NEW ORLEANS 2020 INVESTMENT CONFERENCE

The World's Greatest Investment Event

October 14 – 17, 2020

General Session Transcripts

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Introduction

The following report provides word-by-word transcripts of the General Session presentations from the 2020 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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Lyn Alden

"Navigating The Long Term Debt Cycle"

Robert Helms Right now, it's time to introduce somebody to you who we actually saw on the panel, but she's making her debut at the New Orleans Investment Conference. Our next speaker is Lyn Alden. And with a background that blends engineering and finance, she provides investors with equity research and investment strategies to give the insight and data needed for managing money through all market conditions. Lyn's strategy focuses on fundamental analysis with a global macro overlay and emphasizes longer term moves. Lyn's talk is entitled navigating the long-term debt cycle. Please welcome Lyn Alden. Hi Lyn.

Lyn Alden: Hey, thanks for having me.

Robert Helms: Thanks for being here. You take it away.

Lyn Alden: Yeah, I'm opening up my presentation here. Okay. So can you all hear me?

Robert Helms: Yeah. We got you.

Lyn Alden: Okay. So my presentation is called navigating the long-term debt cycle. And so we all tend to focus on the short term for a lot of things, but this kind of provides a long-term context for where we are in some of these shorter moves that are happening. So basically most of us are familiar with the short-term debt cycle, which is over a five to 10 year business cycle. Usually more and more leveraged builds up in the system, both on consumer balance sheets and on corporate balance sheets. And so we had increasing debt as a percentage of GDP, and then some sort of event happens. Either we have kind of an external crisis happen while we're already kind of over leveraged and have been engaged in some mal investment or sometimes just the system is kind of over leveraged itself and just kind of deflates.

And so we enter a de-leveraging period and a recession. And so, however, that's when policy makers jump in and they cut interest rates, they do stimulatory fiscal policies, and they try to essentially short circuit that de-leveraging process. And so far they've been successful in that sense that they never let leverage kind of go back to where it started that cycle. So by the time that that cycle is over, leverages may be cut a little bit down, but it's still higher than the start of the cycle. And then interest rates are lower and leverage starts building up from there. So on the left here, the blue line is corporate debt as a percentage of GDP. So we can see over time, it gets higher highs and higher lows.

And then on the red line is interest rates as the short term interest rates, and that's mostly controlled by the federal reserve. So what we see over time is that we get lower and lower interest rates and we get higher and higher debt. At the same time, so the right chart there shows the corporate debt as a percentage of GDP in blue, again, but then for red, we had the federal debt as a percentage of GDP. So we can see that usually during corporate de-leveraging periods, that's where the federal government leverages itself up more. And that's because it does a lot of countercyclical policy. And so over time, when you string together multiple of these business cycles, you get higher public and private leverage. However, when you hit the zero bound of interest rates, things start to look a lot different. And that's what my talk focuses on, is the long-term debt cycle.

So this chart on the left shows debt as a percentage of broad money supply, you can also use debt as a percentage of GDP and that's total debt. So that includes federal debt and non-federal debt like corporate debt, household debt, all sorts of different leverage in the system.

So as interest rates hit zero, that really constrained monetary policy from doing much more. So what we have instead is that we start to see asset purchases and we see other policies enacted. And historically the way out of a long-term debt cycle that policy makers eventually turned to is a currency devaluation. And whenever that happens, there are winners and losers. So people holding currency and holding bonds, they do very well up to a certain point. And then usually there's some event where that starts to quickly reverse. And so of course navigating the point of that reversal is always a challenge.

So this chart also shows the long-term debt cycle. And so we have interest rates again here, and then we have the money multiplier. So on the left here, we have monetary base as a percentage of GDP. So that's currency in circulation and bank reserves as a percentage of GDP, and we have short-term interest rates in orange again. And what we see is that this kind of mirrors the really long-term debt cycle, which is when we have these apexes in debt, we started to see the monetary base as a percentage of GDP go up rapidly. And then we start to see very large federal deficits, as it tries to then convert some of that monetary base into actual broad money supply. And at the same time, we see that the money multiplier falls. So I have that on the right chart that basically when we have the monetary base go up dramatically, that does not immediately translate into a much higher broad money supply.

So in that sense, the money multiplier shrinks, and it's not for quite a while that we see an increasing period of broad money supply increases. And you can see on the left chart there, I have yield curve control highlighted. That was to fund World War II, what the federal reserve did was they locked a yield below 2.5%, even as deficits were very big. And even as inflation at times got into the double digits. So what we saw, the left chart here, so that shows the blue line is treasury yields over time during the 1940s. And we had the inflation rate there in orange. So the inflation rate was all over the place. It had three kind of big spikes while treasury yields were just held perfectly flat and that was by the federal reserve doing that. They were basically pegging yields by buying treasuries as needed.

So over the course of that decade, anyone holding treasuries of course got all their money back. They made about a little over a 25% return because they were making about 2.5% a year. However, on an inflation adjusted basis, they actually lost about a third of the purchasing power. So it's kind of like give someone one thing and take two things back. So they didn't realize necessarily how bad they were hit by that policy, but they were. This chart just shows as we progress through this long-term debt cycle, there's a difference between QE alone and QE plus fiscal spending. So this chart shows in red there, we have the rate of change of the federal reserves balance sheet. So we can see a big increase in 2008. And then we can see later increases in 2011 and 2013.

And that was when the federal reserve was increasing its balance sheet size by creating bank reserves to buy assets. However, we saw that during that whole period from 2008 to 2014, we did not see a corresponding increase in bank deposits. And we didn't see very large government transfer payments. However, towards the end of the chart in 2020, we see that we're in a very different environment now, which is basically that this QE was accompanied by a large fiscal spending, which increased bank deposits, increased broad money supply because the fiscal government was a transfer mechanism to get that QE into the economy. Now this, if sustained, tends to be quite inflationary. So a big question going forward for anyone in a variety of asset classes, whether it's stocks or bonds or precious metals, is are we going to see more policies like this, or are we going to see a pullback in these policies and a period of gridlock and another period of disinflation, which is actually what we've been in since roughly August.

So I'll skip that for now. So this chart, it's one of my models for tracking the gold price, because I know that's a really big asset theme here at this conference. And so what this does, this compares the increase over time of broad money supply per capita. And so over time, we know that gold mining increases at roughly the rate of population growth. So over the course of multiple decades, there's still about the same amount of gold in the world per person, more or less. And so over time we have more and more dollars per person, but roughly the same amount of gold per person. So over the very long term, gold tends to go up in price roughly at the pace of per capita money supply growth. However, there's periods where it gets way ahead of that trend line or way behind that trend line.

So what we saw, for example, in the 1970s, we had negative real interest rates, which helped propel gold way above that trend line. So we had a really big peak in 1980. It then entered a very long bear market. So even as broad money supply kept growing gold, relaxed for a while and eventually entered 81 below the trend line. Because that was a period of sustained positive real rates. And then in later years, we started to see the rates come down again and we saw an accelerating rate of broad money supply per capita. So we had another kind of gold peak at 2011 and we have another one now, but as we can see, it's not really ahead of the line like it was back in 2011. So even though gold is back to where it was at those 2011, 2012 highs, broad money supply has increased a lot since then.

So gold is a lot more arguably fairly valued in this environment than it was 12 years ago. This chart is one thing I'm tracking as well. So this is the S&P 500 as priced in gold instead of priced in dollars. And so we often look at the S&P 500 making new highs over time, but that's partially because the denominator that we're measuring it in is weakening. So over time, a lot of the gains of the stock market are from inflation. So one way of kind of filtering that out, it's an imperfect way because gold can also kind of fluctuate with sentiment, but basically it's a measurement of something that is also scarce. So this is the S&P 500 as priced gold, or how many ounces of gold it would take to buy the S&P 500 as measured.

So we saw for example, from the early 1970s to 1980, we saw the S&P 500 deeply underperform gold. So that was a period of rapid gold outperformance. And then we had that 20 year bull market in equities and a bear market in gold. So of course we had a massive outperformance, S&P 500 reached all time highs as priced in gold and this excludes dividends. So if you were also holding that you were also collecting dividends along the way. So it actually outperformed by even more. Now in the 20 years since then the S&P 500 has been in a bear market as priced in gold. So what we're seeing is that, of course it's not quite that bad because you're also collecting dividends along the way, but it's a pretty low amount per year.

So we're seeing that gold has generally outpaced S&P 500 during that time. And so we can divide it, of course, into a couple of sections. So we have the big gold bull market from 2000 to 2011. So that was a period the S&P 500 was falling in its gold price. Even though at certain times, it was of course, doing very well on its own. And then after that kind of gold enthusiasm peak subsided, we started to get a bear market in gold again. And we had very strong stock performance. So we started to see a bull market in stocks relative to gold. That hit a peak back in 2018. So even though the stock market itself reached new highs this year in 2020, as priced in gold it's been a bear market again since 2018.

And that's not coincidentally that kind of aligns with the GDP growth rate. So even though GDP was still growing into 2020, it started to decelerate back in 2018, we started to have slowing growth. We had bond yields come down. We had real interest rates come down and that's a very beneficial environment for gold. So we started to have gold outperform equities, even though equities also as an index did fairly well. So earlier this year, we went below the 50 month moving average, which I have on this chart. So the S&P 500 as priced in gold hasn't done that since 2001. So basically there's a lot of factors in play for gold to likely continue to outperform the S&P 500, because a lot of the S&P 500 equities are held up in large part by stimulus and their valuations are very high.

And so there's a lot of tailwinds for gold outperforming the S&P 500, even though it's going to of course have ups and downs along the way. This chart looks at it a slightly different way. So the blue line is the cyclical adjusted S&P 500 earnings yield. So many people are familiar with Robert Schiller CAPE ratio. So this is just the inverse CAPE ratio. So the lower that blue line, the more expensive equities are. So right now the earnings yield is about three, which corresponds to roughly a CAPE ratio in the low 30s. And so the blue line is a measure of stock valuations. And the orange bars, they show the 10 year forward analyzed outperformance of the S&P 500 over gold. So whenever you have an orange bar for that year, it means that over the next 10 years, S&P 500 outperformed gold, and that's inclusive of dividends.

However, when you have a negative orange bar, it means the opposite happened, that gold outperformed the S&P 500 over the next 10 years by a certain analyzed amount. And so what we generally see, which is intuitive is that during periods where stocks are unusually highly valued, meaning that the blue line is unusually low. We normally see over the next 10 years that gold outperforms stocks. And vice versa, whenever we see that the blue line is high, which means that stocks are pretty cheap by historical standards. We normally see that stocks outperformed gold. So going forward, by this metric at least, and by many other metrics, stocks are quite expensive.

They've had a very good decade. And so by all accounts, the probability is that looking back 10 years from now, there's a decent chance that gold will have outperformed stocks from this point. Now it's not guaranteed. It's just based on if you were to kind of model out what stocks are likely to do based on discounted cash flow analysis and other things like that, there's a decent chance that gold, especially considering the macro environment, considering stock valuations has a decent chance of outperforming equities.

So before I talked about gold compared to per capita money supply growth, this is just a slightly more aggressive measure that can show that in certain circumstances, if you were to have some sort of large reset or some sort of kind of major shift in the long-term debt cycle, you could actually see kind of a bigger move in gold far above my previous model. And so the top chart here shows the US official gold reserves as they state that they have as a percentage of broad money supply. So we're currently near the historic low point. We're not as low as we were in 2000 to 2005. That was a historically extremely cheap period for gold, but we are by most standards for the past 50 years, pretty low including very low compared to 2011.

And then the chart below that shows US gold reserves as a percentage of US federal debt. So historically when you have very high debt levels, as I discussed earlier in this chart, usually at the end of those long-term debt cycles, that debt ends up getting devalued compared to currency. So you start to see kind of a bigger growth in currency. So it's kind of indicating that M2 is likely to rise pretty fast going forward. So by that metric, US gold reserves as a percentage of US federal debt, were also an extremely low point in many ways, even lower, because of course, we've had federal debt increase faster than broad money supply over the past several years. Decades I mean. And that ends my talk and I'm open to questions.

Robert Helm: Well, that was great stuff. And thank you, Lyn. It's great having you on the panel the other day. And it's hard to think long-term so brilliant stuff. And Brian London, I know you're a big fan of Lyn's work.

Brien Lundin: Super fan of Lyn's work. I was trying to get screenshots of some of things, didn't think about until it's too late. And you went a little more quickly. That chart you just had of the 10 year forward return against stock yields, I've never seen anything like that before. That was really, really fascinating. So that essentially is indicating that it's very likely that gold has a good chance then of outperforming the equity markets over the next 10 years if those bars go negative, right?

Lyn Alden: By this metric yes. There's a pretty good chance. And it's not a perfect metric because of course you could have for example, if equities were to stay extremely highly valued, and if you were to have gold really not have a lot of sentiment to it, it's still possible that equities could outperform gold. But by all kind of probabilities, and if you were to go into some of the discounted cashflow models behind this, there's a pretty good chance that S&P 500 would underperform gold during the next 10 years.

Brien Lundin: And of course, your other charts showing the relative valuation, really the great sweeps of history and cycles from one area of assets to the other. Very good. I think we're out of time though.

Robert Helms: We are out of time. So thanks Lyn.

All Star Gold Panel

Michael McCrae (MC), Ned Naylor-Leyland, Brien Lundin, Jan Nieuwenhuijs, Ronald-Peter Stoeferle

Albert Lu: We have our first ever All Star Gold Panel. Brien Lundin is going to be participating in this, but to start off, I want to introduce the gentleman who will be our moderator for this. That's Mr. Michael McCrae. He covers the Mining Sector for KITCO. So Michael, if you're there and you can hear me, welcome to the New Orleans Investment Conference, please go ahead.

Michael McCrae: I am here. Thank you very much. Thank you very much for hosting. Just before we start, thank you very much Brien for holding this event, we're all learning to do things that are new this year, and I think that's been terrific. But it's really going to be great to see people in person when the situation normalizes. That was a terrific talk Ronald, also Jan as well too. I really appreciate your thoughts. I just want to carry on from where we were. And I should also mention that Ned Naylor-Leyland, who is joining us from Golden Silver Fund with Merian Golden Investors. How you doing Ned?

Ned Naylor-Leyland: Hi. Yeah. Nice to see you.

Michael McCrae: Nice to see you. Ronald, you had a really good talk there when you were talking about broader adoption. And we're seeing that there's more people in ETFs, and of course, the headline in our sector had to do with Buffet when he bought Barrick back in August. But we're still off of 2011 highs when you saw the amount of interest and the amount of people that were in gold. So as Brien was mentioning, when we do this presentation next year in the football stadium, because of the number of people that are going to be interested in this, could we talk about our steps to getting there? Could we talk about what you see as factors that are going to have more general interest in gold? I'll start with you, Ronald.

Ronald-Peter Stoeferle: .... H ey. Thank you very much. Hi Ned, it's good to see you.

Ned Naylor-Leyland: Hi mate

Ronald-Peter Stoeferle: .... W ell, actually we often show the Dowel Theory, which says that there are three parts of every trend. There's the Accumulation Phase where only diehard contrarians buy. And we saw that, I think 2015, 2016 was really tough for us. This was the time when you went to a mining conference and you thought, "Okay. Did I mix up the date?" Because it was basically empty. I think we started the second stage, the so-called Public Participation Phase, last year when we went above this resistance zone at 1,360 to 1,380. And then, momentum kicked in and we went to 1,500, 1,600 pretty quickly. And I think this was the point in time when many, many investors got interested again and gold reappeared on the radar screens.

I think, this year when gold did hit new all-time highs in U.S dollar terms. Because it made new all-time highs in basically every currency before already. I think this is really the time when gold started this Public Participation Phase, where everybody is getting more upbeat where even analysts at big Wall Street banks start getting positive about gold. So, this is the longest and most fun part of the party.

Now, the third part is the Distribution Phase, where everything gets crazy and the time in the party, 3:00 AM, police comes and it's getting really rough and you should have left already. I think we're still away from that, but I'm absolutely sure that this will happen. And I think this year we saw some kind of weird financing deals, some promoters coming out again that did blockchain and cannabis and whatever over the last couple of years now, they're coming into the market again. So, I think it is, it is a sign that this bull market is getting broader.

From what I see talking to institutional clients, big pension funds, high net worth individuals and so on, I think the main driver going forwards will be negative real interest rates, a lack of opportunities. I think there will be an exodus from the Bond Market, at the moment $16 trillion. U.S are invested in negative yielding debt. Once inflation really becomes a concern, those massive amounts of money will go into real estate, into equities, but of course, into the primary inflation asset, which is gold. So I think inflation and negative real rates, this will really be the big driver and institutional money is slowly coming in. We're seeing that also on the mining side, lots of generalists are slowly getting into new markets. So, yeah. We're still in this Public Participation Phase and I think this has a couple of years to go. But it's definitely not a diehard contrarian investment anymore.

Michael McCrae: And do you have anything to add about product participation?

Jan Nieuwenhuijs: Yeah, I think what Ronnie mentioned in his presentation is very important, is that negative real rates in the U.S. We already have negative real rates, of course, in Europe and in other places in the world and the U.S was the last, in any case, bond market, that provided the yields, but that's going away as well. And then, I think that a massive bond bubble is going to collapse and a lot of money has to move and it will move into gold. Maybe interesting as well is the gold price is nominally quite high, in 1900s of dollars, but in real terms, it's not an all time high.

And if you compare it, for example, to all financial assets, I think gold's percentage of all financial assets is still less than 1%. So it has a long way to go. And the financialization actually of the economy in the last couple of decades has created so many financial assets. And it can work, it can create growth and returns, but in the end they have become largely overvalued also because of incentives by central banks. So I'm watching the gold percentage towards financial assets and I think the gold is very much undervalued still.

Michael McCrae: Ned, we'll get your last thoughts on a broader participation. You're a fund manager, how does it look to you?

Jan Nieuwenhuijs: It looks pretty weak growing. Look, I think that the participation thing, I would go back to the early days of the Metropole Cafe and say, "Price action creates market commentary." So, I think it's easy to over egg how this works. What I asked, you will say, and whether you find this funny, is one of the slides that I present to clients and I'm sort of beyond, is the inflation adjusted gold chart, going back through that 70s cycle and saying are we reliving it? Ultimately, it was that moment when we left behind the previous high from the mid to early ‘70s. It's just price action. Once it was left behind, the previous high, everybody's a forced buyer because everybody's a sheep really, I don’t want to be, but it's true. And that's true of institutional investment, as much as it is in retail.

So, I think that we're very close to seeing an enormous movement based purely on chasing, because once we go past where we were, I think it was early August when we peaked, we go through that again, the market realizes that it's a bit like why silver miners, for example, never priced in silver above about 22 on the way up to 30. The market needs to be convinced by these new trading ranges. But when the market realizes and knows what's happening and says, "Oh, wow, that's not a thing anymore." Then I think it’d just be a frenzy. And it does feel quite close, but on the institutional side, that's what to talk about after this so I'm going to quieten down and leave myself something to say."

Michael McCrae: Ned, I'm glad that you mentioned silver because that's the next question I wanted to throw out to the panel. We've been talking about precious metals and talking largely about gold, but what we seem to see this year is that the interest was primarily in gold. Then we seem to see a catch up from silver and then most recently has been the PGM space. Ronald, I'll throw it to you first, can you talk about all of the metals in the precious metals space and how you look at them going forward?

Ronald-Peter Stoeferle:

.... W ell, actually we only follow gold primarily and silver. We don't have any house view on the rest of the precious metals. So from my point of view, for the very first time this year in 14 years that I'm writing the In Gold We

Trust Report, for the very first time we had a special chapter on silver. And that was a time when this gold silver ratio was trading at 125. So with one ounce of gold, you could have bought 125 ounces of silver, which was probably in the history of this 3,000 year exchange rate. It was an all time high.

Now, from a supply/demand view, I think silver is interesting, but from my point of view, I like the view of nets because I totally agree, the price is actually is super important. And we shouldn't forget that there quite a lot of gold bugs out there, but there's an enormous amount of silver bugs out there, and they're all kind of desperate, and they really want to watch silver to go back to 50 and then to 100. And I once said, it's a bit like this ex-girlfriend that you have which you know you shouldn't call her, but you know it's not a good idea, but still, it's kind of interesting. My wife wouldn't like that analogy, but Ned you know what I mean. No but-

Ned Naylor-Leyland: No, I don't.[crosstalk 00:11:08]

Brien Lundin: Why would Ned know what you mean?

Ned Naylor-Leyland: No, I'm just kidding. No, but I think that once the market is having a conviction that we're really in a solid bull market for gold, I think many people will consider going into the silver market. And silver is a tiny market when it comes to investment demand. We didn't see any institutional players coming into the sector yet. I think in the mining space, we saw some activity, but still it's a really, really small market. And we did lots of research on that. Normally within the course of a gold bull market, the gold silver ratios should fall, so silver should just outperform gold. That's the job of silver.

Michael McCrae: Jan, in another interview you called silver as being gold’s speculative little brother. Could you talk about silver, maybe some of the other metals?

Jan Nieuwenhuijs: Yeah. Well, first of all, I have to agree with Ronnie. I primarily watch gold and silver a little bit. Yeah, I see gold as the ultimate store of value, especially now because historically, gold was used as a store of value and money. And silver, primarily as a medium of exchange, because gold was too valuable, little payments were done with silver. I think silver in time, in time, it will lose its monetary purpose. That's what I think. So I'm primarily focused on gold also because of the big trends with central banks and the international monetary system. And I also think that more institutional money is interested in gold, like Ray Dalio, for example. But yeah, the gold silver ratio is very high and I think it will drop a little bit more. So silver is likely to outperform gold, but I have more of my money in gold than in silver. Also because I feel safer with gold. And it's a safer bet.

Michael McCrae: Ned.

Ned Naylor-Leyland: Well, Jan is a sensible Dutchman and I'm a wild Englishman. Gold is the risk-free instrument of the system, period. And I learned that the hard way by thinking it wasn't. So, that was learned through experience. Which is, all it does is hold the constant against goods and services. Silver is not bad. It didn't use to be, again, hopefully, maybe in a bit I'll talk a bit more about this, but I think it's relevant to make the point that gold and silver is really one thing. It's one monetary truth. It's just that, post Breton Woods it didn't take long. It took like two years for the industrialists in the U.S. to come together to the form the Silver Use Association, to start gutting the coinage of the U.S.

And we've seen this periodically in other places too. It's not just there, but silver still is the money that people... It's also true as Brien said that it tends to attract the free tier character in our sector. But I do think that it's important to make a very simple point, which is that real interest rates drive both these metals. What's happening is that silver is much more sensitive. It's mechanism isn't big enough to handle flow in either direction. But the primary mechanism is monetary and it is through real interest rates, but you do have the benefit with silver that you have an additional angle, which is future tech, 5G internet things. All the same reasons why gold men are telling you suddenly it's a buy.

Of course, actually that doesn't drive the price, we can show that very clearly. It really doesn’t, it genuinely doesn’t. Supply and demand do not move the price. And again, I'm just going to state a rumor going onto later. But, it amuses me when we talk about investment demand for silver. It's small, well, enormously growing. "Ooh, look at this suddenly." I think it was May that Jeff Christian reckoned that we'd get in because things were heating up. I might get 80 million ounces of investment demand in 2020 for silver. And in six months since, SLV is added 300 million ounces. Now wake up, this is really happening. This is not going away and if the volatility profile of silver, which is really going to sizzle this off. Because of course, nowadays people love that. That's what they want. They want to trade and they want things to move. So I think silver is going to give everybody a big surprise. And I think that the levels it will go to will surprise people.

Michael McCrae: Silver is going to give people a big surprise.

Brien Lundin: Yeah. Michael, I'd like to add a little bit to that, in that I think the danger of silver is overthinking it. It's outperformed gold in every bull market environment in row ever in history. So the odds are, it's going to do that again. It always leverages gold. And nobody's arguing you should own silver to the exclusion of gold or gold to the exclusion of silver, but it does provide that extra burst, that extra turbo to a precious metals portfolio. And I tell people, especially the newbies, we're all running into a lot of people now because gold and silver are really making it into the mainstream now. So we get people coming up to us who have never invested and say, "Where do I start?"

And you start by buying gold *and* silver, and you divide it amongst those and you make it accessible. At least, some of it accessible. And not off somewhere where you can't get to it. And that's the way you start because it's a necessity, you have to take advantage in an era where all currencies will be depreciated. You have to protect what you have already and hedge against that inevitability. It's insurance, not against a potential risk, it's insurance against an inevitable outcome. So that's where I tell them to start, just to get that foundation. But I tell people, if you like gold, you have to love silver.

Michael McCrae: Let's talk about what is in the news right now, and that's going to be the election. In a matter of weeks, we're going to be looking at what's going to be the outcome of this presidential election. Also in balance is going to be the House and the Senate. Let's talk about a range here. We can see that there could be a straight democratic sweep, and then you could also end up with a muddle. So you could end up with Republicans holding some of the levers of power.

I think probably the main thing that runs with this is, is that we do have the other leg of the stimulus. That's the 1.8 trillion that is being negotiated right now. We do see that being slowed down by some of the deficit hawks in the republican space. Now, Ronald, you did mention there that, if we see that the Democrats are holding most of the levers of power, you do have a friendliness towards MMT. I guess we could assume that there's going to be a larger amount of stimulus. Could you just talk broadly about what you see in terms of precious metals and what possible outcomes could happen with the election?

Ronald-Peter Stoeferle:
.... W
ell, the odds are pretty clear now that Biden will make it. I'm not a hundred percent sure about that. And actually, I don't really care because if it's going to be Trump or Biden, I think the most important drivers and the fundamentals that are here, the facts that are here, they cannot change it. Of course, a democratic sweep would probably be better for the price of gold. If you have a look at the economic advisors of Biden, I think there's lots of guys from the Bernie Sanders camp. I wouldn't call them very much interested in a free market economy and the views that we adhere to at the Austrian school of Economics Store. But at the end, I think the next couple of weeks should be more volatile.

What we saw when, what was it? Al Gore and George W. Bush, when it took a couple of weeks until we got the decision, I think the S&P was down 14%. So the market hates this uncertainty. I think we'll also see a volatility in the price of gold, but I think we shouldn't overestimate the outcome of the election. I think the broad trends are here. Biden or Trump will not change the level of debts. They will not reduce the level of debt. They will not significantly increase real rates. So I actually, I would say that it's not going to be something that really, really changes the secular trend.

Michael McCrae: Jan, yourself, the election could have..less impact on precious metals?

Jan Nieuwenhuijs: I was about to say what Ronnie just said. I'm not a specialist on this, but I don't see any big difference between the two. I mean, the debt offering is still the same and they're both going to try to win votes with the printing press and they're going to have to stimulate a lot. So it's, "Which printing press are you going to vote for?" That's more or less the option. So I don't think that it really matters for both the price of gold or silver

Michael McCrae: Ned.

Ned Naylor-Leyland: I agree with the boys, but I would bring up the third option, which is that it's not clear not disputed it as it were. Because that's ultimately access that to agent Smith, who is Powell. Of course, who can self-replicate. Just do whatever you like, that's what matters. And if the access to him is broken through the political mechanism, and it looks like they're staging, that's me, but hey, I'm a kookie.

I would say that that's the danger, because then real interest rates will spike again through forward inflation expectations collapsing. So I think that, so as long as it's a clean winner, it doesn't matter. It's all what the boys are saying, but if it's not, then I think it's a whole different ball game.

Michael McCrae: Brien, now you're in the thick of it right now. How does it... Oh, sorry Jan, just before we go to you Brien, Jan you had a point?

Jan Nieuwenhuijs: Yeah. I just wanted to add that what the clear trend is, is that America is becoming more and more unstable in terms of politics. And monetary stability rests on political stability. So I think that can have very negative impacts on the dollar going forward. So, Biden or Trump, I think the country is so polarized and is becoming more and more unstable, and that is very weak for the dollar and good for gold.

Ronald-Peter Stoeferle::

.... Ja
n sorry. Unfortunately we're seeing this trend in basically every country, over here in Europe as well. It's really frightening. This divisiveness and the polarization that we're seeing. It's a trend that is very concerning from my point of view.

Jan Nieuwenhuijs: Yeah. I agree. I think in the U.S. it's the worst now, but most of the trends we see in the U.S. come to Europe in a matter of months or years. It's here as well, but you can really see it looks a little bit like a civil war in the U.S. and I think this political instability is very dangerous for monetary stability.

Ronald-Peter Stoeferle: .... Only in the United Kingdom everything is fine, right Ned?

Ned Naylor-Leyland: Apparently. If you say so.

Michael McCrae: Brien, you have a front row seat, obviously what's happening down there. Maybe you could talk about election night risk if we're undecided. And then also how did these administrations look...regarding a debt, either Republican or Democrat?

Brien Lundin: Well, I agree with what everybody else is saying pretty much, not a whole lot of difference, because they're both... Fiscally we're painted into a corner. Ronnie had the chart, which...mirrors, what I'm going to present later this week. And, we're going to have negative real interest rates forever under this regime. Because the debt loads are so large, there's no other alternative. Not just in the U.S but in virtually every developed and developing economy. So we are going to have monetary depreciation ongoing forever and ever. It's interesting to me though, is that gold is historically a hedge against uncertainty and in this kind of environment where everything seems to be pointing toward this depreciation of currencies and increase in relative value of gold, gold right now is a bet on certainty rather than a hedge on uncertainty.

The only thing that can really upset the applecart for gold right now, is something that disturbs this theme of continued currency depreciation and continued ultra low negative real rates. So I don't know what that could be, life has a way of throwing surprises at you, but I don't see the presidential elections having a huge impact either way on this very powerful macro picture for the metals. I do think that the markets are betting at this point on a Biden win. So there could be somewhat of a surprise on election night. We saw that when Trump was elected and...the reaction was 180 degrees from what most people expected. So, it could be a surprise. But long-term, the macro story is still there. And I think it's not only undeniable, it's irresistible.

Michael McCrae: There's a case that precious metals as the panel has put, that gold, precious metals are going to be going up looking at what the debt levels are. Just looking at the creakiness of the current state of currencies. Ronald, what's your allocations right now? Could you break them apart and then just talk about physical to juniors, to miners? How do those all look?

Ronald-Peter Stoeferle: .... Well, we manage several funds that invest in the mining space and in physical gold, in commodities in general. I would say, in one of the funds that I'm managing, we've got the highest allocation in inflation sensitive assets that we ever had. Now, what is sensitive to inflation? It is mining stocks, obviously. So in the mining space, we've got a higher allocation and usually in the mid cap space, we also added some juniors, we added some silver stocks, but we also have a high allocation in the broader commodity space.

We just bought some commodity currencies, like the Canadian dollar, like the Australian dollar, as well as the ruble. And I think, if you have a look at those inflation statistics, they look into the rear view mirror. But what markets are telling you, have a look at inflation standard assets, they're all screaming higher. So from my point of view...inflation will become the big topic going forward. And that's why we're having basically the biggest allocation that we ever had in the inflation sensitive assets.

Michael McCrae: Jan, could you talk about your allocations?

Jan Nieuwenhuijs: No, because I'm a financial researcher not as much as an investor. So I think Ned and Brien have more valuable things to say about this.

Michael McCrae: Absolutely. I'll kick it down to Ned.

Ned Naylor-Leyland: Okay. Well, first thing to say is, I run a fund out of London, I'm not allowed to tell you anything about the fund, what it's called, what it does or anything else. And so, I have difficulty giving you any great detail on that as well. But what I would say is that, something I listened into earlier when there was an informal chat going on, which is you need a blend of exposures at all times in this sector. So, I'm very much an advocate, you must always own bullion and you should own bullion, and you should take delivery of it. And don't be fearful of that, depending on how rich you are. Of course if you're like Ronnie, then probably you need a big vault under the matterdon.

I think it's important to have a bit of everything. And are you seeing that this year? Because of the way the sub-sectors have swelled and underperformed then outperformed. And unless you're able to game that successfully, which the larger you are, the harder it is. So if it's your little personal portfolio, you can do that, but if you're… I'm an institutional investor, it's not very easy for me to shuffle my portfolio around, based on sub-sectors. And a good example, actually to discuss would be the silver producers this year, which have been very odd. And the market just is not willing to pay up, but I would suggest that we break back through 30 and go higher.

The market is going to have to pay up massively for those relative to other subsets that I look at. But I would say that there's definitely...more interest in the exploration and development end at the moment, because not only is that happening, but they're finding stuff too. So, I'll fess up to some more interest and some more exposure there, but you always got to have a blend. From physical being the safest and the underground zero all the way to your spiciest, blue sky idea.

Michael McCrae: Brien, until this pandemic came down, I always see you up in Vancouver, the home of junior miners. If there's been two themes, I think that have come out of this year, it is that bigger is better. You see that these names right now that just have the brand, they're well-known you see the way that Equinox Gold was put together, these are just vehicles that are just meant to actually take advantage of the way that people are allocating the capital these days.

The other one is this, is that we have seen some great investments into junior right now just because money's been made available. It's been freely to invest but to my date right now, as well too, we still haven't seen mergers and acquisitions anywhere near that we saw since the last year, which could kind of be a hamper on that. But, maybe you could just step back and then you could talk about your own view. Let's just talk about how these various sectors look within it from juniors to intermediate to miners.

Brien Lundin: Yeah, I think there is value here and there. There's relative value. I agree with Ned, you have to have a blend. Of course, you have to have the physical metals to start with, but even within the junior sector, I get a lot of new investors coming to it and saying, "Besides the physical, what do I do?" And obviously, there's all kinds of ways to do it and we have reports that tell people that. But even within the equities, there's a wide spectrum of opportunities, of advantages, disadvantages, that sometimes lag the others or take the lead. And it's important for people to really do their research, especially in the juniors.

One of the things that I've been stressing to people is that, especially in the junior exploration development sectors, it's an inefficient market in that if you're willing to put in the time and effort and money to research the sector, then you can do quite well. We saw in the 2000 to 2011 bull run that people just made literally fortunes by investing in the sector because they would have stocks that would go up three, four, five times in value. Take those profits, put them in another one that go up three, four, five, sometimes a 10 bagger, sometimes a 20 bagger.

And money obviously can be built very quickly in that respect. The key is if you're willing to put in the time, if you're willing to subscribe to some of the best newsletters, attend the conferences, do your own research, you can take advantage of those inefficiencies. But I tell them if they're not willing to do that, just buy GDX and GDXJ and call it done, because there are advantages into doing the research. It is inefficient and a little skull sweat can really pay off.

Michael McCrae: The one I'd really like to talk about with you Ronald, is Bitcoin. It's been such an interesting year for gold, just that we look at the stimulus, what has actually happened to currencies and then also with the geopolitical risk and all of the effect that that has had on gold over the year. But could you talk, how has Bitcoin performed over this year compared to gold?

Ronald-Peter Stoeferle:
.... W ell, it is one of the best performing asset classes, or we could also say currencies. Yeah, it has outperformed gold. And actually, I think, compared to 2017, this market is much more mature and it's a deeper market. You now have an options market. So what we do in one of our funds, we just use and we have as the volatility of the Bitcoin space, but also of silver to collect the premiums. So, I think many people in the gold industry, they are getting really emotional when it comes to Bitcoin and they're seeing it as a competitor.

From my point of view, competition is something good, especially when it comes to currencies and the major similarity that I see between gold and silver is the supply curve and the stock to flow ratio of gold and Bitcoin is very similar at the moment. It's roughly 1.6%. So this is the natural inflation that you have. If you own an ounce of gold or one Bitcoin, 1.6%. If you compare it to monetary growth for most feared currencies, that's what I would call stability.

I'm not sure if Bitcoin will be around in five or 10 years, I'm absolutely certain that gold will be around in five or 10 years, and that it will have preserved your purchasing power. But I think the bitter and the bigger upside, if Bitcoin should be around in five or 10 years, is clearly in the Bitcoin space because now it has a market cap of 200 billion. It is a much smaller market, and it is a market where there is mostly retail money in, you don't have yet any institutional interest in this space, but this is also starting now.

Michael McCrae: Jan, how has Bitcoin compared this year...against gold?

Jan Nieuwenhuijs: I'm not really sure. I mostly track gold. I'm a big fan of Bitcoin. I think every bottom up invention is great and I hope Bitcoin will do great. I hope it adds something because now it's still just the speculative assets. There’s not a lot of use for it, but I'm bullish on Bitcoin, but like I just said, silver is a speculative little brother off of gold. And Bitcoin is maybe an even more speculative little brother of silver. So there's a lot of games in there, but also a lot of risks.

Michael McCrae: Ned or Brien.

Brien Lundin: Well, I don't know much about-

Ned Naylor-Leyland: I have a comment on Bitcoin, which would be just to say that firstly, I think it will probably go up quite a lot. But it'll go up due to its utility, which is what people don't talk about, which is quite infuriating. Bitcoin is off rails, in the pub, gold and silver between friends on your phone. And that has lots of merit and there's nothing wrong with that. But its utility is in innovating capital controls, and I think that will reappear. And I think that then its core utility, which is anonymous money that can invade capital controls will be the whole story again. And it's going to pivot and shift again.

I'm not necessarily, entirely sure that it is bottom up or quite what it looks to be, but then, I always pick at everything in that way. It feels to me a bit more like training wheels, the next monetary system. I think that they're just trying to get people ready conceptually and then you'll lose the anonymity and then the whole thing would just be effectively a Trojan horse. So I'm quite distrustful of the origin, but I think the price will go a lot higher due to its core utility innovating capital controls. Sorry that went on for longer than I intended.

Michael McCrae: Brien, I'll leave you with last word. I was more interested in looking at how Bitcoin actually performed over this year compared to gold. Again, because all of the factors were contributing to gold and we did see that it did go up just on geopolitical risk and then also with the adding to debt, but just a comparison with Bitcoin.

Brien Lundin: Yeah, I think there are a lot of comparisons between gold and Bitcoin, and a lot of similarities. And I find that one of the primary similarities is that both their adherents look at them as much religions than as assets. And that's just interesting, it's not to say that it's not going to develop in the long-term but there is a certain advocacy involved in it. And despite the seeming certainty by a lot of the more vocal adherents of Bitcoin, I don't think its uses are in any way determined yet, and really evolve over time. And I think that they could be very important. I think they are probably going to fall short of the importance of the most bullish adherents, followers and probably much more important than bears, somewhere in between in other words. But at this point I think you look at it more as a tech store without earnings and that it's all about the potential and not much else at this point

Michael McCrae: Let's finish our panel. Ronald, just talking about 2021 you said that we are going to get past it and we are going to go back to normal, but then we're going to be on to a debt crisis. Can you talk about how you see 2021 mapping for precious metals?

Ronald-Peter Stoeferle: .... That's a good one. Actually, I just had a look at the seasonality of gold in post-election years, and it has the strongest seasonal pattern in post-election years, because normally, the new president wants to stimulate, wants to make everybody happy. So the important conclusion that I have is, we are in a bull market, we're in a stealth bull market, gold is rising in every currency, silver is outperforming gold. We're seeing that the mining stocks are outperforming gold. So, those are all confirmations. So what you have to do in a bull market, you have to buy the dips, that's what it's all about. I've got no idea where it will go to, I can imagine that we go to $2,300, which would be the inflation adjusted all time high, perhaps even higher, but we're in a bull market. That's the important thing.

Michael McCrae: Jan, what is 2021 looking to you for gold? What are going to be some major highlights?

Jan Nieuwenhuijs: Well, I think the guarantee is more or less that the nominal interest rates are going to stay at zero and are going to yank up inflation higher than 2%. That's what they want. So negative, real interest rates are deeply negative. So where are you going to go? It's more or less a guarantee that gold has to go up. There's also all sorts of risks that the stock market's going to go into collapse. So, I said in a previous interview that I see gold going to $2,500 by the end of the 2021,

Michael McCrae: Ned, what are some factors or what do you think are going to be some headline events in 2021?

Ned Naylor-Leyland: Well, factors, I suppose it's always participation. So, while there've been comments that the institutional money is coming in, I'm pretty cautious on that. It's very early still, and the data are on ETFs, by the way, Ronnie. I would say that ultimately the usage of ETFs is so much greater now than it was in 2011, 2012, that when you look at that data, it's not informing. What's actually going on is credibly low level.

So for me, it's just about broader accelerated market participation. If we get the market consensus outcome, which is that we're going through a beggar thy neighbor slow run hyper inflationary shambles, which is the market consensus view now, which is odd for us lot who've been here for a long time. Then I think that the price targets are very high, certainly higher than what Ronnie was very carefully saying.

But I do think that there is a very big chance that none of that happens and we get the reset before the middle of next year. So, I would caution that it's hard to say because we seem to be right at the fork in the road now between the consensus view, which is that this will be an uncontrolled nation by nation beggar they neighbor outcome. And the consensus view is usually wrong and there is a second way of doing the same thing. And if there is a financial crisis, which in my view is absolutely inevitable now, then I think they're going to reset it. So I don't know what to say to you about price because of course, gold prices dollars and therefore it all becomes a difficult conversation, sorry to confuse everything. But I think there are two outcomes really.

Michael McCrae: Brien, the last word is with you.

Brien Lundin: Well, if 2020 taught us anything, it's that the prognostication business ain't what it used to be. So, it's with some trepidation that I try to predict what's going to happen next year. That said, it's not going to be an easy ride. We talk about these for gold...and silver. And we talk about all these fundamental factors that are driving the market higher and they are in fact in place over the long-term, but it's not going to be a straight line upward. One factor that I think will come to the fore, is that the financial markets now are addicted to not just easy money, but ever-easier money. They don't need that stimulus, they need more of that stimulus like an addict addicted to a drug to get the same effect. So what more can they do? And when is it going to come?

At some point, the markets will throw a hissy fit because they're not getting enough stimulus. And they will deliver that message to the Central Banks and the Central Banks will take the message and obey and deliver yet more stimulus. But that process will lead to those jigs and Jags in the line on the way up. And Ronnie's advice is the most important that I think we can give, is that you look at the long-term picture. You know that, in a year, two years, three years down the road, gold and silver prices will be much higher than they are now. What you don't know is where they're going to be next week, or perhaps the week after that. The short-term, in other words, is more uncertain than the long-term. So it is a bull market, it is a historic multi-year secular bull market and you buy the dips. simply put.

Michael McCrae: I want to thank everybody that joined the All Star Gold Panel at the 2020 New Orleans Investment Conference. I've been with Ned Naylor-Leyland. He is fund manager at Gold and Silver fund at Merian Global Investors. Jan Nieuwenhuijs, gold analyst. And that is Ronald-Peter Stoferle, who is partner at Incrementum AG, and Brien Lundin. Thank you very much for hosting and putting this together for us. I've had a great day.

Brien Lundin: Thank you. And thank all of my panelists. As I said, I'm big fans of all of you, but I know it's getting late in the evening for all of you. We're going to have Ned get back to work, but thank you all. Have a great evening.

Ronald-Peter Stoeferle:
.... Th
ank you. Take care.

Michael McCrae: Thank you, Brien. Thanks guests. Thanks panel.

Ross Beaty

"My 50 Years In Gold And Silver Mining, Why I Love Gold And Silver More Than Ever"

Albert Lu: Our next speaker, Ross Beaty, is an internationally recognized leader in both non-renewable and renewable resource development, having founded and divested several resource companies. He's a geologist and a resource entrepreneur with over 46 years of experience in the international minerals and renewable energy industries and the chairman of Equinox Gold Corp., a major gold producer, and Pan American Silver, one of the world's leading silver producers.

Mr. Beaty is also a well-known environmental philanthropist, primarily through Sitka Foundation, serves on the advisory board of the Nature Trust of BC, and is patron of the Beaty Biodiversity Center at the University of British Columbia. He's a director of the Pacific Salmon Foundation and the BC Parks Foundation and Panthera. Mr. Beaty has received many awards and honors for his business and philanthropic achievements including the Canadian Mining Hall of Fame and the Order of Canada. His talk today is My 50 Years in Gold and Silver Mining, Why I Love Gold and Silver Today More Than Ever. It's my pleasure to introduce to you Mr. Ross Beaty.

Ross Beaty: Well, good afternoon. No mustache today. I said I would take it off after COVID was over, but I got tired of eating my mustache with my food so I shaved it off. COVID's almost over. I have a feeling it's just about over. I'm hoping it comes soon. Thank you very much to Brien Lundin for the invitation to speak to you today. I went to my first New Orleans Investment Conference actually in 1986. That was 34 years ago. Jim Blanchard was holding forth and I was a nobody. I listened to all the great speakers and I've been attending on and off really for much of the time between then and now, been at many of the conferences. It's a wonderful conference, and I've always learned a lot listening to the speakers and meeting new friends, and many of them become lifelong friends of mine, like Brien, Doug Casey, Rick Rule, Adrian Day, Bob Bishop, just to name a few.

I started my first public company in 1985, Equinox Resources. It was a gold company. Jim Blanchard was a shareholder and I suspect some of the older folks listening today might even have been shareholders too. Since then, I've had the incredible good fortune to be a serial entrepreneur in the minerals and renewable energy businesses, and I think I'm on my 15th company right now.

Today, I want to talk about gold and silver and gold and silver mining. I thought I'd put things into some context by taking a trip down memory lane with my subject, 50 Years in the Gold and Silver Business and Why I Love Silver and Gold More Today Than Ever. I'm going to show some slides of my personal life in the industry and some of the companies I've been involved with, and then I'll talk about why I like gold and silver today more than ever. I suspect many of you may have been shareholders of some of these companies and I really hope that some of you are shareholders of the four public companies I'm most closely involved with today. Let's just see if I can get this to share. There we go. There. How's that?

This slide I assume everybody can see these slides, and I'll go through about 15 or 20 of them. This slide is really my very first summer in the bush. I always wanted to work outdoors. That's why I studied geology. This is 1970 up in northern BC. I went north, I spent four months in the bush living in a tent. I think I came out one day to have a shower in a little hotel nearby and then went back in the bush. I absolutely loved it. I would have paid money to do this job but I actually got paid to do it, and thought just how cool is that?

Couple years later I was doing the same thing up in the Rockies with Cominco and climbing mountains as well. I used to love climbing mountains, and that was a nice little sideline from working in these beautiful, beautiful mountains. Then I went to Africa. I spent a year basically hitchhiking through South America and then ended up in South Africa. Got a job there for four months working in Namibia, very interesting environment, very different than British Columbia. Lots of fun as well. Learned a lot and came back unscathed.

Then I got a couple of degrees in geology, set up my own business, Beaty Geological, worked a little bit in the late 70's doing this in British Columbia, all over western North America. Underground exploration. This is a slide from an underground project we had in BC. Then I started working a lot internationally. I went to Morocco, to South America. This was just when I was selling time as a contract geologist. The right hand slide there shows me at a little stone hut with some Bolivians looking at some gold veins. That's at an elevation of 17,000 feet above sea level. The slide on the left was me in a little town in Bolivia called Tipuani. Literally, it was a gold mining town just like out of the gold rush. You could literally buy food, you could buy supplies with gold dust. Every merchant in that little town had a little gold pan and you could measure the gold out for how much you were buying of different materials. It was just an amazing place. That was in 1992.

In '94 I spent three years in West Africa, Sierra Leone and Liberia. This again is me measuring some gold that I'd panned from a little creek. I was doing some work on alluvial gold exploration there. Then I went to Liberia, did some work on hard rock gold exploration. I was given this chicken by the chief of this area because in this area white chickens bring luck. I was expected to bring this home to Canada, but I gave it to a baggage handler at the airport instead. Unfortunately, it didn't bring a lot of luck. Shortly after we were there the country spiraled downhill into a coup, and I had to flee with nothing at all. We left all of our equipment there, our drills, everything. The country really has hardly come back to this day. It wasn't so lucky. Nevertheless, we got out of there with our health, more or less. I ended up getting cerebral malaria and luckily survived that. I did a lot of hair raising things in those days.

Then I started a public company, Equinox Resources, in 1985. Equinox lasted for nine years. We made a big gold discovery in Nevada called Rosebud and Hecla came along and bought the company in 1994, which was great for me. It was a nice exit and allowed me to start a new company fresh from that success with a lot of great supportive shareholders, and the company was called Pan American Silver. It just started as an idea, we thought. Jim Blanchard was a big part of this. We thought that we could start a company that could become a real silver company and maybe even one of the world's best and biggest silver companies. In 1994 Pan American had no assets, no money, absolutely nothing. No properties, nothing. It was a shell. Started with a vision but we've worked hard, and 26 years later today Pan American is now the second largest primary silver mining company in the world. I think the preeminent company for silver investors. It's been a real success, and I'm very, very proud of the company.

We stared in Peru. We bought a mine in Peru and fixed it up and then we bought another one and another one and we built something in Mexico and something in Bolivia and then build a mine in Argentina. It just grew organically over the years. It wasn't just all straight up. It was a lot of snakes and ladders. One of the snakes was going to Russia.

We went to Russia chasing a big silver deposit in 1997. One of the world's biggest, actually, and we were a third of the way through construction, and then we were attacked after three years of incredibly hard work, we were attacked by a bunch of cronies of Putin and needless to say that only ended badly. That was a total waste of three years. We got our money back, but all that work and effort just was for naught. That slide on the lower left, picture on the lower left, those are some of the people involved, the governor of the region, some of the Russians. It was minus 50 degrees that day and they were all wondering why I didn't have a bear skinned hat on. That was Russia in the wild west of the late 90s. A crazy time.

We had more success elsewhere. We had great success in Mexico. This is one of the mines we built called Alamo Dorado. We really have had a great success in many places. Peru's been fabulous, Mexico's been great. Bolivia's been great. A tough country like Bolivia, but it's actually for us it's just been terrific. Then we built this mine in Argentina called Manantial Espejo. These are all silver bars. This is me as the corporate executive. As you've already seen my real heart is being a good geologist and working in the bush.

During the first decade of the 2000's I had a venture in copper. I started a copper company called Lumina Copper that held a whole bunch of copper deposits that I acquired. Eventually after 11 years we worked on project by project, ultimately created six companies and then a nickel gold company called Anfield, but the six companies were all sold, in fact all seven companies were sold. A lot of shareholders did well. We raised a couple hundred million dollars in all these companies. We sold them for just under two billion over the 11 year period. It was a lot of fun. 11 different public companies and quite a success story. That was a lot of fun in that decade.

Then I segued into 2008 into renewable energy. As I said I'm an environmentalist and I wanted to build something green using my resource experience and decided to go into the geothermal power business, making electricity from hot water. The first place I went is Iceland and I ended up buying a chunk of this company that produced geothermal power to fuel an aluminum smelter and to ultimately produce about 8% of Iceland's electricity, which turned out to be a very tough business.

I moved from geothermal power into wind and hydro and solar and ultimately Alterra Power became a big company after 10 years of hard work. In early 2018, it was sold to a Montreal based company called Energex, exactly the same kind of business, much bigger, the company now produces just under 4,000 megawatts of wind, hydro, and solar power. I'm very pleased to still be involved with that company trying to get some of the world's power off of fossil fuel-based electricity and move it into clean electricity which is much more sustainable and good for the world.

A couple of other little smaller companies along the way. In 2014 after we sold all of our Lumina Copper companies, we started a new company called Lumina Gold. This is a more classic junior gold company with one beautiful deposit in Ecuador. This company is ready for a major company to come along and buy it. It has 17 million ounces of gold reserves and resources on its deposit and it should be a very low cost, large scale producer for the company that wants to go in and put about $1 billion into developing this mine. Hopefully within a year or so or maybe even later this year we'll be able to sell this company to a major company. That's the business plan.

We spun out another company from Lumina Gold called Luminex. That still is trading today on the Toronto stock exchange under the symbol LR. This company is more of a pure exploration company. It's much cheaper. It's less than 100 million market value, but it has all sorts of reasons to do well in the coming years. Those are a couple of the companies that I'm tangentially involved with.

Really, my main focus today is my gold company. It's brand new, called Equinox Gold. It's going to be my last company. We just started it a couple of years ago. We now have seven operating mines. Actually this is a picture of one of our mines in Mexico. It's an underground mine. We just are about to open this month our seventh operating mine in California called Castle Mountain just south of Las Vegas. It's a former producer from the 1990's. It was opened and around until the gold price collapsed in the late 09s. It was shut down, reclaimed, and now we're reopening it again. Actually we're running this mine on the waste from the old mine. Stuff that they couldn't make money at $300 gold, we can make good money at today. We're basically recycling that old waste rock into ore. We're putting it on these heaps and we're producing gold from it. It's almost like a recycled mine. We've very happy about this business and it's been very successful. We also run another big gold mine in southern California. Today Equinox is the largest gold producer in the state of California.

The last slide on this really is a kind of green shoots here. It's really representative of the fact that today, mining has changed a lot in the last 50 years in my career. It didn't really matter too much if you ruined the water and ruined the land and left a mess behind you when you mined, but you can't do that anymore. You've got to look after the environment, you've got to look after the health and safety of your workers and you have to look after the communities that are around places you mine. If you can't do that, you're not going to successfully mine.

We do that. We are really trying hard to develop a reputation for excellence in all the companies I'm involved with today, Pan America, Equinox, Lumina Gold, and Luminex. We're trying to have a reputation for excellence and looking after community, looking after our people's health and safety, and, as important as any, looking after the environment. We can do that and we are.

That's, as I say, a little trip down memory lane and I hope it wasn't too boring. It gives you a little understanding of why I am like I am. I am impatient and a serial entrepreneur, but I've been in this game a long time. I really did want to end with that sustainability slide because I wanted to emphasize the critical importance of these to modern mining. We've got to mine better. We have to reduce or eliminate our carbon emissions, look after our water and land resources, reclaim better and generally look after the communities where we work.

I'm dedicating all my wealth to giving back to environmental groups that look after protecting our environment and protecting our biodiversity. There's nothing incompatible between being a miner and being an environmentalist. Mining produces the metals we need to make our world a cleaner and better place. It just has to be done right.

Those are the companies I'm involved with. Pan American is today the preeminent silver mining company in the world. If you like silver and you want to own a company with really exceptional leverage to silver, you should own Pan American Silver as a core position. As I said, Lumina Gold and Luminex Resources are junior explorers. They'll never become mining companies, but I hope they'll be sold to major companies that can build out their deposits. They offer extraordinary leverage and exposure to gold and gold exploration. They're much cheaper, but of course they're also higher risk.

As I said, Equinox Gold is my last company. It's really bracketing my career, so the Equinoxes. My first company was Equinox Resources. My last company will be Equinox Gold. I have great aspirations to use my experience after all these years of being in this game to turn it into one of the leading gold producers in the world. We've only been in business just over two years, but we have seven operating mines now and a growth trajectory to produce more than one million ounces a year in just a year or two. The company has exceptional management and is in very strong financial and operating condition. I should mention it owns more than 23 million ounces of gold in its reserves and resources. Not bad for just a couple of years of work.

Why do I love gold and silver so much today? I can say that never in my career have the fundamentals been so powerfully bullish for rising gold and silver prices as they are today. I mean things were bullish before COVID came along. COVID just poured gasoline on the fire. We are in a secular bull market for gold. It began in early 2016, and if anything it's just going exponential today in its strength. It hardly matters what future forecast you believe in today. They're all bullish for gold and silver. I'm not going to repeat too much of what you're already hearing today. I mean if you're hearing a bullish case for gold, that's exactly what I believe.

The world is committing financial insanity. The world's gone nuts in terms of synchronous monetary stimulus and indebtedness. The USA alone has a deficit of more than $23 trillion and is printing money like never before. It's not just the US. It's every country in the world, and debt to me is something meant to be paid back. This crazy new idea called modern monetary theory, it strikes me as lunacy. It's simply unsustainable. I don't know how long this game can last. I'm a keen student of history and I know that every time in human history the governments have spent far more than they earn, one thing happens. Their currency becomes debased, inflation rears its head, and people holding paper assets lose out. For 5,000 years, gold has held its purchasing power and it's holding its own once again. This experiment of gargantuan monetary stimulus will end badly, but holders of gold and gold shares should do just fine. Gold is a great hedge against currency debasement and that's the best reason I think to hold gold today.

I mean, many people talk about gold being a hedge against geopolitical chaos. It is, but I would say less so today than the economic reasons or the monetary reasons to hold gold. The other, of course, monetary reason is the low interest rate environment we're seeing today. More and more debt is negative yielding, so even though gold earns no yield, it actually earns you more than holding negative interest debt. Why anyone holds government bonds today that pay minuscule interest or negative interest is simply beyond my comprehension.

What about the US dollar? I think it's just a matter of time before it devalues against most other currencies. Gold is negatively correlated to the US dollar, so if and when the dollar cracks you will see gold rising quickly. This happened earlier this year and we all saw a glorious gold rally which I think will be repeated in the near future.

Another reason is because of gold and silver mine supply. Today mine supply is constrained. It simply cannot respond quickly to a rapid rise in gold and silver prices. Exploration has slowed since 2011 and mining companies are having a harder time replacing their reserves. New mines are much harder to permit and build these days, too. It takes on average 20 years from discovery of a new deposit to production today versus just five or 10, even a decade ago. This is because more people live in more places and have more money to fight against all kinds of developments. Governments are more bureaucratic and new regulations delay mine development more than ever. Mining has always been a tough risky business and it's more so today than ever. Gold and silver prices will stay higher longer because there won't be a quick supply response.

I could go on and on about this but simply put, I think we're really today in a perfect storm for gold and silver. So many factors are combining to make the investment case a positive one. Which is better to own, gold or silver? Quite frankly they're both good to own. They're different commodities in many respects, but they're both true money and great stores of value.

In a strong global economy, silver will typically outperform gold because of its myriad industrial uses. In a weak global economy, gold should outperform silver. When monetary conditions are like they are today, both metals should do very, very well. I personally don't own physical gold and silver because I get more leverage through rising prices owning my own companies. Mining equities are riskier, but if you believe gold and silver prices are going to rise, you will always get better capital gains holding stocks. You just need to own a basket of them to diversify your risk. You'll have good company when you do. Warren Buffet, George Soros, John Paulson, and Ray Dalio just to name a few famous investors who love gold and silver stocks.

That's a little walk through my own history of being 50 years in the gold and silver mining business. It's been a great journey for me. It's a cyclical world we live in. Right now we're in a cyclical up trend I think. It won't last forever, but it's a very strong trend right now and smart investors are a part of that. I appreciate you indulging me in my own trip down memory lane. I know many of you have owned some of my companies and for that I want to thank you profoundly. I could never have done anything without supportive investors who believed in my dreams. You were part of my ecosystem of success. Thank you so much and thank you again, Brien, for the invitation to speak today. On that note, I think I'll wrap it up. If there's questions I'm more than happy to answer them.

Albert: Ross, thank you very much for that. I invite anyone to type questions in for Ross in the chat window. I'll do my best to relay them to him. Sir, I have one question on my own, and that is regarding your preference to hold equities over bullion. In a way it makes sense. It's what you do. It's what you're great at. At the same time, I wonder if it's a statement that you don't have confidence in the dollar as a long-term store value which is why you like gold and silver, but you do have confidence in the banking system, the financial system, to sort of, on a transactional basis, to provide the currency, to execute whatever transactions are necessary for your day-to-day life and to administer your company holdings. What do you say about the long-term stability of the financial system?

Ross Beaty: Yeah. I mean I can't personally imagine a world without some kind of functioning banking system. In the modern world today, modern global world where things are so interconnected, I can't imagine the global banking system collapsing. I just cannot go that far. I have to assume it's going to continue operating in one form or another which will protect the individuals like me who tend to own the equities rather than the bullion itself. I rely also on knowing that our companies in any circumstance even if the banking system is rendered somewhat inoperative for a time, our operations produce the physical metal that I'm part of owning those equities.

As an equity owner, I have a share in all that production and I have a share in the gold in the ground, the millions and millions of ounces of gold in the ground. I feel that's pretty safe under almost any circumstance to own that kind of interest. Don't forget, too, I have control of these companies. We control our destiny in terms of knowing how we're going to deal with that situation versus say a casual investor you could say who simply buys a share on the open market and then has to deal with the decision what to do if they want to sell them in terms of dealing with the normal banking system. That's not quite our world.

Albert Lu: Ross, question coming in from Joseph Spilane. Are you expecting a long and steady global market or a short and violent one in the precious metals?

Ross Beaty: Good question. That's a very good question. First of all, I have no idea how far the gold price is going to run, what its peak is going to be, how long it's going to go. Nobody knows that. I'm certainly optimistic that this particular bull market is going to run longer and stronger than anybody ever expected four years ago when it began. That's because of this synchronous global stimulus that's going on, this synchronous debasement of fiat currencies that's going on. I just don't see how it's going to end.

The only way I see it ending ultimately is good for gold. I mean it's going to be stagflation, inflation, some kind of inflation, some kind of debasement and gold is going to hold its value. Is that going to take two years, five years? Who knows. It's certainly not going to be short. It's going to be relatively long speaking in terms of how long cycles tend to last, and we're right in the middle of it right now. My view is that we're definitely not in the first inning of this, we're not in the ninth inning, but probably this cycle will go into extra innings simply because of what COVID has done to the kind of global financial base.

Albert Lu: Ross, from Stephen Pierce. He wasn't to know what your philosophy is regarding jurisdictional political risk.

Ross Beaty: Good question. I think I showed you some of the happy places I've been and some of the unhappy places that I got blown up in like Russia. The bottom line is you can't move gold deposits, gold deposits or silver deposits or where they are. You can't be too clever looking at political risk. You can get a country like Peru, which was an absolute pariah in the 80's and early 90's. It was a terrible place to invest. Sky high inflation and terrorism and all kinds of horrible mayhem. All of a sudden they got a new president and he cleaned the senate, he cleaned the court system, he got things going again. That was in 1992. The country hasn't looked back. It's one of the best mining jurisdictions in the world and remains so today.

You can't be too clever trying to analyze where you're going to work and where you're not. Would I go back to Russia? You know what? I might. I mean that was an incredible deposit. We got it for free. You just can't get those things anywhere else. Yeah, we got unlucky but we were doing just fine for a few years and then there was a regime change from Yeltsin to Putin and we got clobbered. Some companies have done okay there. Kinross has got a big gold mine there, it's running really well. B2Gold, or should I say Avino Gold, with Clive Johnson got a gold mine going there very successfully. You've got to give those guys credit.

I would go almost anywhere, to be honest. Having said that, at this stage of my career, Equinox Gold, guess where our jurisdiction is? It's going to be the Americas. It's going to be North America and South America and that's it. We're not going to funny places. For me, life's too short. You've seen some of the crazy places I've worked. I've had more near-death experiences than any 20 people I know or 100 people I know. I would like to die in my bed at this point in my life, and that means not going to strange and weird places.

Albert Lu: Ross, I want to bring in our host Brien Lundin. Brien, do you have a question for Ross?

Brien Lundin: Yeah. Ross, thank you. What a great perspective. When people ask me about Equinox Gold, I lead off with the primary reason to invest in that company and that's you. The fact that you're totally behind this company, this is all you're invested in, this is the one that you're going to create into a major gold producer, that's the reason because you tend to do what you set out to do.

That said, investors, we tend to look at the cyclicality of the market. One of the things we see in the mining sector is that when things are going really well and a mining company is producing a lot of money for its host nation and prices are up, that's usually when you get the inverse and they start changing the deal on you and trying to either nationalize or take more money. Do you have a sense for that? Is that something you look out for as far as M&A and trying to not just acquire assets but potentially unload assets?

Ross Beaty: Yeah. I mean we're not in Venezuela. We do think about it. They can't gore the sheep. Is that the expression? Gore the pig? It may be gore the pig. They can't gore the pig too much because otherwise the pig dies. There's this balance between the constant need of governments to want more and more money and private enterprise to make enough to make the investment worthwhile. The trouble with mining is once you're in a place mining, you're kind of captive and the governments can increase taxes all the time. They very often do. You produce less, you invest less, and then they typically reverse some of them and change their mind.

My secret to all that or my answer to all that potential political risk and political grab tendency is to diversify, to hold multiple jurisdictions. For example, Equinox today has seven operating mines, two in the US, one in Mexico and four in Brazil. One third, one third, one third. Maybe we go to another country. Pan American has assets in eight countries. Every day there's going to be a winner and a loser in that, but then the following year might be exactly the opposite. You just can't be too clever. You've got to hold your nose and go in and cross your fingers.

Albert Lu: Ross, we have questions coming in from some younger investors. What's your best advice for 20 year old young beginners on buying gold and silver?

Ross Beaty: Yeah. The first thing I'd say is buy a handful of companies. Get a couple of large companies like Equinox and Pan American, say, a couple of mid-tiers and a handful of juniors. Diversify risk because it's a tough risky game, and no matter how smart the management is, no matter how great the projects are, terrible things happen in this business all the time. It's just full of risk. That's the first thing is to diversify.

The second thing is when you make a little money, take a little off the table. Don't hold things to the end, because cycles change and they just change at the most diabolical times sometimes. If you have made some money, take it off the table, put it away and don't hold things until the end. A lot of people, they love the runs and they're glorious and beautiful but when they peak out nobody knows. When they start going the other way, it goes for years. It goes for four, five years sometimes. That is just a brutal horrible time. It's better to have a little bit of money off the table. Remember the mantra, buy low, and sell high. If you had a good gain, even if you think things are going to keep going like crazy, take some money off the table.

Albert Lu: Ross, a lot of interest in the companies that you run here in the chat. One specific question about Pan American's prospects in Guatemala, the Guatemala mine. Would you like to address that and then talk about anything else about your companies? Lots of questions, what's your favorite company and so on so forth. Lots of companies. Go ahead and talk a little bit about the companies you run.

Ross Beaty: Sure. I mean Pan American is just my pride and joy. It's the one I'm most proud of, of course, and feel strongest about because it's a world leader. We've built a company that's really a global leader in the silver game. Any investor who loves silver like me, I'd own a share of Pan American. It's great. I think Pan American has 11 operation mines today in Canada, Mexico, Peru, Bolivia, and Argentina. We have three massive, we call them optionality plays. One of them is this project in Guatemala which we acquired a couple of years ago, a property is one of the richest silver mines in the world and it's closed. It was closed because the company that had it didn't have their social license and they got shut down.

We're working hard now to regain that social license. We're working very, very hard. We are quite confident we're going to regain it, such that in a short while, whether it's this year or next year, but I don't think it's going to take longer than that, we'll get back the social license and get that mine going again. It's capable of almost doubling Pan American's current silver production. It's hugely valuable if, and when we get that social license. We've got another one in Argentina like that, almost the same fact pattern, one of the richest and largest undeveloped silver deposits in the world.

Then we have a huge discovery we made in Mexico at [inaudible 00:35:20] which we can control. It's underneath one of our big operating mines and we're going to try to go into that huge new zone we just discovered a year and a half ago and build another big, big mine there in the next few years. These three things are just going to, I think, take Pan American to whole new levels.

Certainly on the gold side, Equinox is my current love and joy. We've had a wonderful ... The company's got over a $4 billion market cap right now in Canadian dollars from zero just two and a half years ago. It's had a great run thanks to a lot of great supportive shareholders. We called the gold price and it's behaved pretty well. I think it's going to keep going. With all these operations we've got, we're diversifying our risk, we've got massive growths up the pipeline. We're going to produce about 500,000 ounces this year, maybe 600,000. Then we should be on track for about 800,000 next year and about a million the year after. It's got this great, great growth pipeline.

It's a pure gold play in the Americas, safe jurisdictions. I just think it's on a trajectory for really doing well and becoming one of the world's leading companies. The juniors, Lumina Gold and Luminex, those are my best ways to play the junior market. Those have great opportunities, and I'm quite active in them although I'm not on the board or management at all. The management are all of our Lumina team that has done so well since 2003, these great management teams. Really it's the managers that make these companies work not me, believe me. I'm just lucky to work with really skilled people and they're all the people who drive the value. Those are some names. I've got lots of other gold investments and silver investments but those are the big ones.

Albert Lu: Right. Ross, you mentioned that you prefer equities over physical metal, but still people do respect your opinion on these things and your knowledge and experience. I have a question coming in from Lisa about what is the best way for the new investor to hold silver if being liquid is not a priority? Coins, bullions, statues, art, jewelry? Just your opinion sir. What do you think would be the best way?

Ross Beaty: Excuse me. You just named, or she's just named some of the ways you can own silver and gold. The thing about silver and gold is they're really beautiful. I mean, they're just beautiful. Silver makes the most glorious ... Because it's the most reflective of all metal, it reflects beauty and it reflects this white pure beautiful light. It's the best conductor of heat as well. If you hold silver it's warm to the touch. It reflects and it heats up just with body heat. These things feel good. They look good around certain people's bodies. Not mine.

Silver coins look beautiful. So does gold coins, so does gold jewelry. I mean, the beautiful thing about gold and silver, it's not just money. It's adornment. It's beauty. I used to walk around with a little gold wafer in my pocket. It was called a tola bar. It's about two and a half ounces. It's an Indian gold measure. It's a beautiful little rounded bar, and it just felt good. It was warm, it's heavy, it's got that beautiful heft in gold. You can buy these things or you can buy even gold jewelry for the weight of gold with almost no extra premium for the quality of workmanship if you go to places like Dubai or India. It doesn't really matter how you own it.

If you get extra value from not just the money value but the good feeling you get out of this stuff, whether it's a silver frame on a picture or silver cutlery, silverware in a home or coins or bars. I have a silver bar on my desk, a $100 silver bar on my desk. I don't know why. It's kind of strange maybe, but it just looks good. It feels good. That's a nice extra bonus to having money around. You can't do that with fiat currency. That's for sure. Fiat currency burns up if you get it in a fire. You'll never have that happen with gold and silver products of any kind.

Albert Lu: Ross, unfortunately we have to go now, but thank you very much for that presentation and thank you for sticking around longer to answer all of these questions. Really appreciate it.

Ross Beaty: My pleasure. Thank you again.

Jim Bianco

"Macro Outlooks - What Are The Risks?"

Robert Helms: Well, it is the Jim Hour. Yesterday, Jim and Jim were both on the panel, which was extraordinary and now, Jim Bianco is going to share with us. He's president and macro strategist of Bianco research, LLC Since 1990, Jim's built a decade's long reputation for objective incisive commentary that challenges consensus thinking, in nearly 20 years of Bianco research. Jim's wide ranging commentaries have addressed monetary policy, the intersection of markets and politics, the role of government in the economy, funds flow and positioning in financial markets. Jim appears regularly at CNBC, Bloomberg and Fox business, and he's often featured in The Wall Street Journal, Bloomberg news, Grants, Interest Rate Observer and Market Watch. He's a chartered member, market technician, and a member of the market technicians association. And his talk is the Macro Outlook. What are the risks? Jim, what are the risks?

Jim Bianco: Thank you. Before I jump in, I'm going to try and go 10 minutes with a couple of prepared slides if I could share my screen right now so you can see them. And then I'll take questions for 10 minutes. And I just wanted to reiterate Jim Iuorio, my friend was right before us. He's from Chicago, I'm from Chicago. If you're going to ask me the same question, I'll give you the same exact answer he had, I have a wife too, when it comes to why I still live in Chicago and she was born and raised here. So, I think you know the answer to that. What are the Macro risks? A couple of slides here. I'll give you the bottom line right up.

The story of ‘21 is going to be the story of inflation. And I'm going to try and say this neutral, either it comes back and that's a big story. And that's my bet, it comes back or it doesn't come back and that's a big story. Because, given the amount of spending, given the reduction in the economy, it should come back. If it doesn't, it opens up a whole new ballgame to deficits, government spending, the intervention of the government in the financial markets and in the economy. What's held them back for the last several decades has been this idea that if you meddle, you create imbalances and the big imbalance is inflation, but if you meddle now and you don't have anything bad and you just have stock prices go up, then keep meddling. Please keep meddling. So I think the story for ‘21 is either inflation comes back, which is my bet, or it doesn't. So a couple of quick slides here, 10-year treasuries peaked way back in September 1981 to 1582. They bottomed earlier this year at 33 basis points on March 9th.

I think that's the end of the 39 year bull market in bonds. For those that know me, I have been arguing for bond bullishness forever. The bond market has been in a very tight range since April, arguably one of the tightest range as it's ever been in. The bond market, MOVE Index, Merrill Option Volatility Estimate, which is the VIX of the bond market hit an all time low on September 29th. Now it's jumped a lot in the last couple of weeks, but that might be a function that the move measures one month out options volatility, one month out encompasses the election. So it's pricing in the possibility of a lot of volatility around the election. But short of that, of an exogenous event, the bond market is dead right now. What should it be doing? It should be moving higher. Here's the chart. The blue line on the chart is copper.

It has been moving higher. The orange line on the chart is the 30 year treasury, it has nothing as the box shows you here. There's been a big divergence. If interest rates were following commodities, you can't really trade them, they should move together. They should be moving higher. The market's measure of inflation. This is what's called the five-year, five-year forward break, even rate. We have real rate bonds. They trade on a ten-year maturity and a five-year maturity. The Fed's favorite measure that makes sense to me is what will the inflation rate average four, five years in five years? Why that measure? Because you get rid of oil and all these other short term stuff. And you look at the big trend. It's moving higher as well too, yet you're not seeing interest rates move up and why should they be moving up?

Let's go to the next level as well too. Here is real GDP on the top panel. So this is how much production the economy produces every quarter, this bottom panel is a draw down. So when it's at zero, which is that most of the time, that means the economy is at a new high, we through the second quarter, saw the economy contract by 10%. This chart goes back to World War II. The second biggest contraction was 4% in the great recession of 2009. This is two and a half times worse. The only time it's been worse than this is the great depression. What I'm trying to say is, stuff, we produce 10% less of it. Production in the economy, services stuff. We are producing less, excess capacity we've rung a lot of that out.

The deficit, the deficit is currently $3 trillion, far and away a record. the old record on an absolute basis 1.5 trillion. So we've doubled the old record. We're probably going to go much wider, especially if we get another stimulus bill, 15% of GDP. This is the stimulus. This is the argument for inflation is that if you are producing less stuff and the government is borrowing tons of money to hand people checks, here's $1,200 because you breathe. Here's set 400 bucks a week, which is what they're talking about if you're still unemployed, here airlines, here's a bunch of money, so you can keep flying nearly empty airplanes as well too. The bottom line is you will see higher prices because we're going to be be bidding for that stuff with all the money. And those higher prices is what is known as inflation. Why isn't the bond market? Or let me just go quickly to the definition of inflation.

This is core personal consumption expenditures. This is the Fed's favorite measure of inflation. Let's stick with this as a measure. In the last 27 years, the highest it's ever been is 2.55%. So let me define inflation, two and a half percent on core, the quarter level is one and a quarter right now. I know people are going to ask me about, "Oh, but if you've been to the grocery store?" Let's just go with this measure. Inflation is two and a half percent. Those of you old enough to go, "I remember 10% in the eighties." Now we don't need to get there. We need to get to two and a half percent then you would I think have inflation on a three month annualized basis. It's running at three and a half percent. The highest level since September of 2001 in the aftermath of the terrorist attack, when prices bounced back then as well too.

So given all of this, why are bond yields moving up? Because there's a massive buyer sitting on the bond market, the Fed announced on March 13th, that they would do QE March 13th, they would do QE. They have bought almost three and a half trillion with a T dollars worth of bonds since March and astounding number, they are buying 120 billion of bonds a month or so right now, and that's about 10 billion a day, almost that it's working out to in a lot of days, their portfolio is almost six and a half trillion dollars worth of bonds. They are almost 25% of the ownership in the bond market. They, being the Fed. So they're sitting on a lot of this stuff as well too, so much stuff they bought that this is the market value of investible bonds.

For those that are in the bond market, your universe of investible bonds, the Fed and I subtract out of it the Feds holdings, the bond market is shrinking. Even though we have a $3 trillion deficit it's shrinking because the Fed has sucked up so many bonds that the bond market has been getting smaller. Look, given all of this, yield should be plummeting through the floor right now. The reason they're not is I think that the market is worried about some potential inflation, but the Fed is sitting on it. Yesterday... And then I'll take some questions here I know. I'll end my prepared remarks here and I'll take some questions. Yesterday I proposed this metaphor. The Fed is a post in the ground. The market is an 1,100 pound horse tied to that post. As long as that horse is docile and has no reasons to be worried about anything.

It just sits there, tied to the horse or to the post and it doesn't go anywhere. But you spook that horse. You spook the markets like with inflation. It will tear that post right out of the ground and run away. We have seen this with Central Banks through Japan and through Europe, even though they do versions of QE and try to manipulate the bond market. When their bond markets have been spooked, it just tears their policies up and runs wild with it. The story of ‘21 is going to be, will we see inflation? We've got less stuff we're making, we're stimulating demand. My bet is yes. We're going to see inflation. And eventually the market's going to tear that Fed post out of the ground. And we're going to see higher interest rates. What if I'm wrong? What if I'm wrong and Bernanke is right.

When he just condescendingly weighs his hands and says "Inflation? Are you kidding? There's not going to be any." Then get used to $3 trillion deficits, get used to 15% of GDP. What does that mean? They're going to send you checks all the time. They're going to intervene in markets like Fed governor Powell said earlier this week, "We may never have to stop doing Q E." They're going to be in markets all the time. And if they're in markets all the time, they're going to create distortions. They're going to keep handing money to people. If we don't produce inflation in ‘21, there's no reason for them to stop. They'll keep going with even more stimulus plans and even more stimulus plans. Just today, the Democrat Caucus has suggested that if they had their way, they would be doing $6 trillion, 25% of GDP. They would send everybody listening to this call $2,000 to $2,500 a year.

They just... That's two and a half Andrew Yang's is what they're basically discussing for you right now and they would just continue to ratchet it up and up. What stops this, is that as you go too far, you produce an adverse reaction. Inflation is that adverse reaction. I think it comes back in ‘21, if I'm wrong and it doesn't come back in ‘21, then this level of involvement of the government and the Fed in markets will only increase until eventually it does come back.

That's the big risk as I see us moving forward from here, it's allowed to work now because we're still in the restarting phase of the economy. But I think once we get past March or April of next year, the year over year changes from the shutdown. I think the inflation numbers are going to start to show some real increases. Inflation again, two and a half percent. And that horse tied to the Fed post. It's going to start to get very, very worried and when it does. I don't think the Fed could stop it. Let me open it up and ask if there's any questions or thoughts that anybody has in the presentation right now.

Robert Helms: All right, Jim, good stuff. We do have some thoughts. We're going to have you stop sharing if you would for a minute and we'll get some questions. This first one's pretty short to the point. Peter asks, "What does Jim think of Muni Bonds?"

Jim Bianco: You're going to ask me about Muni Bonds and there's two ways you can answer. One, they move up and down with interest rates, two, they are probably a little bit unattractive because I don't think they’re pricing in the potential of higher tax rates if we get a Democrat sweep, but three, the big issue you got to think about with Muni Bonds, especially if you're talking about some of the more troubled states, my state of Illinois, New Jersey being another example as well too, is the credit quality of them.

Let's be honest about what's going on with the municipalities, Illinois, New Jersey and some of the other states as well, Connecticut being a third one, they can't pay. They simply cannot pay that's the stumbling block in the stimulus talk that Pelosi wants to make sure that there is a bailout of the States. If you get it, probably Illinois will be a good buy on a speculative basis. If you don't, they're going to be in big trouble. So it's a complicated issue. Muni Bonds, it's really about what do you think the tax rates are going to be next year if Biden wins I think higher. Do you think that they're going to pass a stimulus package to bail out these municipalities? If they do, it's probably going to be a buy as well.

Robert Helms: Okay, great. Thanks for that. We've got another one here from XN. I hope I said that, right? He says "Some analysts claim that QE does not amount to money printing and the post great recession bull market and precious metals is based on a misunderstanding. If that's the case, what conclusions can a precious metals investor draw with regards to inflation, deflation, depression, this time to protect him or herself."

Jim Bianco: I know that argument and the argument, it really comes down to in 2009, a bunch of economists and Wall Streeters wrote a letter to Ben Bernanke and said, don't do QE. It's going to create hyperinflation. And it never did. And the reaction on the other side is "See you are wrong and you're wrong forever. Always, all the time period, full stop. You could print with impunity and there will never ever, ever, ever, ever be inflation." That's what their argument is essentially. You're right. They were wrong in 2009, but it is creating money out of thin air. It is...when the Fed just real quick, when the Fed calls up a big bank, JP Morgan and says, JP Morgan, we want to buy some 10 year notes from you and JP Morgan sells them $20 million with a 10 year notes. How does the Fed pay for that $20 million sale to JP Morgan?

The Fed turns to JP Morgan and says, "You know, your reserve account, we'll just erase that number and add 20 million to it." If you are a commercial bank and you do it, that's fraud. And everybody goes to jail. If you are a central bank and you do it, that's sophisticated monetary policy and everybody then bows and goes, "Wow, you guys are very, very smart." It is money printing. The question is, will it produce inflation? I think ultimately what we found based on the deficit chart I showed you is we're going off in levels that we've never seen before. If this doesn't do it, we're going to go to even bigger levels and even bigger levels as well too. So I do think it is money printing in the vernacular. I know that my Fed friends say, "No, we're not using the printing press. This is my little printing press. We're not using the printing press to print up dollars, but we are doing it digitally."

Robert Helms: All right. Good stuff. Thanks for those questions, Brien Lundin, you probably have a question I'm guessing.

Brien Lundin: Yeah. Jim, thanks so much. Thanks for your charts. That chart of the rolling deficit is spectacular. I've been a big fan of yours for many years. Thanks for coming this year. I know that you do some work on election probabilities that kind of go outside the mainstream of what we see on the mainstream media, what are your thoughts on the election, first on who possibly will win it, possibility of a split government between the White House and Congress and what the implications might be under these scenarios for the market?

Jim Bianco: Yeah, I do look at the betting markets quite a bit. Quick 10 seconds in the betting markets. From the revolutionary war to the great depression. That was the primary place that we used to figure out who was going to win elections, not polls. They used to trade a futures contract on who was going to win the election, a Biden or a Trump version on the New York stock exchange every four years since they started finding the market in 1792 under Buttonwood tree, that got outlawed in the great depression. If you were in the 1880s and you were reading the Topeka times and the Topeka times when to write a story about who was going to win the 1888 election, they would quote the futures market, the betting market on the floor of the New York stock exchange. They've been around forever. They're much harder to manipulate than people think, now why do I bring that up?

If you look at the polls, Biden's got about a 10 point lead or so in the polls. And if you look at the poll analyzers 538 Nate Silver, Charlie Cook at the Cook report, Condiments Magazine does it too. They're giving Trump about a 10% chance of winning the election. If you look at the betting markets, they're giving Trump about a 40% chance of winning the election. That is a huge difference. Now to be clear, betting markets are less than 50 for Trump. They've been less than 50 for Trump's since July. So they're not suggesting that there's going to be a big surprise. They're suggesting it's going to be a lot closer. Yesterday, Deutsche Bank did a survey of...of Wall Streeters. And they said, "Who's going to win and what's the average margin of victory going to be?" And the Wall Street survey said "Biden three points."

If the polls say 10 and Biden wins by three, the polls were off by seven points. That would be the biggest polling error in polling history. That'd be bigger than Dewey-Truman in 1948. The difference of course is Biden would still win and everybody say, "Oh, who cares? It doesn't matter, it's way off." Why does that matter? I think A, this election is a lot closer than people think, B, that's going to matter a lot for the Senate races. The Senate races, I think are very nearly a dead lock right now that these things are a lot closer than everybody thinks. What do I think the polls might be getting wrong? And we'll find out in 19 days, not who they think is going to win. Yeah. If a hundred percent of the public voted probably Biden would win by eight or nine points, but only 60% of the public votes.

And their assumption is the 60% that are going to vote this year are the same that voted four years ago, and eight years ago and 12 years ago and 16 years ago. And that's where they get it wrong. They don't get it wrong in getting people's opinion. They get it wrong in saying, "Okay, now that I know who's going to vote by what... I don't want, men are going to vote, women are going to vote for Democrats and Republicans, how they're going to vote?" How do I weigh it? That's what they get wrong all the time. Weighted as to which one of these people are going to show up and fill out a ballot weight of it is what it is. That's the trick. That's what I think that the betting markets and a lot of people are worried about is that they've got the weighting wrongs. The bottom line is, I think there's a lot closer than people think I'm not suggesting a Trump surprise at least at this point, the surprise might actually come in the Senate by the Republicans outperforming. That's what it seems to look like for now.

Brien Lundin: What are the possible scenarios, Trump win, Biden win and government divided between the White House and the Senate, how do you think those will affect the markets?

Jim Bianco: Well, let me start with the blue wave. If you work at a big bank on Wall Street, this is what your job is to do is you're supposed to stand on your head. And you're supposed to say that every scenario that comes down the pike is bullish for stocks. So all of a sudden now all the big [inaudible] and all the big banks are trying to tell you, "Oh, the blue wave is coming and that's bullish for stocks." No, it's not. It's not bullish for stocks to have higher regulations and higher taxes. Now, there can be other things that can offset set it, like short-term stimulus, like Fed policy, like the economy, whether or not we ever shut down or another COVID wave.

Those things can just overwhelm that story. But I think that the best scenario is still, as always, divided government to some degree, if Trump wins, we have divided government because of the house. If Biden wins and the Republicans can hold onto the Senate, we still have divided government. That is ultimately the best scenario. It has been statistically for last 60 years. And I think it will continue to be, but don't worry. Wall Street will say "The blue wave is the most bullish thing. The blue wave is the most bullish thing." And then you'll say, "Wait, the Senate was taken by the Republicans... “divided government is the most bullish thing." That's the way that the whole basically pitch that story to all of us. So I think that the divided government is probably the best scenario. The worst scenario, I think is the blue wave. There's nothing to stop them. The less worse scenario is a Trump victory because you still have a divided government with the house. I'm assuming that there's going to be, that the house is going to stay Democrat either way.

Brien Lundin: Interesting. Do we have any more questions from the attendees?

Robert Helms: Well, there was a few more and I think we have time just for one more, Jim. There's some good stuff. Let's see. I just put a new one in here. No, I had a better one. I'm not trying to judge everybody's questions, but let's see. Okay. Here's one from Joseph. He says, "China is ramping up purchasing commodities for its internal economy using its dollar reserves, does that accelerate the inflation that you're talking about?"

Jim Bianco: It would accelerate commodity prices going higher, but inflation is a lot more than commodities alone. So I do want to kind of separate the two. You could definitely see that... You started to see it already in that chart I showed you with the rise of copper prices. You know, the Chinese are one of the biggest consumers of... if not the biggest consumer of copper in the world as well too. So yes, how you're priced is across the board. You know, stimulating demand. I'm looking at inflation more at the core level, because that's what seems to get the market's attention. It seems to get policymakers attention and that somewhat excludes those commodities. And that's why I think if you're going to keep handing people checks in an environment where we're producing less stuff, you're going to have more inflation. But short from that, China will try to ramp up to buy more commodities.

By the way, if you noticed yesterday for the first time ever China did issue a bond denominated in US dollars just yesterday for the first time, remember as the reserve currency, we have the benefit in United States that when they priced commodities, what's the price of oil, $41, a barrel, *dollars* a barrel. What's the price of copper? It's in dollars. What's the price of gold? It's in dollars because we're the reserve currency. If China is going to start issuing bonds, denominated in dollars makes it that much easier for them to buy commodities. They don't have to convert their yuan to dollars in order to do it. So I definitely think that you can see a big demand pool out of commodities, pull the prices higher from China. But I want to separate that a little bit because the inflation call is not just a commodity call. It's more than that.

Robert Helms: All right. Good stuff. Well, great as always big hands for Jim Bianco. Thank you very much. Good stuff.

Peter Boockvar

"Inflation Is A Comin"

Albert Lu: Introducing our first speaker, Peter Boockvar. Peter is the chief investment officer at Bleakley Financial Group. Prior to joining Bleakley, he was a chief market analyst at the Lindsay Group, a macroeconomic and market research firm founded by former federal reserve governor Larry Lindsey. Before this, Peter worked as a macro analyst and portfolio manager for a brief time at Omega Advisors, and had previously been a partner at Miller Tabak and Company, where he was the equity strategist and portfolio manager. His talk today is Inflation is a Comin'. Please welcome Peter Boockvar.

Peter Boockvar: Thank you so much. I do have a presentation. So I'm going to share that screen, and I'm going to go over my slides. I'll try to finish up in about 25 minutes and leave it open for a few minutes for a question and answer if you have any questions. So let's share the screen and get started here. So this is the consensus out there. Rates are going to stay low forever, there is no inflation, there won't be inflation, and that we're in this pandemic deflationary bust. And there's one thing that underlines my entire thesis here, is that, don't extrapolate what has happened over the last six months, and assume it just continues forever. I'm of the opinion that upon a vaccine, life is going to go back to close to what we were used to beforehand quicker than you think, and that memories are short, some things will change, business travel will change, the use of Zoom will change, but a lot of things will go back to the way they were. So let's get started here….

...Okay, here we go. So with respect to the Fed, we know that they're going to keep short rates low for as long as they want. And while right now, they say three years, three years is what they think today. That doesn't necessarily mean they don't change policy before then. Now of course, they're going to drag kicking and screaming into raising interest rates, but regardless, the long end is going to make the decision here of where rates can go. The long end is going to make the decision, and really render the verdict on inflation. And on this discussion about deflationary bust, the CPI and the PCE, the two inflation gauges that the market pays attention to, a PCE obviously being the main focus of the Fed, are above where they were pre-COVID. So there isn't such a thing as a deflationary bust.

Yes. We saw a decline in prices in the few months after this all started in March, April, May, but we've since recovered that and more. Now with respect to inflation and my theme, over the last 10 years, mostly the inflation that we saw in the economy was on the services side. Services, inflation ex-food and energy, actually more ex-energy, was persistently higher by 3% year over year, mostly due to rent and medical care, while that was offset by deflationary pressures on the good side. This time around, most of the inflation is going to come on the good side, some on the services side, but possibly some easing, at least on the rent side, which I argue won't last very long. So here we go to the next slide. This is a chart of headline CPI, not rate of change, but the actual index.

So this is the visual showing that this is not any deflationary bust. This is inflation that has actually never been higher. And what I like to do is replace the word inflation with cost of living, so it gives you more of a real world understanding of what this chart is saying, that the cost of living, outside of a few months here and there flat-lining or falling, still is on a steady rise upward. This is core CPI, which has also done the same. And you can see outside of just a few months of the decline, we've reached new highs within this index. This is the CRB index. I know commodities aren't a full part of the inflation story, but it's an important part of the inflation story, because obviously, there are a lot of raw materials here that goes into the production of goods.

So you can see that it has well bounced off its lows. It's still below where it was in March, but I'm of the opinion that it's now beginning to trend higher. This is the CRB food index. So this is sort of the corn, soybeans, wheat, coffee, chocolate, cocoa, I should say, sugar. And you can see how much that has rebounded. You have corn back above four dollars, you have soybeans back above 10, you have wheat now above six dollars. So this is something to keep our eye on as well. Food prices we can deal with much better in the U.S., but you talk about other areas of the world, and higher food prices does not go over well. And one of the important things that we saw in March, April, May, was a spike in food prices, because you had a rush of people going into the supermarket, you had the supply side unable to meet that demand.

And that's again, another underlying theme here, is that the fiscal side of government spending has kept demands very much elevated than it would be otherwise. And COVID turned the supply side upside down, that has hindered the capacity of the economy to deliver goods and services. This is the CRB raw industrials index. As you can see, it's had a short rally, and it is close to breaking out to its highest level since early 2019. Again, this is in the middle of the pandemic. This is what the raw industrials index is doing right now. This is an index of now goods prices, and I've argued with the last 10 years, we've had goods deflation. Now I argue that we're going to start to see goods inflation, and this is reflecting of the Swift change that we're all of a sudden seeing in goods prices.

Now on an absolute level, these numbers are very modest, but focus on the rate of change here. One of the reasons why core CPI last week spiked was a big jump in the used car price index. And this is up tremendously, as people trying to be economic are buy more used cars than new cars. And keep in mind, when the economy shut down in March, April, and even through May, when factories basically produced nothing, there was a dearth of inventory on dealer lots. Where the inventory was more on the used car side, people rushed to the used car market, and you can see the response on the pricing side. This is now the used car prices within the CPI that we saw last week, that rose 10.3% year over year. Now that is no modest rise in price inflation. That is quite a dramatic spike. So this is what J.D. Power said, and this is for new cars. Now keep in mind, when the government calculates CPI, they hedonically adjust that price index.

So you may pay higher for that car, but if they believe the technological advances are such, that are greater than the year before, they will adjust that price increase downwards, and basically tell you that you really didn't pay up for it, even though people are paying for cars and trucks out of real earned dollars. So the average price of a car, again, slanted because of SUV's, but still, with the median income in this country is 50 to 60 grand, and the average price of a car is 35 grand. That is what I call inflation. These are medical care costs. Now medical care costs now are sort of immune from fed policy. It doesn't matter where the fed has the fed funds rate, medical costs are going to do what they do. And you can see this very steady increase, and a very key contributor to the services side of CPI over the last decade, this chart's over the last five years, and you can see that this has been a very persistent rate of gain in inflation.

So last week, we also saw the NFIB survey of small businesses. They call it the NFIB small business optimism index, and they're asking a bunch of different questions on hiring plans, expansion plans, capital spending plans, compensation plans. And one of the questions is how you plan on adjusting your prices. Were you expecting higher selling prices or not, and you can see this very sharp rise that we saw for those planning higher selling prices. Now that is obviously in response to what they're seeing on the cost side, because in an economy that has not regained its GDP level of the fourth quarter of 2019, you can say, well, how and why are businesses being so aggressive in raising prices? And you can see while they're trying to recapture less business, but they're also trying to offset their cost pressures. T. This is the Baltic Dry Index, which yes, It does reflect the demand upside pressure for ships. Now Baltic Dry is typically shipping around the world more of grains and iron ore, for example, rather than more container-like stuff.

And I just wanted to point this out because it is the upper end of the range. And a lot of this is, yes, it's the demand side for these sort of commodities, but you have to also think about the capacity side. There's been a lot of ships scrapped, a lot of cargo capacity that has been taken offline. And take the airline industry, for example, because this is something easy to understand is that while most passenger airlines are taking people and taking their luggage, there's also a part of that business that takes cargo. So you can imagine all the airplanes that are furloughed and hangers around the world that essentially has taken cargo delivery capacity offline. So a lot of that is then being transferred to UPS and FedEx and other forms of transportation to the point where FedEx and UPS have announced surcharges that they're going to implement for the holiday season, because they're overwhelmed with capacity constraints.

This is a chart of intermodal rates, basically on a per mile basis. And you can see this rather sharp spike in June. And the reason why I'm talking about transportation costs is keep in mind, every single good that is produced in the world ends up making its way on either a ship, a truck, or a rail, or a plane in order to get from point a to point B. So if your shipping costs are going higher, you're either eating that cost because you can't pass it on, or you're doing your best to pass it on. So that's why I think that transportation costs are really a key piece of the puzzle from a services perspective, for sure, but its potential influence on the good side of pricing. This is a pricing power index, and it's reflective of the dearth of capacity relative to the demands. So you can see out of a hundred, this being at 85, this means the pricing power leverage is with the transportation companies, with the shippers.

And that means these costs are going to be, are going to end up in coming out of our wallet, particularly going into the holiday season. And here's just some anecdotal stuff, which whenever I make a presentation, instead of just showing you charts that we can all see, I like to dig underneath and hear from the horse's mouth, hear what companies have to say. And that's why I try to listen to as many conference calls as I can. And you can hear what Schneider is saying here. We have way more demand than we have capability and capacity to handle the way we've had to ramp down in April, and then ramp up in late summer, is fairly unprecedented in my 33 years in this industry. And then Werner, another major trucking company, shippers understand capacity is tight, but nobody expected it to be this tight and this unpredictable. Again, these price increases make it into price increases into the goods that we end up consuming. CEO of Sea-Intelligence: "I think the era of below cost freight rates is gone, because carriers can much more tactically adjust capacity to the available demand and sustain rates."

From freightways.com: "A September supply chain survey shows transportation capacity has reached new lows. The Logistics Managers' Index, a survey of leading logistics executives, showed capacity fell to new lows, dipping another 770 basis points during the month to an almost 24% reading." And again, 24%, 50% is that sort of break even, so you can see how far below we are. Here is a chart of that capacity, just so you can have a visual and perspective of how low that is relative to where we were pre-COVID. And this is not something that just bounces back in the snap of the finger. So when we hopefully have this vaccine, when things begin to try to normalize, it's going to take time for this to get back to where we are. So that's why I think disinflation could be much stickier than people think. And this is the transportation pricing side that is in response to that decline in capacity. And you can see how quickly we've snapped back, particularly off the lows in April.

This is another transportation pricing index from Drewry, which I showed before, I showed the trucking with a per mile basis, this is sort of air cargo. And you can see the sharp increases, particularly relative to the last five years. This is what I mentioned earlier about FedEx and UPS gaining pricing power. And because they're getting flooded with requests, this is more than just an e-commerce thing. Again, this is so much cargo capacity that has been taken offline, that these companies have some serious pricing power. So every single good you were going to purchase online this holiday season for your friends and family is going to reflect higher prices versus last year, a lot of that having to do with higher transportation costs.

Actually, before I get to the Fed's balance sheet, I read an article yesterday, couldn't make it into the slide to that, is that Knight Transportation, one of the major trucking companies, is paying $7,500 bonuses to not just their existing employees, but also to entice new employees to join because they can't find enough people. So when I talk to people about these inflationary pressures, they said, "Well, what about on the labor side?" Because you have only half the jobs that were lost have come back, but in certain sectors, you're seeing wage inflation. And another anecdotal thing, it was in the journal yesterday, a guy who runs a franchise staffing company is trying to fill about 300 different jobs this time of the year, where usually it's about mid-50s, and he's never seen wage price inflation in the 10 years he's been doing this. So now we have the transportation cost pressures. Now I'm going to sort of marry the Fed's balance sheet and the monetary response with now, we actually have a fiscal response to this downturn.

Unlike the previous 10 years, we had all that Q-end zero interest rates where it was just the Fed. Now we have the fiscal side, plus the Fed that is now monetizing it. So this is just a visual of the Fed's balance sheet, which I'm sure everyone watching this presentation is well aware of. This is the U.S. federal debt, and you can see the hockey stick higher, which you can imagine is only going higher. So now we are sort of merging these two, where the Fed is essentially outright monetizing this. And in fact, Jay Powell in a speech a few Tuesdays ago, said the Fed and the treasury are working side by side. So there is no such thing as fed independence, and that is basically tinder for inflation.

So this is a visual of monetary stimulus married with fiscal. It's M2, I know you've seen this chart over the past couple of days showing this growth, and just to put some sort of real world aspects behind this, is that the size of the transfer payments that came out of the CARES Act inflated the savings rates to the point where people got more money than they lost in wages and salaries. So savings accounts go into M2. So that big jump in the savings rate is part of this spike. So it is a marry of the fiscal side printing, we're selling these treasuries to finance this fiscal spending, with the Fed again monetizing it. This is the implied inflation rate within the TIPS market, and you can see the 10-year rate at about 1.7%, off sharply from the lows and back near the recent highs.

Now, the Fed has been a big buyer of TIPS, and I know there's some people that argue that Fed buying of tips has helped to increase this, but I'll argue that all you have to do is look at the statistics and show that this would have been here anyway, irrespective of dead buying. Now, do you want to talk about rents, because rents are an important part of the CPI. Housing makes up about 40% of CPI, as opposed to PCE where housing is about 20%. And there is an argument that slower rent increases is going to moderate the rise in inflation. And I think, yes, maybe right now, but with the price increases we're seeing in new homes that are running five to 6% and on a median basis in double digits, you're going to see owner's equivalent rent, which is basically a measure of inflation where the government asks people, homeowners, not renters, but homeowners, if you were to rent your house, how much do you think you can get?

Well, if homeowners are seeing five, 6% price increases in homes, you're going to assume that they're going to start to think that they can get more money for rents. So I expect this decline to be temporary, more related to addiction, restrictions, and also obviously the loss of pricing power in some of the big cities like New York, San Francisco, where rents are falling dramatically. But I argue that rents are actually beginning to rise. Not beginning, but are continuing to rise in other areas of the country that are more attractive to live in such as the Sundale States. So those landlords, residential multi-family landlords in Texas and Florida, and in North Carolina, Arizona, they have a lot more pricing power than those in New York and San Francisco. So this is a chart of home prices. Now this is median, so keep in mind, if you are selling more homes on the upper end, it's going to skew this median number, but you can see the rather sharp increase that we're beginning to see.

So yes, homeowners get the benefit of lower mortgage rates, but if it's being offset by a rise in new homes, then that buyer is no better off. So the Fed's policy by lowering mortgage rates is actually no longer helping the home buyer, because again, one is offsetting the other, and this will eventually filter into the OER, the owner's equivalent rent component of CPI. So this is the 30-year bond and the yield, and the reason why I show the 30 year, I know everyone likes to look at the 10-year, is the 30-year is the least impacted by the manipulation of Fed policy. It's the furthest out on the curve. So if you want to look at a point on the yield curve that is less influenced by that distortion, if you want to look a part of the yield curve that will give you the messaging of the market on growth and inflation expectations, watch the 30-year yield more so than the 10-year, because 10-year's still being sort of influenced by the Fed funds rate.

And in the back of people's mind, this potential for yield curve control, which we essentially had anyway, when the Fed talks about forward guidance. So watch this, and I argue that we've already seen the bottom of the third year, and I expect this to be headed up to two, two and a half percent rather soon. So we can't talk about inflation in the full picture without talking about the dollar. So this is the dollar index, and the reason why I included a 10-year chart here is because I think it provides some good perspectives. And for all the chatter about a strong dollar in some areas of the market commentary from people, and the shortage of dollars, and this and that, dollar is no higher than where it was in late 2014, early 2015. And this is a particular chart that I like to show when you get into a debate about where's the dollar gonna go.

This is the U.S. budget deficit as a percent of GDP in white, and the dollar index in orange. And you can see over time, they pretty much mimic each other. And you can see on the right side, that white line falling to about 15% of GDP, the U.S. budget deficit. And if this quarter lever lasts, you can see there's a lot of downside potential here in the U.S. dollar that could lead to higher inflation, and really impact the purchasing power of U.S. citizens, where we import a lot more than we export. So what do you do in this kind of environment? Well, I get that question a lot. If you think that this inflation scenario plays out, and if it does, what do you do? And owning gold and silver is the obvious. When I look at gold and silver and I analyze it, I try to distill this to really two important things: where's the dollar going, where are fiat currencies in general going.

Now, I know they go off against each other, but when I say that I'm talking about how our central banks respecting or disrespecting their respective currencies, and where do real rates go? I try to throw out geopolitics, I try to throw out the hedge or the safety trade, and I really only try to look at those two things. So if I'm right on inflation, then you can be sure that while longer-term interest rates are going to go up, the Fed is going to way overstay their welcome in terms of adjusting policy. So real rates have the potential of going much deeper negative. So right now, going 10 years out, the real rate is negative by about one percent., Well, in the late 70s and other times, that real rate has been negative up to 400 to 500 basis points. So this real rate move into negative territory, I believe, is just beginning. And if I'm right on the dollar, then you're going to get the two major positive benefits to the price in gold and silver.

I also believe that commodities generally, in this inflationary world, will also benefit. And we look at the last 10 years, commodities have done terribly, triply relative outside of gold and silver if you look at it in the big picture, have done terribly, particularly energy. And I think that this group is due for outperformance. And particularly like agriculture, I showed the chart earlier in the CRB food index, and the way it played out, I think is the fertilizers like mosaic or nutrient. I will actually argue with respect to energy, that I would not be surprised that energy stocks, which now make up about two and a half percent of the S&P 500, which I believe is the smallest percentage of any group relative to the size of the S&P, and the history of the S&P will ever form the bank stocks over the next two years so that, for example, Exxon, BP, Chevron, Royal Dutch, Schlumberger will see, better stock performance. Then the banks stocks over the next couple of years.

And this a lot has to do with the dramatic supply response to this fall in prices, that U.S. shale may never go back to producing the level of oil that it did in 2019, that we have might have seen peak shale, because you need 60 to $70 of oil of shale to bring back a lot of these wells. And even if you get there, there's not going to be the financing for, because banks have been so turned off in the capital markets by this industry. So I like those big names, and I think that these stocks are just getting thrown out. And while I completely understand the whole move to renewables, this is more of a cyclical trade, this is more of a move higher in the next couple of years, rather than a longer term, bigger picture idea.

Copper, another commodity idea. Copper, which was really perceived as moving with Chinese construction. We have to understand that copper is one of the most exciting commodities going into this new world of electric vehicles and batteries and solar and wind turbines, that it's actually a renewable play. I also like uranium. I do admit, I think that every New Orleans conference I've spoken out of said I like uranium, and it's just been a total drag. But I still think that the supply/demand imbalances are getting where prices are going to be much higher in the next couple of years. TIPS, an obvious idea. But also, I think when I talk about treasury volatility, the move index, which is something that everyone should keep their eye on, if I'm right about inflation, is at historical lows.

So if you believe that interest rate volatility is going to pick up on this inflationary thesis, then you want to be in things that are going to benefit from the increase in treasury volatility. And the last thing I throw out is bank stocks. And I threw that out there because I expect a steeper yield curve, if I'm right, because again, it's going to be the bond market that tightens policy, rather than the Fed. So you can get a steeper yield curve, it'll be the one thing that banks have been so desperately in need of, and they both all pay a good dividend, they're cheap, and I want to say one last thing here in the aggregate, and with respect to the buy market and inflation is if you get a workable vaccine, if by the end of this month, early next month, you get good news from Pfizer that their vaccine works, and then a few weeks after that, we're going to hear about the safety results, that is obviously game changing from a life perspective.

But I think it's going to be game changing from the perspective of the markets. And I made the argument that bonds around the world are going to be the sale of the century when we get a workable vaccine, and that the 10-year yield in the U.S. will not be 70 basis points, where the 30 year yield won't be one and a half percent when you get that vaccine, because that's going to be game changing. So you're going to see, I believe, a rather steep increase in interest rates, you're going to really solidify my inflationary arguments, because you're going to have the demand side, I believe, coming back even quicker in 2021, relative to the supply side. And it's going to throw all these grand central bank plans literally upside down. So with that, with the few minutes I have left, I'll leave it open for questions, if there are any.

Albert Lu: Peter, we do have a couple of questions, but a quick one from me first is one of the conclusions of your talk that if we see great performance in the fourth quarter from the transportation companies, that this is not the good sign that you might think that we're going into sort of a robust period of expansion, but instead that this is the pricing power that you talk about, and this is basically just inflation, that's going to work its way through the system, eventually show up at the consumer level and stifle consumption.

Peter Boockvar: Well, I would say it's a combination. I think a lot of the demand side is really playing catch-up from the world that was shut down for a couple of months. And there is this need to replenish inventories. In fact, the NFIB last week talked about the inventory to sales ratio being at record lows. So there is a part of catch-up here, but it's also leverage that these transportation companies had that they're going to utilize. And we had a slew of trucking bankruptcies in 2019. So even before we got into COVID, we had major supply demand imbalances in the trucking side. So it's going to be a combination. Now, I think the general overall theme here is that I'm not necessarily expecting economic growth to be robust this year. I'm really seeing a stagflationary type of environment where we'll get some growth, but it's going to be modest, but stuck with this inflation. So stagflation is really the environment that I'm looking at for next year.

Albert Lu: Peter, just to expand on a point you just mentioned, George Reese asked, how much of the optimism here you have in the pricing power has to do with this supply destruction that you talk about, companies going bankrupt, and also, have energy prices been a supporting force for that industry?

Peter Boockvar: Well, certainly. I'll answer the second one first. Certainly from a cost perspective, it has, and you can imagine if oil all of a sudden goes from 50 and $60, there'll be pressure on the trucking companies, but you'll see surcharges that those trucking companies then layer on to their end customer. So they're going to have surcharges that they're going to put on, they're going to have continued pricing leverage with respect to those capacity constraints. So again, it's going to be a combination of pricing power and the pickup in demand, and that pickup and demand's gonna increase, again, when you get that vaccine, which I'm hopeful we'll get. But I do think that while a vaccine will allow us to get back to our lives quicker than we thought, and that may be 2021, we'll start to normalize, I think the inflation implications are going to have dramatic impacts on both the economy and the markets that are priced for no inflation and for no rising interest rates.

Albert Lu: Colin O'Donnell has this question for you, and essentially, he's asking how much of a factor are taxes in the price increases you see coming, the hidden taxes on corporations?

Peter Boockvar: I lost your audio. I think you're on mute.

Albert Lu: Sorry. Can you hear me now, Peter?

Peter Boockvar: Yep, I can.

Albert Lu: Yeah, Colin O'Donnell has this question about what is the factor, or the degree to which hidden taxes on corporations play in the price increases that you see coming?

Peter Boockvar: I guess, hidden taxes, I'm not clear on what that necessarily is-

Albert Lu: Oh, just value added type taxes on corporations. They're going to have to increase prices to recover the lost income.

Peter Boockvar: Well, certainly if we see a rise in the corporate income tax rate, if Biden wins, he wants to raise it to 28%, the hidden truth is that company corporations don't pay corporate income taxes. We do because they just pass it on to the rest of us. So that's for sure. And just inflation generally is a tax. So whoever's getting hit with the inflation, whoever in the supply chain is getting hit with higher labor costs or material costs or shipping costs, whatever, that's a tax that they try to pass on to somebody else. So it becomes a pricing hot potato that everyone tries to pass on and recapture.

Albert Lu: Okay. And just for my own benefit, would you expand a little bit on, it seems like you think that a vaccine would really goose the economy, and then that would send investors out of treasuries, and I imagine into equities, is that basically what you're saying?

Peter Boockvar: Well, not necessarily. All of a sudden, you get a rise in interest rates and inflation. Paying 30 times revenue for some software company is not going to look so attractive. So there is going to be some major cracking, if I'm right, in parts of the stock market that has elevated PE ratios. There's no difference to an investor you're going to pay 30 times, 40 times, 50 times revenue or earnings if rates are low, and people foresee them to stay low for a long time. But all of a sudden, if that rate story changes, if that inflation story changes, well then, investors become more sensitive to high valuations. So that's going to be the negative part for the market. The positive part for the market will be the cheaper stuff that's already been hammered that already reflects very low expectations. And as I argued in my presentation, the commodity side of the market may trade better, the bank stock side of the market may trade better, and you can be sure provided the vaccine, leisure hospitality in the airline industry will certainly be outperforming the bank stocks, if you do get a workable vaccine.

Albert Lu: Okay. Peter, I'm afraid we're out of time. I do invite you to enter the chat section here, where we have many people following you and asking you questions. Right now, we're going to be preparing for our Pandemics, Politics, Protests and Money Printing panel.

Booms, Busts & Bubbles Panel

Albert Lu (MC), Jim Bianco, Jim Iuorio, Peter Schiff, Grant Williams

Robert Helms: All right, so let's open up this panel. It's extraordinary. It's Booms, Busts, and Bubbles. Your moderator for this panel will be your MC later today. Let's welcome back Mr. Albert Lu. Hey Albert!

Albert Lu: Robert, thank you very much. You're right, this is a great panel and I'm enjoying playing a little musical chairs with you, but right now my job here is to moderate this fine panel. The Booms, Busts, and Bubbles is a tradition here in New Orleans, and I'm happy to MC or moderate once again, so let's get into it. Our first panelist is Jim Bianco, macro strategist at Bianco Research. I've been following him for quite a long time, so happy to have him on the panel. Our second panelist, Jim Iuorio ... Can I just note for the record that Brien Lundin is killing me here with these names this week? Six letters, five of them vowels, and I bet I was supposed to roll that R, Jim. Jim is the- [crosstalk 00:01:00].

Jim Iuorio: No you nailed it, you did it perfectly.

Albert Lu: Managing director of TJM Institutional Services and a veteran futures and options trader. Welcome, Jim, enjoy watching you on CNBC. My good friend Peter Schiff, founder of Euro Pacific Capital, has been a consistent voice over the years for hard money and gold investing. Welcome, Peter. And finally, Grant Williams, portfolio and strategy advisor to Vulpes Investment Management. Grant, if you read your bio it's almost... Let me give you the CliffsNotes on it because it doesn't do your career justice. Grant Williams [crosstalk 00:01:37].

Grant Williams: Listen, every bio does more than do the career justice. You know that Albert, you know how that works.

Albert Lu: He's essentially done everything that I hope to achieve in my career. He's managed money. He's wrote a successful newsletter. He cofounded a media company and has a tremendous podcast now, which I love to listen to. So let's get into this. I'm going to start by directing a question to each person, a question that I selected for each of you, have you answer that. And then we'll open it up and I'll ask questions of the panel in general. So I want to start with Jim Iuorio. This is a Boom, Bus and Bubbles Panel, and it seems sometimes that we think that the next big bust is just around the corner.

I like the joke that is always three years away, every year, even if I have the same panelist every year, that bust seems to just keep moving along. From your perspective, I'd like to ask you what do you see? Are we witnessing typical business cycle ebb and flow, or are we looking at more of an unhealthy boom and bust cycle? And where are we in that?

Jim Iuorio: I don't know if you've ever lived in the Midwest, the difference between a tornado watch and a tornado warning. A watch just means the conditions are right for a tornado. A warning means you actually see one. I think we're in a bubble watch right now. I think if you took where the path that the Federal Reserve is on, the past path that the federal government is on, as far as cavalier currency policies, I think it's directed exactly at a major sort of cataclysmic currency event.

Before that sounds too dramatic and hyperbolic, I think that that's a ways away. I think the dollar's reserve currency status is still intact, just because there's not really a good alternative right now. But I think they are fully committed to forming bubbles, absolutely. But I don't see any bubbles forming right now. The only thing I have on my watch list right now is the big six names in the NASDAQ, the NASDAQ itself. But what I would say to that is that for the bubble to happen, and for us to be worried about it being pricked and exploding, we have to see much more of a one way trade.

Just this year alone, we've seen a 32% break in the NASDAQ, and then at the beginning of September a 16%, 17% break in the NASDAQ with almost 20% in those names. So if there was the conditions for the big implosion, I think it would've happened in one of those two times. And since we haven't seen that to me, I think, that this could go longer. But unless the Fed changes their course within the next couple of years, I think we're just at the same spot with inflating a bubble and then picking up after it falls.

Albert Lu: Jim, just a quick follow up because I can just feel the other panelists squirming in their chairs. Certainly, a big bubble in the technology stocks, the FANG stocks. The entire S&P has not followed suit obviously, but what about US Treasuries? What about corporate issuance in general, is that not in a bubble?

Jim Iuorio: No, of course it's in a bubble. I'm not above name dropping, and I had a conversation with Robert Shiller, who won a Nobel Prize for defining bubbles. And one of those things at the end, it's got to be weak money that's getting in at the end. People who shouldn't and have no business. Do you know anyone who's leveraging up and buying US Treasuries? I don't hear that talked around the Thanksgiving dinner table at all. I think the holders of US Treasuries are not as susceptible to margin calls, so I'm not as worried about that.

I'm not sure of that, and I could easily be wrong. But the two bubbles we've seen in our careers both shared that characteristic, is that toward the end you could see people who had no business being in those assets, leveraging up and being in them. So do I see a bubble in US Treasuries? Yeah, probably, but I don't see one that's going to break and leave everybody scattered in the dust.

Albert Lu: Okay, perhaps what's happening is the-

Jim Iuorio: Peter is going to go crazy with that.

Albert Lu: It's okay.

Jim Iuorio: I'm sorry, Peter. I don't mean to make your blood pressure go higher.

Albert Lu: But perhaps what's happening, though, is this person that you feel shouldn't be in the market is actually buying those FANG stocks, and then the more "qualified investors" are levering up to get those other assets. But I want to move to Jim Bianco. You follow the Fed and Fed policy very closely. You're an astute observer of their tactics. What I want to ask you is, can we enjoy a healthy and sustained and prosperous economy without reversing course, without normalizing interest rates, without unwinding the balance sheet, without spending so much, without running up deficits and whatnot? Is it even possible to enjoy sustained prosperity without taking that type of medicine?

Jim Bianco: Well, let me answer the question by first starting that Fed governor, Randy Quarles spoke last night at the University of California, Irvine, and said, "Yes, you can. And yes, the Fed is going to be permanently, permanently in the bond market through QE." So they think that they can do this forever and make it a permanent part because as he said, "The Fed can never exit the bond market because it would blow up if they did exit it." So, the question is, can that actually happen? He answers, "No, of course it can't."

But what is the environment that would cause it to unwind? I think it's a one simple word environment. It's called inflation. As long as the Fed is in purchasing bonds... And to put this in perspective, since March 13th when they restarted QE, they've purchased 3 1/2 trillion with the T dollars' worth of bonds. They're purchasing $120 billion a month right now in the bond market to suppress interest rates. As long as they do that, and there's no inflation, and there's no dislocation obvious, they think they can get away with it forever.

But the minute that inflation or dislocations show up, the market will pivot on a string and say what the Fed is doing is bad, and they'll demand that they stop it. Just like they did in the fourth quarter of 2018, when Jay Powell said I'm going to reduce the balance sheet. It'll be like watching paint dry in the market ahead of conniption, and then two weeks later Jay Powell threw it all in the trash can and said, "I'm sorry we're not going to do that anymore."

So no it can't. It will only continue as long as the perception is that it isn't a problem, but I think it's going to be a problem. I think it's going to be a problem fairly soon, as in sometime next year. I think inflation has already bottomed, it's starting up, and I think it's going to continue to go higher from here.

Albert Lu: Alright, so let's go now to Peter Schiff. I hope I've adequately revved you up with these first two questions. I have an idea of what you're going to say, and what your concerns are. I think many of the audience know, and it goes along with what Jim was alluding to, that inflation is coming. Inflation is going to get out of control, but the question I want to ask you, something that I don't really hear you talk about, is that you think that the dollar is going to collapse. You think that inflation is going to get out of control. You think the American economy is unsound. I'd like to know if you have processed the full implications of the outcome you're predicting because what you're predicting is very, very bad.

The destruction of the dollar is not a pleasant thing to ponder. Even if you hold gold, even if you are hedged, and I know you've arranged your affairs, you've moved your personal residence to Puerto Rico. I don't think that's far enough, so have you really processed the full consequences of a dollar demise?

Peter Schiff: Well, first of all, it's not my prediction that's bad. What's bad is what's happening. My prediction is just a natural consequence of all the bad things that have happened in the past and that continue to happen now. This entire economy is a bubble and with respect to the bond market, the only buyers are central banks and speculators. That's the entirety of the market. And to say that it can continue until inflation gets out of control, belies the point that it is inflation. That is how the Fed is monetizing debt. They are creating inflation. Now, yes, for now, all that inflation has primarily manifested itself in asset prices, and to a limited degree in consumer prices.

But the move to consumer prices is inevitable. All of that inflation will ultimately move to consumer prices. It's just a question of when that's going to happen. And I think the reason that the Nasdaq's downside was limited, in these prior two downturns that were described, was because the dollar held up, and foreigners did not reject it. They didn't move away from the dollar. They will eventually when they contemplate the consequences of permanent QE.

Remember, the only reason we had the big rally in the dollar, and the reason that gold sold off starting in 2011, was because the Fed convinced everybody that QE was temporary, that it would reverse the process, that it would normalize interest rates, and it would never use this tool again, that it was an emergency measure only used for the financial crisis. But now that we know that that was a lie, although I said it was a lie from the beginning, but now the Fed even admits that it was a lie, that it's going to do QE forever.

It's not a question of if, but a question of when the bottom drops out of the dollar. And it's not that the world doesn't have a viable alternative to the dollar, it does. That's gold. Gold was the primary reserve asset before the dollar, and it will be the primary reserve asset after the dollar. In fact, the only reason the dollar took the spotlight away from gold was because it was backed by gold, and redeemable in gold, and the US had the world's largest current account surplus, we were the richest creditor nation. America is now the biggest debtor nation. It owes more than all the debtor nations combined.

The dollar is backed by nothing, and we're printing it into oblivion. So this dollar collapse is inevitable. It could happen any day. So you need to be prepared for it. I've done what I can as far as my own personal investments. I continue to advise my clients to position for this inevitable crisis. As far as my decision on where to live, I mean, I'm in Puerto Rico for the weather and the tax benefits. But I'm still an American citizen, so I'm still subject to some of those risks.

Albert Lu: I want to go to Grant Williams. What Peter said is absolutely correct. If you use a strict definition of inflation, and that is growth in the money supply, and the fact that it's going into asset prices now makes people feel good, or at least people who hold those assets feel good. It's really a silent killer because it's accumulating, and it's only a matter of time until the dam breaks and all that money floods into consumer goods, and your ordinary person on the street can't afford the basic necessities of life.

