

Gold:

The Start Of A New Bull Market Or Just A Dead Cat Bounce?

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About Incrementum

- Incrementum is an **independent asset management boutique**, based in the principality of Liechtenstein.

Incrementum AG
In Gold we Trust 2016
June 28th, 2016



In Gold we Trust 2016

Gold is back! With the strongest quarterly performance in 30 years, the precious metal in Q1 2016 emerged from the bear market that had been in force since 2013. A decisive factor in this comeback is growing uncertainty over the recovery of the post-Lehman economy. After years of administering high doses of monetary painkillers, will the Fed succeed in discontinuing the practice? Or is the entire therapy about to be fundamentally challenged?

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Generating growth and inflation remains the imperative of monetary policy. The systematic credit expansion required for this just doesn't want to get going. Even the ECB, which initially acted with restraint after the financial crisis, is nowadays stuck in a perennial loop of monetary improvisation and stimulus. **General uncertainty has now increased even further after the surprise outcome of the Brexit referendum.**

After years of pursuing low interest rate policies, central banks have maneuvered themselves into a lose-lose situation: **Both continuing and ending the low interest rate regime harbors considerable risks.** In an attempt to finally achieve the desired boost to growth, a monetary Rubicon has been crossed in several currency areas with the imposition of negative interest rates. **Gold is increasingly attractive in this environment. It used to be said that gold doesn't pay interest, now it can be said that it doesn't cost interest.**

As a last resort, even the radical measure of helicopter money is considered these days. As the flood of liquidity has hitherto primarily triggered asset price inflation, newly created money is now supposed to be injected into the economy by circumventing the banking system in order to boost aggregate demand. It seems realistic to expect that such a windfall would indeed ignite the much-coveted price inflation. Whether it will be possible to put the genie back into the bottle once it has escaped is a different question.

An exit from the Fed's monetary emergency programs has been announced for years in the US. This, together with the perception that the

- Our investment philosophy is influenced by the **Austrian School of Economics**
- Our core competences:
 - Precious metals
 - Commodity investments
 - Active inflation protection
- In Gold we Trust Report:
 - Reference guide for everybody interested in gold, precious metals and mining stocks
 - More than **1.5 million downloads** in 2016, newspaper articles in 60 countries
 - „**The gold standard of gold research**“ (WSJ)

Gold: Bull Market Or Dead Cat Bounce?

Gold In „No Man's Land“ No Major Move Until Early Summer Expected



Sources: Investing.com, Incrementum AG

Gold In Various Currencies

	USD	AUD	CAD	CHF	CNY	EUR	GBP	INR	JPY
2002	24.7%	13.3%	22.8%	5.7%	-	6.4%	13.1%	23.9%	-
2003	21.1%	-8.5%	0.6%	7.6%	-	1.7%	9.9%	14.8%	-
2004	5.4%	1.4%	-2.1%	-3.5%	13.6%	-3.1%	-2.4%	0.5%	3.7%
2005	20.0%	28.9%	15.4%	37.8%	21.3%	36.7%	33.0%	24.2%	37.6%
2006	23.0%	12.6%	23.0%	14.2%	18.7%	10.6%	8.3%	20.8%	24.4%
2007	30.9%	18.3%	12.1%	21.7%	23.3%	18.4%	29.2%	16.5%	22.9%
2008	5.6%	31.3%	30.1%	-0.1%	-2.4%	10.5%	43.2%	28.8%	-14.4%
2009	23.4%	-3.0%	5.9%	20.1%	23.6%	20.7%	12.7%	19.3%	26.8%
2010	27.1%	13.3%	21.3%	15.4%	22.8%	37.1%	31.4%	22.3%	11.4%
2011	10.1%	10.2%	13.5%	11.2%	5.9%	14.2%	10.5%	31.1%	4.5%
2012	7.0%	5.4%	4.3%	4.2%	6.2%	4.9%	2.2%	10.3%	20.7%
2013	-28.3%	-16.2%	-23.0%	-30.1%	-30.2%	-31.2%	-29.4%	-18.7%	-12.8%
2014	-1.5%	7.7%	7.9%	9.9%	1.2%	12.1%	5.0%	0.8%	12.3%
2015	-10.4%	0.4%	7.5%	-9.9%	-6.2%	-0.3%	-5.2%	-5.9%	-10.1%
2016	8.5%	10.1%	5.5%	10.4%	16.3%	12.0%	29.7%	11.5%	5.4%
2017	8.5%	1.9%	7.4%	6.0%	7.5%	6.2%	6.3%	3.1%	2.9%
Average	10.9%	7.9%	9.5%	7.5%	8.7%	9.8%	12.3%	12.7%	9.7%
Total Return	348.1%	199.1%	274.7%	173.3%	170.4%	273.2%	420.4%	502.1%	221.2%

