulate the stock because they believe it's selling for a lot less than what it's worth. Now, I do a lot of due diligence on these insider trades. I want to see sizable trades, big six-figure, but usually seven and eight-figure purchases show a high degree of conviction that the stock is undervalued. I'm looking at the track record of the insiders. Did they buy the stock in the past? And if they did, did they buy it when it was low and sell it when it was high?

And if they sit on the board of other companies, did they buy those shares low and sell them high? If they did, I'm going to score their purchases a lot higher than somebody who doesn't have a track record. I look for buying clusters. It's great when the CEO is a lone ranger and goes out and buys $2 million worth. But when you see the president buying and chief legal counsel buying and somebody who barely qualifies, a senior vice president buying, that's also good. I want to see the absence of selling. Obviously there's going to be selling at all times because people sell for reasons that have nothing to do with the outlook of the company. You might be diversifying your portfolio or putting your kids through private school or buying a new house, or maybe you're getting divorced, you have to sell half your shares.

But when you turn around and you say, "Why would an insider buy millions of dollars worth of their own company stock?" There's only one reason. And that is with all they know, including material nonpublic information, they think the stock is selling for a lot less than what it's worth. And then of course, I look for repeat purchases, not just one buy, but they keep buying the stock week after week or month after month. That reiterates that they think the stock is undervalued. Now, people often ask, "Well, if we're going to buy when the insiders buy, do we sell when the insiders sell?" And the answer is probably not because insiders can't run afoul of what's called the short swing rule. If you're an insider, you cannot sell within six months of the date of the purchase. That's what keeps insiders from buying on Friday before the takeover announcement on Monday. Nobody would like that.

But we are not restricted. So we run trailing stops behind each of our trades, and as long as the stock is trending up, we're happy to remain a shareholder. But when it peaks and starts to come down, that's it. We don't make excuses, we don't rationalize. We get out. And that's how we protect our profits and our principal if a trade goes against us. So let me mention a company that meets these qualifications. It's called Heartland Express. Symbols HTLD NASDAQ. It closed today at 12.37 a share. The company does short, medium, and long haul trucking services. It's got a market cap of just under a billion, offers both drive van and temperature controlled transportation services. It offers some of the best drivers in the market based on years of experience, their safety record and their on-time deliveries. It offers some of the newest trucks. Their average age is only one and a half years. And despite the ups and downs in the economy, the company has been profitable all 10 of the last 10 years.

And I estimate that earnings are likely to triple between this year and next from 16 cents a share to 51 cents a share. And yet the stock trades for just 90% of revenue and 1.2 times book value. Now over the past month, and you can see this online if you look, the CEO Michael Gurdon has purchased over 166,000 shares at up to about 12 bucks, an investment of $2 million. But he now owns a total of 31.8 million shares, which is what I call eating your own cooking. And he's been with the company since 1983. So he knows everything about its operation. Some people might say, "Well, this is not gold, it's not silver, it's not crypto, it's not A.I." So what? It's a boring, safe, profitable, growing firm with telltale insider buying. So this is typical of something I might recommend to some of my readers.

If you'd like to be one of my readers, I've got a special offer. If you visit oxford.club/neworleans, my investment letter, which generally sells for $250, you can have it for 39 bucks. You get 12 monthly issues, a weekly portfolio update, access to five different portfolios of stocks, and a free subscription to my e-letter, which is Liberty Through Wealth. So let me just summarize here because my time's about up the best investors are ignorant and small-minded, ignorant of what the future holds and okay with that. Small-minded in that they look for companies not for big macro themes and they specialize in the smaller cap companies. You can also realize that problems are inevitable, but that they create opportunities and understand that insiders have an unfair advantage since they have access to material nonpublic information. So the smartest bets in my view are smaller companies with heavy insider buying and for best results also follow the trend lines, not the headlines. Thank you so much.

Nick Hodge

"Metals And Miners A Generational Opportunity Emerges"

Nick Hodge:

Thanks, everyone. Thanks, everyone, coming out, and thanks specifically to Brien Lundin for inviting me for the 12th year in a row. I had to do the math, as many people did who have been speaking at this conference for a while. It's one-third of my life I've been speaking at this conference. Every year for a third of my life, which is crazy. I didn't get to meet Mr. Blanchard obviously, but Brien Lundin introduced me to what he called some of the good guys in the space over a decade ago, and that yielded fruit for my career. So a heartfelt thank you to Mr. Lundin.

He invited me to this conference back then to talk about energy and clean tech and solar, and that's how I started my career, writing for a newsletter called

Green Chip Stocks. Wrote a couple of books. And then 2008 happened and I migrated into the metals. But I never forgot that you need metals to make the wind turbines and the solar panels and the batteries, et cetera. And I have made a fair amount of money over the years in critical metals, uranium, lithium. Maybe we'll talk about some of that. But what I wanted to talk about today was battery passports and using them as a launch pad to give you some ideas.

This is who I am. I co-own Digest Publishing with Gerardo del Real as well as Resource Stock Digest. I've written those books there. And then some of you may know Mr. Dines who passed away in 2022. I've been helping his subscribers since his death back then. He bequeathed that list of The Dines letter, an interim bulletin of... I'm sure many of you were members. So hopefully I'm doing him a bit of justice as I carry that torch. Today we're talking about battery passports. So what you see here is the requirements that are coming up. Starting in 2027, the EU, the European Union will require that every battery, industrial and in an electrical vehicle, will require a battery passport to be sold. This battery passport will track many things, including the emissions, but not just the emissions, also the source of the materials and the percentage of them that were recycled, the type of battery it is, its expected life, et cetera.

We'll get into some of that. But the EU isn't the only one. Japan, starting next year, will require emissions data for EV batteries. And the US is already doing some of this via the Inflation Reduction Act of 2023. They're requiring the sourcing of battery materials to be tracked for the batteries to be eligible for the tax credits. So this is what you're used to when you go and buy a car. You see this Monroney sticker. It's called a Monroney sticker and it tells you the price, the miles per gallon, MPGs, et cetera, et cetera, how much you can expect it to pay in fuel per year. We're all pretty accustomed to this. And this is where we're going to be going. This is a battery passport. The QR code on the battery, you scan it and it's going to tell you various things.

I told you in 2027 it's going to be required. Volvo's already front-run this. So Volvo's already issuing battery passports with their batteries in the European Union. And what does that entail? So this is Volvo's battery passport. It was done by a company called Circulor, of which BHP is investing, and that's where we're going to get into the mining in a second. So this is Volvo's battery passport, what it looks like. You can take a picture or just look at some of the things that it's tracking. And what this talk is about is the paradigm shift that's required to get all that data. Because I don't know how many mine tours you've been on or how many core shacks you've been in, but sometimes they're not that organized. And there's a lot that goes into a mine, so it's not just the rock. It's the generators, it's the power, it's the trucks, it's the processing units, the ADR plants, all your partners, the fuel inputs, et cetera, et cetera. So it's a lot of data to track, and I can assure you that most mining companies aren't doing this well currently.

And it's not just the governments. So starting next year, the LME will require emissions data for aluminum producers, to sell your aluminum via the LME exchange. And I believe this is coming for other metals as well. It's also not just the LME. This is a company called Abaxx. They've started a new metals exchange. It's already up and running in Singapore. And they're offering different tiers of metals contracts and energy contracts. So right now you buy copper. It's $4, whatever it is, a pound today. You buy the trades and it settles. And soon, I believe, there'll be different tiers of metals contracts, clean copper contracts, for example, clean aluminum contracts for example, because all that data's going to be tracked and it's going to have to go into those battery passports, which I just covered.

I also believe that in a couple of years, vehicle models will be based not on standard edition, luxury edition, trim, et cetera, but they'll be based on clean cobalt or child labor cobalt. And the clean cobalt will have a premium tier, a premium price assigned to it. This transformation is needed not just for the things I've been talking about already, but it's needed for this fraud that's happening and continues to happen in the mining space. I just Googled mining fraud. You'll get a lot of headlines, "Trader buys 36 million." I won't read them all. But this happens all the time, taking delivery of things that aren't the true metals. Even last year, there was a story of a CEO manipulating assays. Well, you can't manipulate assays if they're digitized and, the first time I mentioned this today, they're put on the blockchain, which is how some of this is going to be managed. Thank you all for gathering for $100,000 Bitcoin today.

And this is the problem. So mines today, not all of them, but a lot of stuff is still pen and paper. How do you get this digitized? How do you get this onto the blockchain? How do you track all this stuff, all the drill core logs, all the block models, all the stuff that's got geologist scribble on it. So that's the problem, and there's going to be profitable solutions. So my thesis is that there's going to be lots of companies that benefit from this transformation. I'm going to give you some ideas. This is MineHub, a company I'm invested in, and so is some other large miners. Sumitomo, for example, has given MineHub non-dilutive capital. These big miners, these big processors, these big wire manufacturers, they're interested in making this a reality.

…But they're tracking all sorts of different things, the fraud, the emission, the concentrates, the assays. There's different platforms that Minehub offers. And it's a very sticky business because once you onboard one person, like Codelco, which they've already done, the largest copper producer in the world, then you have to onboard all of Codelco's partners. The things I just mentioned, the fuel suppliers, the processing solution partners, et cetera, et cetera. And then they come on your platform. So you see, a couple of years ago there was 20 people on the MineHub platform, then there's a hundred plus, and then there's 150 plus. So this creates a network effect, flywheel effect. You onboard a BHP, you onboard a Codelco, and then all of a sudden all their partners come with them and you have a very sticky business, and you're taking a percentage of their concentrates, at least in the case of Codelco.

And this is that flywheel personified, so all the different aspects of mining that have to be onboarded to these digitized platforms to make these battery passports and tracking of data viable. And we're just getting started in this now. So that's the data tracking portion of it. There's other companies that are doing it. I mentioned Circulor, which did it for Volvo. And they're partnering with all the companies you just saw on the slide. Wheaton is involved in this. They want to know, BHP wants to know. They know that this is coming, it's going to be mandated, and they're trying to get ahead of it. So that's emissions and then tracking of mining. There's other things that are going on to increase the efficiency of mining, not just for emissions, but for profits to lower the all-in sustaining costs, to increase your recoveries, et cetera. All the things that we want in a quality mining operation.

And so we'll get a little bit into new leaching technologies now, away from the sort of data. Some of these I've heard mentioned already this week, but there's three emerging new leaching technologies. There's Nuton, which is being piloted, pioneered by Rio Tinto, and then there's a Jetti, which is coming from BHP and Freeport. And then there's one called Ceibo, which BHP is also interested in and investing in. A couple of things here. The companies that are highlighted are companies that I've invested in, either by private placement or just buying in the open market, Aldebaran, and I'll talk about more in a second. And just this week, literally just this week, this is why this talk is timely, Glencore signed a deal to use the Ceibo technology.

You can see the date at the bottom of that headline there. Glencore strikes the deal this week to use this technology. And there's a company called Kotech Holdings that I'm also invested in, I've written checks to in private placements, that own a percentage of Ceibo. So I'm just trying to give you ideas, different ways to play this, different companies to look into, technologies to look into. I'm going to go into Aldebaran specifically because it's also timely. So Aldebaran's been working with Nuton on their Altar Project. It was a very large copper gold porphyry. And just a couple of weeks ago, earlier this month, Nuton decided to come in and JV the project for a significant amount of capital and more capital to come once additional milestones are hit. The resource updates, PEAs, et cetera.

That was just earlier this week, and so this is where... So I was talking about this to somebody earlier. They said, "Well, what's the investment implications of this?" And this is what happens when Rio-backed Nuton comes in and partners with Aldebaran last week or a couple of weeks ago. So Aldebaran was already outperforming the copper ETF. I think I put COPX on there. And is already outperforming the copper price for the past couple of years. It comes in a Nuton deal, and Aldebaran shares were trading over $2 this morning. This is a company we financed at 30 cents.

Not just metals either. I'm going to talk about agriculture for one second. Beyond is a company you might be familiar with from the flyers you used to get in the mail, the Bed Bath and Beyond coupons, which went bankrupt and is no longer a store. But it is still a stock and it is still online. It's Beyond, and it's Beyond on the NYSE. It's still a stock you can buy. I started getting interested in this company a couple of years ago, not because of bath towels and toasters, but because they have an arm called Medici Ventures that they invest in blockchain and crypto-related technologies. One of them is called GrainChain. That's the slide you see there. And they're doing for agriculture what MineHub is doing for mining. So instead of carbon plants, we're talking about cornfields, and they're tracking seeds instead of concentrates. But this is happening across the commodity spectrum is the point I want to make, so.

I'm invested in Beyond, and they're doing okay. They've got Marcus Lemonis, who you might remember from the show on TV, the turnaround guy. He's also the CEO of Camping World and has done a great job turning that company around. Now his mission is Beyond. And he doesn't talk about this crypto stuff. He's talking about backyard.com and making partnerships to sell retail stuff. But what nobody talks about, and my investment thesis for Beyond is this portfolio of blockchain assets they have. So GrainChain, in particular, had a buyout offer two years ago in the hundreds of millions of dollars. There's a video online of the CEO talking about it. And they turned it down, hundreds of millions of dollars, which is currently higher than the entire market cap of Beyond.

I'll just flash forward here so we can get through some of these slides. Same thing in metals is happening in agriculture. They're tracking the seeds, they're tracking to production, all the way to the final buyer. And it's helping the process become more efficient, helping the farmers get paid faster, helping there be more accountability and transparency in the process, which obviously the commodity space could use. So additional thoughts and tangent themes. Recycling is going to become a big part of this. We don't recycle a ton of copper now. We don't recycle a ton of rare earths. We don't recycle a ton of lithium, but it's going to become an increasing percentage of the inputs that go into these batteries. I think the IEA says something like 10% to 15% of the batteries' materials will be recycled by 2030 or something like that.

It's not a significant percentage, but it's coming. And it doesn't have to be just from recycled batteries. Back to that Kotech company that I mentioned was invested in Ceibo. They're also working with the State Department. There's a critical metals division of the State Department, and they're at the bankable feasibility stage for a rare earth recycling project that they're going to site in Texas. And they're going to take the rare earth magnets out of the hard disk drives and they're going to recycle them and they're going to sell the rare earths. And they'll have that bankable feasibility study out by the end of the year, likely with a monetary support from the State Department of the United States.

What else did I have there? PureCycles, another company. I don't own it anymore. We made some money on. It's about plastic. A polypropylene recycling company. So this is easy to recycle, the clear plastic. But the cap, which is not on here, polypropylene, is harder to recycle. There's not really an established process, but PureCycle has one. This year they went into production and they're starting to sell their recycled polypropylene. And then uranium, because I love it, but also because it relates to the theme. You're going to have to have data centers to track the battery metals, all the inputs for the battery passports and everything I talked about in this talk. And that's going to go in a data center somewhere. And how are we powering the data centers these days? Well, we've heard nothing for the past month, except for new deals being announced by technology companies with small modular reactor companies.

And so in a very real way, uranium is what it always was, is the clean way to power the future. And then I started to wonder, as I was putting this slide deck together, "Why don't we just power big mines with small modular reactors?" And I think that you'll probably start heading that direction in the future. Because just last month, Newmont took delivery of their first big electric mining truck, and I wonder if they have a battery passport for that.

That's it. I'm Mr. Hodge. You can find me at digestpublishing.com. And we invest in these companies largely via private placement early on, and sometimes with discounted prices and with warrants, which give you additional skin in the game, obviously. So read a little bit more about battery passports. I have a workshop tonight with my partner, Gerardo, upstairs. 6:30 I believe it is, if you'd like to come. And we'll be in the exhibit hall tomorrow. Thanks for your attention. I appreciate it.

Jim Iuorio

"The Most Pressing Question: What Is A Fact?"

Jim Iuorio:

Thank you guys for coming. My wife went and saw me speak about two months ago and she said to me... And the wife's the only one who gives it to you straight. She said, "You jump around like a crazy man. You talk too fast. And honestly, I think you make people nauseous." So I'm trying to work on that tonight. One of the reasons I think everyone should be married is because you need that kind of input on occasion. Okay. So last year... Can I ask a quick question? This has very little to do with my talk here today, but how many, by a show of hands, own Bitcoin in this room? I would say about half-ish. That's interesting to me. Again, this is just an aside. I own Bitcoin as well. I have no idea if it's the right play, not the right play, but if it is the right play, I don't want to be on the sidelines of it.

So my talk today is going to be The Case for Industrial Metals. Last year at this time, I stood on the stage and gave a talk about gold and the thesis for gold was that the government was spending money like drunken sailors, central banks around the world still kind of smarted a little bit from how we treated Russia through the SWIFT payment system and locking up Russian assets when they invaded Ukraine, which by the way, I'm not here to even mention for a second was that the right thing to do, the wrong thing to do. But when you are the world's arbiter of trade, holder of the global currency reserve, that's an important thing because other central banks might be like, "I don't need that crap. I'll just buy gold instead of US dollars." So gold benefited from that as well.

Now that's changed a little bit, the gold thesis, just in the last couple of weeks. I had thought that going into this election, I had said a million times, one candidate is pretty good for gold, one candidate is great for gold. Well, the candidate who was great for gold did not win the election and the one who's pretty good for gold did. And now the last two weeks have just been peppered with these notions of Elon Musk and Vivek Ramaswamy running DOGE and cutting expenses to the bone, which is a good thing if it's done at the proper pace. And the way they're talking, I don't think it's going to be done at the proper pace, but let's just look at the fact that it's probably a good thing to cut spending, have M2 money supply not be going through the roof like it had been for the last few years. So the case for gold is not as compelling to me.

Two years ago I gave the case where the case was for copper, and this by the way fits in with what I am going to say too because I mean, if you guys were at the panel today, one thing George said which resonated and is something good, looking for asymmetrical trade setups, like what and why. So there's something that I want us to remember is that markets move like a pendulum because they're on a motion. So the case for copper two years ago was that everything was going toward electrification, huge, huge tax breaks for EVs through the Inflation Reduction Act, China doing what China does. They consume a lot of copper and we never really know much about what their economic condition is because they're not very transparent with their data.

So now for copper, Donald Trump wins the presidency. I'm sure it was in all the papers. I'm sure you guys saw that. The Inflation Reduction Act, which he calls the Inflation Reduction Scam, and by the way, my agreement or disagreement is not part of this thesis at all, but it is completely evident to me that he's going to try to cut out some subsidies for the EV market. So the stock is going to be about palladium. Well, the platinum metals group, platinum group metals, PGM, which exists, which is platinum, palladium, rhodium. Now there's a reason I'm picking platinum out. There's a couple of points I want to make before I get to the meat.

Okay. Here's copper. A three year chart of... Or five year chart of copper. I'm sorry. It's up 48%. Now there's a theme that's going to be developing here. Five year gold, up 74%. Five year S&P, up 82%. Five year silver, up 73%. Five year live cattle, up 50%. What do all these things have in common? Not a damn thing probably, right? Five year butter up 30%. Five year dollar index essentially steady, up 9%. So one thing I've been trying to say is that we do this thing where we measure the price of the dollar against the world's currency basket, the dollar index. It is completely nonsense. People in this country are not working a second or third job because they want to buy more Yen, they want to buy more meat, they want to buy more butter.

The point I'm making is that all these moves higher in these assets are not moves higher in these assets. All they are is a revaluing of the dollar. The dollar's about 70 to 65% what it was just three and a half years ago. And it would only make sense that these assets that are denominated in dollars are higher. And if you were at the panel today, that is one of the main reasons I believe we're not necessarily in a bubble. A bubble has to be... Jeremy Siegel won the Nobel Prize for a bubble about this euphoria that exists, but one thing he didn't mention was that every bubble we've seen, which is two, is characterized by something very, very important, is that the leverage, it's not just at the institutional level, the leverage has to get down to mom and pops who respond differently to a margin call.

So the question is, are you meeting everyday Joes who are borrowing a crap ton of money to either buy Bitcoin or buy NVIDIA or buy the S&P? My answer to that is no. I'm not seeing the anecdotal evidence of a bubble. Could we have a correction in the stock market? Absolutely. But the point I'm trying to make is that these assets that we all own in some ways we're just treading water because the dollar's... It's great to look at your portfolio and say, "Gosh. In the last five years I'm up 50%." Are you? Because what can it buy? You know what I mean? Dollar's only just what it can buy.

So moving right along, I want to do this, the two year money supply. The reason I think this is important…So this is the trend that existed from 2008 to 2020, that fateful couple months in 2020. We explode the M2 money supply, and even though it's come back towards trend and now it's started to go higher again, this gap here represents about $2.5 trillion of extra money and dollars that still remain in the system. I'll argue that from a macroeconomic standpoint, you can say, "Look. Retail sales are still good. Restaurant numbers are still good." Yeah, for the top 30%. Money tends to go, to have a kind of magnetic effect to the upper 25, 30%. I think those people are doing fine in this economy. Once you get to the statistics on the bottom 60 to 70%, I think it's very, very difficult and it's because of this and because of devaluing the dollar.

Our national debt... The only point I'm trying to make with showing our skyrocketing national debt is that we're doing a disservice to fiat currency. The stewards of our currency of the US dollar are not doing a good job. They're blowing things out. They're asleep at the switch. Everyone's living for today. And the question then becomes, what do you own to live, to have money, to not lose purchasing power with your money just sitting on the sideline? And stocks are a good idea. I still think gold is a reasonably good thing to own too. I think copper's a reasonably good thing to own, silver as well. We're going to talk about silver toward the end too. And silver's going to be the compromise metal.

So now, let's get to the platinums and the palladiums. Can I go backwards on this? Does anyone know? Because I want to show platinum is steady over the last five years. Palladium is down 50% over the last five years, down 65% just in the last three years. So what was the thesis on that? Well, the thesis was when the Inflation Reduction Act was passed, which was really just a Green New Deal packaged up as inflation... I don't even know how they can get away with naming it like that, but either way I'm not discussing whether or not it's a good law or bad. Spoiler alert, bad. You know what? If I could just shut up sometimes and not give advice, but as you guys know, that is impossible for me.

So palladium, so what was the story here? The story was everybody's going to drive EVs. EVs use a ton of copper. We went from the internal combustion engine. We skipped right past hybrid, even though I know a lot of people drive hybrids, but the environmentalists were dead set on net zero. So net zero had to be full EV, full plug-in, be damned about mining cobalt and lithium in these Third World countries in terrible conditions. They don't care about that. It was the optic of, "There's climate change. We need net zero." So of course copper went through the roof. We saw that chart before. And palladium just got absolutely hammered.

And for those of you, I make the assumption that people know what the platinum metals groups are for. Platinum and palladium have this rare ability to be put in a catalytic converter and when nitrous oxide is removed by the car, palladium... Someone's going to be like some sort of engineer here and be like, "That's not right." Palladium attracts the nitrogen part of that out, separates it so oxygen... So more of it is oxygen that kicks out. So palladium and platinum are very, very key in all the different restrictions, the environmental restrictions, that people put on.

So you see this internal combustion engine. The story's pretty evident to me. Everyone looks at a chart and thinks it's just squiggly lines. This to me tells an incredible story. This is, all of a sudden within the last month or so, the market's beginning to realize that there's a new sheriff in town. And even though... Look what the downside is too. Elon Musk, the biggest producer of EVs, is his right-hand man, but Elon Musk has come out and said publicly 100 times he hates subsidies, he hates tax credits, he wants to compete with other EV makers on a level playing field. He doesn't want it. So my belief is that they are going to remove the $7,500 EV tax credit almost immediately.

Bloomberg ran an article yesterday. All these economists saying that that is the single thing that's keeping EVs propped up and without it, it could be a 30% decline. I believe there'll be a 30% decline because I think it's gone. So crude price in 25 year average, $63 a barrel. Last two-year average has been 77. Another thing involved in this story about why you would want to drive an EV. I mean, if crude prices were $1.20 a barrel, you'd certainly want to drive an EV just from your personal economic benefit. If all of a sudden Donald Trump is going to be a, "Drill, baby, drill" President, which all indications are that he is, crude prices should come down.

But that's not even necessarily what I'm talking about with the palladium trade. I'm talking about emotions and pendulums, like in that slide I showed before. I think your... Oh, I can go backwards. This is awesome. Figured it out. So asymmetrical trade setups. Okay. Look at this chart. We went down 67% from there to there. Seeing what's developing in the last few years, there is a very clear line in the sand. What in our minds, what can we think... Of an asset that's down 60%, what's going to make the bottom drop out? I guess aside from a palladium mine discovery that quadruples the supply of palladium? Okay. Great. Independent of that, I can see nothing that makes this go down below that, I think it's about an $850 level, and go to zero. I see nothing. To me, I just look at this and say, "Okay. Where do I want to get in?" And I have an answer.

So who here... By the way, traders versus investors. Who here trades on a daily basis? Who here is a medium-term investor, meaning that they look at their position every couple of weeks and decide whether or not to stay with it or not? Who's medium-term? The rest of people are long-term I assume? Correct? Okay. Good. If you're not someone who's professional and looking at it all day, I think it's much better to be long-term too. This is a long-term chart. That's why I included this. So the question becomes what's going to make palladium go down to zero? Now technical analysis tells me this and I think... Do you guys believe in technical analysis or think it's just squiggly lines on a chart? Who believes in technical analysis and uses it? Perfect. Good. Okay.

So now we have put in this base over the last year. The market is saying to us, "There's no reason we can see that it goes below it." So what can it do? It can go higher. So this is the way I trade it. I don't make recommendations to people. I just tell you what I'm thinking about doing, and this is what I'm thinking about doing. First settle above this level right here, which is about 1,100. If I get a settlement above there, I will start my position. I have none on yet. There's a couple different ways to invest in palladium and platinum. ETF for palladium is called PALL. Again, not a recommendation, just pointing it out. The futures contract at the CME, PA is palladium as well. That's the way I would probably do it because I'm a futures guy back then.

So a settlement above here means the market's finally waking up. A settlement above that red line, which is about 1,250 to 1,300, a settlement above there, a daily settlement or weekly settlement, the longer the timeframe settlement, the stronger the technical signal is, that's where I'll be putting my position on. And I think it's unloved. I mean, the fact that everyone's tossing it away and now they can't get it any further down than that, to me it's a big deal. Okay. So let's move on. Copper versus palladium. We already went through that. EVs were good. Internal engines were bad. I think we're swinging back. By the way, do you think that that... Nobody seems to be mentioning that thesis? I watch sometimes those TMZ of financial stations, the one I used to work for particularly, and they're not mentioning that this whole thing happened and that internal combustion engines could be coming back. So I hope I'm not crazy on this. I don't think so.

We talked about that already. It's funny to think that, yeah, I'm going to stay to the script. If any of you guys have ever heard me speak before, I stay to no script. I just start to riff. Technical case for palladium, we said it already. That's where I start to put things on too. And by the way, there's another element to this that I forgot to mention that I think is very, very interesting. Toyota just came out with the Toyota Mirai, which is the first hydrogen cell car to be mass-produced. Sales of it are atrocious. It's not happening, yet, because there's nowhere to fill it. Outside of California, the only place to fill up your hydrogen car is... There's about 10 different stations throughout the country. California has about 50 of them.

Hydrogen... This technology for the hydrogen fuel cell is heavily dependent on the platinum group metals, palladium in particular. Now here's the good news. Europe has signed this whole hydrogen cell pact that they want to be, all their trains and trucks to be fueled by hydrogen within the next 20 years. South Korea, Vietnam, China, same sort of thing, railroads, trucks, all to be powered by hydrogen. Well, if that's going to be the case, that there's going to be a tremendous demand for this thing, demand for this metal that's been running at deficits for pretty much every year for the last 20 years.

Now the last element of the puzzle for the platinum group metals is the jewelry part of it. Now the jewelry part of it's confusing because there are countries, India, some other countries, who are huge, huge demand for decorative precious metals. Will that continue? I mean, if history is an indication, it probably does continue. So that could be interesting for palladium and platinum as well. Okay. There's a reason I threw silver in here too, because every argument I just gave said, we're moving away from precious because precious was a store of value when we believed the dollar was going... Not to zero, but the dollar was going substantially lower with the spending efforts of the government and the systematic devaluation of it. Okay? So that argument, it's just not amplified anymore. It's not gone.

Donald Trump, remember, while he was a profligate spender in his term as President, I will argue that in his term of President, deflation and disinflation were more prevalent than inflation. And I hope he's not an idiot who would keep spending at those levels when we're in an inflationary environment. That's a hope, but there's nothing to prove that yet. He could be the spender. That would do well for precious.

But this is the interesting part about silver and why I'm for silver, and I want to get the chart up here too, is because silver exists in this area where in the times of precious metal, the narrative can easily be, "Silver's a precious. We should buy it alongside with gold." And if you've ever seen the way silver and gold move, gold tends to have these huge moves, silver lags, silver lags, boom, and then silver catches up relatively quickly. Now I look at this chart of silver and I think it's still fine, and then I look at what could be the case for silver outside from precious.

And silver has that amoeba ability where it can jump from the precious camp into the industrial camp. It's huge in electrification and it's... It's huge in electrification process. It's a great conductor. And this chart to me is beautiful.

That $30 level, it came down to it,, it went through it, and then it came back up. That's the white line I have drawn in there. So I am a total bull of silver too. And unlike platinum, I mean, palladium, I still have a substantial position in that particular thing.

So I guess I could... I mean, only have a minute left…At 3:45, Dave Collum and I are going to be in the back room there. So if anyone has any questions about the thesis, please come and join us. I think there's something here that's really, really interesting to me. And at this conference, most of the time, people, this is a hard money conference and everyone comes in here and talks about gold. And I love gold, and I think gold is a great store of value and a great hedge against global fiat currency debasement, but I think that if Donald Trump really... I met with Stephen Moore a couple of weeks ago and he talks about the massive deregulation that could be happening with this Trump administration. And if that happens, it could be like a cork coming out of a shaken up champagne bottle and economic growth and activity could happen.

Now that's going to take a little bit to happen. So this is a long-term trade. And that's why I'm glad I'm tailoring it to you guys because this is more of an investment than just a trade to make a buck like whatever the hell Bitcoin is. If anyone has that answer as to what Bitcoin is, please share it with me after the show ... So that's what I think things are going to happen. Thank you guys for listening. I'm so glad so many of you showed up. That's been my talk. By the way, did I make anyone nauseous with my moving around and talking too fast? Or no? Everyone still feels fine? Because we have... There's a pharmacy. We can get you something to settle your stomach…

Brent Johnson

"The Monetary Matrix"

Brent Johnson:

…Hey everybody, good morning. I'm at the age now where I can't read if I don't have my glasses on, so I apologize if this looks bad, but I got to wear my glasses. As Brien said, my name is Brent Johnson and I have a firm called Santiago Capital and I'm happy to be back here again this year. And I'd like to thank Brien for inviting me for the last, I think, three years now. And I think we should all give Brien and his team a big round of applause for continuing this for 50 years.

Let me make sure this is working. So before we get started with our presentation, I wanted to tell you a little bit more about what I do, how I do it and how you can follow my work if you like what you hear today. So long story short, I have a wealth management firm called Santiago Capital where I create customized portfolios for wealthy families and individuals. I also have a weekly show that we do on YouTube called Milkshakes, Markets and Madness. It's where we talk about everything that we see going on in the world and how it gels with my views. And then about six months ago, my friend and I started a deep dive research service called the Macro Alchemist. And if you go to macroalchemist.com, you can sign up and you can get access to that information.

The reason that the show is called Milkshakes Markets and Madness, the reason the word milkshake is in there is because I use this macro based framework that I came up with five or six years ago to help me think through how the world and the markets might act in some kind of a crisis, specifically a sovereign debt and currency crisis. And I believe that in that type of an environment, global capital will still flow to the United States and still flow to the US dollar. And despite all the dollar's flaws, despite all the problems in the United States, it will still be seen as the relative port in the storm. And when I first started talking about this, I said we would end up in a time period where the US dollar was rising versus foreign currencies. Where US dollar assets, specifically US equities would be rising and gold would be rising at the same time. And if you've looked at the markets over the last couple of days or the last couple of months, that seems to be playing out fairly well.

But I'm not going to spend a whole lot of time talking about the milkshake today. If you're already familiar with it, you probably don't want to hear it again. But if you're not familiar with it and you do want to hear about it, I would encourage you to go and sign up at Macro Alchemist because at some point in either Q1 or Q2 of 2025, we're going to do a deep dive, one day master class on all things milkshake. And so if you're interested, go ahead and sign up for that.

Now, what I really wanted to talk about today was money. And I know you guys have been here for two or three days now. You've heard about copper, you've heard about oil, you've heard about gold, silver, uranium, but I haven't really heard too many people talk about money other than when it came to gold. And I know this is a topic that everybody's interested in or else you wouldn't be here. Everybody wants more money. And one of the interesting things about money to me is that even though it's something that we're all familiar with, not everybody knows everything about it, some people know a little bit, some people know a lot, but regardless of how much you know, everybody seems to have very strong opinions about money.

And the other thing I'll say before we get too far into it is I'm not going to try to convince you of anything today. My goal is really just to get you to think. And my only request is that you keep an open mind as we go through this. If you can't keep an open mind, then I'd suggest just going back upstairs, getting a few more hours of sleep and coming back for some presentations later this morning. Let's also agree ahead of time that we're going to talk about the world as it actually is, not necessarily the world as we want to be. Because when you're investing, I think it's important to invest when understanding reality as opposed to what you would prefer the world to look like. Also, I like to think of myself as a fairly nice guy, but I often say things that will trigger people, and if I do, please don't take it personally and I hope we can still be friends afterwards.

And I'm going to ask some questions along the way and you don't necessarily need to answer them out loud, but you're going to have to do a little bit of thinking as we're going through this today. So the real question I want to ask is, what is money? And I would suggest that whatever you think it is, it's very misunderstood by most people. And as I said earlier, people still have incredibly strong feelings about it. And it seems like it would be a really straightforward answer, but the reality is it's an extremely complicated topic. It's spawned volumes of economic treatises, schools of thought, universities. It's been both influenced and influences both power dynamics and politics. And yet, despite this complex nature of the topic, it's also one, again, which everybody is familiar.

If you were to stop anyone on the street and ask that person if they knew what money was, I can virtually guarantee you they would say yes. But if you ask this obliging stranger to actually give you a definition, a proper definition of what money is, the answer would not come quite as quickly. Upon some reflection, they might say, "It's what we use to buy things. It's how I get paid. It's what I carry around in my pocket or in my purse." They might also say, if you push a little bit harder or ask someone more versed in finance or economic theory, that it's widely demanded. They'll start talking about the attributes that money has. They'll say it's a store of value or it's a standard measurement of unit. It's durable, it's divisible. But again, that doesn't really get into what money is. It talks about the attributes that it has.

Push further still and they might come up with some attributes of what it does. They may say its main function is to act as a medium exchange through which one specialist can exchange the product with another specialist. Or they may say that money enables you to avoid the inconvenience of direct exchange or barter and it solves the double coincidence of once. Or they might say that money extinguishes debt.

But whatever you think, and even if we accept everything that we've said so far is true, at the end of the day, the medium of exchange money, it has to be some thing. And what are things made of? Things are made of commodities. So at some fundamental level, money has to be a commodity of some kind. However, it can't just be any commodity. It has to have all these attributes that we talked about before. And if a commodity does have all these attributes and it starts to out-compete the other commodities, at some point, it's no longer merely a commodity and it transcends the other commodities to become money as well.

Now, based on all of that, I think a very good definition of money, it's the most marketable commodity which extinguishes debt that has been chosen by the free market. How many like this definition of money? Are we in agreement? Okay, I like it too. It's actually my favorite definition of money in most cases. But here's the thing, if we take it one step further and we refer back to the periodic table, other people will say gold is money. How many agree with this? How many people think gold is money? Show of hands. Okay, I'm not surprised. Again, I agree, but hold on.