That's the way I look at it anyway. I'd like to know how you look at it. What's the difference between this phenomenon of boom and bust, the unhealthy economy, and just a natural economy that ebbs and flows? There's naturally going to be high points and low points. What do you look at to determine whether what we're seeing is just normal economic activity, ups and downs, or what we call "boom and bust"?

Grant Williams: Well, I think the world has been in a bubble of some sort for 20 plus years now, going back to the NASDAQ. We've seen that bubble get burst, and each time we've had a bubble burst, a bigger one has had to be blown to keep things together. If you think about inflation, we think about consumer goods inflation, which is the missing piece of this jigsaw, and it's the reason why this money printing optically hasn't really had any deleterious effect so far. Just take a look at where that printed money has gone. Look at real estate prices. They're in bubbles all over the world despite the pandemic. In fact, the pandemic has had this bizarre effect where suburban real estate, the bubble's ticked up, and we haven't seen the downside reflected in the cities just yet because nothing is clearing. There's a lot of condos in Manhattan, for example, that haven't shifted for over a year, and the supply is just getting bigger.

If you think about shares, stocks and shares, equities as a consumer good, look at the inflation you've seen in those. Look at what your dollar would have bought you in terms of a percentage of an Apple share a few years ago, and look what you have to do now. The difference obviously is you don't consume those. So people who had the money to invest in the stock market have seen incredible price inflation in the asset they own, they just don't consume it. And so on paper, people are feeling a lot wealthier. The Fed have come out in many cases and been very clear about how much they value this idea that the stock market going up means the economy is doing well. It's become completely interchangeable now. They talk about the stock market, instead of the economy because the only thing they can point to... look at how much time Trump has spent tweeting about stocks at all time highs.

This has become, psychologically, incredibly important. And I've spoken about this before, this idea that people who aren't involved don't invest their money in the equity markets, they still pay attention to front pages. And when the front page says stock market crash, they panic, even if they don't own stocks. They figure if the stock market's crashing, it's time to panic. So it's become very, very important for people to keep the stock market as high as they possibly can.

Ultimately, as Peter's pointed out on numerous occasions, as Jim's been pointing out recently in some great work he's done about this inflation problem, we are at the point where these chickens are coming home to roost. And if you look at the actions of the Federal Reserve in some of the speeches they've given recently, you can see just how desperate they are becoming. They're talking about QE being a permanent fixture now, not because they want it to be that way, not because it's a good idea, but because they've got no choice now, than to keep this inflation, to keep spending this money, to keep printing it. And just to get back to something Jim mentioned, Jim you have, at the beginning there, looking for that leveraged buyer of Treasuries. We all know where they are. They're in the Marriner S. Eccles building. Look at the capital on the Fed's balance sheet, you want the leveraged buyer of Treasuries? Look no further than the Federal Reserve.

Albert Lu: [crosstalk 00:15:53] Yeah, go ahead Jim.

Peter Schiff: Could I say something quick on inflation too? Because the damage that inflation does to the economy is not simply making prices go up, but it distorts the economy because people make bad decisions on investments and expenditures, and this distorts the resource allocation, and leads to an unstable foundation that eventually is going to collapse. And in fact, by artificially suppressing interest rates and continuing to fuel this bubble, all the economic imbalances get larger and larger. So rather than dealing with the imbalances in a healthy way, we simply make these imbalances bigger, so the economy gets worse every time the Fed kicks the can down the road.

And it's not that they don't have a choice. They do have a choice. They could do the right thing, and we take the pain now, or they can continue to do the wrong thing, and we take even greater pain later.

Jim Iuorio: One thing I would respond to Grant, though, about the leverage buyers. I acknowledge that there's hugely leveraged buyers. My point is that they're not going to respond to a margin call the same way a mom and pop would, and the whole thing might not cave in, so that's what I mean by that at all. But as far as what both of you guys said about inflation, I believe her in a modern monetary theory world. Now I believe that is seeped into every economist, and as evidence I would point out the fact that by the time we're done with this call, the federal debt would probably be another trillion dollars. But the point of MMT, which I find comical, is that the government is supposed to identify inflation and then withdraw liquidity through taxes when that comes. They can't find inflation at all because they're looking at wonder bread, and they're missing artwork, a banana taped to a wall, sports contracts. They don't even know what inflation is anymore.

And I try not to be hypercritical of the Fed, but they don't know how to spot inflation, and remember, obviously-

Peter Schiff: The Fed's track record is terrible because they said that QE was temporary. They said they would be able to normalize interest rates and shrink their balance sheet, and it would be like watching paint dry. The Fed was wrong. From day one, I called out the Fed publicly, and I said this could never happen. The Fed is promising to do the impossible, so I understand Fed policy a lot better than the Fed does, and so I know that it's a failure, and I know that we're headed for disaster. The people of the Fed are either clueless or they're just lying.

Albert Lu: Peter, definitely you were on point there. I don't think anyone can dispute that. I want to take something you said and pose it as a question to Jim Bianco, though. You talked about malinvestments. So the Fed creates these incentives. Those incentives encourage poor investing decisions. We're also seeing on the fiscal side something that I'll just call malemployment, meaning they're debating this aid package for airlines that's going to keep people employed in the airlines longer than they should be. They should be out working for Amazon, or doing other things, delivering things, getting ready for the new economy, so that's what I'll call malemployment. I wonder if this is going to result in the economy and the stock market converging. Because for a long time, we've had the economy lagging, the stock market appearing to do well. But now when you have investors, if they start to pay more attention to real profits, not just revenue, real profits, then we might see the outlook on the economy and the stock market converge, and that might be a healthy thing. Would you like to comment on any of that?

Jim Bianco: Yeah, so the last part first, you're talking about the real economy and the stock market converging. Of course, let's keep in mind that by most valuation statistics, forward PE, market cap to GDP, take your pick, stock market valuation is near or above the 2000 peaks right now. You've got a 25, 26 forward PE on the S&P 500. The only time in history it was ever higher than that was 1999, right before the peak as well too. If investors are going to focus on the real economy and profits, that's probably going to be a negative for the stock market because it is assuming that it's going to be better than the most optimistic forecast right now. And that is not what we've been seeing in the economy. As far as what you're talking about with fiscal policy, you could see that with the way that the market trades even today. It is so dependent on this idea that the economy or the federal government is going to throw money at everybody, so they could turn around and spend that money to keep everything afloat, that it shudders whenever there's any movement towards, there's going to be no deal, or it might be pushed off till this or then.

In the meantime you can have election news come and go. Market doesn't really care much about that at all, but it is very focused on this idea that it desperately wants fiscal policy. Why? Because of these valuations. It's hard to justify buying the market at these valuations.

Normally, after a bear market, the 32% decline that we just witnessed into the spring, you usually come out with cheap valuations. Instead, now we've got the opposite of that, and that's why I think the market's looking for some kind of outside force, like fiscal stimulus to come in and try and support it. That's another reason why I think ultimately, you're going to get inflation. If the economy has contracted, which it has, you're producing less stuff. If you're going to keep handing people money to buy stuff, you're going to have higher prices. That's going to be inflation...

Albert Lu: ..So if you look at the cheap valuation or an expensive valuation if the market is discounting 0% interest rates or near zero for as far as it can see.

Jim Bianco: Yeah, it is. It is discounting, no movement in interest rates, but I would caution people about that idea. The market, as Iuorio could tell you too, discounts something, and then it just changes its mind. It never complains. It never explains. So yeah, we got no rate hike expected by the market until the end of 2023. Keep checking back because at any moment, and I don't mean that tomorrow or next week, but some certain circumstances will come about, and then the market will price in a rate hike. It won't explain, it'll just say, now we want one. Yes, there's no rate hike priced in, but the confidence you can have that that's going to remain the case for three years, I don't think you should have a lot of confidence on that.

Albert Lu: Peter, you had something to say?

Peter Schiff: Yeah, I thought it's interesting. I was reading an analysis from, I think, Bank of America's economist the other day, handicapping the election possibilities. And they were convinced that the best thing for the markets would be a Democratic sweep, where Biden won and the Democrats took the Senate. And the rationale was there'll be bigger stimulus if the Democrats have the presidency to Congress. Their next best outcome was a Republican sweep where the Republicans had the White House and the Senate because again, more stimulus. What they thought was the worst outcome was divided government because they thought that that would slow down the stimulus. And that shows that even the people on Wall Street realize the only thing the market has going for it is the Fed and the stimulus. Even though Biden has promised significant corporate tax hikes, probably the biggest in history, when you combine the increase at the corporate level and the increase on the personal level, where dividends and capital gains are taxed at ordinary income, and the rate on ordinary income is not only raised, but includes the entirety of the social security payroll tax, despite that massive tax hike.

They still think it doesn't matter because all that does matter is the amount of stimulus, the amount of money printing. It has nothing to do with the real economy, in fact the worse the economy gets, the more stimulus we have. And then the more stimulus we have, the worse the economy gets. So it's a never ending spiral, but so far that has worked to the benefit of the stock market, but it's only going to work until it doesn't, and then the market's going to crash.

Jim Iuorio: I'm going to inject something really short here that I know is going to send Peter into heart failure. One thing that we hadn't mentioned, that we need to mention right here, is that we're talking about this broad 20-year viewpoint here. The last six months have obviously been very, very different. I will argue that the Fed and the federal government, there's a level of appropriateness... if you're going to shut down the economy, then you have to have a government and Federal Reserve response. Now the problem is that the federal government was racking up huge debts prior to Covid and they're probably going to do it afterwards. But I'm hoping Peter will throw me one bone and say, "Yeah, this is the time where you were supposed to take the edge off, and this is, regardless of your opinion is on government shutting down the economy, which I personally think was a mistake, but this is the time they were supposed to do something, right?

Peter Schiff: Well, first of all you're right. I think it was a mistake to shut down the economy, and one of the reasons we made that mistake was because we had the false sense of confidence that the Federal Reserve could print the money, to make up for the money we're not earning by actually working and being productive and producing goods and providing services. Had we actually had this giant rainy day fund, had the government been fiscally responsible, before Covid, had families and corporations been fiscally responsible, then yes, we would have had the resources to tap into our rainy day fund. But when there is no rainy day fund because we spent like crazy when the sun was shining, and everybody was levered up to the max, specifically because of the bad monetary policies of the past, we are not in that position. So we can't pretend that the government has resources that it doesn't have. We have to be honest with the public, and let them know that if we're going to shut down this economy it's going to cost us a lot of money. People are going to lose. There is no free lunch. The government can't make up for what we lose.

Albert Lu: I want to pick up on something you guys are talking about and pose it in a question to Grant, actually. We actually have a pandemic panel later, so I don't want to spend too much time talking about Covid, but we are talking shutdown, so I want to ask one thing and that is, how much of what we're experiencing is Covid related shutdown, and how much is what Peter's alluding to as a systemic problem? In the state where I live, the governor has recommended that when we go out to eat, we put on our masks in-between bites. It make you wonder what he proposes for sex actually.

Grant, do you think that they've gone way too far? And I'll take the NFL as an example. Look at the NFL. They're trying to play games, yet they're having outbreaks. And what they do is each team tries to control the outbreak, and they play the game with the players who are healthy. Why aren't we doing that with the economy? Have they gone too far?

Grant Williams: It's clear that the measures they've taken have pushed the economy over the edge. There's no two ways about it. I was actually in London a few weeks ago, and I tweeted a bunch of photographs that I've taken around Piccadilly Circus, Leicester Square, Charing Cross. I mean, admittedly, big tourist parts of London. The streets were absolutely deserted. The stores were deserted. When I left Heathrow, the airport, the duty-free, all deserted. And when you see that, it's fine to look at the jobs numbers, it's fine to look at the data that comes through. But when you see them, it doesn't give you a picture on the ground of the devastation that's been wrought to these economies, so to me it's absolutely clear they've gone way too far in this. They've panicked. They've reacted early, and they've reacted too drastically in terms of shutting the economy down. But once that reality starts to bleed through... and we saw a surprisingly poor jobs number, obviously today in the US, which has caught a few people by surprise.

We've seen terrible Empire State manufacturing number today, right next door to Philadelphia, which had us a surprisingly strong beat. So it was really walking around the streets of London that gave me a firsthand understanding of the damage that's been done. And when you see that, people will say, "Well, yeah there's no tourists there, but you know English people are going to go on holiday and they're going to spend money in their own country." Okay, fine, but there's no way the same amount of tourists, whether it's the UK, or the US, Australia, are going to go and spend money on the same things, and all the things they want to go and do have been shut down there. All the people who would stay home and go to Disney World, they can't do that anymore. Restaurants, stores are going to be closing by the tens of thousands all over the world, so we haven't really felt the impact yet, the real world impact because of this continued stimulus.

While I was in the UK the Chancellor of the Exchequer announced that he was going to start paying people's wages again till <ay, 60% of wages are

going to get paid until May. Great, but we all know that that doesn't ultimately solve this problem because the UK doesn't have that money to begin with, as none of these governments do. So yes, I think closing the economy, they've gone too far. I think they're so far in now that the only way to back out is to say we screwed up, and if you are the party in power who admits to screwing up, you're not going to get voted in for a generation again. So this now becomes about power. It becomes about maintaining face. It becomes about maintaining your position in the electorate size, and even though there isn't really a sitting government anywhere in the world that the public are necessarily that happy with, if any of them came out now and said, "You know what? We overreacted massively to this. Let's open the economy up." Immediately, they're going to feel it at the polls and they're just not willing to do that.

Jim Bianco: Can I jump in on that and just add one other thing, and give you the anecdote of the state of Wisconsin? Wisconsin, probably has the worst Covid outbreak in the country right now. In late August, it was at 600 cases a day. It is approaching 3,000 cases a day right now, and somewhere near 30% of all people that are tested in the state of Wisconsin test positive. And it was 2% in August, just to give you an idea of how big that's been going. If you look at the data, the open table data on reservations, and some of the other data of what's happening in Wisconsin, what you'll see is that people are reacting to the rise of case counts. So Grant yes, the government could come out and say we screwed up. It's not as bad. But let me be blunt about this. You scared the shit out of everybody for six months. You told them if you get this, you're going to die.

And so, what you saw in Wisconsin was the state government didn't do anything. Everybody saw the case counts going up, they voluntarily stayed at home. So you've got a two fold problem, one the government's got to say, "Look, the lockdowns were a mistake." And two, they got to tell everybody, "You need to go out." And I don't think that second part is going to come about very easily. Because you've spent six months telling them they're gonna die, and so that's going to be a real problem as well too.

Peter Schiff: And you've also created this perverse incentive. Why would somebody want to go back to work, when they can keep collecting more money not working, than they were working? So you've given so many people carte blanche to tell their employer, "I'm not going to work. I got a better deal from the government. I'd rather enjoy my leisure than go to work and risk getting sick."

Albert Lu: Jim Iuorio, you want to jump in again on this, or should we move on?

Jim Iuorio: No, move on. They covered everything I think about it too. I think that Jim Bianco made a good point here is that the scare is somewhat indelible, and I don't think that's going away.

The WHO, yesterday adopted John Anahiti's [crosstalk 00:32:12] notions about seroprevalence about how many more people had it, which lowers case fatality. So you can tell people all day long that, "Yes, at the beginning we thought it a 3% or 4% fatality rate, and now it has a .03 fatality rate." But those people aren't still going to come out. Most of those people aren't still going to come out and sit next to someone at dinner.

Peter Schiff: Yeah, and look at the fraud that we had in the PPP program, and they're going to repeat that again. You know, for a lot of people, COVID-19 has resulted in a windfall, and they want to ride this gravy train for as long as they can milk it.

Albert Lu: I want to do a quick poll because I love the diversity that we get on these panels. So just with a show of hands, how many people think that we're going to see the demise of the dollar in our lifetime? So let's let's define that as a loss in reserve currency status in our lifetime. Who thinks we're going to see that?

Jim Iuorio: But I plan on living to be about 110.

Jim Bianco: Yeah, I'm a healthy guy, so that's why

Peter Schiff: You're not going to have to live that long. You can probably get Covid and still see it.

Albert Lu: Who thinks that a gold standard is the answer to deficits and a lot of the problems we're seeing right now? [crosstalk 00:33:29] Hands for gold standard.

Grant Williams: Temporary, It won't be back forever, but it will be required to stabilize the system, yes.

Albert Lu: That's my explanation though, but who would ideally like to have one, have a gold standard.

Peter Schiff: The people, anyone that believes in freedom, and limited government, prosperity, sound money. That's what the gold standard brings.

Jim Iuorio: One thing I'll say to Peter though is we say that it's not that our currency is a Fiat currency, and it's not backed by anything, but it is backed by something. It's backed by nuclear bombs, and you don't mean it. We have the greatest army in the world. So it's backed by something.

Peter Schiff: That doesn't count.

Jim Iuorio: It does too.

Peter Schiff: We just can't force the world to accept our currency. Look, the Soviet Union had a lot-

Jim Iuorio: No I understand.

Peter Schiff: ... of nuclear weapons too, and it collapsed.

Jim Iuorio: It's complicated.

Peter Schiff: What's the ruble worth?

Jim Iuorio: It's just more complicated than saying it's not backed by anything, though. I agree with you that is mostly not backed by anything, but I mean we're still the world superpower and right now there's still no alternative.

Peter Schiff: So what you're saying is if a country tries to move away from the dollar, we're going to threaten to nuke them? Accept these dollars or we're going to drop nuclear bombs on you?

Jim Iuorio: I'm not saying that at all.

Peter Schiff: That's what you're saying.

Jim Iuorio: Although no, it's an interesting point you bring up too because, obviously, trade wars, currency wars oftentimes get a little more tense than that. So am I saying it? No, but I think it's an interesting topic to explore further, by the way. Because we have to admit that things start out economically, and oftentimes flare up into something more serious.

Albert Lu: Okay guys, we're running out of time.

Peter Schiff: Without the support of the rest of the world we can't afford to maintain our military. Without the dollar's reserve status, the military isn't going to-

Jim Iuorio: If we're running out of time you can just shut off the cameras and we can just keep arguing about this forever, so we don't even [crosstalk 00:35:12].

Albert Lu: Everybody keep your cameras on. Keep watching.

Peter Schiff: How are we going to deal with the problems at home watching, civil unrest, the rioting, looting? Because if you thought it was bad [crosstalk 00:35:19].

Albert Lu: Okay guys, we're running out of time, so I want to pose a question to each of you. Try to keep your answers to 30 seconds as we're running out of time. This question takes the form of what is more likely or what will come first. Jim Iuorio, what is more likely? A five year bull market in stocks, or five year bull market in commodities? What will come first?

Jim Iuorio: I think a five year bull market in stocks. I believe that right now the Fed and the federal government are not going anywhere. In August when they committed to this 2% inflation thing, to me it's profligate spending by the government. It's cavalier currency policies by both the Fed and the government, but I don't think the bubble bursts anytime in the next five years. So I think it's likely that there's a five year bull market in stocks.

Albert Lu: Stocks, Okay. Jim Bianca, what is more likely? The Fed engages in a course of discipline, a Paul Volcker style discipline with high interest rates, or takes the path of the Japanese model to oblivion?

Jim Iuorio: He gets an easy one.

Jim Bianco: Well, they've already taken the path of the Japanese model to oblivion. The only way that the Fed is going to get any kind of discipline is the market has to force it on them. Look, I've used this analogy. The Fed is a post in the ground, and the market is a horse tied to the post. The horse is 1,100 pounds. When that horse gets spooked it will rip that post right out of the ground and do what it wants. Once the market is ready to rip that post out of the ground, then the Fed will get disciplined, but until then it will look like everything's fine and we should be shipping all of the Fed governors to Oslo to get Nobel Prizes in economics. But then when the market's decided that it's not good, it will change. It will change very fast.

Albert Lu: All right, Grant in 30 seconds. This is a big picture question so I want you to think big. What is more likely, a big positive surprise, or big negative surprise? And let me define what I mean by those. A big negative surprise would be increased statism, government control, the kind that we suffered, the shift that we made after 9/11, and after Covid, a big shift toward government control. That's a negative surprise.

A big positive surprise was a big economic engine like China showing up, and cranking out all these cheaper products for people to produce, all the prosperity that came along with that. What is more likely going forward that we get one of those big negative surprises or big positive surprise, and what might it look like?

Grant Williams: 30 seconds. Albert, the sad thing is the negative surprise which you just posited would be no surprise to anybody. That's the sad thing, and that is actually happening now. So I have to answer that is more likely because you can see it happening, as we speak. I mean, Covid is the perfect example as to what's happening. I'm wearing a tracking bracelet, I can't leave my condo for two weeks. So you talk about government, state control, I get a phone call if the signal is lost between this and my phone.

So that isn't a negative surprise. It's happening, I suspect the election will hasten it. So for me, there's only one answer to that.

Albert Lu: Okay, great answer. Peter, this is the last one for you. We talked in a recent interview about when gold goes to the moon, we're going to be having this conference, not online, we're going to be in the Superdome having this conference. People also congregate in the Superdome when there's a really bad hurricane too. So the question to you is what is more likely? We're holding the New Orleans Investment Conference in the Superdome, because gold has gone to the moon, or we're seeking shelter there from some financial hurricane, or other really bad event. What is more likely?

Peter Schiff: Well, I was being a bit facetious when I talked about the conference being in the Superdome, but my point was that we'll have a lot more people interested in coming to a gold conference when the price of gold is much higher. But clearly they should be interested now before the price of gold goes much higher. But you know the real threat to the economy is not natural; it's man made. It is a financial hurricane that is coming, not only a Category 5, they'd have to invent a whole new category to describe just how horrific this ultimate outcome is going to be. And it's the consequences of the failure to deal with the problems when they were smaller. And every time we kick the can down the road because we didn't have the guts, or the politicians didn't have the guts, to deal with the problems, we just made them so much worse. And now we get to this predicament where dealing with them is so horrific that nobody would even dare to think about it. So we're going to keep pushing the envelope until it breaks.

I just think the breaking point is a lot closer than people think, and I think the dollar's collapse is going to happen very quickly without warning. People are not going to have time to react to it after the fact if they haven't already prepared themselves before the fact. They're going to watch their life savings go up in smoke. And yeah, you know the question about bull markets, we could have a bull market in stocks and commodities as long as the Fed keeps printing money. The problem is if your stock portfolio doesn't keep pace with the cost of living, then you're losing money.

Even if stocks go up, if the dollar goes down by more than your stocks go up, you're poor despite having a larger number on your brokerage statement. So if you get what's happening, you're going to get out of US stocks and bonds. You're going to own foreign assets, you're going to own commodities, you're going to own gold, and you're going to brace for impact before we have the collision.

Albert Lu: Thanks very much. We're out of time. I want to thank all the panelists. Thank you very much. Great job guys. Robert back to you.

Brian Bosse

"Six Quarters Out: Gold And Silver Forecast"

Albert Lu: We'll have that later on, but right now I'd like to introduce our next speaker. Brian Bosse is an investment professional with two decades of experience in commodities, as well as both private and public equity. Brian has served as a business turnaround specialist for a number of Canadian investment firms. He began his career as a Toronto Stock Exchange trader in 1995. Following honors Bachelor of Arts degree in Economics. He became a CFA charter holder in 2001. Mr. Bosse is the CFO and Director of ZEN Graphene Solutions as well as the CEO and director of IC Capital Corp. His talk is titled Six Quarters Out: Gold and Silver Forecast. Brian, welcome to the New Orleans Investment Conference.

Brian Bosse: Thank you very much. Let's start by checking the technology. Can you hear me?

Albert Lu: We can hear….

Brian Bosse: ...All right. Fantastic. Well, thank you very much. I'll start by saying anytime I take over a stage after Ross Beaty, I know I'm going to do my best, but it won't match him. He's fantastic. So with that, I'll start to tell everyone what we do. We are a research service and we help the mine operators and the asset managers who own the equity of the mine operators understand where the gold price is heading over the next six quarters so that they can make decisions for themselves about what we call capital allocation. That is, do they want to own more or less of the mining shares? And from an operator's question, do they want to put more or less money into capital expansion?

And so every director of public equity has to figure that out and not all of them know everything we know about gold and silver, and so we are a research service that does that for them on subscription. We're essentially a 40 year old startup. We're built on the brand and the work that Dr. Martin Murenbeeld has been doing for decades. And I'd like to point out that today, I've got good news for everyone, we've added Dr. Tom Brady, formerly the Chief Economist of Newmont Mining. So we've got a team that's unbeatable. So what I'm going to talk about today, and I know the audience has seen a lot of people tell you that gold and silver are in a bull market, that they're going to run for a long time. I completely agree with that, and I'm going to do my very best to put some math behind that and to show you some data which will support everything you've heard so far today. And if I can do that quick enough, hopefully there'll be time at the end for some questions. How does that sound? Sounds good. Okay.

If you can see my pointer, for anyone who is interested, we are a subscription service, and if you go to Capitallight Co, so that's www.capitallight.co. Everyone here is welcome to have a two month free subscription, and you can see more of the information we're about to put through. So my message for the audience here today, the cycles began in 2017. You've already heard that. It's nowhere near done, and I'm going to show you why, and then we're going to spend a couple of minutes talking about the Berkshire and the Bridgewater purchases. I noticed a lot of commentary when Berkshire revealed, they bought American Barrick. And because Barrick prices had been running for quite a while, a lot of amateur portfolio managers are of the opinion that Warren Buffet is late. I'm going to show you something that we do. It's a 20-year piece of big data, and it shows that he's not late at all. He's bang on. He's early and he's going to have a great ride. Okay? Some of our clients are here on this screen. So it's just to show you that we sell our work to the asset managers and the operators.

This is a content page at the very end. So we will begin by taking you through what drives gold and silver, but more importantly, we're going to take you through our own forecasts, and then we'll take you through the proprietary indices I talked about a moment ago. I'll start with a common set of data, just so everyone understands how dangerous this COVID-19 has been to the economy. We'll see that over the next two slides. What you see here in the advanced economies, is the IMF projection for 2020, that the economy itself measured on a whole, will fall about 6%. That number might be smaller or larger, but I would bet on larger, and that the rebound in 2021 won't even get us out of the hole dug in 2020, and that's, I think going to be a key, key factor going forward.

All right, here's something that we have built ourselves and we call it the pandemic reset index. We've been publishing this since about April and what we've done is taken high-frequency data, so this is information that gets published every week and we push it into this index, and the data is designed to look at the parts of the North American economy, which are most touched by COVID. So in here we have things like the TSE checkpoint data and things like the Baker Hughes Rig Count or box office revenues at movie theaters. And what you can see is the... and by the way, it's a zero line, so when we get back up to zero, everything will have returned to 'normal' in terms of economic activity for these parts of the economy. What you want to see, first of all here is, in these parts of the economy activity is still 50% below the prior level, and then the other interesting thing to note here is although stocks led the way down versus the real economy by about two months, stocks are leading the way up, and this is the S&P 500 on the orange line.

And these sectors of the economy are barely limping back. So it's going to take a lot longer for what I'll call the main street economy, the non-financialized economy to catch back up. And that's something that's going to be a recurring theme of what we see here at data over the next 15 minutes. This is a chart which runs back about five years. It shows you the gold price and it shows you equities, so the blue is the S&P 500. What I want to call to everyone's attention is in the period from COVID onwards, you can see the two gold and the equities market are basically moving up together, and all of that is driven by central bank action in addition to all kinds of other fears, but central bank action is reflating everything that it can. And this is something that we love to show. There are other versions of this around the world, but this one is ours. So this is the S&P 500 versus gold, and it goes back to the year, 1871.

And what you'll quickly see here, two things, one, there's a... I'll call it a trend, but there's a baseline of one that stretches for decades, for nearly a hundred years, and then gets revisited in 1980 and was stretched all the way out to the top of the financial bubble of 2000. And it seems to me, we're working our way back down, and the only way to get back down would be for gold to go far, far higher, or the S&P to go far, far lower, or the two of them to meet somewhere in the middle. And if we held the S&P the same, gold goes to 16,000. Now that's not in our six quarter forecast. I wouldn't want to live in a world that has that happened very fast, but that's the long run perspective that everyone has to keep in mind.

This is a slide about budgets and suffice it to say that governments are going to keep spending their way, because it's the only tool they have. It's the only tool they know, and so far, they think that it's a smart move. Someday we're going to quickly discover that it's not, but that is not on today's horizon. What to take from this is that the fiscal stimulus packages obviously imply higher fiscal deficits and the deficits are reinforcing lower interest rates for longer. Lower interest rates for longer mean lower real rates and as Ross Beaty just spoke about, why would I own a bond of something that has low or even negative rates when I can own physical gold or a GLD, or the shares of a miner or some silver, all of which are no one else's counterparty risk...If I own it, I own it. It's that simple. So the opportunity cost of holding the metals continues to fall to zero as real rates fall.

This chart here is another historical look, I'll call your attention to the right-hand side, because on the left-hand side, everyone already knows rates have fallen to zero during COVID, but in the great financial crisis, which at the time was talked about as the biggest thing since the Great Depression of the 1930s, central banks put three and change trillion into their balance sheets. And so far in 2020, they've put seven and change. So more than double. And I was in a conversation this morning with European fund manager, who said, "Well, those are both really, really interesting." But he pointed out that all the years in between, they put a trillion and this is just a trend that just cannot reverse. The only way to reverse it is to change the way the Western economies and Western democracies operate.

So I've got two charts on here. Left and right side. The left side is gold against the Treasury Inflation-Protected Securities, which we use as a great proxy for what real interest rates are. The reason I've put these two side by side is the left hand is gold, the right-hand is silver, and you can see that they're currently... although they're obviously fellow travelers, they're both affected by real rates. You can see the difference in industrial demand right here. So from 2003, until the current data point in, I guess, Q3 2020, gold and the TIPS correlate together about 89% of the time. I'm circling that here. And over the same timeframe for silver it's 68%, and that differential, that almost three times differential between 11 and 30 is the industrial demand that comes into silver. And I'll point out now that what's not in this data and what I think will create even more industrial demand for silver in 2021 is its antiviral properties. That's currently not in any of the use cases that were envisioned at the start of calendar 2020, and I think they're going to be very obviously in the use cases for 2021.

Alright, let's move on. So governments of course have two choices. The first one is going to be gold positive, and that's to continue what they're doing, and the second one is gold and silver negative, and the only people who have tried it were the Greeks and they gave up halfway through. So, that is not where we're headed. Our team thinks we're going to see more and more of this. Okay. So as we start to get into forecasts, I'll walk you through what we've got here. This is a gold-silver ratio, and everyone's got the ratio, but what we've done to it is showing you the out-performance periods. Okay? So the green zones are where silver is outperforming gold, and then we've done the measurements. So in the '78 to 1980 up move, silver went up 700%, gold 322%. In the period, '91 to '97, this has a lot of central bank selling. Gold actually went down while silver went higher, that pushed the ratio from its prior peak of 100 down to about 30.

And then the next two, you can see silver continues to be the turbocharger. And in the current one, the same thing. Gold's up 30%. Silver is 115, and I don't believe we're anywhere near done. And of course, over almost 50 year average, you're at about 60. One of the things I think everyone should know is there's real data behind the belief. And so here's the data to show it that silver moves faster, silver moves farther, but it takes its lead from gold. So what we've done is taken in this chart actual evidence from 2020, where you can see gold started moving 10 days earlier than silver, and although gold did move on day one and moved the total to 20% in this particular instance. Silver started later, but went almost 70% and our subscribers, you'll see that, that kind of acceleration. And this is actually a great slide put together by Dr. Tom Brady.

Here's our gold price outlook. And I'm just trying to keep an eye on the clock here. I don't want to set anybody behind. So the way we do a gold forecast is we calculate what we think and I'll use A, B and C, but really it's bear case, and bull case, and the bear case and bull case are all based on the macroeconomic scenarios that are possible. So our bear case would be something like central banks do get off the current religion and then stop the central bank balance sheet expansion, real rates start to come back up. What would that do to the gold price? And so you can see that through our scenario A here across the top. The other thing I'll call to your attention is, we don't pick a single price. So you won't see something like... when you see Goldman Sachs says $3,000 goal, but they don't tell you when it's going to happen. They don't tell you how long it's going to last. They don't tell you what the reasoning is or what their confidence in that number is.

So those are the things that we do differently. Okay. We're going to show you all of our math. And then when we do a time period...it's time-weighted across the entire period. So if you're an operator of a gold mine, you know what your period is for the quarter. Okay? So silver I'll come to next, but we think 2,455 is our forecast price for the fourth quarter of 2021. Taking historically back into gold, the Old High 2,257, if you adjust for inflation. So we think in this cycle, we're going to break that and make a new all-time inflation adjusted high. I think the same thing's going to happen in silver, our forecast for the first quarter of 2022, $37.30, which of course is still well below the spike high of the Hunt brothers' adjusted for inflation, which is $131, but it's very, very close to where the Old High was, and that's where we're headed.

Some quick things I want to take you through here. If you're involved in mine development sor you're in the corporate development office of a miner, this is a really important chart. When the window is closed, companies can't raise equity, they can't raise financing. And so if you are a larger company next door, or you have a project of someone else's that you covet, they will be more than willing to take a share for share deal from you. When we're up in the top end here, where equity is easy to come by, the prices of transactions go up, and I just want to point out we are not in that zone yet, but you'll see that this is an excellent timing device. It's very slow, moves over quarters, but the old peak of 2010 to 2013 had a lot of bad M&A in it, and we're nowhere near that scene at the moment.

Valuation model. Things are almost as cheap as they've ever been, but they're starting to rally out. Here's something I want to spend some time on. Where will the new supply come from? This is something Ross mentioned earlier. The number of companies in this industry had been declining continuously since 2012. The number of research... well, the number of filings on exploration results or technical results in 2019, the last year, we have full data, 600 reported to the Ontario Securities Commission, and that is almost one-third, almost a two-third discount from the 2011 high of 1,531. So that's hard data that shows there's no supply response waiting in the wings. Here's something that I really want to call everyone's attention to. We're a big data shop. We've taken over 22 years of history. We've crunched the numbers to determine in this chart, amongst the senior golds, what percentage of the shares of the senior gold companies are owned by investors who are not dedicated resource investors?

So everyone else calls this the generalist. When the generalist come back, the stock prices go higher. When the generalist come back, the metals prices go higher. We needed to come up with a way to graph that, and here's what we've done. It stretches back to 1998. We're nowhere near back to peak or par. There's a long way to go. You'll see that the generalist follows the cycle by a couple of years because they didn't start to stop selling until the start of 2017, even though the golds, as metals prices and as equities...bottomed out a year earlier, so about a year lag. And you'll see that the smartest investors are coming in first. So here's Ray Dalio in, I think July of 2019. Here is Berkshire buying in 2020. And I know I don't have much time left, but let's just speak quickly.

Is it Sean? Is it Todd? Or is it Warren at Berkshire? And I know there's a lot of debate about that. My answer is it doesn't matter because if you're Todd, you don't buy Barrick unless you check with the boss, given his history in the industry. So I think this is a very positive sign and here's why they're buying it on my next slide. Margins in this business are better. They're literally better than they have ever been. Energy costs are down, gold prices are up, and what this chart is doing is what every generalist equity investor is looking for, they want to know that the company that they own is generating a return on its assets greater than the risk-free rate. Okay. So how do we measure that in mining?

The way we've done it is we've taken the all-in sustaining cost number. We raised that, so we've multiplied that by the risk-free rate, and before we finished that equation, we raised the risk-free rate to a compound of eight, which represents about the eight year apical commitment you have to expect as your payback on money put into mining, if you're a mine operator. So you can see when there's a large gap between this economic value adjusted margin and the revenue line, that's when there's a lot of cash flow, there's a lot of dividend increases, balance sheets are great, and that's where we are now, and I think it's going to continue for quite a while. And I wanted to say thank you very much. I hope I brought this in on time. And if there's any time left for questions, I'll take them now. And I want to remind everyone if you're interested in the data you've seen, you can come for a free trial at www.capitallight.co. There's a little button to click there for a two month free trial, and we'd be happy to get to know you.

Sean Brodrick

"Picks To Ride The Raging Bulls In Gold & Silver"

Robert Helms: You're here. We have an amazing day. Let's get it kicked off. It's always someone has to take the hot seat and start first. So our first speaker today is Sean Brodrick and he has a 30 plus year background of experience in the markets as an investor and as an analyst, and through his wealth mega trends, service, Sean guide subscribers and making solid gains from a wide range of mega trends. He also helps us subscribers find outsized gains in his premium publications, "Golden Silver Trader," "Marijuana Millionaire Portfolio" and "Supercycle Investor." Sean is a published author. He's appeared on CNBC, Fox Business, CNN, Bloomberg, Market Line, and more as an expert on natural resources. And he also loves board games. Sean's talk today is called, top picks to ride the raging bulls in gold and silver. Good morning, Sean.

Sean Brodrick: Good morning. Thanks very much. Yeah, let me share my screen here and we'll get right to it. Let's see….There you go. Okay. Hi there, folks. I am going to speak about top picks to ride the raging bull market in gold and silver. First, I'm going to give you the bullish case for gold. There was plenty of that here yesterday, plenty, but I had my own views on it as well. I'll also give you the reasons you should look at silver. Silver will probably move higher percentage-wise than gold in this big bull market. And I'll give you picks in explorers, developers and miners. I only have 19 minutes and 27 slides, so we better get to it. Gold is the ultimate safe harbor for those of you who are new to investing in gold. It's amazing how good gold is, how strong of a safe harbor it is.

It can't be destroyed by fire, flood or plague. We keep seeing over and over again these stories of like these hoards of gold that were dug up that were stored centuries ago. These earrings that are on here are from an empire called the Wari Empire, which was down in South America at its peak, which was in the 1300s. It's capital city was the same size as Paris. We know absolutely nothing about these people, except that they like gold. These are the earrings that were in the ears of a princess of the Wari when she was buried. The rest of the civilization has gone, the gold remains. Throughout history, empires rise and fall, but the people in each of those civilizations know that gold is an eternal store of value. Importantly for us, the more corrupt the financial system becomes, the more appeal gold has.

So let's look at some bullish charts. On this one, you can see that gold pushed up through two levels of overhead resistance. And so this is a big chart, it's over many years. We are seeing a pullback now and I will get to the reasons for that. At the lowest, I might expect, gold might go back and test that breakout. I don't think that's likely. It could do that. If it did, that would be a tremendous buying opportunity. So what is everyone really thinking about? Well, we are looking at what's happening with the money supply. The Fed has just shifted its electronic printing presses into warp speed. Now, there is a plus side to this, which is that it's hard to have a depression when money is free, but this weighs on the value of the U.S. Dollar because the more dollars you create, every dollar is worth a little bit less. And longer-term, as the dollar becomes lower in value, gold goes higher in value.

So here's a chart showing the big trends in the greenback and gold. This is actually a daily chart. I could have shown you a weekly chart, but it's even more bearish for gold, more bullish. I mean, more bearish for the dollar and more bullish for gold. So this is basically money printing madness, hurts the dollar, it helps gold. Now, things happen now and then that drive people into the dollar. For example, we're seeing the virus start to clamp down on Europe again. And so people are really worried about Europe so they're going into the U.S. Dollar. We see problems in our government. And so that makes people worried. And their short-term reaction is to go into the U.S. Dollar. This weighs on gold when that happens...Gold and the dollar are on like a see-saw of pain, one goes up the other gets hurt.

But these flights into the dollar are really old habits. Back when we had a federal government that actually cared about the value of the dollar, the way they're printing it now, they obviously don't. So the old habits die hard, but this big trend is really taking shape. Watch these big trends. The newest catalyst for gold is the election. Both sides believe the other is trying to steal the election. There are misinformation campaigns that are feeding worry, potentially whipping up panic. There's a high chance that the election won't be resolved November 3rd or fourth or beyond that. And that could cause chaos. What I'm seeing is two sides, each of which believes they should win in a landslide. When one side doesn't, they're going to be really upset. If it's an inconclusive election, which is... Let's just say that the odds are good favoring that. If it's an inconclusive election, both sides could get furious.

And there are angry individuals who could get violent, potential breakdown of the social order. This is a short term catalyst for gold that a lot of people aren't talking about, but it could be a big thing. There are more important longer-term forces in gold. Investor demand, ETF buying is at new highs, negative real interest rates. I'll have a chart on that. Political instability around the world, not just the U.S. plenty of places to having problems. Central bank shenanigans, the potential for a global financial crisis. And the U.S. dollar often, but not always moves opposite gold, as I said. So, this one is a tidal wave of negative yielding debt. There is now $15.67 trillion in negative yielding debt in the world. In the U.S. real interest rates are negative all along the curve, according to the treasury. And so, as you can see on this chart, as negative yielding debt goes higher, gold tends to go higher because one of the complaints, the various makeup about gold is it pays no interest.

Well, now you can buy a bond in Germany for 30 years and end up losing money. So, that really lifts a lot of weight off of gold. Deficit gone wild. In its new long-term budget estimate, the congressional budget office projects that in just three years, the national debt will rise to nearly double America's total economic output. From less than 80% last year to double. And that's just crazy. How do we pay that off? Well, there's really only one way to pay it off, that's to deflate the currency so that money becomes practically free to actually pay this thing off. As you deflate the currency, that's very good for hard assets like gold. And then we have ETF demand. This is a chart showing gold-backed ETFs around the world. It's through September 30th, it's from the World Gold Council. You can see the trend there. In the U.S. alone though, through October 13th, U.S. physical gold ETFs added 28.2 million ounces of gold this year.

That means total gold held by U.S. ETFs. It was 34% this year to 112.9 million ounces. At the same time, ETFs added 279.5 million ounces of silver. And that brings the total silver in ETFs to more of an 886 million ounces. So the ETFs are stacking up the metal, because the investors in those, many of which are institutions, know that there is big trouble a foot. Peak gold is here. This is a chart showing the forecast and peak gold supply from mines. We're probably hitting peak supply from mines this year. And then beyond the downhill slope, as the supply of something goes down, the price tends to go higher. So, that's actually quite bullish for gold. Central bank gold buying. Now, central banks bought a lot of gold this year. It's a continuation of a trend. Central banks have bought gold for 10 years in a row now.

This year, central banks are buying less gold, but they are expected to buy more next year. Just learned something yesterday, which is, thanks to Uzbekistan, August was a month in which central banks for the first time in forever, actually sold more gold than they bought, because Uzbekistan sold a lot of gold for their own particular reasons. That is a real shift against the big trend. The big trend is central banks buying more gold. And then three important facts on gold miners. This comes from the CEO of Barrick Gold, which is the world's biggest gold company. He says, "We are definitely past peak gold, new metal added to miners' reserves since 2000, replaces only <u>half</u> of the gold that they mined." That they mine during that period. The gold industry's exploration budget was $4.4 billion last year. It sounds like a lot, but it's 63% less than in 2012, which was a big bullish time for gold. And the average mine grade at goldmines has fallen from over 10 grams per metric ton in the early 1970s to around 1.46 grams a ton last year.

That means you have to move ore or more rock in order to get the same amount of gold. So they can dig faster and faster, but they actually lose their position. They're actually producing. It's harder to keep up their whole production. Charts on silver. Let's talk about those. We've actually hit peak silver, by the way. And global mined production fell last year by 3.8%. That is made up by above ground stockpiles of silver. But those won't last forever. This marks the fourth year in a row that production from primary silver companies went down. And again, big drops in the ore grade, just like we saw in gold, in silver there are big drops in the ore grade. So they've seen their average yield fall to six ounces per metric ton of ore in 2019. They've seen 54% since 2005. So again, they have to move more and more rock to get the same amount of silver.

And then new mine capacity. How do you move more and more rock when you have less and less mines? There aren't a lot of silver mines, which is one reason why I like this industry. Because a pure silver mine is a rare thing. And those mines that are coming online are smaller. This compounds the problem of lower ore grades. And then total mind production. Again, that peak, we have hit peak silver. Production from the world silver mines topped out a few years ago. It's been downhill ever since. And, this isn't going to change anytime soon. Will higher prices change it? That's a good question. We don't know because as prices go higher, you can mine lower grade ore and it actually becomes profitable. Maybe that'll change it. But again, it takes years, years to bring a mine online. And then the gold/silver ratio. This is a great indicator of bull markets.

And we just had that indication. If you follow this along, the black line is the price of gold divided by the price of silver. That's the gold/silver ratio. And so as that peaks, that usually indicates the beginning of a bull market. Why does it peak? It peaks because right before that happens, peak pessimism. People don't believe in precious metals anymore. And while they may not like gold, they hate silver. That's why you get the peak in the gold/silver ratio. And so we just had one of those peaks recently, which means now people are ready to pile in. They're becoming more excited about precious metals. As they become more excited about precious metals, gold goes higher, but silver really takes off. That's the thing to keep in mind. So you can't ignore silver in this market. It's one of the best places to make money.

So this is a chart showing how the miners are outperforming the metals. The orange line on the bottom is gold. And then you have the S&P 500. So this is since the laws from the crash in March, by the way. When we had that liquidity event, everything sold off. People sold gold along with everything else, because you sell what you can, not what you want to, right? And you can always find a buyer for gold. So everything's sold off. Since that low, we've seen gold move up nicely. 26%, that ain't bad. The S&P 500 doing a lot more than that. Gold miners up 81% and silver miners as a group up 120%. Do not ignore silver miners. So again, I know there are some of you that are new to investing in this group. So I do want to give you some funds to be aware of this. The GDX J which, is the junior miners gold ETF. The GOEX, which is the global X gold explorers. And the SIL, which is the global X silver miners. And I've put these on here in increasing order of risk.

And honestly, I didn't put the GDX. I like big miners. The GDX is the big gold miners ETF, but pretty much we know everything about the big miners. Where you'll get good surprises is in the junior miners, is in the explorers, is in the silver miners. So the GDXJ, it has a little more risk than the GDX. And this is a good time to say there's always risk in investing and in precious metals investing doubly. So the GOEX is more risky than the GDX and the SIL. Well, that could be risky. On the other hand, when the precious metals bull market really kicks in, the SIL and the silver miners are going to take off like a rocket. So let's get to my picks. And how much time do I have left? I have five minutes. This is perfect.

Okay. Alexco Resources. Boy, you got to check this one out. Keno Hill silver district in the Yukon. Nice big deposits there, positive pre-feasibility study with an after-tax internal rate of return of 74%. This is going into production in the fourth quarter of this year. The price of silver doubles, the net present value on this project quintuples. Next would be Silvercrest Metals. It isn't as far along as Alexco, but it's doing great work. It is busy drilling in a high grade project they have down in Mexico where they find bonanza grade silver. They are going to have an updated resource estimate and feasibility study coming in the fourth quarter. And that could be a major ignition for their stock if that turns out the way I think it will. K92 mining. They have producers in New Guinea. Many people, when they hear about mines in like far away places, they say, "Oh my God, I don't want to invest there because foreign governments get grabby and all that stuff."

And there is that risk in some places I can think of. New Guinea isn't bad. And so this is a great project. They have high-grade gold, they are cranking up production, they found a new resource that they're going to bring in. So it's expanding its production this year. It's expanding its resource space. This stock is so cheap, it's crazy. Alamos Gold. If you like things in safer jurisdictions, this has three operating mines in North America, including the Young-Davidson Mine, Island Gold Mines up in Northern Ontario. And you can't get safer than Canada, and the Mulatos mine in Sonora, Mexico. It also has exploration and development projects in Mexico, Turkey, Canada, in the U.S. Now, this was a mine hit by the COVID 19 pandemic. Most miners were hit, especially the ones down in Mexico had to close down for about three or four weeks.

Then they reopened, and they're opening with new safety measures, but that really hit their production this year. But that's okay, because that's in the rear view mirror. They're being very safe now. And this is a miner that keeps delivering and keeps doing very well. And let me give you Pure Gold Mining as well. This company, it says it is developing Ontario's next gold mine. There's no reason to believe they're wrong. They shouldn't be boring gold before Christmas. It's Red Lake Mine, it's high grade, nine grams of gold per metric ton. That is fantastic grades. And they're now trying to find more gold at Red Lake. It's not expected to make any money this year, but the predictor in 17 cents a share next year. Now, my subscribers own all of these, except for Alexco, because we were stopped out of Alexco with a gain. I'll trade in and out of gold and silver miners all day long. I don't care.

We'll probably buy it again. All the rest are fine. If you like these kinds of companies, be sure to check out my workshop, which is a much longer list of all sorts of exciting companies in this industry. And so that is pretty much my presentation. If there are any questions, and I only have two minutes left, but if there's any questions, I'll be glad to take any. I can't see any questions though. So that's about it. Okay. You can find me on Twitter. You can read my stuff for free at wealthwave.com. I work for Weiss ratings. They have a great website. You should check them out. And check out my premium services. They're all doing very well in this market, which is, let me tell you, it's been a wild market, but it's actually been a good time.

It's a good time to be investing in the right things, which is what we're doing. So I hope you have a great conference. I had red beans and rice last night, and my wife's taking me out for beignets today. So we're trying to get that New Orleans feeling. So you folks have a great one and I will talk to you later.

Robert Helms: All right. Thank you, Sean. Great, great stuff. We do have just about a minute. So if you're up for it, we have a question from, let's find someone in the audience. Oh, Brien Lundin.

Brien Lundin: Oh, good. Hey, Sean. Congratulations on having red beans last night and next time you're in New Orleans, we'll treat you to some *real* red beans.

Sean Brodrick: All right.

Brien Lundin: Homemade red beans. Listen, you were mentioning, you were talking about the gold/silver ratio, and I completely agree with you, but I've never been fortunate enough, I guess, or successful enough to be able to use that as a timing mechanism for trading. It seems to me that when it was a hundred to one, we said, well, this is way out of whack. This marks a top. Then it went to 127. So it seems like it operates more like a gauge of sentiment or extremes, but just it never seemed to work for me as a timing mechanism. Would you agree with that or have any further thoughts on that?

Sean Brodrick: Right. I don't use it as a timing mechanism. I have other things for entering trades and stuff. It's really something you can look at in the rear view mirror and say, "Oh, that was the bottom. Okay. That was it. That's fine." So, that's how I use it. It's just confirmation of the other things that I'm already seeing in the market.

Brien Lundin: Right. Another tool in the toolbox as it were.

Sean Brodrick: Yeah. Yeah, exactly.

Brien Lundin: Beautiful. Thank you.

Sean Brodrick: All right. Thank you.

Robert Helms: All right. Thank you so much, Sean. Great, great stuff, and a great way to kick off the morning.

Tucker Carlson

"Today's Political Landscape"

Robert Helms: As host of Tucker Carlson Tonight, which is prime time on Fox and founder of The Daily Caller news site, Tucker Carlson deconstructs the day's events with awry skepticism, a unique perspective, and provocative interviews. Carlson has hosted at a number of different nightly news programs on various networks over the last 10 years, including CNN's Crossfire, Fox & Friends Weekend, and several shows on MSNBC and PBS. One of the media's wittiest and most entertaining commentators. Carlson brings his informed viewpoint to audiences discussing politics in America today, including what's ahead for the next administration and the future of the Republican party.

He's the author of Politicians, Partisans and Parasites, and a regular contributor to Esquire. Carlson's work has appeared in The New York Times, The Wall Street Journal, New York Magazine, Reader's Digest Forbes magazine, and GQ. In fact, he was a finalist for a 2004 National Magazine Award for an Esquire article chronicling his trip to Africa with the Reverend Al Sharpton. Here to discuss today's political landscape, please welcome back to the New Orleans Investment Conference, the host of the highest rated program in cable news history, Tucker Carlson. Hey Tucker.

Tucker Carlson: Thanks for having me. I appreciate it. I've never done anything like this. I'm 51 years old. The technology is amazing to me.

None of my children are home to fix it for me. Thanks so much for having me. So let me just give you a quick overview of where I think we are politically and what I think it means. We're about two and a half weeks, less than that actually, to the election, the most intense election of probably any of our lifetimes. If you grew up in this country, that's certainly true.

I've got 20 minutes. I don't know exactly how questions work on Zoom, but I always want to invite people if you disagree with anything that I'm saying, shout out. And if I can hear you, I will answer your question.

But let me say this. Here's the overview. As of today, the president is behind in the national polls by roughly around 10 points and more significantly behind in every one, but one battleground state, in Georgia where he's up by one point. So judging by the polls, this looks like a pretty tough re-election for the president. The campaign believes, and I know many Trump supporters believe that the polls are not accurately capturing where people are. And there's some truth in that. Clearly, there's a social cost to admitting you're voting for Donald Trump. There could even be a professional cost in many places. There's no student in America who's going to admit that. Many people who work for large companies are not invited to share their political views if they're Trump supporters. So there's clearly a lot of downward pressure on Trump voters not to say in public that they're Trump voters.

The Biden campaign has probably twice the funding of ... or more than that actually of the Trump campaign. So you're seeing a lot more commercials on the air from the Biden people, you're seeing a lot more yard signs. They just have more money. A lot of Trump voters think this doesn't mean anything, that we're going to have a replay of 2016. And that is entirely possible, I wouldn't rule that out. But I would just say this, here are a couple of the differences. In 2016, nobody took Trump seriously, very few people in Washington, where I lived at the time and basically am from, believed he could win. And so, I think the Hillary campaign entered that race with its guard down, was obviously surprised by the result. They're not in that position now, they're worried about it. They've really taken extraordinary measures to shape this election. Some of them are entirely legitimate. Some of them are not legitimate at all. They've changed the way that we vote and those changes helped the Democratic Party.

I would say there are three main factors that are going to make it difficult for the president to get reelected. And again, I don't know what's going to happen but here's why, if Trump loses, here's why it happened. The first is COVID. And I think we're going to have a very different view of this pandemic in 15 years when everyone is calmed down and we have actual longitudinal studies on the disease itself. But as of right now, this is a disease that primarily affects and kills the elderly. Older voters are a mainstay of the Republican party. They're Republican voters, voters over 65, vote Republican pretty overwhelmingly, but they have been convinced correctly or not that in a strange [inaudible 00:04:55] handled the disease and they're punishing Trump. They're supporting Biden in numbers that are really without precedent so, that's a huge problem for the Republicans.

The second problem, I would say for the Trump re-election campaign is that a lot of female voters, middle to upper income, female voters are done with Trump. And it's not because of his supposed racism or sexism. It's because the volatility of the last four years has made them tired and they want something different. You could argue about whether that volatility is Trump's fault or it's the fault of his opponents. I think it's a mixed bag there, but there are a fair number of voters, and all the polls show this, who believe this is just too much, I can't deal with the chaos and I want it to stop. And by voting Biden, I'll make it stop. The Trump campaign believed for a long time, and I believed as well, that the evidence and it's very clear evidence of Biden's slipping mental condition, he's going to be 78 years old by January, would hurt him with voters. But I think the opposite has turned out to be true.

Joe Biden is slowing down in very obvious ways, not attacking him, it's clear, I've known him for 30 years, I can vouch for that. I think there are many voters who see Biden's slowing metabolism and maybe even his slowing mental acuity as a sign that he's going to calm things down. In other words, if Biden is getting senile, his senility, isn't scary to a lot of voters, it's reassuring. I'm not endorsing that. I'm just saying that's what the polling suggests. And the third factor that I think makes it tough for the president is that every power center on planet earth is aligned against him. There are very few rich people who support Trump. That's just the truth. I grew up in that world. I've lived there all my life. I live in it now, and it's really, really obvious. You drive into rural America and you will never find a trailer with a Biden sign out front, and you just won't find any, you'll find a lot with Trump.

So really this is a kind of a class divide. No one says that out loud, but it's true. Against Trump are almost the totality of American business, the Chamber of Commerce, business round table, the entire ... I mean, not everyone in those groups, but a lot of them. Chamber of Commerce just issued a statement yesterday, attacking Trump. I can't remember the last time they did that to a Republican president. And then of course you have the finance world almost overwhelmingly against Trump. You have Silicon Valley, which is uniformly against Trump. You have the government of China and you have the media. So the power centers of the world are arrayed against the president's reelection. It's very tough to fight that. I don't know what to say about it, but it's hard. It's hard to fight everybody. And Trump is fighting everybody.

So election two and a half weeks from now, what comes after that? We're not thinking about it. And I just want to quickly suggest what I think the issues are going to be. The first and by far the most important issue is going to be the economy. Now, in my opinion, and I think there's a lot of evidence for this, the president was elected in 2016, largely by voters who had economic concerns. They felt they were falling behind. They were the victims of the industrialization of the knowledge economy. These are the people who weren't benefiting from that. And the consequences are really obvious, shortened life expectancy, massive increase in drug ODs, particularly fentanyl. These are hurting people in America, and there are many millions of them. The problem that I see going forward is those forces, those problems have not been addressed. So this is an unsolved problem that isn't getting better as far as I'm concerned.

And so unfortunately you have seen the left rather than think deeply about, why are tens of thousands of people in the prime of life dying every year of fentanyl ODs? Or why is income going down for high school educated Americans? Or why is life expectancy declining for our middle class? Why is the middle class itself shrinking? These are the core questions in any country. Rather than think through and try and solve those problems, they have dismissed the people suffering from them as evil, as racist or whatever they're calling them. Dismissing them out of hand as not worth caring about. That is a recipe for future volatility. You have to take people's problems seriously, especially when they are real problems, when they're dying.

The second problem is, and this led as well to Trump's election is income inequality. Is the growing concentration of wealth and power in the United States. It's not something that Republicans like to talk about. Not something that they're used to talking about. It sounds like a left wing concept. It isn't necessarily, it's totally real. The American economy has become much more a lopsided, measurably lopsided, in the past 40 years. And it dramatically accelerated under the Obama presidency. I'm not attacking Obama for it. It's just true. And it was under Obama in 2015 that the American middle class stopped beating the majority of the country. You can't have a democracy actually, in which there is no middle-class majority. It devolves very quickly into oligarchy, into a system where a few very rich people run everything. And that's kind of where we're moving now, where billionaires have this outsized influence on our national conversation and even on election outcomes. You don't want that, because that system very much, that balance very much resembles the way the third world works. And that's kind of the environment out of which revolutions grow. So you don't want that.

Nothing in the last four years or the past 15 years has slowed that down. And so that does make you worry about the country. The most obvious example of this is one that we saw on display this week, and that was the mass censorship, unprecedented in American history, of a New York post article about the then vice president, Joe Biden's work on behalf of his son who was being employed by foreign companies, both in China and in Ukraine. It was by every measure a legitimate story. Now you may not agree with the conclusions the New York post came to, but the laptop that these materials came from was Hunter Biden's laptop, that is factually true. Despite what you're hearing now, that is a statement of fact. And so we can debate what it all means, or the interpretations of the data on that laptop, but we should have the right to know about it as voters. And in the space of about an hour this week, Facebook and Twitter shut down the article and refused to allow users to share it on their social networks.

Now think about this for a second, Facebook and Twitter, along with Google, control almost the entire American media with the exception of cable news. But they are the revenue source for all digital media that, if you own a digital media company, you make your money from Facebook, and through Google. So when they shut down a news story, basically the First Amendment ends, the right to free speech is irrelevant if you can't actually speak, it's never happened before in American history because we've never had a concentration of media power like we have now. And I'm not by the way, simply saying this because I'm not voting for Joe Biden, which I'm not, I'm saying this because I'm an American and in order to have a functioning democracy, you need to have the free flow of information between citizens. It's absolutely required.

And yet we find ourselves in a place now where literally a group that could fit in Starbucks have the power to suppress information to a country of 350 million people. That's too much concentration of power in too few hands. It's very dangerous to our democracy. Far more dangerous than anything the Russian intelligence services ever try to pull off in this country. It's an imminent threat. And what's amazing to me is that the people in power and I'm including by the way, the Trump administration and the Republican led Senate in this, have done almost nothing to roll it back, to challenge the monopolies, the illegal monopolies these companies have, or to defend free speech in an age of digital information. That's the first thing.

And the second thing I'm really kind of disheartened by is that lack of outrage among the population. It's possible people don't know what's happening. It's possible they don't care. Either one is bad. We need to have the flow of information or else we can't make wise decisions. And I could bore you for hours on this subject, but you've seen it extensively with COVID. Where any information that doesn't match the day's CDC directive, by the way, there are CDC directives, including even this week that contradict each other. We're learning about this disease, it's brand new, it's a novel coronavirus. We don't know everything about it. And in order to learn about it, we need to have different points of view represented. There is no scientific consensus on COVID. That doesn't exist. How could there be? Science is never a consensus. Science is an endless series of questions that get us closer to the truth. That's what science is. It's the freedom to ask questions. It's the freedom to ask, "Well, maybe the sun doesn't revolve around the earth." "What? Shut up."

If you live in that world, you're never going to make progress. And that's why we didn't for a thousand years following the fall of Rome. And it took what we call the Renaissance, the rebirth, for people to discover that only through the free exchange of information, do you move forward. And I'm worried that because it is now possible to shut down dissent, the people in charge will. And in fact, they are. So these are not abstract problems. These are very real problems. They're very far from the problems that our leaders seem to be worried about.

And the final thing I would say is that we overstate, and I sincerely believe this, the role of racial discrimination and racial strife in American life. There is a lot, America has a very, I would say, sad history on the question of race. This country has committed a lot of sins against African-Americans to be specific. However, our real problems are not racial problems. Our deepest problems are class problems; they're economic problems. So we are still the place where a lot of Africa would move if it could. And Africans from Africa, immigrants who moved to this country on average, and you can look this up, it's a federal statistic, have higher education attainment levels and higher incomes than native born Americans. Now that doesn't mean there's no racism. I'm not arguing that. What I'm arguing is that it's a lot more complicated than we pretend. Race isn't always the biggest barrier. And if you're an upper income person, as I am, you see this, you see that your kids are friends with black people.

There's no barrier to that, but what you'll notice it, at least in the upper income neighborhoods where I have lived is that most of your kid's black friends have parents who are from your world too. They went to private school or they worked at JP Morgan or whatever. It's great. What you'll notice if you live in a high income neighborhood in America, is that your kids have no friends, not one whose fathers repair air conditioners. So what does that tell you? It tells you that there are a lot of barriers and race can be a barrier. And again, I just want to clear, I'm not saying it's not. But what I'm saying is the class barriers in this country seem to be a lot more rigid than the racial barriers. And no one ever says that. And you have to wonder why.:

And of course the answer is the people who are benefiting from our current economic arrangements have a huge interest in telling you the real problems are not economic, but racial. And that's exactly what they're doing. And that's one of the reasons that a number of racial separatist movements and a number of very radical left wing movements based around the idea that racism is the biggest problem are funded by America's biggest companies, because they benefit from it. That's the truth.

Now for the purposes of this conversation, I'm bringing this up just to say this. You can't lie about the truth forever. And just because everyone in charge, every big company in America and every arbiter of culture in America is saying the same thing doesn't mean it's true. And in the end, reality wins, always, everywhere. You can't beat nature, like physics in the end beats all of us, gravity is the victor. We fall down at the end, period. And so you cannot deny reality forever. And the reality is that huge numbers of Americans are not making economic progress. The American dream is functionally dead for them. Their children will not make more than they made. Period. They know that. And until we fix that, we should be actively working to fix that, none of the volatility that we're watching is likely to get better

Volatility is really the last thing that you want in your country. You want things to be placid and common, and predictable more than anything, because everything that we have, that's good, our political system or civil society, all of those things are based on the stability that our political system provides. In other words, there's never a threat of a military junta in America, therefore you all can build robust businesses and artists can paint beautiful paintings. And our children can go to school in the hope that they can get a job after, and everything is based on stability, Everything, and stability is based on the middle-class and the promise of a better tomorrow.

So if we can't address that problem, that is way bigger than anything Robin D'Angelo was writing about, or any of these morons on TV are telling you. It's way bigger than that. It's fundamental. And so it's my hope, in fact, my prayer that no matter who wins this election, we can get back to solving the problems that are causing all of this chaos in the first place. Anyway, and with that, I'm at 20 minutes and I will stop. Thank you so much.

Doug Casey

"What Happens Next…"

Albert Lu: Our next speaker is Doug Casey. He's the best-selling author, world-renowned speculator, and libertarian philosopher. Doug Casey has garnered a well-earned reputation for his erudite and often controversial insights into politics, economics, and investment markets. Doug has visited about 160 countries and lived in 10. His book, The International Man, was the most sold book in the history of Rhodesia, a record that will never be broken. He's now writing a series of seven novels. Speculator, Drug Lord, and Assassin have already been released because some things are best said in the form of fiction. Like a story about an assassin just before a presidential election, as an example. He has been a featured guest on hundreds of radio and TV shows, including David Letterman, Merv Griffin, Charlie Rose, Phil Donahue, Regis Philbin, Maury Povich, NBC News, and CNN. He's been the topic of numerous features in periodicals, such as Time, Forbes, People, and The Washington Post. His talk today is What Happens Next. Let's welcome, Doug Casey.

Doug Casey: Thanks Albert. Okay everybody, friendly greetings and a warm hello. I'm speaking to you from the People's Republic of Aspen, Colorado at the moment. And what I want to talk about here in the next 30 minutes, it's an impossible task, but I want to talk about why I suspect the Democrats are going to win in a couple of weeks. I want to talk about what's next, regardless of whether the Democrats or the Republicans win. And third, I want to talk about what I think you want to do about it, so you're not washed away in the oncoming tsunami. Now, I'll give you six reasons why I think that Trump is going to lose. They're the virus, the economy, the demographics of today, the moral collapse of society today, the deep state, and cheating, which is probably the most important one.

So first of all, the virus. It's a big nothing quite frankly, what's really something is the hysteria that is accompanying the virus. It's the greatest mass hysteria we've seen since the 18th century Salem Witch Trials. People wearing masks and social distancing, this is all nonsense. If you lived through the Asian flu, the Hong Kong flu, swine flu, bird flu, and a number of other flus, you'd know that every year a normal flu kills 50,000 to 60,000 people. Mostly the old and the sick, just like this one is. This flu is roughly in a class with those. The Spanish flu is the only thing that stands out. It was much larger than this one, much, much larger by an order of magnitude, but it didn't do anything to the economy because there was no accompanying hysteria. So nonetheless, the COVID hysteria is one major reason why Trump could lose these elections. Why?

First of all, it's eliminated his rallies, which are an important part of his marketing platform, it's the way he markets himself. Second, it's kept a lot of people home, watching television. Getting fat, drinking beer, watching television. And unless you're glued to Fox, or watching CNN, or MSNBC, and the media is 100% rabidly anti-Trump. And you've got to remember, one-third of the voters are rabidly pro-Trump, one-third are rabidly anti-Trump. And one-third don't have much of an opinion, they're brain dead. So they listen to these things while they're home for the COVID hysteria, and they're influenced away from Trump, because of what they hear from authoritative talking heads. Okay, that's the second reason. The third reason this virus hysteria is going to hurt Trump as it overwhelmingly affects old people. The average age of people that die is about 80, very old. So they don't want to go out. And perhaps they shouldn't. But old people are generally conservative, and tend to be Trump voters. They're going to stay at home. It's a problem.

And the fourth thing is that, Bubis Americanas blames the sitting president for anything that goes wrong, regardless of whether it says fault or not. So that's going to hurt Trump, just because they want to blame somebody. Okay. Virus, one thing. Second thing, this is a biggie. It's the economy. Look, don't buy the Republican propaganda about everything being rosy and we're having a V-shape recovery. We're not. It's K-shaped if anything. The rich are getting richer, and the poor are getting poorer. But I'll give you some back of the envelope numbers. There are 160 million economically active people in the United States. About 30 million of them are collecting benefits of some type for unemployment. And that number is staying stable at the moment to rising once again. This hurts Trump because people always blame the sitting president for whatever's going wrong. And this is really serious.

The country is head over heels in debt. And if the government stopped sending out checks to people, there are a lot of mortgages that aren't going to be paid. A lot of rents that aren't going to be paid, utilities aren't going to be paid, car payments aren't going to be made, credit cards are going to be defaulted on. So what's going to happen? Is the government going to just send people thousands of dollars a month ad infinitum? I don't think so. What's a depression? Let's talk about a depression for a moment. It's a period of time when the general standard of living drops significantly. Well, we're in a depression by that definition. Point number two, a depression is a period when distortions and misallocations of capital and society are liquidated, and they are being liquidated right now, with thousands and thousands of businesses of all types going bankrupt, and their workers being unemployed, and their obligations will be defaulted on.

So yeah, these distortions and misallocations of capital that have been built up for many years, actually, this is the beginning of the boom after World War II ended, they're all being liquidated. We're going into an entirely new economy. And the third definition of a depression is, it's a period of time when the business cycle climaxes. The business cycle is caused by inflation. And the fact that they're trying to keep the ball rolling, and build the house of cards higher by inflating the currency much, much more, means that this is a much, much more serious depression than we've had in the past.

So with the bailouts, the rich are getting richer, they stand closer to the fire hydrant of money spewing out of the Federal Reserve in Washington, they drink their fill. It's going to create an atmosphere of class warfare. This is really, really serious. We have left the eye of the hurricane. We entered the leading edge of the hurricane back in 2008. They papered it over with tons of money. So that was the eye of the hurricane. Huge hurricane, big eye. But now we're going out the trailing edge. And this depression, I call it the greater depression, is going to last much longer, be much more serious, and much different than the unpleasantness of 1929 to 1946. Okay. The economy, second reason, that hurts Trump. It's not good.

Third, demographics. Two things I'll draw your attention to, number one, ideological demographics. Young people are overwhelmingly favorable towards socialism, Marxism, Black Lives Matter. They've been thoroughly indoctrinated by four years of college, well, almost everybody goes these days, and four years of high school, because high school teachers have been indoctrinated as well. And even down to grade schools. So 2016 was a close run race. And incidentally, you might recall that I predicted that Trump was going to win, and I placed a money bet, which I won that Trump was going to win. I won't place that bet anymore, because there's a cohort of four more years of young people that are going in to vote, and they're going to vote overwhelmingly for the Democrats. So that'll make the demographics from that point of view, militate against Trump.

The other part of the demographic picture that militates against Trump is the physical demographics. There are more people of color in the US now than there were back then. By 2050, the white people will be a minority in the US. People of color especially immigrants are overwhelmingly left-leaning, so expect more voters from that point of view to vote the wrong way. Fourth thing, very important, six points that I'm talking about here, don't apply just to this election. They apply to the collapse of America itself. All of these things add up to more than just this one election, which will be done one way or another in a couple of weeks. This is a much more serious from a civilizational point of view.

Anyway, the fourth point that I mentioned before, the moral collapse. The Democrats and the Republicans in the past, there really hasn't been much difference between the two of them. They've been collegial. I get to steal for four years. You get to steal for the next four years, and they could talk to each other. But for many years, actually, the Democrats were the party that actually stood for something. They had ideas. They had core beliefs, all of them rotten, even criminal, totally non-economic, pathological I'd say, but they actually had a belief system. And evidence for that, of where that party is now, are the 20 people that wanted to be the Democratic candidates, that you saw in their debates. All of them were hardcore status, hardcore collectivist, all of them are Marxists leaning. So that's how the Democratic party is.

Now, what does the Republicans have to put up against them from a moral point of view? And the answer is absolutely nothing. They had empty suits like Bob Dole, and Mitt Romney, and these Bushes. None of them believe in anything except, "Yes, what the Democrats are saying is okay, but they're going too far, too fast." So, why are you supporting Trump in this context? Well, Trump is an economic ignoramus. I'll explain that more deeply later, even though you should be voting for Trump. Well, I'm not going to say you should do anything, but he's a cultural conservative. he’d like to see the US go back to the happy days of Ozzie and Harriet, and Leave It to Beaver, and Father Knows Best. So we'd all like to see the US go back to a culturally stable time, but that's not going to happen. Where we are, is where the Roman empire was in the third and fourth centuries. We're undergoing a total collapse.

This country doesn't believe in itself anymore. And it's pretty much what Yuri Bezmenov, an ex KGB guy that defected in the mid '80s said. When you want to destroy your enemy, and not necessarily use military force, first is demoralization. When they don't believe in their system, they don't believe in their history, they don't believe in their government, they don't believe in themselves. That's been completed. America is done and finished from that point of view, as Bezmenov pointed out, even in the 1980s. The next thing she said was destabilization in the economy, and the financial world. That's happened. That's been happening for years now. And we are now going into a genuine crisis, I call it the greater depression. And it will be followed by the bad guys taking over. The problem is that, people like you and I in the audience, we're cultural conservatives, we're economic kind of conservatives. I'm a Libertarian, anarcho-capitalist actually, but we're on the wrong side of history, quite frankly.

All right. The fifth thing, the deep state. Now, who is the deep state? It actually does exist, I promise you. These are people like senators and congressmen, the higher up ones, high up generals, the heads of the Praetorian agencies, FBI, CIA, NSA and the like. Top level academics, all across the country, top level ones. NGOs, all have lots of money and idiots leave them more money when they die, just like they do to universities. Large corporations, you've seen the commercials that they've been running backing Black Lives Matter and so forth. And the media, of course, plus Google, Facebook, and Twitter. During the 2016 election, they were all so certain that Hillary who, was their candidate, these people, was going to win, but Trump took them completely by surprise. Well, not this time.

They're loaded for bear. And they're going to be doing everything they can to influence voters in their direction. And remember what I said, one-third of the people rabid Trumpsters, one-third rabid Democrats. One-third, they don't know which way is up. They're going to be watching and watching CNN, Facebook, Twitter, the rest of these things. And they're going to be influenced by... So this is unfair. Well, the deep state it'll still be here no matter who wins. But the most important reason why Trump is going to lose is cheating. I grew up in Chicago and it was a joke that the elections were all fixed. Now, this is a national thing. Mail-in voting, Trump was right about that. You can have your dog vote, you can have the 20 million illegal aliens vote, everybody can vote. Vote early and vote often. In addition to the mail-ins, computers can be hacked and they will be hacked.

You've got 20 million undocumented aliens running around the country. They'll be influenced by the Democrats to vote. In the end Stalin was right, actually. "It doesn't matter who votes, what matters is who counts the votes." And Churchill had some words about this, too. You're thinking, well, what about our democratic system? You don't have a democratic system in the US anymore. Churchill, you remember said, "Democracy is the worst form of government, except for all the others." Well, I'd argue about that, but we don't have time to do that now. But Churchill also said something else about voting. "The best argument against democracy is a five-minute conversation with the average voter." So it doesn't matter if Trump wins. It's going to be contested and there's going to be all kinds of problems if it's close, when it comes time for him to hand over the mantle to whoever the winner is.

Well, are there any reasons Trump might win? Well, the Democrats overplay their hand with the riots in places like Portland and Kenosha, and people want stability more than anything else. Well, that's the reason why Hitler won the elections in Germany in 1933. After years of battling the Communists in the streets as Brownshirts against the Communists, Hitler was in a better position to guarantee stability to the German people. that's why he won that election. So that might work in Trump's favor. Second thing is, Trump's supporters are very enthusiastic. Third is, there is an incumbent advantage. And a lot of people that didn't know him in 2016, know that he is reasonably competent actually, or at least in my opinion, he is reasonably competent for a politician.

And fourth, there's a much clearer dichotomy between the candidates now than there was last time. That's probably going to work in Trump's favor, because he's not senile unlike Biden. Although Harris is really going to be the president. It's going to be a Harris' Regency until Biden steps down. And the big thing that militates in Trump's favor, it might make me wrong about these six civilizational factors I mentioned earlier is that, there's a good chance it's going to be a last minute October surprise about the Biden family's total incomplete corruption, stealing hundreds of millions of dollars from foreign countries. And God knows what. So that might play in Trump's favor. Okay. So the answer is what now? What then when either Trump or Biden wins?

Well, people who live in the red and the blue counties actually hate each other at this point. They can't talk. It's not a polite political discussion anymore as it's been in the past, where you agree to disagree and life goes on. We are at the ragged edge of a civil war, in my opinion. We're actually at the ragged edge of a cultural revolution, the type of thing that you saw in France in 1789. Where the Jacobins wanted to overthrow everything that existed before, all the way down to changing the names of the months and the days of the week. That's the type of thing that happened with the Bolsheviks in Russia in 1917, the Cadres wanted to totally overturn the nature of society, and they succeeded. It's the type of thing that happened in China, in the '60s, with The Great Cultural Revolution, which lasted for 10 years. That's exactly what we're looking at right now with the Democrats.

And if they win, they're going to cement themselves in office. With 104 senators, when they add Puerto Rico and Washington DC, which are both very leftist places, to the states, by making the 20 million illegals citizens, by packing the Supreme Court, no question they'll do that. If they win by probably reducing the voting age to 16, which is a trend all over the world instantly. I just came from Argentina. 16-year-olds can vote, they're very politicizing. They'll probably have a constitutional convention. The constitution is a dead letter, including the bill of rights, which is the important part of the constitution. It's a dead letter. But when we have a constitutional convention, the dead letter will be a matter of law. And it'll start out of course, with the second amendment. I think that could ignite the fire because people won't want to give up their guns. The first amendment is a dead duck tail with cancel culture, which strikes right at its heart.

We can actually have a civil war. What we had from 1861 to 1865 incidentally was not a civil war. That was a failed war of succession. A civil war is one, when two different groups are trying to take over the same government, or successions where they just want to separate. That's the best case for the United States or the next generation. That you can just separate and hang out with birds of a feather, whether you're a lefty or righty. That could happen. Chances are better we'll have a civil war though, of some type where everybody's trying to take control of the government in Washington, DC and control everybody else, their friends and enemies, both. So what if Trump wins? Well, it's not going to be any better really. He's a cultural conservative. Excellent. I'm happy for four more years of something resembling the old America, fine. Great. But he's going to print tons of money. He's an economic ignoramus. He wants to do it now, just like the Democrats do.

It's going to destroy the currency, which means they'll complete the destruction of the American middle class. He wants to control interest rates, which are the lifeblood indicator of the financial markets. So that's a disaster that he's all for. He's happy to increase duties and get into trade wars with foreign countries. And don't forget, that set off the last depression of 1929, more than anything else. And in the future, you're also going to see lots of government involvement in the economy, bailing out corporations, bailing out individuals, bailing out everybody as they destroy the currency. Then we'll see foreign exchange controls as well. So I advise you to plan on that. So we're entering the greater depression, and I think it's going to be even worse than I think it's going to be. This is really serious. This is the type of thing that happens every couple of 100 years. And it's coming up now. It's not all about the election in a few days. It's about what's going to happen because of all these things and many more that we don't have time to talk about here. And it's going to last for 10 years.

These '20s are going to be an ugly decade. But the next election, I suspect that Bubis Americanas will elect a general. We'll probably be involved in a war with China by then. The military is about the only institution that's trusted anymore in the US. God forbid we get a general, but I suspect that we'll be right-wing, left-wing, one or the other. Now, I only have five minutes to talk about, well, the third part of this. Well, what should you do about all these? Stocks, get out of stocks. Yes. Stocks could go up another 50% from here. We can have a cracked up boom, as they print trillions and trillions of dollars more money that flows into the financial markets. But I don't want any part of it. So I'd get out of stocks if I were you. There will be a panic out of dollars at some point, where people are buying everything just to get out of dollars.

Don't forget. I've lived in Argentina for many years. I know how these things work. The United States is only a generation behind Argentina in the chaos and destruction of the economy. Bonds, absolutely tomorrow morning or Monday, call your broker and sell all your bonds. They are triple threat to your capital. The interest rates can only go up probably back to the levels of the early '80s, 15%, 20% and beyond. They are a currency threat. The dollar is going to turn into toilet paper slowly at first, and then quickly. And third is default risk. So there's no reason. They are what you call return-free risk at this point, sell your bonds tomorrow.

Real estate, more interesting. Just make sure that the real estate you own, is in a place like here in the People's Republic of Aspen or 50 other towns that are small and cohesive and unlikely to be invaded by Antifa or BLM and are kind of out of the way. They're not in the middle of the storm. Don't be in a big city. You're going to lose money and you may lose more than that. So forget about that. Go to a small town and look for a crib in a foreign country. When the going gets tough, as it did in France, Russia, China, and Bosnia, and a hundred other countries that I can name. Don't be there. Watch it all on your wide screen, not on your front window. Commodities, been in a bear market since 2011. They're very, very cheap. That's where you should be looking. Although it's hard to invest in them. We're talking the futures market.

Gold is where you want to be. It's the only financial asset that's not simultaneously somebody else's liability. I think that you're going to find both the Chinese and the Russians backing the yuan and the ruble with gold. They're not going to be using dollars anymore. Why should they use the currency of their adversary, where even when they buy and sell between themselves it has to clear through New York? So gold is going higher. It's not like it's a giveaway levels anymore, but it's going a lot higher. Gold is going to be the next bubble, but more important from your point of view is, it's impossible to invest in this environment coming up. You're forced to speculate. And I'm all in with gold mining stocks. I've been playing with gold mining stocks, and they're very, very good to me for 50 years. They're radical movers, tiny market. Apple, just with the cash in its bank accounts could buy 100% of every producing gold mine right now. That's how cheap they are. Only one gold miner is in the S&P 500, that's Newmont. So it's a teeny-weeny thing.

The next bubble is going to be in gold mining stocks. We've seen bubbles in real estate, bubbles in tech stocks, bubbles in pot stocks, bubbles in cryptocurrency. There's no rush like a gold rush. And when this one gets started, those stocks are cheap right now, they're printing money. All in sustaining costs of producers is about a thousand bucks an ounce, gold is going to 2,000, 3,000, 4,000. Fund managers who have been taught that it's a kind of rock and don't own any gold stocks are going to pile into it. But it's like trying to put the contents of the Hoover Dam through a garden hose. When these idiot fund managers, and mutual fund managers, and bank wealth managers start buying some, too late after they're already up.

At that point, I hope to be selling when they have a golden bowl tearing apart, the New York stock exchange on the front of Slime or Newspeak magazines. If they still exist, then that's when I'll be dumping my gold stocks and buying Berkshire Hathaway. So, I guess that sums it up. We could go on and on for a long time about any of these subjects that I've covered. I guess what I'd say in conclusion is hold onto your hat. You're in for the ride of a lifetime. It could be fun. As a self-obsessed I believe almost anything that can happen properly will happen. So can't wait until we see what's happened this time next year, next year's conference. Okay. Albert, that's about all I have to say. Is there anything else I should say?

Albert Lu: Doug. Great presentation. Thank you so much. We have questions coming in on the chat window. You mentioned a foreign crib. Colin wants to know, Doug, where would John Galt go now?

Doug Casey: Well, all of the countries in the world have been and still are going in the wrong direction. I assure you that's the case. In the Western Hemisphere though, the best place to be, if you can afford to be there, and if you can get residence is The Cayman Islands. Believe it or not, an excellent choice where I've been spending a lot of time recently. Or been Uruguay. It's a welfare state, it's backward, small, but it's peaceful and quiet. Couple of choices. But listen, while you still can, and it's getting harder and harder, travel and figure that out for yourself. I could talk to you about it for an hour, but we don't have an hour.

Albert Lu: You mentioned you're a Libertarian, an Anarcho Libertarian, a gentleman Carl wants to know why can't the Libertarians put out a decent candidate?

Doug Casey: Look, Libertarian Party is a tempest in a toilet bowl. People that are member of the Libertarian Party are basically nothing nobody's that want to be somebody and can't make it with the big parties. They're a disaster. You can't even support them. William Weld as candidate for vice president last... I mean, a dangerous deep stater. But the answer is, I don't know. There hope is as poor as church mice. I'm very sorry. I wish there was a possibility for the Libertarian Party, but no.

Albert Lu: Andrew asks, do you think we're witnessing the collapse of an empire and will China emerge as the new empire?

Doug Casey: Yes, this is going to be the Chinese century, but it's not quite as simple as that. I suspect that just as the US, should and probably will break up into two, or three, or four smaller units in the decades to come. That's absolutely going to happen to China as well. They're going to break up into five or six countries, according to local cultures, local languages. I mean, the Communist Party is a scam. It's going to happen to Russia. Look, most of the colors of the map on the wall are running, most of the countries in the world are artificial constructs. So this whole century, yes, China's going to dominate, but it's going to be in a context of countries breaking up. And I think people are going to re-organize themselves. According to Neil Stephenson's, Stephenson deal with files where people find their real country. It's not some geographical area and sharing government idea. It's your real country, men or people that you share, views, philosophies, ideas with. I think that's the next stage. After we go through this period of chaos.

Albert Lu: Kenneth Lee is from Canada, Doug, and he wants to know how the collapse in the US is going to affect him.

Doug Casey: In Canada. Well, you've got big problems up there. Listen, Canadians are such whip dogs and such slow learners that they elected Trudeau for God's sake. So there's not much hope in Canada. And I've always been a big fan. I mean, the Maritime provinces should have broken off from Canada after World War II. They had a chance. Alberta was until recently the most Libertarian oriented province, but they put in all kinds of new taxes, they elected a Communist. Canada will be affected badly. It'll break up too. I mean Quebec should be its own separate country. I can make a prediction, chaos. That's going to be true all over the world. Canada is not safe from it, but maybe if you're living in the far north, we got to hunt bears from it, otherwise most of Canada's within 100 miles of the US border. So yeah, it'll get scary.

Albert Lu: Finally, Doug, a lot of interest in your new book from folks who follow you in the chat, I've posted the link where people can find it. Any thoughts on the new book?

Doug Casey: Yes, it's well titled because since it's titled Assassin, a lot of people are going to think it's about Trump. And we do have political assassinations in the book. And that's a discussion of political assassinations, the morality of them, techniques of them, the history of them, most of what should be revision assessed rate, and the practicality of them. Do they really accomplish anything? Yes or no. Anyway, our hero Charles Knight, who's a good guy, gets involved in this. So get a copy of Assassin. It's freshly on Amazon. It's a hell of a good read and it'll prepare you for much more radical books to come, the next four novels. So don't get behind the power curve, buy Assassin.

Albert Lu: Look forward to that. Thank you, Doug. Good to see you. Good to hear from you again. Hope to catch up again soon.

Doug Casey: Totally. Albert. Thank you.

Albert Lu: All right. Thank you, Doug.

Closing Panel

Robert Helms (MC), Doug Casey, Adrian Day, Brien Lundin, Grant Williams

Robert Helms: And it is time for another New Orleans Investment Conference tradition. And that's our closing panel. As we attempt to put a lid on this thing, as we say, and then we'll have, just some closing remarks. So for this panel, let me introduce you to our moderator. He's a guy I know well, from the Real Estate Guys, Robert Helms, okay, I'm going to come over here and moderate now my good friend, Brien Lundin, who's going to be on this panel. So how it's going to work is we're going to bring our panelists in here. And this is kind of a fun panel. The closing panel.

Brien Lundin: It's always a lot of fun because everybody tends to loosen up because, well, we're closing out. Sometimes there's actually alcohol on the table. Not this time, more's the pity, but we feel like it, but it's been just an incredible four days.

Robert Helms: Oh my gosh.

Brien Lundin: Four days. And it seems like it just went by in a flash.

Robert Helms: Great stuff. And for those in you that chat, thanking Jefferson and Brien and the great team here, it's been awesome. Maybe not as great as shaking everybody's hand. And I really sorry that you guys have not had an opportunity to buy Brien and I a beer, but that next year we'll hopefully be live. But as you've heard Jim and others say, it might be a long time before we see whatever the new normal might look like. So with that, let's bring in our panelists, all of whom you've met, so far, Adrian Day is with us for this panel. Are you there, Adrian?

Adrian Day: I am indeed.

Robert Helms: Look at that and Grant Williams is back. Awesome. Both of you gentlemen have contributed nicely to the conference here. We'll start here and, rumor has it. We might get Doug Casey back as well. First thing, we'll just start with epiphanies, takeaways. Our panelists have all also been engaged in watching and learning and hearing what others have had to say. Adrian, let's start with you. What are your big takeaways from the last four days?

Adrian Day: Whew, that's a big question. Certainly one of the takeaways and I know this isn't really what you're asking, but one of the takeaways is, man, they're some awfully smart people at this conference. You had some really, truly top people here. I think the other take away would be, we've got some good up and coming people to be honest with you, Lyn Alden, can I say this? I've never heard of her. That's a great discovery. Thank you, Brien. So, I'm not really answering the question the way you wanted me to answer, but finding people is extremely important I think.

Robert Helms: Actually, Adrian, it's a great, great point. And I think this is the perfect time to talk about that. One of the things Brien, that you always have a hard time with, I know is finding space because you want to invite everybody back because everyone was so extraordinary. And if you take the tactic and invite everybody back and then there's no room for new people that's tough too. So maybe speak to that. We've had some great folks for the first time this year.

Brien Lundin: It's really tough. And for some reason, and frankly, I really should have been in charge of this whole damn thing. I should have gone back and actually counted the number of speakers. It feels like we had more this year. We had a great schedule, Emily thoughtfully put in five minute buffers throughout the schedule, which kept us on time.

Robert Helms: They never do that.

Brien Lundin: Yeah, really. I've just all these five minutes. And if I would have noticed that before I would have fit in four or five more speakers, but everybody knew that as well. And that, of course, Adrian, is the classic Jim Blanchard tradition of just packing more and more into the schedule. So it feels like we had more speakers because it was virtual. But because it was virtual, I also felt completely unrestrained in going out and asking people like Dominic Frisby out of London, who I'd never heard him speak before, at our event.

And therefore the risk of flying him in from London and putting him up for three or four days and yada, yada, it was more of a risk, but in the virtual universe, we're in its', “Hey, can you get on your computer? And let's see what you got.” And he was a huge hit, he was a huge hit. And is everybody who's listened to you or Grant speak before if you've got a British accent, you're automatically sound 30% smarter than you are. He was halfway home before he opened his mouth. But, it was a lot of fun and Adrian, you probably should get on Twitter because financial Twitter is really, well, let's face it, it's a cesspool.

But sometimes it's an interesting cesspool and you find some really smart people waiting around in there, like Grant, Grant is one of them, but there are some people out there that really, poke out and you notice them a Tavi Costa is another one. I got him on the Economy Panel. I'd love to get him back for a presentation next year. Brilliant guy, if you see what he puts out on Twitter, just some really insightful stuff that you haven't seen before. And Lyn is another one, big fan of her. She just brings a different perspective and just, an inherent deep knowledge of what she's talking about. And that's how she's able to speak with such authority.

Robert Helms: Brien, I think this might be a good time to remind folks that, your opinion counts and you're going to be receiving a poll to see how we did, an assessment. And please let us know if you have a speaker you'd like to hear, Brien is always open to that, Grant what do you think about takeaways from this weekend?

Grant Williams: Well, first of all, Brien, thanks. Thanks for having me too bad. We couldn't meet in-person this year, but hopefully we'll be back in New Orleans physically next year. I have to say, I was just listening to your last presentation with Stephen Moore, who is a lovely guy. I've met him several times that he's found a lovely guy, but I have to say that left me feeling a little bit depressed. That might be takeaway to be honest with you.

I'm just going through some of the logic there. And I don't really throw this personally at Stephen, but Stephen has been that close to being on the Federal Reserve board. So I think the way he thinks, even though he was rejected is somewhat consensus in among those circles because there's no way they're going to take a complete outsider in there. So to listen to questions like, I don't know what normal interest rates are.

Well, I think we can all agree. They're not zero, right? There is no normality in zero cost of capital for a decade, that's not normal. Negative rates are not normal. So normal interest rates are higher than this. And when you look at the average interest rate on the $27 trillion of debt that the US is carrying at the moment, it's 1.77%. That's not normal either and in fact, if it gets much harder than that, it's completely unaffordable.

And when you talk about there being no inflation, and these guys, these thousand or so PhDs and the federal reserve saying there is no inflation, like everything's fine. That's complete and utter nonsense. When was the last time you're trying to buy a house? When's the last time you tried to buy Armani? When's the last time you tried to buy stocks? Look at the stock market. People are saying the stockmarket is going up. That's inflation. This is all the money that's been printed is going into asset markets.

This is not a rising stock market, stock markets rise in normal conditions because the business cycle is doing well, companies are doing well. That's not the case here. This is inflation. Now you talk about 11 million jobs. Again, nonsense, right? What happened was they're talking about there being 16%, 18% unemployment, and we're not there. Why are we not there? Because, the government are basically paying companies to not make people unemployed. So once that stimulus, it's taken away, those people do hit the unemployment line. So they are defacto unemployed, but for the government, we hear talk about spending on infrastructure, spending on ports, spending on airports.

These are great ideas and yes, go borrow at 1% and fix the airports, fix the infrastructure. That's great, but they don't do that. They take that money and they have buy bonds with it to keep interest rates low, right? And then they come and talk about, well, interest rates would be higher. I mean, tell me why are interest rates higher? Interest rates aren't high because the Federal Reserve is buying $120 billion a month in bonds. So when I hear your logic like that, being thrown at the situation, admittedly, look, we all understand what's happening here.

This is, we're three weeks away from an election. So anyone looking at this with a sense of light understands what's going on here, but this is very dangerous because a lot of the people that listen to this stuff don't understand how the financial side of this works. And what's being spouted here, frankly, is complete and utter political nonsense. It does not address reality in any way, shape or form.

And so when I hear this stuff, it absolutely drives me crazy because it's disingenuous, it's misrepresentative and it doesn't actually take into account what's really going on on the ground. And there are a lot of people are going to wake up one morning when reality finally hits here and say, what the hell happen? We were told everything was great. We were told the economy was really strong. We were told unemployment was under control. We were told there was no inflation, this stuff is happening. It's happening now. It's happening putting into service that it's only being kept at bay by a $3 trillion budget deficit and climbing $27 trillion in debt held by the public and climbing.

And without that, this whole thing doesn't stand a chance of staying together. So my big takeaway and I don't want it to be, I mean, I agree with everything Adrian said, and Brien, the guys that you mentioned there are all absolute superstars and Fin Tweet. So there were a lot of positives. But my big takeaway particularly is that attitude, which is unfortunately the attitude that prevails among the people who are responsible for trying to fix this. And if they don't recognize the problem we have here, and the chance of them actually fixing it is zero.

Brien Lundin: If I can add to that Grant, I hope that our audience recognized that I really couldn't go down that road against a time deadline, it would have taken another 30 or 40 minutes to go back and forth because they were linked easily. All those points that I would have brought up, I'm a big fan of Stephens. I'm a big fan of Larry Kudlow. He's spoken here before for their pro-growth policies, deregulation, regulatory reform, low taxes, et cetera. But even if you go back to the Reagan era and the Republicans who are supposedly and have always supposedly been the free market people, they're more fiscally responsible. They've never gotten the spending part of it, right. There's always been an excuse or some reason. And the reason of course is getting re-elected.

So there's only been, and when you get Stephen Moore saying, well, "The deficit doesn't matter and I don't see inflation out there." There's barely a papers with a difference between them and the MMTers who say that you can spend, you can go out there, do whatever you want, Stephen and them don't say that we can do whatever we want. We can spend to oblivion. They just say, it doesn't really matter right now because the economy is good according to all these various indicators. But at some point it does matter. And the MMTers aren't saying there is no inflation. They say, when there is inflation, where we can just hike taxes to pull the liquidity out, which means we're going to crash the economy and go into a depression at that point and send everything tumbling to remove that liquidity. And it's just not that easy to halt inflation once it's begun.

Adrian Day: Yeah. If I could just jump in here a second one of the benefits of being on a closing panel, of course, it's that you get to answer everything another speaker said that you disagree with, but at the same time, I think that's a little bit unfair because they're not here to answer, again, if I may, looking back at that last talk to proclaim how wonderful it is, that the economy was up so strongly in the third quarter. It's just preposterous. If I own a restaurant and I'm shut down and allowed to do only carry out for three months. And then you allow me to open at 50% well of course it's an enormous jump at that point, but that's not sustainable. So it's sort of meaningless to say that the economy is up a lot in the third quarter after collapsing in the second quarter.

I think we all understand the difference between productive debt and unproductive debt. Steve Moore mentioned that, and that's true for households, it's true for businesses. If I borrow money so that my son, I don't have a son, so my daughter can start a new business. That's going to generate income, that's productive debt. We all agree with that. Now, of course, the whole point about productive debt is you should start from a strong balance sheet and the US government doesn't have a strong balance sheet. So that even raises the question of whether they should be borrowing even for productive purposes. The other thing about low interest rates. I mean, I was shocked, frankly, when Steve Moore said he didn't know what a normal interest rate was. The other thing about low interest rates of course, is they distort everything.

They make savers into speculators, 60, 78 year old people who should be living off their life's savings, turn into speculators, that's not good for society. Businesses should be taken out to the MCAS yard. Do you use that expression in America, the MCAS yard?

Grant Williams: Hey listen, we got 50% of us understand that Adrian you're fine.

Adrian Day: Okay. Are being kept alive by excessively low interest rates. And we heard a lot at this conference about, “oh, there is no inflation, and inflation has nothing to do with money.” I disagreed with Jim on that, Jim Rickards, the growth in the money supply or Fed credit is a necessary, but not sufficient reason for inflation. And that's why we had no inflation from 2009 to 2018, 2019 the reason we had no inflation was because even the growth in the Fed credit was there. The money was going to money center banks we were not lending it was not getting into the real economy.

And it was going into the stock market and into other assets. Once that money was being created, it starts getting into, and this is where velocity comes in of course, once that money starts getting to people who are more likely to spend it, then you're likely to see consumer price inflation go up. But the CPI is not inflation. Inflation is growth in the money supply in the first place. And that money goes somewhere, sorry you can go on.

Brien Lundin: Well, let's analyze that a bit because that was a subtheme throughout this conference that I don't think got adequately answered by anybody, money velocity cratered. And I had the chart in my presentation and I was kind of wondering why two, it cratered post pandemic, but it was on a steep downslope. Well, fairly, but consistent down slope since 2008. Is that a function of the fact that there's just not much economic activity is the long down slope, is that a function of the fact that we had the most moribund economic recovery post recession, more economic recovery in history that just isn't that much economic activity to really like that monetary tinder?

Adrian Day: Velocity has been going down since 2000 as Jim said. And as the graphs show quite clearly, but specifically from 2008, when the Fed started really boosting the Fed balance sheet in a tremendous way. And it's really ironic when you look back at the graph today, that little blip in 2008, it looks like nothing today, but at the time it was obviously a huge increase, four-fold increase in the Fed balance sheet. But what happened with that new money? What happened with that new money? The Fed bought only treasuries and mortgage backed securities. That's all they bought. And they said they didn't have the mandate to buy anything else. They would have loved it. So they only bought mortgage-backed securities and treasuries. The money did not go to Joe homeowner or Harry homeowner, sorry. It went to the money center banks who were incentivized by the Federal Reserve with what have called one of the most idiotic policies of the Fed ever and that’s quite a competition.

But in 2009, the Fed introduced the policy of paying interest on excess reserves. Now, if your goal is to prop up the banks, maybe that's a good idea. If your goal is to get the economy going, that is just about the most counterproductive policy you could possibly imagine. So the banks were incentivized not to lend the money, but to borrow from the Fed and turn around and put them back on deposit with the Fed and on a risk-free return. So the money did not go to the real economy. And that's why the creation of money didn't cause consumer price inflation in my humble view.

Grant Williams: I'd add something to that, Brien and that is, I think what was expected when all this stimulus, came as close to being directly transmitted to main street, as we've seen so far in the form of these checks going in there, the good old American consumer and the British consumer, and everyone else that received stimulus, it was assumed they would do what they've done before. When they've received money from the couple they'd go out and spend it. And I would jumpstart the economy, but horror of horrors, what they did was exactly that, which it was hope they wouldn't do.

They massively increase their savings rates. And they started repairing their own balance sheets. They used some of that to pay down debt. What happened with other parts of that money was guess what, it went into the stock market people started punting look at the numbers of new accounts being opened by Charles Schwab and E-Trade, Ameritrade and Robinhood for God's sake. And so what happened was that money, people saw their neighbors losing their jobs. They saw their restaurants closing down. They saw either themselves or people, very close to them, losing their jobs and being in a really dire strait.

So they didn't go out with that stimulus check and spend it on a holiday, or spend it on a new car. Now we have seen car sales climb, but a lot of that is because people didn't go into holiday. So the money that's saved for holiday, they just thought we can't travel. So we're going to go and buy a new car. So those kinds of things wash out. If we've reached the point where the consumer is worried enough about the future to start repairing their personal balance sheets, that's only going to drive velocity even lower, which is again, the last thing that they want. I mean, just the only thing, saving them for the moment from this inflation genie thing unleashed.

But again, I can't make this point strongly enough about inflation. When we think of inflation from a CPI perspective, we think about what a dollar would have bought you in a basket of goods and services, right? We talk about the price of bread going up, the price of milk going up, and people will say to you, how much milk could you have bought for your dollar six years ago? How many shares of Apple could you've bought for your dollar six years ago, five years ago, two months ago? A lot less why? Because that money that's come in, stuff that isn't being used to pay down personal debt is being funneled into the stock market because people see the prices going up and the whole point of inflation or the whole problem with inflation, rather, is expectations.

If you feel like the price of bread is going to go up, you feel like the price of goods are going to go up. That's why they chart inflation expectations. You are more inclined to go and spend your money on those goods. And that's what gets the inflation genie humming. Well, guess what? This is what FOMO is in the equity markets. People expect the price of Apple shares to go up. They expect the price of Facebook shares to go up. And so they're rushing out to try and get those shares before the price goes up. It's exactly the same thing.

So when you hear this talk about there is no inflation, there absolutely is inflation, and it's going exactly where the money is going. And that will continue until people start to see the price of goods and services go up, which when companies start releasing the results they've had for the pandemic, and they have to start cutting wages and they have to start letting people go and they have to start raising the price of products, just wait and see how this dry tinder makes that inflation, genie, jump out the bottles so much faster.

And this is a real problem that hasn't happened yet. But if anyone out there and I said this on the panel I was on earlier on, it is looking to try and, look at their portfolio and think 10 years down the line, inflation is going to be your problem. And you have just had a court failure that for 40 years was positioned diametrically opposite to an inflationary hedge portfolio. Everything has been about deflation. So if you're not thinking this through and asking yourself, looking at my portfolio today, if we get inflation, the kind of inflation that we're all worried about, what's going to happen to my portfolio. If you're not actually having that thought exercise, then you're doing yourself a disservice. I think it's so important that people do that.

Robert Helms: I was going to say one of the things here is that this is precarious times. And a lot of the theme has been about the difficulty that we're going to be seeing for a variety of reasons, political and economic and money printing and on and on. And yet the idea of coming together and learning and having some solidarity has been positive. So the additional response you had, Adrian, this is great. We've got new people. That's what we need. But at the same time, I think people are looking for concrete answers when we don't necessarily have that. And the other part is that, resources like gold and silver, people tend to jump to that when things are not as good. And that's one of the balances when the economy goes well, the attendance at New Orleans is less than when the economy is poorer, but gold is doing well, people show up, we've had great attendance this year, more than last year.

Brien Lundin: Yeah. And you notice that in the gold market, Western gold demand rises with the gold price. It's entirely the opposite in Asia as the price rises, demand goes down, and we do get more people here, when there is a buoyant precious metals market, mining stocks, et cetera, that said we never get below a certain number of people here.

Robert Helms: Right.

Brien Lundin: There's just so many smart people who come here and I noticed in 2015, a distinct change in that 2013, 2014, we couldn't get people to go over to our exhibit hall, 2015 they started going there and they started talking and listening and actually buying. And it's a great barometer. It's not the barometer so much of how many people we have at the conference. If there's some way we can measure their attention span, their interests, their purchases, that would be a great measure just as an update on, on Doug Casey, it seems like Zoom has deemed him a security risk, and they may have been listening into his earlier presentations. And frankly, it was only a matter of time.

Robert Helms: We're surprised it didn't happen before.

Brien Lundin: Doug's been canceled. But I think he's trying to call in, somehow and circumvent the security systems.

Robert Helms: Well, that's how these things go. All right. I think let's do this because we're at the end of these four days, this is a crazy time and strategically or not, the conference happens three weeks before the election. So a lot harder to figure out what to do. What do you see the calm down effect, or is it going to be the opposite, the go crazy effect, regardless of what happens when we get past the election and it's in the rearview mirror, what do you guys think about that?

Adrian Day: Well, I'll jump in there. I mean, as has been mentioned a few times, I think in many ways, I'm not saying what I want here, in many ways from the market's point of view, the most important thing is whether you get a deadlocked government or whether the same party controls the White House and the Senate. If the same party controls the White House and the Senate, whether it's Democrat or Republican, you're clearly going to have an enormous boost in spending. The priorities will be different depending on the party. And suddenly from an investment point of view, there should be a little bit of rotation, depending on who wins, if Biden and the Democrats sweep, you probably want to sell any remaining oil stocks that you might still own for example, certainly if they're in the US and fracking.

And another thing is, Steve Moore mentioned, and I don't think we should forget, I mean, I'm not a huge Trump booster, but we should not forget that the Trump administration there's some incredibly good things for the economy. One thing they really did was the deregulation, which was phenomenal. And that's not something that gets front page headlines, the way a tax cut or a Supreme Court nomination does but cutting regulation was very, very important to helping businesses and in the gold mining business and in the oil business, you can see it in practical terms. How projects are getting, a little bit of a fairer environmental review and make me get permits a little bit quicker.

That’ll go into reverse if there's a Democrat sweep. That's just one example. But I mean, basically I think it's difficult for me to imagine, but I'll say government that's the administration and Congress, are not going to continue increasing spending. It's difficult for me to imagine, that the Federal Reserve is not going to continue to accommodate that unfunded spending, which is essentially an empty, I find it very difficult to think either of those is going to stop or reverse in the foreseeable future as clearly positive for gold. It's probably positive for the stock market, but it's definitely positive for gold.

Grant Williams: Yeah, I would answer that. I think the one thing that is pretty clear amidst the usual chaos surrounding US elections is that no matter who ends up in power, they are going to face the same problems and their solution to those problems are going to be the same, no matter what it is they're going to borrow and spend. And I think that's a really important thing for people to actually understand because, in normal times there is a difference between the way both of the parties will act if...we had a normal economy. If we had, there was a little bit of nuance, but there isn't here. There's no room here to do anything but try and stimulate the economy to try and bring jobs back.

And that is going to require borrowing. It's as simple as that. So as an investor, that's actually the best thing that you can have behind you is an understanding that if the Republicans win or the Democrats win, the deficits are going to explode because they have to. That will be good for gold. Take a look at the chart of commodities versus equities, and you'll see that commodities are, I mean, at levels we haven't really seen in literally hundreds of years in terms of relation to stocks. So there are clear winners here, no matter who wins, that are very simple to spot. It's not a complicated set of dots you have to try and join. If we get inflation, which we may do, a lot quicker than people think that's a tailwind. The only real problem you have, is if we do get this deflationary environment persisting, or we get the famed deflationary costs.

And I think, as long as you have a plan for this, if your timeframe is you're looking to scalp this, if you're looking to try and, I liken it to the old Bugs Bunny cartoons where the elevator is falling and Bugs Bunny steps out right before it hits the ground, if you're looking to step off of this thing right before it lands good luck to you, because that's not how it works. The cartoons are not real life, but if you're looking five years down the line, it's very easy to see that the chance of there being a problem with inflation, as opposed to deflation over the next five years is skewed way to the right end of the risk. And so try to time this market is a very dangerous thing to do or trying to play a big secular trend change.

When you've had 40 years of deflation, you've reached the negative rate band, which we've seen in other countries that have tried this gets repudiated. It'll be the same here. You may end up with negative rates for a short time, but ultimately the market won't like it. There are all kinds of things here that are setting up for one of those circular trades that you can put on for 10 years. And you may have some froth at the beginning of that turn. And you may have some painful days, but if you're looking at what the problem is going to be for the next five to 10 years, actually, I think this election gives you a very, very clear roadmap to positioning your portfolio for the medium to long-term that we haven't had for quite some time.

Robert Helms: Excellent. All right. Well, we think we might have Doug Casey by phone. So let's see Mr. Casey,

Grant Williams: Is it a hostage situation, is he?

Doug Casey: Yes. I believe I'm here.

Robert Helms: We've got you.

Brien Lundin: We know you're there.

Robert Helms: That's excellent. We'd love to see your face, but we really want to hear, what's on your mind. You've been here for many years and as we close out the event, big epiphany's, takeaways and we're talking of course about what can we actually do?

Doug Casey: Epiphany's takeaways and what we actually do. Well, we're a major turn in the country's history, actually a major turn and it's simplification itself that's a really big deal. So, I don't know. I'm not sure I can say anything that I haven't said before or been saying for some time, it's not a very specific answer.

Robert Helms: Well, I tell you, we've had several people that hadn't heard of you before, which is amazing, and yet, you blew some people away this weekend. So thanks for your participation there. I think it's kind of figuring out, where do we go from here, which is so difficult, so pretty easy to predict the past, pretty hard to predict the future.

Doug Casey: Well, like I said, at main stage, I think the chances are overwhelming that, Harris-Biden is going to win and they're going to cement themselves in place in a number of ways, and it'll last a generation and they'll destroy the economy in the meantime. And so, you're going to have to play it by ear. I mean, like I said, I'm buying gold stocks because they're very cheap. I mean, played with these things for 50 years and now's the time to buy them again. Other than that, I don't know what you can do other than sell everything else and live in a safe place. Like I said, I'm talking to you right now from the People's Republic of Aspen, Colorado, so it's important to have a crib outside the US too, because you don't know what these lunatics are going to do. It's a cultural revolution that we're going through right now or about to go through, I should say.

Brien Lundin: So, Doug, I decided to have some fun and throw you on a political panel with a couple of fairly mainstream guys, more toward conservative than libertarian and in you more toward anarchist than libertarian and I figured you'd come in there and throw some bombs, but I guess it must be due to your rhetorical talents, but they ended up agreeing with you on just about everything.

Doug Casey: Well, it was just a passing whim on their parts. I love Tucker and what he says is almost entirely correct. He impresses me as a good guy, but he's in the infotainment business. And, then Steve is a good guy, but he's a conservative, he's conventional. So there's not much help, anyway, where we're a tiny minority in this country. We're like a remnant, we're on the wrong side of history at this point, the battle's been lost. So it's a softy pool moment.

Brien Lundin: Doug, when Tucker was talking about breaking up Google and Facebook and taking away the passports of elected officials, didn't that seem a little bit fascist to you.

Doug Casey: Yeah, I disagreed with him completely on that. I mean, look, the best way to get rid of Google and Facebook is to come up with a better version of Google and Facebook and withdraw all government support from them. You don't need to break them up because your starting on the road to ruin at that part where you're making things worse. You're doing what just seems like a good idea at the time but is morally incorrect, against this country's founding principles. So that, was bad advice. And I read when I was looking at Steve's Wikipedia page that he's accused by the US government of owing $75,000. Well, that means they can pull his passport right now. I think it's a good idea to pull Steve's passport. You shouldn't be able to pull anybody's passport for any reason in my opinion. I'd be first on the list and you.

Adrian Day: The irony is that, of course in history, most of history, you didn't need a passport or when passports were first introduced, they were introduced as a way of ensuring that the holder could actually travel freely. You look at what it says on the British passport, her majesty what is it? Commands and-

Grant Williams: You basically helped this person. I forget what it is.

Adrian Day: Yeah, but it's commands all to allow this bearer to travel. So it's gone completely upside down in the last 50 years.

Doug Casey: You're absolutely right. We live in bizarro world. I completely agree, And an American passport is becoming increasingly, not that I want any passports, but it's the least desirable, if somebody hijacked a plane people with the US passports are the ones that are going to be first up against the wall.

Robert Helms: That's the kind of remark we were looking for, Doug. All right, we've got a couple of questions from the audience. Jared says this, "What's the panel's view on the chapwood index stating the consumer price inflation is seven to 10% in all large American cities"?

Grant Williams: I think there's the official CPI basket. And if you understand what that's used for, you understand that is absolutely in the interest of those who produce it to make it as low as they possibly can. There are so many social security payments indexed to that number that the lower that number is the less the government has to pay out. And as we've gone through the years, the government is in more and more difficulty, the more they have to pay out. So, just on that simple metric alone, you understand that the lower that number is the better for everybody. And that, particularly is the people who put it together. Putting that aside, you only have to just do the math for yourself on your weekly basket of goods. I mean, people get confused because it's the old, who do I believe my own pocketbook or my own lying eyes, right?

If they're telling you the CPI is 1.5%, but you find that you're spending 10% more a month on groceries. Well, guess what? That is inflation, that's what's happening to you, but it throws enough confusion at people that they don't want to believe that their government's lying to them. They don't want to believe that the numbers are fake, but this is a very simple exercise for everybody to do. You've got your own CPI basket, you have your rent, you have your important things that you have to pay every month, your mortgage, your rent, your power, your food, that kind of stuff. Just, work out what that's costing you. And if you want to know what the inflation is, there you go. It's actually that simple. And if I think you do that, you'll find it's a lot closer to that number you just said then the CPI number.

Adrian Day: Well, absolutely to be right Grant, particularly your first point that the government, obviously it's in their interest to keep inflation down. But this is the fundamental problem of thinking of inflation as increases in consumer prices, because that's not what inflation is, increases in consumer prices are the result, or consequence of inflation. Inflation is the Federal Reserve, creating more money and creating more credit. And so, if you look at inflation from the point of view of consumer prices, everybody's got a different inflation for me, the fact that, best seats in Metropolitan Opera House have doubled over the last few years, that's pretty significant. On the other hand-

Brien Lundin: Now we're really starting to hurt people.

Adrian Day: You're really hurting me. The fact that my French Bordeaux have gone up a lot because the Chinese wo are mixing it with Coca-Cola, are buying all the best wines. So my cost of living, my inflation is a lot, lot higher than many other peoples. Now my girlfriend's inflation is Dolce Gabbana dresses that have doubled in price because of the decline in the Euro. So, everybody has a different consumer price inflation.

Brien Lundin: People get confused, but today's CPI is not our fathers' CPI. They messed with that index in the '80s and in the '90s. And they threw in a bunch of stuff like hedonic deflators, substitution that makes no sense. They've always tinkered it and always to dampen the reported rate of inflation. I think the rumor is that Chapwood was a lower level economists at the Bureau of Labor Statistics. And as a result of his figuring out the inflation was actually higher than measured. He was the only civil servant to be fired in the last two decades. But, that's the thing. If you were working for the government and you figured out that inflation was actually higher and you told your superiors about that your career path would be terminated because there is an inherent, and it doesn't have to be a conspiracy to keep inflation low, there's just an inherent, it's built into the system to report inflation lower through cost of living adjustments and everything else. Inflation can't accurately be reported by the government, it's self-defeating.

Doug Casey: Well, I just came up from Argentina and I trust the US government's figures just somewhat more than I trust those of the Argentine government for pretty much the same reason. And I've got a comment that the US resembles Argentina more and more all the time, not good.

Robert Helms: Doug, you've lived in 10 different countries and visited more than 160. So you have a perspective and also, you pay attention to this kind of stuff. So what do you think the rest of the world, we're talking a lot about US politics and so forth, but what about the rest of the world and Europe, and what else are we not seeing?

Doug Casey: It's the same problem everywhere, because every one of these insane central banks are doing the same thing the Fed is doing. They're all printing up money by the ton Yuan, Yen, Euros, you name it, they're all doing the same thing. So we're going to have a worldwide catastrophe where the average guy who saves in his local currency is going to be wiped out as the local currency itself is wiped out.

Robert Helms: All right. Now, I got another question here, this one comes from Elkson. Who's got a lot of questions this weekend, do the diminishing returns in gold mining output, so we've seen the charts, the reduction of big fines and so forth, constitute a risk for the gold mining investors. And in any case, how would that fact influence gold prices during inflationary or deflationary periods? Adrian, you manage a lot of gold, Brien you know gold like crazy. What do you guys think?

Adrian Day: Well, I mean, the first off obviously if [inaudible] and discoveries are going down, the value of those reserves and all those discoveries goes up. And so, in time, I personally still think the major mining companies, are the best risk reward, but in time you want to be really good to the exploration companies because of an exploration company makes a discovery. That discovery is going to be worth a lot more than it would have been if everybody was discovering five million ounce deposits every year. So the answer to the question, what does it mean for the gold mining companies? It really just means the senior companies are going to have to pay up for acquiring either companies or deposits, but the juniors and the exploration companies may. That's the first point.

Grant Williams: Stephen Moore said, it perfectly, right? "If the economy produces more hammers, the price of hammers goes down." Well, guess what if the economy finds less gold, guess what's going to happen? The price of gold is going to go up. It's simple as that. I mean, that does work in both directions that statement.

Brien Lundin: I would disagree a little bit. I think the monetary factors are going to overwhelm all of these factors. I would agree with Grant, if say gold production was halved or something like that. But I think that trend of peak gold is so minor. It's one or two percentage points over time, at least now. And it will get greater over time. And Adrian's point is well taken that the lack of really big discoveries makes discoveries that much more valuable in an M&A world. But as far as the price of gold, the monetary issues, the macro issues facing us now are going to overwhelm everything else. It's like when you look at jewelry demand, like the World Gold Council does to gauge, the potential price increase in gold, it’s completely irrelevant. Same thing for industrial usages of silver, it's completely irrelevant to the price, its monetary use as monetary demand that drive those prices on the margin.

Adrian Day: That's absolutely true. I mean, 100% agree.

Doug Casey: That's right. There are about, we guess they're about six billion ounces of gold above ground and new production about 80 million ounces a year is trivial, insignificant relative to that. So what drives the price of gold is the desire of people to hold or buy more, not production, production is insignificant to that.

Robert Helms: Excellent point. And I think that the news is that most of the gold is not in the control of Doug Casey, but a whole bunch of it is, because he's been behind it for a long time. And I think the last thing we'll do on our panel here is we'll be together. I hope all again, in a year, either virtually or live at the New Orleans 47th Annual Investor Conference, let's get out the crystal balls who wants to make either bold prediction or idea having to do with anything about what we'll be talking about, celebrating or lamenting one year from now, we'll start with Adrian.

Adrian Day: Oh gosh, no. Well, what I would like to say is not answer the question and Brien I'd really like to compliment you. You did a... I don't like these virtual conferences to be honest, apart from the fact that I love wine and drink. So I like to be places. I also, concrete to my reputation, I actually do like people, so I'm not a big fan virtual conferences, but I think you did a really superb job. We had two great MCs, Bob, and one of them. And then also yeah, no, I'm trying to help. But I think Albert, I think Albert is the best panel moderator I've ever come across he is superb, he really is great at it. And obviously Alex and Emily and whoever else is on your team, everyone has done a really good job. So what's my prediction for next year. I think my prediction for next year is you're going to have a great conference.

Robert Helms: Let's say you Grant?

Grant Williams: I think next year you're going to be talking about two things. I think you're going to be talking a lot more about Bitcoin and I'm not a Bitcoin bug. I am absolutely not one of those guys. That's going to get you in a headlock and try and convince you to buy Bitcoin. But I think its importance is going to increase over the next year or at least it's important as part of the conversation and I think, you're going to be talking about this inflation problem a lot more next year, but this time, not as a concept, but as a real world problem, that prices are rising. And how do we deal with inflation that two, three, maybe looking like it's going to 4%

Robert Helms: Awesome. Doug Casey, what do you think a year from now?

Doug Casey: I agree with both Adrian and Grant, but they're far too conservative. What I'll say is that, it will be widely acknowledged that we're in a serious economic depression and that's going to be true, whether Harris and Biden are up there or whether Trump is up there. So that's what's going to be on everybody's lips. What do we do about the declining standard of living and the chaos in the financial markets.

Robert Helms: All right. And Brien Lundin a year from now, what are we talking about?

Brien Lundin: Well, 2020, sure worked out according to everyone's expectations. So why don't we just take a stab at 2021? I think that's the lesson of 2020 is prognostication ain't the business that it used to be, is it? But that said, I'll stick to my knitting. I think the price of gold will be somewhere between $300 and $500 higher by the end of next year. Silver, probably commensurately somewhere over $35 to $40 range thereabouts. The only reason I'm willing to make that prediction is because gold right now is in an interesting period in its 5,000 year history. And it's some 50 year old history as an investable asset in that rather than being a hedge against uncertainty right now, it's a bet on certainty. It's a bet on the almost inevitability of these macro forces that will force virtually unlimited creation of currency over the months and years to come.

What's not really certain right now is the near term. It's like we're farsighted and we're bumping into walls right now. As far as gold investors, we have to get past the election. We have to get past a number of other things, COVID being one of them. But I think throughout the end of the year, we're going to have a bumpy period in the metals, which means a bumpy period in the mining stocks and the junior mining stocks. So you have to look beyond that. You have to look at the certainty of a year, two years down the road and where we're going to be. And look at these bumpy periods these times when these assets go on sale to build your positions, to buy them. And in respect to the metals, the bullion, you have to make sure that you've got that insurance for your wealth because as those currencies get devalued, the value of the metals and other tangibles is going to rise in relative fashion. And I completely agree with Adrian on what my staff has been able to accomplish here, but I'll get to that in a moment or two.