Has history always been characterized by a free market? For all of history, haven't the powerful been telling the weak what to do? So if money has been around for much of history and the powerful have always been telling the weak what to do and we haven't really had a free market, if the powerful are telling the weak what to do, then how can money be a free market phenomenon? Remember, we're talking about the world as it is, not as we want it to be.

So I think we have to at least be open to the idea that our definition, we might have to change one or two of the words. And rather than that's been chosen by the free market forces, that's been chosen by the government forces. Now, how many people like this idea? Yeah, I didn't think so. But throughout history, governments have been around. They are a fact of life. Governments have issued various forms of fiat currency to facilitate trade, assert control, support economic systems. Empires have minted coins made of base metals. They often stamp the king's picture on it or the emperor's picture. During the Renaissance and beyond, paper bank notes started to be prevalent and they were originally backed by gold, but then after a while, the gold disappeared and they were just pure fiat. And today governments, they issue promissory notes and embrace national currencies like the dollar, the euro, the yen that aren't really backed by anything. And today, fiat currency manifests in both physical forms and digital forms, symbolizing the ongoing evolution of state-sponsored monetary systems.

So which is it? Is money a market-based commodity or is it a tool of the king? So this is where I think this concept is extremely important, especially for people who feel really strongly about what money is. And situational awareness, I think to survive the years to come, you're going to have to have the mental dexterity to understand what money currently is, as opposed to just what you want it to be. Situational awareness refers to the ability to perceive, understand, and anticipate events in one's environment, enabling informed decision-making and effective action. It involves three key components. One, perceiving critical elements in the environment in which you find yourself. Two, comprehending their meaning accurately. And then three, projecting future developments based on that current information. Now, this skill is extremely important in things like aviation, military engagements, healthcare, business, and I would argue this is probably the single most important factor in surviving the markets in the years ahead. In daily life, it enhances personal safety, improves problem solving, but without situational awareness, individuals risk being caught off guard and not understanding their environment and thus making poor decisions.

So in order to optimize your circumstance, you must understand your environment. In a prison setting, items like sardines and cigarettes can function as a form of money due to the lack of an officially sponsored currency or universal demand for some outside good. These items are durable, easily divisible, widely recognized with the inmate community, making them an ideal medium of exchange. For example, the cigarettes or the sardines could be traded for services, food or other goods. Sardines being non-perishable and nutritious, similarly hold intrinsic value. The informal economy found in a prison, in many ways, mirrors the principles of money by providing a store of value, a unit of account and a medium of exchange, and it's tailored to that unique prison life.

But let's say you're in one prison and sardines are used as money. And then you get in trouble for shanking your cellmate and you get sent to a different prison. And in this new prison, the biggest, baddest dude hates sardines, but he loves cigarettes and he has declared via fiat that he wants to be paid tribute every week in cigarettes. Are you really going to go up to him and explain to him that sardines are really money? One of my favorite ideas for a reality show is to have Peter Schiff go into prison and explain to people why gold is money and not cigarettes. Is Peter here? I don't know. I love Peter. Seriously, would that not be great to see?

Now, again, we all agree that in our original market-based money that that's what we prefer, right? We all prefer the free market money to the thug money. How many people prefer the free market money to the thug money? Okay, we all agree with that. That's good. But there's still a problem with that definition, and that is the fact that despite its popularity and it can be found in many economic textbooks, there's actually very little historical evidence that barter and free exchange ever existed on any very large scale. In fact, in the *book Debt: The First 5,000 Years*, which I highly recommend everybody read. It's extremely boring, but it's extremely informative. David Graeber challenges conventional economic narratives, particularly the idea that barter systems were the primary precursors to money. He argues that there's very little historical evidence to support these large spread barter systems as described in traditional economic textbooks. Instead, he highlights that debt has historically been the foundation of all economic exchange.

The book explores how ancient societies operated on credit systems where goods and services were exchanged based on mutual trust and obligations rather than a physical form of currency. He traces the evolution of debt throughout history, showing how it has become formalized in the form of money and institutionalized through states and religious practices. He critiques how debt has been used to enforce social hierarchies and argues for a deeper understanding of the moral and economic implications of it. By reframing history of money around debt rather than coin, the book sheds light on the social dynamics that underpin many economic systems.

In some cases, historically, the king would just conscript the citizenry into his army to fight in his wars or build his roads or whatever certain cause was at the top of his mind at the time. You didn't really have a choice. Again, it was a power dynamic. You either joined or you ended up dead or in prison. Now, unfortunately, that was reality. Again, this is not the world that we necessarily would like, but that's the way the world was. In other cases, the kingdom might operate on a feudal system where peasants were forced to work the land and then they would pay their taxes in kind, and whatever the king didn't tax was left to the citizenry to survive on. But there's a problem with this as well, it’s that forcing people to do things is, in and of itself, a lot of work and you need people to do that work. What if you could accomplish much of the same thing but do it in a system that was more efficient and in the ways that which people working for the king were happier and because they were happier, they were more productive?

What if the king left it largely up to the citizenry to decide how they would spend their time? What if he provisioned his kingdom by using a coin as payment for the services that he required, but insisted that at the end of the season or at the end of the year, some of that coin had to be returned to him in the form of taxes. And the violence and force would only come into play if and when you did not pay those taxes. And because everybody needed these coins in order to pay their taxes so that they weren't met with that violence or coercion, all of a sudden that coin had value. So you still have a system of control, but it's more subtle and it's easier to manage and it's more productive.

Now, I know some people are out there saying, "This is ridiculous. This can't be how things really work." But I would remind you of this quote from the Philosopher Goethe who said, "None are more hopelessly enslaved than those who falsely believe they are free." Think about that. In the movie, The International, Umberto Calvini, a leading global weapons manufacturer, is explaining to these investigators who are investigating money laundering allegations why a large European bank is brokering Chinese arms sales to third world conflicts. And he explains, the IBBC is a bank, their objective isn't to control the conflict, it's to control the debt that the conflict creates. You see, the real value of a conflict, the true value, is the debt that it creates. You control the debt, you control everything. And then he says, "You find this upsetting, yes?" And I'm guessing some of you out there are saying, "Well, this doesn't sound very nice." But this is the very essence of the banking industry, to make us all, whether we be nations or individuals, slaves to debt, not to money, to debt.

In the movie The Matrix, we see the same concept of control explained further in the movie when Morpheus is talking to Neo and he tells him, "You take the blue pill, the story ends. You wake up in your bed and you forget this ever happened. But if you take the red pill, you stay in Wonderland and I show you how deep the rabbit hole goes." He goes on to say, "What is the Matrix? Well, the Matrix is about control." He says, "The Matrix is a computer-generated dream world built to keep people under control in order to change a human being into this," and he holds up a battery. You see, in this world in the movie, machines have taken over the earth and they use the energy that humans naturally produce in order to power their own needs.

So back to our original question, what is money? Well, first, are you ready to take the red pill? What if I were to tell you, in echoing the words of both Calvini and Morpheus, that money is all about control, that it is the original matrix, that it has been around for as long as power dynamics have existed and implemented thousands of years before movies were ever made and before the market was ever able to choose a free money of its own, that it is a government-created construct built to keep us under control in order to change human beings into batteries? Now, when Morpheus says this to Neo in the movie, Neo hates this idea. He actually revolts against it. He says, "I don't believe it. It's not possible." And my guess is that some of you out there are saying the same thing and reacting to my words the same way that Neo reacted to Morpheus's words.

Now, I'm the first to admit that I'm not completely sure I'm right. It is a bit much, right? I admit it, but are you completely sure I'm wrong? Remember, we've agreed to look at the world as it is, not necessarily how we want it to be. So let's look at some evidence. We're born into a controlled environment in which we have to register with a higher power. Now, they don't call this prison, they call it a state or they call it a country. But we don't just get to live here for free. We have to pay for our stay. They don't call these prison fees, they call it taxes.

And even though we must pay this money, how much do we really get to say about how it gets spent? But in order to earn the money, in order to pay the fee, we have to work. And you must work in the system that the wardens designed so that you can earn the coin of the realm that must be used to pay your taxes. Not only this, but the wardens encourage you to borrow even more money in order to buy shiny new objects that make you feel better about your miserable existence. Pretty dark, right? Not only this, but you're not allowed to leave the facility without some kind of a requirement or a promise or a tracking app to make sure that you return. And some of these facilities don't even allow you to leave at all.

The state provides all kinds of news and entertainment so that you're distracted and you're entertained and that you don't even realize that the walls of the facility exist. And they're very, very good at this. In fact, most inmates never even realized the walls exist in the first place, let alone get far enough outside of them and far enough away from them to look back at it and recognize it for what it is. Remember that quote by Goethe? Think about it.

Now, I know some people are out here saying, "This is not what money is. This is not how it really works." And some of you are thinking this is just that MMT mumbo-jumbo, and that's destined to end in disaster. This can't work. And what I would say is, maybe it is destined to end in disaster. Maybe it can't work forever, but it can work for a very long time. And here's my evidence. This is the original program from the original New Orleans Investment Conference 50 years ago. And you will notice that many of the topics and problems with the monetary system that they were talking about 50 years ago are many of the same topics and many of the same problems that we've been talking about for the last two or three days.

Now, I want to be clear, I'm not taking anything away from gold. I'm not taking anything away from this conference. I'm not taking anything away from understanding free market dynamics and the important role of gold or the importance of understanding how a free market operates. I think it's absolutely critical to understand that. But the idea that just because we understand that other world, and we like that other world, the idea that it's going to transition imminently is disproven by this slide right here. Now, it might happen imminently, and you should be prepared for it to happen imminently, but you have to have situational awareness so that you don't live in this dream world that doesn't actually exist.

And that comes back to this slide again. Now, as I've laid out the evidence, have you changed your mind at all about what money is? Again, I'm not going to tell you what to think. I just want you to think. Do you think I might be on the track, or do you just hate the idea of it and can't let it in? The thing about money, in my opinion, is that there's a duality to it. Sometimes it is the most marketable commodity chosen by a free market. Sometimes it's the token demanded by the sovereign to pay taxes in tribute. Sometimes it's both at the same time, but it's important to understand the world that we have.

And I know that sometimes people will think, "Well, that's a very, very cynical way to look at the world, and pessimists never make money." So I don't look at it that way. I use my cynicism like a superpower, or I think of it like a superpower. And it allows you to see the world differently than the rest of the world does. And the fact that you have an advantage and a leg up on everybody, that's a positive thing. And that is going to, I think, allow you to use your situational awareness and the superpower to not only survive, but thrive in the years ahead. That's it. I hope you enjoyed it.

Mary Katharine Ham

“What Just Happened And How Wrong Was Everyone This Time? The 2024 Story”

Mary Katharine:

Hello everyone. Thank you so much for sticking around for me. I think Charles and I are a good complement to each other because first they bring up the Oxford grad with the sophisticated accent and then they send out the University of Georgia Bulldog and the University of Georgia Bulldog is going to talk about the UFC and how the UFC predicted the results of this election and the realignment of the American electorate. Are y'all ready for that? All right. So who's familiar with the UFC at all? Anyone in here? The Ultimate Fighting Championship, it is a mixed martial arts league, started in the early nineties, has become a giant international brand. Dana White, who is the head of it, I think is worth $500 million and you may have noticed is friends with Donald Trump.

I think that this league previewed so much of what we saw in this election, but let's start with last Saturday, shall we? After Trump wins the presidency, he goes to the UFC fight at Madison Square Garden and he does a walkout with the cheering crowds at Madison Square Garden with the music walking with Dana

White beside him. Kid Rock is there. I believe there was an appearance by Jelly Roll, if I'm not mistaken. Elon Musk is there, the richest man in the world and quite the personality. And then behind them you can see Speaker Mike Johnson. I enjoyed Speaker Mike Johnson being there, by the way, because you can see in the selfies with all these celebrities, I dare say Mike Johnson has probably never watched a UFC fight before and definitely never been to one, but he held his own. He had a smile on his face the whole time. As a teenager I was the good kid in a bad crowd.

I was like I'll DD for you guys. That was my role, right? And Mike Johnson reminded me of that when I saw those pictures. Me being at the party after the football game 40 minutes after I had just been in a marching band uniform and everyone knew it and we don't know how I got there, but I'm having a good time and that's what Mike Johnson was doing. But when you look at that scene and you take in the idea that this is a Republican president who has just been reelected, you go, what are we all smoking and how did we get here, right? And I think politics is downstream from culture. That's a truism that many have talked about before. It's been so long since anyone right of center was an avatar of the culture, was a person who could do that walkout at a UFC event that it feels weird.

It feels new. When Jon Bones Jones, who was defending his heavyweight title against Stipe and succeeded in a third round TKO, I do watch the UFC. When he did the Trump dance and handed his belt to a beatific Donald Trump, I've never seen him so happy, huge smile on his face. I felt there might be something really big happening here. And for those who don't watch the UFC, maybe it seems silly. The guy's dancing, he's handing over his belt. It's a wild sport, it's a wild spectacle. But like I said, politics is downstream from culture and this is something that is speaking to a brand new audience that Trump has reached that no Republican has reached in the past. So this, of course, the other side of that coin could be a real danger to Democrats if that coalition can continue to exist. It also, and Charles covered some of this and more than I will, it also is a real question mark about policy because this is a more populist coalition.

A traditional economic conservative like myself is not driving this car. And as we saw with the Labor Secretary pick, it may be a very different part of the coalition that's driving the car sometimes. And what that looks like for us is what we're going to figure out in the next several years. But let me give you a couple stats and also a recommendation for you. Patrick Ruffini's book Party of the People: Inside the Multiracial Populist Coalition Remaking the GOP. I think Ruffini gets a lot of credit for getting what was going to happen in this election correct. And if you want to deep-read on it, that's the one to go to.

But a few stats, cheery, like I said, for those who are interested in a winning coalition, if you're right of center. This is the first GOP to win the popular vote in 20 years. Point two, the first time that Republicans represent non-college educated and low income voters and working class voters. In fact, earning more from non-college educated and low income than high educated and high income. The liberals, Democrats decided to make themselves the party of the Columbia faculty lounge.

And I would say that was a miscalculation and they have handed the mantle to the right for some very serious things. Also notable, in high cost of living urban areas where I would argue Democrats have given voters their worst possible product, in cities that are not governed well. And then in some cases engaged in truly nearly suicidal policies post-COVID, during COVID and post-COVID. That was the biggest swings in demographics toward the right and toward Trump. There is a very serious rejection going on of the kind of things that the Democratic Party came to stand for and that the other side of the coin is that Trump came to stand for the things that Democrats forgot Americans like. And the conclusion is that the Harris coalition, according to my friend Patrick Ruffini, ended up looking more like Bob Dole's coalition than Obama's coalition. And you'll remember in 2008 and 2012, the story was, demographics are destiny.

This is done for you guys on the right. You can't win minority voters. You can't win young voters. Now they're Democrats and they're Democrats forevermore, right? Except again, what did they forget? The things that the UFC actually stands for, the characteristics that it communicates to the American people, freedom, fun and strength. And these things became very passe in democratic circles, in elite circles, in media coverage. The idea of freedom, fun, and strength are sort of icky and throwback. And so the UFC sort of took up these ideas. It was always an anti-elite league. There's a long arc from the beginning of the league in the early nineties to that moment where Dana White walks out with Donald Trump. But let me give you some highlights. John McCain somewhat infamously in the nineties referred to the UFC as human cockfighting. He was not a fan. He actually asked many states, lobbied many states, to ban it and it in fact was banned in the late nineties in many places.

Now, there was good reason for this because there were no weight classes and no rules, and it was very violent, more than it is now, and had almost no structure. So fair enough, George Will didn't like it either, you might be surprised to know. So during the late nineties, viewership and venues plummeted. They couldn't get in anywhere. Dana White takes over in 2000 and the first two events of his tenure were held, wait for it, at Trump Taj Mahal. And he has always thanked Trump for seeing something in this upstart league that might become something and giving them a place to host these fights.

So that was sort of, not the beginning of that friendship, but certainly how it culminated where we are now. So back to the freedom, fun and strength. The UFC is the most based sports league. Do you guys know the word based? It's basically the idea of a politically, maybe a little politically incorrect idea or controversial point, and for instance, when Justine Bateman comes out and starts making fun of Hollywood on her Twitter feed, you go, "oh, Justine Bateman's based? I didn't know that," when they're sort of outside of the elite mainstream. The UFC has been signaling this for a long time.

I think it previewed people's annoyances with the cultural tides led by the left. Let's talk about freedom. A lot of the fighters are Eastern European. Their families are from former Soviet bloc countries. They know repression. Some of the fighters are Latin American, Cuban American in particular, come from places where their families have been oppressed, where they have faced real government oppression. Rose Thug Namajunas, that's right, her nickname is Thug. She fought the only Chinese fighter in the league a couple years ago and got a little heat for saying that in prepping for that fight, she's of Lithuanian descent, she watched The Other Dream Team, a story about Lithuanian athletes coming out of the Soviet bloc and searching for their freedom. And she said it was just a reminder, better dead than red. And she said, "that's part of my motivation when I fight, I'm fighting for freedom" because her family has seen really, really dark things.

I believe one of her great-grandparents was killed by the KGB. So not exactly the kind of thing you hear in a sports league normally as a quotable. Jorge Masvidal, a Cuban American fighter, in his retirement speech said Trump is the greatest president in the history of the world and that he also has, because he lives in Miami, the greatest governor of all time. Again, not stuff you're hearing in the NBA, but this is all happening behind the scenes leading up to Trump's reelection. On the freedom front, Dana White stood for freedom and fun in 2020 when he said, you know what we're going to do? We're going to have a sports league that plays sports in 2020. Now, there was another league that did this, and I just want to shout them out real quick, the SEC. Well done guys. When people told me in spring of 2020 that the SEC was not going to play football, I was like, au contraire, the SEC is going to play football.

And lo and behold, it happened. And I think that people like Dana White and the SEC deserve credit just as Governor Kemp in Georgia or Ron DeSantis in Florida do, for being the first to move, for being the braver ones to make the decision, this is a little risky and we're going to do it. We're going to take a lot of heat for it. So Dana White goes out and purchases or rents Fight Island near Dubai in the Middle East, and he makes the whole enclosed community, they test all the time and they have fights. They have fights in July, September, October of 2020. By 2021, they have spectators and that man deserves every cent he has made off of that decision.

And my husband and I, trapped in our home, because we live in Northern Virginia where we didn't have a Kemp or a Ron DeSantis, we're watching every single one of those fights. And I think that mattered to people and it mattered to a particular demographic a lot, which is the one that watches the UFC, young men, because it was the only thing on offer at that time. They already had a male, young-leaning demographic, by the way, including a lot of Gen Z teenagers watch UFC. So it'll be interesting to see if they get also sort of pulled into this right-leaning coalition. When it comes to freedom and fun, for instance, the ability to say what you want to say out loud in this country. You may have noticed in 2020 that that became very unfashionable.

Joe Rogan is a perfect example of someone. Joe Rogan, very famous as a podcaster and a UFC broadcaster, what happened to him in 2022? They tried to cancel him, right? There was, I don't know if you guys remember this, I found it medium to largely disturbing how badly they wanted him fired in 2022. Joe Rogan's a guy who has a very popular podcast, he's paid by Spotify and the left decided and the media decided, but I repeat myself, Joe Rogan shall not be able to speak on the airwaves of Spotify and make money off of it if we have anything to do with it. They were mad because he didn't have the right views on COVID or COVID treatments or vaccines. They're mad about this. So they go after his job. There was a two-week national news story about Joe Rogan as they tried to run him off the air and in what I think is a sign of the times and something that Charles notes that we are sort of improving on the idea of cancellation.

Spotify said no, we're not firing this guy. He makes us a bunch of money. And refreshingly an American company was like, he gets to say what he wants to say. So I think that was a signal again to a bunch of voters who were sick of the cultural tides that they had been floating on during 2020 to 2023 that this is a place where you are welcome. Let's talk about strength. Again, the UFC sort of eerily, like Forrest Gump-ian, collides with every cultural incident of the last four years. For instance, Jon Bones Jones, who I mentioned, who's this big heavyweight fighter, perhaps the greatest of all time, in 2020, in Albuquerque, New Mexico, he went viral for on video grabbing a bunch, grabbing two teenage punks with spray paint cans who were out in the George Floyd protests damaging property. And Jon Bones Jones, a young black man himself, jacked them up, took their spray paint cans and was like, “what are you idiots doing destroying our city? I understand we have issues, I'm frustrated with them myself, but you cannot do this. You're making the problem worse.”

And in that moment, I think he spoke for many, many normal Americans who looked at those protests, combined with riots, combined with property destruction and went, “no, this is not what we want to do. This is not how we want to respond to things.” But it was hard to speak up. Jon Bones Jones can kill you with his bare hands so he can speak up in a way that other people cannot. By the way, in the past, he has also rescued a woman from a mugging and chased down her mugger and gotten her property back and returned it to her. That was several years ago. So Jon Bones Jones is a superhero for our times. But what the UFC communicates is yet another unfashionable thing, masculine strength. Jon Bones Jones being an avatar of it, Joe Rogan being one, Dana White.

There's a moment from the MSNBC coverage of this election that sticks with me where an anchor is saying, "I talked to a Latino prison guard and he said he voted for Hillary, but he voted for Trump this time around. He voted for Biden, but he voted for Trump this time around because the Democrats make me feel bad about who I am." I want to connect this to something. There's a great American Enterprise Institute survey about gender, sexuality and politics. And one of the things they discovered is that for men, self-perceived masculinity is correlated with party ID in a way that self-perceived femininity, there's no divide, right? It doesn't matter how feminine you think you are, you could equally as likely be in the Democrat or Republican Party. But if you are a man who views himself as very masculine, you're much more likely to be a Republican. So Republican men view themselves as very masculine at a rate of 53%, Democrats %33. It's a huge difference. Do you know what other two demographics have the exact same stat for very masculine self-perception other than Republican men? Latino men and black men.

And so I think if you ask anyone left of center, anyone in academia, anyone in the Harris campaign, anyone who came to lead the Democratic Party, if you ask them to play a word association game with the word masculinity, what do you think they'll come up with? Toxic. Toxic is the word, that's the one they always put with masculinity. So a Latino prison guard looks at that party and says, "I don't think you guys like me." And he's right.

That is obviously what they are communicating to him. And so to me it makes perfect sense that men, particularly young men whose lives and adolescences were shaped by the MeToo movement, were shaped by COVID restrictions, were shaped by a really widespread robbing of milestones, civil liberties, some really nasty treatment at the hands of government, that they might look on this league and be like, I don't know, I like how these people talk. I like what they're offering me. And that they might then by extension look at Donald Trump hanging out with Dana White and Joe Rogan and say, "that's a party that wants me."

And I think that is a lot of what happened in this election. I want to mention a couple of other UFC moments for you guys and I would encourage you to look up the YouTubes. I did not gather them for you because they're so profane that I could not sanitize them enough for this venue. But I will describe some of them. And a lot of them push back on these identity politics themes. A lot of them push back on the speech-policing themes on these sorts of racial shaming themes that the rest of the world had taken up in 2020 to 2022. So for instance, at one point a fighter, Michael Chandler, had adopted two young black children. He's a white guy and he was asked by a reporter, because a lot of sports reporters are more left than the sports figures they cover, like how do you deal with that?

Because it's problematic, a white man raising black children. And he said, "I'm not raising black children. I'm raising children and I'm raising them to be men and to be good men. And I don't like this idea that we all think about only our skin color." Again, at the time he was saying this, it was very radical to express that kind of thing in public. But the thing is, he's in a league with a bunch of black men and Latino men and women, by the way, women fighters as well, who went, "yeah, that seems fair." You know why? Because the fighters in the UFC are more like normal voters than the people running the Democratic Party.

Thank you, yes. Another fun one is when Israel Stylebender Adesanya was accused of using the N-word against another fighter in trash talk. They're both black fighters just for context. And Dana White was asked about it, “what about the racial overtones of these attacks? And what do you think about that?” And he's like, "what's the racial overtone?" And the reporter's like, "well, you know, Israel Adesanya said the n-word." And he goes, "he's black." And the reporter keeps trying.

And then he just says, "who gives a s***?" And I think that that kind of message is something that a lot of people were craving and had lost. As Charles makes a point, America's weirdness and bombastic nature, we lost a lot of that during those years and I think this was an outlet for people where they could find that. One last example, just because it's really ridiculous, Derrick Black Beast Lewis, when he finished a fight, knocked the guy out, he summarily pulled off his shorts and was standing around in his skivvies and Joe Rogan approaches him after and he explained that he took off his shorts because his nether regions, he did not use that word, were hot.

By the way, look him up. One of the greatest interviews in Sports, Derrick the Black Beast Lewis. Rogan goes on and asks him some questions about the fight. And he had been fighting a Russian fighter. And he says, "Trump called me a little bit before the fight and told me to knock out this Russian MF-er because Russia is making him look bad in the news."

These are real things that happen frequently. All right, one last thing because I know, look, this is all very disconnected from policy, but normal voters are not super connected to policy. This is a vibe shift. And I think when you saw Jon Bones Jones do the Trump dance, hand this belt to Trump, when you see the NFL players doing the Trump dance, you're looking at something that is a cultural moment that is signaling to people who would not otherwise have joined this coalition maybe this time but were thinking about it that, oh, there's a lot of young people, there's a lot of cool people, there's a lot of black and Latino voters who are openly talking about the fact that they voted for this person. That could get very dangerous for Democrats because that is what they call for the wonks, a preference cascade. If you know that other people in your group are not going to judge you as hard for going that direction, maybe you do.

And I'm going to end with this quote because it does bring in policy. I kid you not, this is a real thing that happened in the UFC. Brazilian-born fighter Renato Moicano, in his post-fight interview, he has this to say, and I would just put to you guys that if we can get this kind of thing in the heads of young male voters who are watching the UFC, I'm all for it. He says, "I love America. I love the Constitution. I love..." He's bloodied. "I love the First Amendment. I want to carry and own effing guns. I love private property. If you care about your effing country, read Ludwig von Mises and the Austrian school of economics, you MF-ers."

I apologize for the language. UFC fighters, as Charles notes, much like America, are rough around the edges. But again, if we can be communicating anything along those lines, I think it's actually a lot of their post-fight interviews are smarter than you might imagine. But a von Mises Austrian economic shout out along with the First and Second Amendment at the end of a UFC fight, that is a coalition I want to be in. And I think it's a coalition a lot of people are going to want to be in. So there you have it.

James Lavish

"Bitcoin As An Institutional Asset: From Speculation To Strategic Allocation"

James Lavish:

All right. How's everybody doing? All right. Ready to talk about Bitcoin? There's been a lot of hyperbole in this room and on the street recently about Bitcoin. I'm going to offer a little bit more reasoned approach. I've been an institutional investor for a very long time, and I was a Bitcoin skeptic. I dismissed it in 2015. I dismissed it in 2018, and I just could not open my mind to understand how this could be a different form of money, how it could be a strategic asset and a store of value. So I urge you to open your minds and maybe learn a little bit of something here today to understand why Bitcoin really is different. It took me a long time and I regret that I didn't open my mind earlier.

I am the co-managing partner of the Bitcoin Opportunity Fund, and we invest in public and private companies in the Bitcoin ecosystem. And so let's get started…As you all know, the world has been turning digital pretty rapidly. From books to music, to photographs, how we move around the world, every single analog business has been or is currently being disrupted. These are deflationary forces, ones that have created an abundance for a lower cost. When I was a kid, I would save up $12 or $15 from my newspaper route and buy a single cassette or a CD with 8 or 12 songs on it, or a $5 ticket to the new Star Wars or James Bond movie. Now I can get millions of songs streamed immediately through Spotify for 12 bucks a month. I can take thousands of photos and store them in the cloud for just a few bucks a month. I can get thousands of movies at my fingertips with no commercials for $15 a month through Netflix. So why does the cost of everything seem to be going up still?

Well, it all has to do with debt. Just a few years ago, you all remember, we shut down the economy. We basically shut down virtually all productivity, debt skyrocketed. It's up 50% in the last eight years. And even here in the U.S. where we have the global reserve currency, in the U.S. dollar, and the global reserve asset, in the U.S. Treasury, we have the same problem. It wasn't just the Covid lockdowns. This has been a problem for decades, five decades actually. Since we got off the gold standard, as you all know, many gold bugs in here, debt and borrowing in the U.S. has skyrocketed. And why not? There's literally nothing stopping us, holding us back from borrowing more. Borrowing X infinitum. The debt ceiling is more like a suggestion than a limit. Both parties break right through it every couple of years, and we're going to come right up on that in the next couple of months again.

So now before we demonize borrowing and debt, it can be useful and important because debt just allows us to pull future productivity into the present if it's used responsibly…But the US has not been responsible, has it? With each incremental unit of borrowing now, we're generating fewer units of productivity or total US revenue, and this has really taken off since 1971. And since the global financial crisis, it's exploded. Like I said, it's not just the U.S., it's a debt disease across the world. Any country that issues debt in its own currency will never hard default, rather soft default every single day through perpetual inflation, a phenomenon that's primarily caused by the expansion of the money supply.

You may say that's fine. Investors will turn to the US Treasury, the ultimate flight to safety asset in order to protect themselves against inflation. But the Fed is a major driver of global M2 expansion. Through quantitative easing, Fed printing money, dumping it into the open markets and other fancy programs like the BTFP, the Bank Term Funding Program that saved select banks in times of stress. The reality is, we must keep printing money. We must have inflation to increase a nominal GDP, to increase the tax base, to perpetuate the debt charade. In every crisis, the Fed and the Treasury print money. They expand the money supply and cause asset inflation. So what happens in the next crisis? We may see QE infinity.

The bottom line is, Yellen knows it, Powell knows it, and other Fed officials have admitted it. Powell admitted it on 60 Minutes. He said, "That's not my job. I'm not in charge of the Treasury, but we are on an unsustainable fiscal path." He said that last February. This chart shows the debt to GDP rising exponentially, as expected, by the Treasury. This is their chart. They did a study to hand to Congress and printed this, posted it for the entire world to see. It's since been removed after we got ahold of it and put it all over Twitter. Here's the problem, mandatory expenses are social security, Medicare, Medicaid, things like unemployment, they're signed into legislation. These must be met. There's also interest on debt, which we keep paying or we default. These mandatory expenses already soak up all the tax revenue and then some. So when you add in discretionary expenses, the total is actually $6.8 trillion for last year, and the deficit was 1.9 trillion. So you don't have to be a math genius to figure this out. It doesn't work.

So there are three possible solutions, right? You can raise taxes. That's not going to happen under Trump. You can have austerity, which is political suicide, really, where you cut expenses. Neither party really wants to do that, and they try to trick each other into doing it. But it doesn't really happen. But I know what you're saying. I know what you're thinking. There's a new dog in town, right? Trump and Musk want to cut away fat. But to get to surplus, they'd have to cut into the muscle and bone. It sounds great, but here's the reality. The government spends so much, it can't even cover our interest expense.

So let's put it this way. If the U.S. government was a company on the New York Stock Exchange, it would be considered a zombie company, dead man walking. Why? Because even if we cut defense and all other spending entirely, we're still in deficit. We have to issue more debt every single year just to pay the interest on the former debt. So when that debt comes due, when it matures, we have to borrow more to pay that down. What does that sound like to you? Everybody remember Bernie Madoff? It sounds pretty similar, doesn't it? But we can print money, so it's a little bit different. I agree. It's not the same. We can keep this charade going for a long time. And I'm not saying that the US dollar is going to collapse in the next few years. I don't want to spread that rhetoric or that hyperbole. That's not what I think.

But the bottom line is deficits lead to borrowing, lead to higher interest expense, lead to higher deficits, lead to more borrowing, even lead to higher deficits. This is called a debt spiral. We're in it, and there's really no way out except one, and that's inflation. So investors have typically looked for safe havens, right? And the U.S. Treasury has been that safe haven. But then this happened two years ago. So who wants to own these now? I know Jim just talked about this, but I'm talking about long bonds. It's a little bit different. But a severe rise in yields caused this, and it can happen again. Investors must consider the problem that the Treasury and all central banks have. Central banks must allow perpetual inflation. And at some point they lose control, all of them. And the bond vigilantes take over. Some argue that they already have.

And the Fed lowered 75 basis points in the last few months, and what did the ten-year do? It rose by the same amount. Why? Because the bond market expects long-term inflation, either in the form of an overheating economy or excess liquidity, either through QE or monetary expansion, or a massive amount of U.S. Treasuries, they're going to come to market from growing deficits, which leads to inflation. So how do you protect yourself? Where do you hide? Equities are risk assets. Bonds have had large interest and duration risk as we've seen and we've all experienced. Cash just melts away if you leave it in your cash account, in your checking account. You can buy T-bills. I am an advocate for T-bills. That's fine. But where are you going to get real rates of return? A rate of return over the inflation rate?

Many investors, many of you, have turned to gold. And this has been a pretty good investment. Larry Lepard spoke about it yesterday. And let's dig a little bit deeper about gold becoming digital. So for you Informationist readers, grab a cup of coffee and settle into your favorite chair for a minute. The reality is that gold is analog money, and Bitcoin is becoming digital money. As of now, it's digital capital. Neither gold nor Bitcoin should be dismissed. They're not mutually exclusive and they have different benefits and risks. Both are scarce assets and sound money. But Bitcoin has emerged in a quickly digitizing financial world. As Michael Saylor often says, "Think of Bitcoin as digital property in an extremely limited neighborhood."

All right, so you hear a lot of words describing Bitcoin, like decentralized, immutable, divisible, portable and scarce. And if you've been resistant to learning about or accepting Bitcoin as a legitimate asset, I urge you to reconsider. Let's do a simple one-on-one on these. I'll make it simple and make it quick. First, Bitcoin is decentralized. It's governed by tens of thousands of nodes, little computers that everybody has their code on, that follow this protocol that are fully distributed across the world. So Bitcoin's protocol is highly tamper-resistant. Bitcoin has no central authority. The network of nodes validate and record all transactions, and they keep each other in check. They're all incentivized to follow the protocol. Decentralization ensures that there is no single failure point, okay? No single failure point and no entity, like a government, bank, corporation, and individual can control or manipulate the system. All transactions are settled on a transparent, open network. This is why Hamas said, "Don't send money through Bitcoin. They can track it, stupid."

Okay. Bitcoin is immutable. Bitcoin's secured by the most powerful computer network in the world, and it's rapidly growing stronger. This literally blew my mind when I learned this and really understood it. When you truly understand it, you get why there's value here. With a proof-of-work mining protocol, just remember that you can go research deeper on proof-of-work. I won't go into it today. But Bitcoin's network, its annual energy consumption is 175 terawatt hours per year. That's the equivalent of 20 nuclear reactors. Shout out to Bob there. This prevents a network from being attacked or compromised. It's more energy than that of Ireland, Denmark, Greece, Portugal, Hungary, Switzerland, the Czech Republic, Belgium, Finland, Austria, Norway, and many others. The Bitcoin network has operated continuously since 2013, processed over 1.1 billion transactions, maintaining more than 11 years of completely uninterrupted service, settling transactions every 10 minutes. Put simply, the Bitcoin network is a fortress of digital power that's nation-state level resistant, and it's growing stronger every day.

Okay, so Bitcoin, it is highly divisible. Now, don't confuse divisible with infinite. Each Bitcoin is divisible into a hundred million parts, called satoshis. So everyone can use it, and it's able to handle hundreds of billions of transactions daily, micro-transactions. There's a second layer that this happens on. Don't confuse it, just understand it and keep digging. So don't confuse infinitely divisible with infinite supply. Just like a dollar can be split into a hundred pennies or pizza can be cut into eight or 12 slices, the dollar and the pizza don't get any bigger and neither does each Bitcoin.

Bitcoin is portable. I have friends who were in hostile environments and they had to leave. They had to leave their house, their money, their gold. They had to leave their belongings and they had to cross the border. They couldn't get across. They're like, I'm going to leave everything behind in this hostile environment, but I've got to get out. I've got a friend who did this, and he's up in Canada now, and he put all of his family's wealth into Bitcoin. He memorized his 12 words. He walked across the border and he had all his wealth waiting for him. He didn't carry it with him. It was up there. It's because Bitcoin is borderless. It can be sent and received anywhere in the world, anytime, within minutes, 24/7.

So unlike physical money or gold, which are cumbersome to transport, Bitcoin's digital nature makes it highly portable. I mean, you've all seen the photos and videos of gold and cash being confiscated at borders. It's awful. But I can have a million, a billion dollars. All I need to memorize is my 12 words, and they're not going with me, they're already there wherever I go. I just get to access them with my keys. So this feature makes it an ideal global currency, especially for cross-border payments or financial inclusion in remote regions. I could send a billion dollars from here to London for just a few dollars and it would take 10 minutes. Now, try to imagine what it would take to send a billion dollars of gold. This is nothing against gold. I think it has its purpose. But just try to imagine trying to send that much gold, and how many either trucks or armored trucks or trains or whatever it would take to get that all the way to London on a boat. You can do it in 10 minutes on Bitcoin. That's value.

Bitcoin is scarce. With a hard cap of 21 million Bitcoin that will ever be created, Bitcoin is truly limited in supply. So do the math. There are over 60 million millionaires in the world. Only a third of them will ever own one full Bitcoin, which as of now is approaching a hundred thousand dollars per Bitcoin. So in short, Bitcoin is a deflationary asset that cannot be debased like fiat currencies. This is why you often hear Bitcoin described as digital gold and a hedge against inflation. But in a way, it's even better.

And Bitcoin is catching on slowly but significantly. You've seen a number of these charts going around. This is my chart. I have a couple of different calculations in here, but it all adds up to about the same, $900 trillion. These are the investable assets of the world. So even though you may have seen recently Bitcoin crested its all-time highs, we are super early in the adoption phase. With $900 trillion in investable assets, these are places where investors are seeking to battle inflation. If you go to work and you make money, you just put it away and you're not worried about inflation. You've got your money, especially in a world that's supposed to be deflationary. But central banks have completely screwed that up. So now Bitcoin is only 0.2% of this total universe so far. And gold has been around for thousands of years. Bitcoin's been around just 15 years and it's a 10th of its size already.

So just some quick math. At 1% of total global assets, Bitcoin is a $9 trillion asset and worth about $450,000 per coin. At 3% total global assets, Bitcoin's worth 1.3 million per coin. And this is without inflation. This is just holding this universe steady. So when we talk about $13 million Bitcoin, let's simplify it. This is where we are. This is what your head can get around. Make no mistake, Bitcoin adoption is accelerating. And there have been some catalysts, and there are going to be some more.

You've seen the Bitcoin ETFs. I'm going to have to speed up here a little bit. With the introduction of the Bitcoin spot ETFs, Bitcoin is now becoming a strategic asset. BlackRock, Fidelity, Bitwise and others have ushered in Bitcoin as a separate asset class for investors to add to their portfolios. You can put it in your IRA, some people can access it in their 401K. If you're a mom and pop, you don't need to have your keys because Fidelity will take care of that for you. And I think that's okay for now. And investors have been devouring them. BlackRock's ETF is the fastest growing ETF in history, getting to $40 billion six times faster than the previous three. And it's now in the top 1% of all ETFs in size. Just 10 months old, it's bigger than any ETF launched in the past 10 years, and there are 2,800 ETFs launched.

It's worth noting. Again, this is not a ding on gold, but this is just worth noting. There's something different here. The Bitcoin ETFs are spot ETFs just like gold ETFs. But the difference is that Bitcoin ETFs' underlying holdings are extremely easy to audit. You just look at the on-chain data and look at the wallets, you know what's there. In contrast, it can be difficult to audit and verify precious metal ETFs. We all know that. JP Morgan held over a thousand counterfeit gold bars, supposedly worth over $50 million, in their vaults. I worry about this with my gold and silver ETFs in my IRA. It's something that I worry about.

With the Bitcoin ETFs, every penny can easily be audited and verified on chain. There's no need to go into vaults and travel all over the world to test it…Options on ETFs were recently launched. They were approved by the SEC, and they started this week. And this is important. They're only monthly contracts right now, but it's really important for institutional investing community because it provides the ability for us to manage our risk properly. So you're talking about hedge funds, family offices, proprietary books at the big banks so they can manage their liquidity. It's a big deal. I think it's going to just increase the adoption. Another thing that you may have heard about is the FASB accounting rule. The old rule was an asset impairment rule, right? So this was just issued last year, and it's going to come into effect this year, starting December, for companies on fiscal December. So you'll see most companies start adopting it next year.

So in the old rule, if I bought Bitcoin, I put it in my treasury. Then if Bitcoin went down, I had to take the lower price of either my cost or the impaired value of it, and then I could never mark it back up. It was just impaired. Okay? So the new rule is fair market value. You can mark to market. This is going to be a big deal for companies who want to own Bitcoin but don't want to worry about that volatility. They want to hold it long-term. They just don't want it to impair their balance sheet. And this becomes effective next year.

Another thing you've heard about likely is the Bitcoin Act. This is Senator Lummis of Wyoming. I know her. She's very smart. She's a Bitcoin advocate. And she's spearheaded this. So this Act would create a Bitcoin reserve where the government would buy 200,000 Bitcoin every year for the next five years for a total of 1 million Bitcoin or 5% of the total supply. Let that sit there for a second. I know Jim Grant, I have huge respect for him. I've been following him for many years. And he said, last thing, he laughed at it a little bit. I don't think it's funny.

This is game theory at play. Other countries will see this. And if we actually do this, it'll force them to consider, strongly consider, to get a little bit of Bitcoin on their balance sheet too, as a store of value. I'm not talking about replacing gold, but 5% of the total Bitcoin supply would roughly mirror the size and scope of the U.S. gold reserves right now.

Now, will it happen? Polymarket gives it a 40% chance. We'll see. After Trump's win, I would say it's 40% or 50%. But if none of these catalysts convince you, then perhaps pure performance of Bitcoin to date will. So let's look at Bitcoin price against other investment assets over the last decade. Here's Bitcoin versus U.S. Treasuries. So this is Bloomberg's U.S. Treasury Index over the last 10 years. And at the beginning of this period, Bitcoin was priced at roughly 0.1 of the index. Today it's priced 28 times the index. Do the math. That's devastating for bondholders. Gold is a similar story. Bitcoin has gone from being priced at roughly 0.3 times an ounce, to 35 times an ounce now.

Okay, what about risk assets? Bitcoin's been a risk asset. I will admit that it's been the tip of the risk spear for a very long time. So let's look at Bitcoin versus the S&P. This is the total return index, including dividends. Bitcoin went from being priced 0.1 of the index, to over 7X now. And so those of you who are wondering about the high-flying index stocks, the ones driving all of that S&P performance. Here's Bitcoin versus the Mag Seven. So Bitcoin has gone from being priced at roughly 0.25 of the Mag Seven total return, to almost 3.6 now. And by the way, I put this together last week when Bitcoin was about 90,000. Now it's bumping up against a hundred thousand. So it's even better.

All right, so I know what's going through your mind. You're looking at that chart and you're going, oh my God, look at that volatility. I don't think I could stomach that. It must kill your returns, right? Actually, no. Quite the opposite. Morningstar ran the numbers using a modest allocation of a traditional 60/40 equity bond portfolio versus including Bitcoin. By the way, this chart was through the end of last year. I didn't have time to run it for this year yet, but it's going to be even better than this. But when adding a modest allocation, your cumulative returns increased accordingly. The blue line at the bottom has no Bitcoin. The gray line just above it has a half a percent. The teal line has 1%. And the green line at the top has 3%. Again, what about the volatility? My God, look at that. This must cause huge drawdowns that crush your Sharpe ratio, right?

All right, so this is a lot of data. We'll walk you through it really simply. Those two blue lines at the top, that's your S&P and your bond for your 60/40 allocation. This is a little reverse allocation. So this is showing an even more aggressive 60/40. Okay? So there's a lot of data. Let's just walk through it. Adding 1%, you can see the Bitcoin there. Adding 1% of Bitcoin raises your annual return by over 1%, while increasing your volatility by only five basis points. So you can see that the volatility is only increased by five basis points, and your largest drawdown was only 0.23%, a quarter of a percent more if you added 1% of Bitcoin. But your annual return was up by 1%.

So adding five percent is even better, raising your total return by 150%, your annualized return by over 5%. Your volatility increases by less than 1%. Your Sharpe ratio jumps over that magic 1.0, and your worst drawdown is only 2% more than with no Bitcoin. And if you add 10%, pretty aggressive, I agree. But if you did that, your returns would increase by 374%, pushing up your annualized returns to 19.4%, a bump of over 10% to a portfolio without any Bitcoin. Your Sharpe ratio jumps even higher to 1.28. This is your risk-adjusted return, with only 5% higher drawdowns in the market. Your risk-adjusted return goes up with Bitcoin in your portfolio. In a word, that's compelling.

Okay, let me leave you with this. I got just two minutes left. Pretty good. Okay. This chart is from last year as well. So Bitcoin's tremendous performance this year will probably make it nine out of 12. Bitcoin outperforming every other asset class 9 out of the last 12 years. So Bitcoin is slowly moving out of that risk to own category and into that risk to not own any category, in my world, especially for money managers and institutional investors. So let's put it this way, I wouldn't want to have to explain to my clients and LPs why we didn't own any. Thankfully, that's not a conversation I'll ever have to have. And I hope you don't either. Thank you.

Lawerence Lepard

"FIAT DELENDA EST. (Fiat Must Be Destroyed)"

Lawrence Lepard:

Nice to see you. Thank you. Thank you. Yeah, so I'm a sound money advocate. Most of you guys know that. Let me just see if I've got these slides working right. We do. Okay, that's back. Perfect. Okay.

First of all, thank you Brien, so much for having me back to this conference. It's an honor to be here, 50th year. Jim Blanchard who legalized gold and silver holding by Americans. The speakers here in the past it's an honor to be among this list. Ayn Rand, Ron Paul, Milton Friedman, Barry Goldwater, F.A. Hayek, and John Exeter, the great John Exeter. Some of you old timers will know who he is. In any case, Ron Paul attended the first conference here and since that time, obviously it's evolved quite a bit. Let's go to the first chart.

The title of my speech is Fiat Delenda Est. Those of you who know your Roman history, there was a senator named Cato the Elder who in the Punic Wars, this is pre-Christian times, was a strong advocate of Rome wiping out Carthage. And Roman Carthage fought for trade and control of the Western Mediterranean. And he began and ended every speech with "Carthago delenda est", which means Carthage must be destroyed. And I personally believe that fiat delenda est, Fiat must be destroyed. And I think most of you would agree.

What's going on right now in my opinion is the Great Keynesian experiment is ending. I borrowed that phrase from Craig Hemke, my good friend Craig Hemke, otherwise known as Turd Ferguson. The Fabian Socialist Keynes proposed that we need growth and we need full employment and that the government should help us to have those things by deficit spending in the generation of animal spirits. And the fact is that he's wrong. And we've known that for some time. Austrians have known that for some time. Most of the world doesn't know it, but they're about to learn it. When in fact, really what we need is we need productivity and efficiency. And the only way that you can get productivity as an efficiency is by having money that has standards that's unimpeachable, that can't be diluted. And of course we don't have that.

So Keynes said "In the long run, we're all dead." And I personally think Keynes was a despicable human being. Because what that basically is like saying is, okay, fine, screw your kids. Who cares? And of course, he didn't have any kids. He had a lot of other personal habits, which I'm not going to get into. But he's dead and we're here to deal with the outcome of his flawed socialist policies.

I strongly believe that sound money is a moral issue. Honest weights and measures, that's in the Bible, it's in the Constitution. Fiat money is really just a means of governments and people in control of the money setting up the system for their benefit. And they've done this for quite some time. It's been outrageous. And if you witness it, it ruins everything. If you witness the United States, in '46, we were at the top of the world. It was basically a moral country. We had won World War II and there were a lot of things going right. We lived a long time until that time and had built a great country. In the 78 years since then, we've gone in the wrong direction, particularly the last 53 when we went off the gold standard.

This is just a chart of inflation. The one line shows the cumulative inflation, the other line shows the percentage change at the bottom. And what you can see is that this country did pretty well until 1971 on the inflation front. We had periods of inflation. They tended to coincide with wars. 1812 Civil War, World War I, World War II, Korea and Vietnam all were inflationary events. But afterwards things calmed back down. We got back onto a sound money standard. In '71, we blew the whole thing up. As Michael Saylor likes to say, "Nixon took the hostages and shot them."

This chart is an interesting chart. The top line is the wealth held by the 1% and the bottom line is the amount of wealth held by the lower 50%. Look at this, since 1990, the top line has gone basically up and at increasingly steeper rates and the bottom line hasn't gotten anywhere. What this is is the money changers have screwed the people. That's the bottom line. They've totally screwed the people. And the people are not going to take it anymore, and that's why we're going to ruin their system and it deserves to be ruined.

But you can see here a couple thing I think are interesting. One, the line started going up and it doesn't go back to ‘71, but it started up in ‘71. But notice how it got steeper after Greenspan took rates down to 1% in 2003 to counter the dot com bubbles burst. And then notice how it got even steeper still in 2008 when Bernanke introduced QE and ZIRP, both of which in my opinion were crimes and got an even bigger contillionaire class going. And then notice how it got even steeper still in 2020 when they went back to QE and ZIRP and they sent out a bunch of free money to businesses that didn't need it.

This is a chart of the growth of the money supply. Same story. Notice how it's continually getting steeper and notice how extreme it was from 2019 to 2022, up 42%. And yet we had a chairman of the Federal Reserve who didn't have an economics degree, who only had a law degree, who basically said it was going to be transitory. I mean, you would've learned this in Macro 101, okay? At any basic university that if you grow the money supply 42%, you're going to have inflation. And the guy who was running our entire monetary economy didn't know it and lied about it. And he had an excuse. He was a lawyer, he was stupid. But Janet Yellen, who was the Treasury Secretary, she didn't have an excuse. She had a frigging Ph.D. in Economics and she made the same comment. And they gaslight us. It's like we're supposed to believe this s***. It's ridiculous.

Inflation is transitory. Oh really? Maybe it's not. Maybe it's the biggest inflation we've had in the last 30 frigging years. It went from under 1 or 2% up to 9% quickly. But not to worry. They had a solution. All right, let's just take the rates up as fast as we possibly can. All right? What's the impact of that? The largest drawdown ever in the bond market and the stock market. Bigger than 2000, bigger than 2008. Largest modern drawdown, probably '29 was bigger with the stock market. 18 trillion of wealth wiped out.

So let me get this straight. We're going to print like crazy and inflate like crazy and drive towards this inflation guardrail as fast as we can. Then when we realized we got inflation, we're going to bounce off it and we're going to go to the other guardrail and drive towards deflation as fast as we can. These guys are nuts. I mean, the road is icy. They're driving a car and they're bouncing off the guardrails. It's crazy.

This isn't a new pattern. It's been going on for a long time. This is a long complicated chart. I'm not going to read every instance of it. The takeaway from this chart though is they do this over and over again. They don't know what they're doing. You can't set the price of capital with a committee. It's like the Politburo setting the price of grain. It makes no sense. Absolutely no sense. Price of capital should be the balanced price between savings and investment needs, period. It should be set by the marketplace. The Fed should not exist. But what do they do is they blow a bubble, they get rich off the bubble, then they know it's going to break and they break it and they suffer and then they go back to blowing in the next one. It's nuts. It's totally nuts. It's a lot of stuff that's nuts.

Here's the good news. The good news is, I mean, I feel like Don Quixote because I've been fighting this battle since '08. And probably a lot of people in this room have been fighting it even longer with precious metals. It's been a tough fight, let's face it. These guys, because they got all the cards. I mean Silicon Valley Bank blows up, they change the rules. They violate Dodd-Frank, doesn't matter. It's been hard. But here's the thing, here's what's got me really excited. I'm incredibly fired up because I was worried that I was going to time out before we saw their game end, but it's not going to happen. Because I'm 67, I'm not timing out for a while, and their game is ending. So we are going to win. Fiat is doomed and we're playing for all the marbles.

Why is Fiat doomed? Let me show you. This is very compelling. This is US federal government spending from, I don't know, the '40s, '50s, okay? Look at what happened with COVID. It was going up nicely and consistently quite a lot for a long time. But look at what happened with COVID. It really blew out, right? Okay, it's a crisis. We got to spend a lot of money. I get it. I'm not saying it was right, but they did it. You would think the crisis is over, maybe it would come back down? Wrong. You would be completely wrong. That did not happen. This year we just spent $6.75 trillion, okay? So there's been no cutback in government spending and it just continues to increase.

And of course, what does that lead to? Because tax revenues aren't growing that quickly because GDP isn't growing that quickly, it leads to larger and larger deficits consistently. And this is like a slinky, it's just like going down the stairs. It's going to hit the bottom.

So this next chart, this is just the US federal debt. You've all seen this chart, but this is the definition of exponential. And it's almost going straight up. Or if you look at it on a longer timeline, it is going straight up. It took us how many years? 220 years to get to $11 trillion of debt. Since 2020, in the last three years, we've added that amount. This isn't going to go on folks. This is it. This is game over. These guys are going to lose. The whole thing's going to blow up and that's great.

Okay, look, I'm as glad as anybody that Trump won. It is much better than the alternative. But I hear this whole, "Oh, he is going to fix it.", "Elon's going to fix it.", "Ramaswamy's going to fix it.", "It's all going to be great. We're going to cut $2 trillion from the deficit." It's a lie. It's a myth, okay? Just like Elon saying he was going to have self-driving cars in 2017. I mean, he'll get them eventually, but he doesn't have them today and he's not going to have them for a while.

So let's look at the simple math. Federal deficit spending. Our federal spending is about $6.75 trillion a year, and this was the fiscal year just ended September. The big four, social security, Medicare, defense and interest rate are 80% of that. Okay? That's $5.4 trillion. The non-big four are all else, education, $1.35 trillion. But let's say they go in and they cut 30% of that, which will be hard, but even so, if they did that, they would save $270 trillion.

Again, 6.7, it's only 4% of the total. And the deficit, which was $1.8 trillion in the year just ended, is now running at a $2.4 trillion rate if you annualize the last six months. So maybe they get 300 or 400 billion in cuts. I mean, it's possible, especially if they try and do some stuff to social security, defense, they stop the war in Ukraine, which I think they will. But even if they cut 500, you're still going to run a 1.92 deficit. I mean, you're not going to get there. They'll slow it down, but the train is unstoppable as Lyn says. So they're trapped and they have to monetize the debt.

All right, here we go. Interest expense. Another thing. So this is a debt doom loop, and James Lavish was going to talk about this tomorrow. He is my partner at the Bitcoin Opportunity Fund. So this is an interest expense from the US Federal Government. Look, this is another thing that's going exponential. Look at this, okay? And this is the debt doom loop quickly explained is we spend more on interest, therefore we have to sell more bonds to cover the deficit, the number of bonds getting sold into the market. It's the same amount of demand, but we're selling more. So guess what? Interest rates go up. Oh, interest rates go up. Guess what? The deficit gets larger. It's a vicious circle. It's a doom loop. It's what happens in emerging countries when they have sovereign debt crises, and that's what we're going to have.

This is just quickly touch on this. Stein's Law says something that cannot go on forever will end. The top line here is total US sector debt all over the country. The bottom line is GDP. GDP generates interest to pay the debt. The debt's growing much faster than GDP. Something's got to give. Either the debt's going to default or we got to inflate the shit out of GDP, which is what I think we'll do.

Same chart, slightly different. This shows total sector debts at the top line. This is Lyn Alden's chart. It's a brilliant chart. The bottom is base money. Notice how when debt gets too far above the level of base money, they have to print base money or else again, the system would collapse. And that's the third Fed mandate, by the way. I mean the Fed is supposed to do full employment and low inflation, both of which they fail on, but what they definitely don't fail on is keeping the system going because they cheat and they break the rules to bail out the bankers…when things go wrong.

Okay, so here we go. It's only a matter of time until what I call the big print is coming. The balance sheet is going to go to over $20 trillion on the next one, maybe 50. I don't really know, but the Fed is losing it. They're losing credibility and people are going to lose trust in the bond market. There are going to be no buyers of our bonds except the Fed, and we are going to be like a third world country. We're already starting to look like a third world country because a lot of our debt's getting sold on the short-term basis.

Evidence to me that the Fed is losing it is the Overton window is changing. There's a book out called The Lords of Easy Money by Christopher Leonard. I highly recommend you read it. This is a guy who is a New York Times reporter who basically completely lays out bare all the stuff the Fed has done and how it's wrong. This is the guy, he's a New York Times reporter, very respected. And the reviews by the New York Times, of FT, Wall Street Journal, et cetera, are this guy ought to be listened to. The fact of the matter is the Fed is on a very slippery slope.

But there's another piece going on here that I think we should be aware of that you've got to focus on as well. And oh God, I'm really running out of time. That is that the stock market's also a bubble and I believe it's going to burst. We're running a 7% deficit right now with the stock market where it is. And if the stock market goes down or we have a downturn in the economy, the deficit is going to blow out. It's only going to make the problem worse.

We're in a sovereign debt crisis, and there are two pieces of evidence for this. This is a chart that shows the price of gold measured in bond terms, 20-year bond terms. It's up 170% in the last three years. Basically, bonds are failing compared to gold. You think that's wild? Look at the next one. This is the price of Bitcoin against bonds. It's up 3000% in the last three years. The fact of the matter is the US dollar is failing and bonds are failing, and these charts show it. Let's get to Bitcoin.

I've always been a gold bull. That was my heritage, is where I came from. I still am. Gold's going to go up a ton. Bitcoin is better. I told you guys this in 2021, at the time Bitcoin was 50, Bitcoin is now 90. You had to endure a drawdown of 65% down to 15. So it was pretty rough if you took my advice back then, but in turn it's come back. And gold at the time was 1800. Now it's 26, it's up 50%.

I want to do a survey here because I did this last time. When I did it last time, it was probably less than half the people in the room raised their hand. How many people in this room own some Bitcoin?

Yeah, it's more than half. Okay, so it's good. I'm glad to hear it. We're going in the right direction. Look, I agree with Brien. We have got to make gold, silver, and Bitcoin all legal tender. We've got to basically let them compete with the dollar if we want to save America. There should be no taxes on gains on sale of gold, or taxes on gains of sale of Bitcoin or taxes on gains of sale of silver. They should all be considered money. Let's just let the free market decide what the best money is. I know what's going to happen. We can see it in the last couple of charts.

So bottom line is Bitcoin fixes this, in my opinion, better than gold. It's an invention. It's digital scarcity. It's emerging as digital gold in my opinion. It has a lower stock to flow than gold. It decreases every four years, that stock to flow. Imagine this, we've had thousands and thousands of years of monetary dilution. The amount of gold on the planet will double every 50 years. The amount of Bitcoin on the planet is fixed. And it's the one commodity in the world where when the price goes up, the supply doesn't change. That's really, really powerful. This thing is going up forever.

Next one. So its got a twofer too. It benefits from monetary debasement. So does gold. But more importantly, it benefits from an adoption curve. We're in the early days. This thing's like Microsoft or Google or one of the other network stocks that benefits from Metcalfe's Law. It's early, early days. This reminds me so much of the internet and Microsoft. And therefore the top, I mean people are going to be blown away. Microsoft is up like 3000% since its IPO. I know because I bought it on the IPO. I sold it too early. But the point is, this thing is going to go much higher than anyone thinks.

A lot of people will look around, they say 90,000. Oh God, I wish I bought it when you did. I'm missing it. I'm missing it. No, you're not. It's going to go to 900, then it's going to go to 9 million. Okay, look at the next page here.

This is a total assets, total available market. Total available assets in the marketplace, $900 trillion of assets if you include real estate. Bitcoin is 2 trillion, a little under 1.8, and gold is 18 trillion. Bitcoin is 0.2% of all investment assets in the world. Gold is 2% of all investment assets in the world. What happens when all the people holding bonds and stocks and real estate and cash in some form realize that their s***s getting diluted constantly and will forever continue to be diluted?

I can tell you what happens. Gold's going to 20,000. Bitcoin's going to 2 million. That's what's going to happen. Just give you some performance stats and we'll hit these quickly because I'm really out of time. But first of all, this presentation will be available on my website. It will also be available on my Twitter feed. So if you want to get any of these numbers, you can go to my Twitter feed and find it. This just shows you the performance of Bitcoin in terms of its return on a one year, two year, three year, four year basis. And what you can see is it's basically crushing gold and it's crushing the S&P.

Same set of numbers on a compound annual growth rate basis, beating them both. This is an important chart. This is a Power Law chart that gives you a sense of where the Bitcoin price is going. Power Law basically is a log of time and a log of Bitcoin price. It's got 97% R-squared looking backwards on what's happened with the price of Bitcoin. And what it basically shows is at a very conservative level in the next 10 years, the price of Bitcoin is going to 1.1 million. It's a 28% compound annual growth rate. And that's assuming we continue as we have in the past. We don't have any kind of failure.

What's the downside on Bitcoin? The downside on Bitcoin is it's very volatile. And if you put somebody into it and they're not willing to hold it for more than four years, there's a chance it's going to go down. They're going to get blown out, they're going to do the wrong thing, they're going to sell it. And that's very, very dangerous and very, very important to understand and therefore people should put a weighting into it that they were prepared for a 50% drawdown because guess what? They happen.

Finally, we're lucky bastards. We really are. It's been a really, really rough ride, but the Fiat world is worried. As my friend Lauren Boston says, "They've got us surrounded, the poor bastards." And when we win, we're not going to have to put up with this s*** anymore.? We're no longer going to have to see this kind of s***. And the time for honoring yourself will soon be at an end Mr. Bernanke.

So you guys and me, we are the remnant. We're the last remaining sound money advocates in the world. We're sound money warriors. We've kept the faith. We're going to win. Strength and honor to all of you. That's it…

Brien Lundin

"The Generational Opportunity In Metals and Miners"

Brien Lundin:

Thank you, sir. Well, you'd think after all these years I would learn a few things. I'd learned a few years ago never to schedule myself after Adrian Day, because a British accent makes you sound 30% smarter, and a southern accent makes you sound 30% dumber. This year, I learned never to schedule myself following the Warren Easton High School Band. Can you all still hear me? Wow, that's amazing. Believe me, when that noise hit this hall, I realized, well, there's your first mistake of the 50th anniversary. I hope we all survived that okay. I think it was very special. I know it was special for me, I hope it was for you, but that's a taste of New Orleans. Let's get started.

I wanted to introduce this conference because, as I said earlier, I think this is a very special time. I'll get into it in detail, and I'll get into why I think this bull market is unstoppable, it's inevitable, it's irresistible. It's going to happen for a number of reasons. Some of what I'm going to say is familiar, because I've said it for the past few years, sometimes with the same slides, but I think that subsequent events have proved the credibility of that argument, and I think it's going to be proven even more so in the months ahead.

Let's get started, Metals and Miners: A Generational Opportunity. I'm going to do things a little bit differently now. Rather than set the foundation…I'm going to start off with where we are now, because we are still reeling from the first big correction in this bull market. Let's look at a one-month chart, and you can see the severity of that drop. We nearly got to $2,800. This chart is the continuous contract. The futures price nearly got to $2,800, and we dropped back down to below or about $2,550, about a 10% or so drop. It looks very severe on this chart, but let's pull back to a three-month, and you can see, wow, that still is a pretty severe drop. This chart was updated from my hotel room this afternoon, so it's fairly accurate, with today's prices. We have clawed back a good bit of that decline, but we have had a very serious decline.

If you pull back to the year-to-date price, you can see that it's not as bad as it seems. Obviously, we've come a long way, but it's still a pretty severe decline. This is what you expect when you get the western investors involved. We were all bemoaning the fact that, when are the western investors going to come in? Nobody was buying GLD, the ETF, and I was warning, be careful what you ask for. Once they get in, you're going to get these wiggles in the lines. A 10% drop is not anything extraordinary. It sure hurt while we were losing a couple of hundred dollars on the gold price, but it's not that extraordinary. If you look at what it's done, we dropped to the 50-day moving average. That's that blue line. Did not approach the 200-day moving average, not that bad. We've all realized why this is due, why this happened. It was the Trump trade.

Basically, Bitcoin stole the spotlight from gold, the talk of a strategic Bitcoin reserve, of Trump getting elected, and the shorts, these western speculators figured that good for Bitcoin is bad for gold, which, I think some of our speakers will attest and prove, and put forth during this event, is not so. They jumped on gold, they shorted it, they drove it through sell stops, and that's what we have. That's what you get when you get the western speculators involved. You also get the upside from that money coming in when it does come in, and I'll show you why it will. If you look at the RSI, that is the first big decline in the RSI during this bull market that began, technically, in mid-February. The first decline down to oversold levels, and we're bouncing smartly off of that right now. I would love to tell you that we're going to get right back up to $2,800 on this rebound rally, but nobody knows.

I don't think anybody on this stage will tell you what's going to happen in the short term. Well, Avi Gilburt, he's really accurate, so he may tell you, and I would listen to him if he says something like that, but the short term is harder to predict than the longer term for gold. Timing the next rally, this is an indicator that worked very well for us in Gold Newsletter over the past few months. It's basically the width of the Bollinger Bands for gold. The Bollinger Bands are a measure of volatility, so when we had high volatility, the width of those bands would expand. The width of the bands is that bottom panel. When it reached a peak, that would be when the rally would reach a peak, and then when it reached the bottom, that would be when the correction, or in this case, more typically a sideways trading action would cease, and the next rally would begin.

A couple of things to note is first, that the frequency of these cycles, since mid-February/late February, has increased, so they're starting to happen up down, peak to trough a little more quickly. Again, that's an artifact of what happens when you get the western investors, the speculators involved. The other thing is that bandwidth peaked in the bottom panel just recently, but it did so in a price decline. Volatility can increase on a price decline, and that's just what happened. As far as an indicator of when the next rally is going to begin, I think this indicator has failed us, but what I want to point out is the timing. The timing from peak to trough, trough to peak has increased, so I think, when I put this out about a week ago, saying I think the rebound is imminent, I think that's what's happening right now, very likely it is, and we'll see how far it takes us.

What's driving this bull market? Let's get back down to first principles here. It's the same old story of debt expansion and currency destruction. This is a chart of the depreciation in the value of the Roman denarius. If you can read that, and I doubt you can, but that's the great Roman orator Cicero who is speaking, that the budget should be balanced, the treasury should be refilled, public debt should be reduced. The arrogance of officialdom should be tempered and controlled, and the assistance of foreign lands should be curtailed lest the republic become bankrupt. Does any of that sound familiar?

Cicero was walking around the Roman Forum in a toga saying this, just imagine Peter Schiff on this stage in a toga telling you the very same thing. Cicero lost his head, literally, for saying that. Hopefully, that won't happen to Peter or anybody else on this stage.

It can't happen here? Well, I'm here to tell you, it already has. This is the purchasing power of the U.S. dollar since 1965, when they took silver out of U.S. coinage. Yes, it's already happened here, and I can tell you that this decline of about 90% of the purchasing power of the dollar over about 60 years is very similar to the decline of the Roman denarius. The difference is that the Roman denarius had a number of these declines. It doesn't mean the American empire will collapse tomorrow, it means that it's the same trend. The good news is that it took a couple of hundred years for Rome to fall. We're a good 60 years into it right now.

What happens when the currency depreciates? Gold goes in the opposite direction. Gold is the anchor, the antithesis, the antipode of the currency depreciating. As you can see, there are a lot of wiggles in that line, but the overall trend over that time period has been one from the lower left to the upper right. The wiggles in the line come because sometimes that depreciation isn't too quick. People aren't that concerned and gold just languishes as the dollar keeps depreciating. What happens, though, is that people start to get concerned, they start to be worried about the future purchasing power of their currency and they tend to freak out. Gold is not really an inflation hedge, it's a freak-out hedge. It makes up for lost time when people really get worried, and then, there's an argument that it overshoots equilibrium in the other direction. We are entering one of those periods now. We're in the midst of one of those periods now.

What causes declines in a currency's purchasing power? Spending and debt creation and this is why this trend is inevitable and I think irreversible right now. We have entered, in my opinion, the end game of a 45-year trend of ever-easier money. This is the one chart that tells that all. This could be the entire presentation and you would come away with a lot of value. This is a chart of the gross federal debt, that's the red line. The blue line is the Fed Funds effective rate, the rate that the Fed sets, and as you can see, when Volcker killed off inflation and started, in that case, normalizing rates by lowering them, he reached a bottom, or the Fed reached a bottom, and then they tried to raise rates again, and they could only get so far before they had to lower them again.

In response to every recession or anticipated recession, the Fed had the same policy. It eased monetary policy, it lowered interest rates, but it was never able, until this last cycle, to get the rate past the midpoint of the previous range before it had to lower it again. That process addicted the economy and the markets not to easy money, but to ever-easier money. You can look at that stair-step pattern of those bottoms, it goes down to zero in 2008. They tried to normalize it again, then they went back to zero post-COVID. Now, in this last hiking cycle, which, for a lot of reasons, by a lot of measures, was the harshest in Fed history, they were able to exceed the previous midpoint, but they only had to get past 2.5% to get there. It really wasn't that much of a normalization. In fact, they peaked at around a little over 5%, which historically is a very accommodative interest rate.

Then they started to lower it again. Now, Powell and company are desperate to lower rates and people are wondering why. Because a lot of indicators, economic indicators, show that the economy is still very buoyant. It's not that bad. Why are they in such a rush to lower rates? This is why. Because debt costs soar with rates. That trend of ever-easier money, ever-lower interest rates also encourages debt creation to the point where debts, the federal debt has essentially doubled with every eight-year presidential term. When Trump took office in his first term, I said, "These numbers sound fantastic, but it looks like the federal debt will be $40 trillion by the time he gets out of his second term," which turned out to be Biden's term, and we're about 36 and change, so pretty close.

This trend, as our friend Lyn Alden says, “this train can't be stopped….” Here we see gross federal debt rising, but you don't see the interest expenditures. That's the blue line, federal interest expense on the federal debt. It doesn't do much, and in fact, going into 2020, it actually declines, because interest rates were jammed down to zero by the Fed right away, when the economy shut down. Your interest expense, at zeroed interest rate levels, is relatively low. But then, when they started to hike, the interest expense soared, because the debt is so large that a relatively small increase in interest rates has an outsized reaction. The national debt, this is as of a couple of days ago, it was $36 trillion, that's a lot. The number I want to point out, though, the numbers I want to point out are at the bottom, circled in blue. You'll see in 1980, for Paul Volcker, debt to GDP was about 34%, 35%.

That's why Paul Volcker could raise rates over 20% to kill off inflation. You look today it's 122.8%. Essentially, Powell wants to be Volcker but he can't, because he doesn't have the same toolbox. It's impossible for him. You can't with debt this large relative to GDP, survive, endure interest rates at these levels. This is the brick wall blocking the Fed. That is the increase in federal interest expense, and it's not just federal interest expense. There is a tsunami of corporate debt resets off the coast of the U.S. economy waiting to crash. A number of entities, remember, just a few years back, there was estimated 20% of U.S. corporations were zombie corporations that could barely afford to service their debts in a zeroed interest rate environment. Now, all of that debt is coming due, it's resetting at current rates. That's the real threat to the U.S. economy. That is the other reason why Powell is desperate to bring rates lower.

Post pivot, this is where we are now. Western investors and traders are now in the gold market, unlike the steady price and sensitive buying of central banks. That's what started this whole bull market with central bank buying. They didn't care about the price so much. They wanted to buy gold to insulate themselves from the dollar hegemony, from the dollarization of the world economy, from the potential for sanctions. They started diversifying their reserves with gold. Gold is now the second leading asset in central bank reserves, having just passed the Euro. The lines between gold as a percentage of holdings and the dollar are converging. They won't cross anytime soon. Again, timing's the tough part, the trend is clear. When you ask western investors to the party, especially a party that they have to pay a much higher price to get into, you have to take the other side of the coin, and that's going to be this volatility, the taking profits, the trying to manipulate the market through the futures markets, et cetera.