Robert Helms: All right, well, easily more than 125 years of worth of experience combined. How about a virtual hand for this amazing panel. Thank you, Grant. Thank you, Adrian. Thank you, Doug and Brien extraordinary conference. And, boy, we had one comment in the chat here that this session alone made the whole conference worth the price of admission. So appreciate you guys and really all the speakers it's been totally amazing and extraordinary. I'm with you, Adrian the virtual conferences is just not the same, but you know, it's where we're at. And I think Brien and his team made the most of it. So thank you gentlemen, for being on this final closing panel.

Adrian Day

"Thanks To The Fed, Gold Is The Winner"

Adrian Day: ...Good. Okay. So thank you Albert for that, and thank you ladies and gentlemen. I'm going to talk this evening about the Fed, which I've talked about for the last several years, but I'm also going to talk today about gold. So in the last several years at the show at New Orleans, I have talked about the lunacy in my mind that has overcome Federal Reserve monetary policy. And particularly the negative consequences, economic and social, that flow from these policies. And each year it seems to me, it gets crazier than the year before. Each year things that we thought were unimaginable, come into being. And the consequences have been disastrous. The most obvious consequence of course is the long-term decline of the dollar...Since the Federal Reserve came into being in 1913, the dollar has lost over 99% of its purchasing power, which frankly is pretty astonishing. But we've also had the destruction of savings because of low interest rates and increase in money.

And from this is the decline of the middle class. And as we discussed last year, there's a direct line from Federal Reserve policy to the widening wealth gap. Last year because of a widening wealth gap, I predicted increasing social violence. And of course we have seen that. So there's a direct line from Federal Reserve policy to the widening wealth gap to social violence. Now of course there's always proximate causes of violence, whether it's censorship in Hong Kong, corruption in Beirut, perceived police brutality and racism in the U.S. and so on. But again, there is a direct line from Federalism policy to a widening wealth gap where the lower 50%, in terms of net assets and in terms of income have been moving backwards and many feel absolutely left out of the system. So when you feel left out of the system, the result is what you see on the screen. Now each year, people say to me, "Adrian, you know, this time I think you're going too far, blaming the Fed for everything."

Well, each year things come to pass and they come to pass a lot sooner than we imagined. And if you think I went too far last year, well, I'll be going too far this year. Where is all of this taking us? Easy money which sounds sort of benign. In fact, easy money sounds sort of good thing. Whereas hard money sounds vaguely tectonic and not very pleasant at all, but easy money means the destruction of people's purchasing power, the destruction of people's savings and the destruction of people's livelihood, where is all this taking us? There is a risk, but it will end as it often has throughout history in authoritarianism, the loss of freedom and violence on a monumental scale. War between nations as a diversion. Invasion, because society has been so weakened or civil war because the divisions within the society become untenable.

And we've seen it throughout history, the decadence of late Rome, the decline of the 13th century Shang dynasty, excess spending of the steward kings, English stewards, the Weimar Republic. These were followed by the invasion of Anthelia and the end of the Roman empire, the invasion of the Mongol's, the English civil war and the Cromwellian dictatorship. And of course the Weimar was followed by the rise of Hitler and the second world war, again, a direct line from easy money in the Weimar to the rise of Hitler and a world war. If the Fed and Congress and the administration do not put a hold to this disastrous policy, then this is the direction in which the U.S. is heading. Now, Federal Reserve policy today is not new. It's a natural extension of the last quarter century, and particularly the last 10, 12 years, you've seen this grow up many, many times, and it's been accelerating in particular in the last 10 years. As we go down this path, each attempt by the Fed to reign in, to pull back, seems to be shorter lived rarer, and more modest.

Now, apologies for the Fed, we'll say, that the arrival of the Coronavirus epidemic was unexpected. And the government and the Fed had to act...what we've going to focus on, is at low interest rates, excessively low interest rates and ballooning credit expansion didn't come suddenly out of a blue and March, we have to realize that Fed was already easing again, six months before the disease came to the U.S. when Corona was still thought of as a Mexican beer, September 2019 to February 2020, before corona hit the U.S. saw the most rapid i rate of increase in Fed ever, the Fed's greatest liquidity boost ever, before coronavirus. Now this was in response to the freezing of the overnight repo market, which incidentally itself was caused by Fed policies.

We don't have time to go into that. So the arrival of coronavirus accelerated what was already happening, it accelerated what was already inevitable. And certainly, the things I discussed last year at this conference, which seems like a lifetime ago now, suddenly they have come about much sooner than I thought they were, but they were coming anyway. Now Rick Rule likes to say, he frequently says, "that just because something is inevitable, it doesn't mean that it's imminent". And I add to that, that often things that are inevitable though they take a lot longer to come to occur. Once they get underway can often unravel much quicker, much faster than we imagined. And I feel we are just about at that stage now. COVID was an excuse.

If you're a Fed apologist, it was a reason. It was an excuse, to put into place extreme monetary measures. Many of which are purely experiments, that many of the Fed had been itching to try. And if you look back over the last five years, whether it's Brexit or China or the stock market, or the repo market or a disease, the Fed has only one answer, one response, and you all know the saying, “when you're a hammer, everything looks like a nail”. And the problem is that each round of new stimulus, each new round of stimulus has to be larger than the last one for the same impact, and it has to come sooner and sooner before the effect of the last one wears off. It's a little bit like a drug addict who needs more and more frequent injections for the same high. And as I've mentioned, the Fed has been unwilling or unable, increasingly unwilling or unable to pull back. Last year, I discussed how the Fed's pitiable effort starting in 2014, when they announced her return to normal, that was in 2014.

And... we didn't even begin that process. Now, all pretense is out of a window, Fed chairman, Jerome Powell doesn't even pretend we are not even thinking about raising rates. And as for the balance sheet, he said, "We may never reduce the size of the balance sheet. This is the Fed's balance sheet. We may never reduce the size of the Fed balance sheet. We will simply let it decline in relation to the economy as the economy grows.” So there is no longer even a pretense, but the Fed wants to normalize. And there are growing voices as has been alluded to this conference, including the last panel.

There are growing voices among MMT advocates in Congress and academia, as well as some at the Fed in high, in positions of power, to maintain easy money policies on a permanent basis, to give the economy continual stimulus. So it's not for nothing, that the critics call the Fed's policy, QE infinity. Now after 2008, the Fed board...exclusively bought mortgage backed securities and treasuries saying at the time it didn't have the authority to buy other assets. But many in the Fed have been itching to follow the bank of Japan and the Swiss National bank, which buy both stocks and bonds. Powell has now said, “There will be no restraints, there are no red lines." So last year I discussed two policies that people at the Fed were beginning to talk about. And that was in response to what they clearly now saw, or then saw as the consequences of the narrow channeling of money after 2008, to the money central banks.

Money did not circulate. Jim Powell made this point very clearly. This is the velocity of money, that has been going down as Jim said, since 2000, but particularly after 2008, a huge collapse in the velocity of money. So money didn't circulate, didn't get to main street. And the consequence was that the wealth gap widened. Now last year, I discussed how some of the Fed were beginning to talk about buying more than just treasuries and mortgage backed securities, buying a wide range of assets and others at the Fed were talking about resurrecting Ben Bernanke's helicopter model.

Now at the time, it seemed like Ben Bernanke was making a little joke, see the smile on his face, but he was chairman of the Federal Reserve. And he said, "helicopter money, in theory, this could prove valuable, it should work." And that's exactly what I mean, when I talk about Fed policies being experiments. For the Federal reserve to change directions so dramatically, on the basis of something that "could" prove valuable and "should work," I find just astonishing. Now I mentioned that these were being discussed at the Fed at lower levels as I thought, I suggested that both would be ahead, little did I imagine, that they will be implemented within six months.

But the Fed is already taking steps to broaden the range of assets it buys. Bought both high grade bond funds and junk bond funds. Then it's moved into individual bonds. So the Fed has been buying bonds of the likes of Berkshire Hathaway and Apple and foreign bonds like Daimler. One, my task. Why and where is the outrage? What on earth is the Fed... Why does the Fed have to support Warren Buffet's borrowing costs? It's beyond me and implications of this go well beyond the economic and the market into government favoritism, the need to obey government in order to carry favor and the most extreme of these that I talked about last year is, modern monetary theory, or what I like to call magical mystery twaddle. And that's a prediction of where we're going. And essentially, what it means, is the Fed creates new credit in order to support the unfunded spending of Congress with no limits.

And according to its supporters with allegedly no ill effects. Modern monetary theory is already in effect as the policy of Congress, the administration and the Fed, even if it is not the official stated policy. And now more and more people are talking about a universal basic income, the idea of a government sending checks to everybody every month, whether you work or don't work or need it, or don't need it. This is simply an extension of helicopter money, but on a permanent basis. The effects on the economy and society to these policies, modern monetary theory... And universal basic income are the same as we've seen with helicopter money and the various QEs. They're fairly predictable, if you think about it and they will simply get worse as the policies get more dramatic. What does it mean for investments?

Well, the stock market is going up for one reason, one primary reason, that is because of easy money. And you can see on this graph here, whenever the Fed over the last 10 years... Whenever the Fed lowered interest rates or increased its balance sheet as at the end of 2009, the beginning of 2013, in the middle of 2019, stocks rallied. And whenever the Fed raised rates or reduced the balance sheet, such as the end of 2012, the beginning of 2016, the end of 2018 in particular, stocks fell. The pattern is very, very clear.

When the Fed creates excess liquidity, which by definition is liquidity in excess of the current needs of the economy, that liquidity has to go somewhere. It's been going into the stock market. And if you think excess liquidity is going to continue, then it's likely to continue to flow into the stock market. So on balance I think the stock market is likely to continue moving higher, but I feel uneasy about it and not withstanding all of this, I agree with Mohammed El-Erian the astute chief economist for Allianz bank or Allianz group, ...when he says, "I simply don't feel comfortable investing on that basis.” Now other assets will be helped as well of course, and the clearest beneficiary of this is gold, a burgeoning money supply, declining dollar and other things being equal is inherently positive for gold.

Some gold bugs are buying gold because they see inflation returning, while some gold skeptics are saying gold is unable to sustain its rally because there is no inflation. Inflation is dead they say... Some even see deflation, which perversely they think is bad for gold. Now I was not among those who saw inflation coming up to 2008, despite the massive expansion of the money supply with QE one, QE two, QE three, but I do see a high probability or a high possibility of inflation following QE infinity. And that is because of the difference in the structure of the stimulus. Earlier QEs, as we discussed, went to the money center banks who didn't lend it. They were encouraged, in fact, by carrot or by stick, not to lend and to keep the money in reserves. So we've discussed that. Today, however, is what economists called high-powered money, helicopter money and MMT going directly to households and much of it going into households at the lower end of the economic spectrum.

These unexpected checks, in my view, are as likely to be spent as not. Some will use it to pay down debt, but most of it will be spent. The spending will have different patterns of course…Getting on a computer and buying stuff from Amazon, goes up a lot, getting Netflix and so on goes up a lot, but these people are likely to spend. Now, what we can say is that COVID has...has extended the lag time between the increasing money supply…and consumer inflation. So that process has been extended. But I don't think the cord has been cut. Of course there are deflationary forces at work, but what we can say is the Federal Reserve has the sown seeds of inflation and it is busy watering them. But that does not, as any gardener knows, guarantee that you will have a blooming garden of inflation. But the seeds have been sown and we are watering them.

Now, let me just say the obvious, increasing inflation is clearly a positive for gold, but it's important we understand it is not necessary. In fact, throughout history... I'm a historian by trade, throughout history, gold has performed better, particularly on a relative basis during periods of deflation, than periods of inflation. I don't know if you can see these numbers, but going back to the early 1600s, periods, long periods of inflation, 30 years, gold's purchasing power lost 34%, 1675 to 1695 it lost 21% of its purchasing power, and so on.

1897 to 1920 gold lost 67% of its purchasing power. Periods of inflation throughout history are typically bad for gold. Periods of deflation, and again, I don't know if you can see these numbers, but periods of deflation, again going back to this table to the early 1600s, are very, very positive for gold and they're particularly positive because so few other assets perform well in a period of deflation. We think of gold as an inflation hedge because our last major experience in the 1970s when gold went from $35 an ounce to $850 an ounce, it was a period of rising inflation.

So in our minds, we associate gold and inflation. And of course, in a period of inflation, the nominal price of gold moves up. But in terms of purchasing power, deflation is better. And overall whether its inflation or deflation, periods of monetary instability have been positive for gold. This table by the way, comes from a wonderful book called "The Golden Constant" by Professor Roy Jastram. In it traces both gold prices and consumer prices all the way back to the early 1200s.

So we as gold investors, should not be at all afraid of deflation, but the continuing money and monetary instability that we have, whether it leads to inflation or not, is what remains a real positive for gold. Now what about gold stocks? I think we know that the gold stocks have a lot of problems. I'm not going to spend a lot of time on this. Other speakers have done it. You've got reserves declining and you've got fewer discoveries. Remember a gold mine is a depleting asset, and we've had fewer discoveries to produce ounces, to discover ounces, to take the place of what we are producing.

So it's not surprising that the return on equity of gold miners has been pretty bad. One of the lowest sectors out there, 3.27% . And frankly, over the last 50 years, it's had a negative...return on equity, but where we are today, with a great outlook for gold, a gold price that is almost at all time highs. We have better quality companies, better disciplined companies with better management, better balance sheets, fewer hedges, lower costs, remember the 2000 to 2008 costs of energy and copper and so on went up tremendously. So lower costs, but gold mining companies are in a much better condition today, and they are much cheaper today than they were in 2011. The XAU would have to go up about 70% to equal what it was in 2011, which simply doesn't make logical sense. So I leave you with those words. The gold mining stocks are definitely the place to be for the period ahead. Thank you...

Danielle DiMartino Booth

"The Greater Abdication"

Albert Lu: And welcome back. Happy to announce our next speaker is Danielle DiMartino Booth. She's the CEO and Chief Strategist for Quill Intelligence LLC, a research and analytics firm founded in 2018. She's also the author of Fed Up: An Insider's Take on Why the Federal Reserve is Bad for America. She's a full-time columnist for Bloomberg View, and a commentator frequently featured on CNBC, Bloomberg, Fox News, Fox Business News, BNN Bloomberg, Yahoo Finance, and other major media outlets. Prior to Quill, DiMartino Booth spent nine years at the Federal Reserve Bank of Dallas, where she served as advisor to President Richard Fisher throughout the financial crisis, until his retirement in March 2015. She has an MBA in finance and international business from the University of Texas at Austin, and a Masters in journalism from Columbia University. Her talk today is, The Greater Abdication. Please welcome Danielle DiMartino Booth.

Danielle DiMartino Booth: .... G ood morning, I guess it is. In a post-COVID era, I actually never know what time it is. I am going to bore people who have seen me before, with a story that I like to open every speech with. So, if you've heard it, then you know the punchline, but given that we're virtual, you can't tell anybody. So, bear with me because the story resonates more today than it ever has. And again, for you veterans, it involves J.P. Morgan and the jeweler, Tiffany, and it goes like this. And this was relayed to me by my dear friend, Arthur Cashin, who has just, I think, just had his 60th anniversary of being in the business. So, he knows more about market history than anybody, even though at the time of this story, he actually was not alive. None of us were, in any event.

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

The next day, the Morgan man arrived at Tiffany's with the same box and a new wrapping, and a different envelope with a note that read, "Dear Mr. Tiffany. The pin is truly magnificent. The price of $5,000 may be a bit rich. I've enclosed a check for $4,000. If you choose to accept, send my man back with the box, if not, send back the check and he will leave the box with you." Tiffany stared at the check for several minutes. It was indeed a great sum of money, yet he was sure the pin was worth $5,000. Every penny of it. Finally, he said to the man, "You may return the check to Mr. Morgan, my price was firm." And so, the man took the check and placed the gift wrap box on Tiffany's desk. Tiffany sat for a moment thinking of the check he'd returned, and then he unwrapped the box to remove the stickpin.

When he opened the box, he found not the stickpin, but rather a check from Morgan for $5,000, and a note with a single sentence, "Just checking the price. Just checking the price." This is probably the first time I've ever told this story, that I've not been able to hear the chuckle in the audience, hence the virtuality of the world we live in. But since the last time I spoke to you and now, we've had even more destruction of price discovery than we've ever had. The last time I spoke to you, the price discovery destruction was contained in the stock market, but because of the extraordinary measures that the Federal Reserve has undertaken, it has now bled into the bond market as well.

When did this start? Well, the date was actually October the 20th, 1987. That's how long we've been here. The day before, Alan Greenspan was on an airplane headed to Dallas, Texas, where he was to deliver a prestigious keynote event at an economics conference, and when he landed, he was told that the stock market had crashed, falling by 23.4%, to this day, the largest decrease in U.S. history, suffice it to say he did not make it to the podium. He was on a plane the next day headed back to Washington D.C., at which point he sent out a statement that said, "The Federal Reserve, consistent with its responsibilities as the nation's central bank, affirm today its readiness to serve as a source of liquidity to support the economic and financial system."

That is the day that price discovery died, that is the day that the Fed put was born. It was a handoff of sorts. In the weeks and months that followed, Alan Greenspan went so far as to sanction the New York markets desk, their ability to tell Wall Street brokers and dealers that the Fed was going to inject liquidity into the markets ahead of the moves to do so. When I was on Wall Street, we learned early that was this phrase, "Front-running." And on October the 20th, and the weeks and months that followed, Alan Greenspan invited bond traders to front-run the Fed. And as the years progressed, it became increasingly intrusive in the price discovery function, whether it was 1994, when Orange County went bankrupt, the same year that they had the tequila crisis in Mexico, the Fed stepped in every time with larger and larger injections of liquidity, and interest rate repression.

1998, Long-Term Capital Management was a hedge fund that threatened to unleash systemic risk. Again, the Fed stepped in. Alan Greenspan brought together the 10 CEOs of the biggest investment banks in New

York, famously, there was one person who refused to write the check, Bear Stearns went down years later as a retaliation of sorts, if you will. And then what followed was the irrational exuberance era that Alan Greenspan spoke of in December 1996. I personally had just started on Wall Street, I'd only been there for a few months at the time, but that was when he made his speech that said the stock market was irrationally exuberant. And at the time, he did absolutely nothing about it. There were no margin requirement increases, there was no attempt to recognize that there was a massive bubble in the stock market and do anything about it, because Alan Greenspan's philosophy that was shared by Bernanke, that was shared by Jenny Yellen, is that the Fed can only come in in the aftermath of a bubble and clean up the mess left behind.

But this philosophy has ended up validating Jim Grant's mantra, which is, the Fed is both arsonist and firefighter. So, it's occurred generation after generation, after generation. After the inevitable stock market crash in 2000, Alan Greenspan stepped in yet again, and was the engineer who blew up the subprime mortgage bubble to what it became. His successor, Ben Bernanke, started us down the road of unconventional monetary policy, the quantitative easing era, the federal funds rate at the zero bound era, where his successor, Jay Powell, in his most recent press conference said the following, "We were able to keep, we, the Fed, were able to keep interest rates at the zero bound for seven years and not create a bubble." It's a bit disingenuous if you ask me, because it's readily apparent that we indeed have a bubble on our hands.

I've got few slides to share with you this morning. If you will bear with me, I'll pull them right up. And there we are. Well, welcome to me and technology, in a Zoom world. So, what's interesting about current Fed speak, if you will, is that most Fed officials call this the coronavirus recession, as if the coronavirus is the only element, is the only factor that caused the current downfall that we have. That is not the case. If you look at the end of 2019, the liquidity that the Fed was injecting into the system in the form of not QE, we'll recall, remember September 16th, 2019, the Fed had to rush in because overnight lending had frozen in the country. So, by the time we got to the months leading up to the outbreak of the pandemic, the Fed was injecting more liquidity into financial markets than in any time since 1969.

This was, if you will, a starting point. Another starting point pre-COVID is what the complexion was of the investment-grade corporate bond market. In December 2019, a double line, and I went to Morgan Stanley and asked them to revise some of their math on the percentage of investment-grade bonds that would be rated junk or high yield, had they been properly rated. Remember that credit rating agencies put their triple A stamp of approval on subprime-backed mortgage securities during the run-up to the housing crisis. Well, in the run-up to the now corporate bond crisis, that same credit rating agency community had inflated 42% of the investment-grade bond universe, that on planet Earth should have been rated junk. So, hold that figure in your mind. Again, pre-COVID.

This is earnings per share. And remember those old commercials, "This is your brain, this is your brain fried on drugs"? Well, this is earnings per share, the blue line, in terms of what was reported. The yellow line is earnings per share that would have been reported without the benefit of share buybacks for the better part of the last decade. We're talking about a 40% differential here. Again, when companies are faced with interest rate repression, and interest rates being effectively at the zero bound for companies that have access to the capital markets, what do they do with that opportunity? Do they invest? Is it plant and equipment? Is it fundamental organic growth? Or, do they cook the books? Is it financial engineering? Do they buy back their shares with cheap debt that they've issued, so that earnings per share by virtue of taking the shares out of the market are higher, which feeds directly into the stock price of the company?

And by the way, what executives pay themselves, earnings per share. This is what the Fed created. In the first quarter of 2020, global debt topped $258 trillion. I've spoken to my colleagues at the IIF in mid-November, they're going to be coming out with their global debt monitor that takes us through the second quarter. And from everything that they're seeing, there is a possibility that we will end up with global debt crossing the $300 trillion milestone. That is what you get when you destroy price discovery. That function. You resolve an over-indebted challenge by creating more debt. And if there's one thing I hope that we have learned because of the black swan event of the coronavirus, it is that this does not work. Yesterday, it was announced that the federal deficit was $3.1 trillion. We've never seen spending of this magnitude.

We've got $27 trillion of debt in the United States. And judging from what I've seen on the news wires, it looks like we're not going to have another stimulus bill before the election, which might be appealing to deficit hawks. But what it's going to end up creating is the potential for the next stimulus bill to be somewhere in the neighborhood, if you roll in infrastructure spending and everything that the Democrats have been asking for in terms of state and municipality bailouts, $600 a week in continued jobless benefits on top of what the states pay for unemployment insurance, if you tally all of it up, and again, put infrastructure spending in there, you could conceivably see a stimulus bill that is somewhere in the realm of $5 trillion, straight out of the gate, in the first quarter.

This is one of the reasons that we've started to see interest rates ticking up. It is an anticipation of the magnitude of spending that we could be conceiving in the United States in 2021 and going forward, by the way. So, when you do the math, it appears that if the economy goes back into recession, I'll walk you through that math quickly, but if the economy goes back into recession in the fourth quarter, absent the stimulus spending, as permanent joblessness increases, as layoffs go up the income ladder into white-collar professions, it appears that corporate America, if you will, will have 90% of non-financial debt versus GDP. Again, I want to emphasize that this is not the coronavirus recession. During the great financial crisis, corporate debt to GDP peaked at 74%. That ratio peaked at 74%. Coming into 2020, that ratio had risen to a record 78%. And again, it's fully conceivable that will cross 90%.

This is a Twitter. If you don't follow me on Twitter, shame on you, @DiMartinoBooth. By the way, I've got a new... I just literally before I came on stage, I found out that I have my seventh Twitter imposter. If you have a moment in between sessions today, please go on and block and report DiMartino Booth with an extra H on the end, if you don't mind. I'm going to have to get my copyright attorney involved once again. But, a few months ago, I asked the question, because this is the question that markets must address, can Fed liquidity address, resolve insolvency? I suppose if there's anything incredible that we can take away from this ad hoc survey that I did, it's that 21% said that yes, the Fed can indefinitely prevent insolvencies. 79% said no. And the correct verb, if you will, is that Fed liquidity can postpone insolvency.

Fed liquidity can help gaming companies and companies that were actually almost bankrupt going into the financial crisis that reinvented themselves. Does anybody remember Clear Channel Communications? It came back. It was resurrected as iHeartMedia. And again, companies teetering on the edge of insolvency that had been kept alive solely by virtue of the fact that the Fed's policies have opened the capital markets back up when they otherwise would not be. I'm going to go back for just a minute, if you'll indulge me, to this portion of the investment-grade market that would otherwise have been rated junk coming into 2020. Go back to Halloween 2000... we're almost at Halloween 2020, so, go back two years to Halloween 2018. What happened on that day that the markets were open?

The debt of General Electric, which at the time was the largest issuer in the triple B universe. Triple B rated credit is right above that line that separates investment grade from junk. General Electric's debt was downgraded on Halloween 2018. November the 14th of that year, junk bond issuance, junk bonds sales froze solid for 41 record days. The high yield back to exchange traded fund universe stopped. The collateral backing these ETFs was literally trading by appointment only. Redemptions were going through the roof. The spread, the amount of money that issuers had to pay in order for people to take on credit debt gapped out. And Jay Powell received a phone call from international regulatory authorities saying, "You've got a big problem on your hands.

The quantitative easing has not worked. In fact, it's made liquidity seize up." Again, ETF redemptions were going through the roof.

And it appeared, you remember Christmas Eve 2018 when the stock market melted down, so, it appeared that we had the potential for systemic risk. So, the same individual, remember, remember Jay Powell, excuse me, remember Alan Greenspan, the day after the 1987 stock market crash, the man who was intimidated by the stock market, "The Federal Reserve consistent with its responsibilities at the nation's central bank, affirm today its readiness to serve as a source of liquidity to support the economic and financial system." Well, on February the 5th, 2018, Jay Powell's first day in office, when the Dow Jones industrials declined by more than a thousand points, the biggest decline that had been seen in a very long time, Jay Powell said exactly nothing, nada, not one word….

...So, if you will indulge me, go back to, again, Christmas Eve 2018, and the blood bath, and the realization by Jay Powell, who my former boss, Richard Fisher, told me to follow closely, because he would not bend to the stock market. Shortly after he came into office in February 2018, he had his first congressional testimony, Jay Powell said to some very disappointed senators, that he would not backstop the stock market. That that was not the Fed's duty. There was nothing in the Fed's mandates that said, "You have to backstop stock market investors."

Powell pushed back against that. He tried to shrink the balance sheet. He tried quantitative tightening. His aim was to get the federal funds rate to a 3% normalized level, which, by the way, is lower than it had ever been. But still, he tried to get to that 3% level, failure, failure, failure. Why? Because of what you're looking at on this one graph, because the size of the corporate bond market had doubled in the space of a decade. So, rather than the years that led up to the great financial crisis, it wasn't a crisis of household credit, it was a crisis of corporate credit. But again, too much debt that had been created. And so, we had the Powell Pivot. The first few days of January 2019, Jay Powell was on stage being interviewed by The New York Times' Neil Irwin, Jay Powell was on stage and did what we call the Powell Pivot.

He apologized for comments that he had made in 2012 when he was a rookie on the Federal Reserve Board, and he said that quantitative easing was potentially addicting. And that when the time came for the Fed to normalize interest rates, the Fed would not be able to do so. And as it turned out several years later, that was indeed the case. And Jay Powell, sadly, sadly realized that one man was not capable of unwinding the unconventional monetary policy that Ben Bernanke had started, and that Janet Yellen had continued with. And as a result, when the coronavirus did wash up on two U.S. shores, and it was the black swan event, even with Fed liquidity at the highest level in 50 years, I would say that the Fed was forced to launch a plan that had been hatched, conceived, engineered in early 2019, when Fed officials were able to use verbiage to bring the financial markets back, use “not QE” to force liquidity into the system, when the yield curve had been inverted.

We forget that a year ago that the yield curve was inverted, and that the Fed had to launch “not QE” in order to forcibly un-invert the yield curve by buying treasuries inside of 12 months. So, the Fed did that. That was a Fed action. It wasn't that the economy improved, it wasn't that global trade did not contract for the full year, 2018, excuse me, 2019, anytime global trade contracts for an entire year, you have a global recession. We would have had a recession in 2020 regardless. Would it have exploded onto the scene the way it did because of the corona shock? No, it wouldn't have. But launching QE which is running at $120 billion a month, produces what you're looking at on this slide. I call it The Chasm of Our Times. Going back to 1917, you see during the Gilded Age, what it produced. It produced record income inequality in America.

A few years ago, we passed that. That is why it came down to the change agent of Donald J. Trump. It was the income inequality. It was so many Americans feeling as if they had been left behind because of the Fed's quantitative easing programs that have, as you can see, the blue line walked in lockstep with the increase in income inequality. That is what Fed policy accomplishes, which is a very nasty verb to use, but it certainly has benefited the top 10% of income earners who now command a greater level of income and net wealth than at any time in our nation's history. It is why we have riots in the streets of America. Income inequality has become a very economic phenomenon, and it has produced an economic drag and the impetus in Washington, D.C., to print trillions and trillions and trillions of dollars to give as handouts.

Will it produce inflation? We don't know. We are in the midst of the third worst economic downturn in U.S. history, and that is with the Fed blowing up its balance sheet from $3.7 trillion to over $7 trillion. It's remarkable how much money has been thrown at the current crisis, and how little it has worked, if you will. One thing we are excelling at as a country is that we're winning the bankruptcy marathon in spades. Through October, bankruptcies, 509. You have to go back to the year 2010 to find any precedent. And again, this is with record junk bond issuance. The month of September alone saw $44 billion in junk bond issuance in the United States. We've got record... corporate America looks to be tacking on $2 trillion of additional debt this year. And as a result, we are going to hobble further corporate America's balance sheets, and the projections for 2021 are in the right-hand chart, it looks like the U.S. is going to win the bankruptcy marathon in 2021 as well, with U.S. bankruptcies projected to increase by 57% next year. That is how much debt we have piled on.

I just added this chart yesterday, because I hadn't realized until I did the digging and wrote 5,500 words on the state of the corporate credit market, how bad things had become. So, what does it mean that a bunch of households bought more homes than they could afford? Well, we had more than 10 million foreclosures in America. What does it mean that corporate America has trashed it's aggregate collective balance sheet? That is what you're looking at on this chart. They're called recovery rates. So, you see that this energy company, and this retailer, and this entertainment company have filed Chapter 11, and you see the headlines on Bloomberg, and you say, "Great, they're going to go restructure. They're going to come out of it." Presumably they'll have employees at the other side of it, maybe a smaller footprint, but there will be something that is recovered on the part of creditors in the aftermath.

Well, in 2009, the last time that corporate credit was stretched as far as it was when the high yield default rate hit 12.1%, thank you very much, the recovery rate on high-yield bonds, the green bars fell to 22 cents on the dollar. Record low at the time. The recovery rate on leveraged loans for first liens, this is up the credit stack, fell to 48 cents on the dollar. Where are we today? When Howard Marks gives an extensive interview, saying, "Private equity firms are fisticuffs battling one another to get recoveries from companies that they've financed that have gone belly-up insolvencies." How much are they getting? They're getting 15 cents on the dollar for high yield recoveries right now. Unprecedented low levels of recovery. That's what happens when you lever up a corporation's balance sheet, such that post-restructuring, there's not much left to gain as a creditor. Leveraged loan recovery rates for first liens, again, have fallen to 47 cents on the dollar. These are both record lows.

And you know what? The CEOs and the CFOs of America, I'll go back to the other one in just a second, but the CEOs and the CFOs of America, they know how bad the situation is. The ones that survive are going to come out leaner and meaner than they ever have. I'm doing this presentation virtually via Zoom. Every human resource manager in America is now assessing the productivity of their workforce remotely, working from home on a spreadsheet. And that's how they're able to push through with cost cuts and workforce resizing. They use all kinds of fancy words for saying firing. But in a Zoom world, you know who your productive employees are. And in an over-leveraged world, CEOs and CFOs and other C-suite occupants know how precarious the situation is in the publicly traded financial markets, which is why insider selling is at the highest level since 2012.

They understand that there's stimulus spending that's coming in the first quarter. They get that. They understand that the U.S. government is going to prop up consumption with handouts, the CEOs understand that, and yet, they're still selling. Go figure. This last chart that I'll share with you, and then I'm happy to take some questions, shows you personal income. The green line, which nobody thought would happen, but here we are, days away from the election. The green line is what's going to happen to personal income in America, if there is no stimulus spending prior to the election. Bloomberg estimates today are for GDP growth in the fourth quarter to be 4%, with no stimulus spending, again, between now and the election. Yesterday, on the wires, Mitch McConnell said $500 billion, Nancy Pelosi said two trillion, the Trump administration said two trillion, but at last check, they're fairly far apart, and nothing in the bill that the White House and Nancy Pelosi have agreed to include any liability protections that the Republicans have said is a red line.

The Supreme Court confirmation is this coming Thursday. So, you tell me if given there's only a $1.5 trillion difference between the GOP and the White House and Nancy Pelosi, you tell me if two weeks before an election, stimulus spending is going to be passed, and money is going to get into people's hands. I'm saying the odds are very, very, very low. And if that does happen, the green line becomes manifest. We end up with a 5% drag in personal income, that flips the economy from being in a slight expansion in the fourth quarter, expected by sell side economists to be 4%, you flip that to a negative 1%. So, you go from down 30% in the second quarter, to up 30% in the third quarter, back into contraction. That is what we're looking at today, and that is why we fully expect the stimulus spending out of the gate to be upwards of four or $5 trillion in the first quarter to come to the rescue of the U.S. economy.

The only question is, how is this going to affect my damn gold holdings? Well, I'll tell you. 2021 is a historic year. I said this a few days ago on the panel. 2021 marks the 40-year anniversary from the point of 1981, the last time we had rising interest rates in the United States. Everybody says that it's impossible, it cannot happen. Debt is, by definition, a deflationary drag on the economy. That is correct. Debt has always been deflationary, but the magnitude of stimulus spending being contemplated today is unlike anything in U.S. history. We're currently running war time deficit. You have to go back to World War II to find deficit spending at the magnitude that it was to finance a war. There's no war going on. There might be one with China in a few years, we'll see, because China has said that they're going to actively reduce their reserve holdings to $800 billion from where they are today, north of a trillion dollars, and that they'll stop at $800 billion, except for the event of a military conflict.

These are words that the Chinese government has used. So, we fully anticipate that foreign investors will continue to pare back their holdings at treasury auctions, and that the Federal Reserve will be called upon, Randy Quarles said so two days ago, Randy Quarles said that he thinks that quantitative easing is now going to be a permanent part of monetary policy. And that's what you need. As Jim Rickards reminded us a few days ago, there's eight and a half trillion dollars of treasuries that have to be refinanced in 2021, in addition to any stimulus spending. You end up defacto, recruiting the Fed to directly monetize the debt. And that could raise the specter of the bond market, throwing up its hands, and after 40 long years, saying, "Enough. Here are your higher rates." The Fed would immediately, immediately deploy yield curve control and cap the 10-year rate, and buy everything in sight to try and keep a lid on the situation in the corporate debt market, such that insolvencies didn't become a full-blown financial crisis.

So, it's going to be fantastic entertainment, if you will, for financial market historians, heading into 2021, to see who's going to win this battle, and whether or not we're finally going to see inflation rear its ugly head. The odds are, if you had to ask me, we'll see a deflationary period going forward in the interim term, and then we will potentially veer into stagflation, which has not been around since the late 1970s, and is the worst nightmare of any central banker. And on that very happy note, I will turn it back to Albert and see if there are any questions from you in the audience. I thank you for your attention. I look forward to seeing you in person next year in New Orleans.

Albert Lu: Thanks very much, Danielle, lots of questions coming in. And just for the record, I was chuckling at your story, and I had heard it before. If you could stop sharing your screen now, Danielle, we'd be able to see you on the livestream.

Danielle DiMartino Booth: .... Here I am.

Albert Lu: So, first question from Rich, he wants to know, what would be the consequences of a return to free market principles in the stock market? And is that even possible at this point?

Danielle DiMartino Booth: .... I don't think it's possible in a policy world. I don't think that policy makers will allow any kind of a return to free markets. But again, 2021 is going to be a year in which there is a battle between the Fed and markets taking control of the interest rate environment. If markets wrestle control away from the Fed, it's impossible to say how bad the outlook would be for the stock market, but it will not be pretty. Because again, everything is predicated on interest rates staying at the zero bound in order to continually refinance all of the debt that the stock market depends on. So, we've had a tremendous decrease in share buybacks this year, but they haven't disappeared by any chance. Apple is still out in the market actively buying back its shares. It's the largest... all of the things. Pharmaceutical companies. So, in a higher interest rate environment, a lot of those things would simply be impossible, and it would not be pretty for stocks at all.

Albert Lu: At the conclusion of your talk, you outlined kind of an ugly scenario. Carolina wants to know, what could the Feds do to fix this mess?

Danielle DiMartino Booth: .... My best guess is yield curve control is next. Negative interest rate policy has been implemented in Japan and in many places in Europe. The Bank of England is contemplating it now… the Canadians are as well. I think that the Fed will hold the line on negative interest rates. They know what it's done to the financial systems, to the banking systems in other countries, and I don't think they want to go there. So, I think that what they do next is what they did during World War II, which is to put a cap on the 10-year yield, so that they can ensure that not just the U.S. treasury, but again, the corporate America, mortgages, any refinancing that needs to be done can get done by putting a cap on the yield curve, yield curve control, which would end up seeing the tremendous growth of the Fed's balance sheet. You could see a doubling from here easily.

Albert Lu: That's what you think they might do, is that what you think they should do?

Danielle DiMartino Booth: .... No, Albert, I don't. I think this bridge too far is causing all manner of disruption in the markets. The Fed right now owns a third of the mortgage-backed securities market. And the mortgage-backed securities market, the functionality of it starts to be crippled when natural buyers are crowded out of the market by the Fed. The Fed is buying more mortgages than what is being originated. And we were told a few days ago that we're going to see $2.7 trillion in mortgage originations just in 2020, a record level, but the distortions that have been introduced into the market are unprecedented and creating more problems down the line, such that we have a situation where we have corporate debt and the stock market more overvalued than they've been in U.S. history. So, throwing more of the same is going to buy time, but it's also going to inflate a bubble that is of a greater magnitude than anything we've seen.

Albert Lu: Very nice to see Adrian Day participating in the chat window. And he wants to know, after 1987 and 2000, we did see some tightening, yet it seems like this time around, they can't seem to get really any real steps towards normalization. Would you like to talk about why?

Danielle DiMartino Booth: .... I mean, we saw what normalization looks like. We saw, as Jay Powell came into office and was committed to 25 basis points every quarter, we saw what markets did. We had Volmageddon in February of 2018. Risk parity trades blew up to kingdom come. And again, the Fed had to march in. Jay Powell was convinced that he could get to 3%, and he was resolute about it, and he was committed. And then after Volmageddon, which the markets survived in early 2018, he ends up with a complete freezing in the corporate debt market. That is what quantitative tightening and an attempt at normalization did. And I think that the Fed is announcing publicly that quantitative easing is going to be a normal tool forever. It's just going to be something that is running in the background, because they realized that an exit policy extricating themselves from this policy is near impossible.

Albert Lu: Question from Brenton, given your findings, do you have two recommendations or actions that you think people should take prior to the election to be well positioned?

Danielle DiMartino Booth: .... W ell, prior to the election, that's just a few days from now. I do hope that you're sitting tight on your gold holdings, and miners are very reasonably priced as well. And there's no shame in… in holding cash. I know to gold bugs, that's... And, Albert, I heard you a few days ago, you're an admitted gold bug. Didn't know that.

Albert Lu: On the record.

Danielle DiMartino Booth: .... Bu t I know to gold bugs, the very idea of holding cash is like, "Oh, no, no, no." But there is something to be said for the fact that certain distressed assets will present opportunities going forward, especially in commercial real estate. And also, in some of these corporate bond markets, as they blow up, there will be investment opportunities. But having dry powder on hand is not a bad strategy, in addition to making sure that you've got plenty of gold.

Albert Lu: That's good advice. Question from Paula, Danielle, "What do you think the consequences of the election will be for the Fed chairman in particular?" Either way, Trump, Biden, what do you expect to see?

Danielle DiMartino Booth: .... I think Jay Powell is tired. I think he's exhausted. He was a man with a plan, he thought that one person can make a difference. He doesn't particularly care for Donald Trump. Donald Trump's really not a Republican, if you think about it. So, he wouldn't. But I think Jay Powell is exhausted. And I would be surprised, it's not out of the realm of possibilities, but I would be surprised in February 2022, if he wanted it to be reappointed for another four years. The Biden campaign has said that Lael Brainard will be the next treasury secretary. So, if it is a Trump victory, I could see somebody being elevated, who's even more dovish than Jay Powell, somebody who is comfortable with the complicity going on between the treasury department and the Federal Reserve. Remember, we had the 1951 accord that re-separated the Federal Reserve from the treasury.

But right now, I think that the Federal Reserve is going to be increasingly compromised and asked to directly monetize debt. But as far as who it's going to be in February 2022, I truly get the sense that Jay Powell is simply exhausted.

Albert Lu: I don't know if you remember, Danielle, last year at this conference, you and I spoke on the floor of the Exhibit Hall, and we spoke specifically about the repo market. Then COVID came along, we stopped talking about everything, but COVID. Russ Gray has a question, he says he'd like to hear your thoughts on the September repo market issue, an update.

Danielle DiMartino Booth:
.... W
ell, the solution on day one to the seizing up in overnight lending was true QE. QE all the way out the curve. And that was why the Fed was so adamant in calling it not QE, because they didn't want to suggest that the economy was so fragile that they had to launch full-blown QE. But QE was always the problem to resolving a dearth of reserves challenge that was presented during the repo crisis. And so, what the coronavirus did was overnight, resolve that issue, with the launch of unprecedented levels of QE. Again, though reserve creation has clearly made the overnight situation vanish, but creating reserves, as we can see in the Fed's own senior loan officer's survey data, does not equate to lending by banks. We have lending standards that are seizing up for commercial real estate, commercial and industrial loans, residential real estate, even though housing is white hot. So, the reserve situation is corrected, but that does not mean that the Fed can force banks to lend into this environment, which is why we call it a compromised transmission mechanism.

Albert Lu: Question from Andrew. He says that it seems to be broadly expected that we're going to do QE indefinitely to maintain liquidity. Is there some event you could see happening that would stop this from happening? And long run, do you see the dollar surviving the beating that it's going to take?

Danielle DiMartino Booth: I
mean, these are great questions. And people ask me, "What was the aha event in a post-COVID world?" My aha moment was when I read a column by Greg Ip, that showed that Huawei owns 32% of the telecommunications equipment worldwide. So, the Chinese are focused on the trashing of the U.S. dollar. The Chinese are hoping, because global transactions in the yuan are South of 2%, the Chinese are hoping for there to be some kind of a shock event that allows the unseating of the U.S. dollar as the reserve currency. Is that going to be something that is in the near term? I don't think so. The euro is trash. The European banking system is still saddled with massive, massive amounts of bad debt. And the yen is not going to displace the dollar. So, when you're

talking about the two largest economies in the world, you're talking about the dollar, and you're talking about China.

But in order for China to be in a position for it to assume reserve currency status, something massive has to happen. Because, again, as a medium of exchange, the yuan is not accepted right now. But I don't think it's something that we're going to see in the immediate term because the United States, frankly, still has allies. They would not want to see that happen.

Albert Lu: A question from Iksan about the balance sheet, "How would the expansion of the Fed's balance sheet causally lead to inflation both in asset prices and on Main Street?"

Danielle DiMartino Booth: .... Inflation on Main Street is a bit trickier. That's why I used the term stagflation. If you have 25 million Americans collecting unemployment benefits, by definition, pricing power is compromised, and you can only charge so much for your products. So, creating inflation in goods and services is going to be a different equation, I think, than seeing upside in interest rates, because buyers bulk at treasury auctions. And that could be the worst of all worlds. If the dollar is weakened enough though, we could see actual inflation, which would be absolutely toxic for U.S. households, the worst potential outcome, given we talk about how much cleaner household balance sheets are, they won't be clean overnight in an inflationary situation. So, it would be highly detrimental.

But again, it would start with the Fed losing control of interest rates. And again, any investor today, you'd have to go to somebody like Doug Casey, to find somebody who remembers a rising interest rate environment. But it's happened before, and it can happen again.

Albert Lu: You're really good, Danielle. We're going to go to Doug Casey soon, but we got one more question-

Danielle DiMartino Booth: .... I know. I can see his face. Hi, Doug.

Albert Lu: ... that comes from P. Lloyd. "Danielle, do you believe in MMT? And can you comment on it?"

Danielle DiMartino Booth: .... The basic premise of MMT is that you dispose of interest rates as the lever with which to control inflation. So, you get rid of interest rates and you replace it with income tax rates. And people like Stephanie Kelton are extremely beautifully articulate in explaining the potential and the practicability of modern monetary theory. I understand all of the arguments in favor of it, but you could not convince me for all of the tea in China, that you're going to get Congress to act expeditiously every time inflation rises to increase income tax rates. We're talking about our Congress, the U.S. Congress, that is, if anything, the only thing that they're consistently capable of doing is fiscal misfeasance. That's about it. I do think that we will attempt MMT in very short order. Getting people $2,400 extra a month is MMT. You can call it whatever you want, but it is universal basic income.

So, I fully anticipate, especially if there is a blue wave as many in the political realm are suggesting there will be, I fully anticipate the implementation, whether they call it or not MMT, whether they call it or not socialism light, it's coming. And that is why the Fed will be recruited to be a partner in launching this.

Albert Lu: All right. Unfortunately, we are out of time. So, thank you very much for a great talk and for sticking around to answer all these questions, Danielle. It's always great to see you. Thank you.

Danielle DiMartino Booth: .... Lo ok forward to next time, Albert. Thank you. And break a leg, Doug.

Economy Panel

Adrian Day (MC), Lyn Alden, Tavi Costa, Danielle DiMartino Booth, Jim Rickards

Albert Lu: All right, getting ready to bring on our panelists for the next panel, the Economy Panel. Brien, let's take a minute here to discuss some of our panelists. Everyone here in this conference was hand-picked by you, so it might be worthwhile just to spend just a minute or so talking about the panelists, so let's start with Lyn Alden.

Brien Lundin: Yeah, I'm a big fan of Lyn's work. She is absolutely incredible. I think a rising... not a rising star, a future superstar in the financial information community. She has an engineering background. Has, I think, to a large degree self-educated in economics. And I think one of, if not the clearest understanding of central bank manipulation, central bank easing, money flows from the Central Bank, how it works and how it gets translated in the market, into inflation, into the economy. She speaks with such authority, and I think you'll see why. You just know that she is right on target with everything she says because she's, I think, just brilliant in her analysis.

Albert Lu: Portfolio advisor, Tavi Costa, is back with us again for this one.

Brien Lundin: Yeah, this is Tavi's debut here at the New Orleans conference, and I follow him on financial Twitter as well. What's interesting, he's with Crescat Capital, who I've followed for a number of years in general as a firm and respected them for the really smart people that they employ, and their views on the broader markets, and was really surprised to find that Tavi was somewhat of a gold bull coming from what was, at least in my opinion, a very mainstream investment organization. And he just shows tremendously powerful research and backup in arguments for much higher gold prices, and I think we're going to get a sign of that today.

Albert Lu: Okay, and then a couple returning friends. Everyone here I think knows Danielle DiMartino Booth and also James Rickards, very well known authors.

Brien Lundin: Yes, absolutely. And Danielle, I believe, made her debut on the speaking circuit a few years ago at the New Orleans Conference. We had her back last year again and as far as I'm concerned, we're going to have her back as long as she'll come. She's absolutely brilliant. Obviously long experience at the Fed, inside the Fed, so understands the inner workings, and really just a dynamic presenter. The audience really relates to her because she can be very emphatic at times and has very strong views.

Albert Lu: Okay, and of course last but not least, our moderator for the panel, Mr. Adrian Day, a good friend of both of ours.

Brien Lundin: Yes, and before I get there, James Rickards, obviously so many people know Jim. The first time he spoke in New Orleans he did a workshop, and I couldn't get into it. There were crowds outside the room going down the hallway. It was just amazing. He held everybody... just captivated them with his knowledge and wit. And Adrian, again, Adrian is a brilliant moderator, especially for this panel. I put him on panels whenever I can as a moderator. He does a wonderful job of bringing everybody together.

Albert Lu: All right, so let's get to them. Adrian, welcome. Welcome back to the New Orleans Investment Conference.

Adrian Day: Well, thank you all, but thank you, Brien, and welcome panelists. Contrary to what you said, Brien Lundin, about bringing everyone together, I actually want our panelists to have a bit of a debate and I'd be very happy if I move them further apart. With that, this is a panel on the economy. So the first question I want to ask is really an extremely broad question. I'm going to ask Lyn, because she's one of the two new people at New Orleans, but I know other people will have something to say about it. I know Mr. Rickards has something to say about it. And if you do, please jump in. So, the first question is really just a very broad one on where the economy in the US is going. We had, in the second quarter, the largest GDP decline since the Great Depression, and it looks like the third quarter will be the fastest growth in GDP since the second World War.

So, Lyn, can you put that in context and then tell us what you see as the state of the economy and what you see going forward.

Lyn Alden: Yeah, absolutely, and thanks for having me here. So, my view since April is that we're basically getting what I refer to as a backward square root sign recovery, which is where people bring out the letters like V and W and U. So my base case is that we get a sharp mini V recovery in jobs from the initial deep pull down once places are allowed to reopen, temporary jobs can come back; however, that the V would never get all the way back up. It instead would roll over and start to go flat or grind up slower.

Since about June or July, that's what we've been seeing. So we had a quick snapback, and then we've had a longer grind as some of the jobs come back more slowly. At the same time, we're still seeing an increase in permanent job losses. And from there, you have to go down it indicator by indicator. So for example, retail sales, they had a V shaped recovery. A large part of that was because personal income went up rather than down so far this year because of so much government transfer payments, whereas other areas like industrial production are going along with that backward square root sign. A snapback, and then a longer grind.

So, going forward it really kind of depends on what indicators you're looking at, and I also think a really big variable is going to be stimulus. So when you look at quarter four or next year's quarter one, I think that'll be in part influenced by whether or not they put roughly $2 trillion into the economy or if they fail to do that.

Adrian Day: Yeah. Tavi, you're our other new person here. To what extent do you think the economy at the moment is dependent on stimulus? Are there underlying factors moving it, or is it primarily stimulus?

Tavi Costa: Oh, highly dependent even though I don't think a lot of the stimulus really can speed up the economic activity in general. I think the world is facing a debt quandary. And when I look at most macro indicators have somewhat rebounded since the pandemic lows, but fiscal deficits is still at World War II levels, near record lows and/or highs, depends on how you chart that. But the macro environment is severely impaired. When you look at equity earnings in general, they're still down about 25% year of year. When you look at estimates, last time I checked was about 18% down year over year still.

So, I think that there's some parts of the economy still priced for per faction, such as the tech industry or tech sector. Overall you have a lot of the... look at Nasdaq, internet index is still trading at 140+ times earnings. And I think it's all absurd regardless if you're looking at earnings today or earnings in the following years. And that keeps piling up, and there's a need for... basically the Federal Reserve and Central Banks in my view have two new mandates.

Number one is to suppress interest rates given the amount of debt that we have globally. Number two is to keep equity markets and corporate bonds, and financial markets in general, at this absurd valuations of flow. And I think that that's... it's a very interesting setup for places like precious metals, in my view. So, I think we're in the supercharge environment in which the dilution and monetary dilution and monetary expansion in general, the monetary base, to suppress interest rates is the perfect mix for gold, silver, and the miners. So, I think that the biggest case here is the lack of organic growth in which is needed for monetary stimulus to fund fiscal stimulus.

Adrian Day: Yeah. And Danielle, what do you see as the biggest factors that have been influencing the market this year, and are likely to influence the market going forward? And how do you see the GDP generally?

Danielle DiMartino Booth:
.... W ell, I see GDP as... I mean, we've got basically two weeks. The Senate reconvenes on Monday, I think the Supreme Court nomination is going to... that vote's going to come front and center, and McConnell came out this afternoon and said, "Good luck with getting me to get all of the GOP lined up for a huge stimulus bill," and it's pretty apparent that Trump desperately needs it. So, I think that with two weeks basically left to go before the election, that we're not going to see that. That's going to shave about five percentage points off of GDP in the fourth quarter, and send us back into a mild contraction. That's kind of a base case scenario at this point.

There are a lot of cross currents that we're following right now. If you look at some of the regional Fed surveys, they bounced back strong and they continue to have inventory depletion issues, but that's what happens when you shut down a global supply chain for three months. So it's a necessary rebuilding. But in terms of what I'm following the most closely going forward to guide me, it is the MOVE index. It's the sister index of the VIX, but it's for the bond market.

I'm following the bankruptcy cycle. We started to see fallen angels, investment grade bonds downgraded to high yield again. We're starting to see distressed bonds increase again. We've seen 20 bankruptcies with companies with 50 million or more in liabilities in the month of October. That is ramping up. And we're incredibly seeing recovery rates coming out of high yield debt at 15 cents on the dollar, leverage loans at 47 cents on the dollar. So I am laser focused on the debt markets because corporate America is going to have tacked on $2 trillion of debt by the time we get to the end of the year. It's going to push up what had been a record non-financial debt to GDP ratio coming into 2020. A record of 78%. It's going to push that all the way up to 90% by the time we get to the end of the year.

So, the risk inherent in the corporate debt markets is still going to be very problematic and very, very difficult for the Fed to meet the challenge of trying to keep the volatility in that market under wraps. It's not equity that I'm following as closely as it is debt.

Adrian Day: Okay. And then lastly, Jim, I know you have something to say on this.

Jim Rickards: Yeah, I mean, there is no stimulus. It's a myth or a mirage, whatever you want to call it, but analysts talking about stimulus are... they're talking about something that doesn't exist, let me just be specific about that. People look at the increase in the money supply as stimulus. So the Federal Reserve is taking their balance sheet from about $3.7 trillion to about $7.2 trillion over the course of this recession. So you got not quite $4 trillion of new money. But it doesn't matter because of velocity not only GDP, it was money supply times velocity.

Velocity is declining. Actually, it has been declining since 1998. It fell more sharply after the 2008 global financial crisis. It fell sharply again in the 2020 financial crisis. But the fact is, it's just been going down for 22 years. And I remind people that $7 trillion times zero is zero. Meaning, if you don't have velocity, you don't have an economy. So the idea that printing money... and this is where the Austrians, and monetarism, and the Neo-Keynesians, and Milton Friedman had it wrong. Money supply has nothing to do with inflation. Inflation would at least get you nominal GDP, if not real GDP.

But money supply has nothing to with it. Inflation's a function of velocity. It's something Milton Friedman never understood, and the Fed doesn't understand today. And actually most analysts, they go, "Oh, we printed $7 trillion, we're going to get inflation." No, you're actually going to get deflation because of decline in velocity. The reason velocity is declining is because if you just got fired, or your business just went bankrupt, or you're out of work, you're not going to spend money. You're going to save it because you got to pay you rent, pay your mortgage, pay your student loans, car payment, whatever it might be.

Even if you didn't get fired, you're still working, and that's fine, good for you. You're saving too. It's called precautionary savings because you think you might be next. How do you know that you're not the next one to get a pink slip, or your business isn't going to fail? So, we're not getting the spending, we're not getting the turnover of the money. The Fed doesn't understand it. The Fed can stick to landing on money supply, whether you take M0, M1 to a great extent, certainly M0. The Fed can make it to two decimal places, so they can it whatever they want.

But they can't control velocity. Velocity is a psychological phenomenon. Do you feel prosperous? Do you feel good? Do you want to go out to a restaurant and drinks on me? Or do you want to stay home and watch television. Well, those are two different worlds, and right now people are not going out. Not just because of the lockdown, but because of other psychosocial effects of the quarantine.

Now, over to fiscal policy, same thing. Fiscal policy is not a stimulus, and the reason for that, and this comes from the research of Carmen Reinhart who is now Chief Economist at the World Bank, and Ken Rogoff at Harvard, which shows... and they've looked at developed economies, developing economies, 50 year time series, 100 time series. Every way you can look at it. And it's very clear that when debt to GDP ratios exceed 90%, the Keynesian multiplier drops below one. So, at ratios below 90%, if you borrow a dollar and spend a dollar, you can get $1.10 or $1.15 of GDP. And the lower the debt ratio at the start of that process, so if you're coming out of a recession, that actually works. Clearly whether you just want growth in the future, but if you don't have any growth today, it's a good deal.

But past 90%, you don't get that. You borrow a dollar, spend a dollar, and you get maybe 90%... 90 cents of GDP, which means your debt to GDP ratio is going up, it's getting worse, people expect deflation, they save more. So, fiscal policy doesn't work because the debt to GDP ratio is too high. Monetary policy doesn't work because of declined velocity. There is no stimulus, and you kind of go from there.

Adrian Day: Well, let me pick up on that if I may, and I'm sure other people have something to say. I mean, what you're saying about velocity and inflation is indisputably true as of today, and certainly looking back at what the Fed did after the great credit crisis. It wasn't stimulus. We had the slowest recovery pretty much in history. But what I want to ask and I'd like other people to answer, or to address your points, if the money is now going directly to households and primarily to the households at the lower 50% of the economic spectrum... because I know I didn't get a check in the mail. I don't know about anyone else. Are those people more likely to spend that unexpected bonus check? They're certainly not going to save it, in my experience. They might cut debt, but some of them will also spend it, and also is there not a pent up demand? People wanting to go on a trip. People wanting to go out.

Jim Rickards: No, the pent up demand is another joke. So, during the quarantine, I was quarantined like everyone else. I didn't leave my farm for four months. And my wife and I usually go out to dinner on Friday, and we didn't go out to dinner. We made other arrangements. But when the lockdown was over... it's kind of not exactly over, but when restaurants started to open up and others, we went out to dinner, but we didn't order 12 dinners. We ordered one dinner like we usually do. In other words, those 12 dinners we skipped, that was permanently lost output. There's no pent up demand. I didn't go out and get 12 dinners.

And as far as who got the money, yeah, lower income people, all things equal, do have a higher marginal propensity to consume. But these are extraordinary times. This is something that we haven't seen in 80 years. So a lot of the money went to airlines, cruise ships, resorts, municipal workers, hospitals who... not exactly poor people, put it that way. And yeah, a lot of people, they got their $1,200 checks and that's good although those were widely distributed. But, no... by the way, if you pay off debt, that's economically the same as savings. Paying off debt is not consumption. If I pay off a debt, my balance sheet is improved, my leverage goes down. It's the same as savings. It's the same.

Danielle DiMartino Booth:

.... W ait, wait, there is something to be said about the Feds transmission mechanism along with the FHA and Fannie and Freddie and automated appraisal waivers that are being used to generate cash at refinancing. There is something to be said for at least the appearance of economic growth in the white hot housing sector. I mean, home prices are going up 12% year over year, and they're coming off of a high of 14% year over year as we saturate the pool of buyers with the wherewithal to actually get mortgages, because mortgage credit availability is actually decreasing. Lending standards are increasing, if you look at the Fed’s Senior Loan Officer Survey.

But there is something to be said for the transmission mechanism of the Fed owning a third of the mortgage backed securities market and pushing mortgage rates south of 3%. That has generated some true economic growth, or economic output in the form of people buying washers and dryers and what have you. Furniture sales have gone through the roof. Now, it's not productive, and it won't buy us anything in terms of organic and fundamental growth, but it certainly has bolstered at least the narrative and the optics of a growing economy because housing and autos are the two most leading indicators coming into recession and heading back out into recovery.

Jim Rickards: Yeah, I agree, Danielle, but if you have the truth, you don't need a narrative. That's the point. They bolstered the narrative, that's true, but the narrative is not the reality. Now, I'll give the Fed credit for keeping the lights on in the system, yes. As you know, that was the reason the Fed was created. It had nothing to do with unemployment or inflation, it was just like bailing out the banks, which you just have to do repeatedly. And they did that. Although the banks actually weren't in bad shape. This was an economic crisis, it was not a financial crisis. It may become a financial crisis, but we're not there yet.

But yeah, the Commercial Paper Facility, the Central Bank currency swaps, the Corporate Debt Facility, the Municipal Bond facility, Term Asset program, all of those things. And again, to the tune of $3 trillion. It did keep the lights on. It did provide liquidity, and the financial system did not crash as it did in 2008. But none of that equals consumption.

Danielle DiMartino Booth: .... W ell, true. Lyn can jump in here and tell everybody just how much those Facilities are actually being used.

Adrian Day: Yeah. Lyn, do you want to jump in on this? I mean, would the economy look any different today if the Fed had not had all these programs and created so much credit?

Lyn Alden: Yeah, so my view... a lot of people talk about the Fed because they are playing a very notable role, but I think the bigger part of it to focus on is the fiscal stimulus. So the Fed, they're monetizing a lot of it and they have some of those other programs. And as Danielle pointed out, a lot of those aren't even being used to any kind of large degree. So, one of my biggest emphasis is on fiscal spending. So for example... of course, the $1,200 stimulus checks get a lot of the media attention, but for example, the $600 a week in extra federal unemployment benefits that went out to people that lost their jobs, that totals about $2,400 a month and many people receive multiple months of those. So that's several thousand dollars of injected money that they would not have otherwise received.

So the difference between having, say, a big deflationary shock where we have a larger solvency crisis, people can't pay their rent, people can't pay their mortgage. So it's not just about discretionary spending like whether or not we can go out to restaurants and go out to travel, I agree with Jim on that, that there's no pent up demand for that in the sense that we're not going to backtrack and consume all the restaurant meals that we missed over this past year. But in terms of, say, looking at system solvency as it relates to banks, as it relates to some of the plumbing of our system to some extent, whether or not there's multiple trillions of dollars injected into the consumer sector or into the small business sector, that does make a big difference about whether or not we have another contraction or whether or not we stabilize or move back up a little bit. That will play a role in broad solvency.

Adrian Day: Okay. Tavi, let me ask you this. If corona had not come to the US, if we hadn't had the economic shutdown and the, what I'll call "stimulus," if Jim will excuse me, what kind of shape was the US economy in, in January and February anyway?

Tavi Costa: Oh, I think that-

Adrian Day: Were there problems?

Tavi Costa: Even before that, corporate earnings, especially here in equity markets, public markets, were already contracting back in the fourth quarter of 2019. We had yield curve inversions everywhere. I calculated close to 70% of all the possible spreads in the yield curve were inverted back then. Every time that happened, there was a recession following. So, there were a lot of issues. Japan reported a negative GDP number growth back in the fourth quarter of that time as well. So, certainly I believe that the pandemic only accelerated the issue and now what we're seeing is this situation of piling on debt really accelerated recently. And I don't think anybody really thought that the Federal Reserve would respond the way they did. It created a lot of issues. If you look at the S&P 500, most of the appreciation in the equity markets has been mostly in the large cap stocks.

Matter of fact, if you look at the year over year change of the S&P 500 market cap versus the equal weighted ratio, you can see that it's at pretty much near all time lows compared to the tech bubble level right now. So, there are a lot of issues. The point of the corporate bond yields, Danielle was making is important, we have corporate bond yields pretty much at all time lows as the same time as balance sheets for corporations that never been so fragile historically.

I just want to weigh in very quickly on the inflation issue that I think it's important, and not a lot of people talk about that. I hear all the time the money velocity, I hear a lot of talks on the fiscal stimulus, and those are all important. The technological advancements that are very deflationary. But one major reason why we haven't seen inflation yet has been the commodity markets. Commodities have done nothing but gone lower or flat for the last 10 years. And in some cases have gone significantly lower, such as natural gas, oil prices, iron ore, copper prices too. And so, I think that it's going to be very difficult to see the same reaction in the following 10 years that I think will be very impactful, not only for inflation, but especially for equity markets.

The biggest question about inflation goes back to the equity markets. I don't think those valuation we have today will ever be justified if you have any inflationary forces going forward. So, commodity markets relative to equity markets at 50 year lows is something to watch. If that continues to... if we do have commodity markets to outperform the equity markets overall, I think that that can create a trend that can be very impactful for inflationary forces going forward.

Jim Rickards: Just to be clear, I mean, I agree with Danielle, Lyn, and Tavi that if the Fed and the Congress had not done what they did, we would be in much worse shape. So I'm not giving them any credit for growth going forward, but I agree completely that we would be in much worse shape, and probably you had to do what they did. But my point, again, always looking forward, is that this is non-sustainable. I mean, what is the Fed going to do? Take their balance sheet from $7 trillion to $14 trillion? Now legally they can. I mean, they can. And my friend, Stephanie Kelton would say... she's the queen of... the leading light, intellectual light, in modern monetary theory. They would say, "Yeah, that's exactly what we're going to do."

What's the Congress going to do? Have another year of $4 trillion deficits and take the debt to GDP ratio to 145% so we're between Lebanon and Greece because they're the... well, Japan's a special case, but Lebanon, Greece, and Italy are the only other countries at that level? You might. I personally don't think so, especially if it doesn't work. See, that's the point. There's no way out of it. If money supply doesn't produce growth because of velocity and if deficit spending doesn't produce growth because the debt's too high, they you can spend and print all the money you want, you're not going to get growth.

Adrian Day: Right. So I'd like to change the subject here, and I'd like all of you to answer this. I know this might be a little bit old hat or boring to some of you, but I think with three weeks 'til the election, it's a question we have to ask and we have to answer. And the question is obvious. What difference is the election going to make to the economy? Who wants to start?

Danielle DiMartino Booth: .... I'll jump in. I think that the Fed is at risk right now because of the effective collusion with the Treasury Department. In 1951, we had the 1951 Treasury-Federal Reserve Accord that separated the two, re-separated the two after the Fed had been effectively recruited for yield curve control during World War II. So, I think that we will see another one of those in the future. But the risk, I think, of a blue wave is that, to Jim's point, we are going to recruit the Fed to directly monetize the debt. And that after 40 years... I mean, 1981 was the last time we saw rising interest rates, that 40 years later that the Fed is going to stop whining about the dangers of inflation and end up with just that.

Because the magnitude of fiscal spending being envisioned, if you listen to what is being said on the Democratic platform, involves infrastructure, it involves probably bailing out the housing market. You've got FHA delinquencies at 17.5% nationwide. They peaked out at 14.4% in the aftermath of the housing crisis. But the magnitude of stimulus being contemplated could easily see the Fed's balance sheet double in short order, and that, I think, would push Jay Powell, if he's still there, to stop complaining about this inflation that he can't get, and he's going to let it run hot. It's going to be so hot it's going to burn him in the ass.

So, that's what I think the potential is. Some form of modern monetary theory lite going forward, because of the fact that none of the stimulus spending that's been done thus far has been productive in nature. We haven't gotten anything out of it. No job skills retraining, no infrastructure, nothing that we could say we actually got a return back for. So, this is a critical election in US history.

Jim Rickards: Jay Powell says he wants the economy to run a little hot, and that's definitely a policy goal, but he doesn't know how to do it.

Danielle DiMartino Booth: .... N o.

Jim Rickards: He doesn't. I mean, they've been trying for 12 years, they can't get it, so give up. I mean, there is a way to do it, but the Fed doesn't understand it.

Adrian Day: Anyone else on the election?

Lyn Alden: Yeah, I can hop in. So, my view is there's a lot focused on which party wins. One of my biggest focuses is on whether or not the Senate and President end up as different parties. Because I think a conflicted situation is potentially notably different than either side more firmly winning. Because what we've seen is the Democratic platform's pretty clear, they want to spend more, but they also potentially want to raise taxes on some segments. On the other hand, if you get, let's say, a Trump victory and then the Senate stays red... people often, when they talk about fiscal deficits, they often focus on the spending side, but it's a combination of spending and taxation. So, say you have a more red outcome, you could get perhaps smaller spending packages, but you could also get that potentially accompanied with either taxes staying level, or potentially going down on some groups.

So I think one of the more interesting scenarios is if you, say... you get a Biden win, but then the Senate stays red. And that's potentially one of the smaller deficit outcomes for the next two years because then you have both sides blocking everything that they try to do. So I think there's too much emphasis potentially on the Presidential race, and not enough emphasis on the Senate race as it pertains to what asset markets might be doing over the next two years.

Adrian Day: Right. Anyone else on that?

Tavi Costa: I'll just point out, yeah, I think that it's... the austerity measurements seems a little bit perhaps unavoidable, and regardless of what party comes in. And the question will be what type of measurements that will be in terms of corporate taxes and household taxes, or government spending in general. I think that a bigger question even though it relates to also the elections, is what's going to happen with the Treasury market in a more technical way, which is about $8.5 trillion of treasures will be maturing in the next year. Not a lot of people are talking about this, but the question is who's going to be buying that? Because the government's not in a position to pay down that debt. So that's going to have to be rolled.

And if we look at the history of Treasury holdings, we've had foreigners being a large buyer of that and it's been declining over time at the same time as the Federal Reserve is becoming the buyer of last resort. And this is an important question for the monetary stimulus that we were talking about before, as it continues to lead to this funding process of the fiscal side of things. I think that that's going to be a big question in the next 12 months as we had about 70% of the funding since the pandemic has been to T-bills, which increased by about $5 trillion outstanding recently. A number we've never seen before on a rate of change basis or a nominal basis. So, those are big questions for whoever comes in. I think there's a big chance of a Democratic sweep, personally, and I think that's very highly likely that that might occur. But, anyways.

Adrian Day: Well, you mentioned the increase in Treasury supply. Let's look at the demand and look globally, because as we all know, the percentage purchases of foreigners has gone down quite significantly recently and in fact particularly in the last few weeks. How do you see that playing out for the next six, 12 months? Are foreign investors generally going to continue to buy fewer US assets as a percentage of the whole? I'm not talking in absolute terms, but as a percentage, as we've seen over the last few years.

Jim Rickards: Yeah, they're likely to reduce their percentage holdings of Treasuries, of the actual dollar amount of Treasuries, but it doesn't matter. We have a buyer of last resort. It can be the Fed, but it doesn't have to be the Fed. It won't be the Fed, it'll be the banks. In the 1950s, a large commercial bank balance sheet was about 50% treasuries. That's what they bought. And, small spread leveraged 10 to one, you make a good return on equity. Now that's not true today. The percentage is down around 15%, but there's a lot of headwind between 15 and 50, and all that has to happen, where Jay Powell calls Jamie Donnis and [00:32:56], says, "I'm going to make you an offer you can't refuse. I want you to buy some treasuries." In other words, China will be reducing but it doesn't matter because the US banks can buy.

That's the easy part, but it brings up another issue, which I don't think anyone has considered, which is... by the way, I just finished writing, it'll be the first book on COVID and the new Great Depression, coming out January 12. But in my research on the virus, it's pretty clear that this came from a Chinese laboratory. I thought that four months ago. I was pretty much derided even by some of my own editors, they say that's a conspiracy theory, et cetera. Since then, all the evidence has pointed in that direction. It looks like it came from a Chinese lab. And the President got it. By the way, three of the G20 Presidents, Boris Johnson, Donald

Trump, and I guess, sorry, Prime Minister Trudeau's wife, all got it. Bolsanaro got it. This thing is almost like a weapon aimed at the leadership.

But the point is, all it takes is a group of US plaintiffs who bring a suit in the Federal District Court alleging gross negligence, even crimes against humanity against China, et cetera, proving along the lines I just described, there's a lot of evidence out there. If they win... by the way, the damages would be $4 trillion and then people go, "Oh, well, how you going to collect?" Well, that's easy. The last paper treasury note was issued in 1979. Since then, they've been 100% digital, and their digital ledger is maintained by the US Treasury and the Fed as Fiscal Agent.

So, all you would have to do is the court would appoint a conservator or trustee. They would seize the Chinese holdings in US treasuries. Put them into trust for the benefit of the victims of COVID, and that would reduce China's reserve position by one-third in the aggregate, and 50% in terms of liquidity. So we'd just take their treasuries. Then people would go, "Oh my goodness, you'd screw up the treasury market." That's not true. You'd actually reduce the foreign supply. There would be a stronger bid for treasuries because there would be fewer of them in circulation.

So that's coming over the next couple years in the Trump administration. I doubt you'll see that in the Biden administration. But that's the kind of thing that, I call it unfinished business between the US and China.

Adrian Day: Danielle, maybe you can answer this. What are the long term implications for this increasing tension fight between the US in particular, but not just the US... the US and China on a whole range of issues? I mean, Jim Rickards mentioned the one compelling one right now, but it's trade, it's the South China Seas, it's technology theft, and going the other way, technology intrusion, and so on. What are the long term implications of this? I mean, can the US really fight the second largest power in the world and the up and coming power?

Danielle DiMartino Booth: .... I think that that's one of the most critical questions that's out there right now because of the way that China has established its hegemony on the world stage. Right now the IMF is in the process, I think it's 74 or 75 countries that are being bailed out. Most of those owe money also to China. And China has been a huge benefactor in its Belt and Road Initiative. And if you think about the allies that China is lining up, Saudi Arabia, Iran, Russia, as well as all these commodities exporters that very much view China as being their benefactor of sorts, their economic benefactor, it kind of gives you an idea of what a potential theoretical world war would look like in terms of where the allies would land.

But Australia led, to Jim's point, a group of 116 different countries demanding the World Health Organization have an independent inquiry into the origins of the coronavirus. So we've clearly still got a bunch of allies as well, and Australia shooting itself in the foot right now, we're watching that play out. But I think following the saber rattling is almost a distraction of sorts, because if you look at Huawei having a third of telecommunications equipment in the world, if you look at where the next generation of artificial intelligence is coming from, if you focus on 5G, China has already looked over the horizon in terms of how it can become the world's biggest economic superpower. And the way that it's going to get there is the next generation of technology. That is singularly where the focus is. They're pouring money into state run enterprises that have the aim of planting their technology in the allies that they're building up around the world. And I think that that is where US policy makers' focus should be in the next five years.

Adrian Day: Okay. Let me just interrupt for a second. If anyone listening has any specific questions they want to ask, Albert is going to be checking them all out and will jump in when I run out of questions. So please, please type your questions. So how do the others see that? The handover... this of course begs the question if there is going to be a handover of world dominance from the US to China at some point in the future. But what we'll call the handover of imperial Britain to imperial USA was a peaceful one. Peaceful between the US and America at any rate (sic). Whereas the handover from the Netherlands to Britain was not peaceful. Several wars. And we could go back many, many over the centuries. And normally these handovers are not peaceful. I mean, how do people see this playing out? Is this going to... do we need to be a little more circumspect in our dealing with China? Or do we need to, as it were, stand up to them?

Lyn Alden: I think, I got... go ahead.

Jim Rickards: Go ahead, Lyn, sorry.

Lyn Alden: Oh, so I think I could tie a couple things together. Because it ties into the Treasury demand issue as well. so, if you look back over the past several years, we've seen a stabilization in foreign treasure demands. So they haven't been buying treasuries nearly as quickly over the past five or six years as they were before then. And in some ways, that's pretty normal for a strong dollar environment. So ever since early 2015 we had the strong dollar. And that's the transition where we started to see a lot less foreign buying.

However, we also saw that China announced back then that there's really no longer any interest to keep using their dollars to keep buying treasuries. So going back to what Danielle mentioned, they've been using those dollars in many ways to invest in other countries around the world.

So now a lot of those other countries owe things to China, and China has basically accumulated multiple rights to different assets and infrastructure around the world as part of their Belt and Road Initiative.

So, going forward, we've had... US domestic sources have been buying a lot of the treasury issuance. And so, that kind of caused an issue. We had, the repo spike last year, and then so now the Fed has been buying and banks have been buying. So going forward, I think most of the... a very large percentage of the Treasury issuance is going to wind up on some combination of the Federal Reserve's balance sheet, and commercial banks' balance sheets. And to Jim's point, that's what we saw back in the 40s and 50s when most of that was funded by the banks. And if you look even now, banks, they have something like 22% of their assets are treasuries. And that's the highest in modern history. So if you look back over the past several decades, they're currently at a high point and still rising.

And to Jim's point, they have a long way to go potentially to get back to where they were in the 1940s and 50s, which is the last time we were in this situation where federal deficits were so high that a lot of it was funded by banks and the Fed with yield curve control. So going forward over the next several years in terms of geopolitics, I'm seeing some semblance of a decoupling where we don't really have a lot of foreign buyers. We have a very large deficit, so it's more so self-funding, and we're seeing somewhat of a separation in how reserves are managed worldwide.

Jim Rickards: Also to expand on that point, and I agree with Lyn, and Danielle made the same point. In terms of, you go back to the 1940s, 1950s, the Treasury and the Fed in effect, integrated their balance sheet. The Fed was just monetizing the debt. The Treasury would borrow and do what they needed to do. That has not been true since 1951. It may become true today for the reasons Lyn and Danielle mentioned. But if you look at modern monetary theory, and I have, I've read Stephanie Kelton's books and articles and Randy Wray, Marshall Auerback and the other advocates of this. It's like taking castor oil. It's painful, but I force myself to do it. That's exactly what they say. It's not like, oh coordinate... Stephanie, Professor Kelton, thinks that the Treasury balance sheet and the Fed balance sheet are the same balance sheet.

Now, they're not, legally. That's not what the statute says. But she says it's the same balance sheet. And she said the Fed doesn't create money, the Treasury creates money by spending it. And when they do it, they put it into your account and you got some money. Now, I disagree with all of that, but if that's what you think, and that is what they think... and Stephanie Kelton is the big brain behind Bernie Sanders. And if Biden wins, Sander's policies are going to be the law of the land, that's exactly what you're going to see.

Adrian Day: Right. Tavi, do you have something to add on this?

Tavi Costa: Yeah, I apologize, looks like my internet just went out, so I got back. So anyways, look, I just wanted to point out that I do not... not making the case for rates to go higher because of a lack of demand. Matter of fact, as I said, I think it's the Fed's mandate to suppress interest rates going forward. I think that the issue of the $8.5 trillion that will be maturing next year, in my view, is related to the need for further monetary stimulus, which has magnified these inequality problems we've had so far. I think that that's going to become more and more of an issue regarding this situation of, we're still in a recession. There's still significant amount... 25 million people are still claiming unemployment insurance benefits. And that's still coming out from the Treasury side.

So I believe in this convergence if the Federal Reserve becomes the buyer of last resort. I don't think they're going to let the treasury market lose it's way, because I think that's probably the most important market that they have to make sure that there's enough demand for treasuries to fund the government in general. So, those are, I think, my biggest remarks. And I think this creates a very, perhaps even a frenetic gold market, bull market for gold, in my view. In which, I think we're in a race to the bottom with all fiat currencies. And I think that gold is probably going to be, monetary assets in general or come in as a large demand from investors to look for ways of growth and protecting capital in general. And I don't see any way out of that.

And I think there's a lot of opportunities out of this. It's not doom and gloom. Minors look incredibly cheap relative to... so many ways of looking fundamentally in terms of growth. And so, I think that that question of $8.5 trillion that will be maturing in the next year treasuries, again, goes back to the question of further monetary stimulus and expansion of the balance sheet of the Federal Reserve.

Adrian Day: Okay. Albert, I've got a couple more questions before we wrap up, but do you have questions there?

Albert Lu: Yes, we're getting questions in. We can go to them any time.

Adrian Day: Well, if you've got a really good one, go ahead.

Albert Lu: So question coming in from Paula to James Rickards. How long has velocity been slowing down, and what are other deflationary forces you see in play?

Jim Rickards: Velocity's been slowing down for 22 years. Nothing like it has happened since the great depression. But it's not the only deflationary force. That was a very good question. The other deflationary forces are demographics. Japan's population iss declining. Russian population iss declining. China's population is flat lining, but is aging. The US population used to grow mainly because of immigration, but to the extent we cut off immigration, our population's flat lining. Same in Europe. So that's a factor. And technology lowers the costs of a lot of things. And debt slows growth. So I would say debt, demographics, technology, and velocity, which is psychological, are all pointing towards deflation.

Albert Lu: James, on that topic, I have a small disagreement with you on something you said at the beginning. You said inflation has nothing to do with money supply. I disagree because that was literally the definition of inflation for a long time before it became increases in prices. But I do understand and agree with what you're saying, and that is that the phenomenon people associate with inflation has everything to do with velocity and the demand for money. Am I correct?

Jim Rickards: Well, the fact that we have the University of Austria Economics Department from 1900, if they were alive today, they'd be talking about complexity theory. And I think they would look at velocity as a more important variable.

Albert Lu: Okay. Question from Carolina. And this could actually spawn a whole new panel actually, but I'll put this up for anyone. What are your thoughts... and I say this because I know, I think, what James is going to say. What are your thoughts on cryptocurrency, and also holding on to bonds? Who wants that question?

Danielle DiMartino Booth: .... Bo y, I've had a bad cryptocurrency week. I'm going to back off of that one.

Lyn Alden: I can jump in a little bit.

Lyn Alden: I think to Tavi's point, because he's focused a lot on the precious metals with his research, I think with negative real yields, in some cases negative nominal yields, obviously, but in the US markets, negative real yields for Treasury bonds, that does make a stronger case for scarce assets. That's gold, that's silver, the companies that mine them. And then now cryptocurrencies are presenting a new way to get exposure to them. There's over 5,000 cryptocurrencies. The one that I focus on to some extent is bitcoin because that's got a stronger network. It kind of follows some of the same patterns that we see in gold.

So for example, when we have some of these emerging markets that have currency failures, one of the ways that locals protect themselves is they go into bitcoin, for example, until the dust settles and they can go back into other assets. So it does have somewhat of a use case there. I've also seen, for example, there's news the other day of a Chinese national coming into a US airport and she got stopped because she had

20 gold coins on her. Whereas, you can't really bring gold over borders very easily. Whereas bitcoin, even with a small device or even just a memorized set phrase, you can transport rather large amount of sums across borders.

So it has that kind of utility. And so in a world where you have negative real yields probably for quite a while, and then you have instances of currency failures or potentially inflationary outcomes, bitcoin is some people's way of fitting that into the same approach you'd have with, say, gold, or silver, or minors, or commodities, or real estate, or other scarce assets.

Albert Lu: Question-

Adrian Day: Yeah, on... who wants to... sorry, go on.

Albert Lu: No, go ahead, Adrian. Yeah, anyone want to talk about treasuries or bonds? Tavi. Go ahead, Tavi.

Tavi Costa: So, I was going to say that bitcoin in a way... in a way, it was built to fix some of the issues in precious metals overall. And I don't think it did, by the way, but I'm just perhaps telling how it was, in a way, created. I think that the fixed supply issue that you see in precious metals, but also see certainly in bitcoin with that idea... well, gold and silver, the way you're trying to fix that problem is that it is, in a way, a little bit uncertain how much supply you have of gold and silver. That is the case. However, it is a tangible asset that has a lot of history, and why I favor a lot more owning precious metals rather than bitcoin.

I think bitcoin is an interesting idea from a sense of, given this fiscal and monetary lack of discipline that we're seeing worldwide, I think there's a demand for monetary assets, and bitcoin serves that purpose. Lyn had a very good point about how it serves the needs of some countries. I'm originally from Brazil and I've seen places in Argentina, Venezuela having issues transferring money, and bitcoin certainly serves that purpose very well. So, I think that that's one part of it, but I still appreciate in history of the monetary system of how silver and gold have truly been a part of that.

I think that that's... it makes me a little bit more optimistic about those markets. Especially when you look at other related markets, such as the miners, I already said it before. And you see the same level of asymmetry as bitcoin. In my view, bitcoin and miners have very similar level of asymmetry. But you're betting on something that is using a tangible asset with a tremendous amount of history. So for me, again, I'm going to say $650 billion is how much the precious metals industry is worth today. That's about three and a half times less than Apple's market cap.

Now that's the sort of asymmetry you have going forward if you're betting on those trades given the situation macro wise with twin deficits in the US in the fiscal situation and monetary situation and so forth. So, the need for monetary assets is important, and bitcoin perhaps serves that purpose as well for some investors.

Adrian Day: Okay. I think, Albert Lu, we're at an end, are we?

Albert Lu: No-

Adrian Day: Of the session?

Albert Lu: We keep going a little bit longer.

Adrian Day: One more question, okay.

Albert Lu: Yeah. I have a few more.

Adrian Day: So let's just ask about bonds since I asked about bonds and nobody answered. Does anybody see a place for bonds, not as a trader, I'm not talking about a trader or a Federal Reserve Bank, but perhaps a retired person who's looking for income. Do bonds have a place at all at the moment?

Jim Rickards: Well, I'll leave corporate bonds to Danielle. She knows a lot more about it than I do, but just to address Treasury bonds, they're poised for probably the greatest rally in bond market history right now. People say, "How is that possible? Rates are near an all time low." They're not. Nominal rates are near an all time low. The real rates are quite high. In 1980, I borrowed money at 13%, but inflation was 15% so my rate was -2% and I was paying interest that was tax deductible, and taxes were 50%. So my after tax, after inflation rate was -8.5%. That's a low interest rate. Right now, the 10-year treasury note is at about 70 basis points, you have the maturity give or take, if you say inflation is 1.6%, the rate is -.9%. Like I said, I borrowed at -8.5%, more than 10 times negative. That's a negative rate. By the way, those are the kind of rates you're going to need to "stimulate the economy," not negative 50 or 60 basis points, but negative 3%, 4%, 5%, 6%.

Now the Fed is not going to negative rates because they know they don't work. We looked at it in Europe and Sweden and Japan, and a number of other countries. What's the point? It doesn't work. But the market can take rates deeply negative on its own. You don't need the Fed. Because the Fed controls the policy rate, but if you have a 10-year treasury note trading on a secondary market and someone buys it at a premium, and the premium greater than the strip of coupons coming in, you have a negative yield maturity. You paid more than you're ever going to get. And you could pay a lot more than you're ever going to get.

You say, "Why would you do that?" Well, if you thought deflation was coming, the money would actually be more valuable. If you're a foreign investor, you might like the exchange rate aspects of it. And you might think you can sell it to somebody else. So, there's something... not to get too geeky, but something called DV01, dollar value at one basis point. And the question is, how much capital gain do I get per basis point of interest rate decline? That's not a constant. That number goes up at lower rates of interest. So cutting rates from 50 basis points to 25 basis points gives you a much bigger capital gain than going from nine to 8.75. Well, we're in that zone, so if interest rates go negative, which I expect they will because of secondary market trading, you're poised for huge capital gains. And Jeff Gundlach, Dan Isaacson, Bill Gross, they've all been carried out feet first because they haven't made this distinction between real and nominal rates.

Adrian Day: Anyone else?

Tavi Costa: I'm going to point out a trade that not a lot of investors have been talking about, as well as something that I stole from Bill Gross, actually. The long treasury US treasuries and short German bunds. It's a trade that we've had in the portfolio for a long time. It has worked incredibly well for the last year or so. And it's something that you see given the sort of convergence in monetary policies going forward, especially when you have them folding up the downturn in the business cycle, which is something that we still see. It wasn't really a business cycle turn as much as it was a shock due to the pandemic that perhaps will cause an acceleration of that move.

But I think that that will continue to work, that convergence between those two trades, those two instruments in which, I think yields in the US will probably move lower faster than German bunds. And it's something that's been working so far, and I think will continue to do so. For Jim's point about the TIPS market as well, which is... I think a lot of investors miss looking at the TIPS market, which only goes back to the 90s or so. It doesn't have as much history as nominal rates, as you can go to the 70s and then just subtract by inflation rates and you can really see real rates. I didn't live through the 70s, but I certainly can see that real rates using the just CPI, which is probably not the best way to measure inflation, but one way you can see where real rates did get close to minus four to five percent back then, at least the 10 year real rates. And I think we're long ways from that and will continue to be a driver for precious metals, too.

Danielle DiMartino Booth: .... I would just dovetail on Tavi's point about 25 million Americans plus, collecting unemployment benefits in some way, shape, or form. And to Jim's point, starting points matters, and deltas matter. So I still have my eye on nominal yields because I think that there is a... We forget that in March, the long bonds stopped trading in the middle of the night in Asia.

Stopped trading, period, end. Full stop. So, there is room, I think, for downside, even in nominal yields, as low as they are. And boy, the bang for the buck you get at each basis point move.

Albert Lu: Adrian, I'm afraid we have to leave it there. So, I want to thank all of our panelists for participating, and I'll ask Adrian, you to stay on as we are going immediately from this to your talk.

Dominic Frisby

"The Future Of Work, Tax And Money"

Albert Lu: So our next speaker is MoneyWeek's main commentator on gold, commodities, currencies, and cryptocurrencies. He's the author of the books, Bitcoin: The Future of Money? Life After the State and Daylight Robbery: How Tax Shaped Our Past and Will Change Our Future. He also co-wrote the internet smash hit documentary Four Horsemen, about the global financial crisis. His talk, The Future of Work, Tax and Money. Welcome Dominic Frisby.

Dominic Frisby: Well, thank you very much, gents, and a pleasure well, not to be there, but to be there if you see what I mean. I've never actually done a presentation on Zoom before so I ask for your forgiveness if I don't manage to be a slick technical operator. But I'm going to attempt now to hit the share screen and then hopefully that will now come up…Can you see a screen that says Four Horsemen?

Albert Lu: We do.

Dominic Frisby: Wonderful. Hooray. Right. Let's go. Let's crack straight on. So just to introduce myself, this presentation is called, The Future of Work, Tax and Money, and more importantly, How to Play it. And just by way of introduction, who you mentioned this already, I wrote this book about Bitcoin back in 2014. I think it was the first book by a recognized publisher on Bitcoin, but it was published during that first crypto Winter so it never got a proper distribution in the US but nevertheless, it's still a widely regarded as the best book on Bitcoin, at least by my mother. Sir Richard Branson said, "Read it and glimpse into the future." How about that? Though it's not actually clear to me whether he did actually read it or not. And this is my latest book, Daylight Robbery: How Tax Shaped Our Past and Will Change Our Future. And it's talking about the incredible impact of taxes on the course of civilization. And I also co-wrote this documentary Four Horsemen, which is a big internet sensation a few years ago and I narrated it as well.

So gold, here we are. Gold is the most tangible asset that there is. It's the first metal that man ever used. And our appreciation of gold, our love of gold, our appreciation of its beauty and its luster in my view is innate. In the same way that we appreciate beauty, we appreciate gold. I'm a big gold fan, I have been for many years and I've been extremely bullish basically since the onset of corona because of all the monetary reactions of governments printing money and so on that have ensued ever since. I think the need for alternative currencies is greater than ever.

Having said that today, I'm not going to talk so much about tangible assets. I want to talk about intangible assets. I'm going to start off by talking about Bitcoin. Now, whenever people talk about Bitcoin, one of the most common criticisms from no coiners is, "It's tulips, it's a bubble," and they dismiss it as a bubble. So the first thing we have to ask ourselves is, "What is the definition of a bubble?" And a bubble is a bull market in which you don't have a position. And I think once you start to look at other people who dismiss things as a bubble, they never have a position. And because they don't, in order to justify that they don't have this position and what is a rising market, they dismiss it as a bubble. And so you will hear Bitcoin...it's a bubble or silver or tech stocks or whatever it is.

But we need bubbles. Bubbles are essential. Bubbles accelerate investment without the dot-com bubble, the dot-com bubble was right. The internet did change the world, even though there were all sorts of insane companies. But because of that bubble, all the infrastructure that the cables got laid and so on because of the bubble in railways, all the tracks got laid. Bubbles accelerate investment and they're essential to economic development.

And this is the next point I want to talk about. Money is tech. It always has been and it always will be. Now, if you go back to ancient Mesopotamia, the very first civilization, the very first... when human beings came down from the Zagros mountains and settled in the fertile plains between the Tigris and the Euphrates river. When they came down from the mountains they found lots of this stuff, mud. And this mud was incredibly fertile and crop yields as a result with the likes of which nobody had ever seen before. Human beings made tools of it. We made pots, tools, sickles, axes, hammers, nails, the mud baked with straw made the first bricks. And those bricks built the first homes, which built the first cities. And so human beings began to prosper and they had more than the bare essentials that they needed to survive. And so they begin to trade.

And obviously at this point, human beings were already using gold, especially as jewelry. Coinage hadn't been invented yet. But, that mud also formed the very first forms of money. It was token money and a disc would be a sheep, a cone would be a measure of Bali. And these debts that were owed were baked inside clay balls. And then when the debt was settled, that clay ball was smashed open and the debt was finally settled.

The most common form of debt that was owed was of course, tax. Tax is old as civilization itself and tax wasn't paid in money in those days. It was paid in labor or it was paid in a share of your produce.

And so those little bits of mud were the very first forms of money. And it's a form of record keeping in a way. And over time, rather than bake these tokens inside clay balls, we found that it was quicker to inscribe the clay with pictures of these tokens instead. And so did the very first form of handwriting develop, ancient hieroglyphics. And there we see the modern equivalent. I say that money is tech because we see this movement from clay tokens baked inside balls to handwriting over time and ancient Lydia was supposed to have been the first around about 700 BC. The very first coins were cast by Croesus in his dad who were both purported to be descendants Midas. And those coins circulated around the Mediterranean and the near East.

With coins, you could certify the amount of metal, its weight, and then the issuer, the issue, his head, his stamp would certify the purity of that coin. But over time then we invented the printing press. Now we've credit ourselves in Europe with the invention of the printing press. It was a course invented in China about 800 years before. And Marco Polo described his visits to China, to Kublai Khan, the court of Kublai Khan and he marveled at the fact that they used paper money as though it were gold and silver itself. And over time here with Gutenberg's printing press. So did paper money start to replace coinage. And paper money of course, running cash notes, dollar bills backed by gold originally, or pound notes backed by gold, and also the check.

And paper money became more convenient than gold. And then the next evolution was perhaps in the '70s and '80s, digital technology. And so did just digits digital technology now something like 97% of money is digital. And the latest evolution in technology is cryptography. And so do we have Bitcoin and so on. So money has always evolved as technology has evolved. And within that, there have been good forms of money and bad forms of money, of course, fiat money and gold backed currency. But today 97% of money is digital. Just 3% is physical. I think that's an amazing statistic. And when I say physical, I'm not talking about physical gold, I mean, notes and coins.

And so we've witnessed over the past few decades, this transition from a tangible economy of paper and coins into an intangible economy. And now the intangible economy is awarded much greater valuations in the marketplace than the tangible economy. So example, I think Walmart actually has greater sales revenues than Amazon, but Amazon's market eclipses that of Walmart. If you compare the market caps of Facebook and Google to Penguin Random House or the New York Times. This is incredible value in the intangible economy and something similar is happening with money, of course, and has already happened.

In 1990 the three biggest companies in Silicon Valley had a market cap of $36 billion. And they had between them about a million employees. Today, their market cap is something like 60 times higher but they have a quarter of the number of employees. There's from their latest reports you can see Facebook has just 25,000 full-time employees, Google around about 90,000, Apple about 125,000. But at the same time, it's those companies that have created all sorts of employment opportunities for other people because of the fact that they're platforms. So there's lots of freelancers who operate using those platforms. They've created huge amounts of work for people but in terms of employees, it's a quarter of the workforce that it was 30 years ago. I think that's an incredibly telling statistic.

The reason for this is scalability. If you think, let's say you invent a fantastic car or a fantastic pen or whatever it is, you still got to build however many, you got to have factories that build that car or that pen, you've got to have distribution units that distribute it and so on in the physical economy. But an app, if you design a brilliant app, you only need to upload it to the internet once to the app store and it can be downloaded a billion times. In the physical economy, you've got to construct a billion different units. And so there's a scalability to the intangible economy that doesn't exist in the physical economy.

And that's one of the reasons why they attract so much attention because the market caps, everything happens so much faster in the intangible economy. But we're bearing in mind what I say about scalability. Let's think of a country like the United Kingdom, 65 million people in the United Kingdom, the pound sterling, our currency is limited in terms of scalability by the amount of people that there are in this country and by national borders. Even the US dollar, the reserve currency of the world, it still has a limit in terms of scalability. But the internet it's slightly more complicated than that, but the internet has no borders. And so, the potential of the internet goes beyond nations and so does the potential of internet money go beyond national borders.

There are seven billion people in the world at the moment. Still, two billion of them are unbanked. The first way that they're going to experience the internet is via smart phones. There'll be six billion smartphone users by 2021, according to Sony Ericsson. Already in the world, there are more smartphone users than there are people who have a toilet. I think that's an incredible statistic. The smartphone is the way by which they will experience the internet for the first time, as I just said. Rather than get financial inclusion by a traditional bank, which with all the paperwork that's required to do that in the old physical financial economy, they can start using cryptocurrency straight away. And so, the person that is unbanked, so to speak, who is in some remote part of Africa or Asia who cannot participate in the global economy because he doesn't have a bank account, is suddenly going to be included in the crypto economy.

So in the same way that large parts of China just bypass landlines and went straight to mobile. So it's these vast sways of the global population going to go straight to crypto and avoid traditional finance altogether. So there's a scalability to crypto that just doesn't exist in fiat money.

Now, Libra, Facebook's coin has attracted a lot of controversy and in many ways it is evil, bad and wrong. But if you think around the world, there's about two and a half billion Facebook accounts, WhatsApp has maybe one and a half billion users, 300 million users in India alone. And Libra suddenly tacked onto that network is going to be this ability to send and receive crypto money using Libra coin. I just think that gives Facebook just incredible power. They'll be running that network and think of the value of all the data they're going to own. And that white paper for Libra was published during Asian hours. Those of you that have seen the Social Network, the film will know that Zuk is not an originator. Zuckerberg he's a copier. Once he copies something, he takes it to unseen levels.

Now, Libra is obviously basically a stable coin it's backed by fiat money. But the potential of the network is just enormous. Now, the question is taxes have been easy to collect in the physical economy where people are using national currencies, which governments can monitor through their controls of the banking system. But when people start using crypto money, whether it's Libra or Bitcoin or whatever the crypto money they use is Monero, Ethereum. It's going to be much harder for governments to control and regulate in tax because they don't have control of the networks in the same way that they do national currencies.

So we ask ourselves, "How big can crypto get?" Every decade there seems to be an enormous bull market. It was gold in the 1970s, Japan in the 80s, dot-com in the 90s, Commodities in the noughties. And this decade, the bull market's been in crypto very much. At the end of each of those bull markets, the market cap of gold and gold shares, one worldwide was equivalent to the market cap of the S&P 500, the market cap of Japan exceeded the market cap of the S&P in the eighties.com reached parity and commodities, natural resource stocks, worldwide reach parity by the end of the noughties.

How big can crypto get this time round in this bull market? Well currently, the market cap of the S&P is about 28 trillion. I've got, put some comparables there. The footsie, the market cap is about 2 trillion, two and a half trillion Shell, 95 billion. The market cap of all crypto is just still just 355 billion compared to 28 trillion. So there's still a hell of a lot of upside. And the market cap of all the gold in the world is worth about 10 trillion and the market cap of JP Morgan, more or less matches the market cap of all the crypto in the world. It's a little bit lower biggest bank in the world.

That's the potential of crypto money and technology and so on. Now, I want to talk next about the future of work. This is something that's been dramatically accelerated by COVID-19. It was a trend that was already in place. I call COVID-19 the great accelerator because it's just brought so many practices into existence and into the mainstream that were going to happen anyway, but it's just made it happen faster. Now, we think of the traditional employment model, perhaps if you know, if you’re over 60 say where you would work, one employer for many years of your life, many decades, and you go into that place of work and that employer would collect tax on your behalf compared to the government. That traditional employment model is dead. More and more people are working from home, more and more people are turning freelance, multiple income streams, Ernst and Young.

And this is a pre COVID in estimate. They’ve estimated that by 2030 50% of US workers will be contingent in freelancers. In other words, gig economy. By 2035, the global population will be 9 billion with 6 billion workers. So if Ernst and Young's forecast is correct, there'll be 3 billion freelances around the world by 2035. Of those 3 billion freelances, more and more of them will become borderless. If we think of companies like Google and Facebook and so on there, they're pretty much borderless companies. They're multinational companies with offices and assets in multiple jurisdictions around the world. The internet is a borderless medium. The digital economy is borderless. And most people who work remotely, work in some way through the digital economy. It might be a web designer or a graphic designer or a trade or whatever it is. And in the same way that the internet is borderless and companies are borderless, workers are gradually going to become borderless as well.

It's not so easy in COVID-19 because travel has been limited. But travel is incredibly cheap. We're going to be able to fly from Europe to Shanghai in about five hours quite soon, with these new supersonic jets. More and more workers because of high house prices at home and fast internet around the world and cheap travel. They don't need to be in London or New York anymore where houses are expensive. They can work from the suburbs.

You're already seeing this rush to the suburbs and gradually, and in the UK, for example, more and more people are going to France and Spain and Portugal to work. And we'll just see the same thing. Suddenly if somebody is based in France, when they're working in a UK job that previously was done in London or Manchester or Bristol or somewhere they're working from France, suddenly it changes all the tax implications. And most interestingly of all, when people are working, as they travel, the most expensive purchase of your life is removed. And people think the most expensive purchase of your life is a house. It isn't, it is your government by far and away. In the UK something like 50% of everything you earn will in the course of your life, go to the government. In the US it's closer to 40%, 45%.

As more and more workers become borderless, they're going to need a borderless form of money. If you're working in France, doing a job you've been hired to do in China but you're actually English. Do they pay you in pounds? Do they pay you in Euros? Do they pay you in yuan? And as more and more workers go borderless, the need for borderless money is going to grow. And already 50% of digital nomads use cryptocurrency. That number is going to go up. Then the big question is where do they pay tax? To whom? If you spend less than 180 in order to pay tax in a country to be a national, you have to spend more than 183 days in that country. A lot of the global workforce will become much more nomadic than that. And the estimate is that one third of all contingent workers will be nomadic by 2030. 1 billion digital nomads.

And the implications, if you think that governments are 50% of their revenue comes from income tax and that revenue starts to be chipped away at. They've got big, big problems ahead. How are they going to finance their activities? And they're under more pressure than never to spend money.

The other thing about the freelancer compared to the traditional workers is that traditional worker has his income deducted at source. So the company collects the money and pays it to the government before he actually receives it. Whereas contingent workers tend to pay their tax after they've received it. And as a result, they find more things to write off against it. Some people deliberately avoid paying tax. Other people, there's more scope for errors.

There's a study by a chap called Matthew Taylor in the UK on people who work in the gig economy. And he found they pay something like 20% less tax than somebody in a full-time job performing the same job.

Look at how the government has struggled to tax the intangible economy, struggled to tax Apple, and Google and Facebook and so on. How's it going to tax digital nomads?

Many digital nomads if they've left their home country, they feel little loyalty to that country, often they've left it because they're pissed off with it. They don't use that country’s services so why should they pay taxes there?

Governments are already running deficits. How are they going to replace that loss revenue? We're going to see higher consumption taxes, types of value added tax and sales taxes. We might see wealth taxes, land value tax. We're definitely going to see more inflation, more debasement of money. There's this idea of the people's quantitative easing that's doing the rounds here in the UK at the moment, whereas rather than use quantitatively eased money to buy bonds and so on, you just give that money directly to people. That really is magical money tree stuff.

And MMT is yes, obviously modern monetary theory it stands for but it is also the magical money tree. But we're also going to see the sounds of thing, as the precious of government debt starts to grow, we're going to see the more aggressive collection of taxation, more surveillance, more invasions of your privacy, more false declarations.

And so, if any of these things concern you, you should already be taking steps to get your wealth into places where it is harder for governments to tax you on it. We'll see more tax competition between nations. Hopefully, this will put downward pressure on taxes worldwide as nations struggle to compete, to attract this new digital nomadic workforce.

And I think we're going to see almost like this two-tier, two class economy, whereas some people who, for whatever reason of their personal circumstance, can't be mobile. Then we're going to see another class of people that is mobile. The class of people that is mobile is going to enjoy a much higher status in life. They're going to pay much fewer taxes and enjoy, as a result, much better lifestyles. And so, if you're in a position to position yourself for this new mobile life, I think you'd be well advised to do that.

The other thing we'll see, and we're already seeing it is that tech will start to replace government services. Silicon Valley's already trying to solve the healthcare problem. We seal this plethora of apps, health apps that everyone's using fitness apps, and the whole thing of having these tests early and knowing several years before, if you're in the likely DNA or genealogical bracket that you will get Parkinson's disease or whatever disease it is, or cancer or whatever it is late in life. If you have the genes that are prone to that kind of thing, then you can take steps earlier in your life to deal with it before the actual illness onsets.

We're seeing tech playing a huge role in education. The internet is the most powerful tool for learning ever invented. Public transport will start to be replaced by the likes of Uber and so on. Already in London, two of you can travel a short journey in an Uber and it's cheaper than getting the tube. And there's no risk of getting, or not the same risk of getting COVID.

So governments have a huge problem on their hands. And I could just see this very, very aggressive tax grab coming. I see more debasement of currency and the obvious hedge against all of this is our friend with which we began the conference, the most tangible asset of all, ironically, gold.

I just think it has a huge role to play and for various reasons going forward. And you'd be well-advised to keep a decent portion of your wealth in gold. You can have a little bit of jam with gold stocks. Although, be very careful with those because I lived through the bear market of 2013 to 2016, 2017, depending on when you calculate it. And I just know how much money you can lose in a gold bear market in mining stocks, so be careful with those. And then I just think everyone, the potential of Bitcoin to become the gold standard of the internet. To have the same role that gold had in the monetary system of the 1800s. For Bitcoin to do the same and for it to become effectively the default currency of the internet, the upside is just so enormous.

Even if you don't understand it or you think it's a bubble, whatever you do, everyone should own a little bit in their portfolio because the upside potential, even here at $10,000 a coin is so enormous. And that's pretty much all I had to say. I belted through that as quickly as I could because I was conscious that you were quite tight on time, but if we've got any questions, please feel to fire away. I'm going to stop sharing my screen so that you can see me again. There, look what a handsome young man I am. And if anyone... or handsome middle-aged man, I should say, and I look like a young George Clooney, but if anyone has any questions, they'd like to ask then please, fire away.

Albert Lu: Dominic, thank you very much for that presentation.

Mickey Fulp

"Let's Make Money In Gold & Juniors! Q4 2020 To Q1 2021"

Albert Lu: Mickey has over 35 years of experience as an exploration geologist and mining analysts in North and South America, Europe and Asia. In addition to his ongoing work as an analyst and newsletter writer, Mickey has written and spoken extensively on freedom, libertarianism, individual rights, science and reason, and passivism. The title of his talk is, Let's Make Money in Gold and Juniors, Q4 2020 to Q1 2021. Welcome, Mickey. The floor is yours.

Mickey Fulp: Thanks a lot, Albert. I'm going to share my screen here, so bear with me while I get that done and hopefully I don't mess anything up. Well, you already know who I am. I'm not a certified financial advisor, nothing I say here today can be construed as an offer to buy or sell any financial instrument, or go long or short anything that you think you might make or lose money at. So speaking of money, I'm going to tell you how to make money in gold and juniors starting today through Q1 of 2021.

So for people that are familiar with my work, you've seen these charts before, and these are composite charts that we normalize the price of gold in this instance at the beginning of the year at 0%. And we measure the daily incremental increase on a yearly basis, then we combine all those years. So this is a 24 year composite.

And I would like to point you to 0% on January 2nd or 3rd. And it goes on an average year, you're going to make 8% on gold from January 1st to February 30, or to... Had a bit of a Biden moment there, pardon me, to December 31st. And we also overlay 2020 on this, and you can see the extreme volatility in the price of gold this year exacerbated by the pandemic, which came in in late February to the end of March. So I should also point out that every 21 days represents about a month of trading days. And so those vary from year to year, which is why we can't put months on this….

...Now we're going to do the same thing for the TSX Venture Index, which is basically the junior gold sector. And you can see in the blue line, the 18 year history from when this stock exchange was established. The things I would point out is the rise in gold in the first couple of months of the year, the summer doldrums, where it goes down considerably, and then the year end rise. And that's key to what we're going to do here. Once again, the extreme volatility in the Toronto Venture Index, notice the Y axis here, we were down 44% on March 18th, and we reached the all time high here, day 169, which was exactly August 6th. And we bounced around a bit since then.

I'm going to go back to the gold index and point out something here with a cursor, and I hope you can see my cursor. From August 6th, when gold hit its all time high, notice that it has made lower lows and lower highs since then. And that's not a good trend, folks.

So to summarize...world economic turmoil for mid-March to the end of August, during this period of time, gold went from $1,474 to $2,063 for a 40% gain. I got lucky and we bought at $1,482 the day before it bottomed. We had seen this scenario before in 2008, with margin calls where people have to liquidate their gold holdings. In this period of time, DXY went from 100.37, lost 8.2%. So a portion of gold's rise during this period of time was due to a weakening US dollar, and the Toronto venture exchange more than doubled. It went from a low on March 18th, March 19th at 339. It hit a multi-year high of 755. I think that was on August 31st. So the time periods vary a little bit, but that shows you from lows to highs what's happened.

Well, what the hell happened? Well, of course it was the pandemic panic. During this period of time, gold went on a 40% uptick, four and a half months, five and a half month run on the Toronto Venture Exchange. This is basically the word function of what I just showed you in the chart. And the juniors were driven by gold and mass psychology. And Mr. Dines wrote a book about this, and Mr. Dines is a very sharp man.

But we went into this emotional trading pattern for four or five months first. And most markets trade with three emotions, three human emotions, panic, fear, and greed. And you notice I put fear in the middle of this, because it affects the other two. So fear is the key. So people panic, and they fear they're going to lose everything they own, their nest eggs, and they panic. And they sell...People are sheeple, and the sheeple sell en mass. And that's the panic.

Not long after that with the V-shape recovery of gold, and it recovered in a period of two or three weeks, here comes the greed and people are afraid of missing the next big thing and they can't get in fast enough. And this is really what has happened in the late spring and throughout, well, let's say for most of the summer. It's exactly what that old fed head Greenspan said in 1996 about irrational exuberance. And that was the greed portion of this.

And where the hell is it going? Well, this is where we're going to get a bit cautious here. It created a private placement feeding frenzy from May till September. People could not get in fast enough. Every private placement, or nearly every private placement became oversubscribed. And if you do a private placement, folks, you get a 30 day reserved price and these things would trade, in some instances, double their 30 day reserve price before the private placement closed. There was massive amounts of paper, massive amounts of financings with little regard for quality. It was all about quantity. People could get in not fast enough. And so what we've ended up with is a massive, massive, amount of paper with four months hold period.

And I'm going to show you what I think will happen once this paper becomes free trading, which it is now. It is mostly becoming free trading in conjunction with two very important occurrences coming forward. First is the US elections, which are in less than three weeks now, November 3rd, and also in conjunction with tax loss selling. And because of the massive amounts of money people have made in these record stock markets, and the massive increase, 123% in the Venture Exchange Index, there is going to be some catalyst happening. And I'm not going to tell you that they're going to be good.

So in chart form, this is from my friends at privateplacements.com...This is the total amount of money raised over the last five or six months. So we see a big amount of money in March, 1.5 billion, that was not extraordinary, but out of the ordinary, but in conjunction with PDAC and promotion. Then we saw the virus effect, down to 158 million in April. And here came the buying though, as the price of gold recovered in May. 664, 1.7 billion, 1.2 billion, 923 million, 1.1 billion.

Now I must say, this was not all...financings. This includes debt. So financings in total, but this is the private placement paper that is currently, and will continue to rain down on the market like a ticker tape parade.

And so we didn't see much in August, because that money was raised in April, but we've got over 500 million and we kick up to about 750 by November, 600 million or so in December. And it really doesn't end until January, but we're going to show that in tabular form. So this includes no-hold and 4-Month free-trading paper. No-hold paper would be like a short-term perspective sort of stuff, where you can trade it immediately. So in August, 238 million, and we started to see it come in at 511 in September, just when the Toronto Venture Exchange volume dried up and valuations have gone down. We're now in the middle of October, 550 million. And I put a plus there because that does not include the no-hold paper that is being raised this month. Same with November, 746, plus the no-hold paper private placements in November. 590 in December, and 317 million in January.

So if you add all this up $2.95 billion worth of free-trading paper is going or is hitting the market, and will soon hit the market. So where are the buyers coming for all this? With a gold price, which is in a, at least for the last two months, a negative trend. Toronto Venture Exchange Index, which has been on the down tick or flat lining lately. So if past is prologue, and I certainly think it is, the private placement papering, let's look what happened three other times this happened. In '08, it happened in Q1, in times of very high commodity prices, sometimes record prices. That paper became free trading. And in June, which is day 106 here, and it was downhill from there, of course, exacerbated by global economic crisis. I can also show you in 2011, record high commodity prices, massive amounts of money raised through the PDAC in first of March. And it was straight downhill from there.

An interesting case, most recent 2016, where we had a market that started to perk up in March. It peaked in September just at the time that all this private placement money for four months was becoming free trading. And it was downhill from there for the Toronto Venture Exchange. We'll put this in tabular form again. Nearly 70% lost in the Venture Index Q3 to Q4 2008, Q2 to Q4 at 2011, 30% loss Q4 in 2016, as the gold price went south, 23% loss. I think that Q4 of 2020 is going to resemble Q4 of 2016. With this free trading paper in conjunction, we've already mentioned this, with massive tax loss selling.

So I'm a contrarian. Rick likes to say, you're either a contrarian or a victim. I refuse to be a victim. So what are we going to do? Well, I will tell you what I have done. And I have been conducting open market sales of stocks that reach 52 week highs or all-time highs. I've been doing this since June, and I have only recently done any private placement buying. All my private placement stock becomes free trading in January, hopefully after this is all over. But we are now looking for unknown, unwanted, unloved, and undervalued stocks to buy.

And so now we're going to focus on the seasonality of gold. Once again, we're going to do the four month chart. So this is from November one, day 22. It would be about December one, January one. It would be about the new year, 1st of February, day 64. And then in February, because it's a short month and there's lots of holidays. So what you see is gold price...If you buy gold...around the middle of December, you can make about 6%, five to 6% on your money on any given year. And we've overlayed the gold price in 2020, on 2019, 2020 on that.

Let's go the Venture Exchange. And this is where we make money, folks. So on an average year, the market bottoms due to tax loss selling, this would be about day 35 or so, December 15th plus or minus two or three days. And you buy there and you can flip these stocks in the end of December or first week of January. The index is going to return something around 10 or 12%. This is the volatile year we saw in 2019, 2020. And that reflects the Wuhan flu at the end of this chart. But we're not buying the index, we're buying specific stocks.

So here's the strategy. Q4 2020 to Q1 2021, this is what I'm doing. If you like it, try to replicate what I'm doing. We have been selling overbought and tax loss stocks now. I took most of my tax loss selling over the last couple of weeks. As we get into mid November to mid December, we will be buying these oversold stocks that's estimated around that mid December case. Now I have to say that I rolled this concept out in 2014, and first spoke about it in 2016 at this very conference. And I think what's happening now, people are front running as I have been doing, this tax loss selling. So last year they bought into mid November, they stayed low until mid December. Then the strategy will be to sell these oversold stocks that we bought at discount prices in late December to early January. In some cases, if there's a catalyst coming up till PDAC in late February, we always get incremental profits of 25 to 50%, some cases a 100%.

But I must emphasize that these are my trading positions. They're not my core positions, which we still use our Power of Two philosophy for a double in 12 months or less. So here's a couple of instances. These are both sponsors of my website, Trilogy Metals, picked in May of 2017 at 66 cents. Went out as high as 3.14, but look at year end in 2017. There's the V-shaped spot, buy at the bottom, sell a week later for about a 50% return. Same in 2019, buy at the end middle of December, flip it or hang on if you're adding to your position. We saw the same thing last year, although people front ran it. But by the early January it peaked at 260, middle of January, don't you wish you had bought Trilogy at one 1.03 on March 18th? I bought on the downfall, but I still got a really good price for it.

And the next one, Allegiant Gold. We first covered this stock in February of 2018 when it went public. But I want to show you what it has done. The end of 2019, you could have bought it at 18 cents. Flip it a week later at 33 cents. In 2019 you could have bought it and flipped it for less, but from eight cents to... Excuse me, from in 2019, you could have bought it at seven cents. Trying to find my cursor here. Seven cents in mid December, flipped it in early January for 21 cents. I think it will do the same this year.

So this all comes into play in our stock trading methodology, contrarian buying and selling philosophy. We're looking for doubles in 12 months or less. Outside of this quick trade, quick money, all juniors have doubles from 52 weeks, high to low. And then we sell half for a zero cost basis called the Power of Two. We take profits then on tranches. With stock profits, we call them on the down tick and they're just good old profits on the uptick. It's a philosophy that was made famous by Barney Baruch in the early 20th century, who said, "I made my money selling too soon."

I run a free subscription service; you can get my stock picks by signing up on the website. You can reach me a contact@mercenarygeologist.com, website, mercenarygeologist.com. My stock picks are restricted to free subscribers, price is right. And you can join 51,000 Twitter followers @mercenarygeo. Thanks for your time. May all your trades be to the upside.

Avi Gilburt

"Will Gold Continue To Melt Up"

Robert Helms: Well, our next speaker is Avi Gilburt. He's the founder of ElliottWaveTrader.net, a live forum of over 5,000 members and 17 analysts that cover US and world indices, stocks, bonds, metals, cryptocurrencies, energy and forex. Avi is widely recognized for his extraordinary accuracy in pinpointing market moves, particularly through an Elliott Wave methodology that he calls the Fibonacci Pinball. Avi is a popular speaker at financial conferences and widely syndicated on sites such as MarketWatch, TheStreet, Seeking Alpha, Nasdaq.com, Forbes and many more. He's been the number one read metals analyst for most of the nine years that he's been a contributor on Seeking Alpha. Here's Avi to answer the question, "Will gold continue to melt up?" Avi, good morning.

Avi Gilburt: Morning, Robert. Thank you so much for having me. Thank you, Brien, as well. How are you guys doing?

Robert Helms: We're good. It's good to see you, almost see you anyway. It's good to hear you.

Avi Gilburt: Yeah, I think I'm having some computer issues, so I do apologize for that, but I think we're able to get my charts up. So I think that's probably how we're going to wind up doing it today.

Robert Helms: Sounds good. You take it away.

Avi Gilburt: Thank you very much. Let me see if I can get this up here. Okay. Can you guys see my charts now?

Robert Helms: We got them.

Avi Gilburt: Okay, good morning everybody. My name is Avi Gilburt and as Robert said I am what you call an Elliottician. That means I track market sentiment. I'm sure you'll hear a lot of fundamental analysis from most of the other folks that are going to be presenting today. From me, you're going to hear an analysis of how I track market movements based upon mathematical calculations in tracking market sentiment. It's something called Elliott Wave theory and we've come up with a much more objective framework around it called Fibonacci Pinball.

Effectively Elliott, 80 years ago identified certain patterns in the market that suggested that a lot of it was repetitious in nature. So as they say, history doesn't exactly repeat, but it rhymes. Same thing with markets. Markets do the exact same thing history does. It doesn't exactly repeat, but the patterns pretty much rhyme and hold a general framework. And that framework, we can actually track with a certain amount of mathematical precision using some probabilistic analysis. So rather than give you all the detail about that, I thought the best way to go through this is for me... I'm just going to go through several of my charts. And then I'm going to open up the floor to questions because in all the years that I've been giving a lot of these presentations, I can give you my general perspective of how I expect the markets work, but the best discussions usually come about through questions that I get from the audience.

So I'm probably going to take about 10 minutes. I'm going to give you a general framework of how I expect the overall market. And I'm going to start with the S&P and move right into the metals market. I'm going to primarily focus on the GDX because I know so many people out there trade and invest in the Mining Index. So I'm going to focus primarily on the GDX. I'll take a look at the smaller degree charts in silver and gold as well, but I'm going to primarily focus on the GDX and then I'll open the stage, the door to questions. From the general perspective of how I view the market, Elliott surmised that markets move in five-wave impulsive structures meaning the primary trend takes a five-wave structure. Corrective structures are three waves in nature. So when we go all the way back to 2009, as you can see in my lower left hand corner, we had a bottoming in the market, and that was within the much larger 100-year structure in the S&P.

It was a larger-degree fourth-wave out of the larger-degree five-wave structure that we tracked. So once we complete that fourth-wave structure, I'm looking for a five-wave rally in multi-year in this case multi-decade five-year rally that is going to take us up. And my expectation was a minimum of 3,000, but based upon the way we have been moving over the last four five years, I've had to move that up to a minimum of 4,000 for my long-term target, with an ideal target of 6,000 on the S&P 500. Now I know some of you may be thinking 6,000 sounds kind of crazy, but imagine how crazy it was when we were down by the lows in March and I was telling all my subscribers that I am buying back into the market once we drop below 2,300 on the SPX. We had a longtime target of 2,200 for this degree fourth-wave to strike.

The market came. I think it pierced our target by eight points or nine points. And if you remember that timeframe, everybody was pretty much freaking out. A lot of it was because of COVID and people thought the market was going to break. I'll be honest with you. I think the fear was more palatable on that bottoming that we had in March than it was back in 2009, at least from my memory, maybe it's a recency bias issue. I don't know, but my impression was the fear was so incredibly palatable that I was more of a psychologist to my members than I was an analyst. But once we broke below 2,300, I started telling all my members, I am starting to buy. And a number of them thought I was crazy. No, I can understand that.