But the fund begins post pivot. Consider that gold gained more than $800 over 45% during the harshest Fed hiking cycle ever. This whole thing about high interest rates are bad for gold, well, maybe on a daily basis. If you go back to the 70s, the interest rates soared, but they soared because they couldn't keep up with inflation, and gold outperformed interest rates, protected from inflation and everything else. This is another example of that, where interest rates during the harshest Fed rate-hiking cycle soared. I mean, gold prices soared. What are they likely to do when the Fed is lowering interest rates? They should do much better. That's why I think we have a good period, a fun period for those of us who are invested in the metals and mining sector.

Interesting chart here. I brought this up last year in my speech, that we were in the midst of a period at that point in time where treasury yields were rising and so was the gold price. Where the dollar was strengthening, the dollar index was rising, but so was the gold price. The reason behind that was that we started to see reports of rampant government spending and an exploding deficit in the fourth quarter. There was a rising concern of not just the return on treasury yields, return on your money, but the return of your money, as Jim Grant likes to say. The ability of the U.S. government to service their debts was coming into question. Treasury yields were rising because the market wanted, investors wanted, a higher yield in light of that risk, and the dollar was rising because whenever things look squirrely, investors around the world rush to the dollar, and they have to, to pay those dollar-denominated debts.

All three of those rose at the same time. We don't have that happening right now. We see treasury yields rising for the same reasons, but because of that post-election fall in gold, that bottom panel, which is the 20-day rolling correlation, has fallen. In effect, the inverse correlation is now in effect between treasury yields and gold. I think that's primarily due just because of the drop in the gold price. I think those concerns are still there about the serviceability of the federal debt in this rising yield environment. Gold and the dollar do the same thing. They are supposed to be inversely correlated, and as you can see in the bottom panel, they are now, but again, I think that's primarily just because of the drop in the gold price, and that dynamic is still there, that investors around the world are still worried about the U.S. ability to service the debt, and that's why they're rushing to gold.

Bottom line is that a long-term, monetarily-based gold bull market is in progress. This is a generational opportunity like we haven't seen since the early 2000s. Now, I look among the audience, and I can be fairly confident that most of us experienced that bull market in the 2000s, in metals and miners. What you'll remember back then, if you go back to 2000, the year 2000, there were a lot less people. We still had a pretty good crowd, but there were significantly less people in the crowd at this conference. In fact, we had some people, Bob Bishop had a workshop. Talk about bottom of a market, Bob Bishop had a workshop, two people showed up and one of them was lost.

That was a tough time. Gold was at $252 an ounce, and the mining stocks, you don't even want to think about it, they were so bombed out. It took a lot of courage, a lot of conviction to believe, entering a bull market, that we would see record high prices for gold, but that's what happened. It took a lot of insight to believe that at that time. Today, we have gold setting records on weekly, monthly, and until recently, a daily basis, but we had mining stocks, many of them still near all time lows. You don't have to be a genius to see the opportunity in that, that this is going to happen again. We have added a number of factors behind the non-performance, or perceived non-performance of the miners so far, primarily because central banks don't buy mining stocks, and they don't buy silver.

We're starting to see now, and a lot of it just anecdotally, but we're starting to see this sector start to wake up. This is a generational opportunity, something we haven't seen since the early 2000s. Where can we go? How far can we go? This is a great chart by the In Gold We Trust people. A great report. Backing of the monetary aggregates by 20%, only 20%, by gold would get you gold prices of $10,000 to $14,000. Long-term gold, I divide the history of gold as an investable asset into three bull markets, early ‘70s, late ‘70s, 2000s. Early ‘70s, gold price went up 5.6 times, late ‘70s, 8.2 times from trough to peak. 2000s, it went up seven and a half times from trough to peak. If you put the bottom of this cycle, which I do at about $1,040, that means we're going to get a gold price of probably $6,000 to $8,000 or more by the time this cycle ends.

Again, I can't tell you when the cycle ends. Nobody can. The timing is the tough part, but that's what this kind of a bull market does, and that is likely where it's going to end up, in my opinion. I want to close with... wow, I'm still on time. That's amazing. These are the Gold Newsletter recommended companies that happen to be exhibiting here. This is not our entire portfolio, but these are the companies smart enough to come to the New Orleans Conference and meet with you. I'd like to go over them very quickly. Amarc Resources, just an incredible suite of assets in British Columbia. Big, big copper porphyry targets. Just completed, I think 29,000 meters of drilling through two big JV partnerships, and some on their 100% owned properties. By the way, if you want to take pictures of this, in the Gold Newsletter booth, we have a placard up with all of these companies listed.

ATHA Energy Corp is an amalgamation of three great uranium exploration companies that have come together, with a team that was behind NextGen. Great team, great properties.

Audience Member:

What do the numbers after-

Brien Lundin:

Oh, those are the booth numbers. The numbers are the booth numbers. Avino Silver and Gold, a silver producer highly leveraged to the price of silver. If you want to play the rise in silver prices, this is leverage on top of leverage. Banyan Gold corp is a company that fits in a segment that I think is very undervalued in this market, companies that have big resources that are trading for under $10 an ounce in the ground. This was not one of those optionality projects. It doesn't really have economics on it yet, but you know, there's optionality plays that were big resources out of the money in the ground. They're all in the money at these gold prices. Banyan just has a tremendous 7 million ounce resource, very undervalued in my opinion, and for a number of reasons that I think will fall in the past.

Contango ORE is a producer, highest grade open pit project in the world I believe right now. It's paying off little debt, but it's making good money, and has a great hub and spoke strategy. A great management team.

Delta Resources, big project in Quebec. I'm not sure what its market cap is, probably 10 to 12 million market cap, but if you look at their resource, its easily, you get well over a million ounces. Power line going across the property, road going across the property in Quebec, incredible infrastructure.

Empress Royalty, one of the few truly undervalued royalty plays, great management team, great pipeline of projects, great business model to create their own royalties. It's a bargain in that highly valued space.

GoldMining Inc. is one of those optionality plays. All of those companies in their portfolio have tremendous gold assets and all of them are in the money now at these gold prices, something the market has yet to recognize.

Group Eleven is uncovering, proved a theory, I've been watching this company for a few years, recent months, they've proven and established that the theory is correct for finding really tremendous zinc resources in Ireland, in a land of giants, and they're on the track of a great discovery.

Headwater Gold, wonderful assets in Nevada, smart management team, great JVs.

Heliostar Metals, explorer now turned producer with an incredible high-grade project that they will now have the funding to develop.

Horizon Copper Corp., if you want a one-stop shop for playing the big copper story, they have royalties on three of the top copper projects in the world.

Kenorland Minerals, if you like prospect generators, this is probably the best in the market right now. A great management team, tremendous suite of properties.

Prospector Metals, really love this company, don't own it yet personally. In the Yukon, I like their project, still undrilled. They will be drilling it next season, so it's cheap right now. This is a smart money play if you want to look ahead.

Relevant Gold, another smart money play, looking for a repeat, an analog, to the Abitibi gold belt in Wyoming of all places. Their theory has huge potential, and is being borne out right now by their exploration efforts. I urge you to talk to them as well.

Another great management team, Sun Peak Metals, the team that found the tremendous Bisha deposit, are now finding something very similar next door, in Ethiopia. A great management team, very smart people, and they're on the track of another giant.

ValOre Metals, extremely undervalued, about a 2 million equivalent platinum, palladium plus gold resource in Brazil. Platinum, palladium are not the flavor du jour, that's why it's on sale right now.

Western Exploration, building a wonderful high grade resource in Nevada, another smart money play. A lot of people looked at the geology behind this, the new zone that they discovered, delivering high grade drill results right now to add to their resource.

That's it. Thank you so much. You can go to goldnewsletter.com/NOIC for a special discount just for you, for Gold Newsletter. Follow me on Twitter and grab me during the next few days and say hi. I'd love to talk to you. Thank you.

Mining Share Panel

MC: Rick Rule, Nick Hodge, Lawrence Lepard, Brien Lundin, Jennifer Shaigec, Lobo Tiggre

Rick Rule:

Good evening ladies and gentlemen. Is there anybody here where this is their first New Orleans conference? Raise your hand. Okay. A lot of you, so you haven't done this before. The Mining Share Panel has been a focus event at this conference for years and years and years and years and years. Those of you who heard my main speech know that although you all describe yourself as conservative investors, you're all wild speculators, and that's what this panel really goes to. I've got great panelists. I've got a lot of questions, and so ladies and gentlemen on the panel, remember this, I want quick answers. Quick, to the point answers. If any of y'all does War and Peace, I'm going to be very, very, very rude, at least through the peace part of it….

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…Let's get right to it. The question that I'm getting at Ruhl Investment Media very frequently from the mining share faithful is a question around the discrepancy between the performance of the metals price and the performance of the metals shares, particularly around precious metals, but also around other commodities. And so I'm going to ask each of you, briefly and succinctly and accurately, to tell me two things. Will this discrepancy end, and if so, when? Everybody have the question? Nick, you're the closest to me so you're my first victim. The discrepancy between the performance of the metals and the performance of the shares, will it ever end, and if so, when and why?

Nick Hodge:

Yes, it will end. It will end likely after the everything bubble ends and many other assets that are overvalued that have driven the PE value up on the S&P that have allowed tech stocks, Magnificent Seven, et cetera, to outperform the TSXV. I think once you get a, I don't want to say crash, but once you get a reckoning, a popping of the everything bubble and everything resets and then real value rises to the top, which is the mining shares. So yes.

Rick Rule:

Succinct answer. Do you have a timeframe?

Nick Hodge:

Do I have a timeframe? How much time you got?

Rick Rule:

It's okay to say no, by the way.

Nick Hodge:

No.

Rick Rule:

Okay. Lawrence, same question.

Lawrence Lepard:

I echo Nick's comment. The everything bubble has to burst because we're not getting any love out of that. But the related issue is people do not yet think that the silver and gold markets are bull markets, and this is because, you look at Bloomberg, you look at the projections, everyone thinks gold's going back to 2000. They don't think this move is real. We all know it's going to three to 5,000, and that has to change. People have to start projecting higher future gold prices so that the ASICs aren't eating the margins up. Everyone right now thinks the

ASICs are going to grow for the next five years, the price of the metal's going to go down, the business is going to become shitty again. That's not going to happen. To answer your timing, I'm somewhat like Nick. I actually think we're very close to this everything bubble bursting. I think they're going to probably try and pop the bubble to screw Trump, and so I would expect that in the next six months things are going to change dramatically in this area.

Nick Hodge:

I saw a cartoon of Trump handing the Biden Administration a bucket of inflation and the Biden Administration handing back a crashing economy bubble.

Lawrence Lepard:

Yeah, that's how it feels to me. But that's just a guess. Who knows?

Rick Rule:

Very, very politically correct answer, thank you. Brien, I want to ask you the same question. You've been at this conference since its inception. You've seen a lot of precious metals, bull markets. Do you notice the discrepancy? Do you think it's real, if so...Well, you heard the question.

Brien Lundin:

Yeah. There is a discrepancy, but it's more perception than reality. If you look at the ratios, the mining stocks, at least judged by the major indices, have generally outperformed gold, just not as much as we would've expected given the monumental move in the metals. That move in the metals though was instigated by central banks buying hand over fist for the first couple of months of the move, and central banks don't buy mining stocks. It started off slow, started to catch up. It seems like we've always gotten something to interrupt the flow, but the process had begun of western money going into the metals, then into the big miners, then into the juniors, and then we've had this setback. I think it will change, it just needs a little bit more time. So yes. And timing? Tuesday, how's that?

Lawrence Lepard:

That'll be good.

Brien Lundin:

Nobody knows on timing. Rick knows nobody knows on timing. I won't pretend. But I do think it's a process. It's a process and we're getting there.

Rick Rule:

Doesn't happen on Tuesday y'all get half off next year's New Orleans conference. Jenny, same question.

Jennifer Shaigec:

I would agree with much of what was said. I think it will take a bubble bursting and I think given all the insider sales we've seen from people like Bezos and Warren Buffett sitting on a big pile of cash, that tells me it's probably imminent. I think there's just a lot of disbelief right now that this move in gold is real.

You're looking at even the base metals. Copper went up and it went back down and I think there's so much uncertainty on a geopolitical basis that it's going to take some of that to settle in, and I think that could be a little while yet. But given that once Trump is inaugurated, I think that's going to answer a lot of questions for people. And so I think sometime shortly after. We'll see.

Rick Rule:

We'll come back and ask you about the questions he might answer and what his answers might be. Lobo, talk to me about the discrepancy.

Lobo Tiggre:

Good that I get to go last on this one because I'm going to disagree with everybody else on this panel. Yes, to the first thing that happens, but I think it's already happened, with a caveat. All year long we're looking at all these new nominal, high new nominal high, and the gold stocks aren't moving. What is it going to take? We would've thought 2,500. Why has this not lit a fire under our gold stocks? What is wrong here? What is it going to take? I think what it took was actually 2,800. That was so far above what anybody thought at the time that it did start to move. The problem is that we look at these averages, you look at the GDX, you say, "Oh, the gold stocks are underperforming." Well, the GDX, it's an ETF. It's defined by size, not quality.

If you have a bimodal distribution, some are high performers, some low performers, the average number is not real, it's not going to tell you what's going on. What I'm saying is at about 2,800, you started to see the higher quality stocks, not just the big producers, but even the juniors, if there is such a thing as a high quality junior, they really responded. We started seeing hockey sticks. My portfolio went from red at the end of last year to up 50% when we were around that time. I think for a stock picker, the answer is it's happened already and we've been in a correction. It happens. I think it goes up again, it happens again. My when, is it's already happened and the so what is, I think we'll see more of it going forward.

Rick Rule:

If I could make your answer succinct, you would suggest that for the company's worth buying, the discrepancy has already been addressed. Is that accurate?

Lobo Tiggre:

Yes.

Rick Rule:

Thank you. The next question, and Lobo, I'm going to start with you this time since you had time to think about your answer last time, and I'll end with Nick. I'll let him play Lobo afterwards. The next question goes to trajectory, and I'll explain the question. I've been in these markets, I'm embarrassed to say almost 50 years, and for most of my life, most real bull markets and a couple of mini markets, have followed a fairly predictable trajectory. The metal moves, then the best of the best miners move, then the rest of the best, if you will, call it the XAU moves, then the single asset producers, then the developers.

It follows a predictable pattern. We had a little tiny market, 1999, 2000, 2001, the so-called Silver Squeeze, when although it was an aborted market, the worst of the worst moved before the best of the best. What I'm curious about this time is if we are in a bull market in either precious metals or industrial materials or both, what will the trajectory look like? Will it be traditional where it's led by the top of the quality chain and come down, or as a consequence of things like social media, different distribution of information and paradigm? Will the order in which the bull market proceeds through the capital stack change? Lobo, we'll start with you.

Lobo Tiggre:

I would say yes and no to this one, as history doesn't repeat, but it rhymes. I think that logic, Doug Casey used to call these top of the stack companies you're talking about, the go-to stocks. When people who suddenly get interested in gold or copper, whatever, they look and they go to the biggest name, they find right away there. That psychology is still in play. Or rather, let's say human nature hasn't changed. I don't want to name names, but we've had one mining stock, was a meme stock, in recent times. A gold producer in these US of A, became a meme stock. In that kind of world, who knows what could happen? Will things be different? You betcha. I would imagine that they are. There are mining companies that are trying to crowdsource their mine build rather than get a bank to do that. These are changes. By the way, I don't think that's a good idea. If you can't convince a banker to give you the money to build your mine, there's probably something not right with that project.

Rick Rule:

I think it sometimes if you can convince a banker, it's still not a good idea.

Lobo Tiggre:

I think we're going to see differences. I think. I almost hate to say this, in a world where a mining stock can be a meme stock, as a stock picker, as a person who actually wants to think the project of merit matters, it pains me to say that, but it might make sense to pay attention to momentum more than in previous markets this time around.

Rick Rule:

Jenny, same question. Trajectory.

Jennifer Shaige:

I think it could potentially be a little different this time. The majors have been paying down debt and accumulating cash for some time now. It was interesting in the news this week, BHP announced that they'll be spending over $7 billion to extract more ore from Escondida, and just yesterday Glencore announced that they'll be using this new leaching technology in Chile to extract more metal from declining ore grades. I think we're getting almost to that point now with the juniors where all of these depleting mines are going to need to be replaced by new discoveries. And so I think if we start seeing a couple of those acquisitions, it could light the junior sector on fire.

Rick Rule:

Brien?

Brien Lundin:

Yeah, I agree with both of the previous answers. I think it may not be quite as orderly. I don't think it really ever is that orderly. The means can come in other kinds of things. I would say that when silver finally shows that it's responding to gold, I think you're going to see the silver stocks jump ahead of that order right to the top and outperform. We saw that in the first half of 2016, and that's one of the areas I think has a lot of potential that could just jump to the head of the line very quickly. Whatever you're going to expect, count on it being different. That's all I would say.

Rick Rule:

Lawrence.

Lawrence Lepard:

I pretty much agree with the way you had it, Rick. I think we've seen a move in the producers. The people who are generating cash flow have done substantially better than all the developers and drill stories. The developers in drill stories have just been left for dead, and rightly so in some cases. They're not all good companies. But I think that when the psychology changes, the quality development in drill stories are going to just explode and we're going to see a hundred and 200% moves very, very rapidly. In fact, in a couple of cases we've seen that, so it's coming in my view.

Rick Rule:

Nick, you've had a long time to prepare, so I want a real good answer.

Nick Hodge:

We've seen the meme stocks already. I think AMC took a stake in Highcroft or something like that, right, so you've had that happen a little bit. The answer I think is it happens in the same order, for something that Lobo mentioned, and that's human nature. But a little bit more deeper than that, you're asking about cyclicality versus linearity. Humans have tried to become a linear species. We start and we're born and then we die and Genesis and Armageddon, but really that's not how the world works. We have four seasons, things rotate and things cycle, and things will cycle in this cycle the same way they've always cycled. But I think that the timeframe will be compressed because of modernity and the speed at which information flows. Maybe I would just talk about the uranium space in the past couple of years, how fast that bull market came on and then it seemingly dissipated. Not to say that we're done with that, but timeframes are compressed now, but the cyclicality remains the same.

Rick Rule:

It's interesting that you just mentioned uranium and Brien just mentioned silver. What I'd like the panel now to consider, and of course Nick, I'm going to start with you again this time, is in terms of the equities, do you have a favorite commodity to express in the equities market? Would it be gold, would it be silver? Would it be uranium? Would it be copper? Would it be oil and gas? Nick, I'll give you 30 seconds to think before.

Nick Hodge:

No, I don't have to think. I bill myself as a generalist, I'm pretty sector agnostic and I treat the metals that way as well. I gravitate towards uranium. I like the power sector, I like the clean base load nature of it. I like the if-when nature of it. It always seemed to... Not seemed to be, it always was that uranium was going to be it, and now it's a tech trade and all these data centers and AI needs uranium. And so I like uranium, I also like gold, so if I've got to pick two, those would be it.

Rick Rule:

All right, write this down. We've got one vote for uranium and half a vote for gold.

Lawrence Lepard:

Full disclosure, I don't look at uranium and copper, they're not in my set. I'm looking at gold and silver and I'm very much with Brien. Silver to me is just stunningly undervalued and is about to explode to the upside, and the silver developers and producers are going to do likewise. Keep in mind that that works both ways. When there are going to be corrections, they're going to be much rougher in silver, but I'm incredibly bulled up on the silver space.

Rick Rule:

Just to beat you up one more time, do you care about market cap? Do you think it's going to be started by the Coors and the Pan-Americans of the world, or do you think it'll be size agnostic?

Lawrence Lepard:

Well, those will definitely be the safest and they will do fine. I tend to focus, I believe the sweet spot in the mining business is companies that have positive cash flow, but they have a growth path. They can expand and grow and develop new mines. There are two actually that fit in that category that are here at the show as producers. Avino, which has nice silver production that's going to increase, and Heliostar, which picked up an asset that throws off some cash and they're going to grow. To me, I want to be in that mid-tier area where they're not so big that everybody knows the name, but they're not so small that they're struggling for their next financing.

Rick Rule:

Brien, I know you're going to hate to pick one commodity given that you have exhibitors that produce or pretend to produce everything under the sun. But if you had to pick one commodity as a theme to be expressed in equities, what would it be?

Brien Lundin:

Well, you're right, I love them all, but I would agree with Larry agreeing with me. With the caveat that I think gold needs to move, it needs to extend this rebound and prove to the world, to market investors, that this is for real and it's back on track. And then once that happens, we'll see silver move and once that happens, we'll see those silver stocks move.

Rick Rule:

Jenny, same question.

Jennifer Shaige:

I'm with Pierre Lassonde. I love copper. I think absent a global recession that the long-term fundamentals for copper are quite strong. It's estimated that we're going to see a 40% increase in demand by the end of the decade. People talk about, they're concerned about, the slowing growth in China, but what is often neglected in that discussion, people don't consider the incredible growth we've seen in emerging nations; Indonesia, India, Vietnam. India in particular surpassed China as the world's most populous nation in 2022. All of those countries have a rapidly expanding middle class, and so they're building out their electrical grid and their transportation networks, and billions of dollars are being spent on infrastructure. That all requires an enormous amount of copper. And then if people are concerned perhaps about the energy transition under a Republican administration, the fact is the majority of the subsidies from the Inflation Reduction Act were allocated to Republican house districts and are going to create a significant number of jobs and wealth. And so I find it unlikely that they're going to crush a lot of those.

Rick Rule:

That's highly amusing. All the subsidies awarded under the Inflation Reduction Act. But let's move on. Lobo, do you have a favorite commodity to be expressed in the equities?

Lobo Tiggre:

This is a subject of my talk, it's 7:30. If any of you are still awake, I'll give you the details, but yes, I will answer the question. I agree with everything Jenny-Many-Dots just said. Believe it or not, as bullish as I am on gold, as excited as I am about silver, as crazy as people say I'm about uranium, my top bet for 2025 is copper.

Rick Rule:

All right. Now Lobo, I'm going to serve you a real fastball. Not fastball, actually a layup, a softball. What I want the panel to talk about now is what is their favorite thematic in mining investment. Is it takeover candidates? Is it optionality to higher metal prices? Is it developers? Is it explorers? Is it dividends? Lobo is the author of the statistically verified golden runway, which may or may not be his favorite. But I want you to identify that now that you've done commodities, what your favorite investing theme is for resource equities. As I say Lobo, I'm going to start with you.

Lobo Tiggre:

All right, I'll try to keep it quick. Yes, the pre-production sweet spot AKA Golden Runway, is hands down my favorite investment thesis.

Rick Rule:

What is it?

Lobo Tiggre:

It's developers, but real developers. You have a construction decision, you have the money, you have the permits, you're going to build a mine, and the transition from spending money on many holes in the ground to making money from one big hole in the ground, is a re-rate in the market that typically is on the order of a double. It typically takes around two years. We have a database of companies that have done this over the last 30 plus years. I think we have most of them, so it's not just a representative sample. Only a couple of these happen per year and we have about 120 something, so we have most of them. It's a very robust finding. It's on the order of a double. It's 15% in a bear market, but even in a bear market, the average re-rate is still positive, and in a bull market, obviously much more. There's a lot more there.

This is a free download if you'll permit me saying it. On the website, look for the PPSS report. It's a free download. Hands down, my favorite thing. But if I can say one more thing, Rick, because there's only a couple a year, you spend a lot of time waiting for a good one to show up. By the way, some do fail, so picking the stock still matters. Quality still matters. See, the other thing very briefly is what I call success in progress. This is the part of the exploration phase where it's not the discovery hole, because nobody can predict that, it's when they keep hitting, it's when whatever thesis they have, the vein, the disseminated deposit, whatever, their model is predictive and they keep hitting. That first part of the Lisson curve, it's not one drill hole, it's many. It's that discovery all the way up to the first resource estimate, and there's good money to be made more reliably there.

Rick Rule:

Jenny, the same question, investment themes. If you had to pick just one.

Jennifer Shaigec:

I might go a little off course here with my answer, but like I was saying, I think that there's going to be a lot of drill plays that are pretty exciting with the lack of new discoveries over the last 15 years has declined by 80%, and so these majors are going to be in desperate need to replace those reserves. But like I said, I'm going to go a bit off course. My absolute favorite investment right now is a jurisdiction. I think that there is just incredible value to be found in Peru. Peru was hit hardest globally by the COVID-19 pandemic. They had the most deaths worldwide and their economy was significantly impacted from that. But right at the tail end of the pandemic, their president was impeached and imprisoned and so they had this double whammy of the pandemic and political chaos and you can see it reflected in the charts of all of these companies that have assets in Peru.

They went off a cliff during that time and they never really rebounded, and it's somewhat astonishing to me given, ever since President Castillo was removed, they have a new government that has been incredibly supportive of the mining industry and they've done their best to restore investor confidence and it's really been reflected in their economic numbers. Peru is actually one of the best performing economies right now in Latin America. They don't have another election until 2026, and I know that there's a lot of really exciting projects that have strong management teams in Peru, so that's my favorite theme right now. I'm pretty heavily invested in that country.

Rick Rule:

Brien.

Brien Lundin:

I mentioned silver already so I'll mention another one. Rick, you were one of the founders of the optionality play with Silver Standard back in 1993 when we were sitting in Jim's office.

Rick Rule:

I have fond memories, yes.

Brien Lundin:

That was a fond memory in fact, and a number of other ones have come about over the years. An optionality play is basically, you buy cheap resources when they're out of favor in the ground, and metals prices aren't enough to justify their development. You're gaining leverage on a rise in metals prices and at some point you hope that metals prices will rise enough, gold and silver prices, that those ounces in the ground will suddenly become economic and therefore very valuable, much more valuable than they were. We're all surprised today, every one of those optionality plays as not only economic but wildly economic. While the market was looking elsewhere, I put out a piece saying $2,500 goal changes everything, now every optionality play is economic. Then I had to change it a couple of weeks later to, crossed out 25 and put 26, and I crossed out 26 and said 27, and we were going toward 28.

Now we're back in the high 26s. It's still valid. Those optionality plays are all much more valuable now in everyone's eyes except the market, and I think there's a rerating coming up for those plays. It's not just the ones that were out of the money, it's also the companies that have very large resources in the ground that they've delineated. They have a resource, they may have economics, but you can look at that and know that they have something that's being valued under $10 an ounce in the ground where these kinds of projects have typically sold for a hundred, 150, $200 an ounce in the ground in just a normal market, not a really rocking market like I think we're going to have in the mining sector.

Rick Rule:

Lawrence , same question.

Lawrence Lepard:

My one theme would be good management. This industry is a very tough industry and there are a million ways to lose money. I've found them all. I really have. The one thing I've come to conclude is that no matter where you are, and as I said earlier, I think one of the low risk areas is growing producers, I love some optionality plays. We got a few of those here. Banyan, for example, is a company I'm balls deep in. They're here, they've got an enormous amount of gold, it's very cheap. I just stick to super high quality. Like Tiggre, I love developers. There are two of them here, Discovery and Silver Tiger. Good management teams, love them both. And then to me it's quality across the line. I don't know, Rick, you want me to list a few names or should I hold-

Rick Rule:

I'm going to give you a chance to name some names. Have no fear.

Lawrence Lepard:

All right, that's future.

Rick Rule:

Audience will lynch me if I didn't do that.

Nick Hodge:

I'm going to give you a bit of a meandering answer like a lazy river perhaps, but I normally start with structure. Structure allows you to weather the storm no matter what the theme is, no matter what the commodity is. The share structure really matters and it's been drilled into my head over the years to start and look at the structure. It allows you to weather the storms, it allows companies to pivot, it allows good management teams to pivot when things don't go their way with Mother Nature. And so structure is ultimately important. Mining takes a long time.

I was telling Brien backstage, I've been coming to this conference for more than a quarter of my life and over 10 years ago I was talking about companies that still have assets in the ground that have yes, been permitted or yes, have feasibility studies, but there's still mineralization sitting in the ground that structure really allows you to weather. And then I'm going to cheat and give you another answer because the theme I'll be talking about tomorrow is bringing technology and I want to say blockchain, but that's not the right word, into mining. We had SIBO mentioned already with an announcement yesterday, Glencore was going to use SIBO technology. You've got Newton from Rio Tinto and Jetty coming on really fast. The mining industry is just changing. Soon there's going to be battery passports required. You're going to have to track all this stuff. I think that's really going to have to become a component of how you look at these mining companies.

Rick Rule:

Now Brien, you know that I'm a highly competitive person and I really want this panel to be what everybody thinks is the most important product in the New Orleans Investment Conference. In order for that to happen, we've got to give these folks a gift. It goes like this. Up here we think of ourselves as educators, which I realize isn't true. We think in a biblical sense that our job is to teach you all how to fish, but that's not what you all want.

You want us to catch the fish, and you want us to clean the fish, and then you want us to prepare it properly with all the right garnish. Now that we've been through discrepancy, trajectory, theme, commodity, let's catch some fish. Nick, I want you to tell me three stocks that you like. It would be useful if they were exhibiting here so that the people could go visit them. You notice that, Brien? Did you notice that I tried to do something for your exhibitors? I want you to notice that. I want you to tell me three resource stocks that you really like and why you like them, and I want you to do it in three minutes so I can get through everybody.

Nick Hodge:

Oh gosh, I'll do it fast. I write about what I own and so I'll talk about what I own in no particular order. I'll start with one that's exhibiting here, so you can write it down. It's Kingsman. The resource is a tiny company, 19 million shares outstanding. No debt, no warrants. They just raised a million bucks, I participated in that. They're going to drill a high-grade past-producing silver asset in Mexico that has been consolidated for the first time and they'll be drilling here in the next couple of months with that capital that they just raised. They have a booth over there that goes back to the structure that I was just talking about.

I wrote down a couple here. We're going to do contrarian and victim. I'll do a lithium one. Q2 Metals is onto a pretty robust lithium discovery in Quebec. If some of you remember Patriot Battery Metals running from 17 cents when my group and I financed it, to $17. Hundreds of meters of more than 2% lithium spodumene in Quebec. Some of these other lithium plays have really been separated out. You can't put out eight meters of 1% when you've got world-class deposits in Quebec. Q2 is onto a world-class deposit and some geos calling it as good or potentially maybe even bigger than Patriot Battery Metals deposit, as all the other lithium equities have melted in the sun. Q2 is near 52-week highs. It is run on the back of the discovery.

They still have got holes to put out here in the next couple of weeks. Large polymetallic project that you might be familiar with in Brazil is Bravo Mining. This is run by Luis Acevedo. Financed this company 64 cents Canadian, 50 cents US ahead of its listing. It’s done quite well. It's onto a big PGM gold. And now they've got some massive, semi massive holes over a kilometer away from a known world-class deposit that was owned by Vale. Chairman Luis Acevedo is all in. He's been buying in the market recently. He owns a big chunk of the equity and I continue to think that they're onto not just a big project, but they're going to discover something special with these massive and semi-massive sulfide components as well.

Rick Rule:

Thank you. Nice work. Lawrence.

Lawrence Lepard:

I'm going to come a little bit differently. I manage a fund. It's about a hundred million AUM. I'm going to tell you my biggest weightings, five of them are here and a few of them aren't. The reason I don't want to just give three names is this business is so tough that some of these names aren't going to work. You got to have 10 names. Okay? So I'm going to give you more names. Avino, I love it. Producer, growing. Banyan. I love it. Huge optionality, big deposits, silly cheap. Heliostar, killer CEO, going to make a big impact. Silver Tiger. Great silver development project in Mexico. Discovery. Great silver project in Mexico. Those five are here. Ones that aren't here that I own I'm really balls deep in, Aya, Dundee, Torex, Endeavor Silver, K92, Adriatic, Orzone, Kinross and Coor.

Nick Hodge:

You got a lot of balls.

Lawrence Lepard:

I do, yeah. In all of these cases, I think there's a compelling management team, a compelling deposit, and there's production in many of the cases. Not all of them. Some of them are development stories like Silver Tiger and Discovery. But when you've got positive cashflow, you've got a lot better chance of making it through no matter what happens. And so those are my favorite names.

Rick Rule:

Brien.

Brien Lundin:

Rick, you started off by saying how competitive you are and I have to say that I've noticed that by how hard you work with the second best investment conference. They always say those in second place try harder and he definitely does,

Rick Rule:

He's a hell of a promoter, but he's a lousy analyst.

Brien Lundin:

I too have a long list. It's like saying what's your favorite child. But you can find really the longer list at the Gold Newsletter booth. There's a placard up there, all of the Gold Newsletter recommended companies that are exhibiting. But I will limit it to just a few here that I think they're interesting. They're not necessarily going to soar tomorrow or next week. You really can't tell. But high potential stories, interesting stories. Relevant Gold is one. Wonderful technical team. They are trying to prove basically an analog or an offshoot of the Abitibi Gold belt in Wyoming. Because they're the only ones that thought of this, they have a large percentage of that gold belt and the theory is being proven out by drilling and sampling and good solid geological work. Just imagine if you were able to control that whole belt and get in on the early stages. That's really super high potential.

I like Delta Resources. They have what looks to be about frankly 2 million ounces in Thunder Bay, Ontario. The highway runs through their property, powerline runs through their property. They've got a high-grade starter area. They've got everything but a resource and they've just been busy drilling, drilling, drilling and turning out great results. If and when, and I'm trying to convince them to go ahead and put out a resource, I think that's the material event for that company that will show a valuation that's far higher than their 10 to 12 million that they're almost criminally valued at right now. One company that isn't here and couldn't attend that I just recommended in my alert service, it's not even in my newsletter, is 1911 Gold. They just put out a resource about a million ounces, fairly good grade, about six grams per ton I think, at a existing past-producing mine that is valued at $300 million, and their market cap, I can't recall right now, but it's-

Lawrence Lepard:

20.

Brien Lundin:

Yeah, about that, I think. Great project, good team, and a lot of targets. Big property position as well.

Rick Rule:

Jenny.

Jennifer Shaigec:

God bless Lawrence for that long list because I have four and I could not cut one out of this list. Two are here, two are not and I think the other two will probably be here next year. I know one was definitely disappointed they couldn't make it this year. They all start with the letter “C”, so hopefully they'll be easier for folks to remember. The first one is CopperX. If you stop by the Discovery Group booth, you can ask them about CopperX, it’s CuEx, and it's in the early stages but one of the things I love about that story is it probably has the largest number of all-stars on a team that I have seen assembled under one company name. Bob Quirmin is an advisor and John Robbins and Jim Paterson from the Discovery Group are advisors as well. Actually John Robbins has said that these are some of the most exciting copper projects that he has seen in many, many years.

The CEO of that company is David Prins who was with Predium, and he owns over 17% of the float. The float is unusually small. It's very hard to find one that has a share count that low, so beware that the price swings can be quite volatile because it's highly illiquid, but definitely an interesting story. And then the other one that's here that I would suggest folks talk to the CEO, Ivan Bebek, is Copernico Metals. I love Copernico. Ivan, he's working in Peru on the Sombrero Project, and the company was just listed in August and just prior to their listing it was announced that Tech is a strategic shareholder. They own 9.9% of the company, and Newmont owns over 6%. Ivan and his team, I find them very impressive so that's one I'd look at. And then the two that aren't here, Carolina Rush.

I don't know how familiar folks are with the history of mining in North Carolina. Actually it was the largest gold producing state prior to the California Gold Rush. And then when the Civil War happened, a lot of the miners left to become soldiers and basically all the gold mines there shut down and it hasn't really had many operating mines since but interest is really picking up in that state again. What I love about Carolina Rush, they have a great management team and a low share count as well. But their flagship property, the Brewer property, is just 17 kilometers along strike from the currently producing Hale Gold Mine from Oceana Gold, and they have a booth here. But Oceana Gold purchased the Hale Gold Mine from a junior named Romarco in 2015 for $856 million. Now, the team at Carolina Rush believes they're sitting on something similar. They had Dick Silito, world renowned geologist, out to the site recently, and he verified a lot of what management has been seeing there, but he directed them towards a different target area that he thought offered more potential.