When I even turned to my wife and I said, "Do me a favor, get the kids 529 plans" which we had in cash at that point. We went to cash awhile before that. I said to her, "Take that cash and put it back into the market." I'll be honest with you. She looked at me and said, "Are you sure?" So the fear was absolutely palatable, but I was reiterating even down when we were around 2,200, I said, my expectation is we're going to at least the 4,000 region from here. So we are now, in my opinion, on our way. I believe that we're probably going to see a bit more weakness in the coming month or two to fill out a pullback. And then I think we're on our way. My next intermediate target on the market is 4,000 to 4,250. I would expect a consolidation/pullback and then on our way to 5,000 probably by the end of 2021, maybe early 2022.

I'm not exactly sure about the actual timing, but my expectation is that we should get to somewhere around the 5,000 region, then see a multi-month pullback and then head up for our final stage of what I believe was the start of a bull market which began in 2009. My expectation is from a lot of the Fibonacci timing and so on and so forth, from again utilizing 100-year studies, I'm looking at around 2023 for what could be a major market top. Now, as you can see from my chart, there is strong potential, and I'm basing this on a 100 to 150-year projection based upon structures we're seeing believe it or not even back to the 1800s, but my expectation is that there is some potential. It could be a multi-decade bear market. Minimally, I think it'll take us minimally five to seven years, and that is my alternative structure that I'm showing you with the all(1), all(2). And I still think that would even… will take us back down to the 1,800s.

Now, if you remember back in 2016, late 2015, early 2016, most people were looking for the market to crash because the Fed was pulling back in the market. I was looking at the market and saying, "We have a major bullish opportunity." The bullish opportunity was I was looking for a move from 2,100 down to the 1,800 region. And I thought that was going to start a global melt up in assets across the world and that included gold. Now, if anybody has been following me for any period of time, you may know that back in 2011 in when I first published analysis on gold, we called for a top in gold at 1,911, I'm sorry, 1,915 was my target topping gold back in 2011.

I put that analysis out in August 2011. And if you remember that summer, metals were moving parabolically. Gold was hitting 50, 60 bucks a day some days. And we were just in a parabolic rally. And again, most people thought I was pretty crazy for thinking that we could see a major top, but that analysis was based upon again, 100-year calculations that I was doing. And as we know now, market topped 1,921. Now that was within $6 of our ideal target. I was not 100% sure at the time that we were about to start a major correction.

But like I'm saying now a major correction was absolutely possible. Once we broke a certain level, I even put out before we talked that the potential for us to get back to $1,000 in gold was certainly within the realm of strong probabilities especially if we broke below that level that I was highlighting at the time. We broke the level and the market just dropped straight down, took us about four years I believe, about three and a half years, almost four years from 2011 down to the end of 2015, four years there.

So when the market dropped down towards our target, we then put out in December of 2015 an alert that told everyone, and I did this publicly too, that now was the time to get back into the market. Now what was really interesting about the sentiment at the time, and if any of you follow the general sentiment in the markets, they could tell you a lot based upon what the common belief is as long as you're able to put it into context. Our analysis puts it into context. But if you remember back in 2011, everybody was so uber bullish of gold. Everybody expected...

The only argument at the time was not if gold was going to get the 2,000. The only argument was how far beyond 2,000 are we going to get? Well, clearly the market was too bullish. And when one side of the boat is being tilted, boat's going to turn over. And that's exactly what happened. And then when we went into 2015 and as we were moving towards the end of the year, we saw the same thing happen but on the bearish side. The boat was too heavily tilted on one side. Everybody and their grandmother was expecting gold to drop below 1,000. Well, you know what? The market was telling us the exact opposite. And I remember the night that gold actually bottomed in 2015, it was a night in December. I was on the phone with my broker and I posted on my site that I am on the phone with my broker buying right now.

And that actually was the night that gold hit its low. And we've had this major rally ever since. It has not been the easiest of rallies to track, but let's take a look. I'm going to move into the mining chart. This is the GDX as you could see. And what we actually did back in September of 2015, as you can see, I had a blue box down there is where I thought we were going to bottom. And I thought that was going to be a major bottom in the market. So in September of 2015, we actually opened up a mining stock service to pick miners we want to buy for the rally we expected. And as I rolled out the service, I was told, I'm crazy. Why would you even look into this segment? It's dead. Leave it alone. Just let it die.

That was the absolute sentiment that told me we're really at an amazing point to buy. I remember one of our first purchases I think was in September of 2015. It was probably Barrick Gold. I think Barrick was around 6 or 7 bucks at the time. Barrick's now worth 28 or so. So you really have to get a really good understanding of where sentiment is in the market. And we utilize a mathematical analysis methodology to determine where sentiment is in the market and where we foresee turning points. So as we know market rallied strongly off that low and that is what I call wave 1 of a five-wave structure off that low. Now that was wave 1 and as you can see, wave 2 has taken us forever. Wave 2 has been just grinding it out.

And we finally got the spike load wave 2 this year. And ever since then, we've had a very nice rally. Do I think the rally is over? I do not. Rather like most people are saying, I'm seeing a consolidation here of course. This is a very corrective looking pullback that I'm seeing here. So what I'm looking for now is either we have bottomed. When we started this pullback, our target was 35 to 37. So far we've hit a bottom at 37. The pullback potentially has completed. I don't have a strong indication just yet that it is certainly completed. If we see a little bit more, higher than I'm going to be looking to complete this rally up into the 44. Once you see us getting into the 44 to 46 region from here, that's when you know you can start buying pullbacks again aggressively.

My expectation is that by next year I think we're going up into this region here. The extent of how this develops will give me a much better target of where in this box I expect to be into next year. Now, I have a different investing style than others. Everybody has a very different investing style. From my perspective, I usually start taking off a significant amount of my profits. If I'm good enough to get the bottom of a market, which is what we did in 2015, I am now going to be harvesting a significant amount of my profits after this next coming rally. Because after that, I see a very long period. It could take us even as long as a full year where we could see a nice corrective pullback in the metals complex as a whole.

Outside chance, this could be all of the top, but under both circumstances, I think I personally am going to be taken out a lot of my profits after, like I said, if I got into Barrick at 6, 7, when we get up into that region, I think I'm going to be taking a lot of my profits, especially if tax laws is going up, you know what? I'd rather pay lower rates before any taxes go up if Democrats win. So either way, my own perspective, I'm taking my profits once this next fifth-wave of this wave 3 completes off the 2015 low. I can always get back in, but for me, I'm going to be harvesting profits there.

I'm doing it in basically everything except for physical gold. As I'm sure many of you do as well when you buy physical, it's not something you're ever going to touch and it's probably going to my kids and my grandkids. So physical gold is the only thing I will not be selling after this next rally, but when it comes to the underlying stocks, that I intend on selling. So overall, like I said, I'm expecting a bottoming. If we had not bottomed already, I'm expecting a bottoming in the near term. Once we get to the 44 to 46 region in the GDX, my expectation is we'll then see a pullback. And from there, I think we're often running in our next multi-month rally that'll probably take us well into 2021. So that is my general perspective on where I see the metals complex going into next year. But I'm going to put out a bit of a warning to you as well.

I know many of you view gold and miners and silver as a potential "safe haven" when it comes to stock market volatility or anything like that. And I'm going to warn you about this because history does not really support that conclusion. We oftentimes, whenever we see major corrections in the market, we'll often see major corrections in the metals as well. For example, in 2009, 2008 and 2009, gold did not provide you the type of "safe haven" that we saw that most people expected it to provide. Gold itself declined. I think over 30% during that period of time. It bottomed before the market, it did I believe, but it also lost a significant amount of value during that period of time. So I'm going to caution about a belief in assuming that gold will absolutely be a safe haven should we get the extreme market volatility that I'm expecting after 2023.

In fact, if the metals develop this five-wave structure that I'm showing you on my chart here into 2023, it means that we're probably going to see both the market and the metals complex top out at the same time as we complete these structures over the next couple of years. Now... I am not expecting the same type of significant price destruction in the metals complex as I do in the overall equity market. But I will warn you that once we get past this next bullish phase in the overall market, I will warn you that I'm not so sure that the "safe haven trade" is going to be what many expect. It's not setting up to be that way as I'm seeing it right now. So I guess at this point, can we open up the floor for questions? We have enough time.

Robert Helms: We have time for just a question, I think. So a lot of information there, Brien Lundin, what do you make of that?

Brien Lundin: I make a lot of it actually. Avi great, great stuff. Great presentation as always, very detailed, succinct. I like the way you, well, obviously you do, you show it as waves and people have to be prepared for the waves, the troughs, as well as the peaks. Going forward very curious what you were getting to toward the end there, how the metals aren't necessarily a safe haven in these kinds of high volatility events that would affect both the equities and really all markets. We've seen that before in that when we have a tremendous sell off, for instance, in the US equity market, it usually creates a liquidity event where the metals primarily gold is the piggy bank that gets broken into as people, as investors and speculators have to meet margin calls and raise cash. Does your work point to the severity of these kinds of events? In other words, can you tell if this kind of volatility will be accompanied by, say, a liquidity vacuum, something really major that brings everything down at least for a short period?

Avi Gilburt: Well, if you could see my monthly S&P chart up, once we complete this five-wave structure, which I said I'm guesstimating we'll probably complete sometime around 2023, I'm expecting a pretty significant initial, I guess you can call it a liquidity event. I think we have a strong potential to drop right back down into the 2,500 to 3,000 region. And it may only take us a year or two to do that right after we top out potentially as high as 6,000. So, if there's potential for us to get a 50% haircut in the market within a year or two even, that probably is going to be a significant liquidity event. And with the patterns that I'm seeing taking us into 2023, potentially for five-wave structure to complete in the metals complex, it's starting to align that both can get hit pretty hard.

Brien Lundin: So buckle up.

Avi Gilburt: Oh yeah. I pray that the general perspective that I'm seeing where there's potential for a multi-decade bear market in the equity market, I really hope and pray that that is not the case. I hope and pray that the maximum downside we get is maybe the 2,000 region again, the 1,800 to 2,000 region again. But the much larger-degree trends suggest there's strong potential for a multi-decade bear market. And like I said, I hope and pray that's not the case because we all know the type of pain that brings across.

Brien Lundin: Right. Very compelling presentation, Avi. Thank you so much.

Avi Gilburt: Thank you very much.

Robert Helms: All right, there's Avi Gilburt. Good stuff....

Nick Hodge

"Unreserved Gold Gains Ahead"

Robert Helms: All right. Our next speaker is no stranger to the stage, we're going to introduce to you now, Mr. Nick Hodge, he is the Founder and President of The Outsider Club. Nick's become well-known for a call it like you see it approach to money and policy. As the author of two best-selling books on energy investing, his insights have led to numerous appearances on television and in various outlets on the web. As Investment Director of Early Advantage and Nick's Notebook, Nick has led tens of thousands of investors to hundreds of double and triple digit wins in the mining, energy and technology sectors. His stock is called Unreserved Gold Gains Ahead. Sounds good to me, Nick Hodge.

Nick Hodge: Appreciate the kind introduction. Thank you very much. Happy to wrap up this last session on Friday of the New Orleans Investment Conference. Sorry, I can't meet you all in the bar afterward for a warm drink, we'll have to go over to the virtual happy hour and doubly sorry I can't stick around and answer questions in person, which is one of my favorite things to do. I brought with me my cafe du monde sign and my tabasco sign. I put it there over my shoulder so we could create the ambiance a little bit. I grabbed those out of my shop before I came in this morning, so we could pretend that we're all together. Let me share the screen here, let me get going. If I could do that. One second there. Can you see my slides?

Robert Helms: Yep. We got it.

Nick Hodge: There we go. Unreserved Gold Gains Ahead, I'm Nick Hodge this is the New Orleans Investment Conference 2020 COVID edition. Who am I, and why should you listen to me for 20 minutes? I've developed financial newsletters with over $50 million in cumulative sales that have led me to be able to create a distinct network and ecosystem and a variety of sectors of the market, but primarily at in early stage resource companies that has allowed me to give readers some quality picks, but not on the retail side of things, we also finance deals. I give people access to my pipeline of private placements, which I know accredited investors are looking for more and more these days. I've raised a bit of money for resource companies and also medical companies, and biotech, and cannabis.

But today, I'm going to talk about the resource market, primarily gold. I also co-own Resource Stock Digest, and I manage a significant portfolio of speculative resource stocks on my own. Just a bit of ethos there. Why gold? Why now? You don't need me to tell you that, you've had three days of that in your ear and you wouldn't be here if you didn't know why gold? Why now? These are things we talked about in previous conferences, as far as debts and interest rates and destruction of the dollar, et cetera. COVID has exacerbated and accelerated that, and here we are at a record high gold prices. Let's not forget when we met last year, gold was already at a record price in two dozen international currencies. Now, we've got it officially at records in U.S dollars. So, welcome to the party.

I am a word guy. Let's talk about unreserved and why I called this talk, what I did, Unreserved Gold Gains Ahead. You might've heard a lot about this, how basically every ounce of gold you take out of the ground as Mark Bristow put it this week, is now an ounce that you have to replace. For years and years on end, they simply haven't been replaced from exploration or finding big new deposits. So "We're without reservations." I'm also a frank and open guy, I'm transparent and my tagline and my sign off and all my letters is, "Call it like you see it." Perfect definition for number two there. Then number three, "Not set apart for a particular purpose or booked in advance." There's a whole lot of... Maybe not a whole lot, actually the opposite of that, there's only a few high quality gold deposits in good jurisdictions, that are held by smaller junior development companies, that haven't yet been set apart for a particular purpose. I would say that particular purpose is to get acquired to take those resources and replenish what's been coming out of the ground.

This is what it's all about. This is the main chart that's driving my talk here, Gold Discoveries. You can see the blue line down there, major gold discoveries of two million ounces or more. There have been none in the past several years. The yellow line is cumulative gold discoveries. That has absolutely leveled off, it looks like a very hungry shark, like my kids would say "Hungry shark, and this thing's about to eat a bunch of..." These deposits that I'm going to talk about in a second. Here's the chart in another way here, showing you that in the past three years there's been no major gold discoveries.

Of course, we've had some exciting stories, Great Bear and a couple of others, but we haven't quite tied numbers to that yet. Frankly, there's been a death of new discoveries. My talk is going to be about development companies, like I was talking about on the mining share panel earlier that have quality assets in good jurisdictions and are what I think going to be the companies that fill this gap, that fill this vacuum, of a lack of gold reserves and quality gold projects, good jurisdictions and thereby deliver good returns for their shareholders. This morning, I read that the world will produce 3,368 T of gold this year, which is the lowest amount of gold in five years.

So you say, well they’re not taking a lot of gold out of the ground, that means we don't have to replace a lot, but if you went on to read that study that was out this week, it goes on to say that the gold production will grow to a record next year. We'll be taking a record amount of gold out of the ground that needs to be replaced, why? For all those reasons that I was talking about earlier, that put us in a gold bull market. And then what's going to happen is, the major gold producers that are making better profits, their cashflow is going to rise. I was reading this morning that last year gold producers were making $300 to $400 an ounce and now they're making seven to $800 an ounce. That money, that free cashflow, is going to go somewhere, right now, it's going into dividends.

We've seen companies like Kinross and others raise their dividends, or start paying dividends again, and that's great. It's a way to return capital to shareholders and that's wonderful. In this coming year, as those cash flows grow and we get a year of production at high gold prices, I think you're going to see that cash reinvested in projects simply because that has to happen for the majors to continue production down the road. I'm going to give you a couple of quotes that have come out in the past couple of years and in weeks from major gold thought leaders and executives about that. Here's Sean Boyd from Agnico Eagle, a company that we know would be a tour of these development projects. He says, "There's just too few high quality opportunities left and far too many players."

There's not enough projects for the gold companies that need to acquire them. This was Mark Bristow from Barrick last week. Barrick combined with Randgold, and he's still calling for further consolidation. He's just interested in tier one assets, but he's cheering on consolidation across the board. He was cheering the Northern Star deal recently, and he was saying, this week or last week, "The industry still needs further consolidation.... Canada still needs more work on consolidation." He's saying that buyouts are coming. I had the pleasure of speaking with David Garofalo, the former CEO of Gold Corp. a couple of weeks ago when he came on as the new head of Amir Adnani NSR company gold, the company that he just formed as a subsidiary of GoldMining to have NSRs on his projects.

David was telling me... And it's a block quote, sorry for reading "Reserves in this industry have gone down by 50%. Gold reserves in the ground for producers have gone down 50% over the last seven years. So they haven't as an industry done a tremendously good job of recycling that capital back into the ground to replace what they're depleting every day.

They're dying a bit every day". You would think that deals would be on the upswing, and yet Bloomberg was reporting this week that deal-making in the gold sector has slowed after a bumper two years that included the Newmont-Goldcorp tie-up there, Randgold tie-up and a couple of others, St. Barbara taking out of the Atlantic and a few others. But this year there haven't been many and I would argue that, that's about to be on the upswing again.

Where's it going to come from? Where's the gold going to come from? This is what I was saying. Producers are producing at about a thousand dollars an ounce while gold's at $1,900 ounces, so they're spitting out a lot of free cash flow. No large assets left in safe jurisdictions. They're exceedingly rare. I'll talk to you about a couple of them in a second. I've been talking to other executives, talking about travel restrictions in the era of COVID, how you're going to get into other countries to evaluate these gold deposits if they're in far flung jurisdictions. We're looking at closer to home, for acquisitions. I'll talk about one of those in a second as well. Then I think the majors have been slow to act because they were too fast to act in the last cycle and made blunders.

Now they're waiting for a couple of things, one until those free cash flows start to spit out like I was saying. Two, to make sure they're doing diligence and buying the highest quality lowest cost core tile assets, to feed their bottom line. Here's some numbers from Echelon. Producers, right now are getting $262 an ounce, junior producers get an $89 an ounce and exploration development companies getting $60 an ounce. I would argue there's a rerating to be heard from the $60 an ounce level in those exploration and development companies that have quality ounces to a higher level closer to that 200 number.

Who were the acquisition candidates? This is what you guys want to know. I took this slide from an Echelon report. The heading on this was... These are basically the acquisition targets. I'll give you a second to read them all over there. I want to talk about a couple of these, because there's some names on there that I'm familiar with, that I'm a shareholder of, and that I've helped raise money for. I want to talk specifically about the Canadian and USA assets, because I think jurisdiction is important. So going down the line there, Artemis Gold run by Steven Dean. He's the former Head of Atlantic Gold that I just mentioned was acquired by St. Barbara. He's fresh off acquisition and here he comes in and he buys the Blackwater asset from NewGold. I think it's 10 million ounces or something like that in British Columbia, and he's bringing it to the economic study level. He was able to raise significant amount of capital to do that and it's already procuring construction.

Artemis, a lovely one to look at, then a couple of others on that list that you've heard me talk about in the past. Midas Gold is on the list in Idaho, Integra Resources is on the list, another company I have financed, another company in Idaho. Down at the bottom there, Revival Gold, which I talked about on the mining share panel earlier. Three million ounce resource, guess what? Also in Idaho, you've got three different Idaho-based companies on there as potential acquisition targets in the gold space. Let me extract some of those and add a couple. I put Almaden on there I talked about them on the mining share panel.

These would be some of the ones that I view as having at least the top four there... Quality resources that are in development, especially in the case of Midas and Almaden and Artemis, nearing construction decisions, in the permitting process. Revival gold, drilling out, going from three to five million ounces. Then I put GoldMining on there because of the sheer quantity of gold resources it's been able to accumulate, although that's across many projects and many jurisdictions. I feel like that amount of assets, especially now trading on the NYSE, and especially now that it's got the Gold Royalty Company attached to it, is one to look at it. Let me go through a couple of those for a minute in the five or seven minutes that I have left here. I'm going to tie some numbers to it to show you why these companies should get a rerating, why their assets are worth more, and why their assets don't need higher gold prices to be worth more.

Something I hear a lot is, gold going over $2,000 we're going to 2,500 or we're going to 3,000. If you look at some of these companies who have already developed their assets and are in that part of the low sand curve now where they're getting ready to get permitted, they don't need higher gold prices to be exceedingly attractive. The net present value for Midas Gold's Stibnite project in Idaho at $1,500 gold is $1.2 billion. You ratchet that up to closer to where we are now at $2,000 gold, and that's a two and a half billion dollar asset. Meanwhile, Midas Gold is trading with a $275 million market cap, so has to go up several times over to be fully valued. It's NPV based on the gold prices, I've showed you there.

That's not withstanding the fact that they're getting ready to come to a conclusion in their permitting process. It's in common period now, with a final EIS due out next year. That's not restating the fact that there's more gold ounces there than this economic study was based on and that there's exploration upside and more ounces to be had. If you would put Midas Gold, in the sphere, in the ecosystem of companies that are producing, look at some of the names there, Midas would slide right in there to becoming like an Eldorado Gold, which is... That's something like a $2 billion company right now. Remember, I just said Midas has a $275 million market cap.

While I'm here, these quality companies on this list that you can look at as well. Alamos I believe is going to be a takeout target, although for different reasons, it's obviously already producing, and you see Atlantic Gold on that chart. Atlantic Gold has already been taken out, and Teranga Gold is also on that chart. Teranga Gold is one I was talking about last year at this conference, that's since gone and it's only gone from like three to $16. This is the sphere, the quality sphere that a Stibnite is in, and one that's worth a look here as it comes to the end of its permitting process.

We got four minutes, so I got to speed up. Revival Gold is one I talked about this as well earlier, it's got 3 million ounces in the middle of a 10,000 meter drill program with three rigs turning it. It has just a market cap of $45 million, and so it's only getting $15 an ounce. You'll remember on an earlier slide, I was saying that developers get $60 an ounce. This is being valued at a third of that, meanwhile, it's on its way to a 5 million ounce resource. It has a PEA due out at the end of the year. It has existing infrastructure on site because it's a past producer and that it has leach pads and an ADR plant, and two past producing pits. Another one that you have to look at, if you think these gold companies have to replace and replenish their reserves.

Lastly, in the last couple of minutes here, Almaden Minerals is a company whose Ixtaca Project in Mexico has a net present value at $1,425 gold, $466 million US. If you plug in current numbers, that net present value goes to 800 million to 1 billion with a B dollars. Meanwhile, Almaden trades with a market cap of $115 million. Like a fifth to a 10th, meaning five X to 10 X upside, when this thing gets permitted and someone comes in to buy it. That market cap either way isn't even reflecting the value of the gold. They own a mill that's worth like $70 million. So if you back that out, they're entirely undervalued.

Those are the three companies that I would talk about, as far as late stage development in that part of the low sand curve that's exciting, or about to be exciting. There's superlatives for many reasons that make them attractive buy out candidates. They're in attractive jurisdictions in North America, they're brownfield assets in the case of Midas and Revival, and that they're past producers. There's either some infrastructure there, or it's in a place that was mined before. And then you have information. What I mean by information is you have clarity, and you have timelines, like we know Revival is going to have results out in the next couple of weeks, and then there's going to be a PEA by the end of the year.

We know now what the permitting timeline is for Midas my, and so, we have clear information and timelines for catalysts. With Almaden, the resumption of the permitting process, which I expect imminently. This is the part of the market where I spend a lot of my time. Those are some of the companies that I think you should be taking a look at. If I could make just one big announcement in my last minute here, that introduction, that was wonderful. But I have to say that I am no longer with Outsider Club as of this week, my partner, Gerardo Del Real, and I have gone out to own our own and created Digest Publishing.

We've had Resource Stock Digest for a couple of years. Now, we're going to layer on our paid letters onto that. Gerardo is already writing Junior Resource Monthly, which is the equivalent of his previous Junior Mining Monthly. I'm already writing the Conscious Family Office, which used to be called Nick Hodges's Early Advantage. We hope you'll go to Resource Stock Digest to check those products out. If you want to follow me and Gerardo send an email to editor@rsdigest.com. We can explain what's going on and potentially get you a special pricing. Or if you want to chat about the markets and stocks or have questions hit me up. I appreciate your time late on a Friday. Thanks for coming virtually to New Orleans. I hope to see you all in person next year.

Robert Helms: All right. Well, thanks for that Nick, and breaking news. Thanks for showing that with us as well. There's Nick Hodge, ladies and gentlemen.

Jim Iuorio

"Hedging Dollar Risk"

Robert Helms: Coming up, Jim Iuorio is the managing director of TJM institutional services and a veteran future and options trader. Jim's 30 year career has been spent brokering futures and options trades for large institutional clients and the equity indexes, interest rate products, commodities, and foreign exchange. His recommendations to clients blend macro economic themes with technical analysis to identify trading opportunities, anomalies in option markets or hedging strategies. Jim is also an active trader of futures equities, ETFs, and options for his own account. Jim's talk today will cover hedging dollar risk. Let's welcome back, Jim, how are you?

Jim Iuorio: Good. Thanks for having me again.

Robert Helms: Good to have you back and take it away, my friend.

Jim Iuorio: Okay. First, I'd like to start off by saying that I'm going to go for about 20 minutes, hopefully, and then I'd like to entertain some questions. So if you guys want to send some in now and if they're decent ones, we'll hit them at the end. If any of you guys are familiar with my work, I love to talk, but what I've done the most in the media part of my job is to be on panels, which actually end up being like cage matches, where we go back and forth. This topic that we're on today is one of my favorite topics. And I think it's of huge importance right now, which we're titling hedging dollar risk. If any of you saw the panel that I was on yesterday with Peter Schiff and Jim Bianco, I'm going to repeat one of the things I said, which I think is true.

And it's also dramatic and hyperbolic and good way to start off the speech here is that, I fully believe, and I agree with Peter Schiff on this, that right now the stewards of our currency have us on a direct path that at the end of it leads to somewhat of a cataclysmic currency crisis. I like the way that sounds to cause the alliteration. Now what I don't agree with Peter Schiff is, is that I believe it's a solid 10 to 15 years into the future. And one of the things I would say is that right now, there is no real alternative to the dollar and its reserve currency status and that's a very, very good thing for us. But I also think that it's created an element of hubris and cockiness within the federal reserve and our government to know that they can do these things they're doing right now.

And there's no immediate term consequences. I believe there could potentially be great consequences. Let's break it down a little more granularly. In August, I thought one of the biggest days of talking about the Fed and its relationship with the dollars when they said they are committed to a 2% inflation. Now, they've never said it before. We always kind of had a belief that that's what they thought, but we say those things and it kind of rolls out real easily. They're committed to 2% inflation. So what they're saying is that the dollars that we own in our bank accounts, in our pockets, they're committing to making the buying power of those erode by at least 2% per year. When I've heard James Bullard, Jay Powell speak over the last three years, and inflation comes up, you can tell that it galls the heck out of them, that they can't control inflation, that they want to.

So to me the metaphor I've given a couple different times is that they remind me of the guy at the cookout who keeps failing to light the coals by putting measured amounts of lighter fluid on it. And by the end of it, they're like, hell, let's just dump the whole bottle on and hope for the best. Now that's what I believe they're doing right now. Now if we're keeping score and we look at the last six months, is that on March 23rd they announced unlimited QE. And then in August they announced this aggressive inflation target, which I think is amazing. The motivation if you break it down for them, it's probably, and this is might be a little bit Illinois centric because I live in Illinois, is that I think it's related to pensions. I think the only way out of the pension crisis is to inflate our problems away and pay people back with cheaper dollars.

And I've tried to explain that to my friends who are pensioners with some success. I think there's also another element of it too. I own a bar restaurant. I have interest in a law firm. I trade and broker and have media. So I'm involved in a bunch of things. I'm not trying to pat myself on the back. I'm just saying that when I look at some of the economic conditions, it's from a broader perspective than most people have. I think that what the Fed has also been saying, and I think they've been saying this for quite a while, is that the tax and regulatory environments in our country right now would probably prohibit good growth on its own. So rates have to be kept inorganically low to hasten things. Well that's led us into obvious problems in the past.

I know everybody knows exactly how rates have been headed for the last few years, but I'm going to put up a graph just to show how dramatic it's really been. I took five-year yields because I didn't want to take two year and ten year which obviously more important things. So I just kind of took an average. That's since 1980. If that's not relatively amazing to you, I don't know what we're talking about. This just shows the Fed, every time they want to handle a problem, they do so with lower and lower rates. That's nothing new. That's happened forever and that's why we see that pervasive, lower and lower rates. Now we've seen them inflate two different asset bubbles over the last 20 years. Asset bubble in tech stocks. Asset bubbles in real estate.

And when those bubbles imploded, this is the part that always keeps me up at night is who and what was charged with cleaning up the mess? Well, guess what? It was the Fed and guess what their antidote was, and that's lower and lower rates. That's been the playbook up until this point. And I think that, that's been relatively a negative and I'll, I'll prove that relatively easily coming up. But now everything's changed and what's happened now is modern monetary theory, MMT, has entered the picture. Now, if anyone doesn't know much about MMT, there's a great book called, "The Deficit Myth" by Stephanie Kelton who's a Stony Brook professor. And MMT has been knocked around for the last, since the eighties. But over the last few years, it's become relatively prominent. Now, the thing that amazes me the most about it is that conservative economists I know who I speak with all the time, will talk about MMT like it's fantasy, because it is fantasy.

And when she talks about having hundred trillion dollar national debts, and it's like, that's just crazy. We can't do that. It's in cavalier currency policy. But some of that has seeped in and now it seems like the conservative economists that I know and talk to and some I know who work for the government are relatively prominent, have let some of those things seep into the way they look at this. Now, basically what MMT is, is this. And this is in a nutshell and I've discussed it with Professor Kelton before and I think she's brilliant and I actually think that what she's come up with is an amazingly powerful tool in my mind. I said this probably that I think she's the Oppenheimer of our generation.

That reference is obviously to she's created something that's wildly powerful and all we can do is hold our breath and hope that it doesn't explode. And I don't have a ton of confidence in the government being able to handle this. But anyway, here's what MMT says is, the currency issuer has an obligation to deficit spend and run up debt in the notion of redistributing wealth. Now she says, obviously that there's a danger of inflation here and this is the punchline. And again, I think she's brilliant and I don't mean to make fun, but here's the punchline here. She says, "all we have to do is make sure there's no inflation. And when we see inflation, we raise taxes real quickly to zap liquidity out of the system. And that's how the whole thing keeps going." Now, two obvious problems with that.

That either one of them would make this system fail conclusively and in stark fashion. Is that one, the government we've seen over the last 30 years, the government doesn't notice inflation very well. I've always equated it to they're looking at wonder bread and they're missing bubbles that are inflating in tech stocks, real estate, art, bananas taped to a wall, sports contracts. And what they do over time is they push people into mal investment and then the bubble pops. I don't think they're very good at noticing inflation. Now, the second thing they're supposed to raise taxes when they see the indicators of inflation to zap liquidity out of the system. There's not much I know about politicians, but this much I know for certain is that politicians don't like to raise taxes when there's an election a couple of months away.

The only way to solve that issue would be to put politicians in charge of that who didn't have to for reelection. That was supposed to elicit a little bit of a laugh because I don't think anybody who's listening would ever possibly think that that's a good idea. Okay. So now the interesting part of MMT here that I don't know that it's realized quite enough. And I think it's very, very important to our discussion is that Stephanie Kelton is probably the most important person in our lives right now. Because minus the notion of MMT and we threw away the idea that governments had to worry about debt, that's how they've dealt with these lockdowns. They truly believe that they can take the sting away from lockdowns without much trouble by just doing what they've done with debt. I'm going to share a photo, and you guys, again, you don't need to see this.

Since 2005 this is the national debt. Now here's what concerns me. And by the way, I'm really excited about being able to draw on this. My daughter showed me how to do it and to me it's like John Madden with the teleprompter on football. Look at the way that the slope has turned right there. It's unbelievable. What's happened with the national debt. And just several years ago, we used to pretend that we worried about it. Now this brings us to where we are today. I'll get rid of that chart for one second. Is that we have interest rates that are at zero. Surprise, surprise in any sort of economic problem, interest rates always go to zero. That's the first tool we use. But now we have the two additional elements of a monetary base that's absolutely exploding and then astronomical budget deficits.

You use the word like astronomical, and I don't want to be overdramatic, but this is a relatively dramatic situation and it amazes me. Now the dollar, that's what we're supposed to be talking about here is dollar and dollar risk. The traditional measure of the dollar has been the dollar index. Now I'm here to tell you right now, and this is the one thing that I have absolute certainty of is that the dollar index is crap. And I'll tell you why it's crap, is that within the dollar index, 56% of it is measured against the Euro, 14% against the Yen. That's 70% that's measured against two currencies with areas that have tremendous debt loads much the same as us. Not only do I think that the dollar index is inaccurate, I actually think it's bad and that it emboldens the stewards of these currencies to look at the dollar index and say, gosh, things aren't so bad.

Let's look at the dollar index over this crisis we'll call it. Here's the dollar index. Only down 6% let's call it since the crisis began. So that doesn't seem like a big deal, right? Well, I'll tell you what, the dollar index is showing us nothing. Because all it's showing us is two other countries that are just throwing everything at the problem and being very cavalier with their currencies. Let's look at the real story of inflation right now before we talk about any potential ways to hedge risk. Because I think the real story is staggering to me. First of all, let's look at gold. The one thing I hate to do is to talk about Peter Schiff being right for all these years, because if you guys know the arguments we've had.

But again, the arguments we've had, 80% of the time I agree with him. That's gold, which is up 600% in 20 years, 80% since 2015, 30% this year alone. Gold is clearly telling us something. For some comparison sake, I'm going to throw in some other interesting charts, too. This is silver. Now silver is up a relatively pedestrian 400%. Silver in my mind always is 80% of a precious metal and 20% of an industrial metal because it is used for some things, but it trades interestingly. I don't know if a lot of you guys follow me on Twitter, but one thing we talked about in the spring and in the early part of the summer is silver. Whatever sort of crisis buying of these two metals, a pattern that's developed over the years is that gold tends to outperform, outperform, outperform and then all of a sudden, boom, silver catches up.

And that's what we saw on that move from 19 up to 30 that we saw earlier in the summer, which was an amazing move. And again, it was not to pat myself on the back. It was a good trade. I'm not going to tell you about the bad trades I've made since then. It was quite a good trade at the time. So let's look at a couple of other quick charts just to see what and why. And then we'll get into something further. That was silver here is I believe it's going to be copper, should have asked my daughter how to label these. This is copper up 294%. So this kind of follows in the pattern too. This is much more of obviously an industrial metal too. So that's why it's lagging gold and silver, because if we're trying to make the point that gold is becoming somewhat of a fiat currency proxy, then copper wouldn't be up as much.

And obviously when we're talking about copper, we're talking about global demand, specifically Chinese demand. Copper has become more of a proxy for China and it trades that way, probably even more so than it should. Here's an interesting one. I'm not sure what the point of it is, but palladium. Palladium is up a whopping 1,100% in the same 20 year timeframe. It's catalytic converters obviously have been used more in the last 20 years in car production, but I think this is quite an amazing chart. I'm not sure how it fits in, but I just thought I'd throw it in there anyway. Let's move on.

Corn is up 75%, but I want to get to a reasonable currency proxy now. Okay. I'll get back to that in a second. Again, I'm not the best technological guy in the world too. Swiss Franc is up 80% against the dollar. Corn is up 75%. Wheat is up 145% against the dollar. Cattle is only up 45%. So anyway, I hope I made the point that there is absolutely and without question inflation. We could have stopped with the gold being up 600% dollar terms of the last 20 years. It's just not being measured effectively. That gets us to where we are or where we could be within the dollar hedging cycle. My belief is that it's broken up into three different levels.

That's, we have a mild problem, we have a medium problem, and we have bunkers and sandbags problem here. Which I don't think we're at there. And as I pointed out earlier, I truly do believe we're headed in that direction, but I think there'll be a myriad of exits along the way to take. I believe that the cooler heads are going to prevail once we come out of the current economic malaise that we're in. But anyway, so how would you hedge your risk when we're talking about just the mild currency problem. And this is something that I've been doing quite actively. We talked about gold and we talked about silver and I'm talking about paper gold and silver. Copper and palladium might be appropriate too if we believe there's a corresponding economic expansion. Now, I think it's not mentioned enough that one of the good proxies for dollar weakness has been the stock market.

As a matter of fact, I'll argue this. Since March 23rd, when the Fed announced unlimited QE, and then the day in August, about the 2% inflation, that the NASDAQ has been the recipient of huge amounts of global money. Because we have to remember too, that we talk about cavalier dollar policies. We're not just talking about the Federal Reserve and the federal government. We're talking about the world's central banks that continue to throw money at this issue and a tremendous amount and disproportionate amount of that money has ended up in the NASDAQ stocks, particularly the big six. Now I know you add in the extra notion that we're pricing in a work from home world and obviously that's interesting and it fuels it as well. And we're talking about companies that had good balance sheets.

On the panel we did yesterday, we talked about bubbles. Peter Schiff sees bubbles everywhere, surprise, surprise. And again, I like Peter Schiff and agree with him quite a bit. I don't see the bubbles that he sees. When I talk about the NASDAQ, here's the reason that I don't think it's a bubble.

And again, I reiterate this point. I don't make recommendations. I don't know people's risk tolerance. I talk about what I'm looking at, what I'm doing and I have about eight to 10 institutional clients, hedge funds that I do analysis for and make recommendations for. They're usually in currencies or yield curve analysis still. But anyway, here's why I don't think this is currently a bubble. One, the VIX spike to 80 in March and I'll get back to that in a second. The 35% break in the stock market, and then just in September, the 18% break in the stock market.

Now the volatility thing when the VICX spikes to 80, remember January of 2018, we were also at all time highs. The volatility was incredibly low. There was a lot of these hedge funds that kept, because the fed is in keeping volatility low and everything. They had these strategies of selling volatility, selling volatility. And all of a sudden, we had a vol explosion and it wiped out a bunch of people. To jog your memory, there was the one guy who did be the apology tour, where he put out the YouTube video that said, "yes, sorry guys. I know you guys invested 150 grand with me. And not only did I lose that 150 grand. Bummer that you owe me another 300 grand." And that happened, that happened January of 18. The big spike in volatility tends to wipe out the weak hands. The 35% down moving in the stocks tends to wipe out the weak hands.

Even the six stocks that were leading this whole move, which is obviously it's Google, Amazon. You know, I don't have to mention, but they had an average of 18 to 19% pull back in September. To me, when I look at stocks, if the hedges get trimmed periodically, that means that the hands are holding is still relatively strong. I had a conversation with Robert Shiller who won the Nobel prize, and I'm not above namedropping in case you thought I was better than that. Robert Shiller, a couple of years ago, who won the Nobel prize for identifying bubbles. We talked about the one thing that's really important to me is not the fact that there's huge margin on any of these risk assets. It's about what kind of margin is it. Mom and pop margin? Is it people talking at the Thanksgiving table about how they just mortgaged up and bought two extra properties in Miami and are planning on renting them out?

That's what we've seen in tech stocks. And that's what we saw in real estate. And that's not what I see in NASDAQ currently right now. I think as the Fed is committed to inflation, I personally think for me, stocks are a reasonably good place to be. Another thing I'll mention as well is that volatility since this began, it spiked up to 80, it hasn't come back down and I'm using the VIX. I know there's better ways to measure volatility, but I'm trying to speak in a language that we all look at. It hasn't come back below 20 yet. It's knocked around between 25 and 32. As a matter of fact, when the move lower started in September, the VIX spiked up to 32 immediately from 28. So to me, that was an indication that, that wasn't going to be that serious a move because there wasn't as many people on one side of the boat expecting that.

I've spent too much time on bubbles and the NASDAQ. That's the only thing on my list of potential bubbles right that way. And that's why I might even just be trying to talk myself out of it. That's a good dollar hedge to be in the stock market. Real estate. If you look at the VNQ, I'm a real estate investor as well, but I'm also in the VNQ, which is a Vanguard real estate fund as a proxy for real estate prices it has not done that well. But I would say alternative currencies as well. And again, I'm going to mention the Swiss Franc and I hope I can find that chart because I really like it quite a bit. There's a Swiss Franc chart.

That's the Swiss Francs in 2016. The reason I picked that out is because, and again, one of my buddies who trades currencies, I look more at the currencies that are CME futures products and Swiss Francs, one of them. Another buddy of mine was saying that he liked the Indian rupee quite a bit. I don't know why and I haven't done the research on that yet, but I look at a chart like this and say, well, clearly I wouldn't be alone if I was looking for a currency alternative to the dollar in buying the Swiss Franc. Now I'd also throw in some Bitcoin on this as well. Now, the point I'd like to make about phase one is that we're talking about mostly trading, taxable trading. And we're talking about just mild and minor currency risks, which I think we're at least in that right now. I believe we are.

Now let's go to what I would call medium currency worries. We're talking about Bitcoin. Now Bitcoin is fascinating because it was marketed to us in some ways as going to be the alternative to fiat currencies, which implies a little bit of a safe haven status. And I can't get my weight behind something that moves 30% swings relatively frequently as something that should ever have “safe” in the name of it at all. I do own Bitcoin, it just to me is pretty risky trade. Paper and physical gold, because remember if things start to get really serious, physical gold and silver gold has some advantages over paper. And I don't know if we've mentioned this word yet, but anytime you talk about the situation we're in right now, and we're talking about currencies... that cataclysmic currency amount I was talking about earlier, and that Peter's always talking about, it's a situation of hyperinflation.

I don't think it's going to happen. I'll repeat that. But I do also think that if you don't allow for the possibility of it happening, it's a mistake. Physical gold and silver, fine arts collectible, physical currencies, still paper currencies in phase two. But now here's the thing. The bunker time trade, which again, I'm pointing this out as a possibility. I don't want anyone thinking that, Oh, Jim Iurorio thinks we're going to have hyperinflation. You want to have physical precious metals then. This is half of a joke and half not. You want to have guns and guard dogs too. I think it was Byron Wein, someone correct me, some prominent economist always said and I thought it was a very quotable quote was that "If you're going to have physical gold, you might as well have a gun because if you're going to need the gold, you're going to need the gun as well."

Farmland has done very, very well. Also Tupperware and ball jars. Portable fine art and jewelry and we're talking about things like diamonds as a store of wealth. Ultra wealthy people do that. And if it ever really begins to hit the fan, you always in some ways want to have an eye on something that's portable. Again, I'm not talking about this yet. So I'm going to flip back to phase one because I still think that's where we are. And again, I reiterate that I'm not making any recommendations at all, but the things that I like personally and that I'm in well, I'm actually out of my silver position now, but I'm still in gold and I'm looking to get back into silver. I got my total eye on the Swiss Franc, Bitcoin as well.

I'm not getting any more real estate. I have invested in some real estate so far, but that's what I think are the best ways to start thinking about this situation we're in. This is a big deal. We've never gone down this path before where we had the belief that adding debt at this unbelievably fast pace is something that's doable and believable and that's going to work out fine. I still think it's going to work out fine because I tend to be more optimistic and enthusiastic than some. But I do think that there's something to worry about. We're going to start taking questions if I can't think of anything else to say right now. And I wanted to leave some time for questions too. So does anyone have anything that's interesting. And again, I know it's 4:30 on a Friday so if you've been drinking a lot already, don't send in the questions unless you tend to be a funny drunk and we're going to have a laugh at your questions. Then feel free to have at it.

Robert Helms: All right. Well Jim, good stuff. We were just thinking it'd be better if you had a cup of coffee beforehand, but no, this is awesome. We have a couple of questions, but we're going to start. See look at that.

Jim Iuorio: I've had three cups of coffee.

Robert Helms: We all want your energy. Brien let's start with you and then we'll get to a couple of questions here in the chat.

Brien Lundin: Yeah, I see that big mug of yours, Jim, but I'm a Twitter follower of yours and I know that typically around 12:30 on Friday is usually Tito's time, isn't it?

Jim Iuorio: Not 12:30, no.

Brien Lundin: Oh, I'm sorry. I'm sorry.

Jim Iuorio: When I leave and sign out, then it's nap and workout. I don't have a problem. The funny thing is that I head to the bar that I own, Brandt's of Palatine in Palatine, Illinois. And after a day of talking markets with people, talking markets with customer, I go to my bar, relax, grab a Tito's and talk markets and analysis with the same friends I've been talking to about them on forever.

Brien Lundin: Well, I don't know what's going to come first. You coming down to New Orleans for an in-person conference of ours, or me going up there and catching a Cubs game with you and visiting your bar.

Jim Iuorio: Doesn't have to be one or the other.

Brien Lundin: I'm convinced one has to happen. One of our attendees just had the question, Jubilee with a question mark. And I think this is more of that bunker mentality or the bunker scenario you're talking about with the debt loads we have now, what are the chances eventually, not that it's anything imminent, that if we get to the point where the debt is so large that our annual interest payments are approaching a trillion dollars or more a year in the kind of political environment that we've seen, where they're talking about universal basic income and redistribution and all of this. Do you think that there's the chance that they're going to talk about why are we paying all of this interest to fat cat investors, to the Chinese, to all of these hedge funds, et cetera? Why don't we just say let's wipe the slate clean.

Jim Iuorio: That seems crazy. I've heard this talked about before. It's not the first time. I can't imagine that's ever happening. What I think is a much more likely scenario is just the Fed and the treasury working together where the Fed pushes rates down, pushes rates down as low as they go and then lowers our debt payment. If we ever did something like that, because remember when the hyperinflation comes, it happens like a switch turning on. That's what it is, is that the world turns its back on your currency and all of a sudden it thinks that it's worthless. And again, I don't think that's going to happen and I don't think that us saying we're not going to pay interest on our debt is reasonable. It brings me back to a discussion we had yesterday in the panel where Peter said that the US dollar is backed by nothing. That's nonsense.

The US dollar is backed by the total resources of the United States. The US dollar is backed by our military and nuclear bombs. And Peter was all open arms. Like, well, we're going to drop some nuclear bombs on people who don't want to take our currency. No, but we're going to talk. We're going to have trade discussions. We're going to have currency clashes with other countries that we've had before. And one of the overarching themes is that the United States has a lot of resources and among those resources are battleships and nuclear bombs. I think we still want to keep people buying our debt. I think that monetizing the debt, which is what we're doing now and paying people back with cheaper dollars is kind of a low blow. But to actually cancel that debt is a much lower blow. I think we're going to go with the reasonable low blow and that's just monetize the debt by paying them back at a cheaper dollar.

Brien Lundin: I would personally agree with you that a lot of these things aren't likely and probably won't happen. But then just a corollary to that. Another question for you. What that's happened right now in monetary policy, what that has been happening for the last 10 years would you have said pre 2008 was impossible and you don't see happening?

Jim Iuorio: All of it. Pre 2008, the notion of global sovereign debt going negative, who would have ever thought that that was possible? It's crazy to me. We keep our debt relatively positive. It looks fat and sexy compared to most of the European debt out to tenure because we have a positive yield on it. That to me is like we're in bizarro world. And then now when you throw in the fact that we're running these unbelievable deficits and accruing this debt, to me, I can't believe what I'm seeing. I never thought things like this would happen. I realized, and I mentioned this a little bit earlier too, is that the part that amazes me most, because this is something that I think is important to mention. I actually think that spending a lot and zeroing out rates during this economic lockdown was the appropriate thing to do.

Yeah. I'll say it again. The appropriate thing to do. I sound like Joe Biden. The appropriate thing to do. Now the problem I have is that the three years of Donald Trump's presidency prior to this, we also racked up $3 trillion of debt despite the fact the economy was going relatively good. So my worry is that will they know when to get out? We've seen them before, that's a real serious worry because they always throw in a little bit of monetary stimulus and then they don't know when to get out and they try to get out prior to this happening.

And a few times the market turned around and slapped. Slapped him in the face. The reality of it is this is that, we can't raise rates without changing. When Carl Icahn signed on at the beginning of Trump's presidency, the notion was to remove regulations. Remember all these small businesses across this country regulated by the federal government, regulated by the state, regulated by the County and the municipality they're in. This is different than many other countries. We're getting hit in a lot of different ways. And unless there's a concerted move to ease that up, then rates are going to always stay low. I don't know if I answered the question or just went off on a tangent. It's Friday afternoon. I can do that, right?

Brien Lundin: It's almost Tito time on a Friday. Do you think the Fed will go to negative rates?

Jim Iuorio: No. I think if they were going to go to negative rates, they would have done so already. And that's the main defense I have with that. If you want to have the reserve currency status and people holding your dollars all over the world, I worry that that negative rates might hasten what I think is again, possible, not probable, of a removal of the dollar from the reserve currency status. Again, I reiterate, I don't think that's going to happen because I don't see a reasonable alternative, but I don't think they're going to negative rates.

Brien Lundin: Go ahead. Did you have a question?

Robert Helms: We do have some questions that come in, but if you're on a roll.

Brien Lundin: Well, I did have one that I thought was interesting. You'll like this. When someone asks, how can you live in Illinois?

Jim Iuorio: It's a great question. Illinois is a mess and it's a wreck and the outflow of money is sad and it's terrible to me. But I have multi-generations. My family has been here for a long time. My grandpa came over from the boat in Italy 120 years ago. I have a mother. I have family. To me, I'm a family guy. I also have a booming business here with the restaurant, Brandt's of Palatine, Palatine, Illinois. I don't want to walk away from it. I don't want to walk away from those things. We looked at places in Wisconsin. I really like my life here. They press me and they press me and I don't plan on leaving. Plus I have a wife and if I wanted to leave and she wanted to stay, guess what we would do? Yeah. I think you guys all have the answer to that. Stay.

Robert Helms: All right. Good stuff. And it'd be farther to get to the bar too. All right. So we've got a couple good question. Cindy asked this, she said, "so what is actually affected by the national debt and what is too high? Are we even interested in ever paying it back?"

Jim Iuorio: It's a great question. What's affected by it? To me, I look at it in the context of the national debt compared with monetary, base exploiting and zero interest rates. And to me, they're all just another little notch of things that could negatively affect the currency. And the only thing I care about with the national debt is that if the people who around the world who are conducting all their transactions in dollars and the dollar is comfortably sitting in the reserve status, and all of a sudden people start to question that. Again, maybe because I've spent so much time in the bond market and tenure market, and when those things don't move, they don't move, they don't move until all of a sudden they do. And Jim Bianco was talking about that yesterday. When the market changes its mind on something and all of a sudden there's these enormous forces.

So I guess what I worry about is that if these enormous forces that are out there and holding dollars and holding US debt, all of a sudden decide, you know what, this isn't worth it because their currency policies are too cavalier and the debt is one of those, that's what I worry about. But another thing to say, what's too much debt? I don't know what too much debt is. Neither do those guys either. And the problem is that there is a number out there. And if Stephanie Kelton's right, it's a hundred trillion, $150 trillion. Remember the US has a lot of stuff that we're going to be borrowing against. I don't at this current level, I agree that it's not a huge problem, but the trajectory is an enormous problem to me.

Robert Helms: All right, good stuff. Hey, another question from Lisa, this is interesting. You mentioned diamonds because as precious metals investors, we understand that gold is money. Diamonds can have a concentrated value in a small package, if you will. She says, "do you see diamonds becoming pretty much worthless in the future with millennials buying crap maid CZs, and as ethical alternatives to blood diamonds?" Today we don't have maybe the younger people putting the premium on diamonds they once were

Jim Iuorio: Our millennials here are just part of the part of the question. I mean, it's a whole of a global thing and I think it's interesting and I hope that happens too. I didn't mean to smile when she was talking about blood diamonds because I realize that's a very serious topic. I was just talking about millennials in general and that always makes me smile. But there's more to the equation than just them. It's a global thing. When you talk about gold and diamonds, you're talking about just the belief that other people are going to buy them as a store value. Someone asked me the other day, well, why buy gold? It doesn't pay a yield. And I said, "I have no damn idea why to buy gold. I just know as a trader and an investor, I want to buy things that I think other people are going to buy in a pinch."

And all we have to do is be there first. To make an honest, fundamental argument about what Scott nations refers to as an expensive doorstop, I'm back to gold here now, but I think it applies to diamonds as well. It doesn't make a ton of sense, but if everybody's invited, they've been doing it for thousands of years, I'm not going to question that. Diamonds don't have probably the track record that gold did. I don't own any diamonds personally and I couldn't. I actually looked for a good chart to talk about diamonds but it started to get too confusing to me. I don't know much about that trade. As always, I'll start talking about it as I do know, even though I don't know anything about diamonds and I'll stop right there.

Robert Helms: All right. Thanks, Jim. Not as malleable. Different grades and all that kind of stuff, but interesting to watch. So Steven has a question. This is a good one. "Talking sandbags and bunkers, do you have a bolt hole, either stateside or elsewhere?" And maybe you don't want to disclose it if you do.

Jim Iuorio: I do. But I sold it to my wife and kids as a ski lodge. But as a bolt hole you mean someplace to go to if things really hit the fan, I assume that's what he means.

Robert Helms: Yeah. Doug Casey talks about that, a hole you can bolt two in the middle of the night if you had to.

Jim Iuorio: Yeah, I do. I have a house in the mountains. I built it in 2005. I always in the back of my mind, again, I think what we're talking about here is not going to happen. I think the chances of hyperinflationary problems, maybe in my mind to put it in perspective, have gone from a 2% chance to a 6% chance of ever really happening. Which to me is way too high a chance. But to answer the question, I do have a bolt hole. I'd never heard that called before. It's in the mountains in an undisclosed location near winter park, Colorado. Yes, I do.

Robert Helms: Perfect. Well, that's the answer and that's our time. Big virtual hand for Jim. Thank you, sir. That was awesome.

Jim Iuorio: Thank you guys. I had a lot of fun.

Brent Johnson

"Dollars & Gold In A Relative Fiat World"

Robert Helms: Our next speaker, Brent Johnson, brings over 20 years of experience in financial markets to his position as CEO of Santiago Capital. Brent enjoyed more than nine years as a managing director at Baker Avenue, a $1.7 billion asset manager and wealth management firm with offices in San Francisco, Dallas and New York City. He was the lead advisor for several of the firm's largest clients. Brent regularly gives interviews and speaks at conferences regarding precious metals, currency markets, and macro economic trends. His views have been quoted in numerous print, online and television outlets. Here to discuss Dollars in Gold in a Relative Fiat World, please welcome Brent Johnson. Hey Brent.

Brent Johnson: Hey, thanks for having me. I really appreciate it. I'm looking forward to talking to everybody. I have a lot of slides to get through today and I'm going to have to go through them pretty quickly so I'm happy to provide them to Brien and he can distribute them to any of the attendees if he has the ability to do that. But thanks for the introduction. Yeah, my name's Brent Johnson. I live in San Francisco where I've got a wealth management firm and I manage about $150 million for about a dozen different clients and families.

Okay. So this is the part where I tell you, I'm not here to buy, or sell, or this isn't an offer to sell you guys anything. If I did have something to sell you, I don't really care whether you buy it or not. What I do hope today is that you guys keep an open mind, and that you think long and hard about what I have to say. I'm going to talk about dollars and gold. I kind of think of them as kind of this iconic duo, and I think they're the two most important assets that anybody can own right now. And they're often seen as competitors rather than collaborators, but I think you need to kind of rethink that a little bit.

It's no secret that over the last 10 or 12 years, that the monetary authorities around the world have been injecting a decade of easy monetary policies in order to try and spur both domestic and global growth. I've made the argument that while the US was initially doing that, and we are severely increasing our stimulus now, we have several advantages that the rest of the world does not. And that allows us to, in many ways have a straw that's going to suck up a lot of this stimulus and capture the rest of the stimulus that the rest of the world is providing as well.

Just a few of these advantages are that we have the largest and deepest capital markets. We have the largest consumer market in the world. The majority of global trade and global funding takes place in dollars. We have the highest relative rates of all major currencies. We control the dollar payment system, and we have the largest military in the world.

Now again, it doesn't mean that all of these are always going to last, and it doesn't mean that there won't be competitors from time to time, but there is no other market that has all of these same characteristics as the United States. And all of this leads me to, if you've heard me talk before about my dollar milkshake theory is that I think whoever has the straw, or whoever has the most advantages is going to get to drink this milkshake of liquidity that the rest of the world has provided.

I think that's what's going to happen in the years ahead. I think capital flows are going to flow into the United States. Not because the United States is a great place and we have everything going for us, but because the rest of the world is in just as much trouble as we are. And we are going to be seen as a relative safe haven. Now I know a lot of people over the last couple of days, and even probably years have been reading about the death of fiat. As global currencies come under pressure from the high debts that they have, and the budget deficits, the currencies are just going to get inflated away.

And the thing is, I agree with this. I have no problem with this analysis, and I believe that gold will be the last one standing as this plays out. And I think gold is an incredible asset to own. I think everybody should own it. I think it should be the cornerstone of your portfolio. And I think it maybe even should be the biggest position in your portfolio, but I do not think it should be 100% of your portfolio.

Now, if you're someone who does think gold should be 100% of your portfolio and you don't have any interest in hearing anything else, then you can probably just stop listening to me now and go watch some college football, or rake leaves, or whatever else you do on a Saturday afternoon in October. But if you don't want to have 100% of your portfolio in gold, then I think understanding fiat currencies is an extremely important, maybe even the most important factor. I think there's some amazing opportunities in the fiat world where you can make some money. In the Forex Market, it's the biggest, most liquid market in the world. Over $6 trillion trades a day.

The thing you have to remember is these don't trade on intrinsic value. So it doesn't matter if they're all intrinsically worthless, they trade on a relative basis to each other. And the reality is, is if you can figure out how these different currencies are going to trade against each other, there's a fortune to be made by doing so. So again, if you have some place in your portfolio that isn't gold related, I think this is a place where you can look, because I think over the next few years, you're going to see some incredible opportunities.

Now, again, I know that most people who have a strong opinion of the dollar, it's based on the fact that they know that we're going to print it into oblivion, we're going to go into a hyperinflation, because the money printers go brr, all that kind of stuff. Again, I don't necessarily disagree with it, but this isn't a unique technology that only the United States has. Everybody has it. Everybody has the same system, everybody has the money printer, and everybody's going to have to print. So the key to remember when you say that all currencies return to their intrinsic value is the word all. It doesn't say only dollars return to their intrinsic value. All of these people are going to have to print.

The problem is, the currency analysis here on the dollar is totally focused on the supply side, and they completely forget about the demand side that's relative to all these other currencies. And it's because of this increasing deterioration of the supply and demand dynamics, which I think is going to create a perfect storm, and would actually lead to the dollar revisiting its' all time high over the next few years.

And I think the one important thing to remember is don't confuse new supply of dollars with more supply of dollars, because while the Fed is providing a lot of stimulus and increasing the monetary base, they're trying to fill a black hole. And what I mean by that is, yeah, there's been an incredible and unprecedented reaction to the coronavirus, but there's a reason they did that. Because based on the design of the monetary system, the economic contraction that was taking place could have led to $20 or $30 trillion of losses. So the $8 trillion that they've provided, in my opinion is not nearly enough of what they're going to have to do.

And if you don't get anything else out of the rest of this presentation, and if you only remember one slide, this is the slide you have to remember because this is the basis of the whole monetary system. You either have to have a flow of capital or you have to have a new supply of capital. It has to be one or the other. If you don't get one or the other, then the whole system comes down, and I'm going to use this example of the United States monetary system, but it really applies to the whole world.

Now, again, at the bottom, we've got four, let's call it... We have actually got almost $5 trillion of a monetary base. But in this example, I'm going to make it $4 trillion. Now the monetary base is really the only thing the Fed can control. They can't control any other part of the money supply. And that's what this is up here. Up at the top, the $12 trillion dollars that's been loaned into existence. Now that's the non base supply. So you've got, let's call it the end to of 16, 17, $18 trillion. But the key is this has been loaned into existence. Each of those loans have interest attached to it. And each year the interest must be paid, but here's the thing, this is all the money there is. There is no more money, so if that's the case, where does the money to pay the interest come from?

Well, if this is all the money, it has to come from here. And that's why you need velocity of money. If the money is not flowing, the interest doesn't get paid. But if you do have enough velocity, then one unit of the currency can satisfy more than one unit of debt. But again, you have to have the flow of the existing supply.

If the flow of the supply stops, which it has been going down for the last 20 years. You can see it was a steady decline for the last 20 years, and then when coronavirus hit, it just took it to all time lows, just straight down. That's why they had to do the unprecedented stimulus. And that's where they come in and they increase the monetary base. One way to think about this is, you can think about it like a margin account. If you buy something on margin, you put some money into your brokerage account, and you go out and you buy a bunch of gold mining stocks, and as long as the gold mining stocks go up and to the right on their charts, then everything's fine. It works good.

But the minute there's a big sell off, and the margin starts to disappear, that's when your broker calls and says, you have to add cash to the account in order to re collateralize the account. It's the same thing. As long as this is moving up at the top, everything's fine, but when it stops, and when it goes down and to the right rather than up and to the right, that's when the Fed has to come in and re collateralize the system by increasing the monetary base.

But here's the thing, it's not just the 16 to $17 trillion dollars of M2, there's also over $25 trillion of debt, and these are all ultimately claims on that $4 trillion of monetary base. Everything else is loaned into existence. It's all levered off that initial collateral. But if we look at all sectors, and debts and securities, corporate bonds et cetera, et cetera it's over $75 trillion. Again, these are all claims on the exact same monetary base.

And the reason that this is important is because what I've talked about so far is the United States market, but the Eurodollar market, which is the market for dollars outside of the United States, has become even bigger than the market inside the United States. Offshore currency markets have become big, and they exist in other currencies, but nowhere near to the same size that they do in the United States. And so what I have here is The Journal of Institutional Economics put together a great graphic kind of showing the hierarchy of currencies and the size of their markets. And you can see on the left, these are the domestic markets, the blue thing. These are the domestic markets of the US, the Euro, the Pound, the Yen, et cetera, et cetera.

And then on the right, that's where we see the size of the offshore market in the Dollar, the Yen, and the Euro. Now, you can see that the offshore dollar market, is almost as big, if not bigger than any other total market for any of the other currencies. It's far and away the biggest market on Earth. The Eurodollar started back after World War II. We used to just basically have onshore markets, in the '40s. And then, in the '50s, and the '60s when they were rebuilding Europe and the Marshall Plan, there started to be dollar denominated deposits in Europe and in banks outside of the United States.

It actually increased even more during the Vietnam War when Nixon wanted the US banks to be funding the Vietnam War rather than French banks. Then you started to get into the money market signs, and shadow banks, et cetera, et cetera. And these grew not just in domestic market, they grew in the offshore market. Then, when we got into 2008, the crisis, then we had to come out and we had to start doing swap lines et cetera, et cetera. The reason we had to do swap lines was because... Or I should say real quickly, that the last time that they even tried to estimate the size of this was like 30 years ago. And at that time, it was almost as big, if not bigger than the entire M2 stock. And that was 30 years ago...

...I think the point I want to make here is basically that no other market has the same size of demand that the US market does. Again, the demand for the dollar, just outside of the United States alone dwarfs the demand for onshore markets for all the other currencies. So when you're thinking about the values of fiat currencies, you can't just think about the supply. You have to think about the demand, and this is why the US can supply a lot more currency and not worry about hyperinflation the same way that Brazil, or India, or Russia, would have to worry about the inflationary effects of adding increased supply.

Again, there's incredible demand for the US dollar. It's not just for the domestic economy that I've listed in black here. There's an incredible amount of demand for the US Dollar outside the United States, which we just talked about, which is listed here in red as well. It's far and away the biggest global funding currency by a factor that it's not even close. And... just the dollars needed just to service the debt alone, and my apologies, these figures are a little bit stale. I didn't get them updated. But, as of a year ago, if all these debts, and the non US entity debts... The non US entities who have issued dollar debts, if they had the same rate as the average yield in US Treasury, there would be close to a trillion dollars needed annually, just to service the dollar debt.

Forget everything else. Just to service the debt, you're talking about close to a trillion in demand for dollars, on an annual basis. Again, it's not just in the United States. Here, there's at least $12 trillion that we know of. This doesn't even include the shadow banking market of US Dollar denominated debt outside the United States. Foreign currency derivatives is over another $5 trillion and many of these are based on dollars. And in the next year, there's almost $2 trillion that come due in dollars. So again, there's incredible demand for dollars, and it's here, and it's now. This is not 10 or 20 years off in the future.

But here's the big issue is that the same system exists outside of the United States. You have the base money, but then it's all loaned into existence, but all of that dollar denominated debt that's outside of the United States, it's ultimately a claim on the US monetary base as well. But the US doesn't have the ability to go out and re-collateralize the Eurodollar market, because we don't have jurisdiction over Europe, or China, or Japan, or Australia, or whatever it is. So, we don't have the ability to go in and recapitalize the system the same way that we do in the United States. And this market has become bigger than the US domestic market.

The point is, is that there's a huge, huge collateral problem. Now, I know over the last several years, one of the arguments for gold is that the amount of claims on the underlying collateral, there's not enough gold for all the claims. You can see where it spiked up like 500 or 400 over the last couple of years. The point I want to make is the same thing exists in the dollar market. There's only $4 trillion of monetary base, but we've got all these claims on it. And I'm telling you, the claims on the $4 trillion of the monetary base, make the paper claims on the physical gold on the Comex look like a tea party, because it's many magnitudes bigger than that issue.

And again, if you've ever seen this chart about Exter's Pyramid, and you use this to justify gold, you can't use this to justify gold and not also use it to justify dollars. To get to gold from all of these, you have to go through dollars to get there. So then, the ultimate question becomes, "Well, if this is true Brent, why hasn't the dollar broken out?" And there's a couple of reasons why it hasn't, but long story short, the dollar is about the same place it was five years ago. It's gone up, it's gone down, it's gone up and it's gone down.

But on the few occasions when it's gone up, it's caused a lot of problems. And that's the key to understand is the world is basically on a dollar standard, and whenever slowdowns happen, the dollar spikes. The other reason the dollar hasn't broken out is over the last... It is really just a lot of narratives. The DXY Index is essentially made up of the Euro, the Yen, and a small percentage of these other currencies. The narrative right now is that the United States is going to print more than anybody else, and that we've done this huge fiscal spin. The Fed has increased their balance sheet by over 2 trillion in the last couple of months. But, if you look at this chart, we're still lower than the ECB. We're almost at the same level as the BOJ. So, it's not like we're the only ones doing this here.

And if you look at it on a percent of GDP basis, we're not even close. We're still below China, we're still below the ECB and we're still below the bank of Japan. And if you take a look at what we've done...based on a percent of FX traded, in other words the demand for the currency, we trail both Europe and Japan. So again, on a relative basis, we have not done as much as everybody else.

The other thing is that the broad trade weighted dollar, it's near it's all time highs. And if you look at the Asian Currency Index, it basically hit final supports a couple months ago, and now it's bounced. We expect that to roll over and once it breaks that final support, we expect it to go much lower.

The other thing to think of is you think about how far the dollar's fallen. It's fallen about 7% or 8% in the last six months. And so again, some of these major currencies, it's down for the year, but even in that environment where the dollar has fallen 7% or 8% in the last six months, it's still dramatically out performing a number of global currencies. Many of them dramatically so. So again, it's all relative. And I think that the narrative is going to start to change. The rally on steroids is starting to falter in Europe. So that's going to cause problems for the Euro. Lagarde has even come out and said that they are considering dropping their market neutrality. Maybe they have to get more involved.

The British Pound they're talking about negative rates as the economic threats mount. The Canadian Dollar, the head of the Bank of Canada recently said possible for negative rates. The Australian Dollar, they're on negative outlook and they've started talking about negative rates. The Turkish Lira, they're actually selling their dollar reserves in order to prop up the Lira. So all of these other countries have the same problems that we do. The issue is they don't have the same demand for their currency that we do, and I think this is going to start to play out more, and you're going to see a big, big move in the dollar.

At the end of the day, the world is on a global dollar standard. You don't have to like it, but it is a fact. Every time the dollar rallies, there's been a crisis. The Asian debt crisis, and the long term capital management in the late '90s. 9/11, and the dotcom bust in the early '90s. The global economy slowed greatly after the stimulus coming out of 2000, around 2005. And then the global financial crisis spiked, and then the Euro crisis that spiked again. It spiked in late 2014, and then even here, just think of the chaos it caused just six months ago, when it only got a little bit above a hundred. Imagine what will happen if it gets back up above here.

And the thing is, is that anybody who thinks that the dollar going down is some kind of a contrarian trade is just not paying attention to the facts. Virtually every firm polled by Bloomberg expects the dollar to fall in the years ahead. Shorting the dollar has become the consensus of trades. Speculative bets on the Euro have never been higher. Speculative bets on the Yen are not at their highs, but they're not too far away from it. And I just think that as the narratives start to change, and reality starts to set home, we're going to start going from one crisis to the other. When the crises happen, the dollar is going to go higher. We had it earlier this year with high yields, some investment grade debt and bonds.

We think it's next coming in the emerging markets, it'll then bubble up to the major currencies, probably ultimately hit Japan. Finally, it will hit the US Dollar. We're not arguing that the US Dollar is immune to these problems. It will eventually hit, but we think there's a progression, and it doesn't start at the dollar and go to the left. It starts over here and goes to the right.

So that's kind of it for my talk today. I don't know if we still have time or not, but I'm happy to answer any questions. I appreciate again you guys giving me the time to talk about these things. And again, I think it's just important, as much as you might want to own gold, and important to own gold, it's important to kind of understand the fiat game, even if you think all fiat is going to zero.

Byron King

"America's Leadership Class Is Awful… Which Means You Must Up Your Game"

Albert Lu: Now, without further ado, please allow me to introduce our opening speaker. Byron King is a Harvard trained geologist with a strong background in geochemistry and mineralogy. He's also a former naval officer who served on the staff of Chief of Naval Operations. Now, Byron writes about precious metals and mining for Agora Financial through the Whiskey & Gunpowder newsletter, where he focuses on asymmetric trades with minimal downside and strong upside. His talk today is America's Leadership Class is Awful, Which Means You Must Up Your Game. Welcome, Byron.

Byron King: Well, good morning, Albert, and good morning Brien, and good morning, listeners and watchers and viewers across the land. It's 9:00 Eastern time. It's 6:00 Pacific time, so welcome to all of you early risers. Thank you for the introduction and the chance to speak. Can you hear me all right, Albert?

Albert Lu: Yeah. You're good, Byron.

Byron King: Okay, good. Yeah, I saw you touching your ear there. I wasn't sure if we had lost sound.

My talk this morning is going to be a slide show. I'll be the voice in the background. I'm going to talk a little bit about arm wavy type things. Then I'm going to tell you some ideas that I have. Without further ado, let's make this happen.

America's leadership class is awful, which means that you have to up your game. That's the point I'm making. The leadership class is awful. I'll talk about that just for a short amount of time. Then upping your game, I'm going to give you some ideas by which to do that.

I write investment newsletters. I go all over the place. Over the years, I've been to central Asia, I've been to Russia, I've been to Australia, North America, South America, Africa. I get all over the place, from the Alaska pipeline there to Kyrgyzstan. That's me standing next to Vladimir Lenin. The bottom right, that's me on the top of one of the Andes mountains, way down in South America. You can sort of see in the background, there's a guy with a hat. That's Mickey Fulp. He was on the same trip.

So I do get around, although, that was all before the virus, before the bug. Since then, it's very difficult to travel. Can't leave the US. Can't go anywhere without quarantining or what have you.

But in the olden days, as in up to about February of this year, I used to go places. I would check out geology. I'd kick the rocks. I'd go above ground, underground. Lots of helicopter time in my background. I spent the last few years covering precious metals, industrial metals. That's me holding a couple of gold bars from the Victoria mine up in a Yukon, from...

...Right now, I'm writing an e-letter for Agora Financial called Whiskey & Gunpowder. It's less of a mining letter. It's more of a freeform discussion of things. But I still keep an eye on precious metals, on industrial metals, things like that. It's free to you if you want to sign up. I posted the links at the beginning, and I'll post them again at the end. Don't worry about that for now.

Briefly though, I want to discuss our leadership class in America and why it sucks. You probably know that. You probably strongly suspect it. Here's ground zero, Washington, DC. We have really ruined ourselves as a nation through awful leaders, awful leadership.

It's not just the current election, whatever your sentiments are one way or the other. I understand everybody has strong sentiments or many people have very strong sentiments. This goes deeper.

In a moment, we'll discuss some of my favorite mining plays, but for now, I just want to point that 2020 makes 75 years since the end of World War II. On the left, we have Field Marshal Keitel surrendering for the government. On the right, we have the battleship Missouri and the surrender of Japan. Heady times they were. Not that I was there, but ...

75 years is a long enough time to lose a lot of strategic competence as a nation. On the left, we have admirals Ernest King, no relation to me that I'm aware of, William Lahey and General George Marshall. If I was giving a different talk, and we had a lot more time, I'd give an entire talk about how these three guys were the strategic brains behind winning World War II. It's quite a story in terms of their outlook of the ability to match resources to national goals.

Versus what we've had for the last 30 years. I have a nice photograph here of many recent presidents. It's not just the presidents. It's the people who advise the presidents, obviously, just as Franklin Roosevelt had Ernest King, William Lahey and George Marshall, the presidents of the last 30 years have had some true losers on their side giving advice.

The US came out of World War II in pretty good geopolitical shape. Just unrivaled military power. The atom bombs were just one piece of evidence of that. Then Bretton Woods, the gold backed dollar. So basically we had a military that was globe spanning and very powerful. We had a dollar that was globe spanning and powerful. We set up the international rules-based order, and then proceeded to really screw it up royally over quite a bit of time, certainly in the last 30 years.

I mentioned one interesting thing. There was a fascinating book couple a of years ago, The Accidental President, Harry Truman, the four months after he took over. One conclusion, interesting, that the author came away with, America peaked with the surrender of Japan. We'll never see those heights again. When you look back in a historical sense, sometimes I wonder. Maybe this guy may have nailed it.

There's a lot of nasty stuff going on today in the world. Just for those of you who haven't figured it out, Trump didn't create the messes. He inherited that. Trump was a response to this. Whether you like him or not, Trump did not come out of nowhere. Trump isn't Trump. Trump is the reflection of the American people being very angry at endless wars in the Middle East, at losing their industry and jobs to China, at uncontrolled immigration, just bloodbath levels of spending wrecking the middle class. If you're looking for where this all came from, here's the perps right here, they and their administrations, in many, many ways.

Continuing strategic blunders Since 1990. I've written about this in Whiskey & Gunpowder. It's something I think you need to understand as an investor. First of all, let's start in 1990, '91. We didn't win the Cold War. The Soviet Union agreed to end it. Albert mentioned I used to work on the staff of the Chief of Naval Operations. I remember at the very, very end of things, we had these Russian admirals come over, and they were talking to our admirals, US admirals, Russian admirals. It was kind of de-conflicting things at the end of the Cold War. It's kind of like, "Okay, we got our submarines here. You got your submarines there. Let's all pull everything back," and one of the Russian guys saying, "Yeah, just make sure ... You guys talk like you won the war. You didn't win. The Soviet Union, we decided to end it. It just got came to a point where we didn't want to do this anymore."

Okay. Keep that in mind, because for the last 30 years, Western triumphalism has truly alienated Russia, especially the expansion of NATO. That's a whole discussion in and of itself. How strategically stupid do you have to be, as the United States, to alienate and anger a country with enough nuclear weapons to destroy this nation in about 45 minutes? There's a book to be written there.

Beyond that, NAFTA in the early, mid 90s, 1993, '94 era, that was the opening salvo of deindustrializing the country. We've been in pain ever since. Meanwhile, endless expensive wars in the Middle East and North Africa, of which I spent some of my life over there, so to speak. When does it end? 9/11/2001. It still goes on. We still have people in Afghanistan. We still have troops in Iraq. Ships offshore. All we're doing is spending money. How much impact do we have? It's problematic at this point.

Bringing China into the World Trade Organization, 2001. That was truly the beginning of a disaster. The whole issue of intellectual property, the whole issue of deindustrialization. Within about a year and a half of China entering the World Trade Organization, the last major pharmaceutical plant in the US that does antibiotics closed, and we bet that may be relevant now during the current pandemic, if you follow these kinds of things.

Then also, for 30 years, we've ruined the education system K through 12, college, grad school. It's a mess. Not that there aren't good schools, good kids, good professors, good courses, good everything. But there's a whole lot of bad stuff going on out there in American education, if you follow it. Without a good education, without a good solid education, you might as well just give up on ever being part of the middle class. That doesn't work at all.

So we have continuing strategic blunders coming from the top, with the bad advisors, bad advice, misunderstanding things like Russia, misunderstanding what China was all about, and just miseducating yourself as a nation. I've seen examples of this just up close and personal through family and friends because it's an interest of mine. I read about it, write about it.

I hate to say it, but in many respects, the US could be cracking up. I hope it doesn't. We all hope it doesn't. We kind of like it in a stable country where you can buy gasoline, go to the grocery store, and not worry about getting your house burned down or something like that. It's been nice. It's been very enjoyable.

But we live in a country that is terribly de-industrialized, lots of fake metrics, especially in terms of debt and finance. The economy of what I call real things, which is energy and material and machines, is not growing in the country. Without growth and real wealth creation, debt will never be repaid. Looking ahead, most future government obligations will never be met. Rick Rule yesterday gave a nice litany of a couple of hundred trillion, with a T, dollars of federal obligations. Good luck ever paying those.

The economy generates a lot of frauds and swindles and fake profits. The political class is among the worst of the frauds and the swindlers. A great deal of things about our economy and way of life is just false. It's going to fail.

We see this right now with the COVID thing. They've put the lockdowns in place, and all of a sudden we have tens of millions of people unemployed. It's a very doomy, gloomy kind of forecast. I'm sorry to open your day like that, but that's where I'm coming from. Brien Lundin said, "Give it to them with the bark on." So here we are.

No. We're not going to vote our way out of it. Good luck. Yeah, vote, sure, next Tuesday or a couple weeks from now. Go vote or vote by mail. Vote however you want. I don't care. I'm going to vote. Heck, I'm going to crawl over burning coals and broken glass to vote and put my ballot in there.

I'm one person out of, whatever, 200 million ballots to be cast, or 175 million, whatever the number is. I don't know. To that extent, does it matter? Who knows? I'll vote. You vote. But we're not going to vote our way out of these problems. These are generational issues that require strategic management from the top, which we haven't really had.

Which brings us to this conference where we can look at some ideas. Buy when there's blood in the streets. We talk about all sorts of things here, gold, silver, platinum group metals, et cetera, et cetera. I'm going to do that in just a moment.

You want some of my favorite ideas. This is my chance to do this. Here's what I advise you to do. Get your smartphone, get your cellular camera, whatever. Get ready to do a screenshot. I'm going to put a bunch of names on, and I'm going to talk about them. I'll leave them up for enough time that you can screenshot them or whatever, and just whatever.

I'm going to give you names, and I'm going to give you a quick description of why. This is the distilled wisdom of the last, I would say, five years of my life, of traveling, traveling, traveling, diamond status on Delta, whatever the elite status is on American Airlines. Been there. Done that. Lots and lots of time going out into the field, kicking rocks, meeting people, looking at cores.

I am a real geologist. I have a real rock hammer. I have a real Brunton compass. I really do study this stuff. I really do do these things. I've got a mineral collection that's pretty impressive, if we were to ever talk about it.

In a few minutes, in a second here, I'm going to talk about some companies I like. A lot of them have already begun to move. They've had some movement this summer, this year. They're a little bit off the highs in August. Then also, we're looking towards the end of the year, with all the political uncertainty of the election, and with what they call tax loss selling, where everybody who made some money is going to sell off and take some profits off the table towards the end of the year.

These are ideas that you should be looking at over the next two and three months. But these are also ideas that are going to probably, I have a very strong feeling, do very well over the next couple of years.

They're companies that I like, like I said. I don't manage a portfolio with Whiskey & Gunpowder, but this is five years of just real serious traveling and serious rock kicking and helicopter flying and what have you. Some of the companies, I would say, have, "Wow. We haven't done what we wanted to do because of the COVID." Yeah, okay. I get that. But at some point, you want to see what they're doing in terms of de-risking the model.

I'm just going to kick right into it. I'm going to start up in the Yukon, because I spent a lot of time in the Yukon. I have some terrific ideas from up there. If you're not familiar with the Yukon, it's the top of Canada, right next to Alaska.

Alexco, you may have heard of them. They're really right on the cusp of production. They have everything they need, including one of North America's great, great silver districts. If you are a silver bull, you need to own some Alexco.

Much smaller company, but a really terrific early stage explorer in finding things is Banyan Gold. Oh, my goodness. They really found some good gold mineralization, right in the sweet spot. They're not too far from Alexco. They're in a transition zone between the silver and lead of Alexco and the gold of, I'll mention it later, Victoria Gold. A real nice company, Banyan.

Fireweed Zinc gives away what they're looking at. Lots of Zinc. Really nice mineral play there.

Metallic Minerals. I like them because they own the other half of the Keno Hill prospect, which is Alexco. So they are an early stage Alexco, you might say, exploring really good ideas.

Rockhaven Resources, an advanced explorer, I'd even call them an early stage developer. Gold, gold, gold. Geez. Oh man. Just a really well run outfit. It's a small mountain surrounded by streams, and the streams are all glacier gold streams. If you understand a little bit of physics, you realize that gold float rolls downhill with gravity. That gold all came from uphill, where Rockhaven has the claims. A couple million ounce resource already and more to go.

Victoria Gold is Canada's newest gold mine. I was up there about a year ago. Watched the first symbolic pour, so to speak, of gold. Terrific, terrific geology. Terrific structure. Really beautifully run, beautifully managed company. It's much the same geology and same mineralogy and chemistry as the Fort Knox mine in Fairbanks, Alaska. A very well-run outfit.

Western Copper and Gold up there. Big porphyry deposit. It's a copper play. It's too big for most gold miners to approach it as a gold mine, but it's a nice copper play with a gold upside to it. When copper begins to move, Western Copper is a great play.

Then White Gold up in that district in the Yukon. Anything that has to do with White Gold is ... It's just an exploration machine. They're fabulous.

I mentioned Yukon, as I said, because I spent a lot of time there. Certainly five out of the last five years, I've been to the Yukon, except for 2020, when I got virused out of it. I know the companies. I've been there, kicked the rocks, know the assets, and met the geologists and management teams. The Yukon is a terrific jurisdiction to live and do some work.

Elsewhere in Canada, down in British Columbia, a company I've been following, Defense Metals. It's an early stage exploration play. Rare earths, so if you're into rare earths, you have to look at Defense Metals. Very nice deposit, promising mineralization.

Medallion Resources. They're not a mining company. They're more of a processing company. Their idea is to take monazite sand and turn it into rare earth downstream products. I've followed these guys for years, quite frankly. They are finally really starting to put it all together. You're catching them right before the sweet spot in rare earths hit. That will hit just because of many issues, China included.

Up in the Northwest Territories, Gold Terra. They're exploring in elephant country. Great drilling program. They're in the right spot. Things are going very, very well for them.

I throw GoldMining Inc. in there too. They have a set of claims up in Northwest Territories. But GoldMining is all over the place. Actually, they just moved into the New York Stock Exchange. That's Amir Adnani's company. They've done very well. I think the New York Stock Exchange listing will help them out even more.

Over in Nunavut, for all of you Canadian geography scholars, Sabina Gold. Terrific explorer. What I love about Sabina ... They're way up above the Arctic Circle. It's up where it's cold, but you can get there. It's banded iron formations. If there is a gold bearing formation that you want, it's a banded iron formation. Think Homestake Mine of South Dakota, think of some of the great plays in Australia. Banded iron, Sabina Gold. One and the same.

Maple Gold is on the Casa Berardi fault in Quebec. Terrific geology. Really great things. They just announced, maybe a week ago, a partnership with Agnico Eagle. So again, things are going well for Maple. That's a good thing.

Monarques, a very, very well-run company. Nicely placed, again, on the best fault zones in Quebec, the Porcupine, the Cadillac fault zones.

One more, Niobay. It's early stage. It's niobium explorer. What's niobium? You use it to strengthen steel. It's one of these lightweighting kind of metals. It's not golden and silver, although their niobium play does come with rare earths. Take a look at that one. Screenshot it. Screenshot this and keep it all in mind as you do your work.

In the USA, Trilogy Metals up in Alaska, in the Ambler district. It's pretty well known at this point. I still like them. I think there's upside there. Copper, nickel, gold, silver, whole bunch of things.

High Gold is a terrific explorer up in Alaska, southwest of Anchorage. Got some really great prospects coming in.

Down in Montana, one that I followed a little bit, more than a little bit, American Pacific. What I like is they have this play called the Madison deposit. They're partnered with Rio Tinto, so Rio Tinto is basically picking up the bill.

Further south of these guys, Group Ten in the Stillwater district. Terrific company. Platinum group metals, copper, nickel, gold and more, all sorts of things. I was out there about a year ago. Totally impressed. I got off the helicopter at the drill site. First thing that I saw, literally coming out of the drill core, was nickel sulfide mineralization, just foot after foot after foot of it. It was just very impressive.

Idaho, Integra Resources in the exploration down to the Delamar district. Really, they've done a terrific job there. This is like the third try for people to mine this. It got mined in the 1880s and 90s. It got mined in the 1980s and 90s. There's still mineralization there, believe it or not. It's a terrific piece of geology. You can literally walk from ... If you walk up the side of a hill, you literally are walking through the sequence of a mineral emplacement, all the way from the boiling zone, up into the minerals that crystallized out above the boiling zone.

Also in Idaho, got Midas Gold and Revival Gold. Again, there's a lot going on in Idaho. Midas, Revival, two terrific projects, great management, great geology.

Down in Nevada, I could spend all day talking about Nevada. The one that I think has a super high upside to it is NuLegacy. They're right in the Cortez Trend. They are truly in the middle of elephant country. Their neighbors are names you may have heard, Barrick, Newmont. They are right on the fault, right on the trends, right on the limits. Much of their geology team are ex-Barrick people. They know what they're doing. Very underappreciated upside there.

Finally, a couple of ideas ... Mexico. Got two names for you in Mexico. There's plenty of Mexican names, but these are companies that I've visited, I've worked with and know the management.

Riverside Resources, John-Mark Staude. Riverside has an agreement with BHP. Riverside is the BHP exploration manager in Mexico, so their job is to go out on behalf of BHP and find really big deposits, those things that where they say, "Oh yeah. The CapEx to build this mine's going to be $2 billion." Then BHP will say, "Oh, okay. Yeah, fine." No sticker shock there. They're in very good shape. They've done well share-wise, but there's more upside.

Minaurum. Take a look at them. Minaurum. Silver play in the southern part of Sonora state, which is like the northern part of Mexico, Sonora. They're around a town called Alamosa, historic silver belt that produced unbelievable amounts of silver for the Spanish conquistadors long ago. Very promising. They just delivered some terrific drilling results, Minaurum. They really haven't picked themselves up. But again, if you like silver and you like Mexico, there's Minaurum.

South America, three names for you. Chakana Copper in Peru. The share price has done well over the summer, but if you like copper, Chakana's ... I would still call them an early stage explorer, but they're doing very well. Lots of upside there.

Golden Arrow. This is much more speculative, but it's an exploration play. Chile, Argentina, I would throw in Paraguay too. You say, "Paraguay? What's Paraguay?" Believe me, they've got some interesting things going on in Paraguay. Again, upside to a company that's very, very little followed and what have you.

Then Lara, L-A-R-A, work in Peru, work in Brazil. Great upside. Miles Thompson runs that one. They're the ones that brought us Reservoir Minerals a couple years ago.

With that, I look at my clock, and I've got about a minute or 30 seconds left. There we are. There you go. There's some names for you.

On the gold side, Bloomberg, "... dollar's reign as the world's reserve currency is coming under threat," "... surge in gold prices." This is just one part of the news. One final thing. What does Putin know? He thinks that the US dollar is going to collapse. Just take it for what it's worth. The guy seems to know things.

With that, I thank you. I will yield back the floor to our friends and hosts in New Orleans, Louisiana.

Robert Kiyosaki

"Altruism Vs Greed, Which Is Better?"

Robert Helms: And you're about to have your mind blown as our next speaker returns to the New Orleans Investment Conference. Robert Kiyosaki is probably best known as the author of Rich Dad Poor Dad, the number one personal finance book of all time. Robert Kiyosaki challenges and changes the way that millions of people around the world think about money. He's an entrepreneur, an educator and investor who believes that the world needs more entrepreneurs. He's also one of my favorite teachers with perspectives on money and investing that often contradict conventional wisdom.

Robert's earned an international reputation for straight talk, irreverence and courage, and he's become a passionate and outspoken advocate for financial education. So much so that the Rich Dad mission is to elevate the financial wellbeing of humanity. You can learn more at richdad.com. Please welcome back to The New Orleans Investment Conference. The number one best selling personal finance author of all time, our good friend, Robert Kiyosaki. Hey, Robert.

Robert Kiyosaki: Robert, how're you doing my friend? Glad to see you.

Robert Helms: I'm doing great. It's so good to see you. We keep running into each other like this.

Robert Kiyosaki: I know. I wish I was on the cruise with you, the Real Estate Guys cruise. But this is second best, but it's good.

Robert Helms: Yup. Second best, man. But we're happy you're here and why don't you take it away?

Robert Kiyosaki: Okay, before I begin, I want to compliment Mr. Helms there because this book here, Rich Dad, Poor Dad, I don't think he knew it at the time. But he and his father were the first guys to ever interview me on Rich Dad, Poor Dad. That was what? 24, 23 years ago. And in '20 or in 2020, I'm still number one on BookScan after all these years, best personal finance book, number one personal finance book in history. And sales keep going up. So I want to commend Robert Helms and Russell Gray and your father for having me be the first guest to ever pitch this book here, Rich Dad, Poor Dad.

So anyway, what I'm going to talk about today is I think everybody tuning in knows that gold and silver and precious metals, and the miners are the investment of this time. For those of you who are new to gold, and silver, and miners, you could not be in a better place at a better time. Because this is the investment. And for anybody who's been in gold and silver as long as I have, it's about time, is really what it is.

So I'll give you a little bit of background on my interest in gold and silver. I grew up in Hilo, Hawaii, the southernmost town in all the states, to the south of Miami, Florida. And I started collecting silver coins back in 1964. And I didn't know why I did it. I remember looking at my little dimes and quarters and half dollars, and they used to be silver. And suddenly when I'm 17 or 16 years old, I look at it. And they have this copper tinge around, the copper tinge is still around it. And I didn't understand why. But I understand today. But way back then in the dark ages, I questioned it. So something inside of me said that there's some change coming on.

So I would actually take my money, I used to be a caddy. And I would caddy and make some dollars. And I would go to my bank, my neighbor's bank and I would get dimes, quarters and half dollars. I take them home in rolls, I'd go through them. And any dime, quarter or half dollar that has a copper tinge on, I just repackaged and took it back to the bank.

And I kept the gold ... I mean I kept the dimes quarters and half dollars. And I had a whole bag of them. And I don't know why I did it, but today I do. As most of you in the precious metals industry knows that's called Gresham's law. And Gresham's law says there's something intuitive, about real silver and real gold. Because as I write in my books, silver and gold are God's money, silver and gold were placed here on planet earth by God. And so when a human being intuitively knows that it's real money.

And so what happened then as I collect all these bags of dimes, quarters and half dollars ... And at 18 I traveled a lot to school in New York. And unfortunately, when I came back from New York, my mother, my poor dad's wife, spent all my money. So they were my first coin collection.

But anyway, that's how I got the gold and silver. A bit more on my background, I've taken two companies public. I've taken a silver mine public, it's now called Yamana. And the other company was called Mandoro, and they were listed on the Toronto Stock Exchange. And Yamana is still going, but my gold company Mandoro, it started in Peru. And I couldn't cut a deal in Peru for a gold mine, so we migrated over to Mongolia. And we went past a place in Mongolia, called the Checkerboard. There was all these little mines, for thousands of years or hundred, I don't know how many years, human beings have looked for gold.

So when I was in Peru, trying to start up the company, the reason it’s called Mandoro, world of gold, was I was in Peru going up at 13,000 and 17,000 feet. And I was looking at gold mines. But then I would see across these mountain ranges, these little holes drilled in the mountains. So I asked the mining engineer, "What are those little holes?" And he says, "Those are the Inca." And they were drilling for gold, they would follow the vein up the hill, and they would bore in. So they were early as mining engineers looking for gold. And then they have the washing pits and all this stuff down below.

So here I am, when I was 17, I'm collecting silver. And now I'm in Peru. And then I go to Mongolia, and there was a checkerboard. And the checkerboard was a flat piece of land where all the Mongolians were digging for gold. So that's how I know gold and silver are God's money. And I am a gold miner. The unfortunate thing about my gold mine in China is that we had the good fortune of striking gold. And we got the gold mine for nothing down, because when we bought it in the late 1990s we got it for nothing down real estate deal, Robert. The Chinese were just getting out of ... they didn't want to fund their communist gold mines anymore. So they put all these gold mines up for sale or free. So we traveled to a gold mining show in Beijing. And we're talking to all the guys there, had all these government, Chinese Communist Party gold mines, available for nothing down. The agreement was we had to take the gold mine public within so many years, to get the funding.

So my partner and I, he had been in the gold mining business most of his life. And I think he took like 50 companies public, not all of them worked, of course. But anyway, he was a character. So he taught me a lot about gold mining and the industry of gold mining. So we go back to Toronto, we find this one mine, it was in Dalian China. And it looked promising. So mining engineers, and the real guys who know what gold looks like they're digging for it. And they said, "This is huge potential." So we're listed on Toronto, TSX, and we floated at $27 million. Now the mistake was, we struck gold. We struck a huge deposit. They said it was over 100 million ounces. It was rich, and it wasn't the low grade ore, it was rich ore. So my mining engineer, he was a Canadian, Canadians are the best guys in America. He was right. There was one problem, China.

And when people talk about the Chinese steal intellectual property, which well, they do. Well, they steal anything. And they took our gold mine. So I learned the hard way about doing business with the Chinese. Now that doesn't mean the Chinese are bad people. The CCP, the Chinese Communist Party, they play by a different set of rules as you know, this is no surprise to anybody. So that's why Biden's kid Hunter Biden has made so much money is because they need the money. The Biden family needs the money. And so they do business anyway, like the Ukraine and all this and that's how I've always wondered how these politicians ... How does a guy like Obama that makes 400,000 a year but now he has three 10 million dollar homes?

Well, politics pays, we all know that, it's the benefits of the deal. Another thing that most people do not know is that senators and representatives, insider trading for senators and congressmen or representatives is legal. If you and I did that, we'd be in jail for insider trading. So the rules are different for politicians. And that's a long way of saying you're in the right place at the right time, because we're in the biggest transition of all, because as most of you know, in 1971, President Nixon took the dollar off the gold standard.

So I became a gold bug. So after going to school in New York, I joined the Marine Corps. And I went to fly in Vietnam off an aircraft carrier. And I arrived in Vietnam in January of '72. That's important, because August 15th, of '71, Nixon took the dollar off the gold standard. So I get this letter by snail mail, because we didn't have email and this letter comes in, but FPO Feed Post Office. That's my Rich Dad, and he says, "Hey, Nixon took the dollar off the gold standard." And I didn't know what that meant. I had no idea. He says, "Watch out, the world's going to change." So that was January '72. So being a marine and not the brightest guy on Earth, we decide, my co pilot and I decided we're going to become gold miners, we're going to look for gold.

And so we're flying off this carrier. And we look at the map and we find this map of Vietnam. And it says ... I think it's a pick and a cross pick and shovel like this. And it says AU. AU was cool. So we go "Ah, a gold mine, good news." Bad news, the NVA had overrun it. So it was now in enemy territory. But does that stop a true goal miner? Of course, of course not, entrepreneurs don't let those details get in our way.

So my co-pilot and I make this deal, we're going to split 50/50 in all this and we launch off the carrier, and we fly north. And it was pretty spooky. We're flying along Highway one going north, reading this map. I say, okay, we should turn left here. As we turn left. And below us we see the burnt out tanks and all this stuff. The battle was raging below us, but we were looking for gold.

And we said okay, it should be near this big bamboo patch, the map says big bamboo patch. So we fly, there's a bamboo patch, we fly circles around it. We take [nullifier 00:12:05] I said it must be safe. So we land and then we get off. We drop our weapons because we didn't want ... it was now North Vietnamese Army territory. And we dropped our weapons. And we said we're going in as capitalists, we're not going in as Marines. And so we walk towards this little village, I still remember that. And all this Vietnamese going, "[foreign language 00:12:27]. What are you two idiots doing here? Don't you know that there's NVA all over the place?" "Yeah, yeah. But we come in peace. We come as business guys." And we keep asking, where's the gold dealer, and they keep pointing this way. So we walk down this little trail and it's just peasant country, through the bamboo and all this and we come to this little shack. And there's this little woman sitting there and she's got red teeth because they chew betel nuts.

And gold at one time was $35 and that was floating. So let's say it was about $50. So we thought, being two college graduates, two Marine Corps officers, that we could probably get a better deal, a discount. So we start negotiating with this little Vietnamese woman with red teeth. And I still remember, she was laughing at us. And I think we'll offer her like ... instead of 50 let's say we offered her 40. She goes like this ... We don't speak English, I mean we don't speak Vietnamese, and she don't speak English. And we just show our dollars and she goes, "Ah, ah." Like this. And finally she says the magic word. She says, “spot. Spot.” I think she was saying spot was 50. And I went, "What is spot?" So it was one of the best education, I have a college degree. Bachelor of Science, stands for BS. But anyway, I found out what spot meant, it means the price of gold, is the same throughout the world, in different currencies, but it's still $50 US. So she wouldn't negotiate. And then just then like, a crew chief, we left behind started screaming and yelling like, "Ahh."

And suddenly, picture the NVA coming across with weapons and all this [inaudible 00:14:23]. And I'm going to spend the rest of my life in Ho Chi Minh prison or the Hanoi Hilton. I said, "Oh, my God." Because we're going to fight, you don't fight guys with machine guns. So my co-pilot and I are running through the village. I still remember stepping on a duck. It didn't make me happy, the poor Vietnamese peasant that was not happy, I stepped on this duck. And we get through the helicopter and the problem was there was no enemy. Just like an idiot. I parked the helicopter on an old rice paddy. It looked like grass, but it was rice paddy. And the helicopter was sinking.

So we climbed into the helicopter, the crew chief looked like Woody Allen, a tiny guy. The crew chiefs can fly and they are in the Marine Corps. So he starts the engine, the co-pilot and I we're bigger. We're sitting on the tailbone rocking like this, trying to keep the aircraft from going into the mud.

And the crew chiefs starts, the blades turn as the fan picks up the speed, and we're rocking it like this. And the mud is flying everywhere. And it finally breaks free. And mud just goes everywhere. So we're now covered in mud. My co-pilot, my ex business partner in the gold mining business, he jumps into a helicopter on one side, the crew chief jumps out I take back over to fly home back to the carrier. We land back on the carrier we're covered in mud; the aircraft is covered in mud. And my commanding officers says, "Why have you guys been?" And I said, "Don't ask, sir. Don't ask."

So that was my first foray into gold. I started silver in '64, and gold in '72. And I've started two gold mines and I have millions of dollars of gold. Our ship sailed to Hong Kong. And that's when I bought my first gold coin. It was a South African krugerrand of it. I think I paid about $50 for it, I still have it. It's safely hidden in Switzerland, because I don't want it on American territory. One thing I learned too in '72, '73 when I got back to the States was that it was illegal for Americans to own gold, which I thought was strange. So I had to smuggle this little Krugerrand into the states. And so as most of you know, in '74, Gerald Ford made it legal to own gold.

So that's kind of my whole history with gold. I started gold mines and silver mines and gold. So I am an absolute gold bug. And I've been that way for most of my life. And I've done very well with gold. I never sell. Gold is not to be sold, silver's not to be sold. It's there to give me stability, especially in uncertain times.

So with that said, that's my background on this stuff. I wrote this book, Rich Dad Poor Dad in '97. This is the story of rich dad poor dad, a picture's worth 1000 words. This here is my poor dad, PhD stands for poor, helpless and desperate. And when I returned from Vietnam in '73, the old man being an honest man, he was a Democrat. And he worked for the governor of Hawaii, Governor Burns, an ex police officer. And his best buddy was Palava, who was the head of the syndicate in Hawaii. So the governor and the head guy Palava ran Hawaii. So my father, being an honest man and a Democrat, got into politics, and he went, "Oh, my God. I can't stomach this anymore." So my poor dad, this is in around just before the 70s he resigned from superintendent of education with his PhD. And he ran against the governor. And he got crushed.

So the governor blacklisted my old man, poor dad, he says he will never work in this state again. So I returned from Vietnam, I get spit on, eggs thrown at me by the hippies, and the protesters and the pot smokers and the flower children. And I come to see my old man who is unemployed, I'm now stationed at the Marine Corps Air Station in Hawaii. And I asked my poor dad, I said, "What should I do? I'm going to get out of the Marine Corps in a couple of years." He says, "Go back to school and get your PhD." I said, "You've got to be nuts. Why would I get a PhD? You know, PhD stands for poor, helpless and desperate."

And so here I am sitting there. Then he says, "Why don't you go fly for the airlines?" I said, "Well, because I don't want to, I'm through flying. They don't want helicopter pilots, by the way. We're dangerous."

So that's when I went to listen to my Rich Dad. And my rich dad thought the most important document he had was his financial statement. So this book here, Rich Dad, Poor Dad is very simply a book on accounting. Income statements, balance sheets, statements of cash flow. That's all it's about. And like I said, it was published in '97. And today 23 years later, it's still number one on BookScan internationally. It's selling more today than ever before, simply because I saw this crisis coming. And I saw this crisis as a little kid following Gresham's law in 1964, when the government prints bad money, good money goes into hiding.

So all I've done over these years, if I did nothing else, I became a rich man, because I just saved gold and silver. That's all I've done. So I say to everybody today, if you're saving dollars, you're an idiot. If you can't afford gold, which is about $2,000, you can buy silver for $25. But people are so addicted to what I call fake money. And this is going to cause one of the biggest problems in history, we have the biggest change in world history.

So the subject of my talk today is altruism versus greed. Now everybody thinks altruism is good. Altruism is bad. I want to explain why. Because in 1957, this woman named Ayn Rand, wrote a book called Atlas Shrugged. And the thing I loved about Atlas Shrugged was, this is in '57, and she predicted that all what's happening today, would happen. And what happened is socialistic take over the world. And they're taking over America today. We're going socialists, and communists and fascist. So that's why I think gold and silver, precious metals are essential investments today. If you don't want to become a commie pinko pig, you know what I mean? If you don't want the socialist taking control of your life, get rid of the cash, switch to gold and silver. I did a long time ago.

So anyway, this is what Ayn Rand said, "Altruism is incompatible with freedom, capitalism and human rights." I'll say it again, "Altruism is incompatible with freedom, capitalism and human rights," Ayn Rand. So why did she say that? And the reason, well, I should be a good person. In the Marine Corps they said, "Hey, you'll get a medal if you give your life for your fellow human beings. You throw yourself in a grenade, you got a medal of honor." I said, "I think I'd rather not have the medal." But our whole society is based upon sacrifice. And she says, so what we're trained to do via altruism is become sacrificial animals. And then what she goes on to say, because I study her, what she says altruism leads to liberalism, liberalist mentality.

And as all of you know today, the liberal left, the fascist radical liberal left has taken over America. The guys I was shooting in Vietnam have come to America. When I got off the plane at Norton Air Force Base in California, in '73, there are more commies in front of me than in Vietnam, there are hippies, draft dodgers, war protesters, school teachers, all protesting me, calling me a baby killer. And today, those guys became teachers.

Back then, those guys in the 70s now run our teachers unions, that affect schools, they run governments, they're called Clinton, Hillary Biden, Obama. Those are those guys. They're socialist. And nothing wrong, it's a free country, you can be a socialist. But when you subvert capitalism, when you take down America, which guys like me fought for, a lot of my friends died. I had two of my closest friends, they never came back. Pilots don't come back a lot of times. It's a sad day. It's like emptiness in your soul. I remember starting on my carrier, and I'll be like my friend, Robert Helm is not returning. You don't have a chance to say goodbye. They just disappear out there. They’re MIAs.

So when I went to the Vietnam Wailing Wall, in the Vietnam Memorial, I go to see my friends up there. That's the only way I could say goodbye. Because pilots, a lot of them don't come back. So anyway, with that said, we have the reason gold and silver are important. And I'm not political, you can vote for Biden. But if he gets elected, the real president is Kamala Harris, because Biden is completely ... he is a shill. Talk about an empty suit, that boy is empty. I'm almost as old as Biden. And I have the same memory gaps. But Kamala, who got to the top the old-fashioned way on her knees, she's going to be the next president. So that's why I'm concerned.

And so that's why I want to talk about my friend here. Vote for who you want, you vote for Trump, vote for Biden, vote for Kamala, vote for who you want, but I'm going to talk about the most important thing we're losing. I've written two books with this man, I know him and his family very, very well. They're very, very good people, they're my friends, his sons and I, Don Jr. and Eric we're hunters. We go hunting all over the world together. They're great kids. They're unbelievably good kids. They're hardcore entrepreneurs.

And the thing I'm concerned about, and the reason I say vote for Biden, vote for Trump, vote for who you want. What is upsetting me is the loss of our freedom of speech. I am concerned about censorship. And the reason I brought up all this thing about those school teachers and those commies and those pinkos, who greeted me when I got off the plane, at Norton Air Force Base in '73, they're the guys who are teaching our kids today. That's what concerns me.

So I don't know if you saw that, but Biden's son Hunter, he got caught with his hand in the tail through China and the Ukraine. And social media blocks that story. That's a violation of the First Amendment. Also social distancing, and all that is a violation of right to assembly, the freedom of religion. And that's what I fight for. And I still fight for it. So with that said, vote for who you want. But we're fighting for something I started fighting for back in the 70s, which was for capitalism, for democracy, for freedom.

And there's a new book out by this guy, Dinesh D'Souza, and he calls it the United States of Socialism. And I'll just read to you from the back page. I haven't read it yet. But he says "A specter is haunting America, a specter of socialism. Suddenly, almost out of nowhere we encounter a menagerie of strange socialist characters; Alexandria Ocasio-Cortez, Rashid Tlaib, Ilhan Omar, Bernie Sanders, he's not a socialist, he's really a communist. But I want to add one more to it as Mazie Hirono, the Senator from Hawaii who Tucker Carlson called the dumbest senator in America.

And the reason he called her that this because she was interviewing ... What's her name? Amy Coney Barrett, for supreme court justice. And Mazie Hirono wanted to know if Amy Coney Barrett was a pedophile. I'm going, "What? This is a Senator from Hawaii?" I don't know if you know this, but Obama is from Hawaii too. And also there's not one Republican in office in Hawaii. So what this guy is saying is a specter is haunting America, that's this guy here, great book. I haven't read it yet, but I'm going to read it. But he says that this development itself is surprisingly strange, because socialism is arguably the most discredited idea in history.

And I studied economics at military school. I want to give you some stats. Who has killed the most people? Socialist or capitalist? I'll ask the question again, who has murdered the most people? Socialist or capitalist? And the answer is socialist. What's this guy? A guy named

Stalin killed 25 million, Hitler, Nazis stands for National Socialist party. So Hitler murdered 18 million people, 6 million were Jews and Mao Tse Tung murdered another 26 million. And that's because exactly as ... What's her name? Ayn Rand says altruism is incompatible with freedom, capitalism and human rights. And the reason she says that is because then you become a liberal, oh, let people laissez faire, they'd have a life and all this and then they say, okay, let's take care of people. It's called Social Security, Medicare. And pretty soon people lose their ability to take care of themselves. So it goes from liberal, socialist to totalitarianism or fascism. And that's what gave rise to Hitler, Stalin, Mao Tse Tung, Mugabe in Zimbabwe. What's his name? The guy in Venezuela? Is because we think being kind to people is good.

And so when I started the Rich Dad company, it goes back to this picture here again, is that the liberals think this is important. You look at all those commies out there. They have, look at the feds, they're all PhDs, about 900 of them, and they're destroying our economy. It's disgusting. And then you look at this here, this is what my poor dad taught me as a financial statement. And just last week, I was out in Jekyll Island speaking for the Red Pill, and Jekyll Island is where the Fed was created.

So it was interesting, I have pictures of me standing on the Aldrich room and the room where the Fed was negotiated and all this, and it's a spectacular project. It's one of most beautiful places, I highly recommend you go to it, just for the historical value, but the architectural value is incredible.

And so I understand what white privilege means. Reason I know that because my hotel room was on the fourth floor, and they have no elevators. So white privilege, man, you have black guys carry that ... I have a whole new distinction. So the black guys carried your bags up to the top. That's a long walk. And so I'm an old guy, I carried my bags to the top, but they carry them back down again. But that's a problem with an old hotel, but it's still beautiful. So I went to the Red Pill. And it was fascinating. Edward Griffin, who wrote The Creature from Jekyll Island, he should be canonized, he is such a good guy. He is like us, committed to our freedoms. And that's why he writes.

And we're actually kind of against these guys here, Hillary, Biden, Obama, those guys. So the reason financial education is important, again as this book says here, we're heading into socialism and Ayn Rand, had to escape from Russia, when she was a teenager. So she understands what socialism, communism and totalitarianism is. So that's why she said altruism is incompatible with freedom, capitalism, and human rights. Now, that sounds harsh, and every good Christian out there will attack me for it. But I'm not against being kind. But the difference here is that my poor dad believed in giving people fish. My Rich Dad believed in teaching people to fish. And what socialism is saying, let's give people more fish.

So in this COVID-19, getting December, suddenly we have Black Lives Matters of all that stuff happening. And today, as we talk, the issue between Trump getting elected and not elected, is that PPP check, stimulus check. Today, Americans have made more money in 2020, because of the stimulus check. The problem is they don't have jobs. And if we don't keep giving them more money, we're going to have a revolt. We're going to have ... Do you think Portland's bad? Look at Seattle, they set a police car on fire. And CNN, which is communist news network, MSNBC, they don't say anything about it. Fox does, that's why Tucker was part of New Orleans Investment Conference. He's a great guy. But I fight for capitalism. So that's a long way of saying what my talk is about is altruism versus greed. Because what these guys consider greedy is very simply, take care of yourself. Don't expect the government to take care of you.

Today people are begging for that check. This is not just in the US. It's all over the world. And that's why I love what Brien Lundin is doing, New Orleans Investment Conference. I come from a gold mining industry. I'm a gold bug since the 60s and all this, but it is the most important investment today. Especially since the rest of your money will be confiscated.

I was in Venice and I was in Argentina last summer. And I was talking to my bird boy and those who had been dove hunting, a bird boy is a guy who stands next to you that does ... Argentina, they don't need dogs. They use boys. You shoot the doves the bird boy runs out and gets them.

So my bird boy, sharp guy, young guy, probably in his 40s I said, "What did you do before you're a bird boy?" He says, "I owned an engineering firm and I'm an engineer." I said, "What happened?" He says, "Well, Argentina took my business. And on top of that, I had a million dollars US, because I don't want — I guess the peso they use there — I didn't want the peso." So they took this business, and nationalized it back and took his million dollars. So now he's a bird boy, he is a Masters in engineering, he ran his own company and he's a bird boy. There's a new documentary about Argentina, you should watch it, because it's the future of the USA. That's what happens, that's why Ayn Rand says altruism is incompatible with freedom, capitalism, and human rights, and the most cruel people are socialists.

So that's why I speak. So with that said, what I fought. Mr. Helms, you can tell I have a new flip chart, right? I used to use those big flip charts, now I use these flip charts, because I can't talk without pictures. So this is what my rich dad taught me. This is a financial statement. And this is called financial literacy. Can you read a financial statement? And I don't think any of those PhDs can, who run the Fed. And if you're a politician, you don't need a financial statement because you just steal. You just put it in your pocket. Definition of capitalist is somebody who teaches; a socialist takes. Socialists believe in Robin Hood economics, take from the rich and put it in our own pocket. That's what Hunter Biden does. That's what Joe Biden does. So again, vote for who you want, but I know the Trumps, they don't have to steal, although they're accused of being thieves.

Anyway, the reason we have social unrest is it goes to this here, I'm going to do my flip chart here of income statement, balance sheets and financial literacy. This is poor dad. Poor Dad thought the most important thing was a job. And what he did was he saved money, cash, not the brightest guy, PhD. This was my rich dad here. He said your balance sheet is your most important part. And what you look, here is your highest expense is tax. That's your first line of expense if you're an employee. That's literacy. That is real literacy. So I thought it was hysterical that the Communist Republic newspaper called the New York Times, publishes Trump's tax returns. And they said, but he only paid $750 in taxes. Well, duh! Well, duh! As Mr. Helms knows, Trump is a real estate guy. Real estate guys don't pay taxes. That's why you invest in real estate. You know what I mean?

So this is the way it looks, it goes from the cash flow, because this is the state ... there's three documents, income statement, called a P&L, balance sheet and statement of cash flow. So my cash flow board game, which I created with my wife, Kim, is this here. This is the financial statement from my board game. Because our job is to teach people how to be financially literate, how to take care of themselves. That's what we teach. So anyway, the reason I'm a real estate guy and a business guy is the cash flows from here up to here. It bypasses something called tax.

So when Trump says, so the New York Times is all up in arms, those commie pinkos. They don't care Biden's kid is on graft and corruption. But they're upset that Trump only pays $750 in tax. Well, there's one big reason Trump only paid $750 in tax. It goes to my second book here, it's called the Cashflow Quadrant. This is E, stands for employee, S stands for specialist like a doctor or lawyer or a computer programmer. B stands for big business and I stands for investor, but inside investor.

You see if you invest in real estate, you're an insider. When I invest in a gold mine, I'm an insider, invest in a silver mine, I'm an insider. I don't invest from the outside. I don't have stocks, bonds, mutual funds, I have a few ETFs but those are in mining stocks. But anyway, so what happens is the New York Times goes well, Trump didn't pay any taxes. Well, what they didn't say was this is because Trump never took a paycheck for being president. So if you're an employee, even as president of United States, you will pay tax. And that's how stupid our journalists are.

And that's why I said I'm very, very concerned about this country. Because as Warren Buffett says, if we have stupid journalists, we have stupid people all over the country. And God knows those journalists aren't that bright. It's tragic. And that's why I was really happy with the last New Orleans Investment Conference, I got to say hello to Tucker Carlson. And he's about the only guy I watch tonight. He and Louis Dobbs. The rest of it is pure fake news. But going back to this here, this picture here, why is there social unrest in America today? The reason is, is because in '71, Nixon took the dollar off the gold standard. And what's happening in here, there's nothing in here. America has jack in here. They have stocks, bonds, mutual funds, ETFs, 401Ks which are teetering like this. But if they're saving money, they have nothing. You put your dollar in there, or your $1,000, and it's worth nothing next year, because they keep printing more and more money to keep this fake economy afloat.

So what I recommend to people is pour a foundation, some people say 10%, and that's bogus. I would pour as much gold and silver, real gold and silver in here. If I hold paper, I'd hold mining shares here. And I have businesses, my biggest assets are my businesses. When you look at this here, this is what my rich dad taught me. B stands for, according to the IRS, B stands for big business, 500 employees or more. That's by definition, this is financial education. Do you have 500 employees or more? That's the question. And I do. And the reason I get my tax breaks is because I provide jobs for these guys here. I hire employees, I hire attorneys, accountants, and all this.

But the biggest asset of all, if you understand real business, is, have you built a brand? And so when I was a young man, I built a brand, it’s called Rich Dad. And now that brand is all over the world. I write one book, which is an asset. I write one book, and it goes to 50 licenses throughout the world, and it goes to the bestseller list, cash flow is in.

So that's real financial literacy, real financial education. My concern is this here. The reason we're going to have rioting and the reason the socialists like AOC, Alexandria Ocasio-Cortez, and all that, are going to rise is because our people, we the people are broke. We the people have been depleted by the Federal Reserve and the Treasury. They have nothing inside here. Their savings are gone. And because of that taxes are gonna go up. Well, when Biden promises not to raise taxes, well, who's going to pay for the police? Who's going to pay for the firefighters?

Look at New York City, their real estate is collapsing right now. They can't pay for the school teachers, firefighters and police officers. Who wants to live in New York? Madison Avenue, I think they were going for $7,500 a square foot. Today, the first one sold for $1,300 a square foot on Madison Avenue. What's that? $7,000 to $1,000. That's a huge drop in value. Now a drop in value then affects the CMBs as a collateralized mortgage backed securities, the debt system starts to collapse. So that's why, if you've listened to Alexandria Ocasio-Cortez and the Bidens and ... What's her name? Kamala Harris, the next president, we're screwed. They're going to jack these tax, they're going to jack this up, they're going to increase the taxes. And so if you want to protect yourself, and the reason you should be here at the New Orleans Investment Conference, is because you want to find out as much as possible about real physical gold and gold miners, as well as royalties. Gold and silver is a very treacherous business, because as somebody once said, what's the definition of a gold miner? It's a liar standing next to a hole in the ground. And I've been that liar.

And I've been the guy who was in Peru, saying to people, "Oh, we're going to strike gold in Peru." We didn't strike cold in Peru. So I had to go to Mongolia. Don't worry. So I raised more money to strike gold in Mongolia, and we couldn't cut a deal there. And finally, we cut a deal with the Chinese and they took my goldmine, so I know what it's like. It's a treacherous business. And that's why Warren Buffett just shifted into Barrack and dumped his banking shares.

So that's why all of you right now are at the best place, the best time, at the best conference. Because if you just want to buy gold and silver, you don't need this conference. But if you want to find out why you should be buying gold and silver, that's why you came. If you want to find out how the real pros are making their money, it's in a gold and mining shares plus royalties. So there's a million ways you can make money. But this is the most important thing, because the people that will get the biggest screwing are the bondholders right now.

Everybody's in bonds and stocks right now. If we go to negative interest rates, as I said, Hawaii, it's Aloha. So that's a long way of saying it. My concern is, and the reason I started the Rich Dad company. And the reason I've been saying for years buy gold and silver, is you have to have stability in here, in your asset column. If this is unstable people riot and that's what's happening and it's going to get worse. And that's why Ayn Rand was talking about altruism doesn't work because it ultimately leads to socialism and to totalitarianism.

So with that said, that's my personal concern. Vote for who you want, invest in what you want, but the most important thing you can invest in first is your education. Find out as much as you can, and that's why I'm always honored when Brien Lundin invites me back to the New Orleans Investment Conference. So I can talk about one of my favorite subjects, gold, silver, and mining. Thank you very much. I'll take any questions if anybody has any.

Robert Helms: All right. Big virtual hand for Robert Kiyosaki. Good stuff. Thank you, sir. Lots of love in the chat. You've got some fans who are here. And you've also got some people believe it or not being introduced to you for the first time, we do have a few questions. So if you're good with that, Robert, I'll lead off with that. Is that all right?

Robert Kiyosaki: I'll be happy to.

Robert Helms: All right, excellent. Our first question comes from Kenneth, he says, how do we become an inside investor? You talked about being an insider, how does someone become an insider?

Robert Kiyosaki: Well, you have to be at risk on the deal. Mr. Helms, when you and I buy a piece of property, there's no such thing as real estate always goes up. That's like when somebody says, "Well, is real estate is a good investment?" I go, "I don't know, are you a good investor? So the big question here is, you're an insider due to a thing called liquidity. And the reason you have to study harder for real estate is due to liquidity. If you buy, like those guys with those on Madison Avenue right now, those are not assets. Those are huge liabilities. And they can't get rid of them. Because the mortgage is all tied up behind them.

In forbearance today, there are 6 million people in forbearance, and a lot of people think forbearance means the fed, the treasury and Mnuchin will just give them the money. Now they have to apply for a whole new loan, so if they have a mortgage that's in trouble. Forbearance means you have to re qualify for that mortgage, that's not liquid. And if you've lost your job, or your wife lost her job, that's not liquidity. So gold and silver are good for the person who doesn't want to study because gold and silver aren't liquid. I don't know how much I paid per ounce. I just know I have a lot of ounces. I've been doing it since the 60s and 70s.

So I got to be a rich man with no education at all just buying gold and silver. But the moment I go into mining shares, I was an insider. And I was inside the deal. Buy real estate, I'm in the deal. When I put together a book, I'm in the deal. I'm an insider of the Rich Dad company. I am an entrepreneur. The people over here, when you look at this here, E and S says, employees and soft employees like doctors. They should stick with 401Ks and IRAs because they're outsiders. And the other thing about it is to some degree of liquidity to a paper stock, bond, mutual fund, ETF, they're liquid, you can get it out. But you buy a piece of real estate, you're the skipper of the titanic. You're going to go down with that baby.

And I've always just laughed and laughed and laughed, when real estate brokers tell their friends real estate always goes up. Mr. Helms as a real estate guy, does real estate always go up?

Robert Helms: No, Robert, and why do they call them brokers?