And so I think the next drill holes here could potentially be very exciting. Eric Sprott is a large shareholder in that one. Carolina Rush and the symbol for that one is RUSH. And then the last one I'll quickly touch on is Peru as well. It's Camino Minerals and the symbol for that is COR. Camino has four assets. They just acquired a construction-ready asset in Chile that they're partnered with a major Japanese mining company called Netitsu. Netitsu has been around for a hundred years. They're listed on the Tokyo Stock Exchange with a $70 billion market cap. And so they're partnered, like I said, with Camino on that one project. And then they're also partnered with Camino on an exploration property in Peru, Los Japitos, and that's an IOCG deposit, and Netitsu specializes in IOCG deposits. The CEO of Camino, Jay Schmelauskas, he's worked closely with Robert Friedland for a number of years now, so definitely quality management on that one as well.

Rick Rule:

Lobo.

Lobo Tiggre:

Well, I'm glad you got such long lists from my esteemed panelists because I'm going to risk getting kicked off the panel next year by declining. All of my readers know that I don't give out free stop tips. It's like they say on the internet, if it's free, you are the product. So no offense to anybody here, but for my clients, at least they know that I don't give away what they paid for.

Rick Rule:

Well-

Brien Lundin:

So we averaged two per person now.

Rick Rule:

I'm sorry?

Brien Lundin:

We averaged two.

Rick Rule:

That puts me in the odd position, probably the first time in 30 years in the New Orleans conference to be ahead of schedule. That's never happened to me before. It's always dangerous when you're putting on a panel like this after people have been present in the room for a very long day, keeping them away from other presentations, or probably more importantly, keeping them away from the bar. I don't intend really to wear out my welcome, but I want to do one thing in closing, and that's this. I want to acknowledge Brien Lundin for taking over this conference in a very tough time after the demise of Jim Blanchard… Brien, thank you.

Brien Lundin:

Well, I think we also ought to recognize the man who started it all, and I've just been a caretaker. But Jim Blanchard was truly an inspirational person, charismatic, who did a lot for a lot of people, made a lot of money for a lot of people, but exposed people around the world to freedom, free minds, free markets and sound money. You are all part of it, we're just trying to carry on the tradition.

Rick Rule:

Ladies and gentlemen, you can put on a real good panel if you have real good panelists. These ladies and gentlemen made it easy for me. Please give them a round of applause too. We're done….

David Morgan

“Moving Into The New Monetary System”

David Morgan:

Thank you. It's always good to be at the end or close to the end. You get to see how popular you are. And I look pretty popular, so I'm happy. First of all, I want to thank Brien Lundin and the whole staff here at the New Orleans Investment Conference for inviting me to speak. It's been a while since I've been on a stage. It's been about two years. This is my first conference in a while, and I think the most appropriate thing to start with is a little bit of history.

Now, some of you're probably familiar with this and some of you may not be, but James Blanchard III started this 50 years ago, and he was instrumental in my thinking. He was definitely a free market thinker. And when gold was illegal for Americans to own from 1933 onward, Mr. Blanchard rented an airplane on Nixon's second inauguration that said "Legalize Gold" on the trailer behind the airplane. And to the best of my memory he also took a trip to DC, had his driver take him out, and he spoke. And this is paraphrasing because I don't remember the speech, but the essence of it was, "You don't realize what you're doing going off the gold-backed dollar standard and where that will lead in the future." And he outlined some of the problems that we see that are so pervasive today.

So, James Blanchard was really one of my many heroes that mentored me when I was a young man, and now I'm gray and I'm much older, but I learned a lot of wisdom from those people. So, I just want to take a minute or two and acknowledge my gratefulness to have people like that in my life that influenced me and really inspired me to be on the path I've taken to be a newsletter writer, speaker, and all that I do today.

So, we are on to the main event. I decided not to speak about silver because so many people do these days, and I thought it was really more important to speak about what I think is more important, and that is the new monetary system. Disclaimer, don't believe anything I say. At least I'll say that honestly. Again, thank you to the New Orleans Investment Conference.

The future of finance, now I think it's really important to understand my perspective. It doesn't necessarily mean it has to be your perspective, but if you buy into what I'm about to say here in the next slide or two I think it'll give you a more holistic view of how the world really works. Some of you will agree. Some will disagree. I'm not here to pick a fight. I'm just here to give you the basis or foundational argument for how my thinking works.

We've seen this. This is, what, 1998, I think, and basically talking. For those that don't know, and probably everyone in this room does, but The Economist is a Rothschild's publication. And it's geared toward, let's say, the mainstream hierarchy as far as how the system works. And when I say the system, I'm referring to the global system and the monetary sphere.

Now, this is a slide from the movie Thrive. Thrive was a friend of mine... I call him a friend because I know him personally and he's going to be in my documentary, I may get to if I have enough time. And this Thrive picture shows you how the world really works. What you see at the bottom of the pyramid is us, the plebes, the general people, the population, plants and animals.

And then the next thing above that, what you find out is the political class. Now, most people, if you did a survey, would tell you that the political class is pretty near the top of the pyramid, but they're not. They're really just above us, but we're convinced that they are very, very powerful. What's really above the political class is the multinational corporate class. And the multinational corporate class is just that, international. They don't have any philosophical adherence to democracy, socialism, anarcho-capitalism, any of it. They don't care. They are multinational. In other words they're globalists, and they feed into the political class.

Anyone here hear of a lobbyist? How much influence do they have on the political class? If you take it from my rather cynical perspective, I would say this, most of the congresscritters are bought and paid for, and how's that happen? Political influence. It's definitely something we should stop. So, I'm not going to get too political, so I'm going to work up. I don't have a lot of time. So, we go up, you got the commercial banks. You go higher than that and you got another type of bank, investment banks. You go higher than that and you get pretty close to the top point, and you have the banker's bank, which is the Bank of International Settlements. And that's where I'm basing this lecture upon. I'm going near the top.

So, I'm taking a top-down view to the next monetary system. So, everybody with me? Okay. You don't have to agree, but I just want you to know the foundation. This is how I think. So, the purpose of the new system: to address the inefficiencies, leverage technology, and ensure security and support cross-border payments. All those sound pretty good. I'm not against any of those things. There you go. That's what it looks like. Many have said that it looks like the Tower of Babel. I don't know if that's true or not, but it's something to consider.

So, what's the role of the new system? To enable central banks to manage monetary policy directly and efficiently, offer secure government-backed digital alternatives for public and private transactions. So, basically they want to take control, which they already have. They just want more control. Because if it's all digital and it's a cashless society and the only way you can transact is through the central bank, that's part of the system run by the Bank of International Settlements, they basically have the big eye looking at you and all you do.

So, what is their solution? It's a CBDC. I think everyone in this room's probably heard of that numerous times, Central Bank Digital Currency. Then of course, being pretty smart, really, these projects go on these pilot programs and they're tested. You want to flight test an airplane before you put it in the public service. You want to ring it out and make sure everything works. So, there's been projects. There's this Dunbar I'll talk about briefly. There's Jura, and there was the FedNow system that isn't on this slide, but that was one as well.

The results show promise in reducing time and costs for international transactions. These test runs, this Project Dunbar was done, the central banks of Australia, Malaysia, Singapore and South Africa. They tested it several times on the platform with cross-border settlements. And of course the key finding is that the potential are for faster transactions. Now, I'm going to digress for a moment, but can I get a show of hands of anyone that's wired money before?

So, I'm going to speak for you, but if someone wants to stand up and come up to the mic and make a comment, that's fine with me. I do wires all the time. I do them international mostly, sometimes domestically. I was taught very early on that the best way to wire money is to put the cash in a suitcase and fly there and dump it on the desk of the recipient. That's the truth. These wires drive me nuts. They're supposed to be so efficient, but this is what one of the benefits is going to be with these CBDCs. And I can't argue that. I think that's true, that they are more efficient, more direct, and there's no bank kiting the check. In other words, what these banks do on a wire, as you probably know, is every night there's a settlement that the banks have to do.

It's called overnight lending. And if you're short, you got to borrow funds from another bank and make sure that your reserves meet the minimum requirement, and you borrow that money at cost and then the next day you go about your business. I'm not trying to be too technical here. But they'll use my money to do that till the wire lands. Which it should be instantaneous. It should be seconds, but sometimes it's days and sometimes it's weeks and sometimes you got to put a tracer on it. All right, done with the rant.

So, it simplifies the process, lowering costs for individuals and businesses. Okay, I'll agree with that one. Financial stability and resilience. The importance of stability in digital finance. Well, truly we have digital finance now. I mean, I remember being on stage, I think it was in Hong Kong. I'd been through Europe. I'd spoken in the UK. I'd been to, let's see, the UK, Switzerland, and I'm now in Hong Kong. I'd maybe been to one other place.

I said, "I had no problem with the currency exchange because I have an automatic currency exchange system right here and right now." I took out my Visa card and I said, "Every place I've gone, I've used this, and I'm going to get billed at the rate on that day's exchange rate, and I don't have to worry about currency exchange or any of that. This plastic card does all of that for me...."

So, really, when you think about it, we have been on a digital system for a long time. It's just we are going to a new digital system that will be created by the banks themselves, and it'll be the only system. At least that's what they're proposing. You'll have different central banks, but really it's all under the umbrella of, let's say, the BIS.

So, their approach is to centralize the CBDCs offer under controlled environments that are less vulnerable to volatility. So, as they squeeze down the different currencies and basically start moving toward a global currency or a one-world currency, you'll most likely see what this statement says. And I'm reading between the lines, you don't have to agree, but the volatility will decrease. And as they get that, they'll say, "Well, really what we need is just one currency. Doesn't that make sense, everybody? It's all digital anyway."

And of course, enhance cybersecurity standards for real-time regulatory oversight. Make sure that big brother is watching you, that the cybersecurity standards are based upon what the bank wants to see, not on your privacy or your anonymity or anything along the lines that we now have available if we choose to, if we buy with cash as an example.

The impact on monetary policy. Now, you can read between the lines as far as you want to. I probably go to extremes because I like to think outside of the box. But direct economic stimulus. What's different there is that you can segment it differently. When we went through the illness and the government gave out checks, it's kind of ubiquitous. If you were a taxpayer pretty much you got a check. In this case with all the big data, they would be able to say, "Well, all the carpenters that made between 80,000 and $100,000 get checks."

See where I'm going with this? The more they know about you, the more they control. And if they have the final say that only carpenters get reimbursed because the building industry was down for six months, that's what big brother says we need, and you don't get a vote. That's an example. Is that going to happen? I don't know. Like I said, I'm thinking for you. Or not thinking for you. I'm showing you my thinking. You can evaluate it on your own.

Second bullet point, CBDCs could allow central banks to deliver stimulus directly to individuals and businesses. So, I just gave you an outline of how that might look. And of course you would say, "Well, that's not fair. I'm a plumber. And because we weren't building as much, my trade was affected just as much as the carpenters were. Why don't I get a boost? Why don't I get a benefit?" And of course, you'll call up and you'll complain, and you'll be talking to a robot. Because AI is going to be taking over. You're not going to be talking to some bureaucrat. I'm not real favorable to bureaucrats. I'm definitely a free market thinker. But regardless of my political stance, that's the way we're moving. And so you really won't have a say.

Potential to bypass traditional banking channels for a faster economic response. Yeah, they could instantly punch out on a digit computer how these carpenters get paid and what amount they get paid, and they don't get a say in when it happens or what the amount is. AI will figure that out for them. And again, you can complain all you want, but it's not going to do much good.

Greater policy flexibility. That's really reading between that line, greater policy flexibilities mean their policy to bend the social engineering into the kind of society that they want to create is based upon their policy, not your policy. You're not going to really get a vote. They might teach you that you get a vote, but as Lenin said, "Let them vote. We don't care who votes. We care about who counts the votes." Something to think about.

Real-time adjustments based on up-to-date data. I keep going into that word data, but it's important because that's the world that we're in, big data. So, based upon the data of the carpenter and the plumber, it's you don't get a vote because AI said that carpenters are more valuable than plumbers. And what say do you have? You don't have any. Again, I'm being on an extreme end. I just want you to know that. It's not necessarily it's going to go exactly this way. I'm here for one reason and one reason only. I'm here to honor you by honoring me with your time and to get you to think. "I don't agree with David on this or that," or, "I really have to think about that one," or whatever. But I want you to know that this new system is all about control. And I'm all about freedom.

So, I'm up here to give my all to you to take back wherever you go when you leave here and start a discussion with those that are closest to you and maybe those that aren't, because this is very, very important to the future that you're going to see not only in your lifetime, but your children's and your grandchildren's. And having a grandchild now, it's really hit me harder in the heart than it ever has before.

So, again, real-time adjustments based on the data, creating a more responsive monetary policy. Of course, we want to respond to our needs, right? Privacy and surveillance concerns. Could impact privacy. Duh. With every transaction potentially traceable by authorities, it's guaranteed to be traceable. They have a solution: tiered privacy. So, if you're buying a candy bar, they're not going to care about it, but anything above that. But they'll still know if you bought the candy bar. And they're still going to say, "Well, David, you had too much sugar in your diet. You're borderline diabetic. You can't buy any candy bars anymore."

"Yeah, but I'm a billionaire, so why can't I buy a candy?" I'm not a billionaire. I'm just saying. I thought I'd wake this guy up. He came writing alive. He was nodding off on me. I said, "Billionaire," and bam, he just popped right in there. Anyway, sorry, I'm taking it at your expense. So, smaller transactions may remain anonymous. You got to look at these words like a lawyer, because that's how you have to look at them. They may remain anonymous while larger transactions would have transparency. Balances the need for financial oversight with individual privacy rights. Sure it does.

All right, The BIS Innovation Hub. Role in developing a new system. We already talked about the test cases. Define the new monetary system, decentralize finance. This is what the bitcoiners and the other crypto people are talking about. Decentralized, anonymous. We create our own platforms. No one has to know about it. Privacy, all the stuff we want. It doesn't really exist now, but some people claim it does. The BIS stance is, it advocates for regulatory framework that incorporates the benefits of decentralized with traditional safeguards, which means centralized totally by the BIS.

Impacts. Streamlining payments we talked about. Financial inclusion. They want everybody to be banked. They want everybody to have a digital ID. They want to know what everyone does. They want to know everything they buy. They want to know everything. Challenges at the bottom. Privacy concerns, of course. Disruption of traditional banking. Yes, central banks and your local corner bank and your ATM machines, that's all going away.

Challenges some more. Countries need to work together for a standardized system. That exists. If you listen to my podcast, I've talked about this three or four times, I've put it in my most recent newsletter. Can I really quick get a show of hands, how many subscribe to the private paid for work that I do? Got a few out there. Thank you very much. By the way, before I forget, I'll be at the New Gen booth out in the hallway from noon to 1:00 tomorrow. So, any of my subscribers that want to come by and say hi, that's fine. I'll be there for that hour. Anyone else that wants to drop by and say hi personally, I'll be there from noon to 1:00 tomorrow out here in the hallway at the New Gen booth.

So, the system, that ISO22, already exists. Conclusion. That's their vision, not ours or certainly not mine. Some of the standards there, I just outlined it. I'm running out of time. That's why I'm going so fast. The concerns. Quantum computing will be able to break the code of any cybersecurity that exists right now. So, all you bitcoiners and cyber punks out there, when quantum computing gets developed, they'll be able to break the code. So, you really want to be in a cold storage at that time.

They're going to control us with legislation. They're going to approve you based on your carbon credit. They'll have universal basic income. They'll do a credit score. I've got about a minute left. Basically, China has been the system that's been enacted. That's the model for the rest of the globe. That's what they want. In China, 800 million people are on this. This is a new ATM. Basically, you see the hand scan at the middle, which I believe is for a chip in your hand. And this is in China. This reads your palm like a fingerprint without a chip in it.

So, we're going to a brave new world, folks. That's the new monetary system. Be part of the resistance if you so choose, because it's probably one of the biggest, most important choices I think we face as the bottom of the pyramid. I'm a big believer in bottom-up changes, not top-down. But remember, those bottom-up people, they've never, ever made statues to a committee. It's always been that individual, that Paul Revere, that Joan of Arc, that Ben Franklin. And I've certainly not seen that even fall in any of those classes. All I'm saying is that it takes someone with an idea whose time has come. The time has come. Thank you.

Chris Powell

“Gold Market Manipulation Update”

Chris Powell:

Gold is the secret knowledge of the financial universe. Since the Gold Anti-Trust Action Committee was incorporated in 1999, our objective has been to break this secret open. This turned out to be easier than we expected. What has been hard has been to get mainstream financial news organizations and even the gold mining industry itself to pay attention to exposure of the secret. A bit ironically, it has been easier to get some central banks to pay attention.

Gold price suppression has been US government policy since at least the 1970s. The policy aimed to defeat any competition for the dollar as the world reserve currency. At first the policy didn't always work well, but eventually it became sophisticated and successful, now it is starting to fail in part because of exposure. Within a few years, GATA discovered on its own and with the help of some wonderful independent researchers, the gold price suppression policy is laid out in dozens of places, a surprising number of them public. Government publications and archives, speeches and memoirs by central bankers and other government officials and occasional news reports.

Perhaps most succinct and descriptive about the policy are the minutes of a meeting at the US State Department in April 1974 between Secretary of State Henry Kissinger and his assistant Undersecretary of State for Economic and Business Affairs, Thomas O. Enders. The meeting addressed the growing desire among Western European countries to revalue their gold reserves upward, thereby increasing gold's role in the international financial system and threatening the dollar's supremacy.

Secretary Kissinger asks Assistant Undersecretary Enders, "Why is it against our interest to have gold in the system?" Enders answers him, "It's against our interest to have gold in the system because for it to remain there would result in it being evaluated periodically. Although we still have some substantial gold holdings, about $11 billion worth, a larger part of the official gold in the world is concentrated in Western Europe. This gives them the dominant position in world reserves and the dominant means of creating reserves. We've been trying to get away from that into a system in which we can control."

Secretary Kissinger interrupts him, "But that's a balance of payments problem." Enders replies, "Yes, but it's a question of who has the most leverage internationally. If they have the reserve-creating instrument by having the largest amount of gold and the ability to change its price periodically, they have a position relative to ours of considerable power. For a long time, we had a position relative to theirs of considerable power, because we could change gold almost at will. This is no longer possible, no longer acceptable. Therefore, we have gone to special drawing rights, which is also equitable and could take account of some of the less developed country interests and which spreads the power away from Europe. It's more rational in-

Secretary Kissinger interrupts again, "More rational being defined as being more in our interests or what?" Enders answers, "More rational in the sense of more responsive to worldwide needs, but also more in our interest."

So, there you have it. Top officials of the U.S. State Department in 1974 have just explained to you that whichever government or group of governments has the most gold has the crucial reserve-creating instrument, that is the instrument of money creation and can control the instrument's valuation and implicitly the valuation of every currency and financial assets in the world.

Of course, money is power and infinite money is infinite power. The interest of the United States as it was perceived at that meeting at the State Department in April '74 was to dominate the world by controlling the world's money creation and the valuation of all of its currencies, something that could be done only by controlling the price of gold. Later that year, the gold futures market was created in the United States for the specific purpose of injecting so much imaginary supply and volatility into the gold market that ordinary investors would be scared away from gold.

In testimony to Congress in July 1998, Federal Reserve Chairman Alan Greenspan objected to proposals for more government regulation of the futures markets and derivatives, and he declared that central banks already had achieved sufficient control of the gold price. Greenspan said, "Central banks stand ready to lease gold in increasing quantities should the price rise." Thus, Greenspan confirmed that the purpose of gold leasing by central banks was not what they claimed, to earn them a little money on the supposedly dead asset in their vaults, but rather to suppress the monetary metals price. Greenspan thus also admitted that derivatives trading was a crucial mechanism of gold price suppression.

Sure enough, CME Group, operator of the major futures exchanges in the United States, maintains what it calls its Central Bank Incentive Program, which provides discounts to governments, central banks and international organizations for their surreptitious trading of all major futures contracts in the United States. Not just financial futures, but commodity futures as well, and you'll never read about this in the financial press.

The British economist Peter Warburton, author of Debt and Delusion, may have been the first to perceive and publicize the naked shorting of gold and commodities in the futures markets, the selling of paper claims to metal and other products that didn't exist. Short selling at suppressed prices was being used by central banks and their agent investment banks to protect government currencies, conceal inflation, and discourage the acquisition of hard assets as hedges against inflation.

In 2001, Warburton published a long essay titled The Debasement of World Currency: It is inflation, but not as we know it. The objective of Western central banks Warburton wrote was to deny the world what he called a stable numéraire, a dependable measure of financial values, particularly a dependable measure of the devaluation of government currencies.

That is, central banking's objective had become to achieve inflation without political risk. This was accomplished by creating a vast supply of imaginary gold and silver and other commodities, not just through the futures markets, but also through gold swaps and leases by central banks. This worked as long as most buyers of the monetary metals never demanded delivery, but just held on to their paper claims against imaginary gold and silver.

The International Monetary Fund, compiler of official central bank gold reserve data, cooperated with gold price suppression policy by allowing central banks to falsify their gold reserve totals, to count their gold in the vault and their gold out on loan in the same line item on their gold reserve reports. The secret March 1999 report of the IMF staff to the IMF board shown here said this falsification was necessary to prevent markets from learning how much official gold was impaired by leases and swaps. That is it was necessary to prevent markets from learning how much official gold was already being used for price suppression.

In these circumstances, Warburton wrote, investors could find a hedge against inflation only in some physical asset that was not attached to a futures market. He suggested farmland and supplies of clean water. A wonderful aphorism soon arose from Warburton's essay, that is the futures markets are not manipulated, the futures markets are the manipulation.

What I have said so far here has been an outline of gold price suppression policy and its mechanisms, but silver prices also long have been subjected to largely surreptitious intervention by the US government. Indeed, President Lyndon B. Johnson promised to rig the silver market when he signed the Coinage Act of 1965. The act removed silver from new mass circulation coins minted by the US government.

Signing the act into law Johnson proclaimed, "If anybody has any idea of hoarding our silver coins, let me say this, the Treasury has a lot of silver on hand and it can be and it will be used to keep the price of silver in line with its value in our present silver coin. There will be no profit in holding them out of circulation for the value of their silver content."

It's not known how long the US government's strategic silver inventory lasted after 1965 and how much was used for executing the price suppression policy Johnson proclaimed, but eventually collectors and investors did exactly what the president warned would bring them no profit. They removed silver coins from circulation and hoarded them as inflation made them worth far more than their face value.

JPMorgan Chase Bank long has been a primary dealer in US government securities, has been a particularly close agent of the U.S. Treasury Department. So when the exchange traded fund SLV was launched in 2006 and JPMorgan Chase became custodian of the fund's silver, fair suspicion arose about government involvement with the bank and the new ETF. The bank now is also a custodian of the metal of the major gold ETF, GLD, prompting more suspicion. After SLV was founded, complaints that JPMorgan Chase was manipulating the silver market grew loud enough that the bank felt obliged to answer them publicly.

First, the bank's CEO Jamie Dimon said the bank had no interest of its own in the monetary metals and traded them only for clients. Then in 2012, the head of the bank's commodity desk, Blythe Masters, went on CNBC to emphasize this denial, particularly in regard to silver. Masters said, "There's been a tremendous amount of speculation, particularly in the blogosphere on this topic. It represents a misunderstanding of the nature of our business. Our business is a client-driven business where we execute on behalf of clients to achieve their financial and risk management objectives. We have offsetting positions, we have no stake in whether prices rise or decline."

But since CNBC is a mainstream financial news organization, its reporter failed to put the critical follow-up question to Masters. That is, did JPMorgan Chase's clients trading silver and other monetary or precious metals include governments, particularly the US government, directly or indirectly?

The answer to that question was provided inadvertently 10 years later and was barely noticed by mainstream financial news organizations. It happened during the trial of the JPMorgan Chase traders charged with and convicted of spoofing the monetary metals futures markets. In the very last paragraph of its July 31st, 2022 report about the trial, Bloomberg News reported, "Another set of important clients were central banks, which trade gold for their reserves and are among the biggest players in the bullion market. At least 10 central banks held their metal in vaults run by JPMorgan in 2010 according to documents disclosed in court."

So JPMorgan Chase was not just trading gold for central banks, it was vaulting gold for them too. It's not hard to imagine that the bank was trading silver for governments and central banks as well, or at least for the government that in 1965 had threatened to rig the silver market.

Why, in recent years, have the major bullion banks all been selling gold and silver apparently in collusion, something that ordinarily would violate antitrust law without being sanctioned by the US Commodity Futures Trading Commission? The most likely explanation is that their positions are actually US government positions and they're acting as the government's brokers providing camouflage for government intervention.

That would make what seems like collusion among bullion banks perfectly legal, since the Gold Reserve Act of 1934 authorizes the US government through the Treasury Department's Exchange Stabilization Fund to intervene surreptitiously in any market in the world. CME Group's Central Bank Incentive Program facilitates the surreptitious intervention in the commodity futures markets.

The CFDC refuses to answer for GATA and even for members of Congress whether it has jurisdiction over manipulative trading undertaken by or at the behest of the US government. Perhaps more than anything else, the CFDC's refusal to answer this simple jurisdictional question confirms price suppression policy.

So, why have gold prices been rising for a year and a half and silver prices rising for most of the last six months? It's because central banks are no longer united on gold price suppression policy. Two years ago, their association, the Bank for International Settlements in Basel, Switzerland declared gold to be a so-called Tier 1 asset. Equivalent to US treasuries and cash, an asset for which regulated banks need not hold any collateral. This classification of gold as a Tier 1 asset has spurred the trend away from the dollar and toward gold as a central bank and commercial bank reserve.

This trend was accelerated by the seizure of Russian assets by the United States and NATO countries when Russia invaded Ukraine to keep NATO out. The weaponizing of the dollar gave governments and central banks a powerful incentive to get out of the dollar and out of US debt to buy gold, the real stuff. To stop settling for paper claims on metal purportedly vaulted outside their borders, and to take delivery of it from the London and US markets and the US and British governments. That is, other countries decided to stop making themselves hostages to US imperialism.

Central banks already had been switching from gold sellers and lenders to gold buyers out of concern about the worsening deficit spending by the US government, which was sending inflation up, but central banks remain deceptive about gold. While some have been announcing their acquisitions, others have been concealing them.

For the last six months, the People's Bank of China has made news by not reporting gold acquisitions in its monthly reports. But China's not reporting gold acquisitions doesn't mean that it didn't actually acquire gold. A few years ago, both China and Saudi Arabia were caught failing to report gold acquisitions to the IMF for long periods. They didn't want the US to find out they were buying gold.

Geopolitical analyst Jim Rickards says the Chinese government has far more gold than it reports officially, keeping gold in accounts other than those of the central bank as Saudi Arabia had been doing. This year, gold researcher Jan Nieuwenhuijs found customs export data indicating that China and Saudi Arabia continued to buy gold they aren't reporting to the IMF.

All this confirms what the secret IMF staff report from March 1999 showed, that official data on gold reserves is not reliable. Indeed, the true location and disposition of central bank gold reserves are government secrets far more sensitive than the true location and disposition of nuclear weapons. For nuclear weapons can only destroy the world, but as that meeting that the State Department in April '74 showed, gold can control the world.

The BRICS nations increasingly show interest in moving away from the US and US domination. While last month's BRICS conference in Kazan, Russia did not produce the gold-backed trading currency that had been speculated about, it did approve a trading regime that Jim Rickards says is likely to induce its members to park their trade surpluses in gold, thus under-pinning gold demand. As a consequence of that conference, Russia proposed that the BRICS group create its own monetary metals exchange. Such an exchange would probably give some physical competition to the paper hangers in London and New York.

In May 2012, the US economist Paul Brodsky and Lee Quaintance advised gold bugs to stop complaining about gold price suppression. Brodsky and Quaintance hypothesized that the major central banks were cooperating in gold price suppression so they could acquire gold inexpensively and then redistribute it among themselves, so they all would be adequately hedged against an inevitable devaluation of the dollar and other currencies, whereupon they would push the gold price way up and come out ahead.

These days there's much speculation about a big reset of the world financial system, and gold researcher Nieuwenhuijs discovered last year that central banks already have established gold revaluation accounts for themselves from which they can be revalued upward as necessary as a bookkeeping maneuver to restore their solvency. In August, financial letter writer Luke Gromen reported the United States also has a gold revaluation account described in the Federal Reserve's accounting manual.

Gold revaluation is not a nutty idea. Of course, it's what President Roosevelt did in 1934. In 2008, a former member of the Federal Reserve's Board of Governors, Lyle Gramley, interviewed by Business News Network in Canada, responded to criticism of the Fed's accounts were starting to look like a hedge fund's. Gramley replied that the Fed could easily restore its solvency by an upward revaluation of the gold certificates it holds from the Treasury department.

…This is the gold swaps chart compiled by our consultant, Robert Lambourne. The gold swaps are held by the Bank for International Settlements. Every month the BIS is doing gold swaps for at least one central bank, probably the Fed, for intervention purposes. The swaps are reported, the monthly statement of account, Bob has to do a complicated calculation to ascertain the exact tonnage of the swaps, but he's the only one in the world who does it. He shows that the central banks are still in the gold market every day, because they wouldn't do these swaps if they weren't intervening secretly.

Anyway, if you're getting the impression that gold might be the only mechanism for protecting or restoring your own sovereignty, I think you've come to the right conference. I'm glad to answer questions from anybody by email. I urge people to visit our internet site at gata.org, we put out some free dispatches you can subscribe for. We're a non-profit federally tax-exempt organization, and if you'd care to make a contribution, we'd be very grateful. Thanks for your kind attention today.

Robert Prechter

“Trend Changes In Key Markets”

Robert Prechter:

Thank you, man. Morning, everybody.

Audience:

Good morning.

Robert Prechter:

How are you? Pretty good? New Orleans. It's a good place to be. Okay, I'm going to talk about trend changes in key markets today. Those key markets, the ones I'm going to talk about, the ones I think that are most important are gold and the stock market. So let's get started. I'm going to orient you in a way that I usually don't do because we're getting down in the weeds a little bit. But if you understand one of the approaches I use, then you'll understand the chart I showed last year and where I think we are today in the gold market.

Way back in 1938, a man named Ralph Nelson Elliott wrote a book and it was called The Wave Principle, and he was the first person to recognize that financial markets unfold in a series of movements that create a fractal… So he said, I keep seeing five waves in the direction of the larger trend and three waves against, and those in turn become components of the next larger picture, and that's a set of components for the next larger picture, and they always look very similar to each other.

So the description of psychology that markets go through from extreme pessimism at a bottom to extreme optimism at a top, there are stages of psychology. First is kind of the tentative buying and then there's a pullback. Then there's a very strong middle portion we call wave three, and then there's wave four. That's the consolidation before this speculative phase, which is wave five and then comes the big bear market. Well, I wanted to show you that because this is the chart I showed on gold last year. And as you can see, the headline is positioned for further rally.

And now you know why we were thinking those things. If you look at the upper right, you can see the numeral one. We said this is the first wave up in a long series of waves and we had just come down to wave two, which bottomed at $1,810 an ounce. So that was about a few weeks before the New Orleans conference last year. So we updated the chart, it had started to move upward and we said, okay, under our model, you get the first wave up. That's already done. It didn't attract a lot of attention from people. This is kind of a stealth move.

And then came the correction where everybody said, “yeah, gold's still in a trading range for the past three years. What do we care?” And we care because we saw a very clear three wave pullback and we said, this is wave two, we're about to launch and wave three up, the middle phase when a lot of people start joining in on the market. I also pointed out at the time, if you look at the bottom right, there's a measure there of speculative large traders and they were not only bearish because we had very low numbers of buying, they were selling the uptrend.

That's extremely rare. It's very bullish. Large traders always come on board eventually, and they were not on board yet. So we said this has got a long way to go. Now I'm going to show you an updated chart. This is a longer term chart, but you'll see the arrow. That's where we were last year where we said wave two is done. We're going to head up in wave three. So it soared $997 an ounce. That was a beautiful third wave. And as you can see, a couple of weeks ago, we put a three up there in the upper right and we said, we think the third wave is over.

That means we're going to consolidate or correct or pull back for a few weeks, maybe a few months, but then it should set up for the fifth and final move. The fifth wave should be the speculative wave. We haven't even seen that one yet. I think there's another reason why we should expect gold to have another big move upward eventually. This is a chart of the silver-gold ratio. Most people show the gold-silver ratio, that's fine. But I flipped it, so you can see that when silver is strong, you get a spike on the upside on the silver-gold ratio.

You can see that happened at the top in 1980. It happened again at the top in 2011. We haven't had that yet. In fact, gold is 85 times the price of silver. That's very high historically. I think silver's going to have a run before it's over. None of these things, of course, are guaranteed, but history has shown us you're going to get excitement in silver if you're going to get a fifth wave up in gold. I think we're set up to do that. Now, I'm not afraid to be bearish. The first time I did speak, as Gary mentioned, was in Montreal in the summer of 1980.

Gold had already topped at $850, but it was coming back in a huge rally and people were very bullish. And I said, no, this is part of a bear market. Don't get excited here. This is the time you should be unloading your gold stocks and things like that. And gold was actually weak for two decades after that. But then it finally found a bottom and it has of course been a new era ever since 2001. So that's it for gold. And very few people, if you look at financial television, seem to know that gold has outperformed virtually everything from a couple of very important dates.

For example, since 2021. 2021 was the year that I think we saw the most speculation in the stock market we've ever seen before. And since then, gold has outperformed every one of the major stock indexes. If you look at the bottom right there, that is a ratio of the Dow divided by gold. In other words, if you priced the Dow in terms of real money, which is gold, it's actually lost a lot of ground since 2021. You can go back even further. Gold has outperformed everything since July 1999. Now gold did make a low then, so I'm cherry-picking the point. But the point is still the same for a quarter-century, quarter-century, that's a long time, gold has outperformed all the stock indexes.

And as you can see at the bottom right, again, even over that quarter-century, the Dow priced in gold has gone down. That's an amazing thing. If we were still on a hard money standard, we wouldn't be at 40,000. Now we're going to talk a little about the stock market. If you look at the nominal Dow, it's very, very stretched and kind of hard to read in the way that we like to read waves. So I normalize it somewhat by dividing it by the PPI, the producer price index here. You can see this is going back a century. So you had this kind of sideways move way back in the '30s and '40s, and then I think we started a long five wave upward structure.

First one topped in 1965, then we had a pullback, and then we had another top in 2000. And now I think we're heading into the fifth wave top. We haven't been able to pinpoint it. I've been too bearish on stocks, but that's okay because we've recommended gold, which has done better than stocks, so we're pretty happy about it. I want to show you an amazing chart that I don't think you've seen before. This is the Dow Industrial average priced in gold going back to the founding of the country. You can see that there was massive growth in the stock values through a century and a half, couple centuries, going up into 1929.

Then we had a terrific pullback from there. And then another run up to 1965. 1965 was the last year they put silver in coins. You could actually convert your paper dollars into silver, one-to-one, at that time, and then a complete collapse into 1980. This is underappreciated how much stocks went down in real money terms over those 15 years. And then all the way up into 1999, the Dow priced in gold made a new all-time high. That was a quarter-century ago. Remember I mentioned a minute ago that gold outperformed the stock market from then?

This shows you that real stock values in terms of real money are way lower than they were in 1999. Even though they're getting all the publicity, it's unbelievable. Now, let's look at a close-up of the bearish period from 1999 to the present. You can see that in 1999, the Dow could buy 41 ounces of gold and then it went all the way down to 2011, 2012 area, when it could buy only eight ounces of gold. And then it rallied up into 2018, it could buy 22 ounces of gold. And as you can see, we have been losing ground.