Robert Kiyosaki: Because their broker than you are. So anyway, I'm a pacifist, I used to be a Marine, but I'm a pacifist now, if you're going to invest in something liquid, like gold, silver coins, and ETFs, bills and ETFs, you don't need much education. But the moment you pass over to my side of the track here, this is where Trump operates, you're an insider, you've got to be smarter.

So that's why, as I said to Brien Lundin, I was always touched to be invited to the New Orleans Investment Conference, because I can get to speak to the real psychopaths out there. Because I've been there. The old days, Mr. Helms, they had all the gold miners lined up selling their pitches and all this stuff. They're fascinating, they're a pack of liars. But they sound good, you don't know if they're lying or telling you the truth. But that's how you learn. That's how I learned.

So gold and silver are the investments of this time. But there's still risk in it, you have to know what you're doing. And so the average person who doesn't want to get educated, just buy the physical Krugerrands, maple leaves, eagles, that's it. And put them away, get a safe outside your house, as my friend Jim Rickards says, have the safe within bicycle distance.

What happened for me is over the years, I'm an old guy, I just had so much I have to put it in Switzerland and in Singapore. But that's not bicycle distance. So anyway, I listened to Rickards because is a smart guy. And by the way, he and I are writing a book together in 2021 its called the Ravens. And the Ravens is a book on prophecy. Raven was in Greek mythology, was the bird of prophecy. So that's why it's an exciting time for people with hard asset guys. Anyway, so that's what it means. Ask questions.

Robert Helms: That's good. Well, of course Mr. Rickards was on a panel yesterday, Jim will be with us tomorrow as well. So we're very anxious to read that book. A couple other questions, Robert, this is a good one. This comes from Hanif, he says, with the economy being what it is today, would it be wise to buy more real estate right now with low interest rates and cash flow? Or invest that cash in commodities like gold and silver, which don't accumulate income, but are a good store of value? Now I know you have a specific strategy that you've taught on our investors summit about this.

Robert Kiyosaki: The thing I love about YouTube, because you get a lot of good teachers quickly, but you've got to be educated. I just said Madison Avenue just dropped last week, $7,500 square foot, to $1,300 square foot the last sale. I was never good at math and if went past 10 fingers I was finished. But that's a drop. And that's supposed to be Madison Avenue is the real estate, the real estate. When that drops, the debt structure behind it collapses. The CMBS is who's collateral is mortgage backed securities collapse. And so that's why this whole house of cards and those guys in bonds are in serious struggle time. They're in serious trouble.

And so mom and pop who are in 401Ks and IRAs, I'll take lapse from the [inaudible 00:53:45] tonight. Because if you don't have an education, everything is risky. Everything is risky. Even gold and silver goes up. I am a devotee of silver, as you guys know, I love silver...But anyway, it's still volatile, it's the most volatile of the precious metals. So you should stay in gold, because you can't stand the roller coaster ride buy gold. That's my thing. But risk is relative to you. Are you a good investor or a bad investor?

If you're not good, just buy the hard physical asset. Stay out of real estate right now. Because I think we're going down. Because the 6 million properties homeowners in forbearance, that's going to cause crashes all over. That's an opportunity. But I think we're going into probably a 20-year depression. The last depression lasted 25 years, 1929 to 1954. The Dow hit 381 in 1929, and didn't hit 381 until 1954, 25 years.

So I think this depression is at least as long and to just jump in as the CMB says is nuts. And that's why endorse New Orleans Investment Conference. That's why I missed the real estate guys cruise because I get to hang out with other whack jobs out there, people actually invest in their education. I don't want to buy hold and pray; I wasn't very religious.

Robert Helms: That's a good point. And I think one of the things you started with Robert was now is the time, this is the season, if you will, for the metals for the mining stocks. And it hasn't always been. You, and I attended a couple of New Orleans Investment conferences where it was a tough time, you remember those times Brien right now all of a sudden the metals are doing well. But it's the same thing with every asset you would invest in. Real estate has a time, we've had the discussion about we can't wait till the next downturn because it's a buying opportunity. But the key and you hit on it is financial education. So maybe preaching to the choir, because folks that are this far into the conference are already here getting educated. They're serious. The chat's been crazy amazing these last three days, just you would love the level of enthusiasm and knowledge that people have.

But we had a specific question from Carolina. She asked Robert, if Biden wins the election, what can we do to protect our assets besides gold and silver? Any thoughts there?

Robert Kiyosaki: Well, I don't think it makes any difference. Do you know what I mean? Politics is a dirty game. My poor dad was a politician, and that's why he switched from Democrat to Republican. Not that the Republicans are any better. But he ran into the same swamp if you know what I mean, and I feel like the reason I talked about my friend Trump here, and he is a good man. I've worked with his family for years now. I know his office. I know his staff; his bodyguard and I are really good friends. They're just great people. They're very respectful. That's what these Trumps are. His two boys and I were upstate New York and we're bird hunting. And we go into this little town, there's a little kind of a deli. And the deli had obviously illegal immigrants working behind the counter. And both Don Jr. and Eric Trump walked behind counters to talk to the Hispanics working there. They're the most respectful people I know. And we're at a car driving out to Hawaii to this deserted island. And both boys are just incredible. We sleep on white sand, beautiful beach, but no water, no toilets, no showers, no shelter. We stay out there for three days. We're eating what we kill. They never ask a quarter. They're tough kids. Outstanding shots, but they asked no quarters.

But you look at Chelsea Clinton, if she lives in a $10 million estate and she got the money the old way through selling political favors for the Clinton Foundation, pay to play. And Hunter Biden, he's not really a hunter, but the Trump boys are hunters. Hunter isn't. But anyway, they make their money the old-fashioned way too, it’s called pay to play. You grease my palms, I'll get you access. And that's what's really kind of tragic about America today.

So long answer to say it doesn't make a difference because the problem is bigger than politics. The bigger, it goes back to that little Vietnamese woman back in '72 educating me on what spot meant. I had no idea what spot meant. I don't think the Biden's know what spot means or Hillary because they don't have to. They just do it the old fashioned way. The Robin Hood method of economics. You take from the rich and you put it in your pocket. And you know what? They'll never change. You and I know that'll never change, that's not Republican or Democrat. It's just human nature.

So unfortunately that's it. And I've always said gold and silver are God's money, it's been here since the earth was formed. I went looking for it. I've actually swung a pick looking for it. I've been about up at 17,000 feet. I couldn't breathe. But I still went looking for it. And I saw what the Inca were looking for years and years ago. I saw what the Mongolians were looking for. There's something magical about gold.

The last story I'll say on that is I was in Indonesia. Where was I? I was at Indonesia or someplace and I met the guy ... I don't remember this Apple computers, early days had these monks there. There were white guys who dressed like Hindus or something. And they had like that old garb on and all this. And Apple ran an ad, they called it Holy Icons. So it was these Hindu monks, I think. But there were white guys. And they ran bee farms on the island of Kauai in Hawaii. And so Apple did this thing Holy Icons. So I'm out in Indonesia, I forget, I'm all over the world all the time. And I run into Guru Devo and I go, "Holy Icon, how are you? I know you from the Apple page ad. He goes, "Yeah." So the guy is standing there, and he's dripping in gold. Here's a Hindu guy. If a Methodist wears a Gucci tie, they are outcasts and in protestant, you gotta be poor to be religious. But here's this Hindu guy, and he's loaded with gold.

So naturally, being a gold bug I asked the question, I said, "Why do you wear gold?" And he sort of smiled. And he says, "Because gold is our materials of God." He said, "God duck gold here." I'm not religious, I'm not preaching here. He says gold sent here as an attractor of wealth.

And he says, if you want to be wealthy, hold gold. And I said, "What does that mean?" He says, "Well, if you want $1,000 a month income, own $1,000 worth of physical gold and keep it near you, because it will attract wealth.

Now, I don't know if it's true. But Mr. Helms, you know I've been very fortunate in my lifetime. I've had my bad luck, like everybody else, but I attribute it to going back to this picture here, in my asset column, I don't have dollars, I have gold and silver, because that's your attractor, that's God's money is the attractor of God's wealth. That's my opinion. Or you can start the Clinton Foundation and sell favors, up to you.

Robert Helms: Either two sides of a coin. All right. Hey, just one minute left, I'd like to turn it over to our host, Mr. Brien Lundin. Brien, I'm sure you have something to say to Robert.

Brien Lundin: Easily. Thank you. And that's what I have to say to Robert. Robert, it's such a pleasure to have you back at the New Orleans Conference. What was it three, four years ago that you came the first time? And you warned me, you said, "Listen, I'm a teacher. But I'm a student. I'm always learning. I'm going to come there. I'm going to sit in the front row. And I'm going to take notes. I love your roster. Love your speakers. I'm coming there. Yes, I'm coming to speak. But I'm coming there to learn." And I'm pretty cynical after being in this business for so many years. Right. Sure that'll happen. Sure enough, you came down there, and you're in the front row, you filling up notepad after notepad, after notepad. And you took notepads worth of notes.

And I've been in this business so long, and I'm so immersed in it. And to have that intellectual curiosity was a real lesson to me. It really is. And it's something that I think is the lesson that we can all take away to maintain that intellectual curiosity, because there's always an opportunity to learn. And I have to tell you that you've got some people learning right now. I'm looking through the chat, along with Robert, as you're speaking and some of these people, "Who is this guy? He is fantastic." And I'm typing. "Is this the first time you've heard of Robert?" "Yes." "Well, get ready, your life's just changed. Your life has changed." And it's just amazing what we're seeing on the chat here, and the reaction. I wish you were here to see it. Wish you were here in person, but this is the next best thing. And so that's what I have to say is, thank you. Thank you again, for your contributions.

Robert Kiyosaki: And thank you, thank you for keeping this going, and being part of this program since gold became legal again. That's the most important thing. Anyway, I congratulate everybody for being students because that's where you have to be today. Because our academic system is run by socialists and communists as far as I'm concerned. So you need to know what real education is. That's my point of view. Thank you very much.

Robert Helms: All right. There we go. Ladies and gentlemen, the number one best selling financial author in history Mr. Robert Kiyosaki, big virtual hand for Robert. Thank you so much.

Mike Larson

"Money Flood 2021: Causes, Consequences, And Profit Opportunities"

Robert Helms: Our next speaker is Mike Larson and he's a senior analyst at Weiss Ratings in Palm Beach Gardens, Florida. He's got more than 23 years of experience analyzing and writing about the financial markets. He's the current editor of the Safe Money Report and Weekend Windfalls Newsletters at Weiss. His areas of focus include domestic and global interest rates, commercial and residential real estate, financial stocks, central bank policy, and related markets.

Mike's appeared numerous times on CNBC, CNN, Fox Business News and Bloomberg Television. And he's been quoted often by the Washington Post, the New York Times, Chicago Tribune, Associated Press, Reuters and many others. Mike's talk is entitled Money Flood 2021: Causes, Consequences and Profit Opportunities. Good morning, Mike.

Mike Larson: Good morning and thank you for that kind introduction. It's a little funny saying good morning at this event, because just judging from some of the comments and chats I've seen there, I could be saying good morning, good evening, good night. It all depends I guess on where you're based. But the virtual format, we're all getting used to it and we're experiencing it this way for better or for worse, and so far so good. Although I do miss those oysters that Brien's been talking about.

In any event, I'll go ahead and share my screen here so we can look at the presentation that I'll be talking over while I do this. And the reason I'm calling this presentation The Money Flood, essentially is because we are dealing with what I believe to be one of the biggest infusions of money, liquidity, whatever term you want to use that the world's ever seen. And we'll talk about a little bit about why that is, how we got here and obviously most importantly, what that means for you as investors. So let's go ahead and get started here.

If you look at the big picture and where we've been for the last several years, starting in 2009 and running through early 2018, we experienced what I considered to be the biggest, broadest asset boom ever. And by asset boom, I'm not talking about just traditional asset markets like stocks or bonds, and so on. This boom really swept through those traditional assets, as well as housing again, and commercial real estate, but also all kinds of esoteric assets you don't think about. Consider collectibles, rare art, baseball cards, antique jewelry, high-end booze.

This was really an economic expansion that benefited asset markets even more than the real economy and that benefited the top end of the wealth spectrum, as well as the types of things those individuals invested, versus Main Street. And what we began to see even before anybody ever heard of COVID, in early 2018, roughly the first quarter of that year, is that the credit and economic cycles began to turn. We began to see different indications that we're on our last legs or getting a little tired in the cycle that had really, again, lasted for many, many years.

In addition, since then, we've seen volatility surge. We've seen asset markets get buffeted to and fro by COVID news or the stimulus debates and so on. And clearly some debt market upheavals we've seen, particularly in corporate credit. So with that backdrop, the question for investors is really what does it all mean? And maybe in honor of the climate change discussion we're having in this debate, and just because I thought it was a schlocky entertaining movie from the early 2000s, this is the biggest money flood ever headed your way.

And again, this is from the day after tomorrow. And you can profit from it. The reality is we have to invest for the markets that we have, not the markets that we might want. And whether we agree or disagree with these policy choices being made, the reality is that they are creating the kind of market that we can take advantage of.

But it's important also to understand that we're going to have to be ready for a wild ride here. This isn't going to be smooth. This isn't going to be a nice gentle environment like what we had from 2009 to 2018. As a matter of fact, being an English major or journalism major in college, I couldn't help but quote from the Yates poem The Second Coming, where it says, "Turning and turning in the widening gyre, the falcon cannot hear the falconer; Things fall apart; the center cannot hold; Mere anarchy is loosed upon the world." He might've been referring to a domestic turmoil in Ireland at the time. This is a different environment. But for investors, frankly, a lot of volatility, a lot of chaos, a lot of uncertainty, that's what you have to be prepared for. In fact, it's already what we're seeing throughout 2020. And I don't think things are going to get any better after the election and as we head into next year.

Now, one of the reasons why things are so, kind of walking on a tight rope here, is the corporate debt bubble and the credit market excess as we saw during that long cycle from 2009 through 2018. I put these graphics from The Big Short, if you remember, if you've seen that movie, you go back to what happened in the last economic and credit cycle, that was driven by housing and mortgages, right? In this case, we're talking about issues with corporate debt and the corporate debt bubble.

And briefly one of the big issues is we piled on so much debt during the economic expansion that it was unprecedented on the corporate side of the ledger. Debt outstanding there surged about 82% to just over $6 trillion from just over $3 trillion in the 10 year period coming out of the great financial crisis. And importantly, it's not just the quantity of debt that we're talking about here that's been at issue, it's the quality.

There are many ways to measure the deteriorating quality of the corporate debt that is outstanding, that's in all of ETFs and mutual funds we own, and that are on corporate balance sheets. But one of the biggest ways or simplest ways to look at it is to analyze the investment grade universe of bonds. What is "investment grade?" A decade ago about 35% of the investment grade universe was the lowest rung. The BBBs. It's like if you managed to graduate college, but you slept through most of your classes, but you still got a D on the final exams that you passed. That's what a lot of companies that are at the lowest end of the IG spectrum or BBB represent. But again, that was only about a third of the universe 10 years ago. More recently it's roughly half or a little bit more than half of that universe.

So when you buy an investment grade, or before COVID, if you were buying an investment grade fund you weren't really getting a lot of the best investment grade debt. You were getting a lot more of the stuff at the very bottom of the spectrum. And those are a few examples. I could give many more, but I don't have a ton of time.

But I think when you layer all these risks on top of each other, which is essentially what we did in the corporate debt market, just like in the mortgage arena where you gave loans to subprime borrowers that had adjustable rates, they had a hundred percent loan to values against their house. These people had 60% debt to income ratio. It was all ridiculous and it was risk, on risk, on risk.

That's what you saw in this cycle in the corporate debt market. I refer to it, the Yertle the Turtle example. If you've ever read that book by Dr. Seuss, it's where the turtles stack each other on top of each other over and over so Yertle can get a better view of the world. And finally the whole thing comes crashing down. That's what we saw in the corporate debt arena this time around.

High risk loans to high risk companies, adjusting earnings to make numbers look better, not requiring borrowers to do certain things with the money. Basically saying, "Here's your money, go do what you want." And not being compensated for that risk. Charging near record low spreads, record low rates, and so on, and originating so much of this junk 10 years into an economic cycle. Again, that's all that Yertle the Turtle behavior that really set us up. All we needed was a catalyst that unleashed the chaos, if you will. And what was that? It was COVID-19.

But importantly, and I've made this point a number of times before, COVID-19 accelerated and amplified a process that was already underway. If you go back to 2018, you'll see that credit spreads stopped narrowing back then. You saw that banks began to tighten their lending standards. You saw financials begin to underperform things like utilities and consumer staples. Essentially, the boring stocks and sectors began to win in the market race. And all of that shows that there was an unraveling or a gradual unwinding happening even before COVID struck. But obviously, once it did the unraveling began.

The Fed plunged us right back into ZIRP land. Zero interest rate policy. I mean, you look at this chart here going all the way back to the mid 2000s, you can see the major benchmark interest rates in the U.S., the Eurozone, Japan and so on. And you can see in the last cycle, the U.S. topped off just over 5% before collapsing to zero during the great financial crisis. In this cycle we only got up into the low twos in terms of interest rates before the Fed also had to cut back to zero. So we're right back in the ZIRP soup, if you will.

And what's more interesting is that if you look at the history of other economic regions, Eurozone, Japan, and so on, they've been in ZIRP land for years, right? They never even got out of it during the last economic expansion, hardly at all. And now when you look at the U.S. there's going to be no change coming for years because the Fed is following the same failed policy playbook that we've seen at work by the BOJ, Bank of Japan, the European Central Bank, and so on.

As a matter of fact you might not have heard this quote, but if you saw Jay Powell talking after one of his meetings back in June, he said, "We're not thinking about raising rates. We're not even thinking about thinking about raising rates." Pretty soon the way Fed watchers go they'll probably be counting the number of thinking abouts that are in the next quote. Maybe he'll add a third one. But the bottom line message is the Fed has no intention, no will to get us out of this ZIRP forever policy environment. And frankly, that's what you, as an investor need to be prepared for.

Of course, to fight back the Fed didn't just cut interest rates to zero. It also unleashed basically the biggest money flood in the history of the world. If you look at this chart here, which shows the Fed's balance sheet going back to the early 2000s, you can see what was then considered an enormous amount of money printing in the great financial crisis. But it pales in comparison to what we've seen in just the last few months.

And it's not just the amount of liquidity the Fed has flooded the market with, it's also the speed with which it's done so. It's unprecedented. And it's the composition of its balance sheet, the types of things the Fed is buying or backstopping. We thought the Fed had an alphabet soup of bailout programs back in the great financial crisis. But now it's like a whole gallon sized jug of spaghettios here with so many letters you're trying to line up to figure out what the heck they're buying, what these programs are called. Again, it's truly unprecedented in the history of this country.

And when you give companies and Wall Street free money, what are they going to do? Say, "No, thanks give it to Main Street." Yeah, right. What Wall Street and big corporations have done has been to lap up this free money and issue more debt more quickly than ever before. This chart goes back several quarters and shows the amount of issuance we've seen in the corporate bond market, the mortgage back market, treasury market, and so on.

And we issued almost three trillion dollars worth of paper in the second quarter of this year as a result of all the Fed bail out programs. In the corporate bond market in particular, this was absolutely unprecedented. We've never seen so much debt issued so quickly by so many companies and lapped up by so many funds as we did then, because the Fed was bailing out or backstopping it all.

Now, again, I wish it weren't the case. I wish the balance between what Wall Street is getting and what Main Street is getting was different. But it's not. If you look at who the primary beneficiaries are of the Fed's largesse, and again, the corporate bond buying program, the junk bond ETF program, all that stuff that BlackRock, a sponsor of ETFs itself is helping run, you look at where the money is flowing, and it's really, it's pretty obvious.

This chart, the numbers have changed since I put this together in July, but at that time it shows, in terms of dollar amounts, how many corporate bonds and ETFs were being purchased by the Fed versus how many Main Street loans were being made by the Main Street lending program. The bar on the left shows you corporate bonds and ETFs. The bar on the right shows Main Street loans. I probably don't need to add much to this slide, but the bottom line is that, again, we looked at where the aid is flowing. We look at the type of aid that's out there. It's predominantly benefiting asset owners, asset markets, the wealthy. Main Street, especially after some of the aid that ran out, things like the unemployment insurance benefits, the extra money there, the checks that were sent out to individuals, that money has largely run out. But the money is still flowing to Wall Street.

Now we're obviously facing an election very soon, and so the big question is what happens next? What happens if Trump gets re-elected? What happens if Biden gets elected? What happens if Biden gets elected and we have a blue sweep in terms of the Democrats taking control of both parts of Congress. All of that, it's impossible to say exactly how it's going to shake out. But let's just say, have you ever heard either Mr. Trump or Mr. Biden say, "You know what, I'd like to see higher interest rates? I'd like it to get more expensive to spend money. I'd like it if the Federal Reserve was responsible with monetary policy and made things a little less speculative in the markets." Is there a party out there that's advocating for that? Because I don't think I've seen them. I don't think I've heard those comments. I'm certainly not seeing it in the platform papers.

So my bottom line message would be, regardless of who gets elected the presidency, regardless of how Congress ends up being comprised, the bottom line is if you thought debt and deficits were out of control before, just wait. We're already coming into this, facing this COVID crisis and as a result of the response after it, with gross government debt alone as a percentage of gross domestic product, the highest since right around World War II. At the end of World War II, when obviously we were borrowing to defeat evil. Now, because we didn't get our fiscal house in order as a country before the crisis, we are in a situation where we're adding even more deficits, even more debt on top of a government balance sheet that was already loaded with it, despite the longest economic expansion in history.

And this is another way of looking at it here. This chart is from the CBO, the Congressional Budget Office. You can see for that brief period where former Chairman Greenspan was worried about having too big of a budget surplus, if you can remember that. Now we've been at these negative situations in terms of budget deficit, the deficit has been growing for years. It did not improve all that much during the economic expansion after the great financial crisis. Net interest costs have been going up in terms of so much debt being outstanding, we're paying more and more interest on it, even with very low rates.

And the congressional projections all the way through 2030 show no way out of this trap. Even with economic growth, even if we come out of the COVID situation and recover, the CBO is not expecting us to get back in surplus territory. And it's expecting that the net interest costs, the total deficit, and so on, to be a negative territory for basically, not just the foreseeable or immediate future, but intermediate and long-term as well.

So that gives us a big macro view of where we're coming into this. And I think now, again, I'd shift into what you're going to do about it. Precious metals and miners are primary money flood beneficiaries. And I say that for four key forces. Force number one, one of the side effects of this money flood is that we have falling interest rates here. We have deeply negative interest rates abroad. And that's not going to change, not just for the next year or two, but for many, many years. That's fuel for gold.

Secondly, we have surging volatility. We have wild swings in stocks. We're not in that sort of steady up into the right market we were in for a number of years. Obviously COVID triggered a recession. And as a result of all of these things and the responses to it, we're seeing chaos insurance demand rise. Investors are looking for something that can protect them from all of these scenarios and these forces that are playing out.

I would argue for force number three, is that even after the run we've seen, even after gold two thousand, and silver doing what it's done, gold still shines as an undervalued asset in an ocean full of overvalued ones.

And finally, I just say that the supply, demand, and pricing trends have generally been improving as investors plow back into gold. And that's particularly true of things like central banks that are big players that have been more active in the market really in recent times than they've been in a number of years.

To touch briefly on a few of these facts, if you look at what's happened to equity markets as a result of the Fed largesse, after the COVID outbreak, this chart just looks at the Forward P/E ratio and Median Forward P/E ratio for the S&P 500. Essentially, there's only been one time going all the way back to the early 1980s when stocks have been this expensive by this metric. Where is it? It's right here around '99 and 2000. What happened back then? I probably don't need me to remind you, but that was the peak of the dot-com bubble. So stocks by and large are expensive.

Meanwhile, when you look at what's happening with flows, the fourth point I made there, we're seeing incredible investor demand for paper gold, in many ways, physical gold, and also central banks buying. Just looking at ETF flows, for example, this chart from the Gold Council and a few other sources, goes back all the way a decade. You can see that the buying we've seen recently, we've seen all time highs for gold ETF inflows. And again, it's as a result of central bank activism, as a result of global uncertainty and chaos insurance demand.

All those things are adding up to a very powerful investor rediscovery of a market that spent so many years going nowhere, going sideways, while paper assets, while stock prices were going up. So you have a lot of catch-up here that I would expect to see, and a lot of investor money gradually shifting into an asset class that had been all but forgotten for many years.

And if you look at a chart, you're probably all familiar with this, but this shows gold's weekly chart going all the way back to 2008. You can clearly see the first run-up that we had. You can see that long period of purgatory between 2013 and roughly 2018, late 2018, where gold was doing nothing. But it was a nice rounded bottoming pattern. We've seen long-term resistance cleared initially back in 2019. Ever since then pull backs have been bought, corrections have been minor, pardon the pun there, have been minor. But then we've seen an even bigger breakout most recently in a consolidation since then for several weeks. So I think with long-term resistance cleared gold has hundreds of dollars in potential upside from here.

And I think another part of the market you don't want to ignore when it comes to profit opportunities is what I call safe money stocks. Safe money stocks, sectors, and income focused strategies. Things like selling options, put options, and covered call options for a premium income. Focusing on more defensive sectors with higher dividend yields. These are the kinds of strategies that have really been outperforming since early 2018. The outperformance is still strong in the wake of COVID. And even with the Fed's post-COVID bailout programs.

So, and again, if you look at the numbers, they don't lie, right? The first column I've circled, 3-year total return. What's a safe money defensive sector that benefits from money printing? Gold miners. How much are they up in the last three years? 73% versus 45%, give or take, for the S&P. What's also noteworthy though, is just extended duration treasuries are up by 50%, more than stocks. If you move to a 2-year total return standpoint, the outperformance of gold and treasuries is even more extensive relative to the S&P. And it's not even in the ballpark when it comes to gold miners, or silver for that matter.

And even here today, you can see how the S&P has had a nice balance, nice rally in the wake of the COVID stuff. But the return on just GLD is more than double the S&P. Silver is more than triple the S&P. Even treasuries are more than double the S&P. And then if you look at the bottom in terms of sectors, what's been outperforming and what's been underperforming? Consumer staples and utilities are outperforming things like industrials and financials. Financials in particular, look terrible, like death warmed over. And that's why I've been avoiding them for three years. The bottom line is that you're seeing defensive, safe money type sectors still work for you. So in addition to precious metals that's where you want to look.

When it comes to three specific ways to profit, I'll cover this briefly here. You want to be in gold miners, I think on a diversified basis for starters, especially if you're just getting into the sector. GDX is a fine way of doing that. Rated B- by our Weiss rating system. A low expense ratio of 0.5% and about 17 billion in assets. So again, that's where you want to start if you have nothing else in terms of mining exposure.

Next, if you look for more specifics, I do tend to like the streaming companies within the mining space, a thing like Wheaton Precious Metals, for example, one of the best streaming companies that's active here. They have a B- rating from the rating system, a dividend yield of 0.8%. But payouts are going to rise with metals prices because Wheaton helps finance development stage and operating mines. So it gives you another diversified way to play the sector.

And within this safe money space, the dividend yielding space, I like NextEra Energy, ticker symbol, NEE. This is a leading U.S. utility, a very large presence in the Southeast and Florida. They get my money every month to keep the lights on here. They're in the process of trying to seek out a mega-merger with Duke. But even if that doesn't happen the company is very strong in the clean energy business, which is getting much more of a focus these days in terms of profit opportunities. Nice EPS growth, nice dividend yield. That's a good thing to look at there.

Finally, there's a couple of ways you can get some more information and ongoing picks. Obviously what I say here is a great point in time, but the markets are always changing.

My Safe Money Report Newsletter goes into details on what's going on each month and ways you can play that. There's a phone number there if you'd like to call and get the conference rate. If you're not quite ready to do that, but you want to get an idea of what it is we do, the WeissRatings briefing is free. You can go to the www.weissratings website, sign up there. You'll get a free update three times a week telling what's going on in the markets. And if you like the Twitter platform, that's what I use for my financial market commentating. I'm @RealMikeLarson, if you follow there.

And one last thing I didn't want to forget to mention here at the conference, if you go to my workshop, you can look for my last name, Larson, search for it there. Find it in the workshop. There is a chat function that should work there where I can hopefully answer any questions you might have or anything like that. And I think it should work for all the conference guests. So with that, thank you very much for your time, and I hope you enjoy the rest of the conference.

Robert Helms: Thanks, Mike. Great, great stuff. We learned a ton. You obviously pay attention to this. Got a couple of questions to run by you. I know Brien has one to start.

Brien Lundin: Hi, Mike. Great to have you aboard again this year. I was thinking back, what was it, three years ago or so when we first had you on one of our gold cruises? And I was so impressed to what you were talking about because you're a generalist, you're not a natural gold bug, and who had come to the gold argument and really just nailed the bottom of the market just perfectly. And it's always encouraging for us gold bugs when somebody who isn't a gold bug and looks at everything, looks at the macro picture, comes in and comes to the same conclusions as we do. I wanted to ask you a little bit about your chart, the projections for the deficit and interest costs. I think that was a CBO chart, if I'm not mistaken.

Mike Larson: Yeah, that's right.

Brien Lundin: Yeah. And they're always underestimating the scale of the deficit. So it was a pretty depressing picture painted by that chart already, but we know that the deficits are going to exceed whatever they're projecting. I thought it was interesting that they were showing by 2030 or so that over half the deficit would be taken up, or about half, would be taken up by interest payments. Do you have any idea what they're projecting for interest rates to be at that time? Because my view has been that they can't really normalize or even attempt to normalize interest rates to any degree because of that interest cost conundrum there.

Mike Larson: Yeah. Off the top of my head, I don't know what 10 year treasury yield benchmark they were using for those projected rising interest costs several years out. I do know that they are forecasting growth to pick back up and rates to pick back up along with it. But as you noted, the CBO forecasts are the best bet, but they're almost always wrong. They're almost always too optimistic.

In this case, I think you're right in terms of the interest rate environment. How can we see rates spike when we have piled so much debt on not just the government's balance sheet, but corporate America's balance sheet, and consumers for that matter, as well? And my answer is you're not going to be able to see it.

The reality is the more debt you apply to an economy, the lower level of interest rates it takes to break that economy. You go back to, if you have a hundred thousand dollar mortgage and interest rates go up 50 basis points, okay, that's not too painful. If you have a million dollar mortgage, because you have much more debt outstanding, and you increase the adjustable rate on that by 50 basis points, you're talking about a big monthly impact.

And so if you take that same mentality and apply it to corporate America, or the government for that matter, you can understand why we're much more likely to be caught in sort of a Europe-Japan interest rate trap than one where interest rates are going to spiral higher. Because again, it would break the economy at a much lower level of rates.

Brien Lundin: And that implies then that because interest rates really have to be pretty much zeroed going forward because of the cost of servicing the debt, or very close to zero, at ultra low levels, that implies negative real rates then, I guess, for the foreseeable future. And we know that that's a big tailwind for precious metals and tangibles in general.

Mike Larson: Absolutely.

Brien Lundin: What other asset classes would that benefit or would impact to any great degree?

Mike Larson: Sure. Again, I think that rock solid, higher yielding, higher rated blue-chip type names that are dividend-oriented are probably going to continue to, at least outperform and probably thrive even in a tricky economic scenario. Again, I love precious metals. I love silver, gold and miners, but if you're looking for yield in this environment, your bank's going to be paying you zero for years. Treasury is going to be paying you 30, 40, 50 basis points, depending on what you're buying. And that's now. Who knows in a year what's going to happen.

People in an aging population and aging demographic, people are still going to be looking for income. So I think that those kinds of names have been outperforming since the interest rate cycle turned in early 2018. And I just don't see that changing. For the money you're going to allocate to the stock market, I think you want to be in that... Again, I call it safe money stocks, because I think that's where you're going to continue to see people searching for yields, searching for income. And those are the kinds of names that are going to benefit.

Brien Lundin: Thanks, Mike. Yeah, I think you're one of the top experts out there in this area, in interest rates and the future of interest rates, and the implications thereof and all the asset classes. So, a brilliant presentation once again. I really appreciate you joining us.

Mike Larson: Thanks, Brien.

Robert Helms: Hey, Mike, I've got one more quick question for you. We're talking about interest rates, which are important on two sides. Obviously folks that are looking for yield in return and income, it's challenging when rates are low. I'm a real estate guy. I love real estate. This is a time when we borrow to buy real estate. Most of what people hear in the headlines is residential real estate, home starts and what's happening in residential markets. But you cover residential and commercial. We're going to do a presentation this afternoon about the realities of COVID-19 on real estate. What thoughts do you have on commercial real estate and where interest rates are today?

Mike Larson: Sure. It's no great insight of mine, I guess, to point out that the COVID outbreak has caused an incredible re-evaluation of where the risks and opportunities are in commercial real estate. How long are these offices going to be empty? Are these shopping malls ever going to fill up again? Or is everybody going to, not everybody, but ordering online. So does that mean more warehouses over here to fulfill things and less shopping malls over there, or worse vacancy rates in malls and so on?

I would tend to agree with that big shift. I think if you're looking in real estate, industrial is probably, industrial space, warehouse space is probably going to continue to command a premium. Office, it's going to be a shifting environment. A lot of people I think that are making these moves, especially some of these families, millennials, are not going to probably want to move back into the city and work in an office full-time and so on. So you're going to see some issues with vacancy there.

And as far as retail, again, the shift towards online purchasing has been going on for a long time. It's just only accelerating now. So unless you have landlords that can come up with new ways to use a lot of that space that's been built, it's going to be a struggle for a long time.

So again, I think those big picture shifts that are underway, even if we had a vaccine tomorrow, even if COVID went away, I think those cultural and other economic shifts are probably going to be an issue for a long time. So that's how I see that shaking out now.

Robert Helms: Excellent. All right. Well, we sure appreciate your insight and thanks for being with us again. There's Mike Larson, ladies and gentlemen. Great, great stuff.

Ned Naylor-Leyland

"Going Well In 2020, But Does The Wider Market Care Yet"

Albert Lu: That would be Ned Naylor-Leyland. He is the manager of the Marion Gold and Silver Fund at Marion Global Investors, a diversified global asset management firm, which is part of the Jupiter Group. Prior to this role, he was a fund manager of Old Mutual's Gold and Silver Fund. And prior to that, was an investment director at Quilter Cheviot. His talk today is "Going Well In 2020, But Does The Wider Market Care." Welcome Ned Naylor-Leyland. Please take it away.

Ned Naylor-Leyland: Thank you so much. And Brien, thank you so much for the invitation. I'm sorry I can't be there to drink cocktails in New Orleans. It'd be a lot more amusing than being inside rainy London. I'm very honored to get this, it feels almost like a lead slot. First day, first up. And I sat thinking about this yesterday, what am I going to talk about here? And then I recognized that, I think, after me is Ross Beaty. I'm buy-side in mining, and I haven't been doing it as long as him. And I don't know as much about it as he does. So I was thinking, well, I'm not going to get too technical. Maybe I can put some charts up. And then I realized that Ronnie would have probably done that too. So, I'd probably end up using some of Ronnie's charts.

And I thought, well, actually I probably can add some value to the people at the conference. In as much as I have a role, which is a little different than some of the other people who will be speaking. So, I suppose I have some insights which they won't have as to participation levels, where that might go, how that might evolve. And then there are a few other rabbit holes, which I'll touch on too, particularly the one about silver, and the additions to SLV, which I find both laughable, but also the best news that I've seen, really, for 20 years. I'll get into why that is, in a minute. So my job is a portfolio manager, as was mentioned. I run a fund out of London, which invests in both bullion and mining equities.

So we've been doing this as a team overall for nearly 40 years of experience, as a team. So we have a reasonable overview, or insight into the sector. But I think when you say, does anyone care yet? Obviously, I'm referring to Grant William's wonderful presentation of the same name. And I suggest all of you go and look up Grant's presentations, they're wonderful, on the sector. And I would say that, broadly, people don't care in institutional circles still. They are edging in our direction gently, but they're not doing it yet. And I think that they can be excused now, to an extent, for not doing it as well. I can't speak so much what goes on in the Americas, but certainly in Europe, everything is very much led by benchmark. Investors that allocate towards sectors on behalf of your portfolio, pensions, et cetera, they're constrained by what they're given. And what they're given is not gold or gold miners. They're not part of the normal asset allocation model of the normal investment community.

So, taking that view requires one of two things, either total commitment and certainty and willingness to go against the herd, or the raw outperformance of that sector driving people in. Now, this is why the moment we're actually is very interesting. I've run a fund investing in gold, silver, gold miners, and I'm quite noisy. And I have a whole bunch of other fund managers running tens of billions in equities, and fixed interest too. But, none of them have ever owned a gold miner in 20 year careers. So these are people who can invest in, let's say UK equities, or in European equities, wherever it might be. And, not only are they at level weighting with that underlying index, they have no weighting at all.

And what we've seen in the last few months is some of these guys go to 0.1, 0.2%. So they're getting off zero and they're starting, it's a pain trade for them. They're doing it because they have to. One of them even admitted as much on a video call that I was on. He admitted how much he was hating having to do it. But he's only doing it because of the performance drag. Now this is the thing. And I touched on it earlier, price action creates market commentary. What will create a situation where broader markets care? And the answer is, continued price action, whether it's miners or spot prices. And certainly Q3, we're starting to see the numbers come through now, the production numbers. Q3 and probably Q4, are going to be the best operating quarters in more or less anyone's living memory.

I mean, maybe Ross might contradict that. I'd be interested to hear what he says about that. But it's a very different environment. So what you have is a situation where, if you imagine some of my colleagues who will say, "I'm never buying those gold stocks. They never perform. I don't understand them. I can't value them. And that nutter goes on about them all the time." Now, what's interesting about now, is investors like these, who are having to do it, they are able to come up with a narrative for buying gold miners that doesn't involve monetary collapse. In other words, they can do it based on their actual operating performance. And, of course, the spread between their operating performance and some of the other things that are held rigidly in portfolios. Obviously, Ronnie mentioned earlier that you saw that initial move by Buffet into Barrick and away from Wells.

This is just the start. Of course, when the yield curve goes under, like the Hunt for Red October, when we're in negative, real interest rate, and collapsing negative real interest rate environment, what's happening here is that same reason why people own financials pay dividends. Financials are, they're not mining money. They're pumping into the system. But they're mining money in a way. And of course, gold miners are mining money too. And they benefit from the negative real interest rate environment.

So what you've got is a flipping happening in financials and gold miners. And that's something that we've talked about for a long time to investors, saying this is inevitably going to happen. But the key is that these guys can say, "I still don't agree that gold is the risk-free instrument. Or that we're going to have a reset." Or any of this stuff. They don't need that narrative in order to buy the gold miners now. They're buying them at the margin and it's only a small margin, but they're doing it because they're outperforming. And because you can see this quarter on quarter improvement. And, of course, obviously the fact that input costs are controlled, if not drifting lower. What we don't have is that relentless rising input cost inflation problem that we had for 20 years in mining.

So I think that, institutionally, it's still earlier than people realize. There is more interest. I see, probably, a quarter after we break out through that high in August. So, we have a few months of sustainable rising prices. That's when you'll start to see that pain trade that we've referred to a few times today really start to feed into the, does anyone care environment? Because what people do care about is if their performance isn't as good as other people. Or if they're looking stupid. And, in my view, you will see different levels of participation, driven purely by emotion, price action and emotion. And I think that's coming. So, while no one cares in institutional levels still, or they're just starting to, amusingly, we can agree that people do care outside of formal financial circles. So, people who don't have to adjust and believe in the banking system are waking up to all of this at a rate of naughts. And even some institution investors are as well.

And I'm going to throw this out here for you. The reason for that is because we're going through the apocalypse. Now, apocalypse is normally a word that people at gold conferences hate hearing because it infers all sorts of stuff about us as individuals, that we would use that word. But, actually, I'm going to twist it one more time and say, well, no, that absolutely says a lot about us as goldbugs that we would use the word apocalypse, because the true origin of the word apocalypse, of course, is the Greek. And that word means unveiling or the revelation of things that already exist. And that's happening in all sorts of ways at the moment. Not least of which, what money is. And people are remembering all of this, and Bitcoin feeds into it too. And we are going through an apocalypse on all sorts of levels at the moment.

Of course, it was prophesied too. But in the financial world, people are remembering what money is. It's hard for them though in the institutional world, because they'd been so terribly brainwashed. And this subject is purposefully not included in financial training. I tend to defend my colleagues a bit despite the fact that they like to argue with me, because it's not something which has been properly explained, or taught, when people go into the market. And, the fact that retail have got it, has led to the most delightful phenomenon, which is, I suppose, the central piece of what I want to say to you today, which is that I think that Robin Hood may be about to break the bullion banking system. Or maybe it already has.

Now, what do I mean by that? Well, the bullion banking system as it is, of course, accelerated and evolved through the '80s and up into where it is now. And much of it was a reaction to what happened in the late '70s when negative real interest rates drove gold really high, and silver really high. And all of this brilliant banking mainframe was wrapped around gold and silver markets like, I suppose, either a straightjacket, or a massive inflatable around it.

And while gold has been managed and suppressed over the decades, silver has been looted by the industrialists for 70 to 80 years. They've benefited by having very cheap silver for decades and decades and decades and decades. And we talk about addiction. There is an addiction. Which is the usage of silver at below reasonable prices thanks to a series of historical events. It doesn't necessarily have to be a conspiracy, but a series of historical events, starting with Bretton Woods led to a situation where the Silver Users Association has been achieving very low price silver for decades. In fact, there's a wonderful quote from Jeff Christian from 1988, where he spoke to the Silver Users Association and said, "I realize silver users don't like silver investors, and would rather not have them around." Well, reap the whirlwind. It's coming back right now. This is coming back right now.

And what you're seeing is a situation where, because of financializing, and creating this bullion banking system, of which silver is a part, SLV is the Achilles heel, I think, of the bullion banking system. Lots of us here, including Chris Powell and various very high quality individuals, who've looked into the issues of bullion banking, and the gold and silver market for a long time, probably didn't imagine that a bunch of day traders on Robin Hood, buying SLV, would be the thing that came to their rescue. But when I see the preposterous amount of silver being added since April. And we're talking double the inventory, more or less, in SLV. Four or five times what Jeff Christian said only a few months back would be total global investment demand for silver. Total global investment demand. And one ETF has added four or five times that in a few months.

I think this is very important. It's not sustainable. It simply isn't going to work long-term. So I think, it's exciting to see what's happening in silver at the moment. I think there's every reason to be thinking about that $50 an ounce number. I personally don't think it will stand this time around. Because the thing to understand about the previous spikes we've had in both gold and silver, the one in 79/80 and the one after QE was initiated, is that neither of those rallies were sustainable. They weren't sustainable. And by the way, in terms of mining equities, no one paid up for those either during the period in 2010, 2011, when silver went up to 50, because the market didn't buy the new trading range. It wasn't willing to run with that.

And I think that's crucial. You've got to realize that this is a volatile asset class, particularly the mining equities. We need to see the market realize that $2,000 gold is where we were and realize that mid $20 silver is a floor. Not only is it not a top, it's where we're going from. And I think once that happens, then you're going to see a big change. And then everyone will care very quickly all in one go. And probably there'll be a lot of very happy Indians, by the way, with all of their silver that they'd been buying for the last couple of decades during high gold prices.

So, I'm going to spool back and summarize my observations, that hopefully would be worthwhile and of interest to people on the call. I work for a big institution and I meet lots of big institutional investors, and people who can allocate hundreds of millions. And they're not ready yet. They're not ready. They will be ready all in one go. So when that happens, funds like what I run will receive huge amounts of inflow all at the same time, we'll all be chasing stocks and the thing will go. But I do feel strongly that it requires those levels to be left behind. The inner fear and skepticism of buying something when it's gone up needs to be left behind, whether that's accelerated further in interest rates falls caused by inflation turning up, which I'm not convinced about. It could happen.

Knowing exactly what will create the accelerant to the move in real interest rates, and therefore gold and silver, is impossible a year ago. I was going around the world saying, "Look, this is going to happen. Central bank balance sheets have to massively expand. It's going to happen over the next six to nine months. And it'll probably be the new green deal that will make it happen. And, apparently, we are still going to get the new green deal. It's just going to be after COVID.

So, you never get the exact catalyst for any of these things right. And none of us ever will. But the direction of travel here is now clear. And, to frame it in terms of real interest rates, which I know is boring. We all go on about it all the time. But you now have a situation where, in 1980, when Volcker killed gold and silver, and basically got the banking system back under control. He used the tool of rising real interest rates to do it. Now you have the opposite. You have power like Moses and the Red Sea. He is holding real interest rates down for you. He's saying go through. Run. Go and buy gold and silver. That's basically what the Fed is telling you. I mean, it's an amazing situation, and extraordinary inversion of that cycle of 79/80, that you would have him going, "We're never going to raise rates. We might go negative, but we're certainly never raising rates. And we want more inflation." Both of these things drive real interest rates down. They drive gold up. They drive silver up. We're still early in that move.

So people don't care in my world, yet. They aren't laughing at me anymore, which is interesting. There's a bit more, "Ooh, he's quite interesting." But I think that the..institution market, I'm afraid, is very farmyard like. And it will all go in six months. It will be a six month thing. And it will be a sight to behold for those of us that are positioned ahead of that event. With that, I sense myself waffling madly. So I will stand down and pass back to the studio and hopefully get rescued.

Albert Lu: All right. Ned, thank you very much. Gentlemen, I'm wondering, is there any questions here, on the panel here, for Ned?

Brien Lundin: Questions for Ned? Well, Ned, it's been a long time since we were talking on the circuit in Switzerland. A number of years. We were predicting what was going to happen back then. But it sure took a lot longer than we expected at the time. What do you think about the structure of the market now? I mean, we went through a long period, a long bear market. In reality, it was the longest bear market in history for a 4,000 year old asset. Because until 1971 or thereabouts, there really wasn't a globally traded investment asset, as it were. And, of course, it's never lost its role as money. So we were in the midst of the longest, deepest, hardest bear market in history. Do you, given the structure of the market today, given the macro forces propelling the metals higher, do we have the chance for that kind of a market? Are we going to get back to that kind of cyclicality or is there an end game in this cycle?

Ned Naylor-Leyland: Well, it's a great question, Brien. I do think we have an end game. And I think it's sadly, probably, a bit closer than we think. Remember, as well, that it is easy to fall into a US centric viewpoint because, of course, Sterling gold and Euro gold and Yen gold had a different outcome over those time periods as compared to... US investors warn that more than anybody else. And the reason I would say that happens, Brien, is because fiat money loses purchasing power against gold, like a slinky goes downstairs.

So in other words, gold doesn't go up until... I mean, I know, even I talk about this all the time and I still look at the gold price going up, even though I know it doesn't do that. But the thing about the dollar, and one of the reasons why the US investors had a trickier time owning physical, over that timeframe is because the dollar is like the top part of the slinky. If you think about a slinky as it goes down the stairs, obviously we're talking about, each big run for gold is a stair step for the dollar, or sterling, or euros. And generally, they move together, they go as a pack. But the dollar, because of its reserve currency status, is like the top part of the slinky where it hits the next step. And then it looks optically like it's bouncing. I mean, of course, it is bouncing actually, the top of the slinky. But the bottom part is sliding straight down into the next stair.

And that's what's happening if you live in Turkey. So, for Turkish holders of gold, it's been pretty much a seamless outcome for them over the last 10 or 12 years. But for US investors, you've experienced a different outcome to the rest of us, due to being the top part of the slinky. But there is an important additional observation here, Brien, which is, if that's right, then that also infers that the dollar has to weaken versus those other currencies because it's higher up in its journey down, if you follow what I'm trying to say. So I think that, cyclically, we're at that point where we're rolling off a stair. But I think what I'm reading from you, is you're pressing me to say that I think that this is the final stair, and I do. So this is way more important. And it's certainly what I've been waiting for for 20 years, which is, it's not about waiting for it to make money. It's waiting for it in horror, going, "This is coming."

We were standing beside the railway tracks, pointing at a train two and a half miles away going, "That's going to run you over." And now it's 20 feet away. And there are still people going, "You're still going on about this." Even though they see the gold price going up. And it's happening, but there's this kind of inability to grasp the situation properly. But I fear that they have a digital monetary system outcome ready to be dropped. Certainly, within a couple of years....

Brien Lundin: ...Great answer, Ned. And certainly, I didn't expect you to say anything less. I was expecting you, in fact, leading you on to say, this is the last step. And you did not disappoint. So, I appreciate that commentary. And I think we are now, time's up for Ned. Ned, thank you so much for staying up late, as it were, for us over here in the States. And really appreciate your commentary. And look forward to getting together at some point in the future.

Ned Naylor-Leyland: I can't wait, Brien. I really look forward to that. And if you invite me next year and we have to do it in this way, then I will wear a tie. I apologize. I didn't do that. But, I promise you next year.

Brien Lundin: No problem.

Brien Lundin

"The Big Picture For Gold"

Brien Lundin: Excuse me. We had a bit of a change in schedule, came to me a little bit earlier than I had expected. So I'm going to give my presentation right now, and I'd like to preview it by saying I'm taking a bit of a home field advantage here, in that I have 20 minutes and about 40 slides. So I may go over, but like I say, I'm pulling rank here and if I have to, I have to. I tried to edit the presentation a bit, but I really couldn't find anything I wanted to take out. That said, I've been running around in the conference trying to put this presentation together, kind of as we speak. So I had a number of important points, kind of thematic points, that I wanted to present therefore, the name of the presentation, The Big Picture For Gold. And I've thrown them all into a presentation. I'm not quite sure how one big point transitions to another, but we'll go through this together, and let's see how it goes.

So the big picture for gold, as you know, from what I've said already during this conference, there's a big macro view, a macro case for investing in gold right now that I think the majority, if not all of our speakers, agree with, but one of the big things about this that I stress to people is that instead of looking at the gold price every day measured in dollars or even measured in Euro or Yen, you need to realize that gold is the constant around which all other values revolve and against which currencies have always depreciated.

My good friend, Russ Gray, who just came to the gold space about five or six years ago is great for metaphors in describing and educating investors about various topics in finances, but coming to gold, he really alerted me or reawakened me to the importance of explaining gold in this manner that we have, like Copernicus's heliocentric view of the solar system with the sun at the center, if you look at gold at the center of money, at the center of currencies and finance in the economies, then you really have an understanding of its real role. And you can look at it...from a long-term view and understand that currencies are depreciating, or their values are evolving around gold itself.

And again, this is nothing new. In fact, and this is another big thing I try to stress to people, is that what we're seeing now is nothing new. It's all happened before. If you look at this chart, it shows the silver content of the Roman denarius, and back then, of course, it was a hard money-based currency, and silver was money as well as gold. But the circulating coin of the realm was silver. And it debased as Roman debts amounted through military campaigns, bread and circuses, et cetera, et cetera, entitlements, even. The debts of the Roman economy grew to an unmanageable extent.

So the Republic and then the emperors had to debase the currency, and they did that by debasing the silver value of the circulating coins. And as you can see, this roughly, or actually pretty well, correlates with the decline of the Roman Empire.

People look at the US in the modern era and say, "This couldn't happen in the US." Well, in fact, it already has. If you look at this chart, which goes back to 1965, a time that I picked because that's when they removed silver, the last vestiges of precious metals from circulating US coinage. And as you can see, the US dollar lost, has lost, about 88% of its purchasing power over that timeframe, which encompasses the lifetimes of most of the people watching this, it's already happened here to some extent. And more than that, it's ongoing.

And what happens when you have the underlying currency devalued? Well, gold rises in valuation in that currency. Again, gold is the anchor, the currency is being depreciated. This chart shows that the value of gold has increased. Now, there's a lot of jigs and jags in the line. It's not a smooth uptrend by any means, but still over the long-term, the grand sweep is that the value of gold in that currency has increased. What in fact has happened has been...the value of gold as the anchor has remained steady, and the currency in which it's denominated has actually decreased in purchasing power.

So what caused the decline in the dollar purchasing power? Simply put, spending and debt creation. Now here's a chart that I showed at the New Orleans Conference I guess now it's two years ago. And back then, I showed the really disturbing increase in the federal debt and how it's grown at a trendline growth rate at 8.6 some odd percent since 1900, since even before the establishment of the federal reserve.

Now back then, I projected that trend line, and I noted that if the debt continued at this long-term growth rate, it would reach $25 trillion by June of 2020. Now that was just further evidence to our audience that I was crazy as a loon because back then, with debt at 21.5 trillion, it seemed impossible that within two years we would get up to 25 trillion. And I really acknowledged as much at the time and said as crazy as it seems, that is what that trendline projected would indicate. Further, it would show 30 trillion in debt by July of 2022. As we've seen over the last year, the last few months in fact, we've actually exceeded that, and we're up to 27 trillion by essentially summer of 2020 and 30 trillion looks right around the corner. And in fact, we'll probably get there well before 2022.

So gross federal debt two years ago was already out of control, but that bad trend, thanks to COVID-19, went to warp speed. Let's look at the reaction to that. As you can see where the arrow starts, that's the actual beginning of quantitative easing, as some of our speakers have remarked even today, it started well before the pandemic. It started in August of last year, and we started already some form of quantitative easing, if not what the Federal Reserve would admit it at the time was quantitative easing, it essentially was, and Wall Street took it as such.

But then it went parabolic. And you can see that as soon as the pandemic hit, the fed took out its old playbook and took out the plays that it took three to five years to enact last time around. It actually enacted over the course of three to five weeks.

So Fed assets just exploded to the upside. This is an interesting chart that compares the Fed's quantitative easing programs. If you look at the bottom, that yellow line is QE1, which was unprecedented, in the US at least, in a dramatic, dramatic departure from anything the Federal Reserve has ever done. You see it extended over some period of time...it didn't even reach $500 billion.

Then you get to QE2, and that exceeded $500 billion, but it did it in a shorter time period. Then came QE3/4, which was unlimited quantitative easing. And the Fed, at that time, if you remember, said, "We're going to do this as long as it takes to whatever degree it takes to get the results we want." And that extended over actually a couple of years and it went over a trillion dollars, up to about one and a half trillion dollars.

Then you get to that red line. You can see that that, over the course of essentially a couple of months, went to $2.9 trillion, far exceeding everything, even cumulatively that had been done before, and vastly exceeding them in the rapidity of the quantitative easing of the money creation.

So the Fed's QE-infinity was immediately supplemented. Now that's one thing you have quantitative easing, and as Lyn Alden pointed out yesterday in our Economics Panel, what she focuses on is instead the fiscal side of it, trillions and stimulus spending, including helicopter money that was directly deposited in voter's bank accounts. The result of these stimulus programs so far, is this: an exploding federal debt, and as I mentioned earlier, is now over $27 trillion. Federal debt is up about 330 billion over just the last six weeks. That used to take a year to accumulate....It's up that much over the last six weeks alone.

I've done this chart in a number of presentations over, well, since the pandemic began. And it's really interesting as I go back to those presentations, bring up this chart and see what the progression has been when we started of about 20 or nudging up to $22 trillion, and now already $27 trillion. There's just been an amazing acceleration in the debt.

Now, back to quantitative easing. We see what's one of the results of both the quantitative easing, but also the fiscal spending has been a tremendous increase into money, into money stock. As you can see, it's absolutely gone parabolic, and a number of our speakers have already shown this chart, and it's really quite dramatic. You can take this chart back even further. You can go back to the sixties, and this spike still shows up as something that's just absolutely extraordinary. We're talking something of a World War II degree change in the M2 money stock. And this would from a classic monetarist point of view, be monetary adrenaline and be a dramatic warning of inflation just ahead.

But this harkens back to our economy panel of last night, and I just added this chart because of that. Monetary adrenaline, not quite yet. This shows the velocity of M2 money stock, and I brought this chart back a bit, but actually if you go back to 2008, post-2008, you see that there's been a steady decline in monetary velocity, and it's just fallen off a cliff as we've gotten into this pandemic response. As I mentioned to Albert yesterday, it's like the government is trying to force feed a goose, and we're the geese, and the economy is the goose in that we're trying to throw this money into the economy, but it's not going anywhere. It's not doing anything. And until we get that kind of monetary velocity, we're not going to see the kind of impact in the retail price gauges most, basically the gauges of retail price inflation.

One of the reasons I think that Lyn Alden would agree with me is that there's nowhere for the money to go. Economic activity has, well, we've had a complete, at least at one point, a complete shutdown in the economy. And I think at least what we're looking at is not so much a structural shift forever more, although there may be somewhat of a structural shift going on. I think what we're probably seeing is the fact that there is not that much economic activity in that what's happened is a bunch of tinder has been stacked up in the economy, and once we do get some economic growth, if we do get a return to something near the levels of economic growth that we had before, that there'll be a spark applied to this tinder, and we will get that kind of inflationary response.

But we'll see, we'll see. It's interesting to see that post-2008, monetary velocity did start to decline, despite all of the stimulus efforts post-2008. And... the result of a lot of that was the fact that we had such a moribund recovery that, really the slowest post-recession recovery in US history. And that's perhaps a reason for that and a gauge of that, that the economy really wasn't firing on all cylinders. We'll see going forward.

But one of the implications, regardless, even of the price inflation or potential retail price inflation and potential monetary inflation, the real implication of this massive debt load is ultra-low interest rates essentially forever under this monetary regime, due to the costs of servicing the debt. There is no way that we can actually have interest rates that would approach normalization. We can't even have interest rates that will be positive on a real basis because if they do, the debt service costs would explode the federal budget. We simply can't afford to pay those rates. So for fiscal reasons, the Federal Reserve will do everything it can to resist having positive real rates.

So let's look at how low you can go. This chart goes back to approximately 1980 and shows that in every economic slowdown, essentially even if the federal reserve has anticipated a hiccup in the economy, it has responded by lowering interest rates. This chart shows the effective federal fund rate, and as you can see, the gray lines are the recessions along the way. You'll see that in every instance of an economic slowdown or even the anticipation of one, the Federal Reserve has embarked on a campaign of cutting interest rates. And I've marked in red, the bottoms of each one of those rate cut campaigns. You can see that it traces out a stair-step pattern rather, progressively lower and lower.

Not only that, but when the Fed has tried to normalize rates at the end of these rate cut campaigns, it's never even reached the midpoint of the previous cycle. So it started off on the second story, stair-step down, down, down until its finally reached the foundation post-2008, where it's going to zero interest rates. If you look at the next stair-step, it's actually into the basement. It's going into negative rate territory. That's a big step to take, quite frankly.

And I know that Jim Rickards yesterday said that the Fed is not going to go to negative rates. I'm not quite so sure. If you look at all the Fed statements, Fed governor's statements, Fed president's statements, if you look at chairman Powell's statements, they say that they don't think it will work. They say that it's nothing they're considering right now, and that the evidence from other examples isn't compelling. They've never once completely ruled it out. So I'm not going to completely rule it out. It's entirely possible. I think if they do go to negative rates, you're going to see precious metal prices absolutely explode to the upside, and that's another thing that position in the sector will head you against.

Now, what do negative rates mean? Again, we are going to be in a negative real rate environment, essentially, as long as this current monetary regime goes on because there's no alternative. This is a wonderful chart by Ronnie Stoeferle and his team at Incrementum. They produce, again, the In Gold We Trust report, the best compendium of research, annual compendium on research, of research on the gold market. And what they've done here is shown the gold price in gold, that's that line that goes along the chart. And all of the periods in blue show times when negative real rates have maintained. As you can see, the gold price has responded very well to these periods. Negative real rates really are a tailwind for precious metal prices. So that's a huge, huge bullish factor for gold and silver.

I'd like to step aside for a little bit and go through a report recently by Bridgewater Associates, of course, Ray Dalio's operation. They recently put out a tremendous report on gold that as you would think from their standpoint, really crystallized the argument, the investment argument for gold. In that report, they said, particularly in environments like the current one, it's wise to hold some of what central banks can't create more of. And these charts tell that tale. First off, negative real rates. This is the percent of global debt in local currency that yields below 1%. If you have nominal rates below 1% percent anywhere in the world, you essentially have negative real rates once you subtract the rate of inflation from that. So we're at around 80% of the global debt in the world, is negative on a inflation adjusted basis right now. So again, that's tremendously bullish for precious metal prices, not only in the US but around the world.

Now here we see currencies exploding relative to gold, the creation of currencies. Again, fiat currencies, and again, I believe that gold will devalue against not just the dollar but all fiat currencies in this cycle. So central bank balance sheets have grown tremendously post-COVID, but, again, they were growing tremendously post-2008. And here we see that they've gone, again, parabolic relative to the valuation of gold in the world.

Now we have a long way to go. If you look at value of world gold stock divided by the money printed by central banks, again, the value of gold relative to underlying currencies, you see that if we only got back, or if we got back, to where we were in 1980 on this valuation scale, the valuation of gold relative to currencies would have to increase about eight times over or more than eight times over, which perhaps not coincidentally relates very well to the eight times valuation or revaluation that gold went through in the late 1970s and the about seven and a half times reevaluation that gold went through in the 2000 and 2011 timeframe.

There are a lot of parallels to that. We're now an uncharted territory essentially on the gold price. So you have to look to these kinds of parallels to see how far the gold price could go right now, and it seems like a lot of these analogs get back to the seven to eight times comparison.

So where are we right now in this crisis? Well, if we compare it to post-2008, we may not get an exact repeat, but if we get somewhat of a rhyme, it's going to be a very profitable experience for us.

Here we have a chart of the gold price during the 2008 financial crisis. You see tremendous volatility up and down. As we went through that liquidity vacuum and gold was sold, bought, sold again, and bought. And then, though, that fear when gold was sold and liquidated and then bought again by some people, things steadied out. And as you saw the policy response come to bear, and as you saw investors come to appreciate that policy response, they started to buy gold in anticipation of what was to come. And as you can see over the next couple of years, the gold price essentially tripled in value as investors responded to that tremendous monetary stimulus.

So what's going on in this crisis? We see a real parallel here, but everything's been sped up. Time has been compressed. If you look at gold in this crisis, you can see in March that dramatic downdraft, that liquidity crunch. That occurred over the span of days, actually about a week or so, let's call it three to five trading sessions, when you had that tremendous downdraft. We saw the same thing post-2008, but it took three to five months to go through that process. And then the investors started to react to that.

Over the next few months, the next year, gold price really started to take off. Here we see that process took the matter of three to five weeks where we had a tremendous $300 rally in the gold price. Then we traded sideways for a while from about the end of April through the end of June. Then the gold price took off over the summer on another $300 rally. I thought and hoped, I guess, as a gold bug, that we were going to go through another sideways period where we were going to consolidate those gains over time rather than price. Instead, we kind of consolidated those gains over by price rather than time....So what happened was we actually had a more of a classic price correction this time around rather than over time, we had a decline in the gold price.

Now, what was behind that? Essentially, a rise, very brief rise in real rates. And that is really if you boil it down to the most essential aspects, if you look at what correlates most strongly with the gold price, it is real rates. And here we have the ten-year TIPS, a measure of inflation expectations, the yield on that being a measure of inflation expectations, you can see that as the TIPS yield was falling, or as real rates were dropping, the gold price was rising, and particularly when you got over the summer, we had that nice big rally, and that was accompanied, or at least caused, essentially caused by a drop in real rates. But then you see real rates, that blue line at the bottom, start to stabilize and barely start to creep up. With gold having undergone a $300 price rally and being at the top of a peak, that's all it took really to precipitate a sell off, as it were, in gold.

And the lesson we take from this, the lesson I take from this, is it's not so much the level of real rates as their direction that the market is looking for. And if we see real rates, again, begin to decline, and some of our panelists last evening on the Economy Panel pointed this out, that there's a long way to go still toward negative real rates historically and that these negative real rates aren't that negative and have a long way that they can go. There's a lot of scope for further decreases, but this is something to watch. It's not so much, again, the level of real rates, especially negative real rates, but their direction.

If we look at the 14 week stochastic, we see that the momentum for gold is negative and has been for a few weeks. This is a key thing that we trace or we track in Gold Newsletter. You don't want to see that stochastic get down toward the 20 level. So this is a crucial period. We'll see over the next few days and well, actually a few weeks, what this stochastic does. If it continues, then that will portend at least a sideways period, if not a decline in gold prices going through the end of the year. And generally speaking, I think that's a very likely scenario, at least till we get past the election. And it's a more typical seasonal scenario that we have a bottom at some point around mid-December.

So bottom line, the big picture argues for much higher gold prices over the years ahead, the long-term picture again. The short term is more uncertain, is uncertain, but the long-term picture is by contrast very certain. This chart shows a long saucer-based bottoming process for gold. And this bottoming process going back from 2011 to today, is so long, and in fact is the longest such process in the history of gold as a freely traded commodity since 1971. This is the longest bear market bottom that we've ever seen. That implies a much longer and more powerful breakout. And that is where I think we're going.

So in the limited time that I have left, let's go very quickly then to some ways to play it. ArcWest Exploration. This is a company that I actually co-founded a number of years ago and have since handed it over to a new management team with some great properties, we had some great properties, in the Golden Triangle, and they had some other ones and just a tremendous technical team. So we handed the company, over to them. I'm no longer officially involved with the company, but I am a shareholder, a very large shareholder and have never sold a share in fact.

I think this is a real value right now because in my opinion, the best property in their portfolio is the Todd property in the Golden Triangle. And they are getting that property drilled through a joint venture before this season ends. So that I think is very undervalued and I think the Todd property is just extraordinary. It's a company maker in itself, and it's actually going to see the drill bit I believe if plans hold up this season.

Electric Royalties. This is a very interesting company. You know that royalty companies have been the darlings of this market, and there've been a number of new ones that have come to the fore, come to the market, and our readers and Gold Newsletter have enjoyed some really rich profits from these companies, these new ones that have come into the market that we've exposed them to in the newsletter.

This company has not yet gotten that kind of reception because it is not based on gold and silver royalties, but on the energy metals and minerals. And if you believe in that electrification revolution, in automobiles and anything else, everything else, then you know that there's a very powerful argument for much higher prices of these materials going forward. Electric Royalties has and is assembling a tremendous portfolio of royalties in this area. It is the only company doing so as of yet. And therefore, I think it's undervalued and under-recognized by the market right now. I own this stock as well.

Erdene Resource Development is a company that I keep kicking myself because I don't own it and have had every intention to buy it at much lower prices, but I've just simply been too busy. It's a wonderful company. It is going to be in production by the end of next year. And that production will yield free cash flow that will closely, or nearly approximate its current market cap. And at the same time, it has a suite of high grade gold targets that it will be drilling and releasing to the market. And the market really likes high grade gold results, and you're not going to get much in that respect, more exciting results in Erdene will be delivering to the market in the weeks ahead.

Libero Copper and Gold. I do own this company. I bought the stock in the market, and I bought a bunch of it in the market in March as the price got very low. I think that their targets on the big red property that they have are some of the best I've seen, at least on surface sampling. The drills will tell us if those grades, if that mineralization goes to depth, and they will tell us very soon. The company is drilling right now. I think it is a drill hole play, but it's backed up by some substantial copper assets as well around the world in some copper, established copper resources. So it's got a bit of a backup plan as well, but it is a drill hole play, and I love the drill target.

GR Silver, another company that I intend to buy but don't currently own is yielding tremendous silver results from its Plomosas property, which it bought from First Majestic, and has hundreds of drill holes in the core shack essentially that have never been released. So it's got a couple of years of news flow that it could produce without even drilling a hole. In fact, they are drilling. They are connecting it to its other property, the San Marcial property, trying to connect the two projects, and their land position, particularly in the Rosario district is at absolutely preeminent. I think this company, the market really loved silver exploration plays mid-summer. I think we're going to get back to that space. This company essentially has enough projects in its portfolio for any three highly valued silver exploration companies. So that's where I see, even though it's made a big run since earlier this year, I think it's a tremendous opportunity right now, and it has some paper coming free next week from an earlier financing that I think creates another potential opportunity for a better entry price. So keep an eye on GR Silver in the days just ahead.

Sun Peak Metals is an example of one of those companies that sometimes you have to pay up for the better companies out there. They have a project in Eritrea. The geological team is the one behind Bisha project in Eritrea. I'm sorry, Sun Peak is in Ethiopia, but the same geology, the same trends extend into Ethiopia. This is where they've moved their team over the last couple of years. I invested in this company a few years ago on a private level. I have not bought any more in the market, but I fully intend to around these levels. And there's tremendous buzz around this company in the market by a lot of really smart people that are on the bid right now. I think this has a long way to go. And it's a play that I think just about every serious junior mining speculator should have in his portfolio.

Pucara Gold is similar to that. As you can see it spiked tremendously. It's only been trading for a couple of weeks now. In fact, it was very difficult to even get a chart on this company until this morning. This is another one. I have a buy on it under 80 cents, but it has a geologic analog to Yanacocha in Peru, and a number of these high sulfidation epithermal gold targets or prospects, and particularly the one that they're about to be drilling is a very close analog. This is a high risk, very potential high reward, drill hole play, but it's an exciting one that I think people should own.

ValOre Metals is one of my PGM plays, platinum group metal plays. They already have a resource of over a million ounces of PGMs plus gold in Brazil. That resource...can be expanded, I think significantly and is in the process of having, of doing that in their maiden drill program. So I look at this as a growth play over the next year, and I think it's going to get a whole lot of traction in the market. It's part of the Discovery Group of companies, so you know it's very well managed and will get the market's attention.

And that is it. That's all I have for you today. And please go in the chat session, ask me any questions you like, and I'll go in there and be glad to answer them as they come up.

Albert Lu: Great job, Brien. As you were starting, Gary Alexander in the chat room with, “Brien is continuing a 40 year tradition of the host going overtime. Jim Blanchard did so for 20 years, and Brien has done so for another 20 plus years.” Drives us MCs crazy, but they earn the right.

Brien Lundin: It's home field advantage, as I said, so I pulled rank and I seem to do it every year.

Albert Lu: Yeah. I love it. Question about taxes. I believe this was intended for you. What percentage of our taxes goes to servicing the national debt?

Brien Lundin: That's a good question. If you look at the debt in terms of the deficit, it's, I believe, approaching 30 to 35% of that deficit….So as far as taxes, what the percentage that goes to service a debt, I've never actually calculated that. But one of the things I have calculated is the effect of rising interest rates. You know, you ask people what's the cost of the debt? At what interest rate are we servicing the debt right now? And they'll tell you it's almost impossible to calculate. You have a range of treasury maturities. You have some rolling off, new ones coming on. It's a moving target. So I've never really been able to find that number. So I went out and tried to figure it out myself, and I did so by just going to the Federal Reserve site and dividing annual interest payments by the size of the debt.

And if you do that over time, you find that number one, it's higher than you think. It doesn't closely approximate the current effective funds rate, but it is in fact, three to four percent usually above the effective funds rate. So if you look at it from that standpoint, if the federal reserve was able to get the effective federal funds rate to two to three percent, their goal, remember, when they were raising rates was to get to three percent, if they were able to do that, that would mean that you would be paying somewhere in five to seven percent range in interest on the federal debt.

At the time I was doing these calculations, that would have implied about a trillion dollars a year in debt interest payments, something that I assumed or felt would be just unpalatable to the public, politically impossible. And you get people talking about a debt jubilee and defaulting on the debt. Now the federal debt is trillions of dollars larger. And so the tipping point on the interest rate just gets lower and lower. You look at this and the conclusion you come up with is that we can never have anything approaching normal interest rates, and at any appreciable rate of inflation, you're going to have negative real rates going forward.

Joe Mazumdar

"State Of The State In The Gold Market Big And Small"

Albert Lu: Moving on now, our next speaker is Joe Mazumdar, who joined Brent Cook as co-editor and analyst of Exploration Insights in December of 2015. And transitioned into being the sole editor a couple of years later. Previously he had spent six years as Senior Mining Analyst at Haywood Securities and Canaccord Genuity in Vancouver and six years as director of strategic planning, corporate development at Newmont Mining. Before becoming a mining market analyst, he worked for over a decade as an exploration geologist in different capacities for mining companies around the globe. Joe has a BSc in geology from the University of Alberta and MSc in Geology and Mining from James Cook University and an MSc in Mineral Economics from the Colorado School of Mines. His talk today is The State of the State in the Gold Market, Big and Small. Joe, welcome.

Joe Mazumdar: Right. Thank you very much for having me. I'll get right into it....Yeah, like you said, I'm talking about the state of the state in the gold market. Won't talk too much about the gold price, but more of the impacts on the majors and what's happening with the juniors. Okay, so this is just basically a graph about generally what's happening in the gold market. We've seen a 35% rise in gold from the low, when COVID had moved to the America around mid-March, when gold broke below 1,500 and then moved to a high of over 2,000 in mid-August. So that was about a 35% run, but obviously like Gwen mentioned, silver did better. It was up 140% over that same time.

What's driving it is not jewelry, it's not barring coin and it's not even positive central bank demand. It's really, record-breaking appetite for extreme exchange traded funds and gold. And that's being driven by negative real interest rates as probably a lot of your commentators are talking about. And the COVID-19 impact on global economic growth, which has led to a lot of monetary expansion. And basically that's what's driving the gold price.

And then so if we look in terms of leverage, this is where we're sitting. I looked at a cohort, basically this is 24, but I had another one so it's 25 companies, with a combined market cap level over 200 billion. And basically, they are doubled, from the mid-March low, I took it to the end of September, versus gold which is up about 25% during the same time.

So these big companies can show significant leverage to gold in this environment. And we have to take for example, that a lot gold companies are still holding gold at about $1,200 and $1,250 in reserve. So when you're talking about $1,700, $1,800 gold, there's a lot of margin to be made. But you could see the most companies have not outperformed the junior index, the GDXJ. Some like Pan American Silver had and that's because of its significant exposure to silver.

And so the companies I'm talking about, this cohort of about 25 companies hold about 450 million ounces of proven and probable reserves grading about a gram. But there's quite a range. You could see something like Northern Star here, resources from the ASX. Their reserves create about 4.4 grams per ton. And then also you can look at Yamana, which is well below a gram. In all these deposits and their reserves represent about seven to eight years of mine life given the current rate of production.

What's important here is all these companies now are generating significant free cash flow, which is what a lot of the generalists are looking for. In terms of average EV per reserve ounce. So the enterprise value per reserve ounce, they're trading at about $560 per ounce. But importantly, the free cash flow, so if we take the free cashflow that they generate, which is basically the cashflow from operations netting out cashflow from investing, they're generating about 8%, as are normalized by their total revenue. So 8% of their revenue, they're turning out as free cash flow, which is good. The free cash flow they churn out, it can be used to pay down debt, pay dividends, which is very important for generalists or used for acquisitions going forward.

The highest free cashflow generator in terms of proportion of revenue, was Pretium gold. So that's PVG on the TSX and on the NY stock exchange. And the thing about this, is it's got a very high grade. The resource is a bit... some people have issues with it, not like myself, but when it does hit its business plan, in terms of grade and also production. I can knock the lights out with respect to free cash flow.

And then what we've seen with COVID-19, which has been impacting not only supply but demand is we saw the demand hit in terms of industrial metals, in mid-March when China went down. As China's been rising, we've seen the demand pick up. So it's not only been a gold story in a lot of mining companies, it's also been silver but also copper. We've seen nickel do well, palladium stocks. So we've seen not only gold do well right now in terms of the junior stocks. But right now we're looking at gold.

In terms of the impacts, the biggest impact was from uranium, with respect to disruptions and impact on production in 2020 because of Kazakhstan. But in terms of number of operations, there were more gold and silver operations actually impacted by COVID-19. And this is because as we moved from the center being in Asia to the Americas, Latin America specifically, countries like Peru, Chile, Argentina, Brazil had been significantly and negatively impacted by COVID-19, which forced a lot of companies to suspend operations in those regions.

And also what you’ve got to understand is that, with COVID-19 something that's a big open pit has an easier time to keep going than something that's an underground mine, where it's hard to social distance and control interaction. And hence, the reason why gold was impacted by a lot of the downside in South Africa. And so we could see that here, when 2020 global production is estimated by the S&P global market intelligence to be down about two and a half percent. And that's about 2.7 million ounces.

And again, the biggest losses, places like Peru, Argentina, South Africa, because of their high grade and deep, very deep mines, that were harder to control COVID with, the only one that we saw a significant increase was actually Burkina Faso in West Africa. Which is now reaping the benefits of all those projects that were permitted and developed over the last several years.

So if we look at balance sheets, which is very important going forward. In the last cycle, a lot of companies have ruined their balance sheets by making a little bit diluted M&A. Now they've actually got the balance sheets better sorted, I mean, in terms of net debt. So that's the total debt minus your working capital. You want a big negative number showing that you've got a strong balance sheet.

Right now, the average of these 25 companies from their end of June balance sheets is about 84 million. Which is a very healthy position for a lot of these companies. I mean, there's quite a range, but you could see companies like Centerra Gold, that's been reaping the benefits of a high-grade open pit in Kyrgyzstan, they've done well, SSR Mining, Kirkland Gold. A lot of these companies have done well with respect to their balance sheets.

But we’ve got to remember this hasn't always been the case. So a lot of these companies have gone through a lot of cycles, but they've also blown their balance sheets out. So right now, the retained earnings, which is the cumulative earnings that these companies have made over their life of being a going concern in the public markets has been negative 0.6 billion. Quite a range, barracks all the way at the downside. Well over $8 billion negative retained earnings because of a lot of the projects they've tried to put online that they've lost money on something like a Pascua-Lama, which borders the high Andes between Chile and Argentina.

Out of this cohort of 25 companies, there was only actually nine that had positive retained earnings. So you got to understand with the gold companies, the history isn't good. Right now, they're in good shape. What we have to hope for is that going forward, they maintain their discipline.

So in terms of the state of the state, we talked about big companies. Now we'll go to see what's going on with the little companies. With the big companies on exploration that directly impacts the juniors. Because most of these juniors we're talking about are explorers. And so what we've been seeing over the last several years, it's something I used to do with Newmont. We used to do with Newmont is we'd take little chunks of explorers and add to a strategic alliances or take an equity position if a company had a good project.

Now, since they're spending less on exploration, and so this graphic is showing you how much you're spending on G&A and exploration as a proportion of revenue. So it normalizes it by revenue. The average you are spending on G&A is about 3.6% of their revenue. The average you are spending on exploration is just over 1%. So there's... two to three times more being spent on G&A right now. And some companies on the left-hand side with the histogram are spending next to nothing on exploration. Why? Because, they're probably more looking for M&A, like your B2 gold. Pretium is more looking at just their operation as a single asset. Agnico has been spending a lot of money on exploration, [inaudible] Gold in Australia, Barrack as well as a proportion versus their peer group.

So the fact that they're spending a lot more proportionally of their revenue on G&A versus exploration creates the opportunity for the juniors. Not only for private placements, strategic placements, joint ventures and also outright acquisitions for juniors. So when we turn down the slide, so here's the interest. So usually we see a lot of financings in the junior sector at the early part of the year, like in the North American market, the end of your tax year is December. And so people are looking for new ideas in the first quarter. So we usually see a lot of financings. But this year has been unusual. And so usually when we have a downturn during after May we've seen significant financing.

So this graphic is basically showing you the amount of financings in Canadian dollars. When it hit over a hundred million for the day, what company raised the most money. And then you can see the trend. The red dots are basically showing you the number of financing. And so you could see that trend from April, May when the COVID-19 impact started going away while it was more prevalent. And then people realized that gold actually might do well here. We saw a lot more financings, so the trend was higher. But we've seen consistent financing through usually what's at downtime.

And what we've seen also, is a lot of oversized financing, oversubscribed private placements, bought deals, things like that. And also companies have been holding back. They might have asked for two to three million, then suddenly they get thrown six to eight million. And they'll cut back to three to four million, but they'll still be demand. And so we've seen a lot of companies that have raised money and then after the transactions close they actually trade out because there's overlying demand in the market for these stocks.

And so I estimate about $7 to $8 billion has been raised here today in about 700 transactions, average about 10 million transaction. So we've seen like Marshall gold producers like New Gold raise significant capital. We've seen a plethora of new royalty companies like Nomad silver producers. We've seen the rise in silver versus gold, First Majestic, Endeavor Silver, Silvercrest, all these companies have raised significant capital. And as Gwen just pointed out in the last presentation, the four month hold for a lot of these private placements comes due. And so if you are interested in the company, to avoid the fear of missing out, you might want to wait till some of this paper comes through because they might be selling. So that might happen towards the end of the year.

Okay. So if we look at the same financings, this data was taken by the S&P Global Market Intelligence, so it's not my data. But you can see the proportion. So a lot of what's driving the financing from April has been gold. But gold hasn't been the only thing that's being funded. We've seen copper, we've seen nickel, we've seen palladium, we've seen a lot of other companies get financed as well, as China came back online. And then we point out that in July, which this data goes up to, was the highest monthly capital inflow from the capital markets since August 2019. And in terms of the number of financings, this July was the highest since December 2019 at about 300.

So what's this funding translating to, is what we've seen is a lot of exploration activity which is good. So it's good that they're taking this money and spending it on the ground. And this is a graphic showing you drilling activity. And see, we've seen the drilling activity since about April. You're going in the field season for a lot of the North America. So that's usually the case, but you can see that it's mostly gold. It's the projects being drilled.

And so what we're seeing as well, because of all that financing and all this exploration being done with these companies, we've seen a lot of backlogs as I think Gwen pointed out as well. So normally an assay turnaround for a program might be two to four weeks. A rush job, maybe one to two weeks. Now, a rush job on an assay on drilling, or sampling can take two to four weeks. Normal is now more like six to eight weeks.

And so companies that are doing their seasonal work right now, that'll end now or in later October will still see news flow from these drilling results well into January, February. And then the other thing is if we layer COVID on this, people may have money, but if they're in a jurisdiction where COVID is seriously problematic, like some of these Latin American countries I'm talking about, they might have problems actually accessing the project. Because a lot of these places are remote and remote is good in some senses. But the problem is those remote communities that they might touch do not have medical facilities and they're really worried. So they don't want people in those areas. And to maintain good relations companies will not go there.

Major companies are basically cutting back a lot of their exploration in these sort of places because they can't do anything, there's a lot of travel restrictions. So if you do look at a company and you're looking for six to 12 months of catalysts and drilling and stuff like that, you really have to take a look at where the asset is located. If the company is diversified enough to work in an area that actually they can still access, that's very important in terms of knowing that even though they have money, can they actually do anything?

So here's a couple of companies that I'm looking at in terms of being able to look at things and well-funded. Liberty Gold is LGD on the TSX. And it's also got an OTC ticker that I don't know right now. But my focus on this was advancing a Black Pine open pit heap leach amenable project. And why do I like it? Its location in the great basin, you can drive there. The infrastructure is great. Access is great. And they can work there. They've got four rigs right now drilling. They've managed to raise a lot of money, not all by the equity markets by also divesting of non-core assets. And some of these have been in Turkey which they've turned into cash.

So this one is like a lot of other projects that are drilling. The turnaround times are slower than I'd like, but as you can see, the footprint that they have of the discoveries they've made is small compared to the overall footprint of the ground and the land package is even much bigger. And they're are actually looking at amending their permit and adding another 4.6 square kilometers to their current 7.3 kilometers square footprint. So that's Liberty Gold.

And another one I'd put out there is HighGold Mining in Alaska. So that's HIGH on the venture, high-grade polymetallic deposit in Southern Eastern Alaska. When I saw the mineralization, it reminded me of the hot modern deposit in Turkey. That's another high grade copper gold deposit or gold copper deposit. They've updated their resource. They've got about 750,000 ounces over 10 grams. Management's got considerable experience in this area of Alaska. They raised money and they've got another project as well in Ontario that they can diversify the news flow when the field season ends in Ontario. All right. Okay. Well, that's it for me. And so it's explorationinsights.com and yeah, we've got a lot of free stuff there and it's again about what I'm buying and selling on the market and market themes that are in our rants. You get access to the portfolio. And we also have a discussion forum where we talk to our individual subscribers. Thank you very much.

Mining Share Panel

Rick Rule (MC), Brent Cook, Nick Hodge, Brien Lundin, Gwen Preston

Robert Helms: ...Well, we're going to shift gears and do something that is always super popular at the conference, and that is our Mining Share Panel. Now this is usually a rollercoaster ride and a lot of fun. And that's because we have extraordinary panelists, but I would say equally, if not more importantly, we have an extraordinary moderator who comes every year and moderates this, you heard from him yesterday and he was outstanding. And today he gets into this and he's going to always ask some good questions and even revisit some of the comments from last year. So I'm going to let our moderator introduce the panelists. So though you've heard, I think from almost all of them already during this session so far, we've got some more sessions I had with some of these folks, but let's say hello again to a gentleman who's been at this conference a whole bunch Mr. Rick Rule. Hey Rick?

Rick Rule: You can hear me?

Robert Helms: Now We can hear you, yep.

Rick Rule: Well, good. Okay. Well, I see a picture of Nick Hodge. So I'll begin by introducing Nick Hodge. I'm tempted to say an old friend because we've known each other for so long, but in fact, a young friend. A very good, popular newsletter writer, a bit of a generalist, but one that's found his way into the mining business because of special attributes around speculation that he enjoys. I don't know who's up next I'm assuming it's Gwen Preston. Gwen is a Vancouver based mining newsletter writer who used to write for the Northern Miner publication. Again, a young woman who I feel like is an old friend simply because I've known her so long. Brent Cook, a writer of probably 20 years duration. We joke it's fraught. That Brent was very, very well brought up in the investment business because we brought him up.

He worked for us for six or seven years before he went out on his own. And then of course last and by no means...your host in the New Orleans Investment Conference for a couple of decades, my friend, Brien Lundin. So ladies and gentlemen, I hope as I went through those introductions that you could see, because I couldn't, I just saw Nick, Nick, Nick, and Nick through all those introductions. But I hope at any rate that this panel is functioning for the benefit of all of the attendees. I'd like to begin as I always do by dedicating every good part of this discussion to the memory of James Ulysses Blanchard. Jim Blanchard, who started the New Orleans Conference, who was a mentor to both Brien Lundin. And of course to myself, if anything goes wrong, don't blame me, don't blame Jim, blame Brien.

Welcome everybody. I hope everybody has stayed safe with regards to COVID. I was joking with Brien a little earlier on that the biggest risk in New Orleans has never, ever, ever been COVID. It's always been alcohol poisoning. So I guess we've all managed to collectively deduct that, which is a good thing. And for the first time, probably in 30 years, I've been able to conduct the Mining Share Panel without having a panelist with a vicious hangover. So I'm expecting more out of you than I have in prior years' panels. I'm going to ask some general questions of each of you, and then I'm going to ask specific questions. As always, I would like short answers because we need answers to every question or almost every question from every panelist. The first question goes like this, and since I can see Nick in front of me, I'm going to start with Nick. We've had quite a run up this year. It's been a spectacular run up, maybe even going back to conference time in 2019. And I've received a lot of questions from clients and others saying this market... The gold price has doubled, the shares, the indexes have doubled, the juniors have done better than that. Have we missed the market? Is the most recent malaise that we've seen indigestion? Is it a pause? What's your feeling about this market, Nick, both with regards to valuation and direction?

Nick Hodge: I think you've got a healthy, unnecessary pause after the quick run-up that you mentioned Rick, the last time we convened here in 2019 gold was at $1,500 and we all know it subsequently has risen to a break its record above $2,000 an ounce in August. If you look at the valuation, some of the quality companies aren't back to where they were in 2016, which was really the start of this bull market. Although we had two years of an intermission before we really got going. And so, no, I don't think the valuations have maxed out. I don't think we've missed the boat. And to your point, I don't think that retail investors have come in, generalists like myself, we've seen mostly a cadre of investors who are supportive of gold and silver and their respective shares in this market and talking about it. But I think you still have a wave of so-called whatever Robin Hoodies that are going to catch wind of this and enter the market when the equities really start to get going.

Rick Rule: Gwen, I'd like to ask you the same question. Where do you see? And when I talk about the market, I'm talking about the market Gwen, I’m talking about your particular segment of the market, which is mostly small-caps and micro-caps, often exploration stocks. How do you see this market in the near term and how do you see it in the intermediate term? Do you think this is a healthy market? Where are we?

Gwen Preston: I think this is a very healthy market. I think there's all kinds of fundamental reasons that most of us have spoken to in our presentations. I won't dive into all those right now, but we're in fundamentally a very strong place for gold and silver. In terms of the very moment that we're in right now, there's a lot of reasons why the market is taking a bit of a pause. The death of Justice Ginsburg took stimulus off the table. There was a big political situation there that reduced inflation expectations. Rising inflation expectations is what had driven gold and silver predominantly through the crazy gains that we saw in July and August. Those dipped and the market had a fit. So gold sold off a bit, and now it's consolidating precisely those crazy gains that we also enjoyed. And that's fine. That's part of a market. Also since you referenced my playing field is more the junior end of the spectrum, there's a few other forces at play there.

And the big one is free trading dates. A huge number of junior explorers raised capital in sort of May, June, July, August, and all of those financings, the majority of them come with four month holds on the paper. And so there's a lot of stock that is coming free to trade right now, it started sort of a month ago. It will continue through the rest of the year. So for all of the stocks that raised money, started exploring, saw share price gains, a lot of them are now going to see free trade dates, where a wall of paper hits with a much lower cost base. And so that's impeding some gains or pulling some of the nice performers in the junior space back down to earth. And that's also okay. Sure, it's not phenomenal, we all would prefer that it's only based on what's in the ground, but that's never the case with junior exploration stocks. There's a cadre of influences, always on a junior stock price. And right now free trade dates are a big part of that, but this too shall pass. And as long as you pay attention to all of the forces that impact juniors, then I think we're still in a very healthy position to make money. As long as you're engaged.

Rick Rule: Brent, I'm going to ask you the same question. I had the privilege last week of spending some time at your house, looking over your recent track record, tough to improve on that. I don't mean to be solicitous. Is the best over for Exploration Insights? Where are you finding value? Where do you see the market in the near term and the longer term?

Brent Cook: I guess the quick answer is no, the best is not over. I think both Nick and Gwen made some good points in that, what we've so far I believe is those of us in the know if you will, are into the sector, it's done well. And the rest of the crowd, the investment crowd is really not here yet. I don't think that's going to happen until we start seeing a couple of quarters of the major miners actually making good earnings, good cashflow and that's the thing that'll bring in the next wave, if you will, that's sort of what I'm watching. In terms of the juniors again, Gwen made a good point in that so much money has been raised, five, six, four months ago, and those of us in the know are in the same position that, is it stalled? Are we going to get whacked in the back of the head again? Which seems to happen every two years.

And so there's money being taken off the table, holding the warrants if they're there. And I think we're going to see more of that choppy trading until at least the end of the year. But looking forward, and for all the reasons, I think Brien made a great presentation on the gold price and all the fundamentals behind it. We should expect, I expect anyway, and so does Joe, next year certainly precious metals are going to do well. And the market for discoveries is going to do extremely well. And that's the place we're going to be, Joe and I, at Exploration Insights.

Rick Rule: Good answer. Brien, our host, I want to ask you the same question. You are an unusually active forecaster in the near term. How do you see the resource equities markets in particular, the small-cap equities sort of always been the sort of franchise of the New Orleans Conference in the near term and in the intermediate term?

Brien Lundin: Well, I think I have to thank you Rick, for sparing me. Usually you save me for last in this panel, so you can get me prepared for the question everyone else has answered, and then you spring something on me for which I am unprepared. Thank you for that kind of mercy at this point. Yeah, I used to be actively forecasting the near term and then it just kept going wrong, which means I kind of learned my lesson. I think the gold market is one where the near term is cloudy and uncertain, but the far term is what is certain. We know that gold prices and silver prices should be much higher a year or two down the road. And the question then for speculators in the junior mining sector is, does that mean you just get in good companies and hold them? Does that mean you try and trade, buy on dip, sell on runs, and just be calm and try and make money along the way, or should you just be confident in the long-term picture?

And I think it's a combination of that. I think you have to take each case individually. I totally agree with Brent and really the rest of the panelists that the near term is going to be choppy. There are a lot of factors from the election, a divided government will be negative for all the markets. We have a lot of paper coming free as Gwen mentioned. And the other issue we have is the end of the year. In the broader equity markets, if Biden wins, we're going to have the prospect of higher capital gains taxes. And we're going to see a lot of people trying to sell the broader market in advance of that and try and bring gains forward. The typical tax loss season for junior mining shares is different this year because there's not that many losses. So people will have more of an incentive to put those gains off until the next year to defer them. So it's going to be interesting. It's going to be choppy and I think there's not a clear theme that you can come back with, emerge with, in the near term.

Rick Rule: The closer you look, the cloudier it gets, huh?

Brien Lundin: Exactly.

Rick Rule: Okay. Brien, I'm going to start with you on the next question since I spared you the last go-round. At Sprott, one of the things we do is that we have a 45 or 50 company focus list built around sub themes, which allows us to take clients paradigms and prejudices and help them populate accounts. Each of you, each person that I'm going to direct this question to has a more or less thematic newsletter. Perhaps you could talk about the sub themes within the junior mining sector that you find attractive. Is it advanced exploration? Is it generative exploration? Is it silver? Is it optionality? What place do you see that seems relatively attractive, and if you have one that you can deliver, what do you see as relatively unattractive? What silver theme or pardon me, what sub theme Brien is attractive to you at Gold Newsletter?

Brien Lundin: Well, you subliminally presented silver in my head just now. And I would agree with that. I do like silver, I like silver explorers. A couple of things, optionality plays, I thought they're the way to go early in the move. I think they still are for the longer-term move. I think that what I'm trying to do is go further up the food chain, try and get into well-placed, well financed, well managed exploration stories early on and get those to my readers before the broader market comes to appreciate them. So trying to get further and further up the pipeline in that regard, I think silver explorers right now are not as overvalued as they were a couple of months ago. They're good plays as well. And I think the mid tier to senior producers right now are not being appropriately valued according to, per their expected cash flows.

Rick Rule: Gwen, I'd like to ask you the same question, what sub themes are working for you from your point of view?

Gwen Preston: It's a super interesting question. I get subscribers asking me all the time for guidance on what to buy, and that's very difficult because it so depends on the person. And so I've actually spent a lot of time lately talking about how, no matter what, to use your word, sub theme, you focus on it all works in this market. That's what's so exciting about having confidence in the gold, silver space is that it all works. What matters more than anything else is playing the game that suits you best. So the way I described that, lots of people talk about risk tolerance. What I really try and talk to people about is how much engagement do you want to have? How much time do you want to spend paying attention to the stocks in your portfolio and trading them if that's what's needed for those kinds of stocks.

And so if you really like the space and you like tracking the stocks, then the discovery speculation space is your space and that's fun, but you have to pay attention because there's drill results and there's free trade dates and there's financings and there's seasonalities, and there's all these influences that move the share price outside of just what the project is doing. If you don't want to spend a bunch of time tracking your portfolio, then you can absolutely build a low risk, low engagement portfolio that is large players, that is royalty companies, they outperform everyone anyways, there is silver, there is optionality, right?

So you can build a portfolio that works for that game. If you like the middle ground, then there's middle ground. So there's lots of companies out there that have defined fundamental value that buffers the impact of all of those other forces, maybe a PEA, something like that, but that also have the discovery excitement going on at the same time. So large land packages, new discoveries within there. They all work. They're all fun when they work, they can all be very profitable. What really matters is playing the game that makes sense to you. And so don't get fear of missing out because you didn't bet on that super high risk discovery explorer if that's not your game. So choose the game that works for you and then learn that game and then play it appropriately because they're all going to do well in this market.

Rick Rule: Nick, this question may be particularly appropriate to you. The self-described outsider and one who is a generalist. Are there any sub themes within mining or precious metals mining, particularly with regards to the small-cap and the micro-cap, that you find attractive and, or are there any that you find unattractive?

Nick Hodge: Absolutely. The big names in the mid tiers have had wonderful moves. And I've harnessed some gains from those. They're now making some seven to $800 per ounce this year, as opposed to some $350 per ounce, that they were making last year. That cash is going to come out in the form of dividends. We know with companies like Kinross, et cetera, are raising their dividends, but that cash is also going to go to replenish reserves, which is what my talk is going to be about later. And so you have to look at development stage companies that have to find assets in safe jurisdictions, but we're in the middle of a global pandemic. If you can drive somewhere from Vancouver to Anesta, it's a little bit different than having to travel across the world. And so what I'm looking at now is assets that have defined resources that are in points on the Lassonde curve. That they're going to be very attractive as they execute their milestones and achieve their catalysts at this $1,900 gold price.

So I'm talking about multi-million ounce deposits in safe jurisdictions. That's something I really, really, really like, and will be presenting on later. I also like copper very much for the infrastructure boom that is going to be needed to recover from this current deep recession and depression that we're in. And so early stage copper plays with good drill results are also very attractive to me and maybe going against the phantom a little bit. I'm not too much of a silver guy in history and especially in the short term, it's had a bearish divergence as opposed to gold. And so I'm not particularly interested in looking at silver right now, especially because I do think we're in a deep recession and depression and it trades more like an industrial metal. And so those would be three things, two positives, and maybe one I'm not looking at so much.

Rick Rule: Can I ask you a follow up question, Nick?

Nick Hodge: Sure.

Rick Rule: I wasn't certain, you like copper as an industrial material, but not silver as an industrial material. Why the juxtaposition?

Nick Hodge: So I think that there's going to be a material copper supply deficit going forward and you get... There's the answer.

Rick Rule: Yeah, got it. Understood. I was writing all this down and there were problems between answer four and answer five for me. So thank you for clearing that up. Brent moving on to you, but the same question. Sub themes that you see as attractive or sub themes that you see as unattractive. They can be commodity, they can be activity, they can be geography, I don't care. I just want you to use your own expertise to tell us where to be and where not to be in the sector.

Brent Cook: I think you kind of focused me in on a theme I hadn't considered now, is that what Joe Mazumdar and I do at Exploration Insights is we're both long time experienced economic geologists. I've been able to experience... Joe has worked for a number of brokerage firms as well. And our focus is very narrow in the sense that we're looking for the highest quality, highest margin discoveries in any commodity, really, although given that we know that they all don't work. And I guess what we're avoiding right now, what we don't really get into is uranium is not something we're into, silver I'm agnostic. If it's high grade, I'm there but I'm not a silver bull. It's always seemed to me that, why buy the poor man's gold. And in terms of the energy sector, we're keen on the PGEs, platinum group metals, as well as nickel.

We've got to just... A company in Vietnam has got a nice nickel discovery that's moving along. And I guess in terms of the precious metals, I think that's where we really want to focus. And again, we're looking for the highest quality, highest grade deposits that are going to attract a buyout, if you will, from a much smarter investor than us, being the major mining companies. That's sort of our exit strategy as opposed to the optionality plays, which again, it's a philosophical thing almost with Joe and I is that we don't want to be... It's hard to recommend to subscribers, a stock that we know deep down is crap based on the fundamentals of the deposit. So we can't really get into those optionality plays. Although I readily admit that they do sometimes work, it just goes against our grain, if you will. So

I guess that's what we're focused on and specifically is high margin, high grade deposits that a major mining company or mid tier is going to buy.

Rick Rule: Post a drill hole. I mean, you want pretty good ground data, right?

Brent Cook: In general, although I've made good money on buying into projects just based on geology and some soil samples. Especially if you can go and look at these things. I'm only traveling the US right now, Joe has been to three projects in Canada so far, but I'll buy anything just on basic geology if the price is right and I like what the potential is. It's all the risk to reward.

Rick Rule: Brien, same question for you. And don't say I only appreciate companies that exhibit at the New Orleans Investment Conference. I want a broader sub theme than greed and self-interest please.

Brien Lundin: Right. I think I started off this round with the questions so it's kind of the same question, but I can comment on what some of these other guys have said. For Brent, I mean, that's one of the things we talked about in one of our first calls for attendees that you, I and Brent had was the optionality plays, and it really does run against the grain of what Brent and Joe do and really your skillset. So it's optionality plays or fake news for Brent and Joe and not anything they want to delve into, they believe the science as it were and the scientists. I disagree a bit with Nick, I disagree a lot with Nick on this one topic. We pretty much are simpatico on everything else we need to look at in the world. But on silver, if you're bullish on gold, I think you have to be bullish on silver because its outperformed gold in every monetary based bull market ever that's ever happened.

So the odds to my mind are very good. It's going to do that again. I do agree with him that if silver is valued as an industrial metal, then it's going to be thrown into the dust bin because silver as an industrial metal... Well, the industrial usages have no bearing on silver. It's like looking at the jewelry uses for gold, they're monetary metals, that's the thing that moves their price. And silver also is primarily produced as a by-product metal. So the industrial usage really has no bearing on its value. So I would disagree with Nick as far as the future for silver, but I do agree on the downside if it's ever valued as an industrial metal.

Rick Rule: Thank you. I'm going to switch things up a little bit. Brien, by the way, I need to congratulate you on the virtual attendance at your conference this year, I'm getting inbound emails from my own clients as we speak. And so I'm going to alter the range of questions that I ask a little bit. I've attracted a lot of negative attention to myself very recently by saying that. From my point of view, in terms of precious metals, who wins the election doesn't matter. My own belief is that both the Democrats and the Republicans are committed to quantitative easing, to debts and deficits and to negative interest rates. And I've been roundly criticized by both Democratic clients and Republican clients for referring to both candidates uncharitably, which I won't do. But I wonder from the point of view of the panelists if they think that this election matters to precious metals and precious metals equity markets. I'm not talking necessarily about the broad equity markets or the economy, but really in terms of our subset, does the election matter in our space? And Brien, I'd like to start with you.

Brien Lundin: I think it does. I approached this generally and, early on with the same view that you have, that it's not going to make much difference. We're painted into a corner. There's no way out of this debt trap. There has to be tremendous devaluation of the dollar. And I think that's true over the long-term. I think that gold, unlike its long history and prior history, is no longer a hedge on uncertainty, but it's a bet on certainty. I think people are buying gold around the world right now because they're betting on this big macro view, and anything that might upset that view is the uncertainty that gets gold sold off. I believe that the markets generally in the US are betting on a Biden victory and anything that upsets that view is a bit negative, a bit bearish for gold because I do think that Biden would be even more bullish for gold. The outcome that is, I think, bearish for the metals and I believe for all of the financial markets in the US, as they're currently structured would be a divided government in that one party has the White House and the other party at least has control of one of the houses of Congress. In that regard, you have the potential for political bickering, infighting and posturing to prevent the kind of stimulus from coming on that the markets are so positioned for. And in fact, relying upon.

Rick Rule: Oh, resist the temptation to editorialize for fear of further disenfranchising both Democrats and Republicans. Nick how do you see the election affecting our sector? If you see it effecting it at all?

Nick Hodge: It doesn't matter one stinking bit, Rick. We're at the end of a long tail of a generational cycle. It's a generational bottom, no matter who wins, with an old white geezer in the office, that's impotent. And so we need to wait for the new generation to take office in 2024, over my shoulders. That's a book called The Fourth Turning, if you've ever heard of that book, or if you haven't, you should look it up. And it talks about the overlapping of societal and institutional turnings based on the age of various generations of which the authors named previously like the millennials.

And so that would be my age cohort, born in 1980, to something like 2000 who are now coming of age and making their voice known. And so, no, it's a bottom until 2024, as far as the American political cycle is concerned and nothing they do is going to affect our market.

Rick Rule: Brent, I'll give you a chance to offend your reader base now.

Brent Cook: I've already done that enough-

Nick Hodge: I don't think he needs any help, Rick.

Brent Cook: I think Nick's spot on there. That makes a lot of sense to me what he just said. I don't think the elections dramatically affect what the gold price is going to do. I think what's more important is how this COVID and the vaccine plays out and how the stock market plays out. Both I can see being a short-term negative on the gold price and equities, the longer term I'm with Nick on, we're screwed.

Brien Lundin: And finally, Gwen, the northern perspective on American politics. It's not impolite by the way to answer if you are asked. I realized that Canadians try and smile all through America's difficulties, but do you see the outcome of the US election having any impact on our sector?

Gwen Preston: I mean, absolutely both yes and no. So I don't talk about my political leanings in the slightest in my newsletter. And certainly yeah... Because that's not what people are interested in. But I may be Canadian, but I have to follow US politics because Capitol Hill matters for the markets, for sure. And more so than ever these days, because as previous panelists have just said, the markets are running on stimulus. I mean, it's so the tail wagging the dog, that it's ridiculous. But stimulus announcements, which by definition mean that the economy is not good, is what lifts the stock market. So it doesn't make any sense, but it's a hundred percent the situation that we're in, no matter who gets into office, we are going to get these stimulus packages.

They will be delayed in a bit, there will be more bickering if the houses are divided, if Biden gets in and there are more capital gains taxes that will probably hurt the stock market lift to some extent, but those are all sort of drops in the bucket relative to what's going on, which is that we're in a zero interest rate environment. We're going to get a lot of stimulus. If it works, we're going to get inflation. If it doesn't, we're still going to be in a zero interest rate environment. And all of those things are very good for gold. So it doesn't really matter. It just matters that I think we're in a sideways trend until the answer is there, even though the answer doesn't matter.

Rick Rule: Thank you ma'am. I can tell by my incoming emails that we've spent too much time on education. I just got one that says, "Rick, shut up, name names." So Gwen I want you to give us three stocks that you think are attractive. Hopefully one of which will bail out Brien and be an exhibitor at the New Orleans Investment Conference. And if you can briefly give us three names and tell us why?

Gwen Preston: Absolutely. I love your emails. That's amazing. "Shut up Rick, give us stock symbols." I have to wonder why I write so much in my newsletter anyways. I should probably just put three stock symbols and then just send that out. But anyways, I digress. I think one really interesting stock right now is a newly refocused company called GGL Resources. The ticker is what the name is GGL. This is a company that was searching for diamonds in Northern Canada, but they have pivoted their focus. They now have a project in Nevada called Gold Point that has a historically very high grade oxide gold. We're talking 10, 12 grams in oxide, lots of exploration potential there. A very competent technical team and an inexpensive market cap. For those who like silver, there's a fairly new company called Kuya silver, K-U-Y-A.

They have acquired a mine in Peru that is a producing mine, a classic example of a mine that needs a capital infusion. We have a very competent operations and capital markets team that's taken over that mine. And I think it has good potential to be a ramping up silver producer through this market. And it's brand new. So it's still not super recognized and certainly not expensive. And then I think if you like something that was that trading middle ground that I mentioned, which is sort of fundamental value with the potential for some splashy exploration upside, there's a company called Tri-Star Gold, TSG. They have a project in Brazil, it's got a large resource, they've been growing that resource reliably. They're about to put out a feasibility study. The PFS was good. The feasibility will be better because of the gold price and exchange rate on its own and the resource is bigger. But then there's also this deep target that has the potential if the geologic theory works to return some splotchy, high-grade gold to add to a moderate grade story. So that's that fundamental value with the exploration potential added on. So those are the three that I would mention GGL, Kuya and Tri-Star.

Rick Rule: Nick Hodge, onto you. Give me three stocks and tell me why?

Nick Hodge: Yeah, I think I'll reflect them in terms of the answer I gave you to the question earlier, as far as sub-sectors I like in late stage development. So let's talk about a company named Revival Gold that has three million gold ounces in Idaho and has three drill rigs turning now on, I believe a 15 or 20,000 meter campaign with first results up yesterday, all heap leachable gold results oxidized in Southern Idaho, many more results to come out in the next few weeks. And they have an ADR plant and the leach pads there currently being valued around $45 an ounce. If you take the three million ounce figure much less than that, if you take the 5 million ounce gold resource figure I think they're going to... Another late stage developer in Mexico is Almaden Minerals. I mean, you have to look at this because they're right at the permitting stage, it's suspended due to no fault of their own. I expect it will be resolved in the next six months.

You're looking at a four million ounce deposit split evenly between gold and silver that has an NPV at 1,450 gold of some, I don't know, 450 or $500 million that goes to $800 million if you plug in today's metals prices, while it sits with a market cap of... I'm looking at it now, $118 million. And then I told you about copper. So let's talk about Chakana Copper in Peru, which is a drilling many breccia pipes at the Soledad project, has already channeled, sampled and drilled a couple of those pipes. There's several thousand pipes, could be more undercover, multiple gram gold, silver, multiple percent copper over hundreds of meters results due out next week.

Rick Rule: Thank you. Brent, three stocks. Tell me why?

Brent Cook: Sure enough, I guess one thing, and you asked about things. One thing that Joe has been onto is investing in companies that actually can get work done during this COVID issue. So I think I'll start with Clean Air Technology, which is a platinum palladium nickel project in Ontario, about a 30 million market cap they've got in the order of fill and cash. They're drilling out a high grade PGE deposit and it's just going along fine. The symbols, A-I-R, the executive chairman used to be the president of North American Palladium, which they sold to [inaudible] for about a billion dollars. Next one, we're going to go with High Gold, operating in Alaska. Market caps about 120 million in the order of 15 million in cash.

They're expanding the Johnson Tract deposit, which is a very high grade deposit, say three quarters of a million ounces right now, averaging 11 grams gold equivalent, with some really good exploration upside, a lot of drill holes to come. Lastly, Bluestone, which BSR is the symbol. Another high grade, 10 gram deposit in Guatemala. Joe has been there. I was there a couple of years ago. It does not offer the same impediments that Escobal does, which is the laws that that Pan-American has. I think this thing gets financed and built, average cost of mining is in the $500 range, and it's got The Lending Group behind it. So I think that one's a good one too. So we've got Clean Air, Bluestone and High Gold.

Rick Rule: Thank you. Brien, I don't suspect you want to talk about any small companies or anything, you don't want to throw any bone to any exhibitors or anything like that?

Brien Lundin: Well, I'm searching for my exhibitor list and I was just going to run through all 50, if we have time, but actually I've done that already and you can go to the exhibit hall and see our tour right there. I've talked about every company, every one of my fully paid sponsoring exhibitors who make all this possible. That's it. I just did my presentation earlier and I had about a half dozen companies. What I'll do is take two off of that list and add another. I like Sun Peak Metals, P-E-A-K. Venture exchange has gotten a lot of buzz in the market, even on a private level a couple of few years ago when I invested in it. I did not buy enough; I really liked the story back then. This is the geological team, of course, that was largely responsible Babesia and Eritrea. They have the same geology and the same kinds of anomalies in Eritrea.

A lot of buzz about this one, and it's kind of a theme sometimes in a market and you can't try as you will, as much as you would like to get something really, really cheap. If I got into this one on a private basis and I want to go into the market after it's made a nice run and buy more, that kind of tells you how I feel about it. Sometimes you have to pay up for the really, really good, well-managed, well-positioned plays. So Sun Peak is one of those P-E-A-K on the venture exchange. Another one I like is to Pucara Gold, Toro, T-O-R-O on the venture exchange. Quinn's got a big smile on her face when I say that. It's another one, has had quite a run from coming public.

And I own this also pre this run, but I want to buy more and it's gone on its first day of trading I think it went everywhere from 72 cents to a dollar 50 and we had a buy on it at 80 cents. In a normal market I would have had a buy on it at 40 cents, but we've gotten stopped out on so many of these companies that are coming onto the market recently that I really wanted our readers to own this one. And I think it's still a buy around 80 or 90 cents. It's a high risk, high potential reward, very high potential reward, drill hole play. And I just urge you to look into it more, to see precisely why. On a value basis, I like Allegiant Gold symbol AUAU on the Venture. Simply put they've got over a million ounces of gold equivalent resource in Nevada and a market cap of around $30 million.

It should be much higher based on what they have, plus a whole bunch of other properties that they will be joint venturing, and are also getting drilled as we speak. And they have a very aggressive and dedicated management group now that really feels their company is undervalued and will do everything possible to get it elevated. In a brief note that one of the sub themes on Nick's group are companies with big resources. I do think there is an M&A trend if not storm coming up as all of this cash from production hits the pockets of the majors. And they're going to be looking for deposits and they're going to go on a buying spree. And I think at least a couple of Nick's recommendations are going to be near the top of those buying lists.

Rick Rule: Just for the record Brien, Sprott agrees with you on the M&A theme. We believe it's necessary for the industry. We believe it's good for investors, and so I personally agree with you substantially on the M&A thing. For the final question I have for all the panelists, it's really a two-fold question. The first is if in conjunction with your subscription publication, you have any special offer for the New Orleans audience? I know often you have done things for the New Orleans audience that you haven't done over time. And certainly to the extent that the audience has liked some of the ways that you answer questions, giving them the opportunity to participate further with you is a good thing. Also, if the panelists could discuss any future presentations they have in the near term, in the New Orleans Investment Conference, so that those attendees who are new to their work and familiarize themselves with that, I think that would be a great thing. In this circumstance, of course, because it's a commercial opportunity I'm going to lead off. For attendees at the New Orleans Conference, I personally will rank your investment portfolio one to 10, one being best, 10 being worst.

And I will send back on a no obligations basis, the Barron's Gold Mining Index stock chart, and a hundred year commodity charge. To access this offer, go to a website, sprottusa.com/rankings. Enter your resource stock portfolios, please no banks, please no technology, please no pot stocks. And I will rank them and return them. I look forward to doing this for New Orleans attendees for many, many, many years. So then I look forward to doing it now. Brent, perhaps you could talk about any other appearances you have at the New Orleans Conference, and also whether or not Exploration Insights has any particularly generous offers to make New Orleans attendees.

Brent Cook: Thanks, Rick. Joe Mazumdar actually writes the letter now, I'm sort of the senior advisor, if you will. What you get with Exploration Insights is both of us, what you don't get is any special discounts. We haven't done that primarily because we feel people who've been with us for 10 plus years, if anyone should get a discount, it's them. What we do have in the letter, I think that it is worthwhile is there's a forum of sorts where subscribers can send in questions about stocks, not just that we own, that they're interested in and we work through and give an opinion on those as well. So that's additional to what you get in the weekly letter at exploration insights. I guess lastly, normally Brien and I make a bet, a bottle of whiskey of some sort on this panel as to what the gold price is going to be at the end of a year for the next show. This time, I think we're both looking at a higher price, so I think I'll just bring a bottle of whiskey and you bring one Brien and we'll see how it goes.

Rick Rule: I think you should both bring bottles of whiskey and invite me to the room, I'm for that. Nick let's talk about any appearances that you might have upcoming in the New Orleans Conference and also about any special offers in your publishing group that might be extended to New Orleans attendees.

Nick Hodge: Sure. So I'm giving my main stage talk at 5:20 central time, this afternoon. I'll be talking about those late stage development projects I mentioned here, and why the unreserved nature of future gold deposits is going to present that wave of M&A that Brien was just talking about. And then you mentioned I was an outsider and I was an outsider for some 12 years. I've recently gone out on my own with Gerardo Del Real to form Digest Publishing and you can find this at resourcestockdigest.com. We have pages up there. We've been doing it just this week. In fact, where you can find our new letters, he's writing Junior Resource Monthly, I'm launching the Hodge Family Office. We have discounts up there now, especially if you were former followers of us. So just go to resourcestockdigest.com, tour around and you'll find that stuff.

Rick Rule: Great. Who am I missing? Oh yes. Oh yes. Ladies and gentlemen, the star of the show, Brien, you're going to be busy for the balance of the show. Perhaps you could tell us what you're doing and whether or not you have any discounts available, any special offers, either for Gold Newsletter or for next year's New Orleans Conference.

Brien Lundin: Absolutely. We do have a special offer in our Gold Newsletter booth of a significant discount. I believe it's a 30% discount off of my alert service. And just a few other comments here, I guess if Brent is not willing to offer my attendees a discount, he's probably not willing to offer me a commission on any sales that he gets from standing in front of his computer and presenting his ideas to my attendees. So I won't go there. I heartily endorse all of my fellow panelists publications as they probably know in all of our reports that introduce people to this sector, they are among an exclusive list of newsletter editors that we heartily recommend our friendly competitors who we do tend to share a drink with every now and then and a stock tip as well. On that note I just think Brent owes me a bottle of rum and he's trying to get out of it because the gold price is higher than it was at the last conference. And of course he changes the rules again, and I don't have much confidence and I'm going to get my bottle of liquor that was so richly deserved by me elevating the price all year. So that concludes my comments. What's that Brent?

Brent Cook: I'll bring it next year Brien.

Brien Lundin: Yeah right. That's what you said last year.

Rick Rule: Gwen, we're going to get these boys off the topic of alcohol, which interests them and get your schedule for the rest of the conference and any special offer that you might be willing to make people to become subscribers.

Gwen Preston: It's just a momentary diversion from the alcohol conversation. But anyways, thank you for the opportunity. I gave my presentation on the main stage on Wednesday, it was fantastic to have that opportunity. So thanks Brien for that. As for subscribing, absolutely. If you go to, my website is resourcemaven.ca and easy to find my contact information there. And if you just email me saying that you were a New Orleans participant, I will certainly send you a 30% discount offer for any of my publications. I have a low risk monthly for those who are newer to the metal space. I have a weekly letter about all the risky exploration stocks that I buy. And I have a premium service for those who are interested in financing opportunities.

Rick Rule: Brien, I'd like you to notice that I began the panel on time and I am ending it on time. I'm certain that this is the most valuable feature at the New Orleans Investment Conference. Every good panel is a consequence of having very good panelists. And Brien, thank you so much for giving me mine. Ladies and gentlemen, panelists, Brien Lundin, thank you. It's been a pleasure. I hope it's been useful for everyone else.

Nick Hodge: Thank you, Rick. Thanks Brien.

Brent Cook: Thank you all.

Robert Helms: All right. Big virtual hand for our Mining Share panel. Good stuff...

Stephen Moore

"The Economy And The Election - What Will A Biden Or Trump Win Mean For Stocks And Jobs"

Robert Helms: All right. Well, technically our next speaker needs no introduction because he was on the panel earlier and we didn't really get a full introduction, but we will this time. Steven Moore is a visiting senior fellow in economics at The Heritage Foundation, the largest private research institute in Washington, DC. He also served, as you probably know, as a senior economic advisor to the Donald Trump for president campaign, where he helped write the Trump tax plan and worked on energy and budget issues for candidate Trump.

Moore's also a senior economic analyst with CNN, where he provides daily commentary on the economy, fiscal policy and politics. From 2014 through '17, he served as a Fox News contributor. From back in 2005 to 2014, he served as the senior economics writer for the Wall Street Journal editorial page and is a member of the Journal's Editorial Board. He is still in fact, a regular contributor to the Wall Street Journal's editorial page. Here to share with us the economy and the election, what will a Biden or Trump win mean for stocks and bonds, please welcome back to the New Orleans Investment Conference, Mr. Stephen Moore. Hey, Steve.

Stephen Moore: Well, thank you very much. Can you hear me okay?

Robert Helms: We got you. You sound great. Take it away.

Stephen Moore: That's fantastic. Well, thank you. I wish we were all together in New Orleans. This is one of my favorite conferences of the year so... It's just a pity that we can't be all together, but as you can probably see from the background, I'm actually in Palm Beach, Florida right now. So that's not too bad either. So I'm here actually for a campaign event tonight for Trump. I'm still on Trump's economic recovery task force so I work very closely with the White House and my buddy, Larry Kudlow and others. So it's going to be... look, I think that this is an extremely consequential election. I was saying, for those who watched this afternoon, that I'm a little surprised that the market is as bullish as it has been given the risk of a democratic sweep.

I don't believe that the Democrats should be measuring the drapes for the Oval Office yet. I think that they fell into that trap in 2016. I do remember four years ago when I was working as the senior advisor for the campaign on the economy that people at this point were saying, it was a 90% chance Hillary was going to win. So there's no question the polls are not favorable towards Trump. They are about where they were four years ago for Trump, maybe a little bit worse. By the way it's absurd to look at any of these national polls when you see Trump's down 10 or 12 points, it's meaningless. It doesn't matter how many people vote for Joe Biden in California or in New York or Rhode Island or Connecticut or New Jersey or Illinois, that's inconsequential. It really is a five or six state election once again. It's basically Florida, it's North Carolina, well, we think we have Ohio up and down, but Pennsylvania, Michigan, Arizona. I may have left one or two out, but those are the states to concentrate on.

In all of those states Trump is either even or down by a few points, but that means it's competitive with two and a half weeks to go. So you could say that Biden is a favorite right now, but I wouldn't say he's a heavy favorite. I think that we think we can win. We think there's a path to victory. By the way, Trump lost 4 percentage points and every Republican around the country, whether they're running for dog catcher or Senate or any other race lost four points after Trump's debate performance two weeks ago. So in my opinion, it is absolutely critical, it's vital for Trump to have a better debate this coming week. Having lived through this four years ago when I saw Trump, who was just miserable in the first debate, I mean, just got trounced by Hillary in the first debate, and then come back in the second and third debates to tie the second debate and beat Hillary in the third debate, I think that things can change.