The stock market's been losing ground in real money terms all the way to right now. In fact, it buys only 16 ounces of gold right now. All right. So you might say to yourself, “well gee, if stocks are priced a lot lower than they were in 1999 and lower even than they were in 2018, in real money terms, maybe that means stocks are cheap? Maybe it's a bottom?” I don't think so, and I'm going to show you why. Markets move from pessimism to optimism. When you want to look for a bargain, you look for pessimism in a market. That's where you want be a buyer.

When people are really excited and optimistic, you don't want to be a buyer, you want to be a seller. You don't want to participate. What we have going on in the stock market is rampant optimism. And I'm going to show you several measures that prove that point. This is the chart of the Wilshire 5,000 stock index divided by annual gross domestic product. In other words how much the economy is producing. Way back in the '80s, the ratio was one third. So stocks were priced at one third of annual GDP. Recently it hit an all time high of two times. The Wilshire 5,000 is twice the value of annual GDP.

So that's a six times multiple in how people are valuing the stock market relative to the economic output. It's sort of at a crazy level. This is Warren Buffett's favorite indicator and one reason he's been raising money like crazy. He's one of the few people that is getting out of stocks. And you know who else is getting out of stocks? Insiders. Corporate insiders are selling their own shares at a five times rate to the rate of buying their own shares. All right. This is a ratio I kind of like.

It goes all the way back to 1980 and it shows the most speculative major index, the NASDAQ 100 stock index, divided by the Dow Utilities, which I think are the most conservative stock index. Now, if you go back to the '80s on the bottom left, you can see that the average was one to one. They were priced at the same level. Well, ever since then, people have no interest in a conservative dividend paying stock. They want the speculative issues.

As you can see, the ratio soared all the way up into the 2000 peak when we were at a tech mania back then, went to a slightly higher high in 2021. And here we are in 2024 at a record 23 times multiple, NASDAQ 100 over the utilities. One of these days, the utilities are going to get attractive to people again when they were afraid of stocks and they are afraid of the tech because tech has crashed before and it looks like it's set up to do it again. Well, advisors are bullish. There's a group that monitors people who write newsletters and it shows you at the bottom graph the percentage of them who are bullish. And as you can see, it's at the highest level or one of the highest levels it's ever recorded.

So advisors are very positive. When everybody's positive, they're in the market, so it's harder for prices to go higher. Most money managers are bullish. We can tell that by the bottom graph here. This is a chart of the percentage of cash held by mutual funds in their accounts. And in previous years, going back decades, whenever it got to a very low level of 4% cash, the market was at a top. It meant they were just too bullish. They thought it was going up forever. Well, the latest reading is 1.7%. They have almost no cash whatsoever. And what does that tell you?

It tells you they don't even think the market's going to pull back 10% so they can add some stock. They need to be invested right now, fully invested all the way. So money managers are as bearish as they've ever been historically. Large traders are bullish as well. This is their commitment in options, on call options. The only time it was higher was 2021. These are still historically high levels of optimism. What about the small traders? The small traders are even more bullish than the large traders, and the small traders are usually wrong when they're expressing an extreme opinion.

As you can see, there's a long history on this chart as well. It's the dollar amount of futures contracts that they're long or short. They can be short as well when they're afraid. So all-time records by huge amounts. They're leveraged. They're in for the long haul. They've got every reason to believe stock market's going up. And that is the kind of environment I look for to say we're probably at a top. The public in general is bullish as well. Now, when the public's bullish, what do they buy? They buy exchange traded funds, ETFs, they buy mutual funds.

One of the popular funds is the Rydex family of funds. And people can switch from a bullish fund to a bearish fund. One that's long versus one that's short. And if you look at these two measures, one of them shows you the overall ratio and the other one at the bottom shows you the ratio of money invested in the leveraged funds so that you can lever. If you're really bullish, you can buy a 2x fund that goes up twice as much or down twice as much as the stock market. And you can also do the same thing on the short side.

Well, in the old days, two to one meant that people were too bullish. A three to one ratio is, oh my gosh, the bulls have gone crazy. Well, in the last few years, we have seen measures hitting 60 to one, 80 to one, not two to one and three to one. These are off the charts crazy, and we're at a similar level right now at 50 to one. They got 50 times as much money betting on the upside as the downside. What's the market that's going to surprise them? Upsend is not going to surprise them. A bear market would surprise them.

The market tends to surprise people when they're all on one side. The conference board does a survey of consumers and they ask them several questions, and one of the questions they ask them is, do you think the stock market will be up or down over the next 12 months? Well, we have a record percentage of respondents now telling us the stock market's going to be higher 12 months from now. It doesn't mean they have to be wrong, but they're much more likely to be wrong than right when there's a big commitment.

As you can see, previous spikes tended to coincide with highs in the stock market, so consumers are bullish. Because they're bullish, households in America have an all time record percentage of their investments in the stock market. This is an amazing thing because their house prices are also at record highs. So this is a ratio that takes all of their holdings into account. So even relative to extremely high house prices, they've got more stock holdings than they've ever had in history. This is a group of people that I think are vulnerable to a big surprise.

These are the kind of images that people are showing in their articles. One's from the Wall Street Journal, the other one's from Bloomberg, and there's a bull with stars in his eyes. And of course, that's the famous Merrill Lynch bull in New York City. These are the kinds of things you're seeing on covers of articles. These are sort of cultural indications that people are extremely bullish. Now, this is not happening in the gold market. Even though gold has gone up to new all-time highs and broken all kinds of records price-wise, it's still under-owned.

Money managers hardly have any gold whatsoever. So even though there's some new excitement in gold, I don't think it's reached the kind of proportion that you saw in all those charts relating to the stock market. There's still people who are concerned, well, it's too high, it's too far. And after the next consolidation, I think we're going to see some pictures like this relating to the gold market, but that's probably a year away. We've still got the speculative phase ahead of us. Now, some people say the stock market is in great shape because the economy is holding up quite well.

I'm going to explain, I think, with one chart why the economy has been holding up. On the top here, we have the personal savings rate, and you can see it's very, very low. The bottom is credit card debt. As you can see, ever since 2021, credit card debt has been soaring. The reason the economy is holding together is that people are borrowing their heads off to buy the stuff that they want or the stuff that they need. This is an untenable situation. It's an underlying reason why, when the stock market finally turns, it's going to be a big thing.

It's going to be the biggest bear market in a long, long time. So, of course, I've only got 20 minutes up here. We've got more sentiment charts. If you're interested, you can see them for free. Just come to the website and you'll see a little place recommending a special report that we put out showing all the sentiment indicators in the stock market. We've also got something you can look at if you want to see some of the history of our analysis in the gold market. So we'd welcome you to come visit sometime.

Hope you have a great rest of the visit here in New Orleans and that's all for me today. See you later.

Precious Metals Panel

MC: Thom Calandra, Omar Ayales, Rich Checkan, Jeff Deist, Avi Gilburt, Dana Samuelson

Thom Calandra:

Thank you. Thank you, Robert. Thank you. Oh yeah, hey, thank you. And yeah, I'm Thom Calandra from the Calandra Report. So Avi, Dana, Jeff, Omar, Rich, Simsalabim and everything. Hey ladies and gentlemen, I haven't seen the room this full, especially 20 minutes ago before they put the food out, since 2003. That's how long I've been coming here. I think I was very much into Ivanhoe Mines back then and it was crazy. I had my keynote and stuff like that. I can't tell you.

Anyway, I wanted to do a very quick introduction for you guys because we're going to try to keep this on a level that my friend, Tony, my high school buddy, so that goes back 50-year reunion this year here from Tampa is in the room. He doesn't know a heck of a lot about gold, but that's where we want to keep this.

I want to keep it short because I want these guys to interact. I want the audience if you feel like it to interrupt. But there's a lot of knowledge on this stage and I will have a slide in a second, but not just yet, just to make everybody laugh, because there have been times when it's tough to laugh during this gold rally, right, as you know. And we just were under instructions from Brien that gold will be going up straight line, never say anything else, right? Gold, silver, platinum.

Anyway, I used to have this routine, but it was a Monty Python routine. I know you probably don't know it, but we have two weapons. Fear, fear, and surprise. Two weapons. No, no, no, no. We have three weapons, fear, surprise, and torture. Well, now our market, we have two weapons. We have good gold, right? Good gold, natural gold. And we have number two, bad gold, down, down, down, down. And then we have the third, torture, swinging gold, right? We got the swinging gold, up, down, volatile craziness, and all these themes running across it.

So my first question for the panel is probably the one that's on everybody's mind. I think Lawrence just mentioned it, Bitcoin, what up? Who's going to take a stab at this one? What up? Give it to us in language that folks can understand. Dana, I know you gave it to me backstage.

Dana Samuelson:

Yeah, so Bitcoin has got an advantage over gold in that it is easy to transfer money internationally with Bitcoin, which is something you can't do with gold easily or any other currency. The observation I made backstage was on Veteran's Day, the day the bond market was closed, we saw a clear rotation... I've never seen a clearer one out of gold when gold was dropping $60 an ounce in the corrective phase that it's been in. And Bitcoin, you could see it, I went back and looked at the chart to see how it ticked on a daily basis, and it got up to about

82,300, 82,400, which was kind of a technical breakout, and then the momentum just kicked in behind it and ran it all the way up to 90,000 that day. So that was a big day of inversion for gold and Bitcoin. It was a rotation out of gold and into Bitcoin. So that to me shows that they compete with each other, but they also are compatible with each other to a degree.

Thom Calandra:

Dana, what was that thing that you said about the age?

Dana Samuelson:

Oh, there's a demarcation line, I think at 40 to 45 years old, above which older is golder and younger is, I don't have a good rhyme for younger, but it's Bitcoiner.

Thom Calandra:

Right. Gold is starving for younger folks. Come on, right? And I want to think that we're all young. What Rich?

Rich Checkan:

Yeah, I was going to say, as far as Bitcoin's concerned, I was talking with Avi a little bit backstage, it's still, I think behaving as a speculation and that's the way I treat it. So that means a small allocation. You see where it goes. Now, Avi trades it. I'm just along for the roller coaster ride. I like it as a speculation only. I don't buy into the argument that it is a store of purchasing power like gold has proven to be for many, many years.

So until it starts acting like that, I don't buy that. I was actually speaking at a conference and doing a Bitcoin gold debate the day that happened, and gold still won, and I think it comes down demographic lines. It was an older crowd and they bought into gold. Even though that day gold dropped 80 bucks an ounce, I believe, and every 45 minutes, every new speaker Bitcoin was going up $2,000.

Thom Calandra:

Okay, let me change it now because we have two monetary metals, specialists here with us. And I don't know, Jeff-

Avi Gilburt:

A quick thing about Bitcoin though-

Thom Calandra:

Avi?

Avi Gilburt:

Can I say a quick thing about Bitcoin?

Thom Calandra:

Yeah, please. Yeah, of course you can. Interrupt. It's good.

Avi Gilburt:

We actually view Bitcoin the same way we view any other asset, no differently. We view sentiment is what drives it. We actually got in a number of years ago when it was below 10, sold at 50, got back in at 20, and we had a long-term target of 100 to 125 before a long bear market is expected from our perspective. However, I'm a little more conservative. I'm on that upper, over that 45 demarcation level, but we still invested or traded in Bitcoin and I actually got out this morning from the positions I bought around 20.

The reason is when Bitcoin will correct and we believe it will have a sizable correction, the first move is often quite sharp. So I'm not in front of a chart all the time and I decided I'm getting out when it's still safe. And we're still expecting it to go to a hundred even a little higher, but if you're looking a little bit more conservative and you're in Bitcoin, I think you should at least start taking some off the table.

Thom Calandra:

Avi, I love how you go on the record with some of these numbers. It's beautiful. And that's going to come up at the end when we talk about where the heck are we going. Because as you pointed out in your presentation, I saw they just shaved like six minutes from our... anyway, just kidding. What's going on here, right?

Monetary metals. We have two specialists here in monetary metals and I'm just kind of wondering what the heck that means. Metal, of course, is a currency, but what does that mean for the BRIC nations, the B-R-I-C nations, Brazil, Russia, India, China, and so on? What does that mean for treasury bonds? What does that mean for gold? And when I say gold, I mean precious metals. So gold, silver, platinum. Jeff?

Jeff Deist:

Well, first and foremost, gold still has a degree of moneyness. Gold isn't money in the sense that you can't use it at the street retail level. Virtually anywhere in the world, there's no demand for that. Governments have done a very good job for almost a hundred years now, but certainly for 50 since '71. So when we talk about gold or any other precious metals, a monetary asset, it has a degree of moneyness.

Bitcoin, I would argue has a degree of moneyness. Treasuries have a degree of moneyness. Now there's a liquidity and a demand that may give them money-like properties. The question is, can gold ever function again as money? That's a political question. So I don't know the answer to that. I think it takes a pretty serious economic contraction, political upheaval, something along those lines. But in the meantime, there's a market of about $17 trillion worth of physical gold, just gold. Forget silver, platinum, other metals.

$17 trillion worth of gold sitting around. It's in central banks, it's in vaults, it's in private storage, it's in people's homes. And even though it has this moneyness characteristic, it's not doing anything. It's not being lent. People aren't using it for collateral. In fact, it's costing people money. So that's a real problem I think, and that's a problem to be solved potentially.

But I'm confident that gold still has what Hayek called again, and here's why. Maybe a year ago, I was listening to a podcast with a couple names some of you will know. Caitlin Long in the Bitcoin community and Custodia Bank, and Tom Luongo, who's a pretty famous podcaster. And so Caitlin made the comment, she said, well, gold has no purpose other than as a tether on government debt. And since '71, since there's absolutely no requirement at all for the U.S. government anyway to hold gold to redeem foreign currencies, it has no other purpose anymore. Gold is just a relic.

And so I thought to myself, well, if that's the case, then we would expect the price of gold to reflect just its industrial uses or its jewelry uses, which I don't think is 2,600 or 2,700 or $2,800. So money is what the market says is money, and that may be Bitcoin in the future. I actually cheer for Bitcoin, root for it, buy it. But money is what the market says it is. The market is telling us that gold still has a moneyness, I would argue.

Thom Calandra:

But I was just having coffee with Chad Williams from Red Cloud, and he actually, even though he's a Canadian, but he's got a lot of gold coins and stuff, and he said, "It's not easy to sell gold." I want someone else to take a stab at this. Sometimes I find that to be true. Yes, if you're in Hong Kong or Tokyo or someplace like that and you can, and I have, walk right in, you buy it, you sell it. You can walk away with bags full of gold.

Audience 1:

It's money, you can sell it wherever you want.

Thom Calandra:

No, of course, you can, but it's not as... I know, she says it's money, you can sell it wherever you want. Let's bring her up. But who? I just have to make a phone call, she says, and I sell it.

No, no, no, I understand that, but we're talking about ordinary folks, right? The way I spend it is generally a building contractor comes and they want to take the gold over currency. Thank you, Omar. Go ahead.

Omar Ayales:

Something you just said, I think it's critical to this discussion between gold to Bitcoin, and I think the fact that cryptos are so easily bought and sold, the platform allows for that. I mean, that allows for the younger generation to be able to be more invested in or a possibility to invest in it, whereas gold is a little bit harder. Unless you have a trading account and you're buying ETF or you have a coin dealer or somebody that you can buy directly from, it's a little bit harder, especially if you want to sell. What I do think is that the difference between the two, even though they might move against each other, it's a little bit circumstantial. I think there's some speculation there. I think ultimately the bet on cryptos really is a bet on the blockchain.

Thom Calandra:

So Omar like in Costa, Rica, where Omar's from, if you wanted to take a coin and sell it, how would you compare selling it in Costa Rica compared to the United States?

Omar Ayales:

Well, no, so that's just it. It's not easy, right? If you have a gold coin and you want to sell, it's not as easy as if you have a Bitcoin and you want to sell it.

Thom Calandra:

Right, as you point out, unless it's an ETF. And by the way, I own a lot of platinum and platinum coins, and that's even tougher. Yes.

Rich Checkan:

Can I just say we're confusing two things? If you're holding it as a store of value in a monetary asset, anybody who has gold knows how to sell it. No matter what form it's in, they can send it to somebody, they can call the vault and move it to another shelf.

Thom Calandra:

I know, but Rich, we're talking about ordinary folks.

Rich Checkan:

I understand but ordinary folks own gold and they know how to sell it. What you're seeing and you're conflating it with going to Starbucks and buying a cup of coffee with it, that's not what the system is set up for-

Thom Calandra:

Uh-huh. You buy a thing of Costco, right?

Omar Ayales:

Eventually, the blockchain will allow, I think for access to gold in a way that is easy for people and then use it, the blockchain for that purpose. I think we're still getting there. We're not there yet.

Rich Checkan:

And that's fine, and that's not even there yet. You don't go to Starbucks and buy a cup of coffee with your Bitcoin, typically.

Omar Ayales:

You can.

Rich Checkan:

Typically.

Omar Ayales:

It's going to be expensive.

Rich Checkan:

Yeah, exactly.

Audience 1:

What if you get no electricity, buy Bitcoin. How do you sell it? That's the advantage of gold.

Thom Calandra:

How do you sell it, she says. If you have Bitcoin, you can't use it to pay for your electricity.

Avi Gilburt:

If you're having a problem, electricity, you're probably going to have a problem with gas, so you're not going to be able to send it anywhere either.

Rich Checkan:

If you're having a problem selling your gold, just call me, I'll help out.

Avi Gilburt:

Yeah.

Thom Calandra:

Right?

Dana Samuelson:

Yeah. The only issue with gold that most people don't get is the logistical transfer issue. How do you get it from point A to point B?

Thom Calandra:

Yes.

Dana Samuelson:

It's as simple as that, and it's not a complicated equation. And that's a hurdle that most people think is insurmountable, which is ridiculous.

Thom Calandra:

Mm-hmm. I agree.

Rich Checkan:

100% agree.

Thom Calandra:

I agree with that. Miss, tone it down a little, please.

Dana Samuelson:

We can bring her up.

Thom Calandra:

Relax.

Dana Samuelson:

She's passionate. I love that.

Thom Calandra:

Where are you from?

Speaker 9:

Mexico.

Thom Calandra:

Yes, Mexico. Beautiful. Okay, more power to you. Okay.

Thom Calandra:

Okay, nos vemos, nos vemos. By the way, just for a laugh, can I have that slide, Mikey? I just want people to know that even though we have this volatility that-

Rich Checkan:

You can read it.

Thom Calandra:

I love that thing. Someone sent it to me on Facebook, right? And I just think it's hilarious. I love it. So, lately, I don't know if you know what I do in the Calandra Report, and this is not about me, but I've been a little high-strung lately, losing a lot of weight, and I need stuff like that because as we know, it's not easy being in the gold market. I believe in a new area... I believe in reciprocal gold theory I have for five or six years now. That just means payback. It's not my theory. It's a theory that goes back to Barton Biggs and Peter Palmeiro and stuff like that.

It means that when reciprocal that at some point gold is going to reciprocate all of the gains that continue for the Fortune 1000 blue chips. We watched them go higher and higher and higher. Just think silicon chips, just think anything like that. When are we going to get payback time? When all of a sudden now, and this is part of reciprocal gold theory, anybody can comment on this, when finally over weeks or months or even years, the blue chips go like this and people say... ordinary folks in North America say, gee, now maybe it is time to increase that

North American ownership of gold to 2% or 3% from 1% of their assets. Anybody want to take a shot at that?

Jeff Deist:

Well, you just have to look abroad. This is a cultural thing. If you go to Turkey, if you go to India-

Thom Calandra:

Absolutely.

Jeff Deist:

If you go to China-

Thom Calandra:

Talking North America.

Jeff Deist:

Just culturally, they have far more gold. It's sometimes involved in dowry in marriage. It's oftentimes involved in estate planning.

Thom Calandra:

But North America, Jeff. Jeff, North America. North America, what? When are we going to see payback in North America?

Jeff Deist:

I think we have to have a cultural shift where people under a certain age, as is happening right now, start to feel like some people in this room went through in the seventies. You have a solid decade of seeing your paycheck and your savings eroded. People are going to be looking for the exit.

Dana Samuelson:

Right, their 401(k)s case and stuff like that.

Rich Checkan:

I think we need some education. Go ahead.

Thom Calandra:

Thank you, Jeff.

Dana Samuelson:

The gold cultures around the world are in countries where there's either been war on their shores or their currency has failed. It's as simple as that. And we've never had either of those things happen, and until we do, I don't think we'll really have a true gold culture in the United States on a very fundamental level, which almost every other country in the world to some degree has.

Thom Calandra:

Mm-hmm-

Rich Checkan:

I think we need a little education. You listen to the mainstream press and they'll tell you that the stock market's going through the roof, making new highs every year. They're all nominal highs. That's in US dollars. That's in worth less dollars. Okay, so you look at the S&P 500 and the number's going to be a little bit off, but I think with reinvested dividends over this millennium, it's up a little over 500%, gold's up over 800% in that same time period. If you measure the Dow in gold, we're not even to the point where we were at dot-com bubble. The Dow is 60% of the way to the dot-com bubble. We're not making new real highs. Gold's doing its job.

Thom Calandra:

Okay, beautiful. Is there a safest way to invest in gold and silver and platinum, a safest way? People always talk about, and our friends at gatta.org, Chris Powell, Bill Murphy, and stuff like that, talk about the fact that some of these ETFs like GLD, do they really have the gold or is it not? What's the short position? Are they borrowing it, lending it out, and stuff like that? Is there a safest way to own gold? Whether you see it as a stored value, which I do to, to pass down to your children, which we will, or are you trading it, you hope to make money? Avi?

Avi Gilburt:

I actually looked at your GLD point a number of years ago, and I did a presentation where I'm an attorney, I learned as an attorney so we took apart the prospectus. And we looked at section after section of the prospectus, and what astounded me was that the sub-holders of gold do not have audits. There's no audits. They escape audits, and we really have no idea what is in the GLD portfolio so that if anybody looks to use the GLD, and I tell all my clients, do not touch the GLD for investment purposes.

Thom Calandra:

I'm with you.

Avi Gilburt:

But it's a great trading vehicle, but just realize one day you may wake up and it's imploded.

Thom Calandra:

Avi, I've owned the CEF, which before Sprott bought it was called Central Fund in Ottawa, and it goes back into the late-nineties, right? So it's an actual repository for gold and silver. So I own CEF, CEF.A, and now, of course, it's the Sprott Physical Gold Fund, the Sprott Physical Gold and Silver Fund, and I just feel better about it.

Omar Ayales:

There's different ways too to be safe about it. The physical, because the physical really also you have other complications that you have to be thinking about like the security and things. If you have it at home, where are you going to keep it? I think a diversified approach to it, I think there's a lot to be said, to owning senior gold miners, for example, as a safe way to actually have exposure to gold. GLD, I agree with what Avi is saying. I think there are other products. For example, you got the physical ETF, I think like they have a great product in the sense that their stuff is actually backed up by gold itself, the physical stuff.

Rich Checkan:

I think that's exposure to the gold market, but it's not owning gold. The safest way is take the gold, put it in your hand up to a point where you are comfortable safeguarding it, then put it in the hands of the professionals if you have more than you can control yourselves. That's the safest way to own gold.

Thom Calandra:

Now of course, you're a bullion dealer, right, and a Numismatics dealer, so-

Jeff Deist:

But not in the hands of a commercial bank safe deposit box.

Rich Checkan:

Heck no, not ever.

Jeff Deist:

Even commercial banks, if you go to a new branch, to the extent they're opening, they don't even want to be in that business. They don't guarantee the contents of your box. Not federal, but a state tax auditor can come and audit that sometimes when the owner dies. We've seen FBI and others make inquiries, perhaps warrantless. You can make your own call on that but do not have physical metals or anything else, in my opinion, in a safe deposit box at the commercial bank. And if you have one, just go get it out tomorrow.

Thom Calandra:

Okay.

Omar Ayales:

But also holding it in your home, I think you have risk in itself. If you have a million dollars, $2 million of gold in your house, you're going to need a lot of guns, a lot of walls.

Thom Calandra:

I remember, not betraying my age here, when contractors would build homes and the owner would put an ounce of silver or 10 ounces of silver or 20 ounces of silver in the foundation. And speaking of silver, this is a question from a subscriber to the Calandra report. I solicited them for questions and don't be afraid to come up and formally ask a question, Miss. What if anything will ever be done about the massive short position in paper silver led by J.P. Morgan?

Thom Calandra:

Does anybody want to take a stab at that? Avi?

Avi Gilburt:

I think they're going to be covering their shorts. Historically, when you approach the end of a cycle, gold is what, I'm sorry, silver is what brings up the rear. If anybody looks back at the 2010 timeframe as we were going into 2011, we saw that massive spike up in silver as we were coming to the conclusion of that precious metal cycle. Silver actually topped five months before gold did, but it had a massive spike up. My expectation is that they're probably going to be part of the fuel for that last parabolic spike up that I expect in silver, while gold is getting its parabolic move in the late stage of the cycle as well.

Thom Calandra:

Dana... Thank you, Avi. If you take a pre-nineteen-sixty-five US quarter, and what would it weigh now in terms of silver at $30, $31 an ounce-

Rich Checkan:

It's about 450 an ounce.

Dana Samuelson:

Metal value is about $22 per dollar face value. So quarter's worth about 550.

Thom Calandra:

Yeah, that's what I figured. That's a part of the case or that silver aficionados make, right? That eventually it becomes transactable. You got these stuff. And I remember as a kid going through... I grew up over a bar in Brooklyn, New York going through all my uncle's change before we became bartenders and picking out all the pure silver and the pure dimes, quarters, Liberty half dollars, and stuff like that. I think silver is a legit investment.

Can I throw a question at you? And to be honest, I think it relates to gold and it comes from Rudi Fronk from Seabridge, he's another subscriber, Seabridge Gold. And of course, I think we've had a couple of people already touch on this in their presentations, why is the yield on their ten-year treasury up 100 basis points in a month when the Fed is cutting rates and the labor market is weakening? I have my own answer, but I want to hear something and how... Yes, Omar.

Omar Ayales:

The shorter rate today creates an expectation for more inflation tomorrow.

Thom Calandra:

Yeah, no, I know, but is there also some kind of portent of, I don't want to say black swan, but some portent of doom ahead and this is what the bond market sees? Avi, that's a wicked diabolical smile.

Avi Gilburt:

I tell you, people give the Fed way too much credit. Greenspan once said himself that about the Fed, we pretend that we can prognosticate the market and tell where it's going. We really can't. That's a Greenspan quote. So people give the Fed way too much credit. If you actually look at the charts over the long term, you see the Fed actually follows the market. So if you want to know where interest rates are going, follow what the market is doing, not what the Fed is doing.

And the funny thing, and I keep pointing this out, which is hysterical, the day the Fed reduced its rates the last time was a few months ago was the day the bond market topped and we started dropping in the current pullback we're seeing right now. My expectation is, you'll probably see rates drop over the next year, maybe even two years, but unfortunately, in my opinion, it's portending a bond market crash as we look towards the second half.

Thom Calandra:

Right, but are bond sellers the folks who sell the bonds and so the yields go higher, are they seeing something else in the tea leaves a black swan, a pink swan, a gray swan?

Dana Samuelson:

Yeah, I've got an observation. So I follow Luke Grohmann who's very smart, and what we've seen over the last year is the Treasury's been selling more short-term duration bonds and longer-term duration because investors won't buy the longer term, so they're buying the shorter term. And if you look at the top five treasury holders, foreign treasury holders, you've got Japan and China still hold a lot of treasuries, but you've got Luxembourg, Great Britain, and the Cayman Islands, which are tax havens, and they're also places where hedge funds are based.

So his theory, and I think it's got a lot of credence, is that bond buyers, the majority of them are traders. They're not governments that used to buy our bonds for long-term hold. These are people that are in the market to make some money, and if it goes the wrong way, they're going to dump and they're demanding a higher return for the risk that they're taking, buying our bonds, which means the Fed is slowly losing control, and that's an important aspect to consider.

Omar Ayales:

And also adding to what Dana's saying, I think also the expectation of negative real rates down the road also is something that pushes investors to sell. Right now, the longer-term yield instrument.

Thom Calandra:

Do we actually have negative real interest rates right now? No, but we're close.

Omar Ayales:

The expectation.

Thom Calandra:

Yeah, the expectation, right? Absolutely. And to be honest, that's probably one of the worst things for any economy is stagflation. What people call stagflation, terrible. And it could be another reason why blue chips and Fortune 1000 and the S&P 500 get whacked. Hey guys, is there... and I know that we have Chartists here, what's the best way to chart the strength or weakness of precious metals in a large context? I believe, and I said this on the record and in videos, I think gold is going to be $3,000 by the end of this year, but that doesn't mean it's going to happen. I think it's going to happen. But what are some of the ways that you rely on to chart to strength or weakness of precious metals?

Rich Checkan:

Easy one. I like looking at the money supply.

Thom Calandra:

Right?

Rich Checkan:

Money supply is expanding, gold's going to go higher. There's no two ways about it. It's why it really didn't matter which candidate got elected, they're both going to overspend, and neither one balances budget. Neither one's cutting inside-

Thom Calandra:

Regardless of this DOGE team, right, and-

Omar Ayales:

Monetary inflation,

Rich Checkan:

Yeah, good luck to them. I hope they're successful. I really do. I think we need it. But the bottom line is, I expect we will overspend. We will expand the money supply and gold will higher.

Thom Calandra:

So DOGE is rhetoric, and yeah. And Dana, I know you're grimacing. Not grimacing.

Dana Samuelson:

Well, I chart the gold price for support and resistance to see if we're kind of in an uptrend or a downtrend where we'll go next because I'm in the market all the time and it matters to me. I think gold relative value matters, and Rich touched on that earlier, how does gold performance relate relative to other items? And one thing that's come on my radar recently is the gold to oil ratio, which if you go back to the eighties, the gold to oil ratio through 2008 was very consistently about 8 to 10 parts oil equaled one part gold.

And now that ratio's been up close to 40 to 1. And the thing about central banks using the BRICS countries and the global south using less dollars and some gold as a way to trade and sell currency sales, if you are you oil importer or an oil exporter and you get a lot of volatility in the oil price, it tends to blow things up, right? But if you trade gold instead of oil as a recycle movement for currencies, gold is not something everything needs.

Thom Calandra:

And Dana, this is what the BRICS nations are starting to do right?

Dana Samuelson:

Right.

Thom Calandra:

Enforce.

Dana Samuelson:

They could blow this ratio up substantially because there's so much more dollars trading oil than there is trading gold. If they actually rotate out of oil and into gold as a settlement currency, it could blow the gold to oil ratio sky-high.

Thom Calandra:

Yeah, I love hearing about that. Avi?

Avi Gilburt:

Well, one of the ways I look at markets is through the KISS principle. Keep it simple, stupid. Markets in its simplistic perspective, when people get too bullish, market's top. People get too bearish, market's bottom. Simple way to look at markets. The question is how do you identify when people are too bullish? We utilize Fibonacci mathematics to identify based upon the Elliott Wave structure when sentiment has reached a peak. In the metals, it's often when you see that final parabolic rally when silver is also rallying parabolically alongside of gold. That's how we look at it. We try to keep it as simple as possible. The calculations are not so simple, but from the perspective overall, we try to keep it pretty simple.

Thom Calandra:

I know because I read it regularly just like he reads my reports. Brien, talking about the US debt and Treasury yields and how higher interest rates will more or less morally bankrupt the US on its interest payments to the borrowers of Treasuries. And I just kind of wonder though, people have been talking about that, Brien's been talking about it for a few years and his data are great, but what's the breaking point? Is there a tipping point on that, on the load that the world's most productive nation has? Is it productivity? Is it GDP?

Jeff Deist:

Maybe gold is finally decoupling from all of these standard metrics we use. If we look at it only in terms of what it can buy as opposed to looking at it nominally and looking at these parabolic rises, maybe the world is finally shrugging and saying the U.S. dollar as the world's reserve currency is an unsolvable problem.

We've all got Treasuries, we've all got dollars and meaning every country has them, they need them to buy oil and other things and to settle trades.

We've all got dollars. So in the short term, it's not in our interest to have a dollar crash. However, in our long-term, it is in our interest to have something come along and replace or at least compete with the US dollar. So as long as we have this intractable problem, America will always spend in deficits, it'll always export inflation, it'll always use the dollar to try to enjoy the living standard it hasn't earned. So finally, we stopped looking at gold in terms of GDP, interest rates, stock markets, and it's just doing what money should do, be boring and retain or grow value.

Thom Calandra:

Jeff, I'm with you on this entirely. People always say, gee, you write about gold or you guys this, that and the other thing, gold, silver, where's it going to go? What's the price? You talk about purchasing power and I believe that there's value there, but that the world doesn't recognize that the gold price in US dollars, especially since the founder of this conference flew his plane over the White House in 1974, the Kissinger-Nixon White House. I believe that it's the purchasing power that one day you'll bring in gold to that Safeway where you shop and you'll get better service and you'll be able to... you know what I mean? You'll get better service and also you'll be able to buy more stuff. And of course, that could be far into the future. Who knows?

Rich Checkan:

Yeah, I just want to say, I think the world is sending us a signal. I don't know if we're ready to hear it yet or not. The people in this room are ready to hear it. I don't know if the rest of the country and the government is ready to hear it, but they're sending a clear signal with the central banks getting out of dollars and moving into gold for the past, really like 11, 12 years, but significantly over the past 3. The BRICS nation looking to a gold-backed money supply or money system. We have to pay attention to that. I don't think the ship is beyond being righted. I think less regulation, sound money, balancing a budget, we can get out of this hole. We have to be more productive and more government spending is not the answer. That's not productive. It's got to come from the private sector.

Thom Calandra:

Thank you. And with five minutes left or five and a half minutes, I want to... we are going to... Yes, please. We have a question.

Speaker 11:

Everybody keeps talking about the average Joe versus people like us. What do you make of how fast Costco sold out of gold?

Thom Calandra:

Absolutely.

Thom Calandra:

Every time. I live in California and it's never there because it sells out before you get there, right?

Dana Samuelson:

That is a sign of a potential cultural shift in this country and it's an encouraging one.

Rich Checkan:

Yes.

Dana Samuelson:

So I'm happy to see it.

Thom Calandra:

It's a great gauge. And by the way, thank you for that question. And people ask, well, I just asked the question, well, how do you gauge the strength or the sentiment of gold? I look at California time 3 P.M. when the futures market's open, I'm looking at it right now, I look at the gold price in Asia. And right now I see we're up another $4 or $5, $5 and 50 cents, 2,657. Of course, that's the whole Asia versus the West debate. I'm going to ask each of you your best less than one-minute forecast for gold. Okay, starting with you, Dana. This is for year and/or 2025. You're going to have to be brief here.

Dana Samuelson:

Well, I think we're in a consolidation phase here right now that'll continue a while longer, and we're not into the Trump presidency yet. So I think we're going to be in a 2,650 to 2,750 channel through the end of the year depending on what happens with the geopolitics when they start firing attack them missiles. That's the problem. Number one, I think gold is going to go to about 3,500. Silver, I still think it should be $40 or $45 an ounce. Although Avi's enlightened me on how silver lags and then it catches up at late cycle.

Thom Calandra:

Okay, good. Thank you, Dana. Avi?

Avi Gilburt:

I think I mentioned it before. I still think there could be one more push higher before we see a multi-month consolidation I believe we'll see in 2025. After that multi-month consolidation, then I'm looking for that parabolic rally to complete this cycle. Silver should be accompanying gold during that parabolic cycle and my target as of now, but I may change it based upon the structure of the parabolic move, 3,300 to 3,400 right now.

Thom Calandra:

But short-term, you think gold could hit a new high above 2,800?

Avi Gilburt:

I think there's potential we could see one more higher high, but ultimately I'm looking for a multi-month consolidation before the final phase.