So that's my quick assessment of where the race is. On the economy, I just think we did an amazing job with the economy in the first three years of the Trump administration. I mean, it was truly about the best economy you could possibly have with 3.5% unemployment, the poverty rate went down to its lowest level in the history of the United States, we have wage and salary gains for every single income group and every ethnic group, Blacks, Hispanics, Asians. The numbers were phenomenal. Coronavirus hit and that was obviously a game changer. I think if it had not been for coronavirus, I think Trump would've just danced in with a 40 state majority, but I think now it's a different ball game. So that's kind of my quick assessment.

Look, I do think Biden is very, very negative for the economy and very, very negative for stocks with his tax increases and other programs. I'm a little surprised that that hasn't been discounted in the market yet. I mean, there's a big, big increase in the capital gains tax from 24% to somewhere in the neighborhood of 40%. The top income tax rate, which is the rate paid by people who make over $400,000 would go from, right now it's... we lowered it to 37% it would go up to somewhere in the neighborhood of 52% under Biden. Those are enormous increases. And by the way, those are small businesses, those are investors. The death tax comes up, they get rid of the step up basis of death on capital gain. Nobody's talking about that, but that's a big deal.

It means that when stock gets passed down from one generation to the next, it can be taxed at 30% or 40%. So those are negative and I think by way of raising the corporate tax from 21% to 28% also reduces the value of stocks. I mean, think of the corporate tax. I like to think of it as just the government ownership of the profits. So if the tax is 21%, that means the government takes 21% of the shares and the shareholders get the other 79% of the earnings. If you raise that to 28%, then all of a sudden the government's taking 28% of the profits and the rest goes to shareholders.

So you're diluting. Essentially you're diluting the value of shares of stock when you raise the corporate tax. By the way, I don't think it makes any sense to be raising our corporate tax because that puts America at a competitive disadvantage. If we're going to impose a tax, I'd rather impose a tax on the companies that are selling stuff to the United States rather than American companies, but that's where we're at. So I also have a quick PowerPoint I wanted to show you all because I think it's really kind of interesting some of these. By the way, can you see that on the screen? Can you see the PowerPoint?

So here's the first slide. Can you see that one?...

Robert Helms: ...There you go. Now we got you.

Stephen Moore: So I'm going to go through this quickly because I want to save some time for questions. So first of all, one of the themes I've been saying from the very start is just that the lockdowns don't work, they're bad for the economy and they're bad for the health of the American people. By the way, this was controversial when I used to say this six or seven months ago, but now it's pretty well accepted that lockdowns were highly ineffective. Even the World Health Organization is saying that. You can see what I'm doing here is showing the states that had the highest lockdowns, which tended to be the blue states. Those tended to be as you can see the highest death rates were in Connecticut, Massachusetts, New York, New Jersey, Rhode Island and so on. And so those were states that locked down their economies. They didn't do a very good job of keeping their nursing homes safe and therefore despite shutting down all their businesses, they still had high death rates. So that was not a very good strategy.

This shows just the big states and I thought you might be interested in where was coronavirus most deadly for the first eight months of the disease. You can see New Jersey, New York, Massachusetts, and then you look at some of the big red states like Arizona, Florida, Georgia, Texas, significantly lower death rates. And by the way, the virus is like a hurricane. It comes through, it does severe damage and then it clears out. So it's gone through the South now as it did the Northeast earlier in the year.

California is an interesting case by the way. California actually has a relatively low death rate. I'm not sure why that is, but it's good news that California... Well, California has not had the draconian shutdowns that New York and New Jersey has. New York this past week started shutting things down again which just... they don't have very smart political leadership in that state. This shows you that the death rates are just significantly higher and that if the blue states had the same death rates as red states, we'd have 32,000 more lives saved. So this is a blue state problem in a lot of ways. Tighter lockdowns, so we measured the states that had the strictest lockdowns with the states that had the least lockdowns. By the way, there were about 12 States that didn't lock down anything at all and they didn't have stay at home orders.

You can see here that if anything, the stricter the lockdown, the more deaths. So that's pretty good evidence that this stuff doesn't really have an impact. I'm really big into this. I've talked about this, this afternoon earlier that there are... I'm writing this book called The Blue State Meltdown and I think it's the big story of America right now is the blue states are melting down. The bad economies, high death rates, hike taxes, high crime rates, et cetera, et cetera, et cetera.

Now it's not universal. There are always outliers. People say, "Well, what about this state or that state?" But you can see, I just took six of the biggest states that matter a lot and you can see that just for migration over the last 10 years, Florida, Texas, and Arizona averaged almost a million net entrance into their state from other states. Meanwhile, if you look at Illinois, New York, California, they have on balance a net negative million. So that's having a real effect on the balance of power in the country. The kind of center of gravity has moved more to the southern states. As I said earlier this afternoon, I do think if Biden wins the election, there will be a further and accelerated acceleration out of blue states as conservatives sort of try to get away and escape the policies that they don't like.

So this just shows you where the economy is poor right now. You can see again, it's a blue state phenomenon. The 10 states that have the highest unemployment rates today of 10% or more are all, with the exception of Pennsylvania, blue states. Meanwhile, this isn't being told very well, but in states like Georgia and Texas and Tennessee and Idaho and Utah are pretty much opened up for business completely and you can see the difference in the way these states have performed. And so, again, the problem with the economy, this is something Trump should say is, the problem with the economy Isn't the nation as a whole, it's blue states that simply are not opening up their businesses and keeping their workers off of the job. Just showing on balance, the red states have a 2.5% percentage point lower unemployment rate than blue states do.

I thought you might be interested in this, this shows this policy of increasing unemployment benefits. They're debating this right now as we speak. Pelosi and secretary Mnuchin. Pelosi wants to go back to $600 bonus unemployment benefits. I think that's crazy. I think it has very negative effects on the economy to be paying people more money. We all believe that unemployed workers should have a safety net, but when you pay people $600 a week on top of their normal benefits, you can see that for a lot of workers that's paying them double what they would get for going back on the job.

Incidentally, there's 6 million open jobs in the United States today. There's about 10 million unemployed and 6 million open jobs. So we've got to find ways to get the unemployed workers into the jobs and I guarantee if we go back to $600 or even $450, which is what the compromise might be, if they get a deal, it's going to be very difficult to get in our opinion workers back on the job when they get paid more for not working. So that was an interesting one. We looked at, this is a little bit old news, but I was a big advocate of the payroll tax suspension. If we had done that the economy would be very much more healthy today than it is. We should have just suspended the payroll tax for employers and employees for the rest of the year. We estimate that would have created about 2.5 to 3 million more jobs. That was obviously a much more... you can see that raising unemployment benefits destroys jobs and the payroll tax cut actually creates them.

I just thought you'd be interested in this and how the economy has changed, obviously in this 2020 with all of the government spending. People forget that we've already spent $2.5 trillion. You saw the news today that the national debt is supposed to go up by over $3 trillion this year, because of all the spending government is doing and that's without this new $2 trillion that Trump and Pelosi are negotiating. You can see the biggest component of the economy has been government. Government is growing and just about everything else until recently has been shedding jobs. Now this goes through the end of second quarter.

Incidentally, we are going to get a blockbuster number. I think most of you know, that the third quarter GDP is going to come in at somewhere near

30% to 32%, 33%. Not only is that a spectacularly positive number, but it's the highest number by far in the history of the United States. I call it the October surprise that comes out about a week before the election. I think that's going to be worth a couple of points for Trump when people see those very, very positive trends in terms of GDP. The employment numbers look really good. Another million people dropped off unemployment benefits last week. The media got that story wrong. It was a positive report, not a negative report. The housing numbers are really good, consumer spending is good.

The only components to the economy that are really weak right now are obviously the leisure sector and travel. And so I think Trump has to make this point, you don't want to change pilots right now when the economy is so strong. This just points out that point I was making earlier. I'm happy to make these graphs available to people. This just shows you these tax increases that are very large. I mean, this is a plan that will... I looked at every democratic plan since John F. Kennedy ran for president through people like Mondale, people like George McGovern, people like Hillary Clinton and people like Kerry and all these Democrats who ran for president. Many of them were considered quite liberal and none of them had anything like this.

I mean, this is a radical left wing proposal with these massive increases in taxes. If you're a shareholder, you have to be very worried about this. I mean, again, if the government takes a larger share of the profits, then the shareholders get a smaller share of the profits. I don't know how much the market will fall in response to this, but you can better believe that it would be negative. I just want to make one side point, if I may. I'm one of these people who just... I just hate when people say America is systemically racist. This is not a systemically racist country. We're probably the least racist country in the world in terms of economic opportunity. This is just so interesting. These are the most recent numbers for various ethnic groups and their incomes and you can see when people talk about red skinned Americans and brown skinned Americans and black skinned Americans.

Look at Asians, Asians are just rock and rolling. The average income by the way of the average Asian family in the United States today is just a tad under $100,000 a year. Asians make more money by about 20% than Whites do which is amazing. That doesn't sound like the performance of a racist country. Hispanics, by the way, which are below White Americans, but the average income for a Hispanic family now is $56,000 a year. So the numbers are really positive for what's happening with minorities. Now, Black Americans have a problem. They are at the bottom, no question about it, but even Black incomes have been rising and that's a very positive trend.

This just shows you what's happened with incomes. Incomes went up. This is a phenomenal record. I showed Trump this a few weeks ago in the Oval Office, he just was doing cartwheels when he saw this. But from 2016, through 2019 pre-pandemic we saw a $6,483 increase. This is median household income folks. I'm not talking about LeBron James and Bill Gates and Warren Buffet. I'm talking about our policies really working, our tax cuts work, our trade policies work, our deregulation policies work. Our pro-America energy policies created jobs and higher wages for people. Then poverty, I mean, what a great story this is. I mentioned it earlier that the poverty rate in the United States keeps falling and falling and falling and that means that we have less poor people. Now obviously there are more people who went into poverty because of the coronavirus, but I like that story too.

One of the lines I've used in the campaign is that the average American worker made more economic progress by 50% in three years under Trump than under eight years under Obama. So I think I will stop there. Obviously I'm a Trump guy so this is a pro-Trump kind of presentation, but I do think it matters. I think that investors and businessmen and women are kidding themselves when they say, "Well, it's not going to really make much difference in terms of the economy who wins." I've even heard some economists say it would it be better to have a democratic sweep.

I think it was UBS put out this thing a couple of weeks ago saying a democratic sweep would be the best outlook for the economy, I'm like, wow. And that's all based on this idea that we need more fiscal stimulus, but as you've heard throughout this conference, fiscal stimulus only stimulates government, it doesn't simulate private sector activity. Because as you all know, the government can only give someone a dollar if it takes a dollar away from someone else. So I think I will end there and just, if anybody has any questions, I'd be happy to take them. I think this could be a razor tight race. You could see a blue wave if Trump stumbles in the next, debate, but if he has a good debate, I think you're talking about being up very, very late, and we're not going to know the real winner for potentially three, four or five days.

Robert Helms: Stephen, hey, that's great stuff. Go ahead and stop sharing your screen that way we'll get to see you for a minute. We do have a couple of questions. I think one of the things we've heard about in the news and that's a whole can of worms, but we heard that Trump might not want to accept the results. You know the guy, you spend time with him, what are your thoughts about that?

Stephen Moore: Well, first of all, I just have to say this. I mean, it is the ultimate chutzpah of the left to be saying that Trump isn't going to accept the election results. I mean, you all saw what happened after 2016 when Trump was legally and constitutionally elected president. We now know that literally the day after the election, Obama and Biden were still in the white house. They had a campaign to try to overthrow almost a coup to try to overthrow that election. And of course, then you had the coup attempt with respect to the Russia collusion hoax, which lasted almost two years, two years.

You mentioned I was on CNN, and I was, and I did my penance. I was there for about a year and a half. Almost every single night for a year and a half, every single night, all CNN talked about was the Russia collusion hoax. Have they apologized for that? Have they apologized to the president? They tried to impeach a president. So that's overthrowing a president. Look, if it's clear that Biden has won, Trump will, of course concede the race. If there are improprieties, if it's a close race, we all remember what happened in 2000, right? If it's something like that, then I think you could have a contested election. I hope not.

But Trump is not going to... it's not like he's going to barricade himself in the White House or anything like that. I mean, look, we talked about this earlier today with a mail-in balloting there's a lot of question marks about the validity of some of these ballots. So it could take a few days, but look, if the returns come in and Biden has a clear lead %6, 7%, then the writing is on the wall and Joe Biden will be the next president and Trump will concede.

Robert Helms: So you've shared with us, some of the things that might happen either way, you were instrumental in the Trump tax plan which is the biggest sweeping tax changes we've seen in many, many years, were favorable to real estate investing and to investors in general. Have you looked at the Biden plan and what happens if he gets in, in terms of tax and maybe undoing some of the work that you helped do?

Stephen Moore: Well, I think that's sort of the theme of my talk is that when you twist the dials in the right direction from no growth to growth, I mean, as I said earlier, economics is all about incentives. Economics is about providing the right incentives for people to work, for people to save, for people to invest, for people to start businesses and to substitute leisure for work. And so that was the whole purpose of our policies was to twist those dials in a direction that was bullish. And it was and it worked. That's one of my frustrations is why in the world would Joe Biden want to repeal our tax cut when it was a phenomenal success in every regard?

So yeah, do I think turning those dials back in the opposite direction will hurt the economy? I do. Now you could get some of the Obama and the Biden economists and they won't agree with me on this, but I think that the record... we're proud of our record with respect to what happened in the first three years of those policies then we got slammed by coronavirus. Look, I'm not here to defend the president's policies on coronavirus. Everyone has a different opinion about that, but I'm just saying, boy, I used to go... when I'd see the president, I'd say, "Mr.

President, these policies and the accomplishments and the achievements with respect to this economy are even better than Larry Kudlow and I expected and we're pretty optimistic."

So I'm proud of it and I think if you re-elect Trump, you get more of the same, you get those policies staying in shape and then obviously the next big thing is an infrastructure package we hope to reform our immigration system so we can get the best and the brightest immigrants into this country so we can continue to compete. Trump is going to continue to be very, very tough with China. I think Biden will be much softer on China for better or worse. I think that China is a real threat and Trump does too. So those are some of the big, I think, issues that investors should be thinking about.

Robert Helms: Excellent. Well, we do have a couple more questions, but I think first I'd like to bring in our host Brien Lundin, in case you have anything you'd like to add or ask a question here to Stephen.

Brien Lundin: Yeah, I absolutely would. Stephen, good to virtually see you again as it were. You have some compelling statistics and charts on economic growth and I completely agree, deregulation, a number of the policies that President Trump put in place, largely thankfully to you and his other advisors who I was so glad to see get involved, it paints a picture of a really robust economy, but there is a darker side, one that we kind of explored during this conference. One being that interest rates have been pegged at historic lows, even through that period, even pre-COVID and really multi-millennial lows. We also had tremendous debt creation, some of that still post-2008, but then COVID came and now it's accelerated. What do you think about the debt trap and what the implications are for that for interest rates? I mean, can we ever have normalized interest rates and regardless of whose fault it may have been for building up a debt like that, are we essentially trapped in a state where we'll have to have ultra low, even negative real rates forevermore?

Stephen Moore: Oh boy, that's a complicated question. You asked me the toughest one. So I have an answer that might be a little bit unorthodox. First of all, I have no idea what the term normal interest rate means. I mean, I'm not being flippant. I have no idea what that means. What is a normal interest rate? Number one. Number two, I think Trump was 100% correct. As some of you may know I was nominated to be on the Federal Reserve Board in 2017, ran into some troubles there and I'm kind of glad in the end that I am not on the Federal Reserve Board. I love what I'm doing now. But in any case, I do have some expertise in monetary policy.

One of the points that I was making, which annoyed a lot of the people on the other side, which is why I didn't make it through the process is I was saying, "Look, the Fed is too tight." And people say, "Too tight. How can you say the Fed is too tight? We have these low interest rates and the

Fed has this big balance sheet." And I said, "Well, look at commodity prices." Commodity prices at that time in 2018 were falling and the Fed was raising interest rates. There was no sign of inflation anywhere, anytime. One of the reasons I was interested in going to the Fed is they have a wrong headed idea that growth causes inflation. As Milton Friedman taught us and Arthur Laffer and Larry Kudlow taught us and Kevin Warsh taught us, growth does not cause inflation. As Larry and Arthur would say if they were here, "The economy produces more hammers, the price of hammers goes down, it doesn't go up." You see that in technology, the spread of technology is driving down prices, trade is driving down prices.

So I think we're living in a new world, Brien and that's why, again, I'm not being flippant when I say that. I don't know what even a normal interest rate is. Is normal interest rate 3%, 4%, 6%? When I was in college, I lived through the high inflation of the 70s where we had... I remember I was working in a bank at that time in the late 70s and the bank was offering lifetime CDs at 11% interest rates. Remember that? So my feeling right now is that as long as investors want to lend money, 30 years to the United States government, what's the 30 year at? 1.5 or something like that?

Brien Lundin: Mm-hmm (affirmative).

Stephen Moore: Something like that. I mean, if we can borrow 1.5% interest rate and we can finance things that are good to do for the economy like privatize our social security system and move all that money into private accounts. Another high priority would be to finance the transition to a flat tax. Another priority would be to fix our roads and fix our ports and our airports and our infrastructure. Why not borrow 1.5% interest rates? This is a golden time for the United States to borrow. Now, do I want to borrow for welfare benefits, do I want to borrow for more wasteful green energy projects? Hell no.

So I guess the point I'm making Brien is when it comes to government borrowing, it's somewhat similar to private sector borrowing. Borrowing in and of itself is not evil. I mean, this country was built on debt. It's a question of what you're buying for the debt. We don't want more government spending, but if we can have a better tax code and better incentives for growth... Look, we borrowed a couple trillion dollars to finance our tax cut, but look at the returns. So who can argue with that? So I know that's an unorthodox answer. I am worried about $26 trillion of debt. I would never in a 1000 years buy a 30 year treasury bill at a 1.5% interest rate. Brien, I mean, do you own any of those?

Brien Lundin: No, but it's actually 27 trillion and that's not while you were talking that actually, although close to it, it actually happened over the last month or so.

Stephen Moore: Maybe I should shut up.

Brien Lundin: No, but listen-

Stephen Moore: But look, I mean, it is a serious problem. What I'm trying to do is give people a sense of, I'm kind of playing the devil's advocate here. Brien, you've known me for a long time...

Brien Lundin: Yes I have, but I guess my point is at 135 or thereabouts percent of GDP, does debt get to be a depressant on growth?

Stephen Moore: I think the thing to keep an eye on is interest rates. If the interest rates start rising, then it's time to stop borrowing. For a while there, the real interest rates were negative. Here's the other thing I'd ask for people to think about. This is a thought experiment. The purpose of this conference is to get people thinking. Where's the inflation? Usually Brien, I would worry that with all this printing of money that you would see prices rising at a rapid pace. I don't see it. I mean, the prices have come up a little bit and I'm not saying this story is going to have a happy ending, maybe it won't, but somebody out there show me where there's inflation.

That's why I kind of, when you said, well, interest rates are too low, well, if interest rates are too low and we're borrowing too much money and we're printing too much money, then you would think that the effect of that would be inflation. You're cheapening the value of the dollar, but I just don't see any indication of it and I'm surprised that I don't. I would think that there would be, and maybe somebody has a good explanation for why inflation is so low when the Fed is borrowing and printing record amounts of money. It's a paradox.

Brien Lundin: Well, that's what we've been trying to figure out here over the last three or four days. It's been kind of a [crosstalk 00:31:20] but we'll let you know if we figure it out.

Stephen Moore: I'm trying to get through the bottom of it too. Look, well, you're right, Brien to raise the siren alarm that there are alarming numbers, I'm not denying that. I'm just saying so far, there's no real sign of a negative effect of it, but I'd obviously rather have less debt than more debt and I hope that either party starts to get back to fiscal responsibility because Brien, right now neither party is acting... it's like you've got two big spending parties in Washington right now.

Brien Lundin: Completely agree. I don't see much hope on the horizon for spending restraint from either party. How are we doing on time?

Stephen Moore: But you know what, let me make one last point, Brien...

Brien Lundin: ...Sure.

Stephen Moore: ... and then I have to run. Look, I'm a growth guy. The solution to all our problems, growth, growth, grow, grow, grow, grow, grow the economy. Even a lot of Biden's economists say, "Well, it's only going to reduce growth by 0.2% or 0.1% or whatever it might be," and I'm like, "Why would you want to do anything that's going to reduce growth." The way you generate tax revenues and the way you get people out of poverty and you get more people working, that is the way that you get your debt under control and you got to grow, grow, grow. And so, Brien, you and I have known each other a long time. I'm in favor of anything that causes growth and gets people back on the job and gets our economy to be back to where it was.

Look, I'm really happy about where we are right now. I mean, 11 million jobs in five months. Nobody thought that. You look back four or five months ago, the Federal Reserve Board and the Congressional Budget Office said, "In September and October of 2020, we will have an unemployment rate of 16% to 18%." The unemployment rate isn't between 16% and 18% it's 7.9%. So we're running ahead of schedule with this recovery. It's been really rather phenomenal that we're at where we've gotten to. Now, I'm not saying the next six, nine months is going to be tough to get the next 10 million jobs back, but I think we're in pretty decent shape, especially compared to some of the other countries in the world. And so keep the faith folks, I do believe in America, I think we're going to get out of this and I think we can continue to be the world's economic superpower, but policy does matter.

Brien Lundin: Great message. Thank you, Steve.

Stephen Moore: Okay thank you.

Brien Lundin: All right. There's Stephen Moore. Great to have you back and enjoy beautiful Florida.

Jan Nieuwenhuijs

"Heading Towards A New Monetary System That Incorporates Gold"

Albert Lu: His talk today is Heading Towards a New Monetary System That Incorporates Gold. And from the title, I can tell that me and Jan agree on many things, perhaps everything except possibly the use of the letter J. Jan, welcome to the New Orleans investment conference. Take it away.

Jan Nieuwenhuijs: Okay. Thank you very much. Am I live now? Can everybody see me? Yeah, I think I can't hear anybody anymore. So I think I'm on the show. Thank you very much for inviting me in for an introduction. This is great to be at this conference virtually. It's a technical challenge, but maybe it's even better than last year, I don't know. So I'll be talking about the possibility of a new international monetary system based on gold. For the sake of simplicity, I will just call it the gold standard. It can be a classic gold standard or some kind of new model. We're not going to talk about debt for now. I'm just going to refer to it as a gold standard. I think it's very likely that we'll be able to return to a gold standard. And I also think that gold is the only way out for central banks.

And my analysis is supported by what European Central Banks have been doing for a couple of decades actually. And what they have been doing for a couple of decades is what I will explain today. So let me first read two quotes from the website of European Central Banks. These are both from 2019 and the first one is from the central bank of the Netherlands. "Shares, bonds and other securities are not without risk and prices can go down, but a bar of gold retains its value, even in times of crisis. Gold is the perfect piggy bank. It's the anchor of trust for the financial system. If the system collapses the gold stock can serve as a basis to build it up again." The second quote is from the central bank of Italy. "Gold is an excellent hedge against adversity and high inflation. Moreover, unlike foreign currencies, gold cannot depreciate or be devalued. Gold is not an asset issued by a government or central bank. And so it does not depend on the issuer's solvency."

Now, I think these statements are very remarkable because these central banks have the sole task to guard financial stability and the issue around currency. Yet they admit that gold is superior to the currency they issue and say that it offers protection against high inflation. And they even say that if the system collapses the gold stock can serve as a basis to build it up again. Okay, so what happens? Did these European central banks become gold bugs overnight? No, I don't think so. This started many decades ago. And I would like to tell you something before I go into the history lecture, and it’s that I researched this, this a lot and I wrote a couple of articles about it. And one of my key findings, I approached one ex-central banker in one of the European central banks.

And I presented these facts to him. And I said, while you were in office, did you know about this whole policy? And can you maybe share with me something about this? And he said, yeah, I knew about it, but I can't talk about it because it's confidential. And I have experienced this a lot. Also, when I reach out to central banks or when I submit freedom of information requests to European central banks, there's often some kind of secrecy law that I've bumped into. And it's because gold has been too much of a sensitive topic to talk about for central banks in the past, let's say decades. But this is changing as I have just read out from the websites of the European central bank. So, there's a lot of things going on, but let's start at the beginning.

I will take you through the decades, what happens. 1944 of course, after the second World War Bretton Woods was launched. 44 nations signed these agreements. The agreement was that the dollar would be the world's reserve currency backed by gold at a fixed parity of $35 per troy ounce. The dollar was set to be as good as gold. And the IMF was launched to set up the rules and to help countries that had troubles with a balance of payments. After the system was set up, it kind of functioned pretty well until the late 1950s, when it appeared that the US was printing far more dollars than it had gold backing those dollars up. And as pressure, started to rise in the free market on the gold price of the US dollar gold price at $35. In 1961, the US and some of its allies or, I should say ,friendly economies in Europe, Switzerland, the Netherlands, France, Germany, the UK. They set up the London Gold Pool.

And it was meant to defend the US dollar gold price in the free markets. In the beginning of the pool, this is what many people don't know. The pool was actually a net buyer and things were going quite smooth. Until 1965 due to the Vietnam War and some other reasons, the US started printing more and more and more money. And after 1965, the London Gold Pool became a net seller. Then in 1967, France dropped out of the pool. And it was also very critical of the US monetary policy.

It said, look, this dollar gold problem is something of the US. They are printing too much dollars. We are not selling our golds to help fix a United States monetary problem. So they were very critical. Then in 1968, the pressure on the dollar became too much and the pool collapsed, it ceased its operations. And what happened was that the free market price of gold started to float, but the official gold price stayed the same. So this was the birth of the two tier gold system. So on one hand you had the official gold price at $35, and then you had the floating free market gold price.

What this meant was that the official gold market was more or less paralyzed because central banks agreed that they would exchange gold among each other for $35 and not buy from each other and then sell to the free markets. But of course, no central bank would sell any gold because why would you sell gold for $35 if you see in the free market that it's worth far more. So the official gold market was more or less paralyzed after 1968. Now, what also happened was that the US of course, was in a tough position and they started, let's say, pressuring Germany, or you can say blackmailing Germany, not to redeem any dollars for gold anymore. Or it would withdraw its troops from Germany that were in Germany to protect Germans from the Russians. The governor of the central bank of Germany at the time promised the Fed not to redeem any dollars for gold and invest those dollars in the treasuries. Which this letter is publicly available at the moment and is called The Blessing Letter. And Blessing was the governor of the German central bank, at the time.

Now, a few years later, he admitted in an interview in a German magazine Der Spiegel, that he deeply regretted writing that letter, and he should have redeemed more dollars for gold. France in 1970 sent battleships to New York to load up on gold, to redeem dollars for gold. But they were at sea for a couple of days and Nixon decided to close the gold window. So a suspension of... the convertibility of dollar for gold was suspended. This is a very important moment in history, 1971 Bretton Woods was technically over and let's have a look at the situation. Because we had Europe on one hand and Europe had the most gold at the time. It had 18,000 tons of gold. But these reserves were kind of demonetized because of the two tier system. And this is like you play a game of poker and you're winning. And you're collecting all the chips. And suddenly this stash of chips you have, have become worthless.

So Europe was not amused by this. Neither were they amused at the dollar reserves they had, were plummeting in value relative to gold. So these were the things that were on the minds of the European central bankers. And they had, let's say two... There was a sentiment that they wanted two things. They wanted to counter the dollar dominance, and they wanted to get gold back into the system. A diplomatic battle ensued. And at one point in Europe, there was already some sort of club in Europe called the European Economic Community, the EEC, they publicly stated they wanted an equitable and durable monetary system. Now, obviously the dollar standard was not an equitable and durable monetary system. France was already very vocal about returning to a gold standard. Germany, less so because they were blackmailed, but Europe was in a tough position for a number of reasons. First of all, you had the IMF rules, which of course were saying, or stating, what the official gold price should be. And it was not so easy to raise it.

Then we had the global financial infrastructure that was already primarily done in dollars. And you can't change that overnight. Of course, the US was the military power and Europe was desperately depending on that. And the official gold reserves in the world were not evenly distributed. Actually, the majority at the time was in Europe. So Europe decided to play along with the dollar game for the time being, while they were working on some of these issues. Now for the US it was kind of great. They wanted to develop the dollar standards and our twin deficits to have countries abroad, to export the dollars. To have countries abroad, reinvest those dollars in treasuries. And in return, they get military support. Countries like Saudi Arabia, but also, Japan did this. And this was really the foundation of the dollar standards. Some people called it the petrodollar.

And this was of course gave the US a lot of power. So it took several conferences. And eventually in 1978, after the Jamaica accord Europe succeeded in ending, the two tier system, was in 1978. And what they immediately did was set up the European Economic System... Sorry, the European Monetary System, the EMS. And the EMS was, let's say, the precursor of the Euro system. And it already had a currency unit, which was called the ECU. And ECU was partly backed by gold. And the ECU was used to manage the exchange rates of the currencies in Europe. They wanted already fixed exchange rates because it facilitated trade within Europe. But the ECU, because it was partly backed by gold, was also used to mobilize the European Gold Reserves so they could use their gold reserves again.

And it was also used or what it also brought about was it added liquidity to the gold market. You could say it kept the gold market alive. The EMS to European Monetary System was also called Bretton Woods 2.0. And there's a famous book, The Rules of The Game by Professor Kenneth Dam, who wrote, "The EMS may turn out to be a first step towards rehabilitating gold as an integral part of the international monetary system." Now we're going to go to the 1990s now. Early in the 1990s, some European countries, my country, the Netherlands started selling gold in 1994. And you can think, well, selling gold that is not very bullish for gold or helping gold. And indeed the mark was negatively impacted, the gold price started to drop. And then in 1999, European central banks, 11 of them, signed a new agreement, the Washington Agreements. Also called CBGA.

And what they said is, look, we're going to sell some gold with several countries, but we're going to do it in concert. And we’re only going to sell 400 tons a year. So there was a clear communication, it said that gold is going to remain an important reserve asset. But this was done to calm the markets. And it helped because in 1999, the gold price started to rise. The European monetary system was ended in 1999 and was replaced by a Euro system. And of course, that came with the Euro. The Euro in part was also set up to counter the dollar dominance. And what's also interesting in the Euro system is that the central banks started to market the gold on their balance sheet. And this is something that I will get back to at the end of my presentation. Note, the Federal Deserve still values their gold certificates on the balance sheets at the official gold price of the 1970s, which is of course ridiculous, but it's like a symbol or saying gold isn't worth much. And people should use dollars.

Now then we go to the great financial crisis in 2008, after the great financial crisis, members of parliament in the Netherlands, my country, started asking questions at the minister of finance and started asking him, why did the Netherlands sell so much gold? It sold two thirds of its goals in the ‘90s. And they asked him what was the main reason we sold that gold. And he had the main reason was because we thought we owned too much gold relative to other important gold holding nations. So actually the Netherlands and all these CBGA countries in Europe, they sold gold to equalize gold reserves internationally. What also happened off the great financial crisis was that European countries started repatriating goals, the Netherlands, Germany, Austria. Started repatriating gold from the UK and the US. countries started upgrading their gold. Sweden, that we know of, Germany, France, Poland have since, they have all upgraded all their gold reserves to current wholesale industry standards. So any bar that they bought in the ‘50s or the ‘60s, it wasn't pure, or they remelted it and refined it. So it's all liquids, all their gold is liquid.

And the last thing that did was drastically change their communication, the Netherlands, for example, Germany, but also Hungary and I read some of those quotes in the beginning of my presentation. I'm going to share some charts with you. So, let me just share a screen to explain a bit more about what happens to what I just... I trust my screen is shared. Yeah, it's shared. Make this smaller.

So here we can see the official gold reserves per region. And here the blue line is Europe. And you can see that in 1971, it owned the majority of the official gold reserves, the unit 18,000 tons. The United States owned 9,000 tons and the Middle East, Eastern Europe, and Asia only owned about 2,000 tons. And by now you see here in ‘90s, they started selling gold Europe. And all this time, let's say Asia has increased its gold reserves and by now it's much more balanced. This is the distribution of gold reserves within Europe.

And you can see here the gold bars correspond to the left-hand side axis, metric tons. And the gray bars correspond to the GDP, to the right-hand side here. You can see that the gold holdings roughly correspond to the GDP levels. Of course, there's an outlier here, the UK, which I think has been pressured by the US to sell more than it wanted to. But what we can see here is that within Europe, gold is pretty evenly distributed. And what we can also see is that medium-sized economies predominantly sold gold, the colored things, to get equal to the rest of the countries. So you see Germany didn't sell anything. It was predominantly Belgium, Austria, The Netherlands, Portugal, and Switzerland that sold a lot of gold to get equal.

Here. We can see the distribution of gold from an international perspective. You can see here, the largest economies, the United States, Euro area, China and Russia, and the rest of the world. Also are pretty evenly distributed amount of distribution of gold. Japan has also been pressured by the US not to sell or buy gold, but to buy treasuries in protection, military support for China. But I'm getting a little ring now that my time is up, so I have to move. This is a chart in which you see also the private gold reserves. My point is that gold since 1971 has been much more evenly distributed. So what is the significance of this? Stop share screen. The significance is that there's a famous economist, called Robert Mundell. And he wrote that during the Classic Gold Standards, the gold standard became so popular, late 19th century, that more and more countries joined, and it added a demand for gold, and it's raised the real price of gold.

So the more countries were joining that was actually deflationary for the countries that were already on the gold standards. So the thing that I'm getting to is, and this is what the European Central Bank said in the ‘70s. They wanted an equitable and durable monetary system. So if you go to a gold standard, you have to make sure that the gold is evenly distributed. So that from the start, it's not even. First of all, it's equitable, but it's also durable. So you don't get imbalances from the start and you can make a fabulous start. Now, I think my time is up. I had a few more minutes in mind, but that the end of my presentation.

“Pandemics, Politics, Protests & Money Printing: What’s Next” Panel

Russell Gray (MC), Dave Collum, Dominic Frisby, Chris Martenson, Adam Taggart

Brien Lundin: Nothing's been the same since the COVID0-19 pandemic hit, with the resulting economic shutdown threatening to shutter uncounted small businesses, including some iconic restaurants here in New Orleans. Combine the direct impact of the shutdown with the long term impacts of the massive fiscal and monetary rescue efforts, and it seems apparent that nothing will ever be the same again. So we decided to explore the repercussions of this extraordinary year with a special panel covering the gamut of potential impacts, and as you'll see, with an exciting array of speakers. Let's get to it.

Albert Lu: I'm joined now by Brien Lundin and Russell Gray for this Pandemics, Politics, Protests and Money Printing panel. First of all, very interesting, the site we just saw in that video, Brien. Bourbon Street, not what we're used to seeing this time of year at this conference.

Brien Lundin: No, it isn't, and that video actually gives a bit of a mixed picture. We actually had to walk a while before we could find a restaurant that was boarded up. One of the iconic restaurants, Arnaud's, it was actually opening up that day, so it's a sign that things are starting to get back to normal. We had to walk a full block to find a boarded up restaurant. And of course, there are other institutions, some of ill repute on Bourbon Street that are also boarded up that we did not necessarily want to feature in the video, but it's a sign, it's a mixed bag. There is recovery going on at the same time that there are jobs and businesses permanently lost.

Albert Lu: Now, we sent Alex down early in the conference walking the streets. There was some activity, but not a lot, although that was on a weekday. What would the scene look like tonight, or what will it look like tonight?

Brien Lundin: Busier, busier. In retrospect, we thought maybe we should have pre-recorded that and edited in a bit more activity, but then again, it was a sign of where we are right now, at least in New Orleans, at least that microcosm of Bourbon Street. There was not that much activity, as you know. It was mostly the typical scammers and the like on Bourbon Street looking for activity. Alex was swarmed upon by those people, because it was a sign of life. So again, it's a mixed bag and one of the things I wanted to have this panel to address, not just the pandemic, but 2020. I mean, what a year. What a panoply of ... And there's my alliteration again. What a lot of things going on at one time, and what are the implications going forward from this year?

Albert Lu: Right. So yeah, a new panel here. Russell Gray of The Real Estate Guys is going to be moderating this. Russell, this is a very timely panel wouldn't you say? I mean-

Russell Gray: It's going to be great. We could've spent probably about four days on just this one topic. I'm excited to moderate it, excited to hear what the panelists have to say.

Albert Lu: Okay, so who do we have joining us for this?

Russell Gray: We've got Dave Collum, who we'll introduce here in a moment. Dominic Frisby, who everybody got a chance to meet in his presentation, I believe yesterday. Chris Martenson, who everybody got a chance to meet in his presentation yesterday. He's a part at Peak Prosperity. Adam Taggart. So, we're going to have a good session, guys.

Albert Lu: All right. Without further ado then, let's get to it.

Russell Gray: Okay, this is the Peter Piper picked a peck of pickled ... No, I'm sorry. That's the wrong one, the Pandemic, Politics, Protesting and Printing. We got a chance to meet Chris and Dominic, but Dave, if you could take just a minute and tell everybody a little bit about yourself?

Dave Collum: Got interested in markets as an aging boomer starting to notice I had to worry about them. Then it became an obsession, so now I write for Peak Prosperity once a year. How to Sell a Blog once a year, in which I do an overview of the world, with a particular focus on human folly.

Russell Gray: Okay. Adam, why don't you introduce yourself to everyone?

Adam Taggart: I co-founded Peak Prosperity with my business partner, Chris Martenson over there. I do want to say that Dave does write just once a year for Peak Prosperity, but it takes the entire year to read what he wrote. My background real quick, I worked on Wall Street early in my career as an investment banker in New York City just long enough to really get a sense for how broken the system is and how the system exists for its own interests and not those of its clients. I then went, got my MBA from Stanford, worked in Silicon Valley for about 10 years or so, long enough to realize that Silicon Valley has turned into basically a hype machine, rather than a value creator these days. Then partnered up with Chris, because I wanted to do something about it. I wanted to open people's eyes to the real rules by the way the world is working and enable people to make prudent decisions in their lives based upon that information.

Russell Gray: Awesome. Well, thank you. Guys, we're excited to have you. We're going to start out talking about the pandemic and like the virus, the response to this whole thing has been mutating. The British envoy to the WHO, the World Health Organization came out and said, "Hey guys, this lockdown thing shouldn't be the first line of defense." Then the Director General came out and said, "No, no, no, no, we tracked that it should be." So I guess really the question is ... And meanwhile, there's this Great Barrington Declaration folks, that you're probably familiar with. A collection of doctors that have come out and medical professionals saying, "Hey, we're overreacting to this."

So as investors, we're trying to figure out if and when the economy is going to get back up to full speed and a lot of that is predicated on the reaction to this pandemic. So Chris, you've done probably ... You and Adam have been working together putting out gobs of content on this crisis. You were the first ones to alert Robert and I about it. Where are we at? Has this thing become a political issue more than a health issue? Is it going to go away after the election? Or, is this the new normal?

Chris Martenson: Well, I was very concerned about this virus up front. I remember back in January we were getting these crazy things coming out of China. We were seeing pictures of hallways filled with sick people and dying people, people were keeling over in the streets and at first we didn't really know what was going on. They called it a novel coronavirus, and we've since learned a lot. The bad old days where people would go on ventilators and pretty much die. It was a death sentence there to go into hospital early on for a lot of folk. Now we know more, and it turns out it's not that novel after all. It cross-reacts with a lot of the common cold viruses and some people are automatically immune. Children just don't seem to get it at all, at least by the statistic numbers. There's nothing happening there.

So as we've come through this, we've learned a lot and as is typical for me, I'm completely out of step with what the center mass wants do. I was warning people like crazy at the beginning and the media was telling us the Grammys were more important. Now we're being told that we have to really fear this thing, and I don't fear it anymore personally, because we understand treatments that are actually effective and work, and we understand the importance of things like vitamin D. Just vitamin D, something that's simple. But what's odd here, and the point of your question, we know that vitamin D adequate levels will cut the risk of mortality by half and that is somehow not being trumpeted by the major governments of France, UK and United States, et cetera.

It's a really mysterious thing, and meanwhile they're saying, "Look at the case counts," which aren't actually cases. They're SARS2 infections that are being detected. They're putting out these really scary looking second wave charts but if you go over to the deaths and hospitalization charts, they're climbing but nothing like what we saw in spring. So to me, you have a bad first wave on this thing, the second wave such as it is, is a delayed first wave in most cases. I'm not that worried about it. I'm terrified of how the governments are responding to this and shutting things down, and doing real economic damage.

Russell Gray: Gentlemen, anybody else have a different perspective or want to tag on to any of that? Dominic? Dave?

Dave Collum: I want to congratulate Chris, because Chris described what he did. At the start, it was scary as hell and he documented everything he could with his deep knowledge of biology and what so few people could do is, his story changed as he got to understand it and so that's exactly right. I think when it first started, the reaction was understandable. I think the panic, I think the curve flattening, I think all that makes sense. I actually think, and we'll see what people think about this, I think the virus itself is actually attenuating and there's biochemical basis to that. That happened back in the early flus whereas it goes from person, to person, to person, it loses kick and I think it's losing kick. That's my guess.

It could be because there's many strains that are being passed around. I don't know, but great book by John Barry, The Great Influenza, that's where this is coming from in my head. I think the damage is far deeper than Wall Street wants to admit. I think there's going to be aftershocks. We've kept people artificially elevated and they ... We've kept people in jobs ... At some point, businesses start folding and if you start firing waitresses and ... Ithaca College just laid off 20% of their faculty. These are consumers, these are people who then are not going to hire whoever they hire and it just ... There will be a domino theory here, I think.

Russell Gray: Yeah, and that's really the next question ... Oh, Adam, go ahead.

Adam Taggart: No, I was just going to agree with David there, where I think that the real shoe to drop from all of the destruction in demand hasn't really landed yet. I think that's going to be the dominant theme of 2021, which is, we may actually get through the health crisis to David's point, if he's correct. The virus may have attenuated. The actual health risk we may find is much lower than is expected right now, but we may find ... I think we'll likely find that we'll be in a financial crisis, much more like the great recession of 2008 at that point, when we really realize how many of the businesses that are shut down are not going to reopen, how many of the 10s of million people that have lost their jobs are not going back to work.

I think right now the markets are still in their Wile E. Coyote state where they're just living in denial of what's happened yet. I think once we get through the distractions of the elections and whatnot, the dust is going to start settling and we're going to get a much clearer picture of what reality is like, and I think it's going to be a much more grueling slog economically than the markets are pricing in right now.

Russell Gray: Yeah. Dominic?

Dominic Frisby: I would just like to make a couple of points there. The first one is, what goes on in the real economy and what goes on in the stock market are two very different things. We have this tendency to go, "Oh, well the markets are up, the economy is fine." They're two completely different beasts and often one doesn't reflect the other, particularly as we're in this new era of funny money. There's so much artificial money in there, whether it's via quantitative easing or leverage, or however it's got there. But, I still think the situation in the real economy can get very much worse. That doesn't necessarily mean markets will fall, particularly as so many US markets are so geared to tech stocks and technology. Technology has actually been a beneficiary of this.

You can look at tech stocks on the NASDAQ and so on and go, "Well, those prices bear no relation to earnings," and they don't. But that's because it's tech and you've got ... As I was banging on yesterday about the scalability of tech. Even now this conference, this conference isn't happening in the real economy. It's happening over the internet, and it's happening over Zoom. So, Zoom has benefited from this in a way that wherever the hotel in New Orleans is that we would normally have had this conference in has lost by, so there are winners and losers. That's my first point about the real economy and the markets. They're two completely different beasts.

The next point is, I'm not a virologist and I can't claim to be any such thing. But, cases do seem to be rising at the moment. That might just be simply because of the fact that testing is more prevalent than it was, so it might simply be a consequence of that. But even though cases arising, hospital occupation is falling, deaths are falling. So either the virus has got weaker, or we've built up a greater immunity to the virus, or this is a new strand of the virus that isn't as dangerous as the one that comes before. But the biggest danger here ... I've actually got a comic song about this virus. One of the things I stress in that song is, maybe the fear is worse than the disease and far greater harm comes from the alarm. And mortality rates, what are they? One in 100 if that at the moment, and life must go on. Just let it if you please. The most dangerous thing here is the government's reaction to the crisis.

Now, in my book Daylight Robbery, which studies the history of taxation ... And there's a strong relationship between taxation and control. Tax is power basically. And one of the things you notice is that if leaders try and enact new taxes in times of peace, they very quickly get overthrown. New taxes always come in times of panic and usually wars. Then what happens after the panic has passed is that the levels of taxation, the levels of freedom never go back to the level that they were before the crisis started. That's my huge fear here, is governments across the world have set this terrible precedent of being able to lock down an economy and enforce all these laws and employ the police and do this, that and the other, enacting powers that probably they never should've had.

It's as though all these virologists who've been waiting for the global epidemic, they've been waiting so long. When COVID-19 came around, they couldn't wait for it to happen. But now this precedent has been set. I just don't think we ever go back to where we were last January, and I think that's a terrifying thought. There's been a huge land grab and much of that occupied land freedom will not be given back.

Russell Gray: That really is a great segue, Dominic, into the next topic. The next P we're going to talk about is politics. On our show, we talk a lot about how we have to resist the temptation to talk about what we think it should be, how the world should work, what's right, what's wrong. Because what really matters from a pragmatic perspective as an investor is, what do the people who have their hands on the levers of power think? What are they likely to do? And, what do we need to do in anticipation of that to position ourselves either to avoid loss or capitalize on opportunity? So, let's just look at it from a political perspective more about not what we think they should be doing, but what we think they will do. If you were to polish your crystal ball and take a look at the political environment right now, what should investors ... What do you think's going to happen and how should investors be thinking about it? Whoever wants to take it first.

Dominic Frisby: I can go, unless somebody else wants to go.

Russell Gray: No, go ahead.

Dominic Frisby: Well, I'm afraid there's this ... Governments across the world are terribly hubristic. They genuinely believe that they have the answer and so many people, particularly in Europe, it's probably the same in the US, but particularly in Europe, have never worked in the private sector in their entire life. Lockdown hasn't actually affected them. They carry on with their lives, they work from home, they carry on earning their money. There's this arrogance in the ruling classes that they can fix things, that they can plan things, so I just see the constant move to ever increasing government.

Now we in the UK, the media, it's almost like we're a mediaarchy, if I can invent a word, where the media is so powerful and it just so wants to get hysterical, and it's mostly biased to the left. It can't stand our conservative government, which is nominally of the right, but it's actually basically a social democrat government. So every little move, every utterance by a government minister is scrutinized by the media, and then that government minister is taken to account, or it's about the policy of ... Because initially, the UK tried to go down the Sweden route. They lost their nerve after about three days and U-turned.

But when every single action, utterance, everything is scrutinized by the media and when the government in the UK is responsible for education, it's responsible for the roads, it's responsible for healthcare, it's responsible for everything, and everything is scrutinized and the media gets its knickers in a twist if any government minister does anything that's not completely normal and bland, and beige, and vanilla and all those things, they come under this huge attack. So the result is, government ministers are constantly looking over their shoulder what the media might say. And in order to try and stop the media saying bad things about them, they're constantly acting, they're constantly trying to help.

And we all know the famous Ronald Reagan expression, the worst thing is, "I'm from the government, I'm here to help." I just don't see us going to less government ... If a minister just turned around said, "Do you know what? I trust the aggregation of 65 million individual decisions more than I do the centralized decisions of a few bureaucrats in Parliament." I mean, he'd be absolutely butchered for saying that. "Just let people get on with it. They're all clever. I trust them to do the right thing," just won't happen, but that's what does need to happen.

Russell Gray: So, more government. We can expect to see more government. Adam, I saw you scribbling some notes. What's new?

Adam Taggart: Yeah, I really just wanted to agree with Dominic. I think the dominant theme going forward is going to be overreach by the government. And to borrow another maxim, what's the old saying? There's nothing as permanent as a temporary government program.

Russell Gray: Or tax.

Adam Taggart: I think a lot of these things as Dominic was saying, once they've been implemented, they're not going to be undone once the emergency situation is done. So going forward, I think we can see ... In the short term, I think it's pretty easy to predict no matter who in the states wins the presidential election next month. I think we're going to see a lot of stimulus still coming forward, whether it's going to be in the three 3 trillion range or the 7 trillion range. I've seen estimates of both. But, I think we're going to see a wall of money continuing to come this year.

I think going forward though, you're going to see much more tax and redistribution of wealth. I think over time for a lot of the reasons Dominic was mentioning, here in the States, you're going to see a greater and greater appeal of the message of the Democratic socialists for folks. I'm not saying it's good or it's bad. I'm just saying the wealth inequality has grown so great here and as we're pumping all this liquidity into the system, it's actually benefiting a relatively few, much, much more than it's helping the great masses. There's an increase in people beginning to really wake up to the fact that they are really getting screwed by the system and I think more and more people are going to say, "Well if I'm getting screwed, I want at least something for it. So these candidates that are promising me free whatever, free healthcare, free education, tax relief, whatever, I'm going to vote for that person."

I did want to make one last point on this which was flagged last night by Peter Schiff, who had said something I had just been talking about a couple days ago, which is, given the way that the system is set up right now where it is so hard to get yield on capital. That if you are a government worker, if you have a pension, essentially it's the equivalent ... Like if you were getting a $50,000 pension back when interest rates were 5%, if you were a private sector employee and had saved up for your retirement, you could get an income of $50,000 a year with $1 million in savings.

Today to get that, you need more like $20 million. So for a government employee who's on a pension, it's almost like a person's got $20 million in the bank, where everybody who's been in the private sector and saving is really, really struggling right now for any return on that money. So, you're going to see a real social tension brewing, in addition to all the other fronts we have for social discord between those people on pensions these days, that's largely government workers, versus everybody else.

Russell Gray: That is such a great point. I wish we had time to delve into that one because that's one of my pet peeves. Chris, What say you? Politics?

Chris Martenson: I'd like to back up one more step because I think everything Dominic and Adam said is spot on. The whole idea of the mediaarchy, or I guess Mark Twain said, "If you don't read the newspaper you're uninformed, but if you do, you're misinformed." There's a lot of misinformation going on right now, and I'm thinking now the other maxim in this is, never let a good crisis go to waste. Well, I really got ... My hair stood on end when I took a tour of the World Economic Forum website. That's the Davos crowd. They were gleefully talking about the great reset. And oh my gosh, their fingers are in every pie and they ... Let me summarize it for everybody. There's winners and losers and surprise, that crowd turns out to be a lot of the winners in this story. But, they're really looking to globalize everything and that this is a global emergency, and now we need all these global responses.

That's all simmering on one side, and then on the other side you have the United States gleefully sailing ships and selling arms to the Taiwanese, and China doesn't like that. So, there's all these tensions building. You put all of that into the mix, and all I can see is that the Federal Reserve is going to keep printing and the government is going to keep spending, and you got to buy gold, or land, or real assets. Your original question, Russ was, given the political landscape, what do we do as investors? All I can tell you is that predictions are hard to make, but trends are easy to extrapolate. The trend of less freedom, more government, more spending, those trends are all solidly locked in place. I would expect more of those. I don't know what happens next year, but I know eventually they just keep doing ... "They" just keep doing this until it breaks.

We all know that when it breaks it's going to be ugly. Who knows how the chips are going to land at that point, but we'll see maybe demagogues arise, we'll see stumping for war as a way to get out of this. All the usual stuff, which is the power class wanting to assign blame rather than look in the mirror on this whole thing. These are self inflicted wounds. History is full of these sorts of self inflicted wounds. I think everybody at this conference is familiar with them. It's always easier to print today than to admit we shouldn't have printed yesterday. So, I think that's what we're going to see more of. I don't see any way around it, and I'm personally positioning myself for that difficulty and chaos at this point in time. So get your money out of the system as much as possible and participate in real assets, hard assets, land, water, food, gold, lead, all those things. Those are the things where my brain goes, because I can't see any other path forward besides those at this stage.

Russell Gray: Yeah. Dave, how about you? What do you see on the political landscape?

Dave Collum: Let's get ambiguous here. The media is a pack of liars. They're worthless at this point. That's the one thing Trump has right. The media is a pack of liars. I know there's a couple guys out there who are trying to get it right. They're partisan, but they'll switch teams if they see it, so I think the media has truly let us down in a profound way. The election scares me, no question. Let me point out, I didn't get to hear much of the conference. I could be repeating everyone in the conference. Back in '18, I did as detailed analysis as I could evaluation, and it's only gotten worse. If you ignore the COVID crisis, if you just say it never happened and we just cruise for doing what we're doing, we're way overvalued. We're comfortably over 2x overvalued.

Once you're overvalued, there's no solution, so we've got a big, big equity bubble. Nothing refutes that idea, I think. The bond bubble is the biggest bubble in history arguably. What it means is that you will not be able to get a return going forward, you simply won't be able to do it. You might be able to play it. I don't doubt for a minute that David Tepper will somehow come out of this okay, but the average person ... I ask people, "Why would you ever buy a 30-year Treasury?" And I get all these answers about, "Oh, you don't buy it to hold it." The whole sardine model that Chris and I have talked about at times. You can't win once the assets are overvalued. There is some regression to the mean. It might mean you took 30 years of wretched returns or a catastrophic couple of years, but one way or the other, you can't get back to the returns that you think you're going to get from high valuations. There is no escape.

Russell Gray: Let's jump into our next P, which is protests. I look at it, I mean, there's at least two schools of thought that I see. One is that these protests that we're seeing in the United States are organic reactions to racial and financial inequality. Then there's another school of thought that says these are coordinated efforts to destabilize the system to facilitate some sort of a reset, and maybe there's other theories out there. But again, if these are things that once these injustices are addressed would go away, versus, are these things like a permanent bear in the woods that we need to track long term going forward because there is an agenda behind them that will continue, even if we address some of these other issues? We don't have to spend a bunch of time on this unless you have a lot to say, because I really want to move on to the next P, which is printing. I'm sure we'll have a lot to talk about in that. But Dominic, what do you have to say about these protests?

Dominic Frisby: Well, they're not confined to the United States. When the Black Lives Matter thing happened in, whenever it was, June and July, it very quickly spread over here. I'm a big football fan and football players have all started bending the knee at the beginning of football matches, without realizing that they're bending the knee to a Marxist organization. They think they're bending the knee against racism, they're not. They're bending the knee to a Marxist organization. The difference between Black Lives Matter, capital letters, and black lives matter are two very different things.

I've read quite a lot of left wing economics to try and keep balanced, and there's a big narrative on the extreme left that we are going towards a crash. It's a very similar narrative that you find in libertarian circles who think there's going to be an inflationary melt up boom, and it ends up with gold and all the rest of it. The far left want that same crash. They're agitating for it in every which way that they can, and that includes creating social disturbance and unrest wherever they possibly can, whether it's through Black Lives Matter, or Extinction Rebellion, or whatever it is.

The difference is, we on the libertarian think the great crash is coming, and suddenly freedom is going to follow, and this libertarian paradise where gold is money, and Bitcoin is money and freedom rules once again. They're looking for something quite different. They want the crash so that they can take control. And when you position not just your investments but your life, as Chris said, it's worth having some kind of ... I live in London, but it's worth having a bolthole somewhere out in the country, somewhere safe in case that far left situation does take hold, because they like controlling people.

Russell Gray: Interesting. Adam, how about you?

Adam Taggart: Yeah. I think to your main question there, Russ, I think the answer is, I think it's both right. I think it's, yes there's long standing unaddressed tensions in our society that are probably worth a frank discussion of how to address, but I think the fuel that's really igniting that these days is the fundamental inequality that we talked about. I think as long as the Federal Reserve and the other major central banks continue the status quo of essentially continuing to give tremendous advantage to the already rich at the expense of everybody else, I think you're going to see that frustration and that sense of injustice erupt in many outlets, whether it's racially, social divides, whatever. That said, I do think there are agent provocateurs out there who have their own agenda, as Dominic just mentioned. So, it's I think a dual threat situation.

Just real quick, we have our own seminar coming up in a bit and we've interviewed a multi-decade police sergeant about the gestalt of 2020 and all the unrest that's going on. And he has said this is one of the more concerning times in society that he has seen across the span of his life, and he's in his 60s at this point and served for several decades on the force. And similar to what Dominic and Chris have said, some of his key takeaways are, don't assume that your community is safe. That's one of the things we're seeing right now, is that a lot of places that are "safe," it can never happen here communities, are now suddenly seeing unrest there.

And by far, your biggest ... What's going to determine your destiny here, if indeed we go into a future of greater social unrest is your attitude, which is a sense of, "Hey, I need to be more situationally aware of what's going on around me. I just can't assume everything is going to be like it was in the past," and having a mentality of not being a victim. Those are two great success strategies. And the last is big advice to everybody, which was echoed by Dominic and Chris, is what we have to do at this point in time if we want to make sure we're going to fare better in this future is, we have to overcome the inertia of today and take the right precautions now.

Whether that's lining up your bolthole as Dominic suggests, whether that's really figuring out how to shelter in place should unrest come to your local community, or whether it's maybe getting trained up on some of these defensive measures. One of the things that we've learned through the crisis so far, whether it's the McCloskeys, which are those people that you saw waving their AK-47s at the, or AR-17s at the Black Lives protesters or that kid Kyle Rittenhouse, up in Wisconsin I think it was. Just having a gun doesn't mean you're going to be able to protect yourself. And in many ways if you're untrained with it, you're more of a danger to yourself or to innocents than if you've actually gone and gotten the training. So again, take the right precautionary steps now.

Russell Gray: Absolutely. Dave, I saw you nodding your head there a little bit. One of the things I'm interested to on this whole protest thing is the potential economic. I mean, obviously there's the personal, the safety, the responsibility, but does it have an economic effect that we should be watching for?

Dave Collum: Well, it certainly does. There have been arguments made that sound good to me, that a depression is not only about economic activity, but about psyche. I think that when society goes into an emotional hole, it is very hard for wealth creation. I want to point out something about the markets before. I don't view tech as that good at wealth creation. They might be good at elevating stock prices and stuff, but for example, I will argue that Amazon is not as pioneering as the Sears catalog. And, I would argue that Facebook brings no redeeming value to society whatsoever. It's not just that they're evil, but I don't think scraping data does anyone any good. I'm still going to buy one mattress, and if they get me to buy Saatva instead of Tempur-Pedic, what has been gained? Nothing. I think if Facebook went away today, we would lose nothing in society. I don't want Google to go away or some equivalent, I need that one. But, I don't see the wealth creation in the stocks that are elevating the markets. Eventually that will catch up.

I will simply foreshadow that I was the recipient for the second time in my career of what is referred to as a cancellation. The first one was a feeble effort and it was not hard to deal with. This one was a massive effort. This is one where despite powerful forces backing me, society turned on me in a massive way. A lot of students, a lot of Neo-Marxists. They're a hateful bunch and I'm very bitter about it, and I will not be the same after this. I sleep with a shotgun under my bed now. I have my office under surveillance now. Now there's been no activity, but they're not going away now.

So, when you see ... A guy at UNC got canceled and killed himself. If your kids come home from college and you hear them talking about a way where it sounds like they're part of a mob, grab them by the lapels, sit them down and tell them they're taking a gap year because you're not sending them back. Do not let your kids go off this deep end. It's a minority, but so were the Brownshirts in Germany. I think we're at that level of risk right now. The Brownshirts in Germany were a social movement that people didn't take seriously. There are 6 million dead Jews because we didn't take them seriously, so don't underestimate the threat.

Russell Gray: Chris, on the subject of protests and then we'll move on to printing. You have anything you want to chime in on?

Chris Martenson: Yeah, I really do. In the interest of thinking about the context behind this, let me take the biologist point of view. That's my background, is biology. There were these really interesting experiments they would do back in the 40s when you'd do these experiments. I don't think you could get these past your review committees today, but they would ... It's called shock-induced aggression. It worked like this. They would take a rat, put it in a cage. No furniture, no way to escape, just a metal floor and they put shocks through the floor. They were very painful. And if you had one rat in that cage, it was really unhappy. It would be a really unpleasant experience for it, and they would ultimately end up just curling up and just becoming a PTSD animal. Really horrible experiments.

Now, where the experiment would take a darker turn is when they would put two rats in the cage. They're still shocking them, there's nowhere to escape. The rats didn't have the awareness to know where the shocks were coming from or how they were being delivered, or there was somebody outside in a white lab coat pressing the button, so what did they do? They looked around and they would see one other rat and they would go, "Ha, it's you," and they would put their rage at their unfortunate situation against whatever they could find, which was their other rat. Keep it up long enough, they fight. Keep it up long enough, they fight to the death.

So, what does this have to do with us? I think we're just like rats in the cage. I think there are people out there who are shocked, they're being shocked, they don't know where the shocks are coming from, they don't have the context to understand where those shocks are coming from. So we see people pointing fingers at each other, but I think it's completely inappropriate for the police to be fighting people on the street, because they're both actually in the same cage at this point in time. So, what shocks? We'll get to it in printing next. Printing is a huge shock. The fact that billionaires became trillionaires and all this stuff is just ridiculous. The fact that colleges charge basically life ending levels of debt for things of questionable quality, all due respect, Dave Collum, not your-

Dave Collum: Hey, I wish they'd cut the number of college graduates in half. I'm with you.

Chris Martenson: Absolutely, but shocking that your elders would say, "Hey, we're going to burden you with a lifetime of debt," and then just back away and say, "It's on you for paying it back." Shocking that the Federal Reserve says, "We're going to drive up the price of housing so that an entire generation can't get a start in life." On, and on, and on these are all shocks. People don't know what to do about it. And by the way, from my perspective as a biology trained person who's 58 and seen it in his own eyes, it's shocking the degradation to our natural biosphere that's happening out there, loss of species, everything. All these things are shocks and if you don't have the appropriate context for it and the media tells you it's that person, it's this ... I'm watching people point their fingers in every direction, but the right direction. So, that's what I think.

How many protests are we going to see where a Target gets burned down? Where is the protest at the country club? Where is the protest outside Humana Healthcare CEO offices? Where is the protest outside the Federal Reserve regional branches? These are the places that are administering these shocks. A $58,000, four-minute helicopter ride for a coronavirus patient, a $1 million bill coming out of the health system, shocking. We should be pointing our fingers at the actual people pressing the buttons on that and we're not yet, but that's going to come my hope. If it doesn't, we'll just keep seeing people protesting but I think ... I call it at the retail level. We got to get to the wholesale part of this story if we want to change anything.

Russell Gray: Yeah, that's such a great comment. Go ahead, Dominic.

Dominic Frisby: I was just going to say, just great comment. It's almost not the individuals pressing the buttons, it's the system itself. That's what somehow needs to be changed. The individuals pressing the buttons are probably just as stuck as the rest of us. It's the system itself.

Russell Gray: Yeah. What's the old saying? Anything that can't go on, won't? Something like that, right? This is not sustainable. Alright, let's move on to this topic of printing because I think that that is probably the one that is going to connect the dots maybe the best, and obviously impact investors the most. It's no secret, and we've had a jillion speakers here at the conference talking about the Fed's balance sheet and how many trillions they've conjured out of thin air and the impact on yield. The way it moves people into mal-investment and all of those types of things. When I look at this, I see not just trying to create inflation, I really see them trying to save the financial system.

If interest rates go up, bond values crash and these things are leveraged throughout the financial system all over the place. I see a very frail financial system. So, to me it seems like the Fed's already manifested an attitude that they're willing to sacrifice the dollar. They will do anything. They will print any amount of dollars it takes to save the system. If that's true, and you don't have to agree with me, I'd be interested in your opinion, ultimately how does that trickle down to Main Street and how do you navigate that? What I call the multi-trillion dollar questions are A, will the printing continue? B, can the printing continue? And then maybe the ultimate question is, where does the printing lead? Dave, let's start with you on that one.

Dave Collum: Yeah, I hate the Fed. They are a bunch of mid level bureaucrats who don't know what they're doing. Somehow they've lost any sense of free market capitalism. They have lost any sense of price discovery. They have no idea what the consequences are. They are the problem, not the solution. They tell us that inflation is good. I've challenged Twitter to explain that to me, and no one ever comes up with a coherent... There's one okay answer to why modest inflation is good, the rest are just garbage. They will keep printing until the system goes back. That's my opinion. I think they're just going to destroy it and that's why you got to own gold. I'm laboring over whether I should go back in energy again. I was in for about a decade, then I went out. It's a Stalinist model that they're running, and somehow everyone's, "Oh, but they save us." If someone put a gun to your head and doesn't shoot you, do you give them a hug? No. As soon as they turn their back, you club them over the head.

Russell Gray: All right, Chris what about you? Printing, is it going to go on? Can it go on? And, where does it lead if it does go on?

Chris Martenson: I already predict that the trend is going to continue, but Dave reminds me of an important point I like to bring up which is that if you look at the longer term charts ... We went off the gold standard August 15th, 1971. Everybody's familiar with that. But something else happened right there too, is we went into a peak of oil production in the United States for conventional oil, which is a euphemism for cheap, the cheap, good stuff. You put a little straw in the ground and you have 1,000-barrel per day well that produces for 40 years. That was awesome stuff.

Now we're down to the part of the story where in order to keep the system expanding, expanding, expanding, we had to go from 14% long term rates around 1980, and we've got them all the way down to, what are we at on 30 year rates now, a percent or less? Or in Austria's case, 100-year bonds for 0.56%. Yeah, good luck in the year 2021, I mean, getting your 0.56% returns. Crazy. The larger architecture for this is that our actual energy use has been going up, but the amount of net energy we get from it per capita has been going down, and so all ... Everything I see is, just drive the interest rates down, down, down, down, down, but now we're at zero. Japan already proved this and Europe already proved this, going below zero ruins your banking system and really clubs your whole economic system over the head.

So these mid level bureaucrats that Dave just talked about, they're just trying to press the same buttons they've always been pressing, and they've run out of room. I almost feel like we're at that scene in Spinal Tap where Nigel was explaining why his amp goes to 11. Here we are at zero, and Jay Pants on Fire Powell is trying to explain why maybe we might consider going below zero, but it doesn't work. It just doesn't work below zero. So I think that's where we are. I think we're pretty much on a runway. I think that's why people are concerned, it's where the protests are. I think we will feel it. The story we've been telling ourselves doesn't work anymore, and because of that, it's making people really, really nervous and they don't quite know what to do so.

So yeah, the printing continues. The beatings will continue till morale improves, but we're out of runway in the story and I think to really get it, you can't just look at the printing alone, not the politics. You have to understand really where we are in the energy cycle as well, and there's a huge story there to tell. It was a great party, it went on as long as it could. We're way past the time that we should've ... Everybody should've gone home and we should've had some rational, thoughtful response to this. Instead, we're just getting mid level bureaucrats doing more of the same, and that same is now becoming destructive not helpful, and that's been true for a while.

Dave Collum: We could have gone nukes, and we didn't.

Chris Martenson: Didn't. Should've, could've, would've, didn't.

Russell Gray: Dominic, you want to chime in on this printing? Going to continue? Can it continue? Where does it lead?

Dominic Frisby: Sure. I mentioned earlier on how if governments propose certain things during peacetime, they'd never get them through and they'd need a crisis to get them through. Then once you've got the crisis, it never goes back to what it was before. We saw that with quantitative easing after 2008. If you proposed quantitative easing in 2007, everyone would've thought you're insane. But quantitative easing never stopped, it became the new normal, zero interest rate policies and so on. They came off of it, maybe 2015 to 2018, 2019, something. They should've pulled it back a little bit and then come 2020, here we are again. I don't know if this is true, but I read this week that 22% of the US dollars that are in existence were printed this year. It's just an incredible statistic.

Now, one of my more successful trades of recent years has been, short the Turkish Lira against the US dollar. Now, in 2011, the Turkish Lira was roughly 85 cents. Yesterday on Friday, it went to 13 cents so it's gone from 85, to 13. Now, it hasn't collapsed, it's just every day, every week, it just creeps down a little bit lower, a little bit weaker, a little bit weaker. I think we see something similar with fiat money, just every year it loses that little bit more purchasing power. Now, there are times, 2008, March of this year, you get a market crash and suddenly everyone wants cash again, and suddenly cash is king, so there are times when you need it in liquidity crises. But on the whole, it's just every year three, five, 6% of its purchasing power gets eroded away. We've been primed for negative interest rates at the moment. They're leaking it all into the media, and I guess that's the next stage of what's coming. So you do need cash for those times of panic, but you just don't want to have too much.

Dave Collum: I'd like to ask the panel, do you think they're liars or stupid?

Chris Martenson: Yes.

Adam Taggart: Can't not be both.

Russell Gray: Brien had Alan Greenspan out here in New Orleans a few years back and he told the crowd, "You know all this stuff you guys talk about these guys at the Eccles Building? They know what you know." I mean, in typical Greenspan speak, he's talking between the lines, but he's saying, "Hey, these guys know what they're doing."

Dominic Frisby: The Bank of England is full of people who are massively interested in Bitcoin, great proponents of Austrian economics. They all go and hang out of the Institute of Economic Affairs, but as soon as they walk into the Bank of England, they just go quiet because they don't want to be canceled. There's too much career risk. They know what's going on. It really needs some men to just puff their chest out and stand up and go, "Look, this is what's going on. We've got to stop it." The problem is they get crucified by the media, and it's easier to just make other decisions and just keep the thing going.

Russell Gray: All right, so Dominic is ready for some toxic masculinity to enter the scene. That's good. Adam?

Adam Taggart: Well, first I want to build on what Dominic just said. A couple days ago I was talking to both Danielle DiMartino Booth who I know speaking at the conference here, and Axel Merk who are two folks that are extremely plugged into the Fed. Danielle used to be an advisor to Richard Fisher, Axel has William Poole who's a former Fed advisor on his board. It's amazing to hear from them just As Dominic said, the difference between what the Fed is saying publicly and what these retired Fed presidents say when they step out of the organization. I mean, it's almost bipolar.

Dominic Frisby: It drives you insane.

Adam Taggart: Yeah. And we wished to your point, Dominic, that some of these people would just have the stones to just come out and say, "Hey look, you know what? We have a personal belief in one situation, but for whatever reason when we're in the organization, we have to toe line X," or whatever. But, we never really hear the truth from these guys until they're outside and it's always in a private conversation.

Dominic Frisby: Yeah. Time and time again they step down, and then as soon as they ... What's the ... Mervyn King, the former Chairman of the Bank of England did it. They step down, George Osborne, the chancellor, they step down and then they suddenly come up with all this Austrian stuff, and you're like, "Why didn't you do it when you had the chance?"

Adam Taggart: Chris calls this the farewell speech, and you're like, "What? What the hell were you doing while you were in there?" But hey, Russ, to your-

Dave Collum: BIS utters truths occasionally. BIS occasionally comes out and says stuff, "Oh boy, I can't believe that."

Adam Taggart: But Russ to your questions, just a couple quick additional notes to what the other speakers said, and I'm in violent agreement with my three other peers here. First off, if you had any doubts about whether they were going to really man up, or really escalate the printing, I think 2020 has really removed those doubts. It's really showed us to Chris's point, that they're going to try to get the dial turned up to 11. And look, Jerome Powell was supposed to be the new sheriff in town. He was the guy who was actually going to take a hard line. He wasn't an academic, he was more of a lawyer but was going to come in to bring some maturity into the role.

Russell Gray: Blazing saddles.

Adam Taggart: Yeah, but he did a total 180. And let me ask you this. Do you think if Biden wins, do you think that Biden's appointee for the Fed is going to be more likely to adopt austerity than Jerome Powell was? Absolutely not. We're going to get somebody who's going to be even more dovish than Powell. So to your point of, can they print more? Absolutely. History is full of tons of examples about this. And just on a behavioral economic standpoint, especially with the caliber of modern politician we have today, and my fellow speakers here have already articulated this better than I will, but they just don't have the backbone. They will always, always print to try to make the problem feel a little bit better in the short term, even if it creates much longer term issues, than advocate any short term pain for longer term gain. It's just not in the political DNA at this point.

One thing that I've seen a lot of recently in this trend is a lot of very long term deflationists, a lot of long term guys who've been worried about the everything bubble and that there's going to be a breakage in the system, and we're going to have a market correction here of sizable size. They're saying, "Look, if you're one of those people who like us has been sitting on a lot of dry capital because you're waiting for that blood in the streets moment where the market craters and you can get in and deploy capital at much better valuations, maybe in advance of a much more inflationary policy response but you're going to jump in there and get things cheap," they're beginning to lose faith that that's going to happen.

So, they're increasingly shifting more of their cash and dry powder into things that will benefit from a long term inflationary regime, and one of the things I've heard people talk a lot about these days is commodities. We've talked about precious metals, but also just general commodities as well. They are right now still at historic lows in a relative valuation to the stock markets, so that might be a great rotation play right here.

Russell Gray: Yeah, that's great, anything real and essential. And then I keep wondering, are we Japan or are we Venezuela? We could probably have a lot of fun talking about that. But, we're at the lightning round so we're going to move on to our fifth P, which is practical advice. Everybody's heard what you've had to say. We're looking at a situation where we have the pandemic. It's going on and the politics, and of course, this very, I don't know what ... Tumultuous political season we've got. Not quite sure what the outcome is going to be. We've got the protests, the printing, and now we've got to figure out back on Main Street, what do we do? So from a practical perspective, Chris, let's start with you. What's your hot tip for the folks that are out there listening? What can they do to position themselves either to avoid risk or capitalize on opportunity in the situation we're in?

Chris Martenson: Great question. Adam and I have been talking about this as a hot tip for a long time. It's now a lukewarm tip because I'm sitting here in Western Massachusetts. We've already had a huge exfil of New Yorkers and Bostonians coming out and buying land, wanting to have that rural place, getting their bolthole in place. This is something Adam and I have been advocating for a long time. If you don't live in a place where you can have a garden, you might want to think about how you would do that and if you have that inertia that came up as a word earlier, get over it.

If you haven't thought, "When am I going to pull the trigger and get myself these hard assets?" Gold, silver, a little bit of Bitcoin is a hard asset and its own characterization, land, stuff like that, you really need to do that because everything that ... All the data that we see right now says that's now a lukewarm tip. I wish it was still a hot tip, it's not. It's already afoot. It's happening. It's just not noted yet in the press. But I can tell you on the ground, I see it everywhere happening around me right now.

Russell Gray: Chris says, "Get moving." All right, Dave, how about you? Hot tip.

Dave Collum: The commodity tip is certainly I think a good one, and they're certainly dirt cheap. I do worry a little bit where I've got Jesse Felder on one shoulder saying commodities and energy in particular are dirt cheap, record cheap. I got Huspen on the other shoulder saying that when you get a big selloff, the one that we're worried won't come, I'm worried it won't come. You got Huspen saying if you get a big selloff, that all 10 deciles of valuation get hurt. So you buy a stock of the [PEF12 00:56:11], think you're saying, when that [inaudible 00:56:13] sets, you just lost that capital.

I am staring at some very generic-looking energy plays, and I'm getting very trigger happy. If they start moving, I'm going to use technical analysis which in today's most sophisticated terms is when they stop hurtling to the earth, you buy. I'm probably going to go back into some really generic large-camp oil plays and stuff like that, and maybe ask Adam and Chris, if they have any thoughts on that at some point, but that's what I'm going to do. Felder loves the equities, which is a, well, it's an equity on the other hand. But, actually buying commodities is hard. I tried to do it and I wanted, but couldn't pull off a way to do it despite Jimmy Rogers. I don't think it's any easier now and so I've always ended up back into the commodity equities.

Russell Gray: Okay-

Dave Collum: And, a lot of gold, a lot of gold. I have owned gold since '99 in buttloads, so a lot of gold.

Russell Gray: Awesome. Adam, let's go to you. Practical tip.

Adam Taggart: Yeah. I'm going to repeat myself and say ... When you're at a conference like this, you're an information gathering mode, which is great. That makes you smarter, but information in and of itself has no value unless you put it into action, so overcome your inertia. The steps you take now are the ones that are going to bear a return down the road. Once crisis arrives, whether it's a financial crisis or maybe a security crisis in your area, it's then too late to act. So, actually figure out what steps make the most sense for you and actually get going on them now.

And I'm going to introduce one more P, Russ, which is Prosper, which is the book that Chris and I created or co-authored back a couple years ago. It really goes into depth in an awful lot of practical steps that you can take in your life. Yes, there's guidance around money, but there's guidance around a whole other spectrum of ranges that really create true wealth and true meaning and fulfillment in life. And look, we don't know what's going to happen in the future with money. The money may come, the money may go. But if you are healthier, more emotionally grounded, more valued in your community, wiser, a better steward of your money, contributing back to the land, these are all things that are going to be life-enhancing no matter what the future brings. I'll just let folks know if you haven't read Prosper yet, you can download a free copy at peakprosperity.com/freebook. Shameless plug.

Russell Gray: Yup. It's a great book, it's a quick read, very practical. Dave?

Dave Collum: I paid for it. You guys, I paid for it.

Russell Gray: Dominic, we'll give you the last word and then we'll wrap this thing up.

Dominic Frisby: Sure. I've got a few ideas. I'd look at the ratio between gold and oil, and platinum and gold. You look at both oil and platinum and you just go, "They're extraordinarily cheap on a historic basis." And just what the world needs at the moment is $150 oil. It needs that like it needs a wet slap in the face with a fish, but it probably wouldn't get that. There's just been so little investment in oil for so long, at a certain point its price is going to rocket. I quite like oil, but it's still mired in a bear market but bear markets don't go on forever. But what really excites me, and another thing I'm going to be doing ... My two big things this year with tech and gold, and they've both worked out pretty well. Gold's in a bit of a medium term sideways downtrend at the moment, and it needs to sort itself out pretty quickly or it's going to start getting ugly. Silver is worse.

I've just got two more little suggestions. I'm probably going to go short the US markets, no matter who wins in November. I just think at the moment they're trying to beef it up for Trump who's got the reins at the moment but no matter who wins, I'll probably short the US indices in early November. But what really excites me as an investor, if you can find a niche commodity that there's a structural shortage of, and yet that commodity is somehow really important to the world. Every couple of years, we seem to get a bubble in a niche commodity.

In 2006, it was uranium, then it was potash, then it was graphite, then it was graphene, then it was lithium, then it was cobalt and vanadium. If you can find these weird nice commodities, and find plays on those and get in pretty early ... I think the next one is helium. That's already got started. All the US helium reserves have been sold out and there's a couple of helium plays, so helium is interesting. And I think the next one might be some kind of hydrogen tech play as fuel cell vehicles come into play. Also, platinum has a role to play in catalytic converters in fuel cells. So, important niche commodities. Find them and get in early before everyone else is talking about them.

Russell Gray: Great, fantastic. Guys, thank you so much and if you're so inclined, jump into the chat. I'm sure there'll be all kinds of questions and people that want to interact with you. Really appreciate your time, your wisdom. Thank you so much, enjoy the rest of the conference.

Peak Prosperity

“The Importance Of Being Resilient”

Albert Lu: Let's welcome Chris to the stage. His talk is the importance of being resilient. Dr. Martenson, welcome.

Chris Martenson: Thank you. And thanks for that, Brien. It was just absolutely wonderful meeting you at that event and everybody else I've met along the way. I have the real honor and privilege of being able to present here today. You've just got an absolutely wonderful audience. And by the way, big kudos to your staff for pulling off what so far for me has been a really flawless experience attending virtually. So here we are doing this virtually. This is a very odd year to say the least, and I've been doing a lot of COVID coverage. And if I wasn't doing that, I'd be railing about the

Federal Reserve, one of my favorite things to rail about, but ultimately I'm going to start with my talk here, and I'm going to start with the conclusion in this particular talk.

So what's my conclusion? My conclusion is that we all really need to be resilient at this point in time. And that picture to the left is the garden that Evie, my fiancé, and I have here from our not so secret bunker location in Western Massachusetts. And I want to talk about this resilience a little bit, because I think, when you look at what Byron just talked about, what Dominic just talked about, when you start noticing the various breakdowns in really large things, like even things that we used to take for granted, at least I did, such as social cohesion and the idea that maybe we could trust on some level, our larger institutions, maybe somewhere, maybe the health authorities, but all that really got shredded for turning Strauss in house style here in 2020.

And so this resilience to me, it looks like this. This is Evie, my fiance, out in a field with one of our cows who will be having a date with a freezer a little bit later this fall. We also got pigs this year. Never had them before. Don't know what we're doing, but we sure learned. This is our garden. We just absolutely are going all out and building this garden soil up. Everything's about the soil. That's where we're really starting in this. I also got a saw mill, a band saw this year, and so now we're actually cutting our own lumber a little bit. And here it is on a tractor. And I'm going to put up siding on this pole barn that we just put up. And this is what it looks like when we get there. So we also go out and train at a front site, and this is a picture of our Peak Prosperity crew, not this year but last year when we were out at front site. So you put all these things together and you say, "Well, why? Why are you doing this?"

I got to be honest with you. I'm 58 years old. 20 years ago I never saw myself where I currently am in all sorts of directions, but certainly not pretending or trying or learning how to be a gentleman farmer. So the question is, what's going on here? And why is this happening? And the reason this is happening is because of the federal reserve BS, balance sheet. Look at this, we've got three trillion more dollars printed this year out of thin air put on their balance sheet. And when we say printed, we all know the process and I'm sure other people have covered this already, but just to be clear, the Federal Reserve clickety clacks on a keyboard and they go out and they create credits on somebody's ledger and they buy things like mortgage backed securities, treasury bonds, corporate debt. Now, junk bonds, you name it, probably stuff we don't know about so my trust is low in this story. I'd love to see an audit.

But just to put this in context, we didn't cross that first three trillion dollar mark until 2013. So that's all of U.S. history. That's every bridge, every war fought, every person schooled, every piece of infrastructure put in, all the way up to there. And then we've just done that in nine months. And why? Well, to rescue markets. Well, why? Well, nobody has a really good answer for that or what the Federal Reserve is up to. But as they tinker around with the monetary side of this, they're tinkering with something that I don't understand how people can just sit there and think to themselves, "You know what? This is fine. We're good." This last chart I just showed you, this thing ought to have your hair on fire running around in the room because when you pour this much money into something, you can't help but distort things.

And there's all sorts of distortions. And they're going on all across the world, including the European Central Bank. Recently somebody said, "Well, Chris, you keep saying the stock market and bond markets are going up because the Fed's printing. But they're not really printing that much." And I said, "It's just a relay race. Look who they pass the baton to, look at the immense growth here in the European Central Bank. Or we might see the same thing for China or Japan. All the central banks are printing like crazy."

So that's fine if I thought maybe there was an exit strategy that made sense here that they could articulate, but they haven't been able to. And they keep talking about full employment and they want inflation to be higher. I think they're going to get it good and hard, but the thing that's missing in this story, I like to connect dots. And to me, the economy doesn't sort of like oil or need it or depend on it. Oil is the economy. Every single thing that moves from point A to point B pretty much without exception moves there because of oil. And when we look at it as a proxy for worldwide economic activity, you could do worse than to look at actual crude plus condensate. That's what this is. C plus C, crude plus condensate.

This is the actual measure here of world economic activity that I go by. It's showing about a 20% decline. I can't measure all the little things out there and know that, if you're going to look at it from the bottoms up and measure every container moving, every job lost, every value add that didn't happen, hard to add that up. But you can also look at the amount of oil that wasn't burned, consumed, or otherwise utilized and come up with a pretty decent answer of where we're at.

So yes, stocks are going higher. Yes, we've got ridiculous valuations, yes, we have bond markets at all time highs. But those are because of a really artificial construct. That's the central banks trying to create the appearance of economic health where I think none actually currently exists. And so that's creating a big, big pressure in the system. Byron was talking about that more directly. And so that's a pressure that, it might resolve itself peacefully, or it might not. So it's something that I think we have to be aware of.

And in the United States, we're a story of shale oil. Shale oil, those wonderful formations, the Barnett and the Permian, and the Bakken, and the Eagleford and the Anadarko, all those formations, right? Well, those are our really wonderful, beautiful resources that also individual wells deplete very, very, very rapidly. So in this story, if you want to know where us oil production is going to go, you really just need to track the rigs because if those rigs aren't constantly running, you end up with a very fast depletion cycle. Many of these wells deplete 50%, 60%, 70%, sometimes as much as 80% in the first year. And so to keep the oil production up, which is something that we really need to do if we want our economic activity to keep up, you got to keep drilling.

So look at this...We're down to 183 rigs there right now. And in 2011, we had 2,017 rigs running. And so when you just compare those two numbers, I think you can understand that this is not a prediction. This is more of a trend extrapolation. There's a pretty sharp fall in oil production coming. Good friend of mine who runs a lot of these analyses, Art Berman, has calculated based on these numbers that he thinks that we're going to hit in 2011, maybe by June, July, only five or six million barrels per day of production down from a peak of 13. So just put that into your economic pipe and light it up and give it a smoke. There's a really, really giant shock coming in the future, and forget what the price of oil is for a minute. It's just that oil is the unit of economic activity.

And so on one hand, what do we have? Well, we have the Federal Reserve printing as fast as they possibly can. And what are they printing? Well, they're printing claims. That's what money currency in our current system represents. It's just claims, right? Well, claims against what? Well, against real stuff. I don't want to have a bunch of money in my bank account unless I can do things like buy cars and buy clothes and buy food and buy homes and stuff. So that's what I'm constantly doing in my work is trying to add up how does this story make sense? As you know, it's very hard to make sense of these stories these days, because they're nonsense. They just are.

So here's some nonsense. I've titled this one “What In The?” This is federal government expenditure. See, look at that. See that line? See that thing there? That's not a typo or a print error. This is coming straight off of the federal reserve website at St. Louis. That's on an annualized basis, but look what we did in that most recent quarter, we the United States government. That is one of the most absolutely spectacular spikes in expenditures ever. I mean, it's the world record setter at this point. But let's compare that now to what we're seeing here in terms of tax receipts. Taxes are down and we have this massive, massive gap opening up, right? Right now we're meeting that week again, the royal week, we're meeting that with printing. Running the printing presses.

And again, everybody's sitting around with the cafe on fire going, "This is fine." Well, I don't think it's fine. I think the risks are just piling up. And so the question is, well, what does that mean? What does that imply? And to me, I think you've got to know your situation here. We've got the lunar eclipse there with the earth between the sun and the moon. You got your solar eclipse with the moon between the earth and the sun. And you got the other one. This to me, that bottom panel, that's where we are in this story right now.

The Federal Reserve is doing things that only possibly make sense if you can make an argument for super rapid resumption of economic growth in the future. If you can't do that, well, now we just have a lot of claims piling up and we have an entrenched set of behavior changes where, good luck trying to get the government to not deficit spend at that level anymore. Good luck getting people who are earning more on unemployment to go back to work, where they would earn less. Good luck with all the behavior changes that have happened.

So there's this massive set of changes to consumptive behavior, to debt level, ability to pay, to how corporations are running them. So all kinds of things just changed. That's what COVID has given us. And so it sets us up for something that I'm worried about that looks a little like this. We need to have a balancing act between the real economy, which is that little red dot over there, and oil on the other side. We have less of that oil and then we've got all of these programs by the federal reserve. You got your QE, your MSLP, your TABLF, your term asset backed loan facility, your corporate bond purchases, the ever appropriately named MMLF there, the money market lending facility, on and on and on and on.

Through all of that, what's actually happened, what hasn't happened? Well, they've funded a little bit of deficit spending by the government of which some has gone to people in the form of $1,200 stimulus checks. But when we add that up in our heads, we discovered that even if they said 150 million people receiving those checks times 1,200 gets you to somewhere in the vicinity of around 200 billion out of 2 trillion that that got spent, that means that around 10% is going to people. Where's the rest going? That's just going to support financial assets. It's going to Wall Street again. And so you can change this picture slightly, but this is the direction we're heading, where now all of this money is going to be crushing over towards this thing called the real economy. And on the other side to balance it out would have to be all the stuff that we would need to be producing, which is courtesy of oil.

So this is where the United States is going. 2021, I know people are tired of 2020 and are thinking to themselves, "It can only go up from here." Here's what I'm worried about. I'm very concerned that the United States will create the appearance, if not the reality, of economic recovery, we're going to find ourselves with about half the oil we need, we're going to be competing with a lot of the world for that same oil. There's going to be a lot of money sloshing around in the system. And we're going to then experience the inflation that the US government wants good and hard, that the Federal Reserve wants a lot. So that's a set of pressures on one side, but there's another set of pressures that concern me just as much.

It's the idea that as the Federal Reserve does what they do because of the Cantillon effect, and because of the way assets are actually unevenly distributed in our culture, when they pump up financial assets, what they're really doing is helping the rich to get richer. A lot richer. And that brings to mind this quote, which is one of my favorites, from Plutarch, which says that, "An imbalance between rich and poor is the oldest and most fatal ailment of all republics."

And so this is a concern I have, is that as this deep unfairness begins to unfold, as the Federal Reserve is, let's be clear. What they are not, they're not a wealth creating machine. They can't be. You can't print purchasing power out of thin air. If you could, we'd all be speaking Latin because the Romans, who were very clever, would have figured it out. It's never worked out. This time is supposed to be different, I have my doubts, but ultimately I think there can't be any argument over the idea that one thing you can't do is have an organization that clicky clacks on computers with a few PhDs and some interns in cubicles, create a trillion dollars and have that be meaningful.

So what happens when they create that trillion dollars? Well, it does go somewhere. It does flow into the culture. It flows in unequally, it flows into those who get it first. That's the Cantillon effect. It flows into those who already have the most financial assets. That's what this slide is about. And as that happens, you end up discovering that the Federal Reserve at its core can be re defined as a redistributive organization. Because it's true. Jeff Bezos got a hundred billion dollars richer. Where'd that come from? Right? Well, that had to come from somewhere. So that purchasing power that Jeff got and, and people like him, it had to come out of ordinary people's bank accounts. It has to come out of that general taxation we call inflation. That's what's being set up here.

And of course, they're not being honest about it. The Federal Reserve is not saying we'd like to tax everybody with higher inflation so that we can maintain this grotesque wealth inequality that we've got, which by the way, why do I care? Because it's already happening, people. We're already seeing ... These riots and protests, I know they're getting framed as about ANTIFA and it's about communism and it's about racial things. I don't think so. Maybe, but honestly, underneath that it's due to the fact that the economic oxygen has been sucked out of the system. People feel like they don't have opportunities. They may not be able to correctly diagnose where those shocks are coming from to them. And so it ends up as sort of this general protesting. The prediction here is this just continues because the root cause of this is the Federal Reserve printing and the deep inequality that comes from it. It's just the injustice of it that leads to an inequality as well.

So it's just unfair. We're social creatures. We very much like fairness. We talk about fairness. It's just awkward when you have a national narrative about how you're a free, fair, just freedom loving country, but the reality is increasingly not that. That tension creates these sorts of social eruptions. And so I very much care that we have these conversations. It's being shut down, really and social media is doing a great job of shutting these conversations down, keeping people diverted, keeping them focused on pointing fingers at each other, all of that stuff. And meanwhile, the trends are not our friends, in this particular story set.

So as I look across that, there's all these big systems out there, the energy system, our social systems, our governmental systems, our monetary systems. And they're all just a little bit unbalanced. They're awkward shaped right now. They are no longer working for us, and they're starting to fail as Byron King said. So as energy production falls, the money printing falls apart as an ideal. and then our social cohesion falls apart as an ideal. That's the concern I have.

So when we look at that set of concerns like that, and again, I might be wrong, but I'm not confused. I don't know for sure what's going to happen, but I do know that a good strategy right now is to be resilient, resilience being defined here as the capacity to very quickly recover from difficulties, whatever those might be. And there's all different forms of resilience. We could have financial resilience, which is fantastic. That's what you're here to learn. I have a lot of my own wealth tied up in productive farmland, real estate, gold, silver, things like that. There's material resilience. So, as the Seals say or rock climbers say, if you have one, you have none. Always have backups of things, important things. So maybe having solar on the roof or a way of managing your own energy use or re-insulating your house.

Those are great forms of being more resilient, but knowledge, big one here. Knowing what's going on, having the understanding so that you're not down there in the trenches at the retail level, being confused and shocked and surprised by what's happening. You got to know where the shocks are coming from. That's what this conference is about. That's what this education is all about, is understanding. What is the role of the Fed? What is the role of these policies? What is the role of big money in our governmental system at this point in time? What is the role of social media in fracturing and dividing our attention as well as our hearts? So those are all things that are important to know.

Safety and security. Obviously I want to live in a safe country. That's why I get so mad at what the Federal Reserve is doing, because they are forcing me, my family, my loved ones, you, potentially to live in an unsafe place, right? Why do that? We don't have to; we don't have to do that. History is really clear on this. Don't create an imbalance between the rich and the poor if you don't have to, okay? Let's not do that. But there's other things too. There's your psychological resilience, your emotional resilience. And actually that's probably the most important one in this story, as well as how resilient is your community?

These are all areas that we work very hard at peak prosperity, Adam and I, to figure out all the different ways and gather the people together who want to explore these ideas, how would we become more resilient over time? This is just a screenshot off of our website, just from this morning. You see I'm talking about censorship, that social media stuff, that's a video I just put out. We've got Joel Salatin talking. He's a farmer out of Virginia doing really creative stuff. So we're talking farming, we're talking about tipping points, we're talking about bitcoin, all sorts of things.

This story I just told you, it literally touches every facet of everybody's lives. Everything is coming due. And I think the fact that we're doing this by Zoom because of COVID and mostly because of our government's response to COVID, or lack thereof, that we're doing this now here, it tells us how big the changes are that are coming. So that's the basic story I have to tell about resilience. I hope I've piqued your curiosity about it.

For me, it all begins with this. I'm just tending to the basics right now. This is what feels right to me. It feels like integrity to be doing this. I'm really attending to soil, water, beauty, life, family, really back down to the basics here. And I can only control what I can control. I can't do anything about Federal Reserve money printing, but I can get my money out of US dollars into other things that are tangible. And so this is what our field looks like in greener days. And I'm just thrilled to be able to explore this. And we are creating a community here around people who are interested in these sorts of things, and are interested in what I would consider to be really tangible forms of wealth.

Because I have no interest in living in fear. I have no interest in living worried about things. I want to be very proactive. And that's where my current satisfaction in life comes from right now, is because I'm putting a lot of my energy into creating the kind of beauty and regenerative systems that feel right. It just feels right to me at this moment in time. And it's something I can do when there's a lot of things I can't do anything about. So there, that's my talk. And if I've left any time for questions, let me know, but thank you very much for listening.

Political Panel

Gary Alexander (MC), Tucker Carlson, Doug Casey, and Stephen Moore

Robert Helms: Bring in our political panel and Mr. Carlson's going to be part of this, this year again. Gary Alexander is our moderator. I'll allow him to bring up the rest of the panels. Gary's no stranger to the New Orleans Investment Conference. For more than 30 years, Gary's been a financial and economic writer and editor for Navellier, InvestorPlace Media, Wealth Magazine, Gold Newsletter and others. And of course, for many, many years, he's been an instrumental part of this conference as one of our MCs. We can't wait to have him back next year. And right now we'll turn things over to the jazz aficionado and the amazing Gary Alexander. Hey, Gary.

Gary Alexander: Hey, thank you very much for that introduction. Can you all hear me okay?

Robert Helms: We got you.

Gary Alexander: Good. And yes, yes, we will get into those questions of the New York Post article later on. But I want to also welcome Steve Moore. Welcome to this conference. We've heard from Doug Casey this morning already, and Tucker Carlson just now. And I wanted to rehearse with you a political panel we had four years ago. I've been working this political panel at least 12 years now, through, this would be my presidential election cycle. And four years ago, Steve, you were on our panel, and you were the only voice that was kind of at least lukewarm for President Trump.

You agreed with a lot of his policies, but you didn't agree with a lot of other things that he was saying. But the rest of our panelists, including the late great, Charles Krauthammer did not approve of president to be Trump at that time, and was determined to write in a candidate like Paul Ryan on his ballot. He didn't of course like Hillary any much at all, either. And even our libertarian PJ O'Rourke would not even vote for the libertarian of the moment because he didn't think he was qualified. Just like Doug Casey had some disrespectful words to save for the Libertarian Party. 50 years, they still can't get into the Major Leagues now.

So P.J. didn't vote for Trump or the libertarians. So there was a general panel. And by the way, another panelist, Jonah Goldberg was not on that year's panel, but was the year before and the year after he was no fan of Trump either. It was hard to find leading conservative voices that were fans of Trump around the beginning of that election cycle. So my first question was going to be, who do you think will win? But we've already heard that from Doug Casey and we've already heard from Tucker. So I want to ask this of Steve Moore, do you still have any hope that Trump will pull off the victory in two and a half weeks? Steve?

Stephen Moore: Yeah, I do. By the way, good to be with you, Doug, and Gary and Tucker, how you doing? Trump, his debate performance was very poor. This was, I think, one of the worst debate performances in terms of having a real impact on election since Jimmy Carter's debate against Ronald Reagan back in 1980. So, maybe rephrase that, because actually, I was there four years ago, when Trump debated Hillary at Hofstra University in New York. And I remember, Larry Kudlow, and I were walking out of that, because we were the senior economic advisors for Trump at that time. And we thought, "Oh, my gosh it doesn't look like we're going to the White House anytime soon."

But what happened was that Trump came back, did a better job in the second debate. And then he actually just crushed Hillary in the third debate. And I think that had a big impact on the election. So yeah, I think that Trump can win. He's down. There's no question about it. But he's only down by three or four points in all the battleground states, and that means it's recoverable. I think the people look at "Oh, he's down by 10, 12, 14 points." We don't care if we get a single vote in California or New York folks. We don't care if we get one vote there. It's all about those four or five states.

Just a couple of quick comments. I think I heard Tucker, the last half of what you were saying, I missed the first part. I'm not quite as pessimistic on the economic picture. I'm really proud of what we did in the first three years in the Trump administration. I mean, the numbers that we're just... We saw the economy just explode. At the end of 2019, we had the lowest poverty rate in the history of the United States. I mean, Trump should be saying that over and over and over again. That is to say, a smaller percentage of Americans were poor after three years of Trump's policies than at any time in the history of the United States.

So the shrinkage was not of the middle class. The shrinkage was of people who were poor who moved up. And that's because of our tax cuts and our deregulation and the trade policies. Which by the way, I was skeptical, Gary, you're right. I was skeptical of Trump's trade policies back four years ago, but he's actually persuaded me that especially, in terms of getting tough with China was the right thing to do. By the way, it's really interesting. Our trade with China has gone down a lot. And now we're trading more with countries like Vietnam, Taiwan, Hong Kong, India. And that's a positive shift because I do believe China is... China right now is Japan circa 1938. They're a very clear and present danger.

And incomes went up, by the way, Trump has to keep saying this. I mean, the one thing that frustrated me and I'll stop and let Doug and Tucker respond. I was so disappointed in his last answer when he was asked by Fox News in that debate "What is your proudest accomplishment?" He said, all the people he put on the courts. I didn't think that was good... What he should have said and I wish he had said is what he has done for minorities, because there is no president in modern times, who has done more to advance the economic condition of black Americans and Hispanic Americans than Donald J. Trump.

We saw very, very large gains in incomes for black Americans and Hispanic Americans in the first three years. Now, this is pre-COVID. But that's an amazing accomplishment. And so I wish he had really pointed that out because Trump needs to win a bigger percentage of the Hispanic vote and a bigger percentage of the black vote because Tucker's right. Where Trump is really losing votes, is with the white suburban moms. And of course, the elite whites hate Trump. And so he's got to make up that ground with Hispanics and blacks, and I think that he can.

Gary Alexander: And now, Doug mentioned six reasons why Biden might win leading with COVID. And I want to ask both Doug and Tucker, if we had not had a COVID pandemic, and then all of the summer riots and all of the traumas of 2020 and the resulting fatigue, as Tucker mentioned, among suburban women, among other voting groups, and a desire for something represented by Joe of something like Warren G. Harding's return to normalcy, kind of feeling. If we hadn't had all of these crushing burdens of 2020 would Trump have had a chance this year? Doug, let's start with you.

Doug Casey: Well, to start with, forget about COVID. That's trivial. It's the COVID hysteria that's the problem. And the government's reaction to the hysteria and fomenting more of it. So that was just one factor I mentioned. But there are five other factors that militate against Trump. The economy, which is… we've already entered into the greater depression as I pointed out in my presentation, the incumbent president is always deemed responsible for the economy, whether he is or not. It's the general moral collapse of not only the US, but Western civilization in general, which has been ongoing and accelerating for decades.

It's the fact that the deep state is truly involved this time, which they weren't the last time. And of course, the Democrats have much more experience, and are much more competent at cheating. So all of this militates against Trump. The virus doesn't help, the virus hysteria doesn't help at all. So I'm afraid I handicap the bad guys to win. Not that the Republicans are the good guys. But they're not as bad as the Democrats.

Gary Alexander: Tucker it's a what if question, but would it have been possible?

Tucker Carlson: Oh, I think he would have won. But let me just say that last answer so perfectly described how I feel. It's very hard to add anything to it. But one thing, I think the riots this summer, the disorder, the killing, this summer, and the burning of a bunch of American cities hurt the president. And it's interesting, because of course, this was entirely a left wing project. And

Antifa and BLM are the militia of the Biden campaign in effect. They hate Trump and the purpose was to unseat Trump.

There are two reasons for this. One is that in the same way the president tends to get blamed or credit for the economy, whether or not it's his doing, I think the same goes with civil disorder. If you turn on the television or YouTube and you see Minneapolis on fire, the president has nothing to do with that, of course, directly, but you think, well, this is the Trump era and things are out of control. I blame Trump. But there's also deeper problem, which is, and this is a sincere frustration. A president shouldn't allow that kind of crap. They shouldn't.

And I think the President's first instinct was "No, you're not allowed to loot Target because you're mad about the way police behaved. Like you can't burn Wendy's. I'm sorry, that's not allowed." There were people around Trump, I could name them. Hopefully books will be written about this, who said to him, "Look, you can't get involved that will alienate African American voters," which is insane. Of course, black voters don't like crime any more than any other kind of voter likes crime. But you can't get involved and by the way, these are liberal cities, let the Democrats take responsibility for wrecking their own cities.

I know for a fact he was given that counsel by a number of different people, including his son in law, and it's insane. It's absolutely insane. You can't sit back and allow your country, even parts of it that didn't vote for you to burn, period. There's no penalty for heavy handedness in the face of riots. None. None. People want that. If Trump had said day two in Portland, Oregon, or Seattle, Washington or Minneapolis, Minnesota, or Kenosha, Wisconsin, "I'm not putting up with this crap. Here's the hundred and first airborne. You loot Wendy's we're shooting you." the New York Times editorial board would have gone crazy. A lot of people, including a huge number of African American men and Hispanic voters would have said "That's exactly right. That's exactly right. We respect strength. We respect forceful leadership and we're voting for you." It is a tragedy for the country and for the Trump campaign. That they didn't do that.

Stephen Moore: Gary, let me just add one thing. If we had not had Coronavirus, Trump would have won a 40 state reelection landslide, it would have been one of the biggest landslides ever. I mean, we had an incredible booming economy, we had the lowest unemployment rate in 50 years, we had the lowest poverty rate in 50 years, the lowest interest rates in 50 years, the lowest inflation rate in 50 years, every group was benefiting.

I remember at the beginning of this year thinking when things were so... The economy was just exploding with growth. We had six and a half to 7 million surplus jobs, that's how good the economy was. And I remember thinking something's going to have to disrupt this. There's going to be a meteor or terrorist event or some black swan event that nobody could predict. And who would have ever thought it would have been a virus? I agree with Tucker, I think Trump should have been... I actually think that Bush would have won reelection in 1992 if he had gotten tougher in Los Angeles, and dealt with the... Remember Tucker, the Rodney King riots?

Tucker Carlson: Very well.

Stephen Moore: Bush didn't-

Doug Casey: Let me say something responding to that Steve. It's that the virus hysteria was just the pin that broke the bubble, actually more like a sledgehammer that broke the bubble. But Trump's... This economy is so terribly politicized right now that both the Democrats, who have always been economic morons, and the Republicans who have newly joined them in economic idiocy, they actually believe that printing money can solve the problem. And Trump wants to print trillions more.

And he believes he can control interest rates and bring them down to zero and below, which I previously thought was metaphysically impossible. And it's going to result in a truly catastrophic depression before this is all over. And the Republicans and Trump, because for some reason they're associated with capitalism and the free markets, a ridiculous association, but they are in the public's mind. They're going to be blamed for it. So the Democrats are going to come back double strong in 2024 even if Trump wins this time, which he won't.

Gary Alexander: Now, Steve, I got a couple of follow up questions for you. I'm going to be like George Stephanopoulos here and throw a couple of softballs. And I wish you were along and had a little earphone to President Trump, like I'm sure Biden has his earphone buddies. When it comes to the questions of Biden saying that Trump bashed the economy and ruined the economy, what did he say? He tanked the economy, especially manufacturing jobs. And I had just read your column in the Washington Examiner about the manufacturing jobs. That's one question I want to ask. And I'll have a follow up about Wall Street in a minute. But first of all address did Trump tank the economy and manufacturing?

Stephen Moore: No, I mean, we had an incredible blue collar rebound. I mean, we were really proud of the fact that when we cut the tax rates on American businesses, small businesses, companies, we brought a trillion dollars back to the United States. I mean, we did put America first. And that trillion dollars was put to use and rebuild... We created in the first three years of the Trump administration, one and a half million manufacturing, mining and construction jobs. Those Tucker are those blue collar jobs that you're talking about. They weren't disappearing. They were they back. And so I think Trump deserves a lot of credit for it.

And there is a mythology out here that Republicans have got to go after this message, that Biden's basically acting as if somehow there was some kind of wonderful recovery. I mean, by the way, the first term of Obama-Biden was a catastrophe. The average unemployment rate throughout the Obama Biden's first term was over 9%. You look at these numbers, you're like, "How in the world did Mitt Romney lose to this guy?" It was incredible that Republicans could lose in that kind of environment, there was no recovery.

Now, we did recover a bit in the second term, but it was still flimsy. And I think that's the reason that if you look throughout the eight years that Biden and Obama were in the White House, the average over that period of that key question that's been asked for 50 years by Gallup. "How do you rate the economy? Excellent, good, fair or poor." Throughout the entire eight years that Obama was in the White House, it was about one in three Americans rated the economy as good or great, one of the three. By 2019, we had the number up to two in three. So there was a real feeling that things had gotten a lot better.

I'll just stop by saying I do admire a lot of the things that Trump has done on the economy, but I also agree with you, Doug, there is this mentality in Washington and on Wall Street, that somehow we solve this problem with massive government spending. Government spending does not stimulate anything except more government.

Gary Alexander: Now, I have questions, but I want to do something unpopular with our well off attendees, but I'm going to do it anyway. I'm going to bash the rich and I'm going to do it from three different angles for three different people here. First with Tucker Carlson, who mentioned that the rich are among the worst culprits in bringing this information choking mechanism to its peak. This week, particularly with the New York Post article. And I'll go even further. It's not just the electronic media, it's the print media, Jeff Bezos buying up Washington Post. It used to be a great newspaper. I loved it when I lived there. And now it's unrelentingly negative on Trump.

And Atlantic Magazine used to be one of my favorites and now it's just disgustingly negative, constantly. And that was bought by, I believe, Steve Jobs' widow. And so you have all of these multi-billionaire Silicon Valley people buying a print as well as electronic. And what really disgusted me, Tucker, I don't know if you read this. Wednesday morning after the hunter Biden news came out on Tuesday, Reason Magazine came out with their daily podcast blog, which I subscribe to. And they said, "This is not censorship when private organizations do it. It's only censorship when the government does it."

And they backed up Silicon Valley in their censorship of this news. So it's the rich and now even the libertarians that are bringing this news funneling conspiracy down so that your number one rated cable news program is perhaps the only one, of two or three that are bringing us this kind of very important news.

Tucker Carlson: We're not reliant on Silicon Valley for revenue. I mean, that really is the key. One of the reasons that everything in the media looks strangely the same, is because the business model for most media companies is identical. And it's monetizing views off Facebook and Google. And so you have two companies that control all digital media. Nobody ever says this. I'm not quite sure why. Let me just respond to your point about rich people. By the way, I am a rich person and I grew up in an affluent family. There's no reason pretending otherwise, I didn't grow up in West Virginia. I grew up in La Jolla, California, and then Georgetown.

So I don't have any deep childhood resentment I'm working out here. I'm attacking people I know and am related to, but you can't... As a statement of fact, you can't live and you don't want to live in a country controlled by 19 billionaires. That is not the society you want, because it creates volatility. How do you... I'm just obsessed with this question. By the way, you know what else I'm obsessed with? The Chinese. In every long term decision the Chinese government makes one of the main factors is, one of the main questions they ask, "Will this make our country more stable, or more susceptible to wild swings in public opinion."

Stability is something they think through a lot we don't we don't even consider it worth talking about. But it's absolutely essential. And a lopsided economy causes instability. It's how Venezuela went from one of the great countries in the world, one of the most prosperous in Latin America, largest known oil reserves in the world, to a country where people are eating zoo animals and there's no toilet paper. How? Because what was basically by Latin American standards, a middle class country became an oligarchy controlled by eight families. And then inevitably, because this is inevitable, devolved into dictatorship using the mechanisms of democracy.

So here's the point, you can have an oligarchy, you can have a democracy, but you can't have a democracy in which the economy is controlled by a small number of people because your average voter will resent it so much they will elect AOC who will elect Nicolas Maduro. Like that absolutely will happen. So if you are a rich person, an affluent person, you have a vested interest in making certain the middle class gets bigger. And I think Steve makes a very fair point there are a lot of working people, particularly the building trades who are doing way better now than they were four years ago. That is true. But it's also true that by a bunch of other meaningful measures, like small business startup rates, for example, most of the spoils are going to a small number of people. And by the way, I know a lot of them, but that doesn't change the fact that my kids are going to have to live in this country. And we're moving towards something really, really dark if we don't fix that.

Gary Alexander: Steve, my question for you has to do with Wall Street and the stock market. Apparently, the stock market likes a Biden presidency because it's priced into today's market and the market is doing well. And my question involves why Citigroup, Bank of America, Goldman Sachs and so many others are donating more than twice as much money to the Biden campaign as to Trump when Trump lowered the regulation levels, lowered the corporate tax level dramatically. What are they doing? Are they shooting themselves in the foot purposely? What is wrong with the Wall Street big banking community?

Stephen Moore: Gary, that's a tough question. I mean, I've really been scratching my head for the last couple of months trying to figure that one out. First of all, why is the market... So I'm very bearish on the market. Look, I do think if Joe Biden is president, is elected president during a time when we have a hobbling economy, I think we're going to have a great depression. I think that's how horrific his economic ideas are. We tried to twist those dials when Trump came in, Larry Kudlow and I and some of the rest. And then Trump kind of basically got it. If you twist the dials to growth you're going to get more growth.

And we did, as I said, we're really proud of what we did. And by the way, the economy's coming back at a really good... Trump has to keep making this point. You don't change the pilots now. We're getting 33% growth in the third quarter for our GDP, small business optimism actually, Tucker, I just looked at the numbers yesterday. Small business optimism today, which is a very good lead indicator of where the economy is headed, is higher today than it was any time in the eight years Biden and Obama were president, think about that.

So part of that, I think my answer would be number one, you're right. All of you are right that Wall Street has become addicted to the crack of easy money by the Fed and federal stimulus spending. And it doesn't work. Just look at what happened to Obama, it didn't work under Obama, why would it work under Trump? But second of all, in terms of the money, I think it's just because they want to chase a winner. And I've always believed the true Republican party that believes in lower taxes, a more dynamic economy, is the economy of the small business. And the Democratic Party is the priority of the very kind of big businesses that Tucker was talking about.

But Tucker, if I may, what is the solution? You're talking about this... You're right, we do have more consolidation of these 10 or 12 companies... We have five companies now that account for $8 trillion of... We have some companies that are more valuable than entire nations. So I'm listening to you, but I can't figure out what you think that... Do you want to break these companies up?

Tucker Carlson: Absolutely.

Stephen Moore: I'm not sure what the solution is.

Tucker Carlson: Yes, I mean, of course, invoke federal law. These are trusts, these are monopolies. Google is a monopoly. It's got 90% in search. I mean, Facebook is a monopoly. These are monopolies. Even the strictest libertarian acknowledges that monopolies are detrimental to markets. And so that's the first step. The second step is to acknowledge that huge portions, maybe the bulk of our economy is fake. An economy based on monetary policy is not a real economy, right? It's not.

And by the way, that's the main driver of inequality. People in finance have gotten way richer, way faster for less good reason than anybody else in our society. Why is that? Because they've had the benefit of the spigot of US dollars from the Federal Reserve Bank. So I don't know, I mean, rethink your monetary policy. Even, you've been an economist for longer than I've been in the job market. So you've seen this longitudinally, but 35 years ago, the most basic assumption wasn't that monetary policy was going to drive the economy, was it?

Stephen Moore: No.

Tucker Carlson: No, right. That's a huge change. And we take it for granted now. We should change it back.

Gary Alexander: I want to bring Doug into this because I have a question for him. I first of all want to congratulate Doug on his new book. It's got perfect timing, he's writing about a year just like this and I got to mention that for years Doug has predicted a year like this, an Annus horribilis, in which everything bad happens. You can watch these stock market crashes and cities burning on your HDTV from some remote location. Doug, is this the beginning of the big crack up and do you just counsel people to escape to some safe place and watch it. And how do you make money in such a kind of environment?

Doug Casey: Well, that's what I'm doing. In the US I'm safely ensconced in Aspen. And I also have cribs outside of the US, so that I can watch the mobs on my widescreen instead of out my front window. My latest novel, Assassin, is well timed, talking about the morality and the techniques, and the history and the practicality of political assassination. So I couldn't have picked a better time to have come out with that book.

But look, the problem with you guys talking about the economy, is that you really believe, both you guys, Steve and Tucker, seem to believe that the government should actually have a role in the economy. And the answer to the question is no, they just have zero role. In fact, in the Constitution, which is a flawed document, I like the Bill of Rights. But the rest of the Constitution is problematical. It doesn't give the US government any intervention in the economy at all. So all these letter agencies of which there are about 150 should be abolished, the Federal Reserve should be abolished. And we shouldn't be having a discussion about what the government should do or what the Congress should do. The government should do absolutely nothing except defend you from foreign invaders with the military, tiny, small, allow you to conduct your business free of miscreants, which means a police force. And the third thing is to have a court system. So you can adjudicate disputes without resorting to force.

And some would say that the government and the type of people that inevitably go to work for the government, make those three important things, so corrupt, that even they are the three things that shouldn't be left to the government. So that's my answer.

Gary Alexander: Doug, that's a that's a point I've often made in this panel that perhaps if we had six or seven justices who read the Constitution with a focus on the Bill of Rights, that they would focus on the ninth and 10th amendments, and then look back at the only four things the President should do, what you're mostly ceremonial. And the 20 somethings Congress is allowed to do, and then not allowed to do all the other things that you've also mentioned. Perhaps, and I could ask the other panelists, if we had a majority, six or seven justices who believed the Constitution, would we have fewer invasive acts of Congress and stealing our money, taking our money and putting it in programs that are not constitutional. Is that possible?

Stephen Moore: Oh, we're going to need like, 15, because how many are the Democrats going to add to the Supreme Court? I think that... I mean, we're not going to... I'm a libertarian to Doug, and I want limited government. And I agree with you, we want limited government interference in the economy, but we're not going back to the 19th century. But I just do think it's not that complicated. Economics is really not that complicated. It's all about incentives. And you give incentives for people to work harder, and to save more and to invest more, and I hate the idea of giving people money. There's this idea that all we have to do is give people money, and we're going to be prosperous. I mean, that's just crazy.

And this idea that we're going to spend and borrow $2 trillion, and all of a sudden, we're going to get a comeback. I mean, Doug, you're exactly right about that. That's a lunatic idea that Republicans used to be against. But Trump is not... And I love the guy. And I do love the guy. I think he's been an amazing president in so many ways, but he is not a conservative like, Tucker, you and I. I mean, he doesn't think in terms of the Constitution, he doesn't read Ayn Rand, and he doesn't read Milton Friedman, and so on. He just has a businessman perspective.

And really, I think one of the big issues of this election is, America, do you want a guy who's been in politics for 45 years? Or do you want a guy who knows something about business? Is there anybody in the world that thinks Joe Biden has any idea how to create jobs? I mean, really? He's never created a single job his whole life. And don't forget the closing argument that we made in that 2016 campaign, which so resonated with the American people is drain the swamp. And maybe we need to go back to that message because I guarantee you the swamp is going to win if Biden wins.

Gary Alexander: Now, I have a couple more questions, but I want to remind you that in about 10 minutes, we'll open it up to questions from the audience, which our moderator will be able to ask in about 10 minutes. But first of all, I have a question for all three of you. It has to do with opening up the economy or locking down again. And I recall when I went to a conference on the health of the cities almost 50 years ago as a young journalist, Hubert Humphrey spoke.

And he said, "Experts to be on tap, not on top." And basically, Joe Biden says he's going to rely on science meaning a fellow like Dr. Fauci. Well, no, he should be on tap. You listen to him. You listen to economists; you listen to psychologists. You listen to a whole array of experts, but the person on top has to decide, not the person who has a special expertise in one area alone. So how do you feel about opening up the economy and taking risks? Or locking it down again, as Joe Biden seems to feel? I know where Doug stands. So let's start with Tucker.

Tucker Carlson: Well, I can't imagine there's even much debate about it at this point. I mean, if you were to attempt a science based approach to the COVID response, you would assess who's being damaged by it. And the survival rates, of course, as you well know, for people under 50 from this disease, are 99%, literally. And even elderly people... Look, you're very familiar with this. Not every person in America faces the same risk from this virus. And so why wouldn't you marshal your energy and your money to protect the people who are at risk and allow the rest of the society to function normally, that would be the rational response to this.

And it's been, of course, the opposite of what we've done. And you're absolutely right, you can't ever allow an expert, a non-elected expert who's been siloed off in his little world studying epidemiology, or anything else to make broad decisions for a country this big. Of course, that's why we elect leaders, so they can synthesize the data and come up with a wise response. But that's, of course, not what we did. And there are a lot of reasons for that. Some was fear. A lot of it was ignorance in the early days. And subsequent to that a lot of it was politics.

I guess I'm so struck... I mean, this is all very, very obvious. I'm just so struck by how passive the American population has been in the face of totally irrational non-scientific policy, made in the name of fighting a disease. A free country ought to have a robust enough free thinking population, where that wouldn't be possible. And you really have to, and I'm not joking at all, you really have to wonder about the role that falling testosterone levels are playing in our national... I'm not joking.

There's been a lot of study of this, testosterone levels in the West, not just in the US, but also in Europe, have fallen to a place where there are competent scientists, Israeli studies came out on this, who believe we may not be able to reproduce the species. This is a huge problem. Nobody knows why it's happening. There are a lot of effects of it, not just reproductive. But I'm like, "Really, why are you..." they're telling you to wear a mask on a bicycle alone. What's the pretext for that, what's the justification for it? There isn't any, but people are doing it. And you have to sort of at some point... You get what you put up with is the truth.

Last thing I'll say in 1918, of course, there was of course the Spanish flu, killed an awful lot of people, the group most at risk from dying from Spanish influenza were young mothers. So it was the inverse of what we're seeing now, it was a truly horrible flu. And in response to it, cities across the country passed mask mandates, and people rebelled against them. In the city of San Francisco, there arose something called the anti mask League of San Francisco and 5,000 of them gathered in the Cow Palace mask-less and said to the mayor, "If you don't rescind the mask mandate, we will throw you out of office." And two days later, he did that. And the public is just sitting back and just letting them have their way. It's crazy.

Stephen Moore: So Tucker let me-

Gary Alexander: Put that on TV next week.

Tucker Carlson: I did. And I mean it.

Stephen Moore: So just a couple of quick points. One is you're right. I mean, this is that one of the great episodes of national child abuse in the history of this country. I mean, it is an incredible scandal, that we're in the middle of October, every school in America should be open. And my attitude is look if parents don't feel like it's safe to send their kids to school. I don't think the government should force them to send their kids to school if they don't want to. If teachers don't want to teach, I don't think... If the NEA people don't want to teach, I think they should not be required to.

We can find people to teach our kids. I mean, my wife is teaching our kids right now because the schools aren't doing it. And so it is so true. I mean, and by the way, the victims of this... This is going to have such a negative effect on... I see to my kids right now, they're depressed. They are not learning a damn thing. You go downstairs and I watched them when they're doing the virtual learning. You know what they're doing Tucker, they're playing computer games.

Tucker Carlson: Of course they are.

Stephen Moore: Nobody is learning any from. It's a scam and the universities. How dare these universities charge these kids... I had a piece in The Wall Street Journal about this, we're charging these kids $60,000 a year and locking them up in their dorm rooms and say, "How dare you go out and party during a pandemic?" I mean, it's ridiculous. So I'm going to just mention something that is kind of on the back of what Tucker mentioned.

My parents used to talk all the time about polio. And polio was a much, much, much more severe public health crisis than Coronavirus. I mean, it affected children. It affected younger people. And everybody... My mom used to talk about this, everybody knew somebody in their neighborhood who had been crippled or died a young person, or remembers iron lungs. That was a scare... I would have been terrified by the way if we were dealing with polio, and I'm not even worried about Coronavirus. And I think you're right Tucker, there's something about our society that we were so... And maybe it's the snowflake generation.

And by the way it's young people, these Millennials are terrified of it. The millennials probably want to get infected by Coronavirus, frankly. I mean we want them to get immunity to it. I can't convince my 20 year old kids or their friends about that. And so I think the evidence is crystal clear that the lockdowns were one of the greatest mistakes in the history of this country. We'll be paying a price for this for many years to come.

Gary Alexander: Doug, I know how you feel. But do you ever wear a mask just to please your neighbors?

Doug Casey: No, I don't. The problem with today's United States. And I don't call it America. Because America is essentially an idea, an excellent, unique idea but it ceased to exist. It's been replaced by the United States, which is just another nation state, like 200 others that cover the face of the globe, like a skin disease. And the average American is no longer free and brave. He's a whipped dog that rolls over in a Western self when confronted with an authority figure. So the entire thing is disgusting. But I'm not even worried so much about America. I mean, one of the very few laws I believe in is the second law of thermodynamics.

And of course, Tucker, you related to gravity. I think the second law of thermodynamics is equally important. Everything falls apart over time. That's what entropy is all about. So even the idea of America can't last forever. But it's much more serious than that. Western civilization itself is collapsing right before our eyes. And we don't have time, but I'd go into 12 different areas that make Western civilization unique. But they're all vanishing before our eyes with something as trivial as this ridiculous Coronavirus hysteria. Which if we look back on it, two or three years from now, at least, it's going to be a scandal. The people in charge like Fauci, who's really just a bureaucrat shuffling papers all day, a solid Deep Stater. I mean, I think he should be hung, quite frankly.

Gary Alexander: Well, we won't bring them up in connection with your book title. My final question has to do with vote integrity. 23 years ago, I voted for myself, by absentee ballot at this very New Orleans conference because I was running for Virginia State House of Delegates. And when I did, so, I rented 20,000 names from our precinct, our county, Fairfax County, Virginia, because I wanted to send out postcards and do door to door knocking.

But I found out there were nine people that lived in my home, which only my wife and I lived in. And next door, there were five people living where a couple lived. And went on that way all the way down the block. Seven people lived in one home where only two voters lived. So in other words, I'm telling you the mail list in the state of Virginia 23 years ago was totally corrupt, old, with past owners and past renters, never cleaned up. So if there were a mail list in Virginia sending out votes, it would be totally corrupt. And I had a letter to the editor to this effect in the Wall Street Journal. If we have mail-in ballots for this election, how corrupt, how wrongheaded, how messy will this election become? Who wants to start on that? Tucker?

Tucker Carlson: Well, I mean you already know the answer. I mean, the whole point of changing the way we vote is to put the thumb on the scale for the Democratic campaign, obviously. I think at this point, more than 8 million people have already voted. So there's a reason for that, it has nothing to do with COVID. COVID-14, whatever they're calling it. It has everything to do with the advantage that Democrats get from that. And by the way, all the polling right now shows, it's what? What is it Steve, two to one margin, absentee ballots are going Democrats, as they knew that they would.

The problem long term that will extend far beyond two weeks from now, is that no one is going to believe in our system anymore. We have a faith based system. And the reason that we vote in person, not exclusively, but overwhelmingly, you voted absentee, some do, but most people don't. And the reason we never have is because shuffling down to the local elementary school and producing your ID confirms people's faith that the system is basically on the level. I mean, this again, without getting into, but in one sense, this is the problem with Fed policy more deeply, is it convinces the rest of the population the economy is an inside game from which they're excluded.

And that dramatically increases the amount of social distrust, and the amount of envy and the amount of rage that boils just beneath the surface. And that, of course, is the recipe for revolution. So you don't want to tamper with the basics ever. You don't want to tamper with biological gender, you don't want to tamper with voting. You don't want to tamper with the basic economic laws. Because as soon as you do, it sets off a cascade of unexpected, but probably fairly easily anticipated consequences. So that's what really worries me. Are they going to try and steal the election from Trump? Obviously. I mean, obviously, but we're going to live with the consequences much longer than this.

Gary Alexander: Okay, Steve.

Stephen Moore: I can't improve on that. I agree with what Tucker said. And I think that the only thing that bothers me is that Democrats keep saying "There's no ballot fraud. Where ballot fraud." I mean you had districts in the last couple elections in 2018, where there were more votes than registered voters. So do they just have their head in the sand or are they just lying, but I am worried about it. I agree with you, Tucker, I think the whole old fashioned idea of people going to the schoolhouse, and lining up and voting is the way... It has psychological effect on the honesty, integrity of our voting system.

Gary Alexander: And Doug has doubts about voting in general, right?

Doug Casey: Of course, I have doubts about democracy in general, because certainly in a country as large as the US, which has now become a multicultural domestic empire, and therefore cannot survive. Countries have to share a common culture, among many other things. But democracy is really just mob rule, dressed up in a coat and tie. And if I was voting from the United States, I'm going to be voting because I'm officially a resident of Uruguay at this point. I would have my dog, Rosco Studmuffin and his sister, Moxie Crimefighter both vote as members of the family. And I think I could get away with it.

So the whole system is corrupt. And it's on the point of being overturned. But it's being overturned in much the way that the Ancien Regime of France in 1789 was overturned. And it got worse with Robespierre, or the way the regime of Nicolas II in Russia in 1917 was overturned. And it got worse with Lenin and then Stalin. So if the democrats win, and they cement themselves in office in many ways, which they're able to do, you can forget about the idea of America, it's a dead duck.

Stephen Moore: One quick thing I wanted to add to that is that you reminded me of this dog. I mean, I watched the debate between Kamala Harris and Mike Pence and Kamala must have said 10 times during that debate, "Our democracy." She kept talking about our democracy, ladies and gentlemen, we are not a democracy.

Doug Casey: To start with right

Stephen Moore: Really we are a representative form of government, the founding fathers were against democracy, they were against mob rule. And I don't know where she got this idea that somehow we are a democracy. And it's important that people understand the origins of our country. I know they don't like the origins of our country, but it was really the whole idea of the Constitution was to protect the rights of the minority.

Gary Alexander: And Robert, let’s have some questions from the audience.

Robert Helms: Very great job as always, we've got a whole bunch of questions. And I know, Mr. Carlson, you have an out, you shared with us what you're going to do this afternoon, which sounds fun, and we won't share that with the audience. But someone specifically wanted to know what you felt, what's Tucker's position, this is Andreas asking on a gold standard and gold as an investment. Since we're here at a resource conference any thoughts there?

Tucker Carlson: I mean, one of my one of my life rules is never talk to people about things they know more about than I do. To the gold standard. I mean, you want to know what I really think? If things were to fall apart I would be more interested in putting my money in things with inherent value, like ammo and food. Just being honest with you. You know what I mean? Like you have to... And I don't think things are moving in... I mean, I don't think they're going to get to that. But if I had 100 grand that I was putting aside in case things really fell apart I'd buy a couple pallets, many pallets of 7.62 or 5.56 or something like that. I just think there's [crosstalk 00:45:32].

Gary Alexander: Tucker, you're telling us you don't have a cabin somewhere in the woods with a bunch of cans of vegetable and that kind of thing?

Tucker Carlson: I do actually have a cabin in the woods. I do have an off grid cabin in Maine. I hunt and fish a lot. But yeah, there's some ammo in there. Yeah, I do. I'm not ashamed. I grew up hunting and fishing. I'm a sportsman. I believe in that. I think the modern conveniences are oversold. I don't think it's good for you to live luxuriously. I think it's one of... I think having grown up around a lot of people with inherited money, I always noticed that like the third and fourth generation were distinctly unimpressive, if not disasters. And I think it's pretty good to be in touch with nature and the elemental things. And the more reliant you are on Alexa, the more likely you are to suffer in a really big way in the end. I believe that; I think it rots your soul. I really do.

Robert Helms: Excellent. Thank you for your candor in that answer? Of course, anyone that hasn't read Chris Martenson and Adam Taggart's book Prosper that'll fit nicely into that. A couple other questions. Panel, how do you see the future relationship, this comes from Dominic, between the US and China, if Biden wins. Would there be a difference to Trump with regard to trade war?

Stephen Moore: I'll start by just saying, look, I think this is the issue that people aren't thinking about. And I thought I would never say this, as an American. And look, you cut me I bleed red, white and blue. I love this country. I love the America first theme of what Trump stands for. I believe, if we have four years or God forbid, eight years of Biden-Harris, that China will surpass the United States as the world economic superpower. I think the stakes are that high.

I guarantee you, the Beijing government is praying that Joe Biden wins this election. And so are the Saudi oil sheiks and so is Putin. I mean, imagine how much money Putin is going to make if the United States is stupid enough to shut down oil and gas operations. I mean, of all the dumb ideas the Democrats have, that may be the stupidest.

Robert Helms: Any other thoughts on that question?

Doug Casey: Well, oh, yes. Well, I'd say, look, China or any other country is a non-problem to the US, if the US just totally deregulated and unleashed American business and American science. But everything is so highly regulated and so highly taxed, which means that the capital is taken from the producers and put in the hands of political animals which reallocate it for political reasons.

So of course, the US is going to keep going downhill as government gets bigger and more oppressive. Get rid of the US government and all of its agencies, and this country would go into a super boom. But that's not going to happen. With either Trump, or certainly not with Harris. Forget about Biden. He'll be out after six months and Harris will come in.

Robert Helms: Tucker, do you have an opinion on China?

Tucker Carlson: I just love that answer. Sorry. I do, I mean, I'm probably closer to these guys on the question of neoconservatism and nation building an empire building and I think It's all... I didn't used to think this but after being in Iraq in 2003, I really changed my view on it. And so I am very much for de-escalating around the world, pulling a lot of the troops home not starting voluntary wars. I have an essentially libertarian view on this. The one area where I disagree with the libertarian strongly is in their assumption that we can peacefully coexist in a world where China has hegemony over much of the globe.

I don't think that... I would prefer that. I'd love to live in a kind of pre-World War II world where America was kind of a closed loop. We weren't dependent upon trade, it was relatively prosperous coming out of the Depression, we had a lot going for us. But I don't think China will allow that. I think someone's got to be in charge. I don't want the United States to be in charge. But I'm not sure we have a choice, I guess is what I'm saying. I think if China takes over the world, they're not going to invade us, but they will make us obey. And there's a huge cost in having to obey. You lose your manhood, you lose your dignity, you lose the things that make life worth living, you don't want to be a serf. I'm sorry, you don't.

Doug Casey: Well, Tucker, that's got nothing to do with building a strong US state in Washington DC. The Chinese will come and go, what keeps this country running is individualism. And when you rely on the state, the most ineffective and corrupt and dangerous institution ever invented. This is an example where you cannot fight fire with fire. I'll rely on the market to solve the China problem, not the kind of people that go to work for the government and live in Washington.

Tucker Carlson: Well, can I just respond really quickly, I definitely agree with the impulse behind what you're saying. Having lived almost my whole life in DC, my dad worked for the government. I know a lot about the government and how crappy it is. But no one ever makes the point that I think is always worth making, which is yes, the government has totalitarian instincts. But it's so inefficient, large bureaucracies are so inefficient, that you're mostly safe from its reach, depending upon where you live.

The problem with a multinational, like Google, which is not an American company, is they can actually crack down on your life, they can control how you live. So I'm very pro-market, and I'm pro-free enterprise and pro-business. But in real terms, Google is a greater threat to my freedom than the federal government is.

Doug Casey: You're probably right. But you've got to recall that Google and all these big corporations in a fascist system, which is technically speaking, what we live in today. State corporatism is what we have. These things are creatures of the government, they wouldn't be as large as they are today if it wasn't for the government directing power and money and regulations in their favor. So they wouldn't exist if we lived in a true free market economy.

Tucker Carlson: Yeah, I agree with you on that.

Robert Helms: All right. We're this far in and we just have to have one conspiracy theory question. And that is, was the COVID-19 pandemic planned? And if so, by who?

Tucker Carlson: I'll take that.

Robert Helms: All right.

Tucker Carlson: I don't know... I think there's a lot of evidence, I think it's very likely that it emerged from a Chinese government lab in Wuhan, I'm not a conspiracy nut. But that was the conclusion of Chinese researchers at South China University in February. Who had access to Wuhan and to the lab. And they believed that this was the bat virus that was being studied by the Chinese government that got out probably accidentally. They weren't certain it got out accidentally, but they were certain it got out.

I've interviewed twice a Chinese scientist, who was one of the very first people in the world to study COVID, who came to the same conclusion. She believes it was engineered, and that it was intentionally released. That's not a conspiracy theory. Like there are Chinese researchers who said that on the record and suffered greatly for saying it. But the unwillingness of the American media and the medical establishment, I think for which all of us have far less respect than we once did to even consider this fact based suggestion tells you everything about them, and what liars they are, they're liars.

Doug Casey: And it's also an overture to what World War III is going to look like in some form. We can forget a lot all the junk like B2s and F-35s. It's going to have a heavy biological warfare component, which has many, many, many advantages for many, many reasons. So very likely what you said is quite correct, I think Tucker.

I'll just add one thing. I don't know enough about where the origins of this, but the evidence is pretty crystal clear that the Chinese Beijing communist government was involved in a cover up that cost hundreds of thousands if not millions of lives. And I do believe that there should be reparation payments paid by the Chinese. And if they don't want to pay them. I know a lot of my friends on Wall Street strongly oppose this. They have $2 trillion of our bonds, we should just say you owe us $200 billion, we'll just take a run out of the bonds you owe us. And they have acted like a very sinister country here. And I think they have to pay the price.

Robert Helms: All right, thank you for those answers. We have one more question. And that is this, comes from Joe, "If Biden gets elected, and the country goes towards socialism. And if I wanted to move to another country, what one should I consider, by the way, I really have the greatest respect for each of you and your knowledge." Thanks for that. Joe. Thanks to our great panel. If you're going to go somewhere, where would it be?

Stephen Moore: Well, let me just start by saying I think that... Look, I wouldn't leave the United States. I saw that one of the big... Oh, what's his name the rock star, gosh I'm blanking on his name, who just recently said that he was going to leave the United States if Trump won. Look, I'm not leaving the United States, there's nowhere else you can find freedom, in my opinion, like this country. But I do think what you're going to see is, I've just written this whole book about the whole red state, blue state divide, which I think is the big story of this country.

We are two nations right now. There's just no question about it. And I think if especially Biden wins, conservatives and free market people are going to try to get as far away from liberalism as they can. I think you're going to see Florida and Texas... I'm in Florida, right now. Florida, Texas, Tennessee, Arizona, Utah, Montana, Idaho, those states are going to see just a mad rush of people out of New York and Illinois, and Connecticut, and New Jersey. And I sort of feel like this myself, I just want to get away from these people. And so I think you'll see a real change in the distribution of where people are living.

Tucker Carlson: Now, I agree with that, already you're seeing it. I mean, you see Zillow, and it's just interesting to track residential real estate trends, because it tells you what people really believe, not the crap they tell you they believe. It's where they're living. That's the real answer. Maybe they're going to Uruguay. Which I love. I would just, I would say this, though to that. I mean, I personally am staying also, because I don't know where else to go. And because I have so many children and dogs. And because I'm from this country.

Every person has to make the decision for himself. But the people who should be required to stay here are our leaders, the country's falling apart, not because the population is terrible, but because we've had a generation or two of really bad leadership. And by bad, I mean, selfish, and short sighted and stupid. And we have a country run by people who believe credentials are a substitute for wisdom. They're really the least impressive among us, and they're totally in charge. Those people should have their passports revoked immediately. You should not be allowed to trash your country, hoover up its resources, and then split for Zurich. You should not be allowed to do that. And I just know from personal experience that a lot of the people who are getting richest from the destruction right now do have foreign passports, and they should have to relinquish them. And I'm not even joking at all.

Robert: Doug Casey, international man, I know you have something to say about this.

Doug Casey: Yeah, I agree with both of you guys. You're both quite correct. But I think in today's world, it's good to adopt the three or four flags approach. You should have your passport in one country, your business in another country, your bank and brokerage in a third or fourth country. So that if any one of these countries goes crazy or goes under, you've got a bolthole to hide in. And once again, I'll say that United States is no longer America. So keep that in mind. And you don't want to be... I understand patriotism. It's a virtuous sounding thing. But most so called Patriots are actually nationalists, and many of them are jingoists. And there's a big difference between supporting the government that gives you IDs and supporting the culture and the society that you grew up in. But that's my answer.

Stephen Moore: By the way, it was Bruce Springsteen who said yesterday-

Doug Casey: You're right, it was Bruce Springsteen, yes.

Stephen Moore: He'd leave the country if Biden [crosstalk 00:58:40].

Robert Helms: And before that, it was Eddie Van Halen, coincidence?

Stephen Moore: And by the way, I don't think Barbra Streisand, she said back in the bush years she was going to leave, she's still here. We can't get rid of her.

Gary Alexander: I just want to remind everybody that Doug wrote The International Man and I have this original edition from when I first met Doug 40 years ago.

Doug Casey: Time flies, doesn't it Gary.

Robert Helms: All right. Hey, big, big, big thanks to the amazing political panel. Gary Alexander, our moderator, Doug Casey, Tucker Carlson and Stephen Moore. Thank you, guys. That was an awesome, awesome contribution, a great panel and good to have you all here. There you have it, the Political Panel for New Orleans number 46. A rap, great, great stuff.

Chris Powell
"Gold Market Manipulation Update"

Albert Lu: Looks good Chris.

Chris Powell: All right, here we go. The premise of my organization, The Gold Anti-Trust Action Committee is what the Assistant Undersecretary of State for Economic and Business Affairs, Thomas O. Enders told Secretary of State Henry Kissinger, in a meeting that the State Department on April 25th, 1974. A meeting whose discussion was transcribed and now is posted at the internet site of the state department's historian. That is, "The gold price is a primary determinant of all currency values and whoever controls the gold price can control, not just currency values, but implicitly control the value of all capital labor, goods and services in the world." Back in 1974, the countries that were about to form the European Union had amassed collectively more gold than the United States had. So it became US policy to push gold out of the world financial system, in order to protect the dollar's role as the world reserve currency. Western gold price depression policy, extensively documented at GATA's internet site, arose from this realization and objective.

This is not conspiracy theory, though the policy usually was concocted and implemented in secret. That is by conspiracy, which is how government often operates. Now, this is history as the saying goes, you can look it up, but the people in power would prefer that you didn't. So gold is the secret knowledge of the financial universe. That is why nothing financial can be analyzed for that regard to gold and to what governments and central banks are doing in regard to gold. This year has produced many major changes in the gold and silver markets that indicate increasing demand for real metal and tightness in supply. Some of us think that these changes foreshadow the implosion of the long-standing fractional-reserve derivatives-based gold and silver banking system. The system that is diverted most demand for the monetary metals away from the metals themselves and into derivatives.

While the supply of real metal is finite, the supply of derivatives is infinite. Incredible estimates are that there are dozens of derivative claims to every ounce of actual gold and silver. That is most of the gold and silver the world thinks it owns doesn't exist. There is a huge and uncovertebral short position and the monetary metals, physical demand threatens to destroy it. Therein lies the opportunity in investing in the monetary metals and the companies that mine them. The risk is that is our friend Jim Rickards, who will speak here Saturday, said on CNBC in September 2009, "When you own gold, you're fighting every central bank in the world." So in this context, let's review the major changes in the gold and silver markets since we gathered here last year. The gold and silver futures markets and the New York Commodities Exchange, the COMEX have been transformed from almost entirely paper or derivative markets into largely physical markets with huge off-takes of metal.

Meanwhile, the London gold and silver markets are having trouble delivering metal. GATA's friend, the London metals trader Andrew Maguire, says it is impossible to get timely delivery of gold and silver in London. And that is a result spot prices there are misleading, not capable of bringing forth metal in anything less than weeks. A few weeks ago, the COMEX quietly implemented a vast expansion of the eligible mints of gold bars, acceptable for gold futures contract delivery. Some of the mints on the COMEX is expanded list are no longer operating. Volatility in the gold and silver futures markets has increased dramatically. But the frequent smash downs in these markets no longer have much effect. In recent years, they could knock prices down for weeks or even months at a time. Now prices usually bounce back and two or three days, somebody seems to be using the smashes in the futures markets to obtain real metal. Scotiabank recently paid fines of $127 million to settle gold and silver futures market rigging charges by the US government, JPMorgan Chase recently paid fines of $920 million for rigging the gold, silver and treasury futures markets.

Both banks have entered deferred prosecution agreements with the government, indicating that the banks are expected to cooperate with the government and additional prosecutions. Scotiabank also is closing its gold and silver division, the oldest continuously operated bullion bank in the world. A few weeks ago, two former traders for Deutsche Bank were convicted for manipulating the gold and silver futures markets. The futures market rigging done by Scotiabank, JPMorgan Chase, and the Deutsche bank traders called spoofing, the strategic placing and withdrawal of buy and sell orders calculated to mislead other traders is not the rigging GATA long has complained about. The market rigging GATA as complained about is done through largely surreptitious intervention by governments and central banks. But the spoofing convictions are important because they show how easy it has been for big traders to rig the futures markets and why for years, without discovery by the US Commodity Futures Trading Commission, even when the commission purported to be looking for it.

The futures market rigging is that easy for big traders. Imagine how much easier it is for governments and central banks. Indeed, CME group, the operator, of the New York Commodities Exchange has a special discount program for governments and central banks, surreptitiously trading all major futures contracts in the United States. Anyone trading commodities in the United States is probably trading against any number of governments and central banks whose pockets are far deeper than those of ordinary traders. GATA's friend, the gold researcher, Ronan Manley of BullionStar, in Singapore reported a few weeks ago that the exchange traded fund GLD appears to be storing increasing amounts of gold at the Bank of England. Even though the funds' prospectus requires the funds metal to be immediately transferred to the vault of the funds' own custodian HSBC. This prolonged storage in the Bank of England suggests the GLD is increasingly using borrowed central bank gold to balance its accounts. Intervention in the gold market, by the Bank for International Settlements, monitored by GATA's consultant Robert Lambourne, has reached its highest level in the last two years and possibly the highest level in the bank's history.

The BIS functions as an agent or broker for its member central banks in purchasing lending and swapping gold among its members and commercial banks. So the metal may be applied to gold markets that are under stress in doing so. The BIS provides camouflage from the interventions of its member central banks. So they do not have to transact as directly with bullion banks and run more risk of being exposed publicly. Indeed, GATA has obtained and posted it on our internet site BIS documents showing that the bank considers its major purpose to be to help its members central banks control the gold price and the value of other currencies. The BIS refuses to explain the purposes and objectives of its trading in gold, nor for whom this trading is being done. A few years ago, GATA put that question to the BIS, its press office quickly replied that the bank never answers such questions.

Fortunately for the bank, mainstream financial news organizations and market analysts never ask it, since asking it might be bad for business. In May this year, a study by researchers at the University of Sussex Business School in Britain concluded that the gold futures market is indeed heavily manipulated, seemingly contrary to regulations, but regulators are overlooking it. In the last year the US Commodity Futures Trading Commission repeatedly has refused to answer a crucial question put to it by GATA and US representative Alex Mooney, Republican of West Virginia. This is the question, is futures market manipulation undertaken by a broker or agent for the US government or by someone acting with the approval of the US government, subject to the commission's jurisdiction, or is such manipulation legal under the Gold Reserve Act of 1934 or other federal laws? Since the CFTC refuses to answer that question, even for a member of Congress, you may fairly assume that the commission considers futures market rigging by the US government to be perfectly legal. That certainly would help explain the commission's strange reluctance to act against gold and silver futures market rigging over the years.

Discovering this US government policy was GATA's first great success, that came in 2001 in US district court in Boston, when our consultants and litigator Reginald Howe, extracted from an Assistant US attorney, a claim that the Gold Reserve Act of 1934, which establishes the exchange stabilization fund in the treasury department, does indeed empower the US government to rig the gold market exactly as Howe's lawsuit complained. If you will visit The Exchange Stabilization Funds page of the Treasury Department's internet site, you will see that the treasury department indeed seems to construe the Gold Reserve Act to authorize it to manipulate not just the gold market, but any market anywhere. When GATA got started in 1999, nearly all respectable market observers insisted that the gold market was not being manipulated by governments or anyone else. Today most respectable market observers acknowledged that most markets are indeed being manipulated by governments, but they don't want to talk about gold.

This is a bit of an improvement since at least it seems that few observers today are willing to deny that the gold market is being manipulated by governments. But monetary metals investors want to know when gold and silver will break free of this manipulation at last. Break free of the longstanding western government policy of driving the monetary metals out of the world financial system, the policy that is extensively documented at GATA's internet site. We at GATA tend to expect that there will be another international currency revaluation in the near future. Something like that likely will be announced on a Sunday night before the Asian markets open. Of course governments are not going to share such plans with us in advance, but the day of deliverance for the monetary metals and their investors could be hastened. If mainstream financial news organizations and market analysts reclaimed their integrity and began committing some journalism about central banking and gold. All they have to do is what they never have done. Put a few critical questions to central banks and regulatory agencies and report the refusals to answer.

Of course, monetary metals mining companies could help by pressing those questions too. But most mining companies are too scared, too scared even to stand up for their investors. Mining is the most capital intensive business in the world. And most mining companies cannot operate without support from the largest banks, which are typically intimate agents of governments and few governments want gold and silver remonetizing themselves and competing with government currencies. Mining is also the business most directly vulnerable to government regulation, from mining permits, environmental standards and royalty payments. It is a rare mining company that is willing to embarrass its government with critical questions. Central banking's power to create and dispense infinite money is of course a spectacular power, but this power can't succeed on its own, to succeed this power usually requires secrecy and deception.

For if investors are not deceived, the power of central banking's infinite money vaporizes. People won't buy gold and silver derivatives, if they realize that those products are designed to cheat them. That's why central banking's most crucial power right now is its power to intimidate financial news organizations and market analysts out of their duty. That's why I GATA struggles to gain a forum. It's also why GATA is especially grateful for the New Orleans Investment Conference for granting us this forum again and grateful to you for attending.

Please visit our internet site, gata.org to review our documentation and our daily news bulletin, the GATA dispatch. You can subscribe to the dispatch without charge at the right column of the site's homepage. And please email me at, cpowell@gata.org, if you need help finding anything particular. Of course, since GATA is a nonprofit educational and civil rights organization recognized as tax exempt by the US Internal Revenue Service, we welcome financial contributions to help keep us going. You can donate by credit card on our internet site, no amount is too small to be appreciated and any amount will be larger than what we've gotten from most major gold and silver mining companies. Thanks again for your kind attention. If we have any time left, I'd be glad to try to answer some questions.

Precious Metals Panel

Thom Calandra (MC), Omar Ayales, Brian Bosse, Rich Checkan Matt Geiger, Dana Samuelson

Thom Calandra: Nice to see you. So we are going to start a very formatted panel here. The five folks that are on here each have a different specialty whether it's bullion trading, charts, fund management of natural resources and an economist and a very good writer. We're going to dive right into it. I'd like to introduce Matt Geiger, Dana Samuelson, Rich Checkan, Omar Ayales and Brian Bosse. I do want to point out that Omar came all the way from Costa Rica to be here. Well, that's not true this year.

Anyway, the theme that Brien has for this conference this year is market intelligence. I'm hoping that we can deliver some pure market intelligence that people can act on. We've shared some of the questions with our panelists. And I'm going to start with Brian, if that's okay with you, right?

Brian Bosse: Sure.

Thom Calandra: You bet. Brian, you're a technical analyst and you pride yourself on timing. You look at bond yields, tips, money flows. You're a good historian at Murenbeeld. More than a good historian, and you're a good writer. I'm looking... I'm not going to pull a Joe Biden and say, "Here's the deal." Which he says 25 times in each debate. But I will say, is it possible to time gold or silver or other commodities? Especially when you have a market that's still smaller than most markets but getting bigger. Brian?

Brian Bosse: Yeah, thanks very much for asking. The short answer, here's the deal, as your friend would say. Yes, but we don't... Timing is tough. But finding the right trend and getting on it is not tough. Actually, I wrote up a little bit of an answer to your question because I think embedded in your question is, is it fair for the public to be trying to time or get in and out in a market where spoofing and all these other large troubles are going on?

Is it even possible? I guess the short answer is, it's less possible when spoofing is happening so that's a given. It is still possible, but I've got a bit of a longer answer which I'm going to read and then we can chat about it. It's only going to take maybe 30 seconds. So spoofing is not a problem for our customers because of the timeframes we operate in.

Spoofing or spoofs, let's just define that for a second. Spoofing is putting an order into the consolidated book of orders. Either it's for an equity, for an option or for a future. Generally it's an order that you don't intend to actually execute or in its’ extreme. Spoofing is entering an order you can't afford to execute. Right?

So if I have a $1 million account and in order to scare someone up to a higher price for a security I care about, I put in a $5 million order to buy it but it's just below the bid. And I'm trying to scare someone in the poker game of quotes up to a higher price. I've spoofed because I can't-

Thom Calandra: It's illegal.

Brian Bosse: I can't deliver on what I've promised, right?

Thom Calandra: Yes.

Brian Bosse: The illegal part is I didn't intend to deliver on it. So that's a spoof. And as you've seen in the news lately, JP Morgan and lots of other banks have gotten themselves in trouble. It's clearly in commodities. It's also been going on in currencies for a while. It's been in equity trading for a very, very long time over the years. It's an attempt to bluff or bully other people. It's treating the market as if it was the poker table.

Thom Calandra: But Brian, when you add spoofing to these other things of course, algorithms, algo trading, possible dumping and hoarding by governments and bullion lending, all this kind of stuff. And then you throw in equities as well, is there any chance that individuals can stand a chance in that landscape?

Brian Bosse: Yeah, I'm sure there is. The answer is, if you need to win every hand at the poker game with your buddies in the night, you can't do that. But you can definitely come away the winner at the end of the night if you're thinking in a different timeframe than everybody else. So that's what we do.

Spoofing, for example, is going to affect the market price of a security for either minutes or hours. But it would take a sustained amount of spoofing over a very long time to possibly affect the market price for more than a period of days or weeks.

Thom Calandra: I get a lot of questions, Brian, about anomalies in commodity markets, especially pure commodity trading. A lot of anomalies. You think spoofing is part of that?

Brian Bosse: I think the facts speak for themselves now, it's definitely happened. I'm pretty sure it'll continue. One of the things I'll point out is it's probably not only the people you've heard about. Let's not kid ourselves. I'm sure there are buy side customers who are counter spoofing what those banks have been doing. So if you ask yourself, what is the net effect, that's a tougher question to answer. That's why I'm optimistic that people can make the returns they're looking for. They just need to not play the same game as somebody who's better armed or someone who's willing to spoof.

So you need to stretch out your time horizon, stretch out your time horizon and operate on a different time horizon than the spoofers.

Thom Calandra: Right. Okay. I'm going to move on but I'm wondering, Brian, when are we going to see the Ron Howard documentary on spoofing? Thank you for that and we're going to come back to you. Dana, you're next up. Dana is a bullion dealer at American Gold Exchange in Austin, Texas. He's been part of this panel, as all these folks have, for a while and also the dad of a new toddler as I recall from last year in person. Is it fair to call him a toddler Dana?

Dana Samuelson: Yes. Yes.

Thom Calandra: Yes. So anyway, you see retail trends in bullion. We'll get Rich Checkan's input on this later too because he's a bullion dealer. You see a sentiment on the front lines, you see coin shortages possibly. You have a real frontline approach to bullion coins and you're somewhat of an economist. You're very good, you've gone... Both Rich and Dana, by the way, have chops that go way back as we discussed when people come into the country and the only thing they have is a piece of gold to sell.

I guess the question is, are we seeing longer wait times for wholesale buying? What's your absolute best buy in this wide, wide universe of coins and bars? Should I be buying my $30,000 gold bars at Costco in London? Which is what they announced, right? Anyway Dana, all yours.

Dana Samuelson: Well, we've had a very dynamic year in physical precious metals. We have had big delays at the mints that have ameliorated now. We're almost back to normal again. Please don't buy your gold at Costco. Let's just not do that. That's a bad idea.

Rich Checkan: Amen.

Dana Samuelson: Let me just flesh this out a little bit. Going into 2020, precious metals sales have been lower every year since 2017. Primarily because Donald Trump became president, the stock market, the Dow, went up 25% in 2017. That never happens. That kind of a gain in one year never happens. Most of the physical precious metals buyers in the country tend to be older, and pardon me, white males and they tend to have a republican mindset.

C level executives, small business owners, people with real wherewithal and money. The need for gold and silver diminished over the course of the last two or three years leading into 2020, because the economy was doing great, job creation was good and then a flip got switched when the virus hit us. So the mints around the world were used to producing abnormally low amounts of coins. Suddenly, in March, everything went on its head and now demand has skyrocketed and there not used to having that kind of volume at all, let alone the excessive volume of demand surge that we had.

That put a real strain on the system. Not so much in the mints ability to strike the coins but in to create the blanks that the coins are made on. That's really where the bottleneck is. So number one, we went from really low demand to really high demand, that put a strain on the system to start with. And then the virus affected the mint’s abilities to produce because these are not socially distanced facilities.

If someone gets sick in a mint they've got to close the place down, put that person in quarantine, clean the facility. So it interrupted their production schedules right as demand was at the highest. So yes, we had a big demand surge. It created premium run ups especially in Silver Eagles. Silver Eagles at one point were trading for $10 an ounce over the Silver price on some dealer websites.

We never got that high ourselves. I think we got to about $7.50 ourselves. Because... I always want to try and be fair, but the premiums rose as we all needed product and we were competing with each other for it. That has moderated through the summer, but then in July gold took off as the dollar dumped. That put a second wave of demand into the market. Over the last just six, five or four weeks we've seen premiums really start to relax again. Just this week we've seen silver get down almost back to normal again.

Thom Calandra: Yeah. Dana let me interrupt for a second. By the way, as you know, it's not just happening with precious metals. I mean, we're waiting for both refrigerator and a washing machine. We have been waiting since August.

Brian Bosse: Really?

Thom Calandra: It depends on what's out there. What the supply chain says, bingo, you're screwed and it could happen again.

Dana Samuelson: Right. Prices are [inaudible 00:12:33].

Thom Calandra: I'm going to come back and ask you that platinum question which I haven't asked yet. Or let me just ask you real quick right now, is platinum a great buy? Sub 900?

Dana Samuelson: Platinum is the cheapest of the precious metals relative. But over the last five years, every time it gets to a little over $1,000, $1,050 it gets spanked back down again. I don't know what it's going to take to really get it to rally. At this gold price, it should be $14,000, $1500 not $900 or $850. At the silver price, at this palladium price. It's just not reacting.

Thom Calandra: And it all stems back to the diesel scandal and the exception of the use of platinum in diesel cars and in regular cars.

Dana Samuelson: Right. Palladium has benefited because it goes into gasoline catalytic converters, platinum goes into diesel catalytic converters. So the biggest industrial use has been cut way down over the last... Since 2015.

Thom Calandra: Okay, we're going to come back to you Dana. Matt, we're going to switch to Matt Geiger now. Matt is someone I spend a lot of time with. He's in the San Francisco Bay Area. I never introduced myself. I'm a newsletter writer, the Calandra Report. Matt is a subscriber. But let me tell you, he's about five times as fast as I am, 10 times as thorough and probably 20 times as profitable at-

Matt Geiger: All right, all right Thom. All right.

Thom Calandra: Matt, you're an Ivy League school manager, 10 year portfolio, only exploration companies with royalty companies mostly. Gold, silver, copper, nickel, uranium. Great research. But it must have been scary. I mean you started that fund in 2011. Like most of us is like, wait a second, where's the rally? How come it's not continuing? But you stuck with-

Matt Geiger: Best thing I did Thom. 10 year lock up on all investors. Very draconian but it made sure that the LP is in the right mindset for the cycle. We certainly would have been washed out during the 2014, 2015 period if we hadn't implemented that.

Thom Calandra: I have... Darn straight I have friends that want a 10 year lockup on their marriage. Anyway, why do you shy away from producers of metal, gold primarily?

Matt Geiger: I will say... That is very true Thom. In fact, at the moment, the Australian pure play nickel producer Western area is literally the only producing miner in our portfolio right now. I like that company for different reasons. Extremely high quality, two lowest court pile assets, well respected management team, no debt on the books, $150 million Aussie in cash, et cetera. So that's not the sexiest bet in the portfolio by any means.

But I will agree. I mean, we generally steer away from producers entirely. As you mentioned, roughly 80% of the portfolio, at least at the moment, is much further upstream. So we're talking about the prospect generators, we're talking about exploration plays, we're talking about post-discovery speculations, we're talking about high quality development companies.

So all of those are pre cash flow, certainly don't fall into the production category. That makes up about 80% of the portfolio currently. But we do have 20% of the portfolio in names that are cash flowing and aside from Western areas, all of that exposure is our royalty holdings. I say there's a few reasons why we generally steer away from the miners.

The first is just the operating miners, management teams have proven themselves over multiple cycles now to not be particularly good allocators of capital. This is particularly clear if you look at the precious metal names.

Just in the last cycle, look at the 2008, 2009, 2010, 2011 time period where we had really across the board with maybe one or two exceptions. The big producers were making low quality acquisitions with projects that may never actually see the light of day in terms of production. They're doing it towards the top of the market and they're doing it by taking on debt on the balance sheet at the worst possible time. And so a lot of investors got burned pretty badly by investing in these production names 10, 12 years ago. Investors have relatively short memories. But I think this was in the recent past where that is [inaudible 00:17:10] the production names.

I would say that the track record has been very poor in terms of producing miners. I'd say the second reason is a little bit more philosophical. I would argue, especially the investments, some of these earlier stage names the dilution. Share dilution is the number one enemy as a junior investor, really of any stripe. That's the number one enemy.

The royalty business model is designed to minimize dilution. Once you've gotten paid for that royalty that 1% NSR, 2% NSR, whatever it may be, that is yours. No matter what expiration work occurs on the property, that happens on the other party's dime. No matter what sustaining capex expenditures come, if it's a producing mine, that's on the other party's dime. You get to sit back and collect.

That's really a beautiful thing as an investor. I'd just say third very quickly Thom, the discovery optionality that comes embedded in these royalties, I think is undervalued by investors and not truly appreciated. The amount of leverage you can get on a royalty and you do have to be lucky as an investor-

Thom Calandra: Oh, well anyway, Matt you got frozen there for a second?

Matt Geiger: Okay.

Thom Calandra: But let me ask you real quick, we share some of the same investments and most of the same philosophy. Are the royalty companies still cheap compared to some of these exploration companies that have rocketed?

Matt Geiger: Frankly no. Especially if you look in the precious metal space. I'd say the big boys, the Franco Nevada, the Royal gold, Wheaton Precious Metals, Sandstorm and Cisco are the big five that come to mind. There's discrepancies in their evaluations but I'd say as a group, we're trading a pretty lofty price to book ratios and price to capital ratios. If an investor's choosing between no precious metal exposure or buying Franco Nevada, of course Franco Nevada I think is going to have some exposure.

Thom Calandra: The big ones taking it.

Matt Geiger: But they're pricey. But even if you look at the junior precious metals, Thom, very very competitive right now. Both for new deals as these companies try to grow and then also for investor attention as these companies try to attract investors, push up the share price and lower their cost of capital. There's a lot of competition amongst precious metal focused royalty companies. But I think there's opportunities elsewhere on the metals complex.

Thom Calandra: Yeah, and there are smaller royalty companies that seem to be cheap at least on paper. All those names, we can get into them later on if we have time.

Matt Geiger: To be clear Thom, one thing I just said, it's not the size. I think the opportunities or the royalty companies focused on assets that aren't gold focused or aren't silver focused. I think that's a potential place to look for value right now because all the PM names have a lot of eyeballs on them at the moment.

Thom Calandra: Okay, thank you Matt. that’s interesting. But you still have to say that the sub $200 million market cap royalty companies, based on potential income do seem cheap compared to the Franco Nevada's.

Matt Geiger: Yes, I'd say on a price to cash flow basis. Yes. The less eyeballs on a given story, I'd say the greater chance that it's either overvalued or undervalued. So that's the neck of the woods that I generally play in because there's opportunity.

Thom Calandra: Right. Now well Omar are you going to take your mute microphone off I think. Correct? You have your mute button on. It's a little red thing. It says red microphone. Yeah, so that's not happening. There you go. Thank you, Omar.

Omar Ayales: Okay. It wasn't allowing me to unmute. I'm sorry there Thom.

Thom Calandra: You've rescued us and we're very happy for that. Omar's also someone very dear to my heart and a real paisano. But that's Italian term and he's not Italian. Omar, you run Gold Charts R Us. You're a very intensive technician chartist. You've worked with the Aden Sisters, with their newsletters, you're in real estate, you're a lawyer. You're also a brand new dad. Beautiful, beautiful pictures of your daughter. So timing does apply to you, especially in the middle of the night.

Can we go beyond momentum which is so important for chartists and waves and momentum, thresholds and support and show your audience long term opportunities? If we can, what are those long term opportunities? What is the theme especially in this COVID spark rebound for most commodities?

Omar Ayales: Well for your first question Thom, absolutely. I actually think that technical analysis today and probably Brian would agree with me, today is more relevant and important than ever before. Especially when you're considering fake news, media outlets being completely biased, whether it's for one political view or another. It doesn't really matter. It's really hard to get clear information and transparent information as to what is actually going on.

It actually gets a lot more complicated with accounting engineering and how accountants are making many of the company's, juniors or seniors look very profitable, excellent opportunities when really the reality under the hood could not be the reality, cannot be the case. Now, how do you protect yourself from that risk? Through technical analysis which is really the understanding and the study of price movements.

So think about it, price actually is determined by supply and demand. The analysis and the study of price movement should tell you everything you need to know. If you apply proper technical analysis, you're going to be able to identify those primary trends. If you trade those primary trends, you're going to do really well long term or short term. Of course it's different.

Thom Calandra: But do you believe in holding stuff long term?

Omar Ayales: Of course there are certain things that you buy to hold, not to trade. There are things you buy to trade, not to hold. I think things might be different at different moments. You're talking about what could be one of the important themes of this year. It's actually very impressive how dollar weakness is actually the theme for me for this year. Especially since of course the COVID lead lock downs and restrictions and all that issue that happened in March basically was a peak for the dollar. Since it has been dwindling and has been falling and that has created bull markets in many, if not most asset classes, including gold of course.

Thom Calandra: Right. But if you were to extract that central theme, then, of course dollar weakness as in... We're finally back to a world where the dollar falls and gold rises perhaps. One would hope, but also fake news, the reliability of information. Brian mentioned spoofing. It seems like there are so many disruptions. Supply chain as Dana talked about. Maybe overvaluation as Matt mentioned. It's getting tough to navigate. Is there any chance that we could see individuals get weary of this?

I live here in California and some people are getting tired of it. People who have been in the markets for 10, 20, 30, 40 years. Could we see people say, you know what, I'm just going to go to real hard assets. Whether it's just buying physical, buying real estate, buying agriculture and forgetting about equities.

Omar Ayales: Well, I think equities are always going to have a space. You see for example monetary policy globally. They aren't giving investors much of an alternative regarding investments. People are having to turn to stocks, to equities.

Thom Calandra: Right.

Omar Ayales: [inaudible 00:26:24].

Thom Calandra: We're having a-

Omar Ayales: People always need to diversify.

Thom Calandra: Right, we are having a slight bandwidth thing there. But, Omar, we are going to come back to you.

Omar Ayales: I stopped my video.

Thom Calandra: That doesn't seem to have helped, but that's okay because you've been very helpful so far. I've actually made money with Omar and with some of these other folks. Do you mind if I switch over to Rich and then we'll get back to you Omar? Because I know Rich is chomping at the bit since he's an Atlanta Braves fan. I am certainly not an Atlanta Braves fan. We're talking baseball. Hopefully not inside baseball.

But Rich you're a longtime bullion dealer. I remember you telling me you and your uncle Michael were one of the first to issue Perth Mint certificates in North America. You graduated West Point. You're very disciplined. The last time we went out to lunch you actually timed the waitress to see that she would get there on time. I was just kidding on that. But you have tremendous character. Let's talk asset strategy. Is it possible to own gold and silver for extended periods like decades and enjoy that purchasing power without even transacting? Without even taking the bullion and using it? Whether it's at Costco, or somewhere else? Anyway, I'm going to turn it over to you Rich.

Rich Checkan: Yes. Allow me to elaborate a little bit.

Rich Checkan: There's no question. I mean, if you look back at the previous bull market 2001 to 2011, I believe that started somewhere around $250 an ounce. Just talk about preservation of purchasing power. $250 an ounce at that time, hard to imagine right now. But I could buy a nice new suit for $250.

At the peak of that bull market in 2011, at $1,921 an ounce, I could buy a nice new suit. At the bottom of this past bear market $1,050 an ounce, December 2015, I could buy a nice new suit and guess what I could do today? Gold preserves purchasing power. It's been doing it for its entire existence. You don't have to go back too far to figure out why.

After the 2008, 2009 financial crisis, Ben Bernanke was in his briefing after the Federal Open Market FOMC meeting. He said something that was incredibly telling. I'm going to paraphrase it here, but he said, "The bottom line is we're looking at strategies to get us out of this funk." He said basically, if they can get people to feel, not actually be, but feel like they were wealthier because their stock portfolio was higher. Because their home was worth more, then they're going to be incentivized to go out and spend the money that companies need to be able to hire and produce.

This is all smoke and mirrors. It's about inflating the price of all asset classes so people feel wealthier. They don't actually have to be wealthier to go out and spend. Americans are really good at that. So that's the whole game plan. I felt bad. I was in New Orleans in 2012. I had a longtime client come up to me and the first thing he said to me, we met for lunch every year, give an update on the portfolio and he said, "You know Rich, you let me down."

Those are words that I'm pretty sure everybody on the panel never ever wants to hear. I asked him why and he said, "Because you didn't tell me when to get out." Now you know us Thom for forever. We've been selling gold as wealth insurance. Buy, hold, never ever sell unless you have a financial emergency. At times, you have the ability to profit. That's at the beginning of a bull market, throughout a bull market.

That resonated with me. So I went back to Bernard Baruch. He said, "I don't care about the first 20% of profit on investment, I don't care about the last 20%. All I want is my 60% in the middle." Which is really wise and prudent. You wait for the trend to establish; you don't wait to the bitter end. You book profits all along. As a result, I look at everybody wanting some insurance and some profit when they buy gold tilted to one end of the spectrum or the other. So you have to manage both in your portfolio differently.

Wealth insurance, you maintain the allocation, unless you have a crisis you never sell it. Period. I don't care if it's $2000 or $250. For profit, on the dips, you need to buy more. On the rises, you need to sell. If you allocate 20% for profit and it's 40% of your portfolio you sell half. No emotion, you don't think about it. If you do that, the top never matters, right? Because you're booking profits all along and you're buying well on the dips. But your insurance you never ever touch. And yes, as long as we measure it with fiat currency, it will be worth more long term, no question.

Thom Calandra: Could we ever reach a point, and I'm going to really start throwing this out to everyone. I'm going to throw all the papers away because we have 20, 25 minutes left and I want you to say the things that you want to say personally. Very few people, except my subscribers want to hear from me about the next hot stock. But let me just throw two or three things in there.

Could we, one, see if... And I want everyone to chime in. Can we see a theme where you cannot measure the value of gold or silver in paper?

That you have to measure it in purchasing power? Of course, that would have to be some kind of extended craziness, like 10 times what we were doing today. Also I would throw out there since this is supposed to be market intelligence. Some of you guys have some... All of you guys have some gems inside your head, whether it's how you look at commodities and gold through, for example, Brian with TIPS.

How you value gold as a credit risk insurance which funds are starting to do. Even general funds. Many, many other areas. So I'm going to throw that back out to you. I want you all to fight for a place on the podium here. I'll start with Brian again. But then from there, please start chiming in. Brian, take two or three minutes. We have about 20 minutes left.

Brian Bosse: Okay. Thank you for that. What you're putting to me is the challenge of where do I envision we could go in terms of moving gold from what is currently the edge of the financial system back in... Maybe not the center but back into the circle, right?

Thom Calandra: Yeah.

Brian Bosse: I've actually been wondering about this. What is the path that it's going to take? I do think it's on that path. One of the things I'll be watching for before this cycle ends, I think this will happen. Some company, and I don't know who, whether it's a royalty company or a producer or maybe someone we haven't even thought of yet, is going to start reporting a second version of its balance sheet. Not in US dollars but in ounces.

Thom Calandra: Amen.

Brian Bosse: We made so many ounces of income this year. We have a balance sheet of assets that are measured in ounces. And so now, obviously it's not going to be GAAP compliant or IFRS compliant but if you got into the habit of doing that, now you're measuring the purchasing power after you've done it for 10 years and you look backwards. I think Thom your question is, how do you get purchasing power back into the conversation?

Thom Calandra: Yes.

Brian Bosse: That's one way. We're not doing it. I don't know anyone who is in North America. But I expect someone's going to decide to do that and that will highlight how gold's coming back into the system.

Thom Calandra: That's fascinating because you know how you always have talk. I know we did at the turn of the new century. Companies that want to issue their dividends in goals, that kind of thing. But it's been very hard to follow through.

Brian Bosse: It's super hard to follow through because... If you think about it, it's a great thing to talk about it at a conference or at a bar but the mechanics of that are hard. How do you actually deliver that dividend to 600 shareholders or 6,000 shareholders or 600,000 shareholders, the DTC and the CVS systems are not set up for that. There's no physical way to deliver. I mean, frankly, there's no physical stock certificates anymore. Pretty much they're all gone. So there's certainly no way for the existing system to handle physical delivery of so many, I'll use the word ounces. But frankly, it would be grains by the time you do a quarterly dividend on something like that.

There's been a lot of talk about that. Gold loans for example. If I'm trying to build a mine, if I borrow the money in US dollars to spend the capex to build the mine and I decide that my lender has a right to get paid back their choice in US dollars or in ounces. There's mechanical problems with that. When you get to the end, what does the IRS say that you got to pay back in and what's it worth?

Thom Calandra: Right.

Brian Bosse: There's lots of problems that will be stepping stones along the way to bringing it back from the edge of the system. Those are the little tripwires I'm watching for.

Thom Calandra: Yeah. That would... Ballistic is the only word I can think of. That would send things ballistic in terms of value.

Rich Checkan: If I could, I was going to go that direction as well. The real answer is to basically force people to balance their checkbooks again. Government's don't have to do it but we as individual investors need to. It could be a real problem. The world is addicted to free money. They're addicted to debt. Just look at what happened with the tweets from President Trump on October 6.

He said, "That's it. Stimulus is off the table." Every single market tanked. Then he came back and said, "If you send me a bill right now with $1,200 stimulus checks I'll sign them immediately." Everything went back up on short term sentiment and that addiction to free money. I 100% agree. The real answer is to get back to measuring value with really the only true measure of value we have, gold. I want to go down to New Orleans and I want to buy my chargrilled oysters, my red beans and rice, my andouille sausage with gold because then I know it's priced fairly. Because in dollars, who the hell knows. It's a shell game.

Thom Calandra: People tend to hoard gold and silver when the price rises. I've heard that that's a twist on the psychology. But-

Brian Bosse: That's not unusual. People hoard Tesla shares when the price goes up. That's exactly the same thing. You don't sell them when they're going up.

Thom Calandra: Right.

Rich Checkan: I want to give other people a chance to talk as well, but I think that's going to be really hard to do because of how far we've gone down this road. I agree with you, how the heck do you do it? I think another possible solution would be the US dollar "losing" its reserve currency status. That it's going to be replaced with a basket of currencies and commodities like gold and silver or something else and that becomes the standard unit of measure if you will. I think that's more palatable because the dollar may still dominate the basket. Instead of being 100% reserve currency it's 80%. It's a 20% devaluation but everybody saves face.

Thom Calandra: Gold is not a reserve currency in anyone's system right now? Not the World Bank, not the IMF not the...

Dana Samuelson: I beg to differ on that. Because central banks have been hoarding gold at record rates since 2010. They're obviously hedging against currency devaluation within their own trading partners.

Brian Bosse: Russia's buying, China's buying, Poland is buying. Dana you're absolutely right.

Thom Calandra: Canada sells all its gold though.

Brian Bosse: So as the only Canadian in the crowd, I think, right? We've got zero.

Dana Samuelson: Central bankers are hedging their bets against each other. But politicians are really good at not dealing with something until it's an absolute problem. I think what will happen is the monetary system will continue to be devalued through excessive monetary printing until there's a shock to the system that requires attention to this and that'll create a reset. I think the real switch will be from paper money to digital money at that point in time. I hope gold has a realistic piece of this equation, but they don't want it to be gold.

Thom Calandra: Yeah, I remember in 2002, or 2003, Brien Lundin, the same Brien Lundin coincidentally who runs this conference and has forever, telling me... It was right after the Bank of England sold a whole bunch of its gold. He said, "You know what, most central banks they sell when the price is low and they buy when the price is high?" Is that because they're stupid or is that because there's an infrastructure that says that's the way it has to be? I don't know.

Dana Samuelson: I think the Bank of England in particular has been incredibly stupid. They sold 600 tons at the bottom and '71 and they sold another 300 tons on the bottom in 1998.

Rich Checkan: They announced it ahead of time to ensure they got the lowest price possible.

Dana Samuelson: That's exactly right.

Matt Geiger: Thom I just want to jump in here quickly and draw a distinction between a currency reset and going back to the gold standard because I don't want to conflate those two things. Some would say... It's a bit Cassandr-ish to expect there to be a global currency reset. I think that's a rational thing to think. The timing is just one. We have one of those every few decades, whether it's the Vienna Accord or Bretton Woods or Nixon de-linking the dollar in the early 70s which was probably the last true global currency reset event.

I think it's just a matter of time until we have one of these events. That's the first question. The second though is do we go back to a gold standard? I think that's an increasingly unlikely. I think in the scenario where there is a global currency reset, the uncertainty that that would create would actually be very good for gold investors. So for those with gold exposure, it'd be good for their personal wallets, it'd be good for their wealth.

But by the same token, I think it's less likely for us to truly go back to a gold standard. A, because now there's competition from digital currencies. There's one more potential option when we do a reset, what we reset to. Then secondly, as some of the other panelists have already mentioned, gold is handcuffs on politicians. That makes sure that you have to live within your means. That you have to respect a budget.

As long as politicians are the ones making the ultimate decision on what we reset to, the chances of gold being part of that equation, I think is exceedingly slim. But that's not to poo poo owning gold as an asset class. We do not have to go to a gold standard for gold investors to do exceedingly well. I think that's the point I want to emphasize.

Rich Checkan: Become your own central bank and don't worry about what the rest of the world does.

Omar Ayales: Yeah. That's right Rich.

Thom Calandra: I have a friend, he's 92 years old. Mr. Lee, in Sausalito, his father was the first shopkeeper owner of a non American ethnicity. He came from Canton or Cantonese. I probably shouldn't say this but anyway, he's been collecting serious gold coins his entire life and I don't think he ever intends to sell any of it. What's that all about? Is it a legacy? Is gold a legacy that we leave for the next generation? Does anybody want to tackle that?

Omar Ayales: Well, maybe adding to something that I guess everybody has said already, the way that we have told our subscribers is that you want to have a certain amount of gold that you are going to keep. I don't know if it Dana or Rich was saying earlier or Brian, that you want to keep regardless of what happens. That's going to be your stability, your safety net and it's going to be your core of wealth.

But then of course, gold will also move respectively. I think it's a great... It allows great opportunity to trade and to profit from those trades. Now, of course, I wouldn't trade my core position, but I will have other things that I will be trading. Whether those are equities or whether they're maybe proxies for gold or paper gold. I think I definitely should take advantage of that as well. A balanced approach I think is definitely what you want.

Thom Calandra: Okay, go ahead please.

Rich Checkan: I was going to say, I agree with Omar. I mentioned a strategy earlier. I look at again, wealth insurance [inaudible 00:45:15] two buckets of gold in your portfolio, is understanding when it's a dip that should be bought, right? There's some warning signs you can look for that it's the beginning of the end. One is price. Good measure, just generally to look at as maybe two to three times the previous bull market high.

We start getting up near those levels, you start looking for the exit. The duration of bull market, the last two were nine, 10 years long. Look about a decade, start looking for the exit. Look at sentiment. Your cabbies giving you tips. Look for the exit, the US dollar starts to surge. Guess what, look for the exit. Interest rates start climbing. Now you have opportunity cost on gold. Look for the exits.

Gold silver ratio down around 35 to 50. Not 127 like it was a couple months ago, look for the exits. When you start to see a demise in political and social crises, you start putting all these factors together. Guess what, this is the end of that bull market and not just a dip.

Thom Calandra: Rich, this is good market intelligence. We have about nine minutes left I believe. I'm going to throw this out to all of you, if you could each give me a one minute piece of market intelligence on any subject that has to do with our universe here. But not the Los Angeles Dodgers and Atlanta Braves. I'll just throw my market intelligence out there real quick, which is I'm just waiting for the day when I come in and I'm willing to pay in gold or silver or even copper maybe one day and I get better service at Costco than the other person. That's all I want. Anyway, that's true. Throw it out there. One piece of market intelligence. Take a minute or so to give it to an audience that really just wants to make money. Anybody?

Rich Checkan: Who's first?

Thom Calandra: Anybody? It's up to you guys. Matt. You can name names too.

Matt Geiger: I'll jump in here Thom, not a problem. I guess one thing that I've observed and it's become increasingly clear I'd say over the past 90 or 120 days. Just the amount of new companies that are cropping up. Especially those that are focused on gold and silver.

Thom Calandra: Oh my gosh, yes.

Matt Geiger: That to me, that causes concern. I don't think this is the sign of the top. I'm not panicking by any means. You learn once you've been in this business for a while, just the immense capacity that both Vancouver and Toronto have to just churn out new issuers. There are so many projects that have just been sitting on the shelves within private vehicles that really haven't seen any work, any thought, any expenditures of the past 10 years that are now being pulled out and marketed to investors like it's the next big thing.

For a few of them, that might actually be the case. But as an investor, you have to go in with a jaundice eye and understand, especially for some of these newer issuers, the vast majority of these projects will never see the light of day. [crosstalk 00:48:22]

Thom Calandra: You think the Australian market is better at that?

Matt Geiger: What's that Thom?

Thom Calandra: The Australian market, do you think that it's better managed than let's say the Canadian market or the US market, or the British market or the South African market? We're talking the stock market now.

Matt Geiger: That's interesting. Yeah, I would say perhaps. There's a few factors I do like about the Aussie market. Companies regularly quarterly report expected expenditures over the coming quarter and year which I think is quite helpful. As I referenced earlier, dilution is our number one enemy as investors here. The level of disclosure there, I think it's much more impressive than the Canadian market.

Then I will say, the prevalence of warrant financings in Canada, if you're able to participate in those and you have your ends and you're connected to management teams, you can use that to your advantage. But for your average retail investor, especially those that may not be accredited, I think that's a disadvantage because the vast majority of placements in

Australia won't include any warrant or as I call it option sweetener. That's not the case in North America as you all know.

Thom Calandra: Thank you Matt. We're going to have to move on. We have six minutes left.

Rich Checkan: I've got three quick hits. Okay. First off, we got elections coming up. That's probably adding to the uncertainty. Long term I think we all stated our views as long as we measure this in fiat, Gold's going up. Short term, I see very little stopping gold from rising before and after the election. To say what Dana touched on earlier, I had a friend in the industry who told me after gold dropped after Trump was elected, President Trump. He said it's because democrats don't buy gold, libertarians can't afford it and republicans only buy it when they're scared and they were no longer scared.

Now, I don't like generalizations, and those are his words not mine. I know democrats who own a ton of gold. I know libertarians who own a ton of gold and I know republicans that don't own any at all. I don't like generalizations, but I think the concern of a democratic takeover of our government is conducive to the gold price. I think if it's contested afterward, either side, that's conducive to gold price rising.

Other two real quick, if you get into a position like Dana mentioned where we have supply issues on physical product, placement certificates, you mentioned it earlier Thom is the best thing out there. We didn't have a shortage of silver and gold we had a shortage of fabricated product and there was no shortage in Australia with immediate delivery, low premiums, no cost of storage.

Thom Calandra: We're going to have to move on Rich.

Rich Checkan: All right. Last thing is don't buy from somebody who doesn't buy back.

Thom Calandra: Next, Brian.

Brian Bosse: 20 seconds or less I'll try and do this. Matt raised something about warrant financings in Canada and you have to be an accredited investor. The rules on that have changed very recently. It's now easier to become accredited. I would encourage everyone to go and check out a website called save Canadian mining. My friend, Terry Lynch, has decided it's time to stop allowing these warrant financings, fueled by hedge funds, to push down the enterprise value of the company after the fact. Go check it out. Email me, I'll tell you how to get accredited.

Thom Calandra: Sure, that's good. I know Matt was talking about Australia too, and there are some differences. But I'm going to go to that website and in fact real soon because... I'm going to be honest. It pisses me off, especially being an American. The bar is higher in terms of regulations and getting warrants and then putting them into paper without legends stamped on them that you can never get off. It's a pain in the butt. Anyway, next we have Dana and Omar.

Omar Ayales: Go ahead Dana.

Dana Samuelson: I'm a physical precious metals dealer. So I'm just going to give a basic tip about what to buy. The most popular, widely traded competitive items in the North American marketplace are American One Ounce Gold Eagles, American One Ounce Silver Eagles, Canadian One Ounce Gold Maple Leafs and Canadian One Ounce Silver Maple Leafs. If you want physical gold, these are your best choices. If you're a US taxpayer, US Gold and Silver Eagles have some tax advantages that the Canadian Maple Leafs do not.

Number two, deal with a long standing member of the precious metals community. Don't do business on online platforms or with private individuals. The chances are higher than not that you might be taken for a ride and not get what you're supposed to get and competitively shop. It's a very competitive market so do that please.

Thom Calandra: Thank you Dana. That was great. Maybe I'll trade my American buffaloes in for Eagles.

Dana Samuelson: Don't do that. You're just trading gold for gold?

Thom Calandra: I know.

Rich Checkan: No advantage.

Thom Calandra: Omar.

Omar Ayales: I actually I'm going to take a little bit of the contrarian view here a little bit. Actually... I think that gold has had an amazing run up until today, since 2015 lows. Actually, in the past two years since August, around August 2018 has gone really parabolic. Together even with the dollar until basically the pandemic collapse, where [inaudible 00:53:56]. I actually think that this lapse of post COVID reset button on an economic cycle. I think that actually what we're going to start seeing over the next... A couple years that actually maybe investors and business shift towards creating, expanding, growing, recovering.

That I think means that the base metals are probably going to be outperforming gold. I'm not saying that gold is going to be going into a bear market or you shouldn't own it. By all means, of course, always own it. But I do think that there are going to be better investments over the next six months maybe to a year. Of course, election risk is out there and it's very real. I think that could maybe affect the actual date of the election, but I think the economic recovery is the real story going forward.

Thom Calandra: Okay. Well, it looks like we're going to actually come in and be on time here. I just want to give each of you a plug. Matt Geiger, MJG Capital in San Francisco, Dana Samuelson, American Gold Exchange in Austin, Texas. Rich Checkan there in Maryland at Asset Strategies International. Omar Ayales at Gold Charts R Us and also a terrific assistant to the Aden Sisters who have their own newsletter. Brian Bosse who's not just commentary but his activity on behalf of Murenbeeld and company in Canada is compelling. It's quite interesting. I have to say I see stuff in a lot of your material, all of you, that I have never thought about. Thank you very much for this.

Brian Bosse: Glad to be of help. Thanks for having us all.

Thom Calandra: Okay, thank you. Take care audience and friends.

Matt Geiger: Thank you Thom. [crosstalk 00:55:58].

Albert Lu: All right. Thank you very much, gentlemen. Great job. Really nice panel there, Brien. And some questions coming in. I actually wished I could have jumped in there but with a full panel it's hard and especially with a muted mic. But let's go first to Linda's question. Her question is regarding booking profits on gold.

At one point in the discussion it came up or maybe it overshoots, you should book some profits. I think one of the things you have to keep in mind is some people trade gold. Some people do buy it for security, for lifelong security and insurance, as one of the panelists put it. But other people, Omar in particular he makes a living with the charts. There may be times when you feel either maybe gold is overvalued or maybe the dollar is just cheap.

Looks like we still got Omar on. I'll put it to anyone there. Actually, if you're trading gold do you keep your proceeds in dollars when you get out of gold? Because as Linda asks, isn't one of the incentives to get into gold precisely to get out of fiat currency?

Omar Ayales: Well then that's why I go back to what I was saying earlier, I think you have to have a combination of it. You have your... Personally, I would think your core gold position, your bullion that you're not going to sell. You're going to continue to add through time an amount that is not going to strain you from your normal day to day life because then that would go against pretty much everything.

Now, I tend to believe that gold moves in highly technical patterns and it's easy to pinpoint to actually be able to gain and to trade it. I do both. I think that is a proper approach.

Albert Lu: Matt I wanted to ask you a question. Just a question for Matt. First off, I'm wondering if you at any point, recently did you wonder if that 10 year lockup period wasn't going to be enough? But the real question is, you mentioned that the royalties don't look cheap. Some of the valuations are lofty. But I feel like this is not something that's unique to the metals complex. You look all over the place. Equities in general, you look at bond yields, anything that's perceived as quality and especially if it has scale is expensive.

So do you just hold your nose and buy these things against maybe your value judgment? I think the answer from you is going to be yes but just clarify a little bit or expand on it.

Matt Geiger: I do think it depends on the type of investor you are. I would process and I mentioned this in the panel, I'd much rather you hold a Franco Nevada than have no gold exposure at all. I'd probably rather you hold a Franco Nevada even compared to physical bullion if you're thinking over a five to 10 year time horizon. I still think there's a compelling investment case to be made for the larger royalty names.

That said, I think for more enterprising investors, if you want to just focus on precious metals, there's an opportunity to play the arbitrage game between some of these smaller Junior royalty companies that are very well managed, have high quality assets, but for one reason or another you're not seeing those price occasional multiples of the big boys. You're not seeing those price multiples compared to the big boys.

It's interesting, in the royalty space, generally in investing, the more growthy companies, the companies that have opportunity to grow more, those are the ones that receive the higher multiples. You'll notice it's the inverse in the royalty industry which I find quite interesting where the big boys, the Franco Nevadas of the world that really see those highest price to cash flow multiples.

Largely because their cost of capital is lowest and because they just have a more diversified asset base. So there is reason for that. But to me, I like the opportunity to play that arbitrage game. As long as you know the management team, you know the assets, I would prefer to handpick two or three very high quality junior royalty companies that you can focus on as a preferred way than just buying the big boys.

But I'm sorry to go on here. But I will say, I think the biggest opportunity, probably with the big diversified and these are metal royalty companies that focus on everything but gold and silver. The two names that come to mind would be Altius Minerals, or Anglo Pacific. These are companies that have scale. They have commodity diversification; they have jurisdictional diversification and their price to cash flow multiples are a third or a fourth of what the top tier precious metal companies are. I think this is an opportunity to participate with the same business model. I think that discount is going to close in the coming year. But it will take some patience for sure.

Albert Lu: I got to move on. Hang on, let me move on. I'm going to hit you up later about that lockup period maybe go for a bigger one next time. Dana, looks like we still have you there. I want to ask you something about stress in the physical markets because you brought that up. This is something that happens periodically. It's not just unique to this COVID period. It's happened before.

For some reason there's stress on the market and there's a divergence between the paper market and the physical market. The thing that happens is it's at those times where coins get the most attention because the price is going up. It's in the news. For the person who's new to that market, who's not in coins yet. That seems like it would be a bad time to get in. What do you suggest that people do?

Do you suggest a different product, maybe an exchange traded product and hide out for a couple months and then get into physical? I realize there's no substitute for physical, but the idea of overpaying doesn't sit well with me. What do you suggest?

Dana Samuelson: It's a great question, and that is exactly what I did in March when silver tanked and got so low, I knew it was oversold. I couldn't buy physical at a reasonable price. I got into a couple of ETFs that were actually leveraged to the price of silver. UGLD, USLV. I know Sprott has a lot of... Has good gold and silver ETF. I got into the ETFs and rode them higher. Then when the premiums came back down to normal pricing and the run ended, I took my profits on my ETFs and converted into physical then.

That's one way to play it. You can also arbitrage one metal against another if you want to use the gold to silver ratio, gold to platinum ratio, if you want to stay in the metals but one is hotter than the other. But I do think the ETFs are a viable alternative for the short play. I'm not a big fan of them for the longer play but they're easy to trade in and out of.

Albert Lu: Last question for me and I go to Brien Lundin. But for Brian Bosse, regarding your answer to the question, is gold ever going to move back into the mainstream? Should we be looking for that? Should we be targeting for that? What are the probabilities of that? Reminds me of a conversation that I had with my daughter because apparently my six year old son wants a millennium falcon for Christmas.

My daughter who's older informed me that there are several versions of this thing. One cost $10. The middle one is $1,00 something and that expensive one is $1,000. I don't know Santa Claus personally, but I think that if he asked for the thousand dollar one he's not going to get it. I think if we as gold investors hope for some type of gold standard or gold being adopted or generalists coming in, we're dreaming.

We're trying to get that thousand dollar lego thing that's never going to come. But we can have a lot of fun, I think with the most probable scenario which is that the dollar keeps losing value and gold keeps marching higher, not monotonically but keeps marching higher. Do you agree with that?

Brian Bosse: I do. I think that the unbroken history of reserve currencies is that they always end up yielding to something else. If we think about how long it took to get gold out of the financial system and just to pick a starting point for that conversation, let's say it was when the United Kingdom went off gold temporarily during World War One. Then when they tried to go back on, they couldn't stay on. Then at the end of World War Two, the US became essentially de facto of the gold standard. 35 bucks an ounce.

If we started 1918 just to pick when the UK couldn't sustain themselves, we're now 100 years of gold continually gradually becoming less and less the center of the financial universe and if you're 100 years off track, maybe it's going to take you at least 50 or 25 to get back to track. So you're right. That's the kind of timeframe it would take. There's a lot of baby steps along the way. So what I'm saying is I'm watching for what those baby steps could be and watching to see when they happen.

Look, the idea that it will continually grind higher, absolutely. If I asked myself, what could push it lower? Maybe a credit crunch or a deflation for half an hour and I'm being facetious about half an hour. A bad recession, but the thing about gold is, it'll always get knocked down when the negativity happens. It's the moment the central bank or the government shows up with a plan that it starts to run again because the running of the metals price is discounting the overprinting that's involved in the plan. Does that make sense?

Albert Lu: Yeah, absolutely. Just a couple minutes left before we move on. I want to bring in Brien Lundin. Brien, any questions for this fine panel?

Brien Lundin: Not so much questions. I mean, I would have questions but I think we would go overtime but I'd like to comment on the why do you... Do you sell gold? Why would you sell gold and put it into dollars at any time? People have to realize that you have different roles to play. You have different reasons why you're buying that gold.

If you're trading it, that's a completely different animal. But our good friend Robert Kiyosaki will be telling our audiences later in the program, but what he does when he gets cash flow coming in, he puts it into gold as a savings account. In a world where you're not getting any interest anyway and you believe that metals prices are headed upward. You can park it in there and use it as your metals account.

Sprott has a couple of... A few actually great bullion trust that I use when I get some of these gains out of the miners and want to hoard it. Rather than hoarding it in cash in a brokerage account I'll buy one of the Sprott trust. They have actually some tax advantages for us investors as well.

Thom Calandra: Four of them.

Albert Lu: All right. Thank you very much and thank you to the panel for staying over. Really appreciate your participation and your answers to all these questions. Thank you.

Gwen Preston

"Gold & Silver: Why They're Running And What You Should Do About It"

Albert Lu: ...Gwen Preston, she is the resource maven. Her independent letter chronicles her thoughts, buys and sells, in the world of mineral exploration, development and mining. Gwen has a strong network of contacts, almost 15 years of site visits and due diligence under her belt, a solid grasp of macroeconomics and how it shapes metals price movements, and a track record for finding opportunity and managing risk in the metals and mining sector. Her talk today is gold and silver, why they're running and what you should do about it. Gwen, welcome to the New Orleans Investment Conference.

Gwen Preston: Thank you so much. It's great to, well, I would say it's great to be here. I mean, it's lovely to be here at my desk in Vancouver. It would be lovely to be in New Orleans. We always love coming down to New Orleans for the hospitality, for the conference, of course, and to see all of our friends and network with everyone who comes to that great show. I'm glad of course, that we're able to do it on a virtual platform this year, better this certainly than nothing.

And so, with no further ado, let me jump into my presentation here. As he mentioned, I want to talk about gold and silver, why they're running and what you should do about it. Now there have certainly been a slew of fantastic talks already today about why gold and silver are running. So...I won't spend a huge amount of time here. But my overall premise is, I write a series of newsletters about what I'm buying and selling and thinking in the metals and mining space. And those things all go together.

You have to have a fundamental platform, a rationale for what is happening in the gold, silver space, before you can make any decisions about what to buy and sell or how to structure a portfolio to take advantage of that. So I'll start with that fundamental rationale. And then I want to move into a few comments about how to structure one's portfolio so that you can benefit in a way that works for you.

So the rationale, gold and silver are complicated. I mean, gold, for example, has a bunch of contradictory things that go on all the time. Gold gains when there's a flight to safety, but it's hurt by strength in the U.S. dollar, which obviously is also a safe haven. Gold thrives on economic uncertainty, but then it also gains when there's inflation. So those are opposites attracting or something like that. Gold is often thought to move against the stock market, but as Brien showed in his talk there, not lately, it's moved with the stock market a lot lately.

One takeaway from all of that I would say, is that gold's first reaction to economic events often stems from a bigger market. It isn't gold's inherent reaction, it's the proxy from what's going on in the U.S. dollar, the bond market, the stock market. Those markets are so much bigger than the gold market. That of course they take priority. Of course, they overshadow our little gold market. But that just helps me understand day-to-day movements in the price of gold. If something macroeconomic happens and I think that should really be good for gold, but gold is going down, well, often what you have to do is just wait a few days and gold's reaction happens a little bit later. At the end of the day, though, if time is on your side, these details don't matter because the big picture is that precious metals are going up from here.

And of course, the fundamental reason for that is negative real rates. We have been assured that real rates will stay negative. And in fact will almost certainly go lower for years. I think a good point here, a good thing to remember when you're trying to consider the timeframe here or, "Am I late? How long is this opportunity going to last?" It took the Federal Reserve seven years to raise rates, following the great financial crisis. COVID is not the great financial crisis, they are different. But I think that timeframe is still a good reference point. It takes a long time for monetary changes to have the impact that's intended. Now, whether that impact is really going to play out, that's another whole conversation. What matters for gold and silver investors is that interest rates are zero. There is at least some inflation and therefore, we have a negative real rate environment. In a negative real rate environment, holding dollars doesn't make sense. You need something that does, gold always performs in those kinds of environments. And that is the situation that we are in.

One of the things that I mentioned on my first slide there, is that there's this opposing force in the safe haven world, which is that gold should perform as a safe haven, but it gets hurt when there's a flight to the U.S.

dollar. And certainly, strength in the U.S. dollar has been a headwind for gold in recent years. But I do believe that there's reason to think that the U.S. dollar bull run, as an overall structure, is done. And the key to that is inflation expectations that are rising. Probably the most important force that pushed gold up so significantly in July and August was a ramp up in inflation expectations.

And the reasons for that run from fiscal measures, COVID related handouts, to all kinds of inflationary pressures that come from the supply and demand impacts of an economic shutdown, to of course, just dramatic money printing. And the fact that we will not have interest rates of any merit for some time. Inflation expectations are going up. There's all kinds of different ways of measuring inflation. That in itself is a talk, but the point is that inflation expectations are rising and that is eroding the strength of the dollar. So I'm just saying this because I think the headwind that is U.S. dollar strength is likely to ease somewhat going forward.

There's also the fact that China is in a long game of reducing its reliance on the U.S. dollar. Its buying and holding of U.S. dollars has really contributed to U.S. dollar strength in recent decades, to be honest. But that is a shift that is endlessly happening. Then there's money supply and debt loads. And then there's the trade war. The dollar was hurt when the trade war started. The trade war has apparently eased, although not actually, it's just been pushed to the side by a global pandemic and the presidential election and a variety of things like that, but we shall see what happens there. These are all reasons to believe that the U.S. dollar will be less of a headwind going forward.

Okay, then we talk about the safe haven. There's some competing safe havens out there. Gold really is a standout when you're looking for a safe haven. The picture here is that there are big pools of low risk capital, that for many years owned bonds, that's what they own. They got 5% or 6% annualized return out of bonds and that was fantastic. That game does not exist anymore. They cannot own bonds.

So since the great financial crisis, they've had to own stocks and that's worked and that's okay, but this is low risk capital. So that means they have to hedge their exposure to the stock market because the stock market is strong, but the risks are very real. So when a large pool of low capital needs to hedge its stock market exposure, what does it do? Well, it can't buy bonds because as this tweet that I captured over on the side says, "Imagine buying a bond that yields less than inflation from an extremely leveraged company." Well, that's not a great option, is it? And so, the bond market just isn't there, the way that it used to be in decades past. And so that hedge, there's very few options for that hedge. And that's why we're starting to see major money pension funds, things like this turn towards gold.

I also want to point out, I sort of came to this slide. I put this slide together after... We get news flow day in, day out about things that are happening. And it's very easy to want to tie together the news flow of the day to what's happening to the gold price. And that's always tough to do. So then take a step back and think about, "Okay, what are the big things going on in the world right now?" Well, we certainly have a presidential election, we have a global pandemic and we have a trade war, amongst other things, but those are three lead contenders for headlines. And I really think that gold works, no matter what happens, in any of these situations. Which is a pretty strong statement to make, that gold is going to work no matter what.

Okay, well, if Biden wins or if Trump wins, the stated rationale will be different, but the end result will be pretty similar, which is more money printing, more debt, one on a more benefit-based argument. And one on more a support the stock market and economy argument. But at the end of the day, it's going to be money printing and inflation against a zero interest rate environment. That's good for gold.

Take COVID, if the rise in cases increases, then we get a flight to safety and a zero interest rate environment. That's good for gold. If the case load eases and/or we get a vaccine in some sort of near term, then great. The COVID force eases and we get back to a situation of economic growth, but we're still going to be in a zero interest rate environment for a good period of time and growth will mean inflation. So that means negative real rates and that's good for gold.

Similarly, with the trade war, an escalation would cause a flight to safety, which is good for gold. A deescalation would mean growth, which means inflation, which is good for gold.

It's a really interesting thought process to go through, but at this point, gold just makes sense. Okay, so if gold makes so much sense, why has there been this dip of late? I would say it started with the death of Justice Ginsburg, which caused that stimulus package, that had almost earned bipartisan support to simply evaporate, and that eased those inflation expectations that had been rising and pushing the price of gold. They dipped, those inflation expectations. And that's what really put the brakes on gold. At the same time, of course, the market overall had a fit and gold sold off with everything else. That was really the thing. And after such an incredible run in price in July and August, it was time for such a dip to happen for the price to consolidate, anyways. Then there was a flight to the U.S. dollar, as part of a safe haven move and as a reaction to a lack of stimulus. And there was also, I think, some simple portfolio rebalancing.

Now, if you are a gold, silver investor who plays the junior side of the space, there's a few other forces that have been at play in the last two months, I think. One of them is a free trade date landslide. A huge number of companies raised money in May through August, so that they could get out and do exploration programs. And most of those financings issued shares that had four month holds. So all of those shares are coming to trade in September through December. If a share price has gained since the financing and brings free to trade a bunch of shares that are lower priced, that is going to hurt a share price. So that's a really significant force that's at play in the junior markets right now, not in the senior markets, they don't have free trade dates on their financings, but it's very significant for the explorers.

Super slow assay labs are also a battle right now, it's taking three months instead of six weeks to get results. And that is a struggle for management, for investors, for geologists, it's just no good for anyone.

And then there's been some profit taking and you can't begrudge some selling from mining investors because it certainly has been a bit of a tough decade.

Okay. So the overall story here is the bull is running. So then the question is, what are you going to do to profit? And my key takeaway here is you don't have to be an expert to take advantage of a gold, silver bull market. What do you need to do? Well, three things.

You have to understand the things that I just discussed, the forces that impact precious metals. And by understanding those, you have to decide for yourself that gold and silver have upside ahead. Once you've made that decision, then you have to watch those forces enough to see when that set up starts to change. I don't think that's happening anytime soon, but that's part of step one, step two. And then step three is you have to know yourself. You have to decide how much time you want to commit to your portfolio and how much risk you want to tolerate. And then you can set expectations and create a plan that makes sense for you. What's great about a gold bull market is that whether you're a trader or an investor, whether you like to speculate on discovery or whether you set up to just have leveraged exposure to a rising price of gold, it all works. That's what's so fun. It just works with different timelines, different risks and different needs.

The two charts that I have here are the GDX, an index of major gold miners, it's up like 50 plus percent this year. That's fantastic in a year. That's not even marking from the bottom of COVID, that's just year over year. The chart on the right is a junior exploration company called Evergold. It was up 300%, so that's where people get drawn into the exploration side of things. But of course, it's exploration, which is, there are no guarantees in exploration and it's just an example that explorers are a roller coaster.

If you want to be on the exploration end of things, I think what matters here is don't let the seeming flood of discoveries make you think that it's easy. A strong market means more companies have money to test more targets, but the odds of success on any one target remain low. Exploration is not easy. So it doesn't mean you shouldn't bet on it. I bet on exploration companies as a business, but I think there's some ways to manage that risk.

First of all, I think you want to demand that a company has more than one strong target or project. So you're not putting all of your eggs in one basket. And you need to demand that a company has very strong technical competence, overall geologically, and related to the kind of geology that they are exploring. And that they have really good rationale for their targets. They're not just chasing momentum and area play, an idea, but they have real competence and rationale.

Then there's the fact that geology is risk enough, so make sure that the company has limited or managed the other risks that are at play, like permits, like seasonality of exploration, like just the challenges of access and logistics, like marketing, do they know how to tell their story? Nobody will buy a stock that they haven't heard of.

If you do like explorers and you want to navigate that, there's some ideas here. You certainly can establish your position in tranches. Don't try and choose the day when the price is at its lowest, because odds are, you're not going to get that right. So tranches help you average in your cost and pay attention to all the kinds of pressures that move share prices. It isn't just about whether the project is working, there's speculation before results come out. There's free trade dates that pressure prices. There's seasonality, people leave because the news flow is going to die off for months. There's price spikes when a discovery does happen. Is that full price spike going to sustain, or should you sell into it? You really need to pay attention to the pressures that move junior share prices, if you want to play that game properly.

I would say also these days certainly watch out for new deals. There's a lot of them coming to the market, participate in financings if you can, warrants increase your exposure to a story if it works. And stay engaged with the story, but try not to get too attached. It's very easy to fall in love with exploration, but that doesn't help you make rational decisions.

The other side of things is that low risk works too. You can absolutely build a buy-and-hold portfolio that will perform through this market and will carry little risk and not require much attention at all. So Warren Buffett bought Barrick because big money buys big companies with strong financials and good dividends. Barrick fits that bill, lots of big money, like Warren Buffett, is coming to gold because of that hedging thing that I talked about before. It can only buy really big stocks so that's why it makes sense to buy major, major gold miners.

You can step down a little, buy miners that are a little bit smaller, but that have very strong growth profiles. So you get a little bit of extra upside potential from that growth opportunity.

You can play royalty companies [inaudible 00:17:22]. In the last bull market through the bear market and in the bull market so far to date. That's a pretty strong track record. It's hard to argue with that. So royalty companies deserve a spot in a low risk portfolio.

You can play optionality. Huge assets are specifically hated in bear markets because huge assets are hugely expensive to explore, to plan a mine around, let alone to build. Once a bull market gets fully established though, big miners need to buy big assets so that they can stay big in the future. And when that tipping point hits, suddenly all of the majors start chasing the few huge assets that survived through that dead market, survived the hatred and are still alive and advanced. That's the optionality play. They just tag along with the market until suddenly they are in the spotlight.

You can try and identify takeout targets. So companies that you think are going to get bought, the nice aspect of that game is that if you think there's reason for it to be a takeout target, it's likely a stock that's going to perform well in the market on its own. So that's sort of a two ways to win category.

And then of course, there's silver, silver outperforms gold in a bull market almost every time. And silver stocks outperform even more because there are so few of them. And so that is certainly a low-risk opportunity as well.

The point here is that you need to just choose your own adventure. We are set up for a few very exciting years, I think, in gold and silver corrections or quieter periods like we are in right now, are part of the process. I would say what you need to do, if you want to take advantage, is that you have to consider how much focus and risk you, as an individual, want to commit. And then you have to build a portfolio around those levels of focus and risk.

And then stick to your plan. Don't get fear of missing out because you see an exploration stock shoot to the moon because there's a lot of risk there. And the likelihood of trading it perfectly is low. So don't think you missed 300%. Think about the fact that you've got 50% and you didn't watch a 300% gain come and go overnight because you were busy taking care of your family and doing your job. So stick to your plan, the plan that works for you.

And to inform all of that, you need to find a few good sources of information. Of course, I finished off with that because I write newsletters about, like I said, what I'm buying, selling and thinking. And I do so to help investors profit from the opportunities that I am working on. And that I think everyone has the ability to take advantage of in the metals and mining space. If you have any interest in the services that I offer, please visit my website. I'm the resource maven. The website is resourcemaven.ca. There's a free trial there, and my contact information is easily accessible so that you can find me if you have any questions to ask.

And with that, I would just really like to say thanks to Brien and the whole team at the New Orleans Investment Conference for another invitation to participate here. Like I say, I'm certainly sad that I'm not down there this year to see you all, to shake hands and to share ideas, but we're making the best of it in this COVID world. And hopefully, we'll see you all down there again soon.

The Real Estate Guys

"The New Realities Of Real Estate In COVID-19 World"

Albert Lu: Back in the studio here. I'm joined in studio by Robert Helms and Russell Gray, the Real Estate Guys. Gentlemen, good to see you. My director informed me that going into the break, I misspoke and accidentally referred to you as the Resource Guys. I'm wondering, would it be easier for me to change my notes here, or for you to change your whole business?

Robert Helms: I think we'll just be the resource guys.

Russell Gray: I think so.

Albert Lu: Oh, you're going to do it?

Russell Gray: Real estate's a resource.

Robert Helms: Yeah.

Albert Lu: All right, if you want. I thought maybe that would cause a problem. You've been in this for a while, you got a lot invested in this, a lot of followers I guess, but thank you for that.

The Real Estate Guys Radio Show is an investing talk show featuring hosts Robert Helms and Russell Gray. Broadcasting on conventional radio since 1997, the podcast version is heard in over 190 countries.

Notable guests include Steve Forbes, Peter Schiff, Donald Trump, James Rickards, Mark Skousen, Robert Kiyosaki and many others. If you want to listen online and subscribe to the free newsletter, visit realestateguysradio.com. Gentlemen, welcome. Take it away.

Robert Helms: All right. Thank you, sir. And thanks everybody, it's great to see you all virtually. And we're in the studio, it kind of feels cool. It's like being on stage almost. My name's Robert Helms, host of the real estate guys. Our co-host and financial strategist, Russell Gray.

Russell Gray: Hey everybody.

Robert Helms: And we've been broadcasting now for 23 years. Crazy. Too dumb to quit. And still on traditional radio, but at the same time a lot of listeners find us through our podcast. And what we're going to talk about today is the big changes that have occurred in the light of COVID-19 when it comes to real estate.

So what are the new realities of real estate post COVID-19? And real estate has and does change, but the basic human need that it serves does not. So big picture is real estate is a resource. We'd say maybe it's the ultimate resource, because you can't sit out of the real estate market. You can never buy an ounce of gold, never buy a barrel of oil, never buy any wheat, never buy any stocks, no one ever requires you to do that. But it's impossible to financially sit out the real estate market. You may not own real estate, but you're going to have a financial transaction with real estate every time you go to a theme park or a hotel or rent a home. So real estate is different because of that.

Russell Gray: Yeah, and I think Mike Larson said in his presentation earlier today, the idea that in environments where it gets chaotic like this, you want to gravitate towards things that are real and essential. I think he talked about consumer staples, things like that. I mean, when it comes to things being real and essential, it doesn't get any more real or essential than real estate, especially residential real estate. And a lot of people on their balance sheets have net worth, a lot of their net worth, a big percentage of that net worth is wrapped up in their real estate. And they don't really actively pay attention to it, they don't actively manage it. We're not here to talk about real estate from the standpoint of tenants, toilets, termites, what's going on because of COVID-19 at the tactical operation level We understand many of you maybe aren't active real estate investors. But we're going to be talking about real estate more from the macro factors and some of the things that are going on, because of COVID-19 and some of the repercussions of it economically, financially. Because it does trickle down to real estate, and real estate, like I said, is a big part of a lot of people's portfolios. So it's something that if it's not on your mind, maybe it ought to be.

Robert Helms: In fact Russ, in the news, real estate investors are paying attention to things like eviction moratoriums and commercial businesses not being able to pay their rent, and of course unemployed people, but that's not what we're going to talk about. That's the tactical side. And that is going on, but real estate is pretty resilient. I think big picture is this, today, October 15th, today couldn't be any more current as we have now hit an all time low mortgage rates.

Russell Gray: That's right. The 10th time in a row, 10th lowest. So it's the headline came out, "Mortgage rates hit a new low. Again."

Robert Helms: "Again."

Russell Gray: Again. 10th time this year. So there's a lot of money going into real estate, and real estate pivots off of the 10 year treasuries. And of course when that happens, rates come down. So it creates a little bit of a tailwind if you will, for real estate and equity. But at the same time, we're in the middle of what we call a four-phase cascading crisis. So it started with the health crisis. And then the reaction to the health crisis was an economic lockdown, which prevented commerce, right? People quit earning paychecks, businesses quit earning revenue. They've been supplementing that with direct deposit stimulus, PPP loans and all that kind of stuff to try to keep the wheels on the bus.

And ultimately if that doesn't get corrected, the next thing is going to happen, and we're already starting to see this, is delinquencies. In fact, mortgage delinquencies just hit their all time high since they started tracking it in 1999. Which means dotcom bust, 2008 great financial crisis. Mortgage delinquencies today are happening at a higher rate than they were back then. And so that can cascade into a financial system crisis where bond markets collapse, banking systems collapse, because these things are all collateral. And in order to save it, I think the reaction has been clear from the central banks, we're going to print our way out of this. So all the pressure is on the dollar. So as real estate investors, we care about that, right? Because we care about what's going to happen to interest rates. We care about what's going to happen to jobs. Obviously values are going to be effected if we get a lot of delinquencies. It doesn't take very many houses to be distressed in a neighborhood to drag down and suck away the equity in all those houses. So mortgage delinquencies, along with low mortgage rates, are kind of these two opposing forces that are playing tug of war with real estate values right now.

Robert Helms: We talked this morning about interest rates. If you're a saver interest rates being low is a problem, and people are in search of yield. If you're a real estate investor, then low mortgage rates are your friend. That's the fuel you use. People in our world are locking in long-term low rate loans to control an asset that creates cashflow, tax benefits and appreciation.

We're not here to convince you about real estate because we, at a resource conference, as the Resource Guys, are really here to learn more than we teach, which is why we speak for 30 minutes and listen for four days. But real estate is part of your portfolio. Kind of de facto to Russ's earlier point, you end up with a house you can't sell, you decide to keep it as a rental, you buy a new house. Before you know it, you've got a million dollars worth of real estate. For many people, even people who are gold bugs, the value of equity in your real estate is more than the value of your metals. Let that sink in for a minute. So real estate's important. And what we want to do with our time today is just kind of put that in context. So it's compared to what? If those delinquencies turned to foreclosures, there could be problems.

Russell Gray: Yeah. And the other thing to think about, too, is when most people think about investing, they think about buy low, sell high. If you're buying gold, it's like I'm going to buy low, sell high. You're going to churn it for dollars. It doesn't produce any income. That's always been the wrap on gold. Now I love gold, but I don't think gold is an investment, I think it's money. And you want to accumulate it, but you do need to create income. And real estate produces income. And one of the things, if you focus on valuing real estate not by comparative sales, what the house next door sold, but by the income it produces, it retains its value very well even in the midst of a downturn. In other words, when we looked at 2008, and I think we did a presentation on this here at the New Orleans-

Robert Helms: We did.

Russell Gray: ...Investment Conference three years ago, we took a graph right off of the St. Louis fed's website. And we showed what happened in 2008, where prices, real estate values dropped precipitously, but rents only tapered off a little bit. Now of course what we're going through right now is very much affecting incomes. Unlike what we went through in 2008, which was a different problem, credit markets collapsing because of subprime mortgages going bad at an unprecedented rate, or an unexpected rate. Today we've got a real income problem. So some of that is going to get on real estate, it is going to affect values. The big question in a COVID-19 world, is that the new normal? Or is it a temporary situation? And we're going to kind of look through some of the factors and then you can make up your own mind about that.

Robert Helms: So Russ talked about the phases, right? First the health crisis, then the economic crisis. And so you probably know people who, their businesses are shuttered, or they aren't getting the paychecks they once were. Well, the World Health Organization just reversed course, that's going to have an effect on real estate. They've come out and said, "no, no, no. Lockdowns are worse. We shouldn't be locking down."

Russell Gray: Yeah. Well, what they said was lockdowns shouldn't be your primary mode of trying to contain this pandemic. I think it's pretty obvious to everybody that maybe the cure has been worse than the disease, and maybe the WHO is giving some cover to the politicians and the bureaucrats who have to kind of back this thing up a little bit, because if they don't this economy damage... Think of, it's like holding your breath. You can get away with holding your breath for a little while, you can get away with not eating food for a little while, but if it goes on too long, the damage goes from being uncomfortable to being maybe temporary damage, to becoming permanent damage. And I think, in a lot of ways, we're teetering kind of on that. We're, as a society and leaders, having to make value decisions about what are we going to do, right? Do we ruin the whole economy to save people? Is the cure worse than the disease?

But the point is, is that when it comes to real estate this is affecting incomes. If people follow the WHO guidelines and come back up and start to open up and incomes come back, it could be, as far as real estate is concerned, maybe not a V, but I don't know something like this, right? It's going to kind of bounce back. If this ends up being the new normal, it's going to be bad for a long time. But the thing is, real estate is different than a lot of other things that you may be used to thinking about, because distress hits the market in different ways. It doesn't spread out evenly. It hits different niches, different demographics, different geographies, very differently.

Robert Helms: You know what else the WHO said? "We won't get fooled again."

Russell Gray: "We won't get fooled again."

Robert Helms: Here's the point, not all real estate is the same. Every ounce of gold, it might be Canadian, it might be... But every ounce of gold is basically the same in terms of its utility and value and its purpose. Real estate is not like that. Every house is different, every neighborhood is different, every market's different. So when we look at real estate markets, when you hear the Real Estate Guys talk about a market, we mean three things by that. We mean a geographic area, that's what most people are assuming when you say the market. Oh, I live in a Metairie or I live in Biloxi; that's a market.

Russell Gray: You're picking all these names that are hard to say.

Robert Helms: I know, we're in the area.

Russell Gray: Gotcha.

Robert Helms: Yeah. And so the other parts of a market, the other two, a demographic market. That has to do with who you're going to serve.

Russell Gray: Yeah. So senior housing is a big thing right now, for a while student housing was big. Now all of a sudden, not so big. Senior housing obviously comes with its issues. But anything that served the baby boomer demographic over the last 40, 50 years, whatever phase of life they were in, boomed. Right? But now you've got the millennial generation coming in behind them, that's an even bigger generation and they're going to have an impact as well. We think that probably bodes well for real estate long-term, because you've got a big population of people that are going to need housing. Yeah, they're going to get some of the boomer housing. But the point is, is that when you're looking at how you're going to play in the real estate market, you can't look at it as an asset class because it's not. Retail is different than office, is different than industrial.

Robert Helms: Well, that's the third, that's the niche. So we have the physical geographic market, we have the demographic who you're serving, and then we have the niche. Which in real estate, one of the oldest uses of real estate is still very valid today. In fact, you heard Rick Rule talk about it. Agriculture. We think real estate investors think, "Well, I'm going to put an apartment building on there and have 200 tenants that pay me rent and that grades cashflow." Well, those tenants could be trees. So the niches... And here's what's interesting. Because not all real estate is the same, the niches within real estate have been affected differently because of the pandemic. There's winners and there's losers, we're already seeing that.

You talk about retail; retail has been hit. Part of that's because the very way we shop, we just passed prime days, right? The two days in a row where they sell everything and everybody's reaction to that. So all of a sudden "Yeah, let's buy more stuff online." But you've been doing that for some time. It's not just that, when people are locked down, when people don't have paychecks, guess what else they don't do? They don't go shopping. Now what about office? Office has changed a ton with the whole work from home thing. There are businesses that will probably never be the same. Now they have way more space leased or owned than they can use, and that's going to be a substantial change.

Russell Gray: Just an interesting note on that. So Stripe, the payment processing company out in San Francisco, they offered their employees a $20,000 cash bonus if they would move to a less expensive area and take a 10% pay cut. Because they figured that now we've mastered this work from home thing, we don't have to have these people in San Francisco where it costs a fortune, where they can't have a very good standard of living. Where they can move, we can lower our labor costs, lower our office costs, give them cash, and at the end of the day it's a good return on investment because the savings on the labor over time is the return on that investment. And we've been saying for a long time that as people go through this COVID-19 experience and are forced to change their behaviors, some of those behaviors aren't going to come back. There are going to become permanent changes, or at least permanent influences. It may not be everybody doing it, but there'll be a chunk of people doing it. And so some markets will be losers. San Francisco. Other markets will be winners, where it's more affordable, people can have a good quality of life for a smaller paycheck.

Robert Helms: And residential in many areas is booming despite the pandemic, and that's hard to get your mind around. Maybe you live in an area where the house prices are going up like I do, it's like crazy. Stuff's coming on the market, it's selling in four or five days. Don't these people realize they don't have jobs? They only got a $1,200 check, I mean come on. And yet, what happens is real estate follows demand. And there's two parts of demand. So you've heard supply and demand, and that's valid everywhere. We break out part of demand in what we call capacity to pay. That means that you might want a house, you might need more bedrooms, but can you afford it? Interest rates affect that. So interest rates being at an all time low, just like your friendly neighborhood car dealer, is going to say, "Hey, based on the rates today here's how much car payment is." It's not how much the car costs, it's how much payment. Same thing when it comes to real estate. So one of the winners, potentially, are the places, these are the geographic places, that are more affordable. You talk about California, the challenge for an investor in California is it's hard to get a California property to cashflow unless you put 80% down. But there's a lot of places where we are seeing great cash flow, even in spite of the pandemic.

Russell Gray: People have called COVID-19 the great accelerator, right? What was going on? The Amazon effect, right? Tearing down retail, or the retail apocalypse? That was already happening before COVID-19, it just accelerated it. The trend to work from home because of technology, or work remotely? That had already begun, this just accelerated it. People wanting to migrate from high cost places to low cost, businesses wanting to move from high cost, high tax, high regulation to low tax, low costs, low regulation. That had already begun. This is accelerated many of those things. And so again, in real estate, not an asset class, there are going to be winners and losers. And people who really don't understand the nuances of real estate often think that when they're talking about real estate, "Oh, because these things are happening in the macro, therefore real estate is going to have a problem." But you can't really make that argument because it's too nuanced, it's too diverse.

Robert Helms: Now some things affect all real estate, wherever it is. So all real estate, and certainly investment real estate, is affected by interest rates. That's the fuel we use to buy. You can buy a property free and clear, but most people don't because leverage is your friend for a variety of reasons. Now not everyone feels that way. I remember we were speaking at an apartment association event years ago, and we used to do a lot of speaking at real estate events, and we'd say, "Who thinks that 50% down is way too crazy?" And nobody would raise their hand. We spoke at this event and there's a bunch of guys, 20 and 25 years older than us, and they're all raising their hands going "That's too crazy."

So it's up to you, you decide. You buy a home free and clear, that's fine, but leverage helps. And so if you're using leverage, that means interest rates. So interest rates affect all real estate. Taxes affect real estate. People make decisions because of tax. Now we like to say we don't let the tax tail wag the investment dog. In real estate you typically don't invest like you might in oil or gas or something primarily for the write off, but we're certainly aware of it. And some of the best tax methods there are that lower your tax, even reduce your tax to zero, come with real estate attached. So taxes affect everybody in a real ay

Russell Gray: I have one thing on the tax thing. Because a lot of people, when they hear tax, they think income tax. But when you're talking about real estate, property taxes become involved, right? And there's a lot of municipalities whose revenue is way down. Here in Louisiana, Alex was out last night in the French Quarter and there was just nobody out there, right? So that means that there's a lot of sales tax not happening here. These municipalities have to find a way to make that up. And the low hanging fruit can end up being real estate. And so as real estate investors, we want to pick markets that have better-run local governments that are going to be less tempted to come after the real estate land owners as their meal ticket in order to pay their deficit. So it's not just income tax, but it's total tax. And real estate tax, in particular property tax.

Robert Helms: And then there's things like the 1031 tax for exchange, opportunity zones, a lot of other tax things to consider. And then wages, right? And right now interest rates are great, they're the best they've been ever. And right now taxes are pretty good. We've had some recent changes that have been good for real estate investors. Real wages, not so much.

Russell Gray: Yeah, so if you have a good job, a good documentable income, a good credit score, this is your time because you can load up on that cheap mortgage money and acquire properties. You say, "Yeah, but what if the price goes down?" It doesn't matter, you're buying the income. And when you buy the income, the income is less likely to go down as far, if you're in the right market, the right demographic, the right niche, right? But you're in it for the long haul. It doesn't matter what happens in the next three, four, five years. It matters what happens in the next 10 or 20 years, assuming you have the ability to hold on and make sure that mortgage gets serviced.

So there's really two classes. There's the people who don't have jobs and don't see their wages going up and aren't able to get on this equity train, if you will. And then there's people on the other side of it. So if you're in a position where you've got documentable income and you can borrow, you may think about doing that. We'll make some arguments for that, why you might want to do that in our workshop tomorrow. Is it tomorrow?

Robert Helms: It's whenever they want, actually.

Russell Gray: It's whenever they want. Whenever you want it.

Robert Helms: It's scheduled for tomorrow, but it's on demand.

Russell Gray: It's already there, so you can check that out. But anyway, yeah. So wages are very important. When wages go up, it doesn't really matter what interest rates are. As long as wages are up and credit markets are functioning, real estate can be healthy.

Robert Helms: So interest rates, taxes, and wages. Now there are some things that affect different markets differently, like migration patterns. One of the things we look at as investment real estate folks is where are people moving? Where's there more demand. There's something called net migration. Every city on the planet has people either moving in or moving out, usually both. And what is the net? Are more people moving in? Are more people moving out? If more people are moving out, that's not good for real estate values. If there's more demand... And it's not just residential, it's whatever they're moving to do. When there's a reason or a demand for real estate, that's going to affect the pricing. Then there's the supply and demand we talked about.

Russell Gray: Yeah. I mean supply and demand is what can happen, right? On the Island of Manhattan or in San Francisco, you just can't expand the housing supply. It's not possible.

Robert Helms: I was thinking about buying 10 acres in Manhattan.

Russell Gray: Yeah, good luck with that. They call it Central Park. It's taken.

Robert Helms: Sorry.

Russell Gray: So when we look at a market, you have to ask yourself, "What is the supply and demand?" And so when you consider how much land is developable, whether there's additional stock coming on. So it becomes kind of complex, but the concept of supply and demand very much affects real estate. And that's what's happening in retail right now, because the demand is going way down, because people don't need shops. It's going on in office. Whereas affordable housing is going up. Apartments are doing, actually, pretty well. Surprisingly mobile home parks. I mean it's... So there are niches in real estate where there's opportunities, but you have to pay attention to that supply and demand component.

Robert Helms: Now, if you've been watching real estate from afar, you probably at least know this, the most important three things in real estate are location, location, and location. Part of that's what we call infrastructure. Infrastructure is what supports the market. And there's some infrastructure that's hard to change. You've probably heard about this trend, people are moving out of the cities and they're moving to the suburbs, passed the suburbs, they want 10 acres somewhere. That's great, and we get that, and it is happening. But if there's not running water or electricity or wifi? The infrastructure plays a big part of that. And that's why not all markets are created equal.

Russell Gray: And it's something to look at too, because if there is an infrastructure at the federal level, the local people aren't really going to be able to put it in if the economy remains weak. If we get a big infrastructure spending bill and infrastructure starts going in, pay attention to where it's going in. And there's some other wildcards that we're going to talk about in a minute to that, I won't spoil that. But there are going to be some sleepy markets out there that may wake up as a result of what's going on in a COVID-19 world.

Robert Helms: Right. In 30 minutes we're not going to be able to cover individual markets, it's just the big picture context stuff. But in our real world, that's exactly what we do, is find places where it makes better sense than average to invest. So let's talk about, back in our book, Equity Happens, which came out in 2005, and we haven't found a reason to write another book, but I'm sure we will, we said that what happens is that because housing is so critical especially, that the politicians, the banks, the powers that be, will always rise up to save real estate. And we saw in 2008, that was absolutely true. They have strong incentives to protect real estate.

Russell Gray: Yeah, they do. Because there's two sides to it. In the mortgage side of the world, there is the secondary market where mortgage originators make a mortgage, and then they sell it to Wall Street who securitize it and sell what are called mortgage-backed securities. It can be commercial, they can be residential, but there's pools of these mortgages. And that's what blew up in 2008. And the problem is, is when those bonds underperform, then the bond value drops and it blows up people's portfolios. So if you look at what happened... And I spent a lot of time because I got killed in 2008, because I didn't understand this. But in 2008 you had these institutions that had trillions of dollars, at least billions, probably trillions, of bonds. And when those bonds started to implode, they'd all been hypothecated. They'd all been leveraged. So they were getting margin calls. It created this big cash crunch, and then people began to sell, and then it created more downward trend. And it was just this big downward thing that happened.

Robert Helms: You know, that's why we like real estate. It's not some fancy derivative paper version. It's actual, tangible dirt. It's why we like gold and silver. It's real, it's something you can touch. We love real assets.

Russell Gray: Yeah, so the other side of it is banks. And the banks that are actually holding the loans in portfolio and are being serviced. And if those loans go bad, then they take the hit on their balance sheet. So the Fed is kind of sitting on top of this going, "Okay, if we let these mortgage backed securities go bad, if the collateral goes bad, people will stop paying, the mortgage-backed securities will go bad, it'll implode the bond market. That would be bad. We've got a choice. We can print money and give it to people so they can make the payments, or we can wait until it goes completely bad and then swallow the toxic assets onto our balance sheet like we did in 2008." In that regard, I think this year, this crisis is going to be different than the last crisis, because I think the Fed is smarter.

Not that I've talked to anybody over there, I'm just watching what they're doing. But instead sitting there denying, "Oh, this is contained. It's not going to be a big deal." As soon as it broke, they got in front of it, they dropped interest rates to zero, they started printing money like crazy. Government got involved and they started the helicopter money plan. Very different than what happened in 2008. And the other side of it, if the banks begin to fail that creates a problem. And again, I'm not in the banking business. Maybe they're strong, maybe they're not strong, I don't know. But I just know there's a lot of motivation by the Fed to prop up real estate, because real estate collateralized as a lot of debt in these two major areas. And so we think that there's going to be a lot of money directed, either directly or indirectly, trying to prop up real estate. A lot of motivation to do that.

Robert Helms: Now also in the news, you've heard all the clamoring about Trump's tax returns, right? So here's this guy who pays nothing in tax. In the debates with Hillary she said, "This man doesn't want you to know he pays hardly anything in tax." And he leaned over and said, "That's because I'm smart." So whatever side of the political side you're on... We're not political at all, we're much more interested in financial and fiscal awareness and policy. And we're going to look at both tax plans and see which one's more favorable for what we do in real estate, and we've got to figure that out. But here's the reality. The reason a guy can make millions and millions and millions or more and pay very little, $750 in tax, is because legally-

Russell Gray: Allegedly.

Robert Helms: ...and ethically, that's what we do in real estate. We pay hardly any tax. If you're paying too much tax, you don't have enough real estate. In fact we do a whole seminar on this whole crisis. And we've done a couple of really cool things on our YouTube channel, but we have Tax Talk with the

Real Estate Guys. So if you have insomnia, it's a good thing to watch. But we're talking about this very thing. And it's because real estate offers some tremendous tax benefits.

Russell Gray: And one of the things that's going on right now, as far as... This is really not a COVID-19 issue, but it's a hot issue right now. With everything going on and all the ammo and the mud they have to swing at each other, we're not sure, but it could be over the next few weeks running up to the election this tax return thing is going to become a bigger issue. And that's a lot of publicity for the tax benefits that people get from real estate investing. So we think there's a possibility a lot of people who haven't taken advantage of that and don't understand how to reduce their taxes using real estate are going to begin to explore. And when they discover what we already know, that real estate is arguably, from an internal rate of return perspective, from a stability perspective, from a tax perspective, one of the best investments out there. We think some money is going to come into the space. And so we think that that may not be bullish for real estate, but I think that it is an underpinning of making whatever happens in this financial crisis, not so bad.

Robert Helms: We're big believers in what we call real estate syndication. Syndication is rather than owning an individual property, dealing with tenants and toilets and all that, you invest passively alongside a sponsor who knows what they're doing. Very similar to the way you invest in other things. And the SEC has actually come up with some changes that make it easier, especially for accredited investors, to invest in these types of things. So that's a space to watch too. When we say real estate, don't think that means you have to go and ride around with the agent and pick out the property and paint it and all that. No, all that can be done for you. You get benefit from real estate.

Russell Gray: So this is a really important concept because... And we actually covered this, I think, in New Orleans Investment Conference a few years ago when it first broke.

Robert Helms: We tend to repeat ourselves.

Russell Gray: Well, I mean, real estate moves slowly. So if you're going to report on it, you're going to cover the same things as it changes, but it changes slowly. So in the Jobs Act in the Obama administration, they lowered the restrictions for people that put together private placements to be able to market those things to accredited investors. And so that kind of opened up a whole new source of capital to go in for people in the real estate space, because they could syndicate and they could promote. So we started training syndicators on how to do that.

One of our top syndicators, a guy that started with us six years ago and has raised over $200 million. One of the ways he puts himself out there is he shares the tax benefits of real estate inside a syndication. So he forms an LLC, his investors put the money in, he goes and buys tax advantage real estate and he passes the tax benefits, and also cashflow and equity growth, back to his investors. So the benefit that they get for being in it, is their returns are goosed by the taxes. So don't feel like you have to go out there and be a landlord and deal with tenants, toilets, and termites in order to get in on the tax benefits of real estate, you can do it by having a professional manager manage a portfolio for you.

Robert Helms: Now as we talked about, tax affects all real estate. And the changes that Trump put in the tax code in 2017 have really been beneficial for real estate. We've taken a look at Biden's suggestions, and more importantly our CPA has, and they're not as good for real estate. So just know we're just a few weeks away from the election, it would be a lot easier for us to have done this presentation on November the 10th. But it is what it is. And so here's the thing, it takes time to make any of those changes. It took Trump a couple of years. If the Biden Harris ticket gets through and they want to make changes, we're just going to watch that and be aware of it.

Russell Gray: Yeah. So I think if we were to give you a forecast, we would say probably stormy seas ahead with a chance of sunshine. Probably going to go through a trough, there's going to be a lot of buying opportunities. So now is really the time to get ready. The way we talk to people who are going to be actively involved in investing is, first of all, get educated. Next, figure out your financial situation. If you're going to use leverage then work with a mortgage professional, find out what you're capable of qualifying for, build the relationships and study the markets. And so there's some work to do for sure, it's not super passive. Or pick somebody who's got a track record of doing a good job managing the money. But now's the time to get involved in that, because you'll be able to pick up these assets and, more importantly, the income to service the debt lets you short the dollar. And then you write out, when eventually the wave of money comes back into real estate, to prop it up. Because we think that the powers that be have a lot of motivation to make that happen. That's been the track record in the past, and pretty sure that's going to happen again.

Robert Helms: Absolutely. So there it is in a nutshell. Thank you so much for watching this presentation at home, wherever you are, or back on the recording. We do have a workshop coming up. It is called How To Protect Your Real Estate Equity From Recession, Depression, Or Currency Collapse, and it's a pretty cool thing. And you can also find out everything you need to know about the Real Estate Guys by sending a quick email to NOIC@realestateguysradio.com. Realestateguysradio.com I think that's it. Thanks, Albert.

Russell Gray: Thank you.

Albert Lu: Thanks guys. Thanks for that informative presentation.

Jim Rickards

"The New Great Depression, Winners And Losers In A Post-Pandemic World"

Robert Helms: Welcome back to the New Orleans Investment Conference. Mr. Jim Rickards, hey Jim.

Jim Rickards: Hey Robert, thank you. Great to be with you and great to be with our audience. I'm glad everyone can come together at least virtually. We'd all rather be in New Orleans of course. I've been there, it's a beautiful city and a lot of fun, and hopefully we'll all be back next year. So, some of our hosts and moderators are there and that's fine. The rest of us are all over the place, could be all over the world in this format. But anyway, it is great that we were able to get together at least virtually.

Robert Helms: Good to have you here. Take it away my friend.

Jim Rickards: Thank you. So, my presentation is called The New Great Depression: Winners and Losers in the Post-Pandemic World. That also happens to be the title of my new book coming out January the 12th. It's available for pre-order right now on Amazon and Barnes and Noble. This book will be the first book that covers those two topics. They're the two biggest topics in the world today arguably. The pandemic, of course, this will end up being the worst pandemic in 100 years, slightly more, going back to the Spanish flu. We've had two pandemics since then, a number actually, but two that are larger sadly in fatalities. The Asian flu of 1958 and the Hong Kong flu of 1968/69. But we're on track for this COVID pandemic to surpass both of those unfortunately in terms of total cases and total fatalities.

So looking ahead not too far, this will be the worst pandemic in 100 years, a very big deal. We'll have profound consequences and we'll talk about those specifically. And then, the other part of the book, the new great depression, I don't use the word depression lightly. I want to distinguish, and I will distinguish between a depression and a recession which is something different all together. They can go together but they really have different meanings. We'll talk about that. So, it's all in this book. Just to be clear, I'm not a doctor, I'm not an immunologist, I am a trained economist, a global macro-analyst. I have quite a bit of experience in both economics and global politics. You have politics in public policy, so we'll talk about all of that.

But this field is accessible, I've read well over 100 peer-reviewed scientific articles on the pandemic. I don't mean to turn it into a medical lecture, that's not our purpose today, but it's impossible to understand the economic impact without understanding the course of the pandemic. One was the cause of the other and you can't separate them. I had this debate with my publisher when I was working on the outline of the book. I said, "Look, if you don't let me write about COVID, it's like writing about property damage in New Orleans in 2005 and not mentioning hurricane Katrina. Obviously, you have to mention the cause of the economic devastation we're seeing. They agreed and they felt that made sense.

This will be the first, and as far as I know so far, the only book that tackles those two big subjects. Today's presentation will be a bit of an outline, a preview if you will, the first one I've given for this audience, of the book itself. But with that said, let's jump in. We're going to talk first about the pandemic. A couple things, this is far from over. COVID-19 is the disease, that's the illness you get. SARS-CoV-2 is the virus, so the virus causes the disease of course, so COVID-19 is the disease. This will be going on for a long time. You go back to last April, March, when it was at the most severe point in terms of both infections and fatalities, New York City was like a war zone. It was completely devastated, over 23,000 dead in a relatively short period of time.

When you look at that, people were saying, "Well, okay this is bad, we've got to get through this, but it'll be better on three months, it'll be better in four months." Along with what the Congress did and what the Federal Reserve did, printing almost four trillion dollars of new money, taking the Fed balance sheet from about 3.7 trillion at the time up to 7.2 trillion which is where it is today, getting not quite four trillion of new money at the same time, the Congress passed three trillion of deficit spending bills bailing out airlines, cruise ships, casinos, resorts, the payroll protection plan for small and medium sized businesses, increased unemployment benefits, more direct aid to hospitals, et cetera. There was a lot in there, but added all up, and it was three trillion dollars in new spending.

But the idea was that was kind of a bridge loan from April to July or August. The view was by then the pandemic will fade away, things on lock down will start to reopen, we'll have a V-shaped recovery; down fast and up fast, that's shaped like a V, that's what a V-shape recovery is. And what the economy needs is just money, liquidity, aid, to keep going and make it through that three month period and by August it'll be all good. That didn't happen. The money came through and it worked, it did... believe me, unemployment, business failures, bankruptcies, lost output would have been a lot worse in April, May, June, but for the aid that was delivered. But the aid was always temporary. It was always a bridge.

And when we got to August, then September, now we're into October almost November, and things are really not much better, a little bit but not much better at all in terms of the pandemic, meanwhile the economy is still in terrible shape. We'll talk about that in a little more detail. But the point is, what do we do now? This aid has dried up. The unemployment benefits have gone away, the payroll protection plan is out of money. The direct aid has been handed out but there's not more of it where that came from unless a new bill is passed, but that's hung up for the moment. And even if a new bill passes, it might be one trillion or slightly more, but not the three trillion or more that we've seen already. So, how do you keep the economy going from here if the pandemic is still here and you're out of bullets so to speak?

The Fed can't cut interest rates any more than they already have. It's highly doubtful expanding the balance sheet will do much good. If there's some aid coming from Congress, deficit spending, okay, it's only short term at best, but there may not be and if there is it won't be as much as we had before. So, how do we kind of keep going from here? So, that's the importance of the fact that the pandemic is not going away. Now, we do see, we hear a lot of talk about the first wave and the second wave. That's if you're graphing... you can either graph cases or fatalities or the ratio of one to the other, but it went like this in March and April and then it tailed off, and then it came back in a so-called second wave in July and August and we're still fighting our way through that in some ways.

That's what the graph shows and that is what the numbers show. We're seeing a lot of new infections but we're not seeing as many fatalities which is very good news obviously. There is no vaccine. The disease is just as contagious, just as fatal. The reason we don't have as many fatalities now as we did last spring is because the therapeutics are better. We have more experience in dealing with the disease, there are better treatments. I'm sure you remember in April, Governor Andrew Cuomo of New York was banging the table yelling at the president saying, "Ventilators, ventilators, ventilators, get me the ventilators." Well, President Trump got him the ventilators. He used the Defense Production Act to order General Motors and other corporations to build the ventilators.

They were shipped to New York and other places, they're still in the boxes. They actually don't work. I mean, they work as ventilators but intubation ventilation treatment, a lung pump assists basically a kind of life support, but it doesn't do anything for the disease. In extreme cases if you're near death, that might be a standard procedure, but anything short of that it doesn't do anything for the disease. The problem with the disease, with COVID-19, was not that people's lungs didn't work. They did work, they didn't need the assist. But the oxygen could not get from the lungs to the blood to be circulated around the body and organs were shutting down and that's why people were dying.

So, the problem wasn't that the lungs wouldn't work, the problem was there wasn't enough oxygen. The best treatment was pure oxygen not a ventilator, just a cannula which would give pure oxygen. The best example of that was Boris Johnson, Prime Minister of the UK. In April, he was severely ill with COVID, near death, and his doctors had to decide what to do. They were undecided as between intubation, that's the use of a ventilator, putting a tube down your throat basically, or going with oxygen. They made the decision to go with the oxygen and that was the right choice. It worked and he survived. He's still suffering the consequences of this, but he's back on his feet and he's active as the prime minister.

But that's an example of how what governors and some practitioners were screaming for turned out to be completely unnecessary and actually a bad treatment. It was killing people. A lot of other mistakes were made along the way, that's unfortunately bound to happen. Some of them are more... you can excuse them in the sense that if they were mistakes at least people were doing them in good faith. Others were just stupid decisions. Again, Governor Cuomo killing more than 5,000 people by putting COVID infected patients into nursing homes. It's one thing to get them out and treat them, it's another thing to send them back. He did. The disease spread like wildfire in the nursing homes and at least 5,000, perhaps maybe more, died as a result.