Thom Calandra:

Beautiful. I love that. Jeff?

Jeff Deist:

My prediction is that Atlas shrugs, that real wealth continues to move from west to east, and that, and I don't love this, the 21st century is an Asian century.

Thom Calandra:

All right, and does that include India? It includes China, of course.

Jeff Deist:

Mostly China.

Thom Calandra:

Mostly China, Korea. Beautiful. Rich?

Rich Checkan:

Yeah, I'm still looking before the high of this market, two to three times the gold price. We've had two bull markets prior. That's what happened from the first to the second. I expect to see something similar. So I'd say possibly $3,800 gold. I don't know if it's going to happen next year. I think right now we are seeing short-term, a pullback, and a buying opportunity because I think the Trump election basically triggered a run to Bitcoin because he's a pro-crypto president and we saw a run to stocks because they think it's going to be pro for the stock market. But I think that's short-term. Back up the truck and buy some here, I think it's worthwhile.

Thom Calandra:

Absolutely. Omar?

Omar Ayales:

I would actually agree to what Avi was saying and I'm a chartist as well, and based on my charts, I see gold after this consolidation that could last past this year. So, for the end of this year, it could rise to new high or not, but I think 2025 is really, we're going to see that parabolic, hyperbolic move to the upside. I think that gold could reach $4,000 if the move is comparable to the move from 2001 to 2011. If you look at it from 2015 to 2025, it's going to be something like that, and I think it could go a lot higher. I've heard a lot of people say even higher numbers, but I think 4,000 is my target, and I think not for the end of the year, but I think definitely sometime in 2025.

Thom Calandra:

Thank you, Omar, and thank you, panelists. One last thing. I want to plagiarize here, and I think this guy will be here tomorrow, and I remember well just a few months ago, Rick Rule saying, "Hey, I buy gold because afraid it's going to go to

$3,000. I buy gold because I'm afraid it's going to go to $5,000. I buy gold because I'm afraid it's going to go to $7,000." Is that overdone? We only have time for one exclamation, yes, no.

Rich Checkan:

I think you buy gold as a store of value for the future because you can't trust Fiat. Period.

Thom Calandra:

Right? Yes, his comment reflects there's fear, maybe, not his fear, but that he perceives at some point there will be fear-

Omar Ayales:

Take advantage of the troughs.

Rich Checkan:

I'm not fearful. There's rational reasons to buy gold. There's no fear.

Omar Ayales:

And always take advantage of the troughs to buy gold. Maybe not sell it in the peaks or even you could if you're trading, but important to buy when it's cheap, and cheap is obviously relevant.

Thom Calandra:

Right? I think Rick's point though is that there will be some kind of perception that something terrible is happening because uses the word afraid, and once again, as you know, markets always tend to overshoot. Anyway. Ladies and gentlemen, I love this conference. I've been coming here since 2003. And I want to thank you for showing up and waiting to eat that food next door. So thank you, ladies and gentlemen. Thank you, panel. Every single one of you.

Rick Rule

“Another Bull Market: Don’t Waste This One!”

Rick Rule:

Good afternoon, ladies and gentlemen. It's truly a pleasure to be in front of you. I was informed by my wife today that I did my first New Orleans Conference in 1986, and I have to say I've enjoyed them, and I've enjoyed you for all these years.

I'd like to begin my talk by doing two things, first of all, acknowledging the founder of this conference, one of the most wonderful mentors and best friends of my life, the late James Blanchard. Thank you.

I put on a conference myself, as you know, and that means that the next thing I'm going to say is really heartfelt. Putting on a conference is like herding cats.

It's an amazingly difficult thing to do. And I'd like to thank the staff and Brien Lundin for continuing James Blanchard's tradition at the New Orleans Investment Conference and for putting on such a fine show for you all. So if all of you could join me in a round of applause for the conference staff. Thank you for that.

My talk today is two bull markets. Don't waste these ones. I'm going to do a couple of things. I'm going to talk about why I think we're in the early stages of a precious metals bull market and why, perhaps a little bit of a delay, but perhaps simultaneously, that we're going to have an industrial materials bull market too.

At the New Orleans Conference, you're going to hear a lot of rhetoric about gold. You're going to hear a lot of rhetoric about resources. My talk, I'm afraid, is going to be rhetoric short and math long. I'm going to tell you why I think we're going to have these natural resource bull markets, and at the end, I'm going to talk about an admonishment about why you shouldn't waste this bull market, how you can profit from it.

So we're going to talk about gold, we're going to talk about industrial materials, and then we're going to talk about your most precious resource, which is, of course, you.

The title of this talk comes from something that occurred to me at the end of the 1970s bull market in oil and gas. For those of you who weren't around, it was truly a ripsnorting bull market. The oil price went from $2.50 To $30. Price controlled natural gas went from 15, 20, 30 cents a thousand to as high as $15 a thousand. It was truly epic.

And the bust was epic too. And I was in Midland, Texas, which had soared to unbelievable heights and then basically crashed in the early part of the decade of the '80s to lizard pasture. And I saw a bumper sticker on the back of a pickup truck, and it said, "God, give me one last bull market, and I promise not to waste this one."

There's a lot of folks in this room who have been through precious metals and natural resources bull markets. A lot of you didn't anticipate the bull market, and so you were caught unawares, and you didn't get to buy at the bottom. And a lot of you forgot to sell at the top.

This is the last bit of narrative, probably, that you're going to get from me, but if you aren't a contrarian in this racket, you're going to be a victim. That's the way it works. And so I'm going to talk to you about my thesis around both precious metals and other forms of natural resources and talk to you about why I think we're coming into a pretty good bull market.

Because if you have the courage of your convictions, you'll be able to buy in anticipation of the bull market, and at the end of the talk, I'm going to tell you about why you ought to sell and when you ought to sell, which I think is equally important.

So let's get to it. Let's get to the arithmetic of precious metals, first of all. How many people in the room, by the way, are American? Okay. For those of you who aren't, understand I'm going to be using U.S. dollar numbers. And I'm going to talk about the arithmetic of a gold bull market.

The first part of the arithmetic... And I apologize if this is boring. Reality is often boring. The original part of the arithmetic goes like this, the on-balance sheet liabilities of the U.S. government, which is to say that money that we owe bondholders, is $36 trillion. You can write down 36 T if you want to, but if you really want to write it out, understand there's 12 zeros there, which is a hell of a lot of zeros.

Ironically, that isn't the biggest problem, that 36 trillion, although it's a big problem. A much bigger problem, you can understand by looking at me or probably looking around you, the net present value of off-balance sheet liabilities, not the nominal value, the net present value of unfunded, off-balance sheet liabilities... See, I'm putting this young guy to sleep already. This math is boring stuff.

The net present value of off-balance sheet liabilities is estimated by the U.S. government to exceed a hundred trillion dollars. That's a T, a hundred trillion dollars. Now, people look at me, and their eyes glaze over. They say, "What does that mean?"

Well, here's some scary stuff. The Internal Revenue Service... I'm not sure if that's a credible source, but the Internal Revenue Service says that the net private wealth in the United States is $141 trillion. So take $141 trillion and subtract $36 trillion, and then, from that number, subtract another hundred trillion dollars, and pretty soon, you figure out, at the federal level, we owe what we're worth.

There's this suspicion that the baby boomers are going to leave all this money to the kids. We are, but the balance sheet is going to have brackets. If I was a kid, I wouldn't think that was very funny. But the math gets worse. Can't help but laugh at this stuff, you know?

This 36 trillion number gets bigger every year. It gets two and a half trillion dollars bigger each year with a deficit. And everybody knows that, and everybody's afraid of the deficit. What they don't understand is that the accretion of the net present value of off-balance sheet liabilities grows by another two and a half trillion dollars.

So as a people, as Americans, our aggregate debt on and off-balance sheet grows gross by $5 trillion a year. What's interesting about that is that that $5 trillion a year approximates 100% of the government's revenue before other spending.

Now, what do all these zeros mean? What do all these zeros mean? I think what it means is that because it's politically unfeasible to reduce spending... And we'll talk about the Department of Government Efficiency later. I think what it means is that the way we deal with it politically is to honor the nominal value of our obligations, including to old folks like me, but inflate away the net present value of those obligations.

We've done this once before. Some of you may remember the decade of the 1970s. Some of you were, of course, unborn, but some of the rest of us remember well. And what happened in the decade of the '70s, according to the U.S. government, is that the purchasing power of the U.S. dollar declined by 75% over the course of the decade, which is to say a dollar would buy you a quarter in 1980 of what it bought you in 1970.

And my suspicion is that the way that we will deal with what I think is unserviceable debt is simply that we are going to inflate away the net present value of the purchasing power. If I'm right, if the next 10 years look like the 10 years of the 1970s, one may understand the corollary, which is to say in the 1970s, while the dollar declined by 75% in purchasing power, the gold price went from $35 an ounce to $850 an ounce.

People say to me, "Well, Rick, that's interesting, but when is gold going to move? When?" To which I say, "I think gold is going to move in the year 2000." In 2000, the gold price was $253. Today, it's declined to 26 something, seven-fold move. When is gold going to move? It's up, what, 8.3, 8.4% compounded for 24 years. It's exactly done its job, which is what I suspect happens going forward.

One more little piece of math on gold before I move on. Again, math. The market share of precious metals in the U.S. economy, relative to other asset classes, is infinitesimal. Less than one-half of 1% of America's private wealth is in precious metals and precious metals-related securities.

The four-decade mean market share of precious metals and precious metals securities is 2%. Gold doesn't have to win the war against the U.S. dollar. Gold doesn't have to crush the treasury market. All gold has to do is return to mean. If it returns to mean, demand for precious metals and precious metals securities grows four-fold.

Do I know what impact that will have on price? No, I don't, but if I'm right, it won't be a hundred-dollar move, or it won't be a $200 move. So I would suggest that all of you, if you are afraid of debt, if you are afraid of deficits, you consider gold.

What about the Department of Government Efficiency? Interesting that we're starting a department of government to reduce the size of government. Interesting, although I really like the guy, that we are hiring a guy who's made his whole life on subsidies, Elon Musk, to fight government efficiency.

I would urge all of you, if I haven't depressed you enough, to read a book called The Triumph of Politics by David Stockman, which chronicles the derailment of the Reagan Revolution 90 days after his election by politics. If you actually believe that Mr. Musk is going to reduce the size of the government by $2 trillion, I have a proverbial bridge to sell you.

But let's move on to cheerier topics because I'm actually a long-term bull. I just think we have a reckoning to get from here to there. Industrial materials, what are those? Oil, copper, the stuff of humankind. And again, rather than give you a lot of narrative, I'm going to give you some math. This is simpler math, and it's much less depressing.

There are 8 billion and change of us on the planet. A billion of those 8 billion are desperately poor, and another 2 billion are merely poor. We have done a wonderful job in the last 30 years raising up the poorest of the poor, and I think the next 20 or 30 years will do a much better job about that.

And the interesting thing about the poorest of the poor is when they acquire more disposable income, the things that make a difference to them, the things that add utility to their lives, are material things.

If my friend, Winston, here makes some more money and he buys something, it's some little gadget from Apple that weighs six grams, or he buys a service, or he takes his wife to the movies or something like that. It doesn't matter to commodity prices.

But when a really poor family makes money, they increase the calorie count of their family from 1600 calories to 2200 calories. By the way, it may look like I'm defending obesity, but I'm not. I'm not saying that's necessarily a good thing. The simple point is that people go from a thatch roof to a metal roof. They go from barefoot to sneakers to a bicycle to a 50cc motorcycle to a Toyota Hilux.

The stuff that adds utility to poor people are stuff, and the ascent of humankind is really what this story is all about. More numbers, a billion people on Earth have no access to primary electricity. They want it. They want it. They want to live like you and I.

And if you look back to, as an example, the decade 2000 to 2010, the urbanization of China, which was the story then, was extremely, extremely bullish for natural resources, all forms of natural resources. And this story, the urbanization of China, the ascent of humankind, the lifting up of the poorest of the poor, is very much a story about basic materials, about oil and gas, about copper, about everything around electrification, around everything about the lifestyle that you enjoy that the rest of the world aspires to.

Meanwhile, while the demand growth is, from my point of view, absolutely unstoppable, the supply is challenging. If you were to visualize some of the oil fields that we live off today, some of the copper mines that we live off today... I can make this visualization very simple. Look at me, 71 years old, fat, bald, past my prime.

The biggest copper mine in the United States is called Bingham Canyon. It's 160 years old. The biggest copper mine in the world is Chuquicamata, 110 years old. Look at the oil fields. Cantarell, a hundred years old, Maracaibo, 90 years old. You get the point.

This isn't a circumstance where you can stand at a pit wall at Bingham Canyon, throw in water and fertilizer, and have it grow more copper. It doesn't do that. As demand is growing inescapably, we have under-invested in natural resources and extraction for 30 years.

And I would suggest to you that the lines are crossing, that demand is increasing, while supply is inexorably decreasing. What could go wrong? Easy, a recession. That stalls things. It doesn't reverse things. It doesn't reverse the ascent of humankind. It doesn't reset the global demographics.

When I deliver this theme, particularly around oil and gas, people say, "Well, Rick, that doesn't make any sense at all. I mean, the big thinkers of the world, you know, the really big thinkers of the world, the Trudeaus and the Bidens, and that noted energy physicist, Greta Thunberg, will tell you that peak oil demand occurs in 2030."

I wonder, I wonder if oil becomes unavailable after 2030, how those big thinkers will fly their private jets to Davos to tell you to drive less. I want you to think through this. People say, "Well, Rick, what about alternative energies?" I defend alternative energies. I've invested in them.

But let's do some arithmetic again. In the last 40 years, humankind has invested $5 trillion, trillion, big numbers we're talking here, in alternative energies. And we have reduced the market share of fossil fuels from a high, 40 years ago, of 82% all the way down to 81%. That's the result of 40 years and $5 trillion.

The prophecy for the end of oil, I would suggest, is somewhat exaggerated, unless you don't believe that your car is going to start in 2030. And it's true across a bunch of commodities. I want you to think about that. But I want you to remember the admonishment at the beginning of this discussion, which is to say that you have to be a contrarian, or you're going to be a victim. You have to look at commodities that are out of favor before they become in favor. That's the nature of cyclical economies.

And so I want to talk to you... I hope I've made a case for a bull market in precious metals, driven, really, about the inevitability of depreciating away the net present value of our obligations as a society, and I hope, too, that I've introduced a discussion to you about the demographics of raw material demand. I hope I've set the stage for two bull markets, and now I want to talk about not wasting these markets.

The first is that you have to be a contrarian, literally, or you're going to be a victim. It's odd that in this conference itself, five or six years ago, I was standing here at the podium basically begging people to buy uranium at 20 bucks a pound when uranium was selling at a discount to the cost to produce it. And nobody wanted to.

A couple of years ago, maybe last year when the price went up to 85 or $90, which is to say when the price of uranium didn't have to go up anymore, the fact that the price had gone up validated the thesis. Everybody wanted to buy the stuff when most of the juice was out of the trade. Nobody wanted to buy the stuff when there was juice in the trade.

So the first thing is, in your own mind, establish the maxim, "You are either a contrarian, or you're going to be a victim." The second thing is, understand the difference between beta and alpha. I define beta as the outperformance of a sector relative to the broad market. So if the gold sector does well, beta would be the difference between the performance of gold stocks relative to the stock market in general.

Alpha, I would define as an investment or a speculation, generally, that outperforms even the beta, which is to say those gold stocks that outperform gold, even while gold's outperforming the rest of the market.

What you learn is that the most predictable returns in a bull market are the beta returns, particularly because most investors are neither patient enough nor tolerant enough in volatility, nor willing to work hard enough to generate their own alpha.

And as it turns out, that's okay. If you look at a graph as an example of gold stock bull markets, what you'll see is that the market itself in a bull market goes up 250, 350, 450%, and it does so over fairly compressed periods of time, three, four or five years.

I don't think any of us that are rational would look at the prospect of a 250 or 300% escalation in an asset class that didn't require much work from us. And for most people, with their unwillingness to tolerate absolute risk, their unwillingness to tolerate volatility, and their unwillingness to do the work necessary to generate alpha, there's lots of money to be made in beta.

Now, I know from grading portfolios for many of you, that most of you would describe yourself as conservative investors, when in truth, most of you are wild ass speculators. Both of those are good, but know yourself. I think that's really important.

If you are going to speculate, really, really, really be willing to do the work. And finally, when your sector returns to favor, be it precious metals, be it natural resources, be it whatever, when your price expectations have been met, remember to sell. You have not made the money until you take the money.

A couple more things I want to leave with you. The first is that if you care what I have to say about natural resource investing, you can make it personal. Go to my website, ruleinvestmentmedia.com. I will personally, for free, rank your portfolio 1 to 10, 1 being best, 10 being worst. I've done it tens of thousands of times.

Rule Investment Media, list your natural resource stocks. Please, no crypto. Please, no pot stocks. Please, no tech stocks. Let me do what I do. If you want to learn how to analyze those stocks, go to the Rule Classroom. It's absolutely free. There's a couple of hundred hours of instructional material there, ruleclassroom.com.

Finally, I'll be holding forth, no surprise to anybody here, at the Battle Bank booth. If for reasons that you just heard from Frank Trotter, if for some reason you're uncomfortable with your current bank, which I suspect means all of you, check out battlebank.com in Churchill B2.

Finally, thank you for attending my presentation. Thank you for listening to me. I look forward to coming back to future New Orleans Conferences and seeing all of you participating in these two bull markets. It's been a pleasure, ladies and gentlemen.

Peter Schiff

"The Inflation Chickens Have Finally Come Home To Roost"

Peter Schiff:

Okay. So yes, I'm going to talk about inflation, it's probably the most misunderstood word in the English language, and that's not an accident. But inflation is the reason that Donald Trump was just re-elected as President of the United States. Voters voted on the economy. The election was all about the economy, and the economy was all about inflation. Right? Inflation has driven the cost of living dramatically higher, particularly over the past several years, and so Americans were struggling to make ends meet as a result. If you look at the savings rate, we saw some charts here, savings rates are at an all-time record low. Why? Because Americans had to spend whatever savings they had to buy groceries or other goods and services that they needed. They ran up record-high credit card debt. Credit card debt is at an all-time record high. And I don't know if you know, but credit card interest rates are also at an all-time record high. It's almost 25% now. So imagine you've got record credit card debt and you're financing it at 25%.

Inflation is one of the main reasons that the GDP was positive during the Biden presidency. It was under-reported inflation that made the GDP go up because if they actually accurately deflated the GDP, people would've realized that we were in a recession for the entirety of the Biden presidency. Even manufacturing officially was in a recession, but I think the entire economy was in a recession. We just couldn't see it because we didn't score price increases accurately, and that explains why Trump was elected.

Also, the jobs that were created, the majority of the jobs, maybe all the jobs on balance that were created during Biden were second and third jobs. We saw an all-time record high in not only moonlighting, but the number of Americans who hold multiple full-time jobs, not just part-time jobs. Do you think most Americans want all these jobs? Do you think they're glad that they're working evenings and they're working weekends? No. Biden was bragging about creating all these jobs and he wanted to take credit for them. Well, the voters blamed Biden for those jobs. They didn't want those jobs. They'd rather have leisure, but they couldn't afford it anymore because inflation had driven up the cost of living, and so that's why Trump won, because Trump blamed Biden for all that inflation and the voters bought it. They blamed Biden too.

Now, I'm not saying Biden had nothing to do with it, but it wasn't all his fault. It didn't start under Biden. Donald Trump and his policies were largely responsible for that inflation, but it didn't even start with Trump. It started long before Trump took office. If you want to go back to when the problem really started in earnest, and because I can go back even further but I don't have that much time. But let's just go back to 2008 when the financial crisis hit and the Fed went to quantitative easing, but interest rates went to zero and they started quantitative easing. Well, what's quantitative easing? It's inflation. Remember, I started off, I said inflation is the most misunderstood word in the English language, and that's because people think it means rising prices. That's not what it means. The origin of the word inflation is inflate, right? You can't inflate a price. Prices don't inflate. Inflation expands. Prices don't expand, they go up, they go down. What expands? The money supply? That's inflation. You expand the money supply, inflation. You contract it, deflation.

So we went on a deliberate policy of inflation. Now, they didn't call it inflation because the public wouldn't like that. If the Fed said, "Our cure for the financial crisis is to create inflation," the public would've said, "Wait a minute, we don't like that. I don't want cost to go up. I don't want price to go up." So they just came up with a nice name, quantitative easing. Right? So nobody was opposed to that, right? That sounded pretty good, quantitative easing. And so we had QE one, we had QE two, we had QE three. The money supply exploded.

Now, inflation, the way we measured it, did not respond immediately to that, the money supply expansion, prices didn't go up. Asset prices went up, sure, stock prices went up, real estate prices went up. That was all a consequence of inflation, but consumer prices didn't go up dramatically, although they were going up a lot more than what the government claimed, because the CPI by design was created not to show the full degree to which prices are going up. So the whole time that prices were going up 1.5% or 1.8, whatever it was, and the Fed was claiming that that wasn't enough inflation, that we needed to hit this 2% target, the real rate of price increases was probably 3 or 4%. So we were already above the so-called target the whole time. Yet they used this made up target as an excuse to continue to create inflation. And because we don't need to have two-percent price increases, the Fed's so-called mandate is stable prices.

There is no mandate for prices to go up 2% every year, they just made that up out of thin air. Now they got it from New Zealand because Don Brash was a reserve President of New Zealand, the first guy after they had these big reforms. And New Zealand had a 2% ceiling, it wasn't a target, it was a ceiling, and the whole point of it was if inflation ever got as high as 2%, they had to do something about it. That meant, oh my God, it's too high, it's at 2%, but it didn't mean that if it was at 1%, you had to work to get it up to 2%. I mean, that would've been idiotic, but that's exactly what we did. We said we need 2%, and even though we were really above it, that's what justified the monetary pedal to the metal.

And when it really kicked into high gear was COVID. All right? That's where it went from the absurd to the ridiculous, as far as inflation creation, because in the early days of COVID, what did the government do? What was government policy? The government said, "Well, everybody stop working and stop producing. Just stay at home." So the supply of goods goes down, and then the policy was, let's send everybody money so they can keep spending. They're not working but we want them to keep spending anyway. They're not producing, but keep buying. In fact, most Americans got more money not working during COVID than they earned when they had jobs before COVID, that was our policy. And not only did we give workers a bunch of money, we came up with this nonsense PPP program with these forgivable loans that were really gifts, and we just flooded the country with freshly created money. The Fed's balance sheet went from like four trillion to eight trillion plus. And obviously when you do that, prices are going to go way up. You have less supply and you have more demand.

I remember Donald Trump claimed, and a lot of people have claimed, they said, "We got to approach COVID like it's World War II. Right? We got to all sacrifice like it's World War II to fight COVID," except we did the opposite of what we did in World War II. So in World War II, the government raised taxes dramatically to pay for the war. Income taxes tripled. In fact, 1942, the Victory tax, that was the first time in American history that average workers paid any income taxes. They didn't pay any before, and they actually had the taxes taken right out of their pay. That withholding started during the second World War.

So we told Americans, "You got to pay higher taxes to pay for World War II." We didn't tell them that to pay for the war against COVID. And during World War II, Americans stopped spending. People didn't go out to dinner, they didn't go out to the theater, they didn't take vacations. They cut back on their spending to pay for the war. In fact, they loaned money to the US government. The government was selling war bonds to people. People were buying those war bonds, loaning money to the government.

But in the war on COVID, not only did we not tell the people to tighten their belts, we said, "Keep spending, keep shopping, borrow, spend." Right? So it was an inflation cocktail. Trump was in favor of all this. He didn't veto any of this stuff. And in fact, even before COVID, spending went up, government spending went up for the first three years that Trump was in office, right? It went up maybe three, 4% a year, something like that. You can't really tell if you look at a chart of government spending, you can't really tell When Biden [sic] left and Trump took over, the chart comes up. Now he cut taxes, and so the deficits exploded even before they went through the roof with COVID. So we've been creating this inflation for a long time and it's finally blown up.

Now, the Federal Reserve, initially, when it was pretty obvious that inflation was going to be above this 2% number, the first thing that the Fed said was, "Well, it's okay. We're just going to let it go above 2% for a while," because then they invented a new mandate that they didn't have before. They said, "Our real mandate isn't 2% each year, it's average 2%. We got to average 2% over time, and because we've had so many years of below 2% inflation, because we were like one in three quarters, we need to get two and a quarter. We need to average it up," as if Americans got such a good deal for a few years, they need to make up for it now by paying extra because we have to even it out, right? Of course, the whole idea that we need 2% inflation is nonsense. It's better if prices go down 2% a year than up 2% a year, it's better for everybody. Better for consumers, better for business, it's just a fantasy that we need inflation. Government just concocted that to justify creating the inflation.

So Powell says, "Our new mandate is inflation averaging." Well, of course that mandate went out the window. In fact, somebody actually finally asked him about it at one of these press conferences, and he had a... "Well, what about inflation averaging? Because we've had inflation so much above 2%. Imagine where it's got to be, it's got to be at half a percent or 1% for a long time to average it back down to two, because we're so far above it compared to the little bit we were below it." And he just laughed and said, "Ah, forget about that. We're not doing that anymore," because they don't want inflation to be below 2%, right? They just wanted it to go right back to 2%. They don't care how high prices have already gone, they don't want them to come back down at all. They want to make sure that they just keep rising at a slower rate.

So initially, the Fed was fine with higher than 2% inflation. Then when it got to like 4%, 5%, they said, "Oh, don't worry, it's transitory. Nothing to worry about here, right? It's just going to magically come back down." Well, when it got up to eight, 9% and it became the single most important issue for the public, then they finally said, "Okay, now we're going to do something about it." The Fed was like, "We're committed. We're going to get rid of inflation. It's public enemy number one, it's causing misery." Forgetting about the fact that they created all the inflation in the first place. Right? They want to act like it just came out of left field, like it's got nothing to do with their monetary policy. But they said, "Okay, we're we're going to get rid of this, we're going to get rid of inflation."

And so they raised interest rates up to what, five and a quarter, something like that? And everybody thinks, oh, this is really high. We've got these really high interest rates at five and a quarter. How is that high? I mean, it was high maybe relative to zero, but it isn't high in any kind of historical context. But the Fed stopped hiking rates at about five and a quarter, and then a few months ago, it started cutting rates right after hinting that it would eventually do it, and it's cut rates twice now, 75 basis points. And the reason it's cutting rates is it claims, "Well, we've won, the inflation battle is over and we've won." Right?

Well, how have they won? Assuming you take them at their word that their goal is 2%, we're not at 2%. I mean, we're closer to 3% than 2%. And in fact, if you look at the core numbers, which they claim are more important, we're closer to 4% than 2%. So why stop hiking? I mean, we're much farther above 2% now than we were ever below it, right? They spared no expense trying to get one and three quarter percent inflation up to two, right? Massive quantitative easing, 0% interest rates. Yet somehow they're confident that three or 4% inflation is just going to glide back down to 2% all by itself. They don't have to, their work is done.

In fact, there is no evidence that anything they did worked to bring down inflation. The whole purpose of rate hikes to fight inflation is that you reduce demand. And the most important way you do that with higher interest rates is you reduce borrowing because it now costs more to borrow. So people borrow less and they spend less, especially if you're borrowing the money that you're spending. So you have to raise interest rates to stop people from borrowing and spending, including the government, right? The government is supposed to respond to higher interest rates by cutting spending too, right? Less government spending, less household spending, bring down demand, and at the same time, the money that we're not spending, we're saving.

Why are we saving more? Well, because we can earn higher interest rates, right? When interest rates were zero, only an idiot would save, but if we had higher interest rates, now there's a return on savings. So the Fed raises the interest rates, they discourage borrowing, they encourage savings, the savings encourages investment. We can invest in more plant equipment because we have more savings to finance the capital investment, that will grow the supply of goods. So you raise interest rates, you get less demand, you get more supply, and that brings prices down. We didn't get any of that. The Fed raised interest rates and nobody stopped borrowing. Borrowing continued as if rates never even went up. What that tells you is that the rate hikes were not sufficiently high to ever get into restrictive territory.

Nobody is saving, right? The savings rate, as I said, is at a record low. We have record borrowing and record low savings. How is that going to reduce inflation? It's not. The source of the inflation are the government deficits that the Fed has to monetize, but now it's on autopilot because we have a $36 trillion national debt, and every month, billions of that debt matures because it's mostly financed with T-bills. And a lot of the existing debt, the money was initially borrowed when rates were at zero. And so you've got notes that the government is paying 25 basis points on, 50 basis points on, and they mature, and now they got to pay 450 basis points on the same debt. That's why interest on the national debt is now a trillion dollars a year. It's actually 1.1 trillion and rising, it's the fastest growing government program. It's second only to social security at the moment. But at the rate we're going by the end of next year, it'll be bigger than social security. We'll be spending more than $2 trillion a year in interest on the national debt.

We only collect about five trillion in taxes. Imagine spending 40% of your tax revenue just on interest on the debt, and that's supposedly when the economy is good. What if we're in a recession? Which brings me to where we're headed, because Donald Trump, as he campaigned, "I'm going to get rid of inflation." That was one of his big campaign promises, and his main idea for getting rid of inflation was drill, baby, drill. We just need more oil. Oil's one of the few things that we're catching a break on. Oil is actually really cheap, it's been really cheap. I mean, in fact, price, if you look at gold, you've never been able to really buy more oil than you can right now with an ounce of gold, but oil is not even $70 a barrel. In 2008, it was 140, it was double. How can oil be the problem? It's not. It's actually been the silver lining. The numbers would've been a lot worse without oil.

But one of the reasons that we got a reduction in the oil price, apart from the fact that Biden opened up the spigots and sold half of our strategic petroleum reserve to artificially suppress the price, but when the Fed originally hiked interest rates, that brought the dollar up. Dollar rose, higher dollar brought down commodity prices, not just oil, and that brought down the headline CPI temporarily. But for the last year, year and a half, all we've done is built a base and prices are now going to start heading higher, just in time for Trump's inauguration, right? You're going to start to see the CPI picking up.

And in fact, this is the first time, and this is something I had been forecasting, but when the Fed cut interest rates by 50 basis points, that was the bottom for long-term interest rates, and they've been rising ever since. And they've now risen about 80 basis points despite the Fed's cuts, and that shows that the bond market is not buying what the Fed is selling. They know that the Fed hasn't won the inflation battle, and the yield curve is now starting to normalize. That's going to continue, and I don't think it's going to stop at 5%. It won't stop at 6%. Long-term yields are going to keep going up until the Fed goes back to quantitative easing. There's no other way to prevent it. Right now, the Fed is still doing quantitative tightening. The Fed is selling US treasuries. Social Security Trust funds are selling Treasuries too because they're running at a deficit, and Donald Trump has threatened to make that deficit bigger, which gets me to the Trump economic plan, which is also a highly inflationary economic plan, probably more inflationary than the first Trump presidency.

So, what is Trump going to deliver? What is he promising? Well, massive tax cuts. He wants to extend all the tax cuts that he passed in his first term, except he wants to make them bigger because he wants to bring back the full SALT deduction, which was one of the initial trade-offs in the first tax cut where there would be some tax hikes to offset the tax cuts. Now he wants to get rid of that tax hike so it's all cuts. So he wants to expand and continue his original cuts, but he also wants to exempt social security from tax, which is the same thing as increasing social security, but that's highly inflationary. It's not like the people on social security are going to save that money for their old age. Right? They're going to spend that money, and so that's more demand. What are they going to buy? More imports. Our merchandise trade deficit is at an all-time record high, despite the Trump tariffs, our trade deficits are at an all-time record high.

He wants to eliminate taxes on overtime pay. What's going to happen with that money? It's all going to be spent. And of course, a lot of people are going to find ways to work overtime, even if they don't actually work more hours. They'll find a way to take every other week off so they can get a bunch of overtime pay and get that tax-free. Everybody wants to game the system. The same thing's going to happen with no tax on tips. A lot of people are going to start working on getting tips, but what's going to happen to that money, right? All that money is going to be spent. These are highly Keynesian style, stimulative tax cuts that mainly focus on demand, right? Give people more money, but don't take any of the money away from the government.

Now, yeah, they are talking about cutting government spending, but Trump talked about a lot of stuff when he ran for office because he was trying to get votes, but is he actually going to cut anything? I don't think so. I mean, he put Elon Musk and Ramaswamy in charge of a fake committee that has no authority to do anything. So they're basically a think tank that's going to make recommendations on cuts. But I mean, we got dozens of those right now that they just ignore all the recommendations.

Look, there was this, Heritage came out with a 2025 plan and the Democrats tried to hang that plan around Trump during the election, and Trump was like, "No, I want no part of that plan," because it identified programs to cut. He didn't want to be associated. Yes, Trump is for cutting waste, fraud, and abuse. Everybody is for cutting waste, fraud, and abuse. You don't lose any votes saying, "I'm going to get rid of waste, fraud and abuse," and there's nobody that says, "No, I'm in favor of waste, fraud, and abuse." Right? No one says that, but the problem is the minute you have to identify something to cut, that's the problem, because every dollar that's spent, there is some constituency behind it. It's not there by accident, right? Everybody is benefiting, somebody is benefiting from that program and you can't get rid of it.

Look, Ronald Reagan, when he ran for president in 1980, he actually campaigned to get rid of the Department of Education and the Department of Energy, that was a campaign promise. They're still here. The Department of Energy was actually created under Carter, so it was barely a couple of years old. You figure he could have been able to get rid of that, but even then it developed enough of a constituency so that Ronald Reagan gave up on trying to get rid of it. So, how is Trump going to get rid of anything?

I mean, first of all, during his first term, not only did he not get rid of any agencies or departments, he started one up, the Space Force. That Space Force is spending $30 billion a year. I mean, we needed that like a hole in the head, but now we got a Space Force. I mean, that should be the first department that he gets rid of, right? But that's not going to go away. They talk about, “oh, we're going to cut the programs, the departments,” Congress has to vote to do it.

Now, the Republicans are going to have the House, but I don't know, maybe a 10 seat margin, not sure exactly, which means you have to pretty much get all the Republicans on board, which you're not. I mean, half the Republicans are RINOs. None of the Democrats are going to do it. They're all going to stand firm to protect these programs from these greedy, mean Republicans who want to throw grandma off the bridge or whatever. And in two years they're going to lose the house anyway because that’s what's going to happen. They're not going to have more than the first two years, then the Democrats are going to get the house back, but they're not going to vote.

In the Senate, there's not 60 Senate votes to get rid of these agencies or departments. So Trump put Ramaswamy and Musk over there so he can pretend he's keeping the pledge. “Yeah, we're going to cut government.” All they're going to do is make recommendations. Even if they make recommendations to fire people, you can't really fire many people in the government. That's a problem. I mean, they have a civil service union, even if there's cause it's difficult, that's why people have these government jobs. And they are saying, "Well, we want to make sure they all go to work," because they're afraid that a lot of the government workers are actually not doing their job because they're not coming in. Well, it's actually worse for the economy if they come in because then they'll actually do their job and then they'll screw up the economy even more. Right? These are not productive jobs.

In fact, that's a lot of the jobs that were created, other than the part-time jobs for people who can no longer get by on one job is government jobs. We created a tremendous number of government jobs under Biden, and these are not productive jobs. I mean, the difference between a government job, the taxpayer has to pay for it. If somebody gets a job in the private sector, it's self-financed, it's paid for from the profits of the company, and the company generates profits by helping everybody out. They provide goods and services that people desire and they earn a profit and they can pay the wages. But the government has to take money from the taxpayer to pay workers to do stuff that we'd rather them not even do in the first place, because they're not adding to productivity, they're subtracting it.