That's just stupidity, but there were other, as I say, mistakes made along the way. But today, a lot of that is behind us. The treatments are better. There's some drug cocktails that the president had. So, we're getting the fatality rate down, but the infection rate is still high. There is no vaccine. Billions have been spent developing a vaccine. There may be one, let's hope that there is, but there isn't one now. Just this one word of caution, this is the sixth coronavirus that has made the leap from animals to humans. By the way, this one actually came from a laboratory, but it started as an animal coronavirus in bats. The laboratory was doing experiments with it and it leaked out and got to humans. But whatever the path, it's the sixth time this has happened.

There was SARS-1, there was MERS... Middle East respiratory syndrome... and others. There are no vaccines for any of the other five. We are 0 for five when it comes to vaccines for coronaviruses. Bear in mind, this is not the flu, this is not pneumonia, this is not a bacteria. It's a coronavirus which is a completely novel disease as far as humans are concerned. So, let's hope we get a vaccine, but I would be very cautious about that because as I said, we've never been able to come up with a vaccine for any coronavirus in the past. For that matter, HIV/AIDS, there's no vaccine. There's no cure for that. There is treatment. Treatment is different. Treatment is what you do when you have it, and you treat it in such a way that you A, survive, and B, lead a somewhat normal life.

Yes, there's a treatment for AIDS, and we have some treatments for COVID, and they are getting better and fatality rates are going down. But we don't have a vaccine. Some of these drug vaccine tests have been suspended recently because of some side effects. Again, let's hope we get one, let's hope it's soon. But if you're an investor and you're trying to figure out, are we going to get a handle on this, I don't think the prospects of that right now are any better than they were last March. In March, everyone was saying it'll be over by August. Here it is October, I don't think it'll be over by next winter. This is going to go into 2021 and be with us for a long time. So, don't base any of your decisions on the idea that this is going away soon because it's not.

Even if we get a vaccine, there are enormous logistical issues. You'd have to prepare a billion doses. They're doing that by the way. They're testing the vaccine. It has not been put into use other than the tests, but they have it ready to go. But the logistics of getting it out there, some of these vaccines need to be refrigerated, and where are the vaccination places going to be? Who goes first? Obviously you would say the most vulnerable and healthcare workers. There's a pretty good consensus on that. The logistics and the process and the timeline between the first dose and the last dose, when everyone's got the vaccine, could be a year or longer. And then, the other thing we don't know is how long does it last? If you have the vaccine, which may be a long shot, and you get it and it gives you the antibodies, that's good, but do they last three months? Six months? Forever? For five years?

The answer is we don't know but there's some indication that it may not last all that long. In other words, it may last three or four months. Well, then you're kind of going back for booster shots four times a year. And so, there's just a lot of... Wall Street, of course, wants to hype up the vaccine. I guess that's what they do. But as investors and asset allocators and people who care about our own health and the health of our loved ones, again, I think we're going to be living with this for a long time and it's probably not going to go away. A couple things, lock downs don't work. And again, when I say this, the evidence for that is very good. There was a letter circulated recently by top immunologists, top virologists, I'm talking about head of departments at Stanford, Harvard, we're not talking about folks you've never heard of, some of the top people in the field.

They invited their colleagues to sign on to the letter. Three thousand doctors at last count, and more all the time, are signing on. It basically says lock downs don't work. That's been true for a long time. I found evidence, papers, that I included in my book that say the same thing. Look, if you have an outbreak of a virus and you get it early, and you can surround the area and you can immunize everybody in these concentric rings around the area, and block anyone coming in or going out, that can work. But that doesn't describe the situation we have. This spread all over the world. This was in, not just China but Italy, Europe, UK, Germany, France, Spain, the US, East Coast, West Coast, in the millions before anyone quite realized the implications of it.

Now, a separate issue is whether people should have been a little faster on the draw, but this got way beyond the stage where any lock down would ever work. I have even found a paper from 2006 by Dr. D.A. Henderson, not just any doctor, he was the leader of the group that basically eradicated smallpox in the 1970s. So, arguably no one knows more about infectious diseases than Dr. Henderson, dean of the Johns Hopkins Bloomberg School of Public Health and recipient of the Presidential Medal of Freedom, which is the highest award that the United States gives to civilians, and he said lock downs don't work. When I started doing the research for my book, I thought, "Well, it's going to be tricky. I'm going to have all these kind of conspiracy theories and fringe views and so forth over here. And I'm going to have all this good science and medicine and PhDs over here, and my job was going to be discard this and focus on this."

It turned out that was easy. What was hard, was when I got to the science, again PhD level peer-reviewed articles, the scientists didn't agree with each other, and that was much more difficult to sort out. It's one thing to weed out the fringe groups, but when you have one doctor saying, "Masks are essential. You're a fool to go outside with a mask," et cetera, and then other doctors, and more than the former, saying, "No, masks don't really work. They're not properly constructed. People don't use them correctly. They may work in very limited circumstances, but they don't really solve the problem." It appears that the latter is the correct view. The masks don't work. There's no harm in wearing a mask, I'm not anti-mask. I'm just saying that if you think that's the cure it's not.

Masks don't work, lock downs don't work. What works, and what gives you 90% of the benefit at a very low cost, are the things we all know. Wash your hands, wear a mask if you're comfortable with that, although I wouldn't put too much weight on that, and social distancing. That's it. And if you're sick, if you're ill, stay home. Don't go out. If you know someone who's sick, don't hang around with them. That's all common sense and it's very low cost. That does not cost that much to do and that's about as good as it gets in terms of preventing the spread of the disease. But the lockdowns are completely destructive. We have destroyed the world's largest economy. We have destroyed the world's largest economy for no good reason, because shutting down every bar, restaurant, nail salon, dry cleaner, gas station, boutique, et cetera, coast to coast, accomplished nothing.

Nothing that washing your hands and in some cases wearing masks and keeping some social distancing, separating tables in a restaurant, fine. You have a hair salon, every other chair instead of every chair, fine. Those are simple things. It costs a lot, but shutting businesses down coast to coast, which is what we did — destroyed the economy for very little gain. So, that's where we are. So, that's a good segue to go from the pandemic, the COVID, the lockdowns... again, lockdowns are destructive to the economy, they don't really solve the problem of the disease too... to the economy itself. So, let's talk about that a little bit. By the way, just one quick footnote on the... I mentioned nail salons and restaurants and bars, some people look down their nose at that and say, "Well, they're a small business who cares. We care about Apple and Google and Amazon and Facebook, et cetera, that's the big economy."

I'm sorry, small and medium sized businesses are 45% of GDP and 50% of all the jobs in the country. So, individually those businesses may be small but collectively they are half the economy. So, when you shut them down, I don't care if Apple is still selling iPhones, half your economy is destroyed and that's what we did. So, let's talk about the global depression. Here the point is, I want to make the distinction between recession and a depression. They're different. Recession, I think we all know, the working definition is two consecutive quarters of declining GDP. There might be a few other bells and whistles, rising unemployment etcetera, but the rule of thumb is two consecutive quarters of declining GDP. That's a recession.

The National Bureau of Economic Research, a private institution up in Cambridge by a lot of prominent economists, they're the referees. They decide when a recession begins and when it's over. They've already declared that a recession started in February of 2020. I think that's right, I think that is exactly when it started. The point is, the recession may be over. The first quarter GDP was down 5%. The second quarter GDP was down 31%. So, there are your two consecutive quarters of declining GDP, the first and second quarters of 2020. Third quarter we don't have the number yet, we'll have it in about a week or so or a little longer on October 28th, but the best estimate says now, the quarter is over we just don't have the final number, but it looks like GDP went up by as much as 38%.

Maybe more or less when the final number comes in, but that's kind of the right order of magnitude. So if that's true, and it looks like it will be true, we had growth in the third quarter, the recession is over. It would have been over June 30th or thereabouts. That's a recession. That's not our problem. Our problem is we're in a depression. Depressions are different and people don't really understand it, but I can explain. People say well if a depression is two quarters of declining GDP, which it is, and a depression is worse, which it is, then depression must be 10 quarters or eight quarters of declining GDP. No, that's not the right definition. A depression does not mean continuously declining growth. It can, the GDP can go down more than two quarters, sometimes it does although that's unusual.

But that's not what it means. What it means is that you can have growth but it's growth below trend, it's below potential. So since 1980, the average growth in a recovery is 3.2%. But, coming out of the 2009 recession, in June 2009 when that recession was over, for 10 years from 2009 to 2019, the end of 2019, a little over 10 years, growth was 2.2%. So, if we saw a trend of 3.2 and the actual growth was 2.2, obviously lower, that's depressed growth. I would say we've been in a depression since 2007. But even if you don't agree with that, there's very little doubt that we're in a depression today, that coming out of this recession, we're going to have growth well below trend. Let me make a point about the numbers because people say if this third quarter was up 35%, 38%, whatever, doesn't that mean it's all good?

People look at it and say growth went down 31% but it's come back, let's say, 35%, aren't we back where we started? Isn't that a V-shaped recovery? And the answer is no. You've got to do the math, it's not complicated. But if you start at 100% of GDP, which is about 22 trillion dollars on an annualized basis, if you start at 100 and you come down 31% you're at 69. If 69 is now your new base, now if you go up 35% you get back to about 92. In other words, the 35% is not on a 100, it's on the 69. And 35% of 69, again, gets you back up to the low 90s, that's not 100. You're not back where you started. You're still eight percentage points below the prior trend. And then, what are we going to do in the fourth quarter? The fourth quarter we're not going to have 35% growth. We might be lucky to have 4% growth. We might have no growth.

We might be looking at a back to back recession where, again, this is all in the context of a longer depression, that's the point I'm making, but technically we did have a recession in the first and second quarters of 2020. We had very strong growth in the third quarter but not enough to get us back to where we were. Not even close. And then, if we have declining growth in the fourth quarter, and who knows about the first quarter of 2021, that's a back to back recession. That's not a V-shape. It's not all the other letter shapes that people talk about. That's a W. You go down, up, down again, maybe you come back out of it at the end of the day. But that's what we could be looking at. The growth for the fourth quarter looks particularly weak.

So, it's not a V-shape recovery. There is no pent-up demand. An example I give, during the worst part of the quarantine, I call it the 100 day lock down in March, April and May... My wife and I, we have a farm and we were up on the farm and we had a couple house guests and family members, but not many. We were pretty much just waiting the thing out as everyone else was. We usually go out for dinner on a Friday night. Well, we didn't go for dinner, the restaurants were closed, maybe it wasn't safe. We didn't go out for dinner, but if we skipped 10 weeks in a row without going out for dinner... and by July, some restaurants started to open up... we went out for dinner. Well, we didn't order 10 dinners. We didn't sit down in the restaurant and order 10 dinners. Those 10 dinners, that was permanently lost output, gone.

Instead, we were coming back, we ordered one dinner each, which is what we usually do. In other words, the fact that people weren't spending money in March, April and May, doesn't mean they went out and spent twice as much money or five times as much money in July and August. At best, you were getting back to normal. But even that wasn't happening because restaurants were still closed, capacity was limited, people were still concerned, people were still staying at home, habits had changed, et cetera. So, this V-shape recovery is not true. The data does not bear it out. The pent-up demand is not there. In some cases yes, but a lot of the output is permanently lost. It's never coming back. And by the way, people say which restaurants closed, restaurants and bars and other establishments closed their doors, they laid everybody off, well now they're reopening, they're going to hire everybody back.

No, they're not. Maybe if you're a restaurant and you had 20 employees, and you do reopen but you're at 25% capacity, which is the rule in New York, or 50% capacity which is the rule here in New Hampshire, of our 20 laid off employees you might hire 10. You might bring 10 of them back to keep your doors open, but you're not going to rehire the 20 that you laid off. You might bring back 10. Those other 10 jobs are permanently lost. That's if you reopen. A lot of places aren't reopening. They're filing for bankruptcy. They're permanently closed. I see it in my own town, but I know from the data and anecdotal evidence this is true from coast to coast. The number of restaurants that are closed for good, establishments that have closed forever, that are filing for bankruptcy, putting the assets up for sale, breaking the lease terms, leaving their employees completely laid off, that's much more the norm.

And again, this is not... I'm not making it up, these are not just stories. This is in the data, you can find it, and a lot of it's in my book. It doesn't mean the owner won't ever open a restaurant anywhere else again, maybe they will in a year or so, that's the American way. But not now. We are not going to get back to... so using 2019 as a base year, 2019 was a pretty good year, using that as your base... we're not going to get to 2019 levels of output until 2023 at the earliest. We're not going to get 2019 levels of unemployment, low unemployment until 2025 at the earliest. That's a depression. It's not 30 months, it's three years or five years in the example I just gave. By the way, just to add a little something to that, I saw one study I included in my book, it was done by a researcher from the Federal Reserve Bank of San Francisco with two academic colleagues.

They did very interesting study, they looked at every pandemic that had 100,000 or more fatalities since 1350. So, they went back 650 years to the Black Death, the mid-14th century, of pandemic. They identified 15 pandemics starting with the Black Death going through to COVID that had 100,000 or more fatalities. They looked at the economic impact of it and they asked themselves the question, 'After the pandemic, when did things like growth, interest rates, money velocity, major economic indicators, when did they get back to normal? When did they get back to the kind of readings that they had prior to the pandemic?" The answer was 30 to 40 years. 30 to 40 years, not 30 months, 30 years. So, when the Fed came out the other day and Jay Powell said, "We're not going to raise interest rates until 2023 based on the projections," my first thought was, "Why don't you make it 2053?"

Interest rates may be near zero for 30 years, that's the impact of something this devastating and I already mentioned the pandemic's not over. This is going to be the fourth or fifth worst pandemic in the last 650 years. So, just being on the list is bad enough, being on the top 15. But COVID is going to be in the top four or five after the Spanish flu, the Black Death and the one or two other pandemics that were comparable. This is intergenerational. This is not something where it's going to be over by next year. Even if the disease is contained in some way, the effects of the pandemic are going to be felt long after that. And I'll use just an example that maybe more of our viewers or participants are familiar with. I grew up in the 1950s and the early 1960s as a kid. I did not live through the Great Depression, but my parents did and my grandparents did.

The way I was raised, it might as well have been the Depression because of the adapted behavior. The 50s were a period of relative prosperity, the economy was in pretty good shape in the 1950s when I was growing up. Middle class homes, new car every couple of years, whatever, but we didn't act like it was all good. When we were little kids, we'd go out at nine years old with our wagons and go door to door and collect newspapers and tin cans. And we weren't doing it for environmental reasons, maybe it was good for the environment, but we were doing it because you could recycle the tin cans. It was steel and then we could build cars or ships or planes. When we took the rubber band off a newspaper the paperboy would throw on the front lawn, we'd put them in a jar. Why would you throw away a rubber band? It was a perfectly good rubber band.

My point is, that kind of mentality of thrift not spending, saving not wasting, et cetera, lasted long after the Great Depression. It didn't really change until the late 60s when the Baby Boom kind of came of age and we started partying and using credit cards and lending and spending and et cetera. Then it did change. But the effect lasted for 30 years and a lot of people don't know. They know that the Great Depression started in 1929. There was a stock market crash October 1929. The stock market fell 23% in two days. It was 11%, then 12% the next day, so you had a 23% crash. When did the Dow Jones Industrial Average recover the level it had prior to the crash in October 1929? The answer is 1954.

It took 25 years for stocks to get back to their prior level. Now, that doesn't mean that the stock that the stock market didn't go up in the meantime, it went down 89.2% from 1929 to 1932, and then beginning in

1932 it started to go up. So, you could've made money along the way. You could have made money shorting stocks, you could've made money being long... starting at the bottom and catching the rally. There was another recession in the Depression in 1937/1938. But my point is, for the buy and hold crowd, or just wait it out don't worry about it, whatever, what Wall Street tells you to do, and the Vanguard Index Fund or whatever, it took 25 years to get back to the level it had been before the Depression and lot of people didn't live that long. So, you need to be more nimble than that. You need to have better portfolio allocations and we'll talk about those in a minute.

So just quickly, people say what about stimulus? We have all this stimulus. It's not stimulus, stop calling it stimulus. It doesn't work. Now, we do have money printing from the Fed, yeah. They printed three trillion dollars, I mentioned that. We do have deficit spending from the Congress, another three trillion dollars, I mentioned that. But don't mistake this for a stimulus. The money supply increase does not stimulate anything, and the reason is because we don't have the velocity. Velocity is the turnover of money. So, I think this group in particular, New Orleans Investment Conference, knows the quantity theory of money, which is just MV=PQ. M is money supply, V is velocity equals PQ, P is the price index and Q is real GDP. Well, PQ, or price index times real GDP gives you nominal GDP, which can be higher or lower than real GDP depending on whether there's inflation or deflation.

But the idea was, if velocity is constant you can dial up the money supply and get real GDP up to its maximum potential, and anything above that is inflation and you don't want inflation, so you fine tune it a little bit to get to maximum real growth with no inflation. That's sort of monetary nirvana, and Milton Friedman used to say we don't need a central bank, we just need a computer that increases the money supply at a rate which with constant velocity will give us maximum real GDP with no inflation. Friedman was completely wrong. And the reason he was wrong, was because he thought velocity was constant. Velocity is not constant. Velocity has been crashing since 1998. Again, you can look it up, just go to the Federal Reserve Bank of St. Louis, FRED's system, you can call up velocity, M1, M2, pick a money indicator and it'll show you it's been going straight down.

Now, it fell more steeply in 2008. It fell steeply again this year in 2020, but the trend has been down for 22 years. I like to remind people seven trillion dollars times zero is zero. In other words, if you don't have velocity, you don't have an economy. Velocity is a psychological concept. It fits into a monetary equation but it's nothing the Fed can control. The Fed can control the money supply, yes, they can base money any way they can make that to two decimal places. They can stick the landing there. There has been a breakdown in the mechanism between M0 and M2, so the money's not turning into the kind of money people want to spend. And then, velocity is declining so you're fighting just to keep nominal GDP constant let alone increase real GDP.

So, that's the dilemma we're in. It's getting worse because people are saving. Velocity is the turnover of money, so I go out for dinner, I tip the waitress, she takes a taxi home, she tips the taxi driver, and the taxi driver takes the tip money and fills up his car with gas. Well, in that example my dollar had a velocity of three. The waitress tip, the taxi tip, and the gas. So, that had a velocity of three. But what if I don't go out to dinner, I stay home and watch TV. My money has a velocity of zero, I'm not spending it. That's what's happening. The savings rate went to 33%. 33% of disposable income in May. It was still 24% in... sorry, 33% in April, it was still 24% in May and 17% in June.

These are like Chinese levels of savings. This is not American. Now, you can drive an economy with savings if you convert it to investment that is productive. But we have not been able to do that. There's no infrastructure spending bill, there's no interstate highway program, there's no moon shot program, there's nothing to put the money into things that will have large payoffs. It just sits in the banks. The Fed buys treasury notes and the banks give the money back to the Fed and keep it in excess reserves. It's not getting loaned and it's not getting spent. But meanwhile, even if savings investment is a good way to drive an economy, which it can be in certain conditions, it's long term pay off. It's a five to 10 year pay off.\

But in the short run it comes at the expense of consumption. The US economy is 70% driven by consumption. If I'm not spending my money and saving it, fine, but this is a maybe, maybe a long term pay off, but this is an immediate hit to the economy. That's exactly what's going on. So, you've got some monetary policy that doesn't work because of velocity. Fiscal policy does not work because the debt level is too high. The evidence is very good that at debt levels of... debt's GDP ratio is at 90% or higher, which is what we have today, well much higher. At the beginning of the Trump administration, it was 106%, today it's closer to 130%. We look like Lebanon, Greece and Italy. That's our peer group in terms of debt to GDP ratios.

They're the worst in US history. But the evidence is very good that when you get to that level, borrowing and spending more does not produce more GDP. In other words, at much lower levels, you borrow a dollar, you spend a dollar, you might get $1.30 of GDP, and it might be short-term impact, but you can get that in certain circumstances. But at these GDP ratios of 120, 130%, you borrow a dollar, you spend a dollar, you don't even get a dollar of GDP. You might get 50 cents. And therefore, you can't borrow your way out of the situation, and that is exactly what we're in now. So, monetary policy doesn't work because velocity is declining.

Fiscal policy doesn't work because the debt level is too high. The pandemic is not going away. We're in a depression, it's not a recession.

What can investors do? The best portfolio, one I recommend, had a decent size allocation of cash, maybe 30% cash, 10% gold. Residential real estate may be okay because there's a flight from the cities. Commercial real estate, don't even look at it 'til late 2021, it's somewhere near the bottom. US Treasury notes, rates can go a lot lower and you can get very good capital gains off of US Treasury notes. Don't listen to people who say rates are too low they can't go any lower. Nominal rates are low, real rates are not that low, they kind of will go a lot lower. Equities are having a mini boom, but I expect that will be bursting. They'll crash once everyone realizes that the economy is not coming back.

Robert, I'll leave it there and thank you. I'd like to thank the audience for joining us.

Robert Helms: Excellent. All right, thank you very much, Jim, great stuff as always. We have a couple of questions I think we have time for if you have time?

Jim Rickards: I do.

Robert Helms: Okay, excellent. So, some great questions, many of which I think you actually covered the answers to right there at the end. This one comes from Dominick, he says, "How do you see the influence of a possible yield curve control on the economy, and are the examples in Australia and Japan valid reference points?"

Jim Rickards: Well, central banks are impotent. They say they want to control the yield curve, but they can't really do it. The yield curve is pretty flat. It's hugging zero certainly at the short end even at the longer end, it's not that steeply pitched. The question is can... so rates are not going up because there's no growth, there's no turnover, there's no velocity and there's no inflation nowhere in sight. Now, the question is can rates go negative? That's how you'll get your capital gains on treasury notes. And the answer is yes. The Fed policy rate doesn't have to go negative. The market can take the maturity on a 10 year note negative just by buyers paying a premium greater than the present value of the strip of coupons. Once you do that, you've got a negative return to maturity, a negative yield to maturity. The Fed says these things, the Fed's targeting inflation, the Fed hasn't been able to get inflation for 12 years. What has changed? Nothing.

Robert Helms: Excellent. Hey, another question here. How would our gold stocks, a lot of folks here invest in mining stocks, those kinds of things, how would they perform generally during a depression and what kinds of asset classes would protect us from the perils of a depression? You mentioned a few.

Jim Rickards: Well, the interesting thing about gold is that everyone knows that gold goes up in inflation. It's kind of intuitive, people understand that. But there is no inflation, so how does gold perform in deflation? The answer is it performs extremely well. During the Great Depression, which was the longest sustained period of deflation in US history, gold went up 75% from $20.67 an ounce to $35.00 an ounce. The best performing stock of the New York Stock Exchange during the Great Depression was Homestake Mining there in South Dakota, which was a gold mining company basically. But the reason for that is when governments become desperate, governments can't tolerate deflation. It increases the real value of debt that makes the national debt more burdensome. It puts the pressure on the banks, they have to bail out the banks. Governments cannot tolerate deflation.

So, how do they get out of deflation when there's no other way out, when you're in a liquidity trap? The answer is you devalue the dollar against gold. Devaluing the dollar against the euro or yen or sterling, those are currency wars. They don't get you anywhere because the other guy turns around and devalues his currency as well. Gold is the only thing where you can devalue and it can't fight back. And so, it works. It happened twice. FDR 1933, Richard Nixon 1971. FDR did it intentionally and it helped the economy. Nixon did it, blundered into it by accident and it hurt the economy. So, when you let the genie out of the bottle it can be a good genie or a bad genie. But the fact is, the only proven way to get out of deflation is to devalue the dollar against gold, which means you get a higher dollar price for gold. And gold miners will participate in that game.

Robert Helms: All right, we have one more question, which is a good one. This one is from Colin, "Jim, I read your book Currency Wars, it got me started after the 2008 bust." His question is, "Who is winning the currency wars now and how do you see it going from here?"

Jim Rickards: Well, the answer is nobody wins a currency war because it's back and forth, back and forth. So, it started out, the currency war started in 2010. August 2011 was the all time low for the dollar. All time low. So, we got a boost, but then Europe was struggling so we had to let the dollar increase so the euro could go down, but then the euro went back up again. So the point is, currencies are not like stocks. I mean, major currency, I'm not talking about Zimbabwe, I'm talking about the major reserve currencies. They don't go to zero like a bankrupt company, and they don't go to the moon like Apple stock. They just trade in a range. They go back and forth. Every currency cannot devalue against every other currency simultaneously. It's a mathematical impossibility. The only way you can devalue currencies at the same time is against gold, because you can't print it, there's no central bank, obviously it can't fight back. And that's what they'll do. Now, central banks have actually forgotten about this. For some reason they understood this in... well actually they didn't. Franklin Delano Roosevelt understood it and he executed it perfectly, but we just explained it to the audience so, and it's in my new book, in the conclusion of my new book I explain it in detail. But the central banks don't understand it. They're usually the last to know.

Robert Helms: All right, well that wraps up our time. Jim, that was awesome. Wish we could take you out for some gumbo and some oysters, but a big virtual round of applause for James Rickards. Good stuff, thank you sir. His brand new book is called The New Great Depression, you can pre-order it now. It'll be out in January. Good stuff and great job on the panel the other day. Thanks, Jim.

Rick Rule

"Two Bull Markets, Pay Me Now, Then Pay Me Later"

Albert Lu: Our next speaker, Rick Rule, has devoted over 35 years to natural resource investing. His involvement in the sector is as broad as it is long. His background includes mineral exploration, oil and gas exploration and production, water, agriculture, and hydroelectric and geothermal energy. Mr. Rule is a sought-after speaker at industry conferences and a frequent contributor to numerous media outlets, including CNBC, Fox Business News, and BNN.

He founded Global Resource Investments in 1993 and is now a senior managing director of Sprott Incorporated, a Toronto-based investment manager and CEO and president of Sprott US Holdings, Inc, where he leads a team of skilled earth science and financial professionals who enjoy a worldwide reputation for resource investing. His talk today is Two Bull Markets, Pay Me Now, Then Pay Me Later. Please welcome Rick Rule.

Rick Rule: Thank you very much, Albert. You'll pay for saying that I'm as broad as I am long, but thank you for that kind introduction anyway. But before I begin, I would like, as I always do, to thank Brien Lundin and the staff of Jefferson Financial for putting on this fine conference and putting it on, as always, in honor of the founder of the conference and Jefferson Financial, my late friend, Jim Blanchard, rest in peace. A wonderful time to be addressing you all. Obviously, both Bonnie, my wife, and I wish that we were physically in New Orleans talking to you, eating dinner with you, having the type of fun that we've had in New Orleans for so many years attending this fine conference, but being together virtually is the next best thing. So let's get to it.

As many of you know, I've been around for a very long time appearing in 30 something New Orleans Conferences. And one consequence of that is that let's just say that I'm closer to the end of my career than the beginning of my career. And the lovely part of this speech is that I suggest that the swan song of my career will be not one, but two bull markets. And I think I make a very good case for this. The fact that I say it doesn't make it true, but I hope of course, that I can give you enough background reasoning behind this that you incorporate the probability of two bull markets into your investment in speculative planning.

I think it's arguable for all of the reasons that my friend, Peter Schiff, mentioned, we are already in a precious metals and precious metals related investment bull market. I truly believe that the wind is in gold's sales, again, for many of the reasons that Peter said, but some of them bear repeating. I believe that the wind is in the sales of gold and precious metals simply because the policy response to various economic ailments and now a health ailment, is very, very, very conducive to gold.

I'd like to talk a little bit about prior gold bull markets because I've had people say to me, "Rick, this bull market is now probably two, two and a half years old, depending on when it started, and the gold price has already advanced from $1,100 an ounce to circa $1,900 an ounce. Have I missed the boat?" In a chart that I will be referring to frequently and that I will make available to everyone who requests it, the Barron's Gold Mining Index, we see very clearly the anatomy of a gold market over 50 years. You will see in that, what I refer to as two and a half gold bull markets, the 1970s gold bull market, the bull market, the one from 2000 to 2011, and the beginnings of another bull market that I think we're in the midst of now.

If you examine these bull markets relative to the market that we have enjoyed for the last couple of years, I would suggest that this market is just getting started. You see, there's a difference between a gold bull market and a recovery from an oversold bottom. We have been through nine recoveries from oversold bottoms over 50 years, and these have occurred during secular bull markets and in fact, during secular bear markets, but they are very different beasts. A gold bull market, at least the two prior bull markets of my career, have been ten year long affairs where the gold price showed dramatic upside. The granddaddy of course was the 1970s gold bull market, where the gold price advanced from an admittedly price-controlled $35 an ounce to $850 an ounce over 11 glorious years. Probably a more appropriate comparison would be the gold bull market beginning in the year 2000 and ending, depending on the way you count, in... 2008 or 2011. A more tepid bull market, I suppose, with the gold price only advancing sixfold from $250, now, it's maybe seven fold, to $1,900 an ounce.

Suffice it to say, when people ask me, "Have I missed the bull market?" My answer is no. In terms both of duration and dimension, I would suggest to you that we are in the third or fourth inning of a ball game that may go extra innings. And let's talk about why. Gold moves for many reasons, most of which initially are related to fear, but it has moved over time, principally due to fear in the deterioration of other savings and investment products. That is to say the purchasing power and deterioration of other savings and investment products. And in particular, internationally, fear of the loss of purchasing power in the world's reserve currency at the time. In this particular case, the degradation of purchasing power in US dollars, in US dollar denominated savings instruments.

Now, this is true. This fear is true I think for several reasons. The first of which is simply that the US dollar and US dollar denominated savings instruments have been in a bull market for, by my count, 38 years. And a 38 year bull market is long of tooth indeed. If you measure the bond bull market and, by proxy, the dollar bull market beginning in 1982, one measures it best, I suspect, by looking at the US 10 Year Treasury, the world's benchmark security. In 1982, that security, the 10 Year, yielded 15.6%. Now it yields 0.6%, six tenths of 1%. Since the capitalized value of the bond varies, and virtually, with the yield, one can say that bond prices have been rising as a consequence of yields decreasing for 38 years. And as I say, a 38 year long bull market is one that's extremely long of tooth.

Let's look at the five reasons I discussed though. The first is the debasement of the currency through quantitative easing. Peter described it well. If you and I did quantitative easing, it would be called counterfeiting and you and I would be in prison. If Congress and the Fed do it, it's called policy. It's highly popular and they get reelected. But there can be no doubt that conjuring up fake currency units, whether it's done in your basement or on their computer, debases the currency.

The second form of debasement, of course, is debt and deficits. Last week, the US Federal Government had a fairly ennoble accomplishment, which is to say that the on balance sheet liabilities of the US government, the debt, the recourse debt of the US government exceeded $27 trillion, $27 trillion, but that's not the half of it. The off balance sheet liabilities, which is to say the net present value of entitlements, Medicare, Medicaid, Social Security, the Environmental Trust Fund, are estimated by the Congressional Budget Office to exceed $150 trillion.

So federal liabilities, not state liabilities, not local liabilities, not unfunded pension plans likely to be picked up by the taxpayers exceed now $175 trillion. This debt is of course settled by the national income, which is to say taxes and fees, net of expenses. The problem is that the national income is in deficit, $850 billion in deficits in the month of July alone. Warren Buffett, who is certainly no bear on America, suggests that the debt will never be paid. It will simply be rescheduled. And the only reason it's serviceable now is artificially low interest rates. If this doesn't diminish faith, both in the credit standing of the United States government, but also in terms of the ongoing purchasing power of the US dollar, not much else will.

Let's look now at the third factor, which is negative real, and in some cases, negative nominal interest rates. Interest is the payment received by savers to forego consumption in favor of those who are willing to pay a penalty to consume now with assets that they don't currently enjoy, but it's something else. It compensates savers for the risk of the depreciation of the currency, and also for the risk associated with the time value of money. Negative interest rates give people no incentive to save. And precisely, this lack of incentive to save means that the other safe haven that gold has competed with, which is to say the US 10 Year Treasury, is a less formidable competitor. In fact, a longtime friend of the New Orleans Conference, Jim Grant, has described the US 10 Year Treasury, the world's benchmark savings product as "return-free risk." Gold has to fight return-free risk. Not a very hard fight.

The fourth factor is that gold and precious metals related investments are under-owned in historical context. The New Orleans audience has been familiar with gold for a very long time and has followed the gold market, but the New Orleans audience is very much in the minority relative to savings and investment people around the United States. In fact, the market share of precious metals and precious metals related assets has been reported to be less than one half of 1%, one half of 1% of total investment and savings products throughout the United States, down from a three decade mean of 1.5% to 2%.

I would suggest to you that the combination of quantitative easing, debt and deficits, and artificially low interest rates means that the market share of precious metals and precious metals related assets will at a minimum, will at a minimum revert to mean if that happens and the market share went from one half of 1% to 1.5% or 2%, that means that demands for precious metals and precious metals related assets in the largest savings and investment market in the world would go up somewhere between 300% and 400%, which is precisely what I think will happen.

The fifth reason is somewhat more subtle, but may be the most dramatic. And that is bond disintermediation. You see, institutional investors worldwide are reported to command assets under management of about $100 trillion. Traditionally, these institutional investment managers have followed the 60/40 mantra, which suggests 60% equities, 40% in bonds. The theory being when the economy was soft and loan demand weakened, that the interest rate would go lower, and hence, the capitalized value of the bonds would increase at the same time that equity prices softened.

The problem with this is negative real interest rates, which means that rather than being paid to carry your bond, which is to say that you enjoy a real interest to carry it, it in fact costs you purchasing power to hold bonds now. Even Warren Buffett points out that the insurance float, which used to be his biggest asset, becomes a liability during periods of time of low interest rates. I'm not suggesting to you the $40 trillion that institutional investors currently have involved in debt securities will all flow into gold, I'm only suggesting the 2% to 3% of it might. But 2% to 3% of $40 trillion is a very large number relative to the float of gold and precious metals related assets.

So for those reasons, quantitative easing, debt and deficits, artificially low interest rates, the under-ownership of precious metals and precious metals related assets, and importantly, institutional disintermediation out of bonds into other asset classes, including prominently precious metals, I think that we are early on in a precious metals and precious metals related assets bull market. When, as I say, one examines the anatomy of prior bull markets, both in terms of duration and dimension, one would suggest that we're probably a third of the way through the current bull market. Again, I point to the 2000 to 2011 bull market as being indicative. The prior speaker, Peter Schiff, makes the case that this bull market could be more dramatic than that bull market simply because the fiscal tools that the government and the Fed is using to fight the economic malaise have been used for so long that it takes many more dollars of stimulus to buy a unit of growth than it did in 2000.

So our ability using these same tools to escape the trap that we faced in 2000 or in 1987 or in 2008, become less and less potent, but the political class sees no alternative. So it might be that rather than have a bull market that resembles the 2000 bull market, that we have a more dramatic bull market. I don't know the answer to that. And to be completely honest with you, I don't care. The truth is that I think that we are in a bull market that runs two years, three years, or four years more at least. A bull market with substantial duration like prior bull markets, and a bull market with substantial dimension too.

You will note too that over the course of a bull market, the equities tend to magnify to some degree the up moves that we have seen in gold. And while I'm relatively bullish about the gold price, in the longer and intermediate term, I'm bullish about the prices of gold equities and almost every class of gold equities, although there are some exceptions which we don't have time to talk about here. I don't think that a commentator, a peanut commentator at the New Orleans Investment Conference talking about a bull market in gold is especially spectacular news, but I do hope that I've given you the reasons why I think that a gold bull market is underway and has room to run.

But I think the surprise bull market will be a natural resources and industrial materials bull market. And I don't think it'll happen soon. In fact, the slight increases that we've seen as an example, with the copper price... the iron ore price, are prices that I suspect in the near term will in fact, weaken. My own suspicion is that we are in for a reasonably tough patch in terms of the global economy for several reasons.

The first reason of course is that we've enjoyed a 10 year recovery since the 2008 problem. And in my experience, although I'm not an economist, a 10 year old recovery without a recession is one that's long of tooth. One that is likely to run itself out of steam of its own volition. In addition to that, the dichotomy between conditions on Main Street and the conditions on Wall Street tell me that we haven't yet fully priced into the world economy, the impact of fiscal measures and trade due to the coronavirus. I suspect that the economic fallout associated with a coronavirus has been masked by quantitative easing and artificially low interest rates. I suspect too that the increasing tide of regulation and economic nationalism around the world will constrain trade and make everyone in the world relatively poor, which is to say that I expect no demand pressures in industrial materials for two years or three years or four years.

Ironically, that is the stuff of a bull market because bear markets are what cause bull markets. You see, soft pricing in industrial materials on top of the soft pricing that those sectors have already suffered through from 2011 until today, constrain sustaining capital investments and constrain new project investments. Why? If you are losing $10 a barrel or $15 a barrel producing oil, would you spend billions of dollars to increase your production and hence increase your losses? Interestingly, when you match supply and demand by constraining supply, by reducing investment, what happens is that when you balance supply and demand, when you achieve market balance by reducing supply and the price begins to firm, the industry can't match the pricing signals with increased production, because as a consequence of deferred investment, they aren't capable of increasing production for a substantial period of time. Again, the bull market of the 2000s is instructive.

Through the decade of the '80s and the '90s, 20 years, the society as a whole under-invested in productive capacity associated with natural resources and industrial materials. And the consequence of that is that when we began to see increases in demand, increases ironically, partly due to the very low prices that consumers enjoyed for industrial materials, the industry was not able to increase supply fast enough to match the pricing signals. And the consequence of that was an epic bull market across the board. The uranium price increased from $8 a pound to $140 a pound. The natural gas price in the United States went up from a buck a million BTUs to $15 per million BTUs. The oil price went from $15 a barrel to $130 a barrel. The copper price went from $0.75 to $4.50.

These prices were way above the incentive prices that were necessary to stimulate more production, but the truth is it takes both time and capital to increase production. And my suspicion is that we'll get just such an overshot four years from now, five years from now, six years from now, seven years from now. My own suspicion is that we will enjoy, and in fact, are enjoying a precious metals bull market, but what will really surprise us will be in the impolite vernacular of Wall Street, an absolute rip your face off bull market in industrial materials.

It's interesting when you look back in history for prologues, I remember reading myself the cover of an economist magazine associated with the oil price. I think oil was down around $15, $18 a barrel, and the economist magazine was talking about a post-oil economy and the fact that the oil price would probably go down to $5. They were wrong. It went to $120, $130, $140 a barrel. Greta, AOC, all the big green thinkers, not withstanding. The truth is that if those people in the audience who don't drive a Tesla believe that five years from now or six years from now, when they walk from their bedroom to the garage and turn the key to the right, if they believe that the car will start when they turn the key to the right, the oil price must return to the incentive price to produce oil.

The International Energy Agency suggests that the fully loaded cost to produce a barrel of oil, including the return on capital employed, which is to say the cost of capital, and prior, your write-downs, is somewhere between $55 and $60 a barrel. So if you're producing the stuff worldwide for... for $55 a barrel and you're selling it for $40 a barrel, you're losing $15 a barrel. You're doing that 90 million times a day. It goes beyond being boring all the way to being painful.

Now, the industry has an awful lot of stranded capital. An awful lot of money was invested in the industry in the last 10 years. So that money needs to go to money [inaudible 00:21:59] first, which is doing fairly rapidly. But when that happens, when as an example, the lack of equity capital available to the US shale industry and the rapid declines in the shale industry come face to face with slowly increasing demand for oil worldwide, which we are seeing, the price shock, I suspect, will be dramatic. It wouldn't surprise me at all in the two and a half year timeframe to see oil prices in the $65 to $85 a barrel range.

Maybe it takes three years, but the impact, maybe it takes four years in fact, but the impact on the cash flows of the oil companies and the impact on the share prices of the oil companies, when that happens, by the way, it's not an if, when that happens will be dramatic. Similarly, in smaller markets like cobalt, like uranium. I'm not saying that this is a theme that you need to rush out and pay attention to in the next year, although I'm starting to. What I'm trying to say is that while you are enjoying the market that you have been enjoying, which is to say, while you are enjoying the gold bull market, the gold stock bull market, the silver bull market, the silver stock bull market, that you prepare yourself financially and you prepare yourself psychologically for what will be a much broader and much more dramatic bull market in my own opinion in the industrial materials.

Now, one of the things I've learned, and one of the things that I hope to be able to support with some stock charts that I'm going to talk to you about, is that in terms of participating in these bull markets, most of us over time have actually been too speculative. The truth is that the beta in these bull markets, which is to say the performance of the entire index is so dramatic that in fact, a substantial amount of every investor's investment capital and speculative capital should go in the very, very, very best of the companies. If you see a circumstance where over the course of a bull market, the index itself will expand seven fold or eight fold over 10 years, the idea that you would take substantial risk to outperform that index with a large portion of your capital is foolhardy, why take a risk when owning the best of the best? In fact, de-risking the index can give you 600% or 700% or 800% gains.

I'm not saying don't speculate it. I'm just saying devote enough capital to the very finest companies in the sector that you don't waste the beta in search of alpha. Think too in terms of participating in the upcoming market for industrial materials, about the time value of money. The best of the best companies in those sectors pay handsome dividends, which in this interest rate environment, alleviates the problem associated with time value of money. So pay real attention to the market data. Don't always slavishly seek alpha. I'm not saying don't seek alpha, don't slavishly seek alpha. Make sure you capture beta before you worry about alpha.

In the time I have left, I'd like to, as I have for 30 something years, make an offer to my friends at the New Orleans Conference. Any of you who would like to know more about Sprott, more about me, or like more education about natural resource investing, are invited to go to a web link. The address is sprottusa.com/rankings. When you arrive there, you will see a web forum. And if you enter on that web forum, you'll receive on a no obligations basis, no obligations basis, a ranking by me personally of every natural resource stock in your portfolio. Please, no bank stocks, no tech stocks, no things I don't understand. Only natural resource stocks. I will rank them on a one to 10 scale, one being best, 10 being worst, and I will comment on those individual issues where I think that my comment might have value. Understand that this isn't investment advice. I'm ranking these companies subjectively not according to your objectives, which I may or may not know.

I will include in return email, the Barron's Gold Mining Index, which is the gold stock index that I referred to throughout this discussion. I include this chart, not because I'm a technical analyst, but rather because it's the best visual tool I've ever seen to understand the anatomy of the gold equities markets over the last 50 years. It's a very broad and very inclusive index and it goes back a very long time.

In addition to that, I will include a 100 year commodity index, which will give you a feeling for the cyclicality and the volatility of commodities markets, and also the extraordinary value that they have relative to other asset classes and other parts of the economy and other sectors that you could invest in. Looking at these charts, you will see many things. You will see the validation of the theme that I've repeated in New Orleans over and over again, which is that bear markets are the authors of bull markets. And sadly, bull markets are the authors of bear markets. All the things come to an end and this will too.

The other thing that you will see is incredible volatility inside the cyclicality. This is a rodeo ride. Yes, we're going to see higher highs and higher lows, but occasionally, we're going to see a cyclical decline in a secular bull market. And that cyclical decline in terms of the index can easily be 20% down. You need to right-size your investments and you also need to prepare yourself psychologically for this unbelievable volatility. I remember very well in 1975 that the gold equities index fell by 50% after having gone up by 300% or 400% earlier in the decade. People who were shaken out by that cyclical decline missed an 850% move in the rest of the decade. So understanding this by looking at these charts, by understanding the volatility, understanding the duration, understanding the dimension, and understanding the cyclicality will allow you to prepare yourself psychologically for two bull markets which will play out, I suspect, over five to seven years.

Bull markets will be extremely dramatic. I remember, in closing, at the end of the oil bull market of the 1970s, I guess sometime around 1984, 1985, I remember seeing a bumper sticker in Midland, Texas, the oil capital of West Texas. It said, "God, please give me one more bull market. I promise not to waste this one." Well, you're being given two bull markets in the next five to seven years. If you pay attention to what you're doing, if you pay attention to cyclicality, if you pay attention to volatility, you won't waste these ones. There'll be extraordinarily pleasant experiences. And I look forward to visiting with all of you afterwards.

Ladies and gentlemen, I hope you come to me for the rankings. I hope that you understand that bear markets are the authors of bull markets and vice versa. I hope you use the charts, and I hope that these next two bull markets are gifts to you and yours that exceed your current imagination. As always, thank you very much and goodbye.

Albert Lu: Rick, thank you very much for that. I'm wondering, we're getting questions coming in on the chat. Do you have time to stick around and answer a few questions for us?

Rick Rule: Of course, I do. As you wish Albert.

Albert Lu: So a question from Andreas. He follows your reasoning, but also saw you, I believe in a Kitco interview saying that you thought the juniors were overbought. Can you just expand and clarify on that?

Rick Rule: I do believe in the near term that the juniors are overbought. Remember that there are about 1,500 listed juniors worldwide, and at any point in time, only about 200 of them are viable. So for most of the juniors, the juniors are a stock picking market. For most of the juniors, they're perpetually overbought. But the truth is that the last four months, pardon me, has seen a real proliferation of junior mining financing. And this has done two things really, but the most important thing it's done is use up implicit buying demand. The market has raised a couple of billion dollars. That's couple of billion dollars that isn't available to reinvest. And this talk is in fact, going to come free trading.

I've never seen a bull market, a precious metals equities bull market before that hasn't gone from the best of the best to the best of the rest, to the single asset producers, which is to say the takeover targets, to the developers, to the advanced explorers, to the juniors. That's always, always, the pattern that's taken. What happened this time is it went from the best of the best, which is to say the Francos, the Wheatons, the Barricks the Agnicos, all the way down to the Penny Dreadfuls skipping the middle of the index. I'd never seen that before. And we're going to need to adjust some of these financings.

We're starting to see now what I laughingly called the Vancouver fraud machine, which is to say the Canadian Dealer Network and the associated storytellers do what they've always done, converting marijuana stocks, which were converted crypto stocks, to gold stocks and commanding pre-money market caps of $20 million for either for no reason whatsoever. This always ends poorly. That doesn't mean that there isn't a fortune to be made, a fortune to be made in speculative precious metal stocks, particularly in private placements associated with speculative precious metal stocks. Just remember that the vast, vast, vast length and breadth of the Canadian and the Australian junior community is valueless at any price. So stock selection is paramount.

Albert Lu: Rick, a question from Steven Pierce. What do you think about getting into cheap, but well-run base metals in safer jurisdictions, perhaps being early, but being safe?

Rick Rule: I'm perfectly willing to do that. In fact, I do it myself, but remember I'm 67 years of age. Ironically, with less time on earth, I've become more patient. So the extraordinarily high quality companies, irrespective of commodities, irrespective of my outlook for commodities I buy, but for most of your money in base metals, rather than buying the high quality juniors, you should buy the beta. You should look at the Rio Tintos, look at the BHPs. Capture those 3% and 4% dividend yields. If you have a sense of humor for political risk, look at some of the Russian natural resource companies. I'm not saying not to buy some of the smaller ones. I own a wide variety of the juniors that I think have the potential to have tier one deposits in out of favor commodities. Just don't be looking for any price action in the next two or three years that's related to the commodity price. If you're willing to suffer through that, which I am, it's by all means a good strategy. Most people can talk that story, but most people can't live or walk that walk.

Albert Lu: A question from Joseph. Rick, do you think natural resources in areas of timber farmland, water, et cetera, will participate in this later bull market, and will they enjoy support from the government?

Rick Rule: Two different questions. I am actively buying those few available water stocks in the market right now. I always do when they're available. And they've fallen fairly dramatically in price, which is to say they're on sale. When will I be rewarded? I don't know. Will they be supported by the government? Almost certainly not. As to timber, timber prices, because construction is fairly strong, random lengths, which is to say lumber prices are fairly high. So I'm not buying timberland or timberland stocks at this particular point in time. I would want to do that in a good, solid session. With regards to agriculture, I'm liquidating myself, develop real estate portfolio, a passive developed real estate portfolio. And I'm redeploying a substantial amount of the proceeds in farmland in the Upper Midwest. The soft commodity prices are, bad pun, soft, which is to say wheat, corn, and beans are fairly soft, which means the rents are lower than they used to be, which means farmland prices are coming under pressure.

And I can buy some of the highest quality farmland in the world at yields, which I consider to be relatively attractive. And I do believe over the five to seven year timeframe, that soft commodity prices, which is to say wheat, corn, and beans in particular, will return to their all time highs, which means that farm gate rents will increase fairly dramatically, which means that I will earn a very acceptable rate of return. For me right now, in terms of real estate asset classes, developed real estate asset classes that I understand, ultra high quality farmland net leased in the Upper Midwest is probably my favorite asset class.

Albert Lu: Rick, a follow-up question from me actually. When you make these investments in wheat, corn, and so forth, if it's an export market, what do you assume about the US dollar trade with China? Things that undoubtedly affect those markets.

Rick Rule: Those are bigger than me, Albert. I suspect that one of the reasons for the softness in prices and particularly, US farm gate prices, has been precisely trade disputes. The Chinese have a tactical interest in expanding their supply network, particularly to Argentina, Uruguay, and Paraguay, but the US Upper Midwest has really substantial advantages, water, which is one, but in particular… infrastructure advantages, the Mississippi River is an example to lower transportation costs, and the wonderful infrastructure that exists.

In the United States, of course, we also have the best human resources in farming in the world. So if I knew more about how to invest in Argentina, Uruguay, and Paraguay, I would probably do that too. But the truth is I don't. I do know how to invest in Illinois, Iowa, Wisconsin, Ohio. And so that's what I do. Am I expecting an immediate move in grain prices? No. Am I expecting the most efficient producer in the world with the lowest access and egress costs in the best market in the world will do well over five years? Absolutely.

Albert Lu: A question here from Jerry Fisher. He's asking about the impact of precious metals on the election, presidential election I'm assuming. Rick, what message does the precious metals price send to voters in your opinion? Difficult question, but what's your opinion?

Rick Rule: I think none whatsoever. My suspicion is that a Biden election, particularly in conjunction with the Democratic sweep of the House or Senate would unnerve capital markets and that we might have a liquidity squeeze that temporarily affects all asset classes. The idea that debt and deficits combined with measures that degrade wealth, say a wealth tax and increase in the corporate income tax, that's just very, very, very bad economic policy. So I suspect that a Democratic sweep would be very bad for capital markets as a whole, including precious metals markets in the near term.

The policy prescriptions of the Democrats and the Republicans, however, are both accommodative of much higher precious metals prices. I don't see any party that has any interest at all in reducing quantitative easing. It's how they bribe their constituents. I don't see any reduction in debt or deficits irrespective of the party in power. I don't see either party allowing the market to return to normalized interest rates. So I don't really believe that either party has it in their political makeup to do anything that would harm precious metals prices.

Could I be wrong? I suspect. There are some quantitative measures that you can put in place. If quantitative easing ended for a year, if the current year debt... Pardon me, the current year deficit was less than, I don't know, say 1% of GDP, if the real interest rate went to its historic norm, which is to say 250 basis points positive. I monitor all these numbers. And if I started to see fiscal sanity return to the American voter, that would signal to me that the reason for the gold bull market to exist would be over. And I would certainly leave the space. I don't see that circumstance coming true for an extended period of time, Albert.

Albert Lu: All right, we've got Rick for a few more minutes and I've got Brien Lundin here. Brien, any questions from you for Rick?

Brien Lundin: I always have questions for Rick. Rick, how are you? Good to see you.

Rick Rule: Brien, I'm embarrassed to say that I'm in good, good health. I almost feel badly with how well I'm doing relative to the condition of so many of my peers. I hope you and your staff are staying safe, Brien.

Brien Lundin: Yes, we are. I wish you were down here and we were both driving up our cholesterol counts at Drago's oyster bar, but that's for another year, maybe next year.

Rick Rule: It is.

Brien Lundin: Hopefully no further pandemics or other global catastrophes. Somebody asked, one of our readers, I don't have their name right now, is it possible for a uranium bull market to co-exist with a precious metals bull market? I would think my opinion is that it's almost a requirement, but what's your view?

Rick Rule: I would disagree with that. I think it would be constructive for the uranium price if the economy improved and as a consequence of that in particular, the Japanese need to restart their nuclear fleet increased. I don't see the uranium market being so much a market driven by fiscal policy as I see it being driven by the increase in demand for power, particularly carbon-free power worldwide. I do believe the uranium bull market is absolutely inevitable, but unfortunately, I'm not sure that it is in fact imminent. I will tell you, Brien, you've witnessed this yourself. If we get the first hints of a recovery in the uranium market, the response, I think, from old well-healed speculators like yourself and myself will be dramatic enough that you would see a real increase in uranium equities prices in anticipation of a sustained move into metal.

Brien Lundin: Yeah, I would agree with that. And I guess I should have specified that I'm looking more at the uranium equities or junior equities as much. And I think that when there's an underlying gold and silver bull market, bringing speculators to the resources, it benefits the other commodities as well. And in the evolution of a long-term bull market, you see interest expand to these other areas. But I agree with you, the uranium story...is inevitable, but timing's always been the issue with that or has been, last five or six years, hasn't it?

Rick Rule: Brien, what's interesting, in the last year uranium bull market, I was admittedly way, way, way early, four years early. One would suggest given the cost of capital at four years early isn't early, it's in fact wrong. But the truth is that I got such a dramatic stock out of my move out of my uranium stocks. You'll recall that the beginning of that market, there were five uranium juniors. The poorest performing of the five went 22 to one in the ensuing five years. So even after a fairly aggressive time value of money hurdle, the rent that I got paid on that portfolio justified the weight. And I suspect that the same will be true this time too.

One final remark about that, Brien. We looked at a universe of about 25 uranium juniors not too long ago, and we found that nine or 10 of them were buyable, which is to say that almost 40% of the sector we thought were worthwhile speculations. I suspect if we did the same exercise in the universe of gold juniors, that we would find that only 10% or 12% were buyable speculations. So the probability that you speculate on a uranium junior with a qualified team and a decent asset base is probably three times the probability that you will have the same positive experience in the gold space. It doesn't mean that worthless gold stocks won't go up 300% or 400% in the interim as a consequence of the narrative, it just says that the median quality of the uranium juniors is substantially higher than the median quality of the gold juniors.

Albert: All right, I'm sorry I have to interrupt this conversation now. Thank you very much, Rick, for staying over time. If you want to catch up with Rick, you can send your portfolio for ranking, that's your resource portfolio, at the link in the chat window. Also, there's a Sprott booth here at the conference and Rick will be back tomorrow to moderate a panel on mining shares. Rick, good to see you again. Thanks very much.

Peter Schiff

"The Fed's Goal For Higher Inflation Will Sink The Dollar"

Albert Lu: ...Peter Schiff. He's the chief economist and global strategist of a Euro Pacific Capital, Division of Alliance Global Partners, a registered investment advisor and a full service broker dealer. He's a widely followed opponent of debt fueled growth policies and known for his advocacy for emerging market and commodity focused investments in countries with positive fiscal characteristics. Mr. Schiff has been quoted hundreds of times in leading news outlets around the world, including The Wall Street Journal, Barron's Investor's Business Daily, The Financial Times, The New York Times, The Los Angeles Times, The Washington Post, and he regularly appears on CNN, CNBC, the BBC, Al Jazeera, Fox News and Fox Business Network. His talk today is the Fed's goal for higher inflation will sink the dollar. Peter Schiff. Welcome back.

Peter Schiff: Thanks for welcoming me, and welcome to everybody else who is participating to this virtual event. And many of us have been longtime attendees here at the New Orleans Conference. Unfortunately, this time we don't get to experience any of the food or the music or the comradery that we normally get to enjoy. Hopefully, maybe next year, that may be the case. But what I do think we are now witnessing is really the chickens that we all knew would eventually come home to roost coming home. I think a lot of the forecasts that I've been making and some of the other attendees have been making that haven't completely come true yet, I think we're now witnessing all of that and it's not COVID. As I mentioned earlier on the panel COVID is not the problem. I mean, it is a problem, but it's more exposing the underlying problem than creating it.

Had we had a healthy economy prior to COVID we could handle these shutdowns, but we didn't have a healthy economy. We had the opposite of a healthy economy. We had a bubble thanks to the very Fed policies that I have been so critical of over the years, we had a totally levered economy that was dependent on a lot of the activity that is no longer being generated because so many people and companies and the government itself is loaded up with debt. And all of that debt needs to be serviced. People have to pay interest on the money that they borrowed. Now, one of the ways up until now, and actually including now that the Federal Reserve has made it possible for people to service, an amount of debt that really is far beyond their capacity to handle in a normal economy the Fed has made that possible by artificially suppressing interest rates.

So people have been able to borrow at rates of interest that really don't reflect their credit worthiness, or the likelihood that the lender will lose either to default or to inflation eroding the way the purchasing power of the loans. But now we have an even bigger problem than simply the ability to pay the interest is that a lot of the debtors no longer have any income even to pay the interest rates as low as they are. And so now what's happening is you have the government trying to step up and rescue all of the debtors, both by printing new money, right? You have the Federal Reserve, which is now actively buying in the bond market, not just treasuries and mortgage backed securities, but private debt, corporate bonds, municipal bonds, even junk corporate bonds are now indirectly on the Fed's balance sheet through a lot of the ETFs that it’s been buying.

And what this is enabling is companies that are overleveraged and that would likely go bankrupt, continue to go deeper into debt and borrow more money using this Fed lifeline. But at the same time, they're doing that, the federal reserve is giving money directly to individual debtors, people that own businesses through the PPP program or individuals who have lost their jobs, they can get extended and enhanced unemployment benefits, because without these benefits, individuals couldn't pay their debts and they couldn't pay their other obligations. People couldn't make their car payments. They couldn't pay their rent. There are a lot of expenses that are only being paid because the government is now directly providing the money so people can make these payments. Now, why is this? Why do we have a society where everybody is living paycheck to paycheck? Once upon a time in America, that was not the case.

Americans had plenty of money in order to take care of themselves and their obligations when times were tough. I mean, look back to America before the second world war, because a lot of people tried to compare

COVID-19 to our effort to win the second world war. In fact, Donald Trump declared that he was a wartime president and he said that people have to make the same type of sacrifices that they did to help win the second world war, except we're not asking the public to make any of the sacrifices that were made back then because nobody got a bail out to help finance the second world war instead the American public received a bill from the government to pay for that war. Taxes increased dramatically when the war broke out. In fact, before the war started, fewer than 10% of Americans paid any income tax at all.

By the time it ended more than a third of Americans were paying the income tax. In fact, the withholding tax, where income comes directly from your paycheck, that was instituted in 1942 as part of the victory tax. So, Americans ponied up, they gave the government money to fight that war. In addition to paying higher taxes, the US government came to the American public and said, "You know what? This war is expensive. We need a lot of money. So you need to lend us money." And so the US government sold war bonds to the American public. Yes, the Federal Reserve bought a very small percentage of those bonds, but the vast majority of war bonds were bought by Americans. And remember, these are Americans who had just gone through the great depression, the 1930s was the depression yet in 1940, the average American family could afford to pay higher taxes and to loan money to the US government.

And obviously there was a lot of problems in the domestic economy when you send 20 million young men off to fight wars in the Asia Pacific region, and in Europe, a lot of businesses didn't have customers. You think it was easy for restaurants during the war or for movie theaters, or for hotels. Of course their businesses collapsed during the war, but none of these business owners got any help from the federal government. We didn't need any help because we had a real viable economy that was built on under consumption savings, capital investment. So we could pony up. We can support the government in its time of need. That is the opposite of what we're doing now. The US government is broke and it's asking America to support it. Yet Americans are broke too. The US government is promising to make everybody whole, the US government is saying COVID is nobody's fault.

Well, neither was World War II, the average American didn't start World War II. Yet the average American had to bear the consequences of the fact that we had to fight World War II. Well, the same thing is true today. The problem is Americans could afford to pay for World War II, they can't afford to pay for the war against COVID. Yet we're waging that war anyway. And the government is, or the federal reserve is printing all of this money to try to pretend that we can conjure purchasing power into existence, but it's not just the federal reserve, right? It's the government itself. The government is not only broke based on all of the promises that it made in the past, that it doesn't have the resources to keep, but you actually have the government making new promises. The government is promising all sorts of new benefits, especially Joe Biden.

Promising all sorts of new benefits from the government that is going to give the people in the future when the government is already broke and can't afford to keep the commitments that it's already made. How is it going to add new commitments on top of that? So we are about to witness the complete collapse of this structure. Yes. We have been kicking the can down the road for many, many years longer than a lot of us believed years and years ago, but I think why COVID is a game changer is because COVID is going to shorten the length of time now where the government can continue with the can kicking, both the Federal Reserve, as far as the money printing and the US government, as far as its promise, making all of this is going to come to a screeching halt. And it's all going to be because the world is going to stop financing this party.

We live at the pleasure of the world's willingness to continue this game, where we print money. And then we use that money to buy the stuff that the rest of the world produces. And then the rest of the world takes the money that they earn by selling us stuff. And they just loan it right back to us by buying our financial assets, by buying our bonds or buying stocks or things like that. But this party is going to come to an end because the world is going to realize that when the music stops, they're going to get left holding a pile of worthless currency, because the more currency that we create, the more we undermine our economy by pursuing this course of action, the more inevitable that collapse ultimately gets. Now, up until now, yeah, that hasn't happened. Foreigners have been willing to underwrite this gate, but their willingness to continue that is going to come to an end.

And in fact, it's the ultimate in hubris for us to believe that we can get away with this indefinitely. I mean, at least initially when we first did quantitative easing, at least Paul Volcker came out and said that this was temporary, that the Fed was not monetizing the debt. That that's what Banana Republics did, and of course, America is not a Banana Republic. And so none of this debt is being monetized. Ben Bernanke assured the Congress and investors that all of the bonds that the Fed was buying during the emergency of the 2008 financial crisis, that all those bonds would be sold back into the market as soon as the emergency ended. That the Federal Reserve would not become a permanent source of financing for the US government. Now I specifically called out Bernanke back then, that was probably 2009 and said he was either incompetent and didn't understand what he was doing, or he was a liar.

But either way, I knew that the Fed was going to continue to buy government debt, that it was in fact monetizing the debt, because I knew once it started to do this, it could never stop. Right. Once it checked us in to this monetary roach motel, it would be impossible to check us out because once they started doing it, they created a situation where we then depended even more on the drug that they were supplying. And now that is exactly what's happened. Now that we're back at zero and doing QE4 or QE infinity the Fed is no longer even pretending that this is temporary. This is now business as usual. This is not an emergency tool. This is the tool that the Fed is using for any routine, economic slowdown. QE is permanent. The balance sheet is never going to shrink. Interest rates are going to stay at zero forever.

Now the world is not willing to accept that deal. They were willing to accept the earlier deal on the condition that it was temporary, but the fact that they were dumb enough to believe the Fed that it was temporary. It was impossible to be temporary. That was the point I made at the time. And the point I reiterated every time I was at the New Orleans conference. Now there's only two ways that you can look at this. Either the Fed was completely incompetent and actually believed the nonsense that it was saying. And remember, the Fed was saying the same nonsense during the housing bubble, everybody at the Fed, including Janet Yellen said there was no housing bubble. And that people like me who were worried about the housing bubble, they didn't know what they were talking about. That there was no sign of a bubble.

And then after the bubble popped the people at the Fed specifically, Ben Bernanke came out and said, "There's nothing to worry about. The problem is contained to subprime. Everything is fine. The economy is fine." These guys were sitting on the verge of the biggest financial collapse since the great depression, yet they couldn't see it as obvious as it was then even after subprime blew up, right. Something that they were completely clueless about though, I was warning about it for years and had even shorted the market in subprime. They still didn't know that it was going to happen. And then after subprime blew up, they were still too blind to realize the problem that it represented. They didn't understand how their monetary policy had distorted the economy. They didn't see the bubble that they blew. And so when everything fell apart in 08 they were completely surprised.

So that's either the case that they were blind then, and they're blind now because they have a terrible track record when it comes to seeing the adverse consequences of their policies. So right now, the same FOMC who was so sanguine before 08, is saying the same thing now, "There's no problem here. We can keep on printing money. We can keep interest rates low. We can have more stimulus and everything is great." You look at their forecast and the economy is going to do fine. These are the same pie in the sky forecasts that they were making in ‘08. Remember nobody at the federal reserve in 2008, even saw a recession coming. None of these guys had a recession in their forecast, even though it had started in December of 2007, they couldn't even see the recession that they were already in. And it was the worst recession since the great depression.

So why would anybody put any credibility into what these guys say. Now, if they weren't just incompetent, then they were lying. They were lying to us in 2006 and 2007 in 2008, they knew how bad things were going to be, but they were afraid to tell us, right? Like Jack Nicholson, they didn't want to tell us the truth because they knew that we couldn't handle the truth. So, they spoon fed us a lie instead. Well, if they were lying back then why wouldn't they be lying now, after all the adverse consequences that are coming now are far worse than what they were worried about back then. So if they lied about how big the problem was before ‘08, why wouldn't the same people be lying about an even bigger problem right now? So the point is, regardless of what you think, if you think the Fed is incompetent or you think they're a liar, either way, you want to completely discount everything that they're saying, and what you want to do is listen to the people like me.

And again, I'm not the only one who got this right, but one of the loudest voices who have advocated this, because everything that's happening is exactly what I said was going to happen. I knew that we would be back at zero. I knew that was inevitable. I knew we would do QE4. In fact, if you go back to my forecast at this conference, I said that QE4 would be bigger than QE one, two, and three combined. And that is already the case, and they're not even finished. And if you recall when Donald Trump was elected president, and there were a lot of people at the conference that were very hopeful that Donald Trump was going to reverse a lot of these bad policies. I said, "No, he wasn't." I said, "The deficits under Trump would be the biggest ever." And that's exactly what's happened.

In fact, when Trump finishes his first term in office, assuming he only has one term, the national debt will have increased during those four years, by more than the national debt increased during the eight years that Obama was president. Let that sink in for a minute. And in fact, Obama in his eight years as president added as much debt or more than all the presidents from George Washington to Bush. All the presidents proceeded him all those years, over 200 years of history, Obama matched that debt in his two terms. And then Trump bettered that and matched it in one term. And of course, I also pointed out at the time that Trump's trade war was going to backfire. And that's exactly what has happened. Not only are our budget deficits bigger than ever under Trump, but our trade deficits are bigger than ever too.

We just reported last week, the August trade deficit, it was the second biggest trade deficit in US history. I think it was the biggest trade deficit in 14 years, something like that. But if you just look at the goods, merchandise, which highlights manufacturing, it was the biggest monthly trade deficit in us history, right? And you can't say, "Well that's because of COVID." COVID isn't an American disease. The whole world's got COVID. So we can't blame our trade deficits on COVID. When other countries are enjoying larger surpluses and they've got COVID. In fact, our trade balance, which China has never been worse. Our trade balance with Mexico has never been worse. So if we were losing on trade before Trump was president, we're losing even bigger on trade with Trump as president, because we weren't running trade deficits because of bad trade deals and just renegotiating the deals and putting a different name on the same deal isn't going to change that.

We were running trade deficits because of the bubble, our bubble economy, we were spending too much money. We were borrowing too much money. We weren't producing. We were relying on what others produced and the difference which would show up in the trade deficit. Well, that bubble got bigger under Trump. In fact, Trump became the cheerleader in chief for that bubble as soon as he became president, he was a big critic of the Fed and their money printing when he was a candidate. And as soon as he became president, his only criticism of the Fed was that they weren't printing enough money. That interest rates were too high. They needed to go down. In fact, he says zero isn't low enough. Trump wants negative interest rates. He wants even more money printing. And in fact, now he wants an even bigger fiscal stimulus than what the Democrats want.

He's telling everybody to go big or go home. I wish the Republicans would just go home, because all of the stimulus is an economic sedative. They are throwing gasoline on the fire that they lit and is already smoldering. Now getting to the topic of my presentation, inflation, the Fed is promising more inflation, and that is the only promise that the Fed is going to deliver. And in fact, they're going to deliver a much larger dose of inflation than anybody believes. I mean, right now, the Fed is saying the problem in the US economy is there's not enough inflation, and they're going to solve that problem by creating more. Well, first of all, what do they think quantitative easing is, but a euphemism for inflation that is the definition of inflation. The Fed is expanding the money supply. Inflating the money supply is inflation.

That's why the stock market is up. That's why the real estate market is up. That's why the bond market is up. That was mine. It's inflation that has created this bubble. But all of that inflation in addition to making bubbles in the market is distorting the economy, leading to a mal-investment of resources, consumption savings, making the fundamental structure of the economy weaker. All of that savings, all that inflation, rather, is going to migrate into consumer goods prices. You're going to start to see inflation rates much, much higher than the so-called 2% average that the Fed is shooting for. But by saying that they're shooting for an average rate at 2%, that means they're actually shooting for a current rate that exceeds 2% to make up for all the years where they claimed it was below 2%. Well, inflation is going to be a lot higher than 2%, and there's no way to stop it.

The way that we stopped it in the 1980s or early in the eighties is Volcker put an end to the inflation of the seventies by allowing interest rates to rise to 20%. We can't even allow them to rise to 2% because we're so broke now. We weren't back then we had a much better financial position in 1980 than we have today. So, it's impossible for the Fed to do anything, to stop inflation once it runs out of control. The markets are going to figure this out before the Fed, and we're going to have a dollar crisis. We're going to have a sovereign debt crisis and people need to prepare and they need to prepare now, I don't know that you have another year. By the time we meet again, next year, this whole thing could be history, right?

It may not be talking about a potential crash. We're going to be talking about what happened, how it happened, why it happened. And so before that happens, prepare, and I would encourage everybody to spend some time, listen to my workshop that I already recorded in our booth. I go into a lot of the investment strategies that we are implementing for our clients at Euro Pacific Capital to help you, not only weather this economic storm, but actually prosper, make money as other people are getting wiped out. And I had my own timer go off. So am I out of my 20 minutes? Can you guys hear me.

Albert Lu: Peter, keep going.

Peter Schiff: Well, how much time do I have left?

Albert Lu: 10 minutes.

Peter Schiff: Oh, I set a timer. I was like, well, my 20 minutes was already up and I have 10. That doesn't make any sense, but all right, hold on. I kind of interrupted my chain of thought. So, I got to restart my process now, but I can't believe I got all that said in just 10 minutes, but anyway, so the point I am trying to make, with respect to inflation is when you have a Federal Reserve that is now promising to create inflation instead of fight inflation. I mean, that's really what's been holding up the value of the dollar. There's basically three legs that support the dollar, of a stool. You've got our trade deficits, you've got our budget deficits, and then you've got the Fed.

And right now none of those legs are there. We don't have budget deficits that are going down. Budget deficits are going up. And in fact, well, we don't have now in Washington is any opposition. You see when Obama was president, the Republicans got the Senate pretty quickly in 2010, or the house, and they were able to push back on the spending. They were able to apply a break because the tea party was all about deficit spending.

And we can't just have all these deficits. And so we sent some new congressmen to Washington to reign them in. Well, if Biden wins this election, which seems more likely than not, there is going to be no opposition from the Republicans to deficit spending because they have no opposition now. There was no opposition to deficit spending when Trump cut taxes and there was no opposition to all the bailouts. In fact, I just mentioned that Trump is actually urging Congress to pass an even bigger deficit spending package than the one Nancy Pelosi and the Democrats are asking for. So the Republican party is almost as profligate as the democratic party. And even as some of these Republicans find religion, once we no longer have a Republican president, they will look like complete and total hypocrites if they try to object to deficit spending under Biden, when they didn't object, what had happened under Trump.

So, the deficits are just going to explode, The Democrats, when they get in, they are going to try to give us as much as they can of their socialists' new deal, whether it's green energy, Medicare for all, universal basic income, government guaranteed jobs. I mean, who knows, but they're going to try to provide all these benefits. Yes. They're going to play lip service to paying for them with higher taxes on the rich. And they will raise taxes on the rich. The problem is that's not going to generate nearly enough revenue. In fact, the higher taxes could actually backfire and result in a lower collection of tax revenues, not just from the rich, but from the people the rich no longer employ because the high taxes stifled their businesses. So what the government's really going to be relying on is inflation.

In fact, the reason that the federal reserve says it wants more inflation is because inflation is how the government is going to be financing its spending. Donald Trump likes to pretend that he cut taxes, but that's a lie. Trump didn't cut taxes. Trump made government more expensive. Government is bigger now than it was when we elected Trump. Government is spending a lot more money now than it was spending when we elected Trump. So that increase in government spending must be paid for and is in fact a tax. In fact, government spending equals taxation. Now sometimes the government doesn't want to be honest about the true cost of what it's spending, because the voters don't really want to pay for the government. Now, if they think they get it for free well sure. But if they realize they have to pay for it, then they don't want it.

So what's happening is the government is spending over $7 trillion a year, but it's barely collecting $3 trillion in taxes. Where's it getting the other 4 trillion? It's getting it from the Fed. The government is printing more money that it collects in taxes. Now that doesn't mean that we get all of this government for free. We don't. There is a cost. That's inflation. Inflation is a tax. Even Alan Greenspan understood that. Even Warren Buffet. I've seen interviews where Warren Buffet defines inflation as a tax. And he says, it's a tax that very few people understand. Well, Warren Buffet understands it. That's why he's finally buying some gold stocks and who knows how much more he bought since his disclosure of his position in Barrick gold. But this is how the government is going to finance itself. Instead of taking your money and then giving your money to somebody else to spend, the government is going to print money, give that money to somebody else to spend, but that comes at the expense of the purchasing power of your own money.

And in fact, if you look at the dynamics of what is going on right now with COVID, we are printing more money, at the same time, people are producing less stuff and providing fewer services. People are staying at home and they're not adding any value to the economy. They're not doing work. They're not producing goods for us to buy. They're not performing services for us to buy, but they're getting plenty of money. They're getting it from the government. And now everybody wants to take that money and buy something, but nobody contributed anything to buy. So what's happening? We're just running bigger and bigger trade deficits. We're now relying more heavily on the productive efforts of the rest of the world because we're producing less ourselves. So, we are getting to the end of this ridiculous experiment. In fact, it's not even an experiment when you know how it's going to end.

And a lot of people, even smart people, will recognize that this is going to end badly, that we can't continue to do this indefinitely. But then they look at the dollar as the world's reserve currency, and assume that we can rely on this crutch, that we could do something that we normally couldn't do, but we're able to get away with it because the dollar is the reserve currency. Well, that crutch was able to work in the past. The problem is we're putting much too much weight on it for it to work in the future. People underestimate the number of days left in the dollar's role as the world's reserve currency. And a lot of people are under the false sense of optimism that the dollar’s position is safe because they don't see a viable alternative. The problem is they're not looking at the right alternatives.

They're focusing on other flawed fiat currencies. They're comparing the dollar to the Euro or the Yen or the RMB. And they're thinking that the dollar wins in that beauty pageant of ugly currencies. Now, first of all, I don't think the dollar is less ugly than these other currencies. They may actually be a better choice than the dollar, but neither would be a good choice. It doesn't make any sense to take the crown off of King dollar and just anoint the Euro or the Yen with the same privilege, because it's going to ultimately lead to the same problem. The obvious solution that everybody is overlooking is gold. Gold is the competition for the dollar. The world can easily move off the dollar standard and just go right back to a gold standard. I mean, first of all, central banks already have gold as a reserve asset.

They just need more. And of course, if the gold price goes up by definition, now more of their reserves are in gold, just because the gold is now worth more relative to their fiat reserves. But gold was the reserve asset before the US dollar. And the only reason the world went off the gold standard and adopted the dollar standard was because the dollar was as good as gold because it was not only backed by gold, but redeemable in gold. So if you had $35, you had an ounce of gold, they were equivalent. But what you can do with those $35 that you couldn't do with an ounce of gold is buy a US treasury and get interest. And we used to pay much higher rates of interest. So that way foreign central banks could really have their cake and eat it too.

They can own gold, but also get interest by owning US treasuries, knowing that whenever they wanted their gold, they can ask for it. Well, the minute the world gave us that privilege. Of course, we started to abuse it to the point where our lenders wised up and they realized that, "Hey, we were printing all of this money, but we don't have the gold to back it up. So eventually we're going to have to default." And so then owners of dollars began to demand their gold, which why we ended up going off the gold standard and basically defaulting on all of our promises and screwing all the people who had trusted us, but the dollar continued to function as a reserve currency, even though it was no longer backed by gold, because at least the US was the biggest creditor nation. We had the largest trade surpluses so we were this big wealthy creditor and the world trusted us.

The dollar got marked down substantially in the seventies because the dollar backed by nothing is not worth nearly as much as a dollar backed by something. But what's going to happen now is because we were able to just print money without having any gold behind it. We erected this gigantic bubble. And so now the US is the world's biggest debtor nation. We're not a creditor nation anymore. And not only are we the world's biggest debtor nation, we owe more money than all the other debtor nations of the world combined. We also no longer have trade surpluses. We have the biggest trade deficits since ever. So America is the mirror image of his former self. There is absolutely no reason for the dollar to continue as a reserve currency when gold is there as a viable alternative, gold worked great before the dollar replaced it. And it will work just as good if not even better after it resumes that role.

So, that is what everybody is missing. But of course, when gold is re-monetized, it's not going to be at $2,000 an ounce. It's going to be at a much higher price, right? It's going to be at a five digit price. And I don't really know what that price is going to be. A lot of it is going to depend on how much more money we print before we ultimately return to a gold standard. But again, it's inflation, it's this printing all this money that is going to put an end to this party because the world is not going to want to hold on to low yielding US treasuries when you have negative real rates, because inflation is going to accelerate and erode away the value of US treasuries, especially as people see the price of gold continuing to rise, because all treasuries are, are IOU dollars, their commitments by the US government to pay you dollars in the future.

Well, if everybody realizes that dollars are going to have a lot less value in the future than they do today, why would anybody want to hold them? Well, maybe if you paid them a high enough interest rate to compensate for that loss, they might hold them. But the problem is we can't afford to pay a higher interest rate because we're broke. So we have to keep artificially suppressing rates. And so what happens is the Federal Reserve isn't the buyer of last resort. It is the buyer of only resort, but again, when nobody will buy us treasuries, nobody will buy any US dollar denominated debt, right? Because the treasuries are at the bottom of that pyramid. And you'd knock that out and everything collapses. It's the rate at which everything else is measured. So the Federal Reserve is going to have to buy all the bonds, right?

All the municipal bonds, all the corporate bonds, because whatever the Fed isn't buying the rates are going to be soaring on those instruments, because they're going to have to reflect the realities of the market, but obviously nobody can afford to pay the higher mortgage rates or the higher rates on their bonds. So we have massive defaults, massive bankruptcies, bank failures. The only way the Fed can prevent that again, is to buy everything. But where does the Fed get the money to buy all these bonds? It prints it out of thin air. So that means the inflation has to accelerate to the point where it's a complete implosion and we run the risk of hyperinflation and I think the actual possibility of hyperinflation is now actually larger than ever. And the longer we wait to do something about it, the higher the probability that we actually have that end game.

Mark Skousen

“Who Has 20-20 Vision Of The New Twenties: My Favorite Ways To Profit In Technology And Gold”

Albert Lu: Let's go now to our next speaker. Dr. Mark Skousen was recently named one of the top 20 living economists in the world. And in 2018, he was awarded the triple crown in economics for his work in economic theory, history, and education. He taught economics and finance at Columbia Business School, and is currently Presidential Fellow at Chapman University where he received the My Favorite Professor award. He has the unique distinction of having worked for the government, non-profits, and several for profit companies. In 2004 to 2005, he taught economics and finance at Columbia Business School and Columbia University. Since 1980, Skousen has been Editor in Chief of Forecasts & Strategies, a popular award-winning investment newsletter. He's also the producer of Freedom Fest, the world's largest gathering of free minds, which means every July in Las Vegas. Dr. Skousen, welcome to the New Orleans Investment Conference.

Mark Skousen: Glad to be with you. I've been around a long time at the New Orleans conference. Can you hear me all right?

Albert Lu: Sure.

Mark Skousen: So I want to share on my screen my PowerPoint. And then we are going to take Q&A, so if anybody wants to ask questions, Albert, you'll monitor the Q&A. So for the last 10 minutes, I'll answer questions, if that's okay. And then let me see if I can share the screen here. Let's see. And my PowerPoint. How's that look? Can you see that all right?

Albert Lu: Yes, we can.

Mark Skousen: Okay, good. So let me begin… my theme is "Who Has 20-20 Vision in the new 20s? My Favorite Way to Profit in Technology and Gold." So you can see from my title, technology. I've had to change my portfolio, which I do from time to time, as many subscribers know, since I've been speaking at the New Orleans Conference longer than any other speaker, by the way, which is a unique feature. And you got to know the signs of the times, and the times are a'changing. And technology and gold have been the place to be. I'm sure you've already heard plenty on gold. I will make one specific recommendation that has done extremely well for my subscribers.

It's so important to adjust your portfolio when the climate changes. And we've certainly seen that. In January 2020, every year, my January issue is a prediction issue. My newsletter is called Forecasts & Strategies. I've been writing this newsletter since the greatest president of the 20th century was elected, so that would be 1980, and that would be Ronald Reagan. And I'll never forget the very first... Not the first conference that I had been to, the New Orleans conference, but 1980 was special. Not only did it have the largest turnout of any New Orleans conference before or since, but Gary North and I did these private sessions in our hotel suites into the night, until 2:00 or 3:00 in the morning. People were so excited about the change. And there was a dramatic change in January of 1980, where I made the prediction, the shocking prediction, that it was time to get out of gold and silver, which were at their all time highs in January of 1980, and to shift into more traditional investments of stocks and bonds.

And now in January 2020, here it is 30 years later, we need to make another shift. In the January issue, I made the prediction, the outlook for stocks, gold, and the dollar is positive as we enter 2020. But beware of a black swan event that could derail the longest bull market in history. You may notice in the background of my video here, I have the bull and the bear from Treasure Investments. I think it's the finest artwork of a bull and a bear that I've ever seen. And I'm a proud owner of this bull and bear bronze statue. I encourage you to... Art is a great investment and will remain the case, so if you're interested in that kind of art, then check out Treasury Investments. I think they're a great company that offers artwork. I'm not a fan of their IPO deal, but their artwork is really spectacular.

So I want to focus on two charts that caused me to change my portfolio. As many of you know, in my newsletter, I have been a big fan of value investing, and particularly in high-income investing. I've been recommending Main Street Capital, Omega Healthcare Investors, Enterprise Products Partners. These are all high yielding, rising dividend stocks that were performing really well. Those stocks are all down 25% or more this year. And they have made a comeback, but they were down 50% at one point, maybe even 70%. So it just goes to show you that you have to change your portfolio. And you'll notice my focus now is on technology and gold. Now, some of them do earn income, and income is an important factor. And I still have the big three in my portfolio. And certainly, a great place to be between now and the election in three weeks because of the great uncertainty that's taking place.

These two charts are what are going to drive the 20s. It's not going to be the Roaring Twenties like it was 100 years ago because we face these kinds of unsurmountable problems. I compare it to Humpty Dumpty who had a great fall and couldn't be put back together again. And you can see the money supply going through the roof, M3 increasing at a 26% rate. That is what's driving gold and silver prices higher. And should, at some point, cause the dollar to fall, as The Real Estate Guys indicated. And would be also bullish for oil, for that matter.

So my second chart is the budget deficit, which is out of control. Now, this estimate is actually up to $6 trillion for 2020 because of the stimulus measures that keep being passed, and they show a reduction in the deficit after that. But I have my doubts about that, frankly. Because if the Democrats win, and right now they're leading in the polls, they're leading in the election betting odds that John Stossel and others put together. Doesn't look good for Trump. Now, he may pull a rabbit out of a hat like he did in 2016. But remember that you have a lot of factors that weren't in place in 2016. You have a major recession going on, and that's not going away anytime soon because the lockdown is still in place in many areas of the country and in the world. You have mail-in ballots for the first time, which is an easy way to vote. So Democrats in droves may find it easy to vote and be encouraged to vote. May even be voter fraud that goes on. So those are big factors.

Plus, government spending under the Democrats is going to go through the roof because they have the Green New Deal, they have Medicare For All, they have actions to take against global warming. They're going to raise taxes rather sharply on wealthy people and states and capital gains.

Investors need to know that the Democrats are no friend of investors. No investor in his right mind is going to vote for Biden and the Democrats, considering that they're planning to eliminate...the long-term capital gains rate. So it's going to go up to 40%. Now, that's assuming they pass this kind of legislation. And it's possible that they may not do that.

So let's get into some of my favorite investments, to indicate technology and gold are the place to be. So here are my favorite investments that you'll find in my newsletter, Forecasts & Strategies, versus the Ark Innovation Fund, ARKK. This is into all kinds of technology and healthcare and pharmaceuticals, as well as electric cars. 10% of their portfolio is in Tesla. And so they have a wide variety of technology investments. And you can see from this chart, they've really done well since the stock market bottomed out. And I believe Ark Innovation Fund run by Cathie Wood, is going to be a superior mutual fund, well-balanced portfolio, but outperforming the market.

The Baron Partners Fund, run by billionaire Ron Baron, is probably the most bullish money manager on Tesla. He had Elon Musk, who was at the Baron Investment Conference a couple years ago. He had the current president of Barons at the latest Baron Partners Investment Fund Conference in New York. Unfortunately, they canceled it this year, like a lot of conferences. But their Baron Partners Fund has more than doubled, more than doubled, since the bottom of the market. So they are on fire. So Baron Partners Fund is one that you should look into. Now, I will warn you that when you get into Baron Funds, you just better plan on staying long-term. Because if you try to get out, they won't let you back in. So just a word to the wise.

Best ways to invest in gold. Well, I recommend three precious metals investments. One is the SPDR Gold Shares, GLD. It actually invests in gold bullion, so don't be dismayed by the term gold shares because it's not investing in gold stocks at all, it invests in gold bullion. And you can see that's clearly in an upward trend. You have some volatility, but nevertheless, gold is definitely in a bullish trend. And by the way, you need to understand that at the New Orleans Conference, I've been there many times and have been bearish on gold. And so I am not a permabull on gold like a lot of the other investment speakers at the New Orleans Conference. So I've been recommending gold and a gold position since December of 2018. And as you can see, that was a pretty good time to buy. And I've been in it and I remain in it since then.

So let me move on to my other one. This is a little bit more volatile, as you can see. Silver, SLV, it is the other investment that I like. I like silver because silver has a very explosive upside. And you can get into some silver stocks as well, if you like. It's much more volatile, as you can see. But I predict that silver will go over, for the third time, will go over $50 an ounce. So you can write that down. I believe silver, 1980, got $50 an ounce, thanks to the Hunt brothers trying to corner the silver market. Then in 2011, it hit $50 an ounce and then collapsed again. So I think it's going to $50 an ounce again, but it's going to be very volatile on the way up.

And then I have my favorite gold stock, B2 Gold. It's this international gold stock based in Africa and the Philippines. And they do have a political risk in Mali, where their main mine is. They did have a military coup. But the government owns 10% of the company, so they have a vested interest in this mining company. The other thing that's really cool about B2 Gold, it has a rising dividend policy. It went from 1 cent dividend to 2 cents and just raised it to 4 cents. And the dividend yield now is the highest dividend yield of any gold stock. And this is my speculative stock of the year, up 70% so far. But I still think it has upward potential as the gold price goes to $2,500, silver price goes to $50.

Now, I give myself a couple of years for this to happen. But it suggests that the government is out of control, not only in spending, but the Federal Reserve and their easy money policies. There's no reason to believe this will stop at any time, whether it's Trump or Biden. Both of them are afraid. They don't want rising interest rates. They don't want to cut back on any government program. They may not want to start new programs, but the Democrats are interested in starting new programs.

So with that, I've got about 10 minutes left. I did want to mention, if I might, about my special offer, if anybody's interested in subscribing to my newsletter. I consider myself a survivor, having been in this business for 40 years. So if you're interested in subscribing to my newsletter, you only pay $77 for it. Introductory offer. Comes out monthly, plus a special hotline that comes out every Monday. So just call the 800 number, 211-7661, or go to markskousen.com and tell them that you were at the virtual New Orleans Conference, the one and only virtual conference. We're hoping to be back together. I love New Orleans. It's really sad that we're not there right now. But we will be back there again.

So with that, Albert, I'm willing to answer any questions that anyone might have.

Albert Lu: Great, Dr. Skousen. Questions coming in. First question, how much of a market share do you think cryptocurrencies can steal away from precious metals in this macro environment?

Mark Skousen: So the cryptocurrencies like Bitcoin, they're moving pretty much the same way with gold and silver. So I see them as a bit of a competitor that didn't exist before. And so that's probably one reason we're seeing a little bit of a lull and not seeing such a dramatic rise in gold and silver that other gold bugs have been predicting. It's still hovering around $1,900 an ounce, silver at $24 an ounce. The Bitcoin, I believe, is over $10,000 now. So yeah, I think it's a legitimate alternative. But nothing can take the place of gold and silver coins as a way to invest. I always carry with me an American Eagle silver dollar, and also a Mexican 50 peso gold coin. You can't do that with cryptocurrencies, folks. And if the computers go down, you can still have your gold and silver. So don't allow them... Don't just invest in cryptocurrency. That might be a fine speculation, but it's not a long-term investment like gold and silver are.

Albert Lu: Mark, when choosing bullion coins to own, what factors do you consider?

Mark Skousen: So I want two kinds. I like the bullion coins. This is the American Eagle gold coin 2020. 50 million of those were minted last year. Now, the premium is a little bit high on that. So at this point, you could also go for the Morgan and Liberty coins. I love the Morgan coins, especially 1881, when Ludwig von Mises was born. So collecting rare coins is a good way to do it. But as far as extremely rare coins, you need to use Van Simmons at David Hall Rare Coins, somebody like that. Camino Coins is another coin dealer that I recommend. Brien Lundin has his recommended coin dealer for rare coins. But that's a totally different business. I prefer the bullion coins and the common dated rare coins, both gold and silver.

Albert Lu: Okay. And regarding exchange traded funds and trusts, you mentioned some that you like, I think. Can you walk me through the process on what you considered when choosing a product in that category?

Mark Skousen: Well, when you choose ETFs, you've got to choose ETFs that are very liquid and maintain their value. And I think GLD, the SPDR Gold is a good one, and I like the iShares Silver Trust. Both of those are excellent. You can put them in your IRA. You can have them in a regular brokerage account. I think they're good long-term investments. You should look at sell offs as an opportunity to buy. So liquidity is the most important thing with ETFs. And by the way, ARK Innovation Fund is an ETF as well. It's unlike Barron's, which is a no load fund. Liquidity is extremely important because there's literally thousands of ETFs out there, and many of them are illiquid. So liquidity is your key factor.

Albert Lu: All right. I have Brien Lundin here with me in studio. I think he has a question for you.

Brien Lundn: Hi Mark. How are you?

Mark Skousen: Well, good. It's delightful to see you without your mask. Good move. You're defying the state.

Brien Lundin: No, I'm just on camera, actually. So that's why I don't have... It'd be great to see you here in person. We miss having you in person. Every year, we get comments on our speaker reviews from somebody who keeps saying, "Tell Mark Skousen to take his hat off. He's indoors." So we're not going to get that this year, I guess. Although you're indoors and you're wearing a hat, so maybe we'll get that comment as well.

Mark Skousen: Brian, I invested $100,000 once in a hair regrowing a product. And you can see how successful it was.

Brien Lundin: So I take it your other investment recommendations were a bit more successful than that. Am I correct?

Mark Skousen: Well, as a matter of fact, the person who got me into the hair regrowth put me into a marijuana stock that made me... I think I turned $750 into $500,000. So yes, he made up for the blunder of the hair thing.

Brien Lundin: But didn't get you hair.

Mark Skousen: No.

Brian London: And you probably would have paid $500,000 for the hair. But anyway-

Mark Skousen: No, no. I profited $400,000 overall.

Brien Lundin: Okay. Well, to my question. Now, I'm a little bit confused because I hear you talking about gold bugs, and I detect a bit of derision when you use that term. Yet you always come up and talk to people and you pull out the silver coin, you pull out the gold coin. Sometimes you actually hand it to people and they run away with it. I've actually done that before. But you are somewhat, I would think, of a gold bug, silver bug yourself. Are you making a distinction between or conflating gold bugs with permabulls in gold? And what's your view on gold and silver as not so much in investment that's made to be timed, but perhaps insurance against inevitable currency destruction, store wealth kind of a thing, as opposed to an investment to try and time the markets?

Mark Skousen: Well, Brien, I started in this business in the early 1970s. And after reading Harry Browne's book, How To Profit From A Monetary Crisis, my first investment was silver. So that's why I carry silver with me at all times. Plus, I hate the fact that 50 million of these were minted last year and they're all in safety deposit boxes, rather than being displayed and used as compensation, as tips, as graduation... They have the date on there, so when your child graduates, give them one of these coins, or when they get married, because they have the date on it. So whether it's gold or silver, I think it's really valuable to circulate these coins. And it's really a sad commentary that today when I use it to give it special to a taxicab driver, they don't know what this is. You have to tell them, "By the way, this is a silver dollar." And it's really sad.

So the 50 peso gold coin that I have, I think this is the most beautiful gold coin. And I take it out and take a look at it and it's beautiful. And it says on the side of it “independencia libertad,” independence and liberty. And we're losing that today. So I like to keep these coins as reminder of the importance of life. And I never sell these. You have to have a core position in that respect.

However, I am critical of gold bugs. And I've met many of them at the New Orleans conference who come up and say, "I have 100% of my investment portfolio in gold." Well, stay tuned for sometimes 10 to 20 years of a bear market. That's not what you want to do. You want to have an insurance position in gold and silver, but you don't want to be overwhelming in all your positions in gold and silver, and mining stocks as well, because they do go through treacherous bear markets. I'm bullish on both right now, but you can look at the charts. That's the reason why. So I think I've learned my lesson not to just be a permabull on gold. But it's a very cyclical commodity.

Brien Lundin: Well, I would call you a gold bug if you believe in a privatized gold and silver standard. So that fits that definition for me. But I look forward to seeing you and seeing your coins in person next year.

Mark Skousen: Listen, Brien, let me just mention that at your conference, I had a major confrontation with Milton Friedman. And I have in my wallet his $20 bill that I've torn up. And that is quite a story at Commander's Palace. And I have told that story before. If people are interested, you can go to mskousen.com and read my story, my friendly fight with Milton Friedman. And I will thank you and Jim Blanchard for having Milton Friedman come, because we discussed this sort of thing because he accused me of being a gold bug, and why are you so passionate about gold? And I am passionate in certain respects, but not as a speculation, more as an insurance policy. Thank you.

Ronald-Peter Stoeferle

“A Golden Decade Ahead!”

Albert Lu: And our next speaker is Ronald-Peter Stoferle. He's a managing director of Incrementum AG responsible for research and portfolio management. He studied business administration and finance in the U.S. and at the Vienna University of Economics and Business Administration. In 2007, he published his first In Gold We Trust report, a name that has become one of the benchmark publications on gold, money and inflation. He's an advisor for Tudor Gold Corp, a significant explorer in British Columbia's Golden Triangle, as well as a member of the advisory board of Affinity Metals. He's also an advisor to Matterhorn Asset Management, a global leader in wealth preservation in the form of physical gold stored outside the banking system. The title of his talk today is A Golden Decade Ahead. Welcome Ronnie, please take it away.

Ronald-Peter Stoeferle: .... Thank you very much, gentlemen. I hope this works now. You should see my slides. Does it work?

Albert Lu: Yes. We see your slides.

Ronald-Peter Stoeferle: .... Excellent. Perfect. Thank you very much. It is a great pleasure being here online, virtually at the conference. I've been to New Orleans a couple of years ago during my semester abroad. I don't remember too much anymore, but we had a fun time, and thank you very much to Brien and the whole team for setting this up virtually. Jan, Thank you very much. This was a tremendous presentation. I really encourage everybody to sign up for his newsletter. Everything that Jan writes is a must read for me. So ladies and gentlemen, in the next 20 minutes, I will give you a brief update of our last In Gold We Trust report.

The title of the report was The Dawning of a Golden Decade, and as you know, our reports are quite extensive, so this report was 350 pages, quite a brick. We published this report in German, in English and in Mandarin, and it wouldn't be possible to put this report out for free without the support of our premium partners. So thank you very much for supporting us. For us, it's really important to inform and to educate our readers all over the globe about sound money, about what gold and mining stocks do for your portfolio, how it hedges you from the insanity that this happening in markets. And we're very glad to reach roughly two million readers every year. Thank you very much.

First of all, I would like to start with, of course, the stimulus measures that we have seen over the last couple of months, and those were truly historic. Herbert Hoover, he said, “blessed are the young, for they shall inherit the national debt.” As a family father, I think that's a bit cynical and actually quite tragic, but we saw that those debt piles and those debt mountains that were already enormously high, that they got even higher. And the second quote that I wanted to bring up is from Liaquat Ahamed who wrote Lords of Finance, one of my very favorite books that are just re-read over summer. And he said, “monetary policy does not work like a scalpel, but more like a sledgehammer.” And I think we're seeing this sledgehammer causing this, let's say crack up boom, that we're seeing and experiencing all in markets.

Now, what is the big difference between the great financial crisis 2008, 2009, and the COVID crisis of 2020? From my point of view, the big difference is that this time around we're seeing unprecedented monetary stimulus and unprecedented fiscal stimulus. Just to give you one number, we did in two weeks in the spring of 2020, what it took the Federal

Reserve eight months to do in 2009. Actually, from its inception in 1913 to the beginning of 2020, the fed's M1 monetary aggregate had reached $4 trillion. Before the end of this year, it will likely hit $6 trillion. So that means that 50% of the money it has created in all of its 107 years history would be created in just one year. Now, have a look at this chart, ladies and gentlemen. You can see the growth rates of M2, actually in the seventies, a highly inflationary decade.

It was maximum at 14%. In 2008, 2009, M2 collapsed because it was a crisis coming out from the banking system. Now, M2 is growing at a pace that we haven't seen since the 1960s, actually. And it is not only monetary growth going bananas. It is also government stimulus. What you can see here is federal debt growth on a quarterly basis, and you can see those numbers are also significantly higher than the numbers that we saw in 2008, 2009. Now the big question that most people are asking me is deflation, inflation, reflation, stagflation, hyperinflation, hyper stagflation, what is it going to be? Well, ladies and gentlemen, I would say that the deflationary pressure is still pretty high. You can see that the velocity of money, or as the Austrian school of economics would say, the demand to hold money has collapsed over the last couple of weeks.

From my point of view, the big driver for velocity to make a turnaround will be a COVID vaccine. Now I've got no idea if it's really going to come out in the next couple of weeks or months. And I am not sure if I should get this vaccine, probably not, but it will change the minds and the expectations of market participants. People will see light at the end of the tunnel. And from my point of view, once we have this vaccine, I think we will see more optimism coming into the markets. And I expect velocity to bounce back. Now, still this deflationary pressure is big, as I've said. We're seeing the biggest slump since the financial crisis. We're seeing the biggest recession, basically since the Great Depression and we should expect a default wave.

Now this default wave, of course, is highly deflationary. That's a fantastic chart, by Dave Rosenberg showing the high yield default rates. At the moment, this is still kindergarten, but we will at least go to 2008, 2009 levels, at least, and this will be highly deflationary, of course. Now everybody is scared of deflation, obviously, although we should appreciate falling prices, but the higher the debt, the bigger the fear of deflation, and the bigger the desire for more inflation. Now, ladies and gentlemen, I've got no doubts that actually our central bankers will do whatever it takes to compensate this deflationary pressure.

Murray Rothbard, one of my favorite economists, he said, “if you have the power to print money, you'll do it.” You find reasons for it. You save banks, you save people, whatever. There are a lot of reasons to print. And actually, this crisis is also the door opener for more, let's say, creative or aggressive measures. Have a look at the Google search trends for modern monetary theory. It's going through the roof. You should have a look at the book, The Deficit Myth by Stephanie Kelton. You don't have to read it, but it is important because Stephanie Kelton, if the Democrats should win, she might become a really, really important person. And MMT, modern monetary theory, or the Mugabe Maduro theory of money, or the magical money tree will become something that will really become mainstream. This is the next stage of the solutions that central bankers and politicians see. And another thing that will be introduced very soon is central bank digital currencies, so the ECB is getting close to the CBDC. They also got the trademark digital Euro, but it's also in the U.S. where the federal reserve is actively working on a digital dollar.

A Fed member said the legislation has proposed that each American has an account at the Fed in which digital dollars could be deposited as liabilities of the Federal Reserve banks, which could be used for emergency payments. So perhaps at some point, if you want some government stimulus, if you want some subsidies, you will have to have a digital wallet. Now this, of course, is a big threat to our traditional money creation and to our banking system, of course, but you should read this report by the Bank for International Settlements, Central Bank Digital Currencies, Foundational Principles, and Core Features. Very, very interesting read. And of course, if you have a digital currency, it's much easier to implement negative interest rates. Coming to negative interest rates or negative real rates.

Have a look at the five-year TIPS and the price of gold. You see a very strong correlation. Now, the Fed has told us, we are not thinking about raising rates. We're not even thinking about thinking about raising rates. Now, they also implemented this average inflation targeting. From my point of view, one of the biggest and most important shifts in central bank policy over the last couple of decades. Now this means this is the guarantee that we will see negative real rates for the next years to come. Now negative real rates, ladies and gentlemen, we wrote more than 3000 pages of research about gold. If I would have to choose only one single indicator for gold, one single driver, it would be real rates and the direction of real rates. Now you can be sure that we will see over the next couple of years, negative real interest rates, which should provide a fantastic environment for the price of gold and for a further bull market.

Now, where are we heading to? The big thing, ladies and gentlemen, that really changed this year is that institutional investors are joining the gold party now. What you can see here is ETF gold equities in percent of U.S. equities. Now 0.6% are invested in gold ETFs. At the moment, the number is rising, but we're still below the 2011 numbers. My friend, Shane Maguire, came out with a study saying that 0.5% of all assets for institutional players are invested in gold at the moment. So there's lots of room for upside, and you can see that Goldman Sachs, they just bought the Perth Mint physical gold ETF. Pretty interesting. One or two years ago, they weren't interested in gold at all. Another sign of the strength of the gold market, gold started outperforming stocks. Actually, I showed this chart in the fourth quarter of 2018, when gold was really coming back to the radar screens.

If you remember, this was a quarter when basically every asset class was down, but golds provided stability in your portfolio. It was a solid defender for your portfolio. And since then, gold slowly started outperforming the equity market, and we expect this to continue over the course of this so-called crack-up boom. Now the big question is, is gold expensive? Most people that I'm talking to, let's say, well, now at $1,900 gold is a bit too expensive for me. I will start buying again when it goes to $1,600. Well, good luck with that. From my point of view, we don't see this extreme optimism that we should see in a bull market. We saw that the last couple of weeks, the price of gold was basically consolidating. It took a breather and it's a very, very healthy development. We also saw, once we went down to $1,850, we saw that sentiment was coming down big time.

So it only took $150 fall in the price of gold to really scare the bulls, which is a tremendous sign. Now, gold is still cheap relative to stocks. I mean, we should go to, at least the means and commodities are even more undervalued. We saw that gold started to move. Then the silver market followed, and then the commodity markets in general. Have a look at the charts of copper. Have a look at agriculture commodities. We can see on this, I mean, it's a very, very long term perspective. Relative to equities, commodities are a steal. They are just dirt cheap at the moment. And you know, over here in Europe, I can tell you, commodities are probably the most contrarian investment. Nobody cares about commodities at the moment. It's all about tech stocks. It's about private equity. It's about real estate. Commodities are definitely out of favor.

Now we came out this year with a very long-term perspective on gold. We were basically showing a 10-year scenario, and we said that over this decades, price inflation will be one of the most important drivers for the price of gold. We calculated a model that is based, first of all, on monetary growth, and the second part is trust in gold. So basically, a very simplistic model, but we did some back tests, and it works pretty well. And we came to a probability where it's at peak price at the end of this decade at $4,800. Now that might sound like a lot, ladies and gentlemen, but that's a compound annual growth rate of 10.1% until the end of this decade. It's not that much, and actually 4,800 bucks, who would have imagined in the 1970s, that gold will go from $31 bucks to $850?

Whenever I show this chart, people ridicule us, but I'm sure that at the end of this decade, we will be the ones who will be laughing. So have a look at the description of this model. You can find it on page 345 of our In Gold We Trust report. I think it's a really, really interesting take because obviously you cannot value gold with a DCF model, but I think this is one of the best approaches when it comes to valuing gold. Now I'm already coming to our conclusion. The Dawning of a Golden Decade. The Coronavirus is the accelerant of an overdue recession that heralds the dawn of a new monetary world order. Ladies and gentlemen, last year, we forecast a recession to happen.

Corona was only a catalyst, so we would have experienced this recession anyways. After the Corona crisis comes the debt crisis. We have completely lost the availability to understand that the amounts of debt and monetary stimulus that were created over the last couple of months. Nobody can really gauge those numbers anymore. At the moment, we had 35 trillion, monetary and fiscal stimulus. Rising price inflation is not a tail risk. Negative real interest rates will be the new normal. We are seeing the Renaissance of golden institutional portfolios. A gentleman called Warren Buffett, not the worst investor, and he's definitely not a gold bug, but he started buying Barrick gold, as you know. He also sold his most of his position in some of the biggest financial stocks and banks like Goldman, like JP, like Wells Fargo. It's a sign.

Mining stocks and commodities will be major beneficiaries. And they’re still largely under owned and gold miners and Bitcoin, we like Bitcoin, are on the way to new all-time highs. Ladies and gentlemen, I hope you enjoyed that. It's really a very compact summary of our 350 page report about gold. We also just published our new chart book on gold. You can download everything for free on our webpage, ingoldwetrust report. Now, thank you very much for listening to me. I hope you enjoyed it. I did so very much and I would say all roads lead to gold. Thank you very much.

Albert Lu: Thank you for that, Ronnie. Excellent talk.

Lobo Tiggre

“The Election, The Next Market Crash, And Monetary Metals”

Albert Lu: We're going to get to our next speaker. And I hope it's an optimistic talk because they're talking about resorting to eating dog food here in the chat. Let's get to the next speaker Lobo Tiggre, he's the founder and CEO of Louis James LLC, and the principal analyst and editor of IndependentSpeculator.com. He researched and recommended speculative opportunities at Casey Research from 2004 to 2018, writing under the name Louis James. His talk today is the Election, the Next Market Crash and Monetary Metals. Please welcome Lobo Tiggre.

Lobo Tiggre: Well, thank you very much, Albert. I'm happy to be here with everybody. I don't know how many people have held on to the end of a long day full of ideas and opportunities, but I'm sure that my good friend Brien Lundin saved the best for the last here. But on the other hand, I'm not so sure, we've heard from Rick today. We've heard from Adrian today. People I respect a lot. I just watched Adrian's talk and I hear you, Albert. I was kind of depressed by the first half of it, but I couldn't find any fault with it. I agree with pretty much everything he said, and that's actually not that one thing, but everything that I've been hearing in this conference so far, has me sort of revising my talk a little bit. I'm in substantial agreement with much of what you heard from the other speakers.

I don't see a lot of point of rehashing things that others have already expounded upon so eloquently. So I think I'm just going to touch on a few key points and then Albert, if you don't mind, I'd just like to make it a Q&A session for the second half and just read off whatever people have on their minds. I would like to be as helpful as I can to the audience. And I don't think just repeating what everybody else has said is the most helpful thing I can do, but I do want to put my own brand on it. So let me go ahead and tell you that I am as bullish on gold and silver as I've ever been, despite the nominal all-time highs. And that doesn't concern me at all. And many of the reasons like I say, have already been discussed, I think the big distraction right now is the election.

And that's why so many people have been asking about this. I wanted to address that and actually throw it into the ring as for why I'm bullish because this selection is not a win, lose election for gold. I'm not the only one saying this, but I think that really is worth stressing. The options coming out of the election are spend and spend more. There is no austerity option really on the table. I suppose if aliens came down and imposed some new regime, that may be a chance for some kind of austerity in getting the federal budget balanced again or something. Maybe the libertarians will win somehow and change everything. But I wouldn't expect that the more realistic options that we have, the options are spend and spend more. Both of those are extremely bullish for monetary metals.

So I'm just not worried about the election though, however, now as an American, as a citizen, okay I'm worried about the election, but I'm not here to talk about politics. I'm here to offer the best guidance I can as a speculator and as an investor. So the election, it's a win, win more situation for us, not a win-lose. Now there is some question mark about, well, what happens if the election is disputed? Well, as others have pointed out, we've had dispute elections before. I'm not too worried about this. For all the great animosity that has been stirred up. Yes, I see it. And I tell you the level of hatred and the violence that I see in the sides is new in my experience as an American and I wasn't around for the Watts riots. So maybe it's not entirely new, but I do see the current situation is quite alarming. But this isn't some banana republic, that this is the United States of America.

And it's very hard for me to see that either side would simply toss out the rule of law. And if the thing is contested and it goes before the judges or whatever, and the decision is handed down, you won, you lost, here's the decision. I really have a hard time seeing that becoming civil war. Maybe I'm wrong. Maybe things are worse than I dream, but I just don't expect that. And I wouldn't bet a lot of money on a civil war. So I'm not too worried about that, but I will say this, an ugly dispute that drags on, I think it would be very bad for Wall Street. It doesn't worry me about gold or silver at all. But I think on Wall Street the longer a dispute goes on, the more alarmed investors will be.

And I think that's a reflated bubble that's looking for another pin and a long ugly dispute there could be the pin that pops that. This takes me from the election to the crash, the second part that I wanted to talk about because so many people are asking about it. So I don't know that we actually have to have something like a contested election for there to be a crash. I think you look at the market action. You look at the sort of signs of panic, just because discussions of the so-called stimulus are delayed. That tells me that the market is much shakier than a lot of the bulls would have you believe. And it may not need any pin at all, nothing visible. It could just be that someday somebody decides to sell, somebody else decides to sell. And the grain of sand that starts the avalanche could be invisible. We will never know what it was, but just the day came where people started selling, it snowballed and we end up with another waterfall event type situation on Wall Street. That could easily happen.

I think everybody, even the bulls know that the valuations are crazy. Things Adrian was saying before me, this is unsustainable, they know it, we know it. And that makes it very easy to come unraveled very quickly.

Now the other outcome that I had a lot of questions from readers about is, well, what happens if it's split? Like if the Democrats win everything, then the easy money spigots are obviously going to be wide open, maybe Trump will drag his feet for a while though. While until the new government takes over, is there a conflict between the old government, the new government, maybe nothing happens until next year? Well, my answer to that would be one, markets are forward-looking and if the Democrats win everything, and everybody sees the more easy money on the horizon, I suspect that would be priced in. But you know what, if the markets can't wait a couple months for Biden to get sworn in and for more easy money to start flowing. If the markets can't tolerate a couple months of waiting, then that tells you just how fragile they are and how precarious the whole situation is.

So before I move on to what I think is the more value-added part here, just discussing the concerns that people have. The election, I think is win-win. The market crash, it's possible. It doesn't need an excuse. It could happen at any time, but it may not happen. Everybody can see the easy money on the way. The difference between the Republicans and the Democrats right now is 1.8 trillion versus 2.2 trillion in new money. Either way, it kind of averages out to a couple of trillion more, and that's just the next installment. This may or may not boost Wall Street, but it could. And instead of seeing a crash, the signs of easy money coming could send it up to the next meltdown. So unlike some other people who are adamant that there's going to be another crash and it's going to be soon. I see that, I see the arguments for it, but I'm not convinced that it has to happen soon. So I would not certainly sell everything in expectation of a crash. I think it's sort of a toss-up right now and I couldn't put odds on it.

All right, the end of the day though, I wouldn't go along on mainstream things. We were just discussing after Adrian's talk about portfolio balancing and maybe I'm a crazy goldbug, but right now I wouldn't want to own anything mainstream. I would go heavy into gold itself. And to me, that's not a speculation. It's not even an investment. When I buy gold, that's what I do with my savings. That's physical wealth that I'm just not worried about. So I want to buy as much gold as I possibly can. As an investor, as a speculator. I'm all in gold stocks and silver... No, not at all. I have some uranium and a bit of copper, but I'm all in the resource space and I'm all in companies that I think make it through it, no matter what happens.

Do I think Tesla makes it through no matter what happens? I don't know, but if there's a great big stock market crash, I certainly don't want to buy a stock that's had such a crazy run and that applies to all the market darlings out there. So I do not want to be short gold and silver. I do not want to be long mainstream equities. The uncertainty ahead is bad for almost any other asset you can think of besides cash, gold and silver.

I'm a conservative speculator here, sticking with what I know. I want to mention one more thing before the what to do part, which I think is the pay part of the talk. And as there's been a lot of comparison of the economy to a drug addict, right? And it takes more of the drug to get the same effect each time. And therefore, there's no choice. I get that metaphor and I kind of see it, but I don't think that's quite right. I see it more as a patient on life support. Maybe you've been in a terrible accident and the doctors have saved your life, but they've saved it with an artificial kidney over here and an artificial lung over there and an artificial heart over there.

And you can't unplug any of these things or the patient dies. So it's not just a matter of, "Oh, we're craving more." I think the US economy is being kept alive. And I think there's something analogous is going on worldwide. I think it's being kept alive by these crazy policies that governments have enacted. So maybe there's something to be said of, "Oh, they have no choice. Oh, they couldn't just let it die." That's a longer conversation than we have time for.

But I think it's important, especially for gold and silver investors, because it would be different if it was just this craving or if it was just, "Oh, Trump wants to win the election or Biden wants to win the election." So everybody's promising this and that and the other because of what they want. It's not just what they want. It's not just the craving. I think they have no choice. I think people like Powell probably know better, but they think they have no choice and that's much more akin to a patient on life support to me and then a drug addict.

So yes, I'm as bullish as ever in that environment where you can't unplug the patient. I just don't see any serious bear case for gold and silver. Maybe short-term silver if it gets an industrial metal whack if there's another meltdown or something. But at the end of the day, both are monetary metals and it's extremely bullish what's going on right now for those.

Now, so what do we do, where do we do in this environment? How do we make money here? As I've said, I buy gold and silver themselves as savings. That's where I stacked away my wealth and I try never to sell them. I accumulate them, stacked forever. Unless of course there's an urgent need, which is why you dive into savings when you have to. But where I'm deploying, I think there's something to what Rick Rule was saying earlier about the majors. Normally I'm more interested in the juniors because the hockey stick potential, but right now I have to state there's something quite attractive about the producers that are just gushing cash. It's amazing to me that people got so excited nine years ago in 2011 when gold touched $1,900 for a day. No, here we've had gold over $1,900 on average for more than entire quarter, and companies are going to produce, I mean, have produced and they're going to report their financial results soon.

I think we're going to see... We already saw a record results in a lot of companies in Q2. I think we're going to see stellar results for Q3. And I think that's going to get a lot of attention, a lot of love out there for new investors. So I'm partial to producers now in a way that I can't really say that I was before. Haven't really done a lot of buying yet because a lot of them seem fairly priced in. But if we do get another market meltdown, I would love to see an opportunity to buy some of these best of class plays on the cheap. Besides the producers, some of my favorites you will know about, I won't dwell too much. There's the pre-production sweet spot. If you don't know what I mean by that, please go to IndependentSpeculator.com and use the search tool to look for PPSS.

I have an updated free report explaining the entire situation. Basically, it's a way to capitalize on the rerating from a company that goes from spending money, building its mine to making money. And the market rewards that much more than it was previously appreciated. This is sort of my claim to fame and the resource sector, to my knowledge, I'm the first one to publish an in-depth study of the pre-production sweet spot. Another favorite of mine is what I call success in progress. This is exploration, but it's not prediscovery, it's not hoping somebody is going to hit this monster hole is going to send the stock up 10 times. It's after that initial discovery, and maybe after the second round, or even the third round of drill results that shows that this isn't just a one hit wonder, this is a real deal. And the team just keeps hitting more and more gold, silver, whatever it is, as they drill.

That's what I call success in progress. You can search for that on IndependentSpeculator.com as well. There's a free report. You're welcome to download on success in progress. Now, strategically, those are two of my favorite types of stocks to buy. I also look for private placement opportunities. And if you don't know what I mean by that, I'm sure most of you do, but I have a free report also on private placements. You can search for that on the website. And the thing to keep in mind there is that a lot of people incorrectly assume that, "Oh, well, if I'm not an SEC accredited investor, I can't participate in these private placements." That's actually correct. But the private placements create other opportunities. When one is announced, share prices often drop. And so people who are watching for this can take advantage on the open market. Also when share is created in a private placement, come free trading, prices often drop, and that can create a second opportunity.

So there's more ways to win on private placements besides just participating as an accredited investor. And finally, I do think that takeovers are something to watch for. This is another thing you can search for at IndependentSpeculator.com. See what I've written about takeovers. The type of characteristics that make for an obvious takeover candidate are fairly obvious. I think extra due diligence is required. A lot of them look good on paper, but there's a reason why they haven't been taken over and maybe never will be taken over. And I think that happens to be one of my specialties, identifying companies that will get taken over. Finally, one more point before we get to Q&A and that is, don't forget to lock in profits. It's kind of scary to me how many speakers at this conference agree with me, or they're saying what I would say, or how bullish they are on gold and silver in particular, other things as well.

When everybody's saying the same thing as a contrarian, and that makes me nervous. So I want to make sure that if things disappoint me, if I'm surprised, if we're all surprised and somehow we miss something or things turn around in some big way that we don't let our big winds slip through our hands. I have a strategy here, an improvement on the old Casey free ride formula. I call it the upside maximizer. If you go to IndependentSpeculator.com, once again, there is a free report on the upside maximizer in details the strategy, it gives examples. It walks you through what to do, how and when, and the basic idea is using a form of stop loss, not to stop losses, but to make sure you don't lose your big wins to lock in your big wins.

So nobody knows the future for certain. So I'm a big believer in making sure we don't let our wins slip through our fingers. Albert, if you're still there and paying attention, those are my key points. I can talk a lot more about any one of them, but much of it is things people have heard. So I'd rather answer questions. Is there any concern or issue people have not heard addressed that I can help out here? I would love to do that.

Albert Lu: Lobo, we have a number of questions coming in. We'll try to get to as many of them as we can. We don't have much time left, but I would invite you to check at the general session chat area afterwards, maybe to answer some of the many questions that are coming in. First off you expressed an interest in sort of the larger companies. Does that mean you think that the junior miners are overvalued at today's prices?

Lobo Tiggre: Yeah. I heard Rick talk about that. I'm not sure I would say that they're all overvalued. You can look at a lot of them. They have a PEAs PFSs or whatever. You can look at the projected NPV or their projects. And some of them are still undervalued compared to those NPVs, even not using the current gold prices. They'll have these different scenarios at 1,500 and 1,800 at 1,300. Some of them are still undervalued at lower gold, much lower gold prices than today. So I wouldn't say that as a blanket statement, but Rick is a loan shark. And I mean that in the nicest way. He looks at it as a source of capital to these companies. And I absolutely agree with him that you have a company that's got nothing but a dream, but it's got silver in the name and there are silver investors beating down the door.

They say, "Oh, we're going to raise $10 million." And suddenly they raise 20 million, 30 million, right? The upside is the private placement. So I can see from Rick's perspective, how it seems like, wow, these are all way over priced and there's too much money chasing after too few stories. But if you're selective, I think you can look at the valuations that are out there. And by the way, if a company has nothing, the correct valuation is zero. I don't give them anything for size of land package or even a successful management team. If there's no deposit that I can try to put my arms around, the correct valuation is nothing.

Albert Lu: Lobo, question from Steven Pierce. "Of your own portfolio holdings, are there any companies that you're monitoring closely on the downside?"

Lobo Tiggre: Well, like I say, I put upside maximizers on all of my wins so that they don't slip through my fingers. Are there any that I'm really worried about? I would say as a class, I am honestly worried about all my uranium stocks. Now as a fundamentalist, I'm not really worried about the uranium scenario. I'm very bullish. And by the way, I think uranium is more insulated from the potential for economic downturns and other energy minerals or other industrial minerals. It marches to the beat of a different drummer, but there's potential for them to get whacked anyway with the broader markets, stocks are stocks after all. Energy stocks are... I think it would be wrong for investors to sell off their uranium stocks just because Wall Street is having a hissy fit, but that doesn't mean it won't happen. So that worries me.

I'm also worried about people getting bored. Everybody was excited when uranium was going up earlier this year. Now it's not going up. It's not crashing. It's still having a great year, but that's not good enough. If it's not going up like crazy, we're not happy. So I am worried about that. I'm worried about people just giving up, getting bored. It might take longer than investors are willing to wait for uranium to have its day in the sun, but I'm not actually thinking of selling anything on that basis. The company would have to fail, they would have to run out of money or their project turned out to be not what I thought or hoped. That's what it would take for me to sell one of those. But I have to say those are the ones that I'm monitoring their prices and I'm watching the downside. I can't bring myself to sell in front of fear though. I can see myself buying if there's a just stupid, cheap price opportunity.