So I see the Trump presidency as another highly inflationary presidency, and here's going to be the big problem. This is where it kind of hits the fan. Interest rates are going to keep rising, the long-term interest rates. The Fed is not able to bring them down with their short-term rate cuts. And so even though we are going to get some tax cuts, because Congress will always vote for tax cuts, that's never the problem. So we're going to get tax cuts from Trump and a Republican Congress, that would be, you'd think, "oh, that's a stimulative." Well, the sedative of rising interest rates and rising inflation, because prices are going to resume their rise and they never really stopped going up. They were just going up more slowly, and now they're going to start going up faster again. But interest rates are going to rise and they're actually going to rise above the peak where they fell back from.

And remember, when the Fed actually stopped hiking, it wasn't because they beat inflation. It was because banks started to fail. Signature Bank, Silicon Valley Bank, these banks started to fail for the precise reasons that I had forecasted that they would fail, because they loaded up on low-yielding long-term government debt and mortgages, and they got caught when the Fed raised rates and the value of their assets, their collateral collapsed. So that's really what caused the Fed to stop hiking. And they started cutting because the government couldn't afford to pay the higher rates or the economy couldn't afford, the housing market couldn't afford them. Well, as rates really start to rise, that's going to be a bigger sedative so the economy is going to go into recession, inflation is going to rise, and now it's going to be obvious to everyone we have stagflation.

And if you recall the last Fed Press conference, the best question I think he got, a woman asked him, this is one of the last questions too, that he got. She said, "Oh, by the way, what's your plan for stagflation?" And Powell kind of was frozen for a second, didn't really know what to say. And then he kind of said, "Well, our plan for stagflation is not to have stagflation," and then he laughed. And I mean, that says it all, right?

They don't have a plan for stagflation because there is no plan for stagflation. Hoping that it doesn't happen isn't a plan. They don't even have a contingency for the most likely scenario that there is, which is we have the recession and we have higher inflation because the Fed is powerless because it has to pick its poison. Because the Fed has two tools supposedly in its arsenal, and one is to cut interest rates and print money, and the other one is to raise interest rates and not print money, but you fight inflation by hiking rates and you fight recession by cutting them. Well, how do you fight both at the same time? You can't. So, what is the Fed going to do? Especially with Donald Trump President bashing the Fed for lower interest rates. Remember, when he was president the first time, he was bashing Powell because he wanted lower rates, he wanted negative rates, he wanted more QE.

So I think that when we go into recession this next time, the Fed is going to go back to QE, except it's not going to work the way it's worked in the past because I think that is going to be the final nail and the markets will realize what's been going on the whole time, and the bond market will go down, even as the Fed starts buying because the rest of the world will start selling. I think the de-dollarization process has already started. I know I'm out of time. People have talked about the foreign central banks and how much gold they've been buying. They're buying gold for a reason. They're buying gold because they're getting rid of their dollars. They'd rather own gold that pays nothing than treasuries that yield 4%, because they know that that's a negative yield, because inflation is going to be much higher than 4%. So that process has started. It is going to continue and accelerate under Trump, especially if he makes the mistake of trying to create a Bitcoin reserve, which will just accelerate the dollar's demise.

But anyway, I'm out of time, so I'm going to continue later on today, I've got a workshop, so I've got a lot more to say on this as well as again, how best to invest and position for this. My workshop is today at 6:50. I'm not sure what room I'm in, but we also have a booth, the Europe Pacific Asset Management booth, so you can come by the booth and I'll be there between now and the meeting. And then I don't know if I'll be there after the meeting, but I might stick around for a bit. But anyway, thanks everybody.

Tracy Shuchart

"Global Energy Crunch: North America's Unique Position For Leadership"

Tracy Shuchart:

Good evening everybody. Hope everybody's doing well. I feel really short. So first I want to thank Brien Lundin very much for inviting me to the conference this year. It is an honor and pleasure to be here. And with that I will go ahead and get started. So Congress legislative powers are enumerated in Article one, Section eight of the United States Constitution, and 18 clauses. Within the Commerce Clause is clause three, which is there is the necessary and proper clause, also known as the Elastic Clause.

Congress shall have the power to make all laws which shall be necessary and proper for carrying into execution and foregoing powers and all the other powers vested by the Constitution and the government of the United States. Now this draft, this particular draft clause, the Elastic Clause, provoked controversy during discussions on the proposed constitution and its inclusion became a focal point of consternation. Anti-federalists expressed concern that the clause would grant the federal government boundless power. But the

Federalists argued that the clause would permit only execution of powers that had been granted by the Constitution.

Now this clause paired with the Commerce Clause, in fact, has proven to provide a constitutional basis for a wide variety of overreaching federal laws and regulations. An early example of this was Wickard and Philburn in 1942, where the Supreme Court actually upheld a federal statute making it a crime for a farmer to produce more wheat than what is allowed under the price and production controls, even if the excess production was for the farmer's own consumption. The necessary and proper clause has been used to justify gross excess of federal regulations that is handicapping growth. And we are at the forefront of a new explosion in energy demand right now in developed markets and beyond, and a redrawing of the globalized map on many fronts.

North America has an opportunity to be a key player and it shouldn't take 10 years just to get a mining permit going through 500 departments and 10,000 pages of regulation. So now let's get to why we need to streamline regulation in order to secure innovation. And with that, we will get started to the good parts….All right, so first we have why is this imperative now? What is going on with the global energy markets?

Well, we have rising demand, we have geopolitical instability, we have supply chain vulnerabilities and regulatory challenges. So let's look at, what does this demand actually look like? Well, research estimates that data center power demand will grow by 160% by 2030. The United States is expected to be the fastest growing market for data centers, growing from 25 gigawatts of demand in 2024 to more than 80 gigawatts of demand in 2030. And just so you kind of get an idea how much a gigawatt is, one gigawatt of power can power up to 832,000 homes. So that's how much more power that we are going to need by the end of this decade.

And there's just some more showing that growing demand. If we look right now, what percentage of data centers is using power in states right now, you can see on the low end, well, on the low end of the high end, I should say, we have Oregon, Wyoming, Nebraska at 11 and 12%. We've got North Dakota at 15% and Virginia at a whopping 26%. And these data centers are also taking power from consumers. So we need to build out power and we need to do this as quickly and efficiently as humanly possible. So how are we going to do this?

Well, what do we have a lot of? We have a lot of natural gas. In fact, we have the largest reserves in the world. We also produce the most in the world, and we now export the most LNG in the world, which is pretty amazing considering we just started exporting in 2015. So the United States has grown very big, very fast. So how is that going to help the US, right? So that's great. We can send it to the rest of the world and they can have power. So what can we do in the US? Where should we look for investments?

Well, I think the best opportunity right now is midstream. So I think we need to build out that midstream sector, which refers to, it's the stage of the energy and the value change that involves transportation, storage and processing of natural gas after it's extracted, upstream, and before it's distributed to end users downstream. We need to build out this infrastructure within the US, which creates an excellent opportunity for us as investors to look into these companies that are in fact doing this. And this opportunity also provides tremendous growth in the US. I'll give you an example.

KMI just built this pipeline from the Permian Basin to the Gulf to move natural gas to LNG facilities. Now this pipeline went through 11 counties. It took only just over a year to build and employed 3,500 people, which is amazing. And we need 100 of these. So there's just a lot of opportunity there. We need to move this around. What's interesting about data centers is a lot of them are also looking into tapping straight into natural gas pipelines instead of having to go through utility companies. And so that idea could catch on really rapidly and then we're going to need more pipelines.

So to me, this presents the best opportunity with that natural gas that we have. Where else is there opportunity? Well, grids, right? We need grid expansion. Our grid is over 40 years old. We need at least $50 billion in grid expansion, either through private or public funds to meet our needs by 2030. I mean, I don't know if you know, but we actually have a nationwide shortage of electrical transformers right now that's been growing for years and it's getting worse. The resulting shortage has kept builders from completing new homes, hiked the cost of replacing power lines destroyed by storms and more. And transformers that once took a couple weeks to obtain now require up to a year or more of waiting.

So we definitely need an overhaul in the grid structure. So where are there opportunities? We have grid producers, which are obviously investor-owned opportunities, public power companies, which are state municipal-owned and independent power producers. And these are companies that generate electricity, but they don't distribute it. They sell power to utility companies and other entities. And there are some examples of companies that do this. Now, in addition to power producers, we also need grid equipment. So we need transmission and distribution equipment providers.

These companies…focus on traditional grid infrastructure such as transformers, which we need, circuit breakers and transmission lines. We need smart grid and automation technology providers. These companies provide supply for advanced systems for grid monitoring, control and optimization. We need energy storage and battery technology badly. These companies enable grid flexibility through advanced energy storage technologies. We also need high-voltage equipment and grid protection…

…High voltage equipment and grid protection. These companies specialize in handling high-voltage grid systems and emerging players and digital grids. So these companies obviously focus on next-generation technologies, AI, IAT, and digital twins. So there are a lot of options to choose from if you as an investor want to look at a company that is investing either as a producer or as an equipment provider, because we certainly need that and there's about to be a lot of money poured into this particular industry because if we don't build out their grid, we have no power for data centers.

So one of them is going to have to give, and I'm guessing it's not AI power, I'm guessing it's not data centers or anybody giving up their heat in the winter. The next opportunity I think we can look at, there's more grid equipment, and more and more. I don't want to read them all. Next, I think we need to look at nuclear. So where are the opportunities in nuclear? We just had another speaker talk about that. But I think right now we can look at SMR technology.

It's not commercially viable yet, but the technology is moving fast. We have several big North American players, more than any other country. They're small. SMRs are small modular reactors. So small being physically a fraction of the size of conventional nuclear reactor. Modular, making it possible for systems and components to be factory assembled and transported as a unit to a location for an installation. And if you look at the picture there, you can see that they're much smaller and you can also, if you need more power, you can easily add another reactor.

So this kind of system can grow with your growing needs as well. And obviously the reactor part is harnessing nuclear fission to generate heat to produce energy. That technology is very fascinating, moving very quickly and adds a lot more flexibility than say, a traditional nuclear power plant that takes 10 years to permit and five years to build, which we need those too, but they obviously take a lot more planning. So this is very interesting technology and I think for investors, it’s a very interesting sector to look at. And then next, what do I like?...

…Well, because I like junior uranium miners. Why do I like junior uranium miners? I think agility, flexibility, exploration, focus, high growth potential, attracted to strategic partners. And the most important being a regional and niche focus. In that, I mean we have strategic locations here in the United States and in Canada right now that have favorable geology environments. We have the Athabasca region in Canada. We have Wyoming, Texas, New Mexico, Arizona, and juniors can focus on unconventional uranium deposits, which majors may consider it to be too small. But right now my focus is really on where can we invest in America because I think the investment opportunities here are great.

And I think what we have on the horizon to be a global leader once again is going to be amazing. I also like the junior miners because obviously you can see from the chart they've been underperforming, which means more room to grow. And then next we want to talk about critical minerals. So critical minerals, the United States Geological Survey of Critical Minerals puts out this list. Now this list is created on the directive from the Energy Act of 2020, which indicates that for at least every three years, the Department of Interior must review and update the list of critical minerals within the United States.

Now the ones listed are really the ones just needed for energy, but there are 50 in total. All of them are in the United States. Not all of them have been mined yet, but they are all within our soil. They're considered very important and there's a lot of opportunities for miners there. Again, I just listed the ones that have to do with energy, but these are so important right now that the Department of Defense is giving direct funds to junior miners, not only in the United States but in Canada, for several of these on this list.

I want to close with, I want to talk a little bit about the future looking bright. And I want to talk about, address, the picks for the Energy Secretary and for the Interior Secretary and the head of the new National Energy Council. So we have Chris Wright. I like Chris Wright a lot. I think he is a fantastic pick. Everybody calls him the fracking guy, but in a realistic world, his company works with low carbon energy sources, including advanced geothermal, SMRs and sodium ion batteries. He also sits on the board of Oklo, which is a nuclear company.

Governor Burgum also is known for fracking just because he's from North Dakota, but he has a record of recognizing the need to act on climate change while aiming to boost oil and gas production. So Governor Burgum actually, his vision of reaching net-zero for his state actually is closer than California. However, he wants to do this with carbon capture plus a nuclear component. So I'll end with the words in the words of Chris Wright, the Energy Secretary-elect, energy is essential to life and the world needs more of it. And I will add that I believe North America can provide that. So we have a couple minutes more. If anybody has any questions, I'll be happy to take any questions.

Speaker 2:

What companies do the Department of Defense give money to?

Tracy Shuchart:

They gave money to a company in Canada. I forgot the ticker right now. It's a graphite company in Canada in Montreal. And then for antimony, they gave a company in Wyoming a lot of money. Sorry, I forgot the tickers off the top of my head. But if you go to the Department of Defense, they have all of that stuff listed there as well as the Canadian equivalent because the Department of Defense has given quite a lot of money to different miners there, different junior miners. Yes?

Speaker 3:

This entire conference, I haven't heard any conversation on platinum or palladium.

Tracy Shuchart:

I am a big fan of platinum. I don't know if anybody follows me on X, but I talk about it a lot. I'm personally invested in it. I mean, I'm a big fan of both platinum and palladium. I like PGA metals. Not everybody does. It's a difficult trade, but I think it's definitely, we're going to need it for the future.

I know that when Trump got elected, there's kind of a little bit of a scare that we were going to pull back from Green Energy. And we did see a pullback in platinum, palladium, and silver because of that. When in fact, if we look at nuclear technology, it uses a lot of silver. So it's not all just for solar panels and wind turbines.

Speaker 4:

Are you seeing the same potential growth for platinum or silver or is this a disadvantage?

Tracy Shuchart:

I think it's probably, it's a bit disadvantaged, just because of the price action really scares investors. But if you look, I think some of the miners are doing much better than platinum is. I mean, if you look at platinum, every time it gets anywhere over 1000 to 1100, they smack it back down to $900, constantly. So I think that kind of spooks a lot of investors as far as if they're looking into the mining sector, because that's kind of a very volatile market and what is their price component as far as that's concerned.

But I am a big proponent of platinum over palladium to be honest. And if you go to my substack, it's called Renegade Resources, I have a write-up on platinum there…Thank you guys very much. It was a pleasure to speak today. If you have any questions afterwards about anything, please let me know. This is the very first time I've actually done a speech where I have not talked about oil, so this was kind of new for me. Thank you.

Mark Skousen

"A Golden Anniversary: Five Vital Lessons I've Learned From The New Orleans Gold Conference (47 Years And Going Strong)"

Mark Skousen:

Thank you. I just can't believe I have had such a ride here at the New Orleans Conference. I wasn't here for the very first one, but within a year or two, I was attending and speaking at the New Orleans Conference, so it's really been quite a ride as you can see. And let me just ... If we can get our slides up. So as you can see, I've had a ride. There I am tearing up, no, burning my social security card, and later I tore up my Medicare card, and today I am on Social Security and Medicare, so, so much for tearing up of these state-run programs. But let me tell you something, these state-run programs are lousy programs, because in social security, if you had invested your money in the S&P 500, you wouldn't be getting three or $4,000 a month. You'd be getting $12,000 a month which you can live on, right?

And the expenses of Medicare, I'm paying six, $700 for Medicare and for what? I'm in good shape. I don't need it. But maybe I will at some point. So there's a picture there of me playing General Patton, and I ended up slapping Harry Brown and Doug Casey for being cowards in the marketplace. That was a lot of fun. And in fact, in the video you can see me in action as you go in and out. How many have seen the video, going in and out? You need to make sure you take a look at that. There's real nice highlights of the New Orleans Conference. I played the Lone Ranger, I played Benjamin Franklin with the Aden sisters, and there's a wonderful picture of the Hard Money Ball that I organized back in 1989, and you see Jim Blanchard and a bunch of us renegades in black tie, that was really a tough thing to get them to do that.

So then probably the most controversial thing I ever did was taking Milton and Rose Friedman out to dinner. And we're all smiles there, but let me tell you something, I almost destroyed my friendship with Milton Friedman over the gold standard. We had a debate on the gold standard. I ended up tearing up his $20 bill. Now, I don't have time to tell that story, but I will tell that story tonight at my workshop. So I hope you'll join me for that. And I've got a lot of other things planned that I think will be a lot of fun. Let's talk a little bit about this movement that I became a part of. I was working for the CIA, and I ended up not enjoying that bureaucratic role. So I applied for a job as the managing editor of the Inflation Survival Letter. And the hard money movement is really a significant movement that was prominent in the '70s, because people had lost faith in the American dream and were facing an American nightmare.

The energy crisis, the banking crisis, runaway inflation. Does this start sounding familiar that we're repeating history in that respect. And the loss of faith in politics. Carl Hess wrote a famous essay, the Death of Politics. People said, "We can't change anything. Our vote doesn't matter. So why vote? Don't encourage the bastards." That was the attitude of many of the people in the hard money movement, during this time period. And then finally, there were these profits of doom and gloom that came up. All three of these were bestsellers. You Can Profit From A Monetary Crisis by Harry Browne. Crisis Investing by Doug Casey. How to Prosper During the Coming Bad Years, came out in the year Ronald Reagan was elected. So his timing was a little bit off, but as Howard Ruff often said, "I'm often in error, but seldom in doubt." A quote from The Maxims of Wall Street.

I'll tell you one of my favorite stories of the doom and gloomers. So Jerome F. Smith was the author of a bestselling book in 1974, when the New Orleans Conference got started. The title of the book was, Silver Profits in the Seventies. And in it he predicted, Michael, you may remember this, he predicted that silver would double and then double again. And we investors noted that, and it happened. And by 1975 he spoke to thousands. The New Orleans Conference used to have 3,000 people at this conference. That's how big it was in the 1970s. So one time he got up in front of the audience and he said, "Ladies and gentlemen, I want to make this prediction. In five years the dollar will be worthless." Well, that's a pretty significant prediction. I wrote it down. Years came and gone. 1980, I was sitting next to Jerry Smith at dinner, and I turned to him and I said, "Jerry, do you remember that crazy prediction you made back in 1975, that the dollar would be worthless? Well, I have money in my pocket. It's not worthless. I can still spend it."

To which he replied, "Mark, you misunderstood what I said. What I really said was the dollar will be worth less." So note my syntax, make sure you understand what's going on in that respect. Okay, so these prophets of doom and gloom, what were they saying? They were saying, Don't invest in traditional stock and bond market. The Dow Jones Industrial Average went nowhere for 15 years, and the bond market only went down. Why would you invest with your stockbroker and buy stocks and bonds? Forget that." So what was their answer? See, one thing that was really good about the hard money movement, is they didn't leave you just with a pessimistic view, which you often hear at these conferences. You can profit from a monetary crisis, you can profit from inflation by buying the inflation hedges and getting out of stocks and bonds.

What were these better alternatives? Well, it was gold. Buy gold, buy silver, buy Swiss francs. That was the mantra. And it was a very powerful argument that people bought into. I bought into it, my very first investment. I have one of them with me right here, silver dollar. Of course I also bought gold, and I keep them with me at all times. Why? To remind me of my roots. And not only that, it was nothing down real estate. It was foreign investments. It was tax havens. It was tax shelters, so that you didn't give too much money to the government. That's what we were preaching. Don't give money to the government. Politics is dead. Ayn Rand is right, the virtue of selfishness. That was the theme. Does this ring a bell with any of you? Maybe some of the old timers?

Okay, and don't forget freeze-dried food, two years' supply of freeze-dried food. I had a bunch of that. Maybe some of you did too. Then came the paradigm shift, Reaganomics in the 1980s. And I'll never forget the 1980 New Orleans Conference right here. I think it was in this Riverside hotel. So there was such a change. I'll try to keep you going here. I know you've yawned a little bit, which is rare when I give a speech, but I can understand. Yes, it's been a long day. But 1980 was really an interesting event, because I thought it was a paradigm shift. Reagan is going to make a difference. Reaganomics, cutting taxes, reducing government, deregulating the economy and adopting sound money. These were the four great principles of Reaganomics. And I thought, this is a paradigm shift. But at this conference with the gold bugs, they were in denial to almost every speaker with a few exceptions, they thought gold was going to continue to rise, that Reagan wasn't going to make any difference in government, et cetera.

So 1980 was also very important, because that's when I started writing my investment newsletter, and I'm still writing it today, 45 years later. Why? Because change is the number one lesson. You must be willing to change. And I was part of the gold bug movement. I was putting all my money in gold, and gold stocks, and penny stocks, and Swiss francs. I had a secret Swiss bank account ... by the show of hands, how many have a secret Swiss bank account?

Just curious. Okay, nobody's willing to raise their hand. All right, so I started my investment newsletter called Forecasts and Strategies. And in this newsletter, Tom Phillips, my publisher said, "You write the first promotion." Which I did. So on the outside of the envelope it said, "The financial shock of 1981 when Reagan was elected." You open up the envelope and it said, "Reaganomics will work, sell your gold and silver and buy stocks and bonds."

Not very popular at this conference at that time. But I will tell you, obviously, looking back, that was probably a pretty good forecast. The promotion failed miserably by the way, you know why it failed? Because nobody believed me at that time. Everybody thought, "Well, there's just a correction. Gold is going to keep going up." Well, there's a twenty-year bear market in gold and silver. In the beginning of a forty-year bull market in stocks and bonds, and particularly stock market. And it's not over yet. Reaganomics is still very much a role. And we're getting Reaganomics number two under Donald Trump. Okay, so this is a quote from Warren Buffett, "The magical metal is no match for the American mettle." Look at the difference between the S&P 500 and gold. So I switched in my portfolio. One of the reasons I'm still writing my newsletter today, one of the reasons I'm still alive today at this conference, is because I've been more right than wrong. Because that is the secret to success, right?

We're all going to make mistakes, but if you can minimize those mistakes and see the big picture, and that is the big picture right there. Stocks and bonds outperform the commodities. That is absolutely critical. However, interesting in the 21st century, gold has come back because we've made a lot of blunders in government policy. And if we keep doing those blunders, gold will continue to shine. But the stock market hasn't been bad. In fact, in the 2010s, after the 2008 crisis, we had the mother of all bull markets. But I can tell you that there were promoters out there, profits of doom and gloom are still there. And they were promoting the mother of all bear markets, and people like you were buying into it. I noticed because the promotions kept coming. Nobody is going to continue promoting if you're losing money, but they were making money on that promotion.

So what does that tell you about the mindset? Fear sells. In fact, in the marketing business, fear sells more than greed. So after 50 years of investing, what is my number one investment? Never give up on America. And I have some quotes here from Ronald Reagan. The first one being very optimistic about America, a beacon of hope. And if you look at the charts, I don't have the chart with me, but American exceptionalism is still alive. The US market has outperformed every other country fund in over 100 years. And also in the 21st century. Freedom is never more than one generation away from extinction. That's also important as to why we should invest. Now you can think of the stock market as very volatile. Look at this chart. I show my students at Chapman this chart. It looks scary, doesn't it? The stock market is up and down like a yo-yo, can you really make money on Wall Street?

And the answer is, yes you can because charts can lie. So this is the total return chart, and you can see if you buy and hold over the long term and invest in free market capitalism. And this is the caveat, as long as the United States is essentially a defender of free market capitalism, then we are likely to continue to see that bull market, and you should have the majority of your assets. So if you get my newsletter, and I will be handing out copies of my newsletter, I don't have a lot because I've been on a two-week tour out of one suitcase. But I did bring copies of my newsletter for tonight's special, for my workshop tonight, which I hope you can join me, and I will hand out copies of my newsletter.

This is a shock to me, but every investment in my newsletter right now, all 15 investments, are profitable this year. That's amazing. In my career, that hasn't happened, but it's happening now. So I'd like to think I have the hot hand, and in fact I have an energy stock. Oil prices have gone down this year. And if you look at Exxon and Chevron and BP and so forth, their stock has done nothing this year. I have an energy stock that pays a very nice 4% dividend, is up 70% this year. So I'm going to be talking about that and why it still has a lot of upside potential.

In honor of the 50th anniversary of Jim Blanchard's New Orleans Conference, I've decided to do something really nice, I think. So my 11th edition, as Robert said, 11th edition of The Maxims of Wall Street, has just come out. Came out last week. And I am dedicating each copy to Jim Blanchard and the 50th anniversary of the conference. And so I brought 100 copies. And I hope to introduce you to The Maxims of Wall Street, and why I wrote this book, and why it's important. And in honor of that, I started going through The Maxims of Wall Street, and listing all the speakers who have been to this conference. And I was really amazed, you can see, I have quotes from the great ones, dead and living, from the New Orleans Conference. And I've also added in the new edition, I have Rich Man's Pearls of Wisdom.

And my readers have sent me emails quite a bit saying this is the favorite part of the book. I love your quotes and everything, but your Rich Man's Pearls of Wisdom ... And I've added a new one, number five. And I got it from Van Simmons. So I don't know if you know Van Simmons, he's here at the conference for the first time in 14 years. In my opinion, the best ... He's my favorite coin dealer, and stop by his booth, David Hall Rare Coins. So David Hall Rare Coins invented PGS where coins are graded. And he's had a tremendous influence. And I consider him a real good friend, and one that I hope you stop by and say hello to him. Dennis Gartman has spoken here many times. It's amazing the depth of wisdom one can find in just one or two quotes from the wonderful book.

I'll give you some examples. "Nothing can make the spirit fly higher than finding a bargain when you're the buyer, and nothing can make the spirit sink deeper than finding it later, a whole lot cheaper." There's a lot of cynicism in this book. "How do you become a millionaire? Start with 2 million. How do you become a millionaire? Marry one or better yet, divorce one. How do you become a millionaire? Start with 900,000." Have to think about that one. How do you become a millionaire? This is from Jack Miller, real estate guru who said, "How do you make a million dollars? Borrow a million dollars and pay it off." And that's what a mortgage is, right? And if that real estate has gone up, you've done really well. So what's the definition of obscene profits? Something you always hear about but never experience yourself.

Again, a lot of fun with these quotes that I think are of value. So I hope you'll come by my booth. And this is another quote from Mr. Wonderful on his book. He has great advice. I give this quote to all the young people in the crowd. "Getting rich is easy if you follow three rules. Spend less, save more, and invest the rest." And you have to invest the rest productively. I can't tell you how many young people have failed at that basic principle of spend less, save more and invest the rest. And then Alex Green, who will be speaking tomorrow to you, is the CEO, President, investment strategist at the Oxford Club. He's just full of wisdom and one of the best writers in the business. And as you can see, he's a big fan of my book, and I hope you can catch the vision of that.

So my upcoming appearances, the autograph session today will be at 3:10 through 4:10, the break. I will be at the speaker's table, which is, you go down and on the left-hand side, I'll be there. And for those of you, I'll give you a teaser to come and I'll talk about the book. And I've already signed the books and they're ready to go. But I will reveal to you there is one stock out of the 3,000 stocks that trade today, that pays a monthly dividend and a quarterly dividend. There's no other company that does that. And this stock I've recommended for seven or eight years, a lot of viewers subscribe, know the stock I'm talking about. And I have never ever had a single letter of complaint about this stock. So come…there, I'll be signing the books and I will give you the name of the stock, just as a teaser to get you there.

Tonight I am at Churchill B on the second floor, and I'll be talking about what I was going to call the post-election blues. But it's really volatility since the election, since markets are moving up and down. And there is a transformation that is taking place. By the way, one more mention about my book. It's lightweight, it's small, and it fits right into your suitcase, so there's no problem picking up another item. Thank you all very much, and I look forward to seeing you next year.

Lobo Tiggre

"Reveal: My Top Bet for 2025"

Lobo Tiggre:

We need to update that bio. I have closed a few more deals since last year. I am delighted to see that you haven't all gone off to dinner yet. I was very delighted to see in the panel we had earlier how many new people there are at this show. I was starting to worry about all the gray hairs and no hairs, and it's good to see some hairs and now lots of hairs. This is a good thing. I was worried.

But on that note, I don't want to dislocate my shoulder patting myself on the back. I do not get everything right. But I will say for those of you who are new here, that in 2022 I stood at this podium and I got lots of boos and hisses for saying that my highest conviction trade for 2023 was not gold or silver. It was uranium. And that didn't make uranium double, but I was sure happy to see that it did.

And last year I stood at this podium and I said, "No, uranium's had a good run, or it's having a good run, but my highest conviction trade, what I have the most confidence will do well next year, is gold." And as you know, we've had a pretty good year in gold. So naturally everybody wants to know, okay, so what about 2025? What's your highest conviction trade for 2025? And if you were at the panel, Rick did squeeze it out of me early, so I'll just go ahead and say it's copper. As a gold bug, that may seem kind of strange.

I probably don't need to tell you much about the fundamentals of the copper market. Is there anybody who hasn't heard ad nauseam how there is not enough copper? There's this huge shortage of copper, many years, decades to come? Is there anybody not familiar? Raise your hand if you've never heard that there's a problem with copper. Okay, I don't see a single hand in the room. Even the young people have heard about the trouble in copper. So I don't need to persuade you that there's an issue with copper. The question is, where are we going to make money next year? Which commodity has the highest chance of giving substantial gains that will drive share prices? That's the question.

It's not how much I love copper or that I don't love gold or uranium anymore. I'm still very long gold, silver, uranium. I'm very bullish on all three of them for next year. I'm also very bullish on oil for reasons that Rick has probably talked to you about already. But I'm looking not as a geologist, not really even as a stock picker, I'm looking just as a person who's been in these markets for a couple decades and what moves things and my conclusion is copper. So let me tell you why.

In the first place, just on a price basis, what are the odds, what would have to happen for gold to double next year? From $2,600, $2700, it would take a lot. $5,000 plus gold would be, there would be things happening in the outside world that we may not even want to see happening. I won't say it's impossible, but if things go as they're going, it's hard to see a double in gold next year. Silver, maybe it might spike over $60, but that's a pretty tall order. Oil, no. Maybe a spike, but it's hard to see oil going to $140, $150 next year. Certainly not to stay there. Uranium, $160 a pound, that's a tall order when the low-hanging fruit in that space is being brought online right now.

Whereas, for copper to go from mid-4s, $8 or $9 bucks may sound like a lot, but it's not if there's a supply squeeze. But even let's say a 50%, all of the others except for silver. But even silver, 50% up from here is $45 bucks an ounce. That's huge. That is a big move. It could happen. Would it stay there? I don't know. But a 50% rise in copper would move everything in that space, and that would not be hard to see at all. We've actually been there before.

So I'm combining risk and reward here, and this is the punch line. I'll get us on schedule tonight, actually, because I don't have that much to say. This is a very simple thesis. I look at the different choices out there. Lithium could go gonzo, it could go nowhere. There's a lot of ifs out there. But copper to my mind is in the when, not if, category. And the reasons for that are, and it's funny to hear me saying this because I'm still on team hard landing. I don't think that Powell kissed the boo-boo and everything is fine and it's all happy, happy joy, joy from here.

But my hard landing thesis has never been that we're going to see years of soup kitchen lines around the block and that sort of thing. The thesis has been that the bad news would become undeniable and then the money helicopters would fly and we would see the next reflationary boom. I think we're at the push comes to shove moment now, as in over the next couple weeks, by the end of this year, the next labor report, if it doesn't rebound from the disappearing jobs last time and the hurricanes that certainly disappeared all the jobs, if we don't see a big rebound that will sound major alarms because everybody's been telling us we have the most wonderful economy in the world. Well, everybody that was in office was telling us that we had the most wonderful economy in the world, never mind all the statistics the other way. So I really think we're here.

So a way that I can summarize this for you is what is the world in which copper goes down and stays down? What's going to make that happen? It would take the soup kitchen lines around the blocks. It would take a real recession. Dr. Copper, it's an industrial metal. It's the PhD in the economy. So if the economy goes down the drain, copper would go, oil would go, all the industrial minerals will go. And what I'm saying is I don't believe the powers that be will let that happen. They will do whatever it takes. They will send out as many stimi checks as it takes. And so the question here isn't, in my mind, will copper go up next year? It's how soon will copper go up and will it go down first?

And I want to be very clear on this. I have not been deploying money into the copper space yet. I have a couple copper picks in my portfolio left over from before I started worrying about the recession. So I'm not selling you a bill of goods for something I've already bought. As you heard from the panel, I don't give out stock tips, but I'm telling you this is where my thinking is going. And the balance here is, let's say I'm wrong about the hard landing becoming undeniable or that, oh beep moment when the money helicopters fly, we're probably at or near the bottom for copper already. Probably oil, too. They're not going down from here. They're going to start going upwards. And then when the money really starts flying next year, they'll go up higher.

So my risk is that I miss a bottom if I wait a little bit. But if I do wait and I'm right about that, oh beep moment, then I have an opportunity to buy much cheaper. So my choice is if I do nothing now on copper, I might miss the bottom. I might have to pay a little bit more, but I'll still have years and years to benefit from this trade. Whereas, if I wait a little bit, I might be able to buy some great copper plays at like 50% off of where they are now. If there's this, oh beep moment and people panic, you could see the best names in this space go on sale. But if that doesn't happen, I still have this other choice of being able to benefit for years, so that's the way I look at it.

So I want to be very clear here. I'm not buying copper. I'm not saying to run out there, look at the copper plays and buy those stocks tomorrow. I am still in the wait and see space. And it's very unusual for me because I hate making predictions, but I really think that either I'm right or I'm wrong and we're about to find out. So by this time in January, I will either be rubbing my hands at the sale opportunities in the copper space or I'll be saying I was wrong and I'll be buying anyway.

I will probably still be buying gold, silver, uranium. Probably not oil depending on how it plays out. Other things, nickel, lithium, whatever, I'll see those when I get there. But the one thing that I'm sure of, given everything that you all said you knew about the shortages in the copper space, is that I want copper. I want a lot of copper in my portfolio. I have very little now and I'm not trying to time the market. It's difficult for me to open my wallet when it looks like the odds favor a shopping opportunity in the immediate future. If I don't get it, fine, I'll go long. If I do, I'll be very happy.

Just because we're in this Trump euphoria moment. I just want to add a tiny thought on the politics. The Trump agenda is very inflationary. It almost didn't matter who won the election for this thesis. And that's one reason why I went there. And I do think that we're going to see, and by the way, if you hate electric cars, the copper story is not about the electric cars. It's Dr. Copper. It's essential for the economy no matter what. But there's also that electric car tale, and I don't think that's going away.

But I do think that the idea of this new administration coming in, the changes that they might make, none of this affects the copper story. It could potentially affect uranium. Trump has said some things that weren't very encouraging about uranium. Now, Elon's got his ear and apparently he's more pro-nuclear power than he was before. On the Rogan interview, he conflated nuclear power generation with nuclear weapons. That was not encouraging. So I'm not trying to beat up on Trump if he's your hero. I'm just saying these are facts. And in his past administration, there was much hope. How many people remember the section 232 drive? There was much hype, much euphoria about how Trump was going to help uranium. So I see that as an if-not-when question this time, we'll see. But none of these scenarios is bad for copper.

So I'll go back to my beginning point and then I'll wrap up and get you guys back on schedule. What is the universe in which copper goes down next year? For that to happen, even the hard landing that I'm calling is only a brief moment until the money helicopters fly. For copper to go down next year, we would have to have a real recession. The powers that be would have to say, "The market needs to liquidate these distortions. Let's let it burn." How many people think that's going to happen? Does anybody think that the powers that be in this administration, or any country around the world, is going to look at an economic recession and say, "That's okay, just desserts." Not one hand. Nobody. Yeah, okay.

That's the only thing I can think of that would be bearish for copper in this. And I'm not saying nothing else is bullish, but this is a uniquely strong environment for copper. And then remember, okay, I'm bullish on other things, but copper is still relatively cheap. So that's what makes copper my top conviction trade for 2025. I'm bullish on many things, but copper is relatively cheap and I see no way out. Or maybe I'm wrong, but I see no way out. So I'm absolutely looking. It's just a matter of when, and I've got my list. I'm checking it twice.

And that is my takeaway. That's my speech. That's the whole thing. I have a workshop Saturday night. We can talk more about stock picking and technical things, but it's become a tradition. My outlook for 2025, that's my big bet. Copper. Thank you very much..