Silver In Various Currencies

	USD	AUD	CAD	CHF	CNY	EUR	GBP	INR	JPY
2002	1.6%	-6.6%	1.3%	-12.8%	-	-12.3%	-6.7%	2.2%	-
2003	25.8%	-5.7%	3.6%	10.8%	-	4.8%	13.2%	18.2%	-
2004	13.9%	9.5%	5.8%	4.3%	16.6%	4.7%	5.4%	8.5%	6.3%
2005	29.4%	43.4%	28.4%	53.3%	29.7%	52.1%	48.0%	38.2%	53.0%
2006	46.6%	33.7%	46.4%	35.9%	41.1%	31.6%	28.8%	43.7%	48.0%
2007	14.6%	3.5%	-1.9%	6.5%	6.8%	3.6%	13.1%	2.0%	7.6%
2008	-23.0%	-4.3%	-5.1%	-27.2%	-28.9%	-19.5%	4.4%	-6.1%	-37.6%
2009	47.6%	15.8%	26.4%	43.4%	47.6%	44.1%	34.5%	42.4%	51.4%
2010	77.2%	58.0%	69.1%	60.9%	71.4%	91.1%	83.0%	70.6%	55.5%
2011	-10.2%	-10.8%	-8.1%	-10.0%	-14.3%	-7.5%	-10.6%	6.4%	-15.4%
2012	8.3%	7.1%	5.9%	5.9%	7.9%	6.6%	3.9%	12.0%	22.6%
2013	-35.9%	-25.2%	-31.2%	-37.5%	-37.6%	-38.5%	-37.0%	-27.3%	-21.9%
2014	-19.6%	-12.6%	-12.4%	-10.8%	-17.9%	-9.0%	-14.9%	-18.3%	-8.8%
2015	-11.5%	-1.0%	5.3%	-11.2%	-7.5%	-1.7%	-6.6%	-7.4%	-11.2%
2016	15.7%	16.6%	11.8%	17.0%	23.1%	18.6%	37.5%	17.9%	11.7%
2017	14.4%	4.2%	9.8%	8.5%	10.0%	8.6%	8.7%	5.4%	5.2%
Average	12.2%	7.8%	9.7%	8.6%	10.6%	11.1%	12.8%	13.0%	11.9%
Total Return	297.3%	164.8%	231.7%	142.1%	160.0%	230.4%	360.7%	432.8%	208.7%

Source: Silverprice.org

Golden "Truths" 18

"I am a low interest rate person. If we raise interest rates and if the dollar starts getting too strong, we're going to have some very major problems."

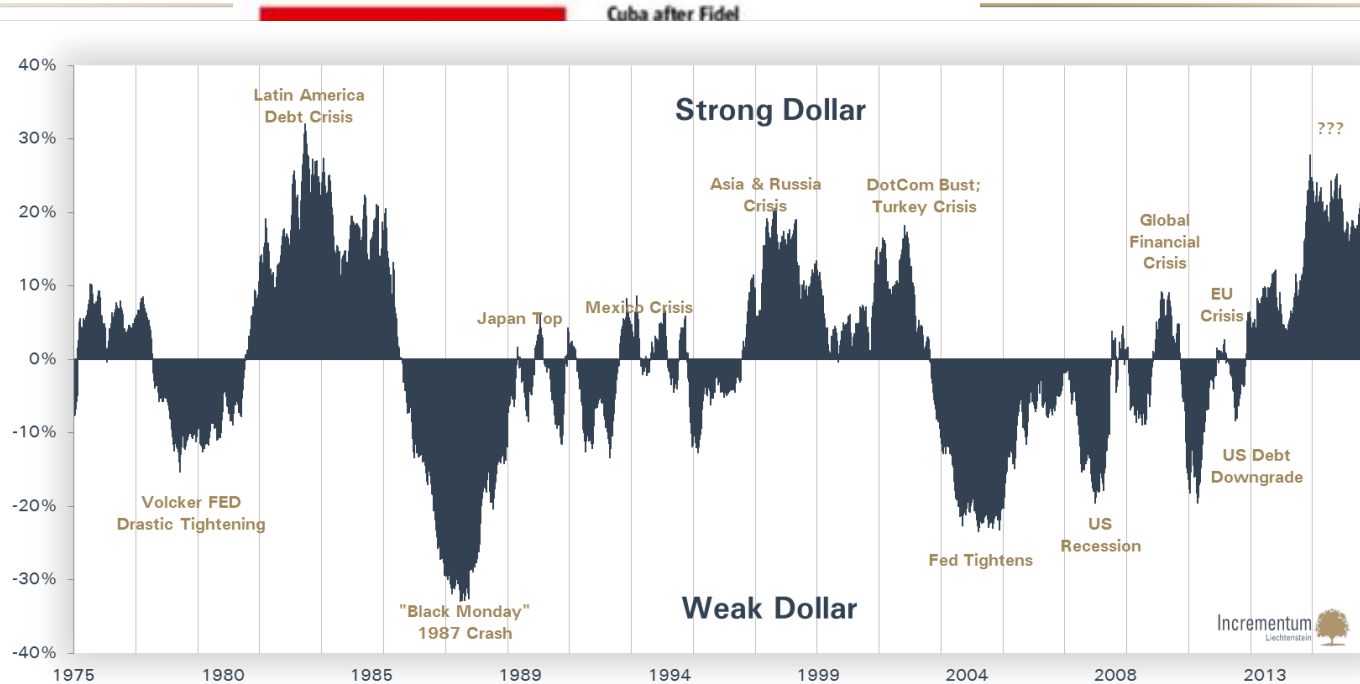
"This is the United States government. First of all, you never have to default because you print the money."

"Bringing back the gold standard would be very hard to do, but boy would it be wonderful. We'd have a standard on which to base our money."

"The Dollar is too strong. Our companies can't compete with them now because our currency is too strong. And it's killing us."

"I have been complaining about currency devaluations for a long time. I believe that we will all eventually, and probably sooner than people understand or think, be on a level playing field because that's the only way it's fair".

Will The Mighty Dollar Roll Over Soon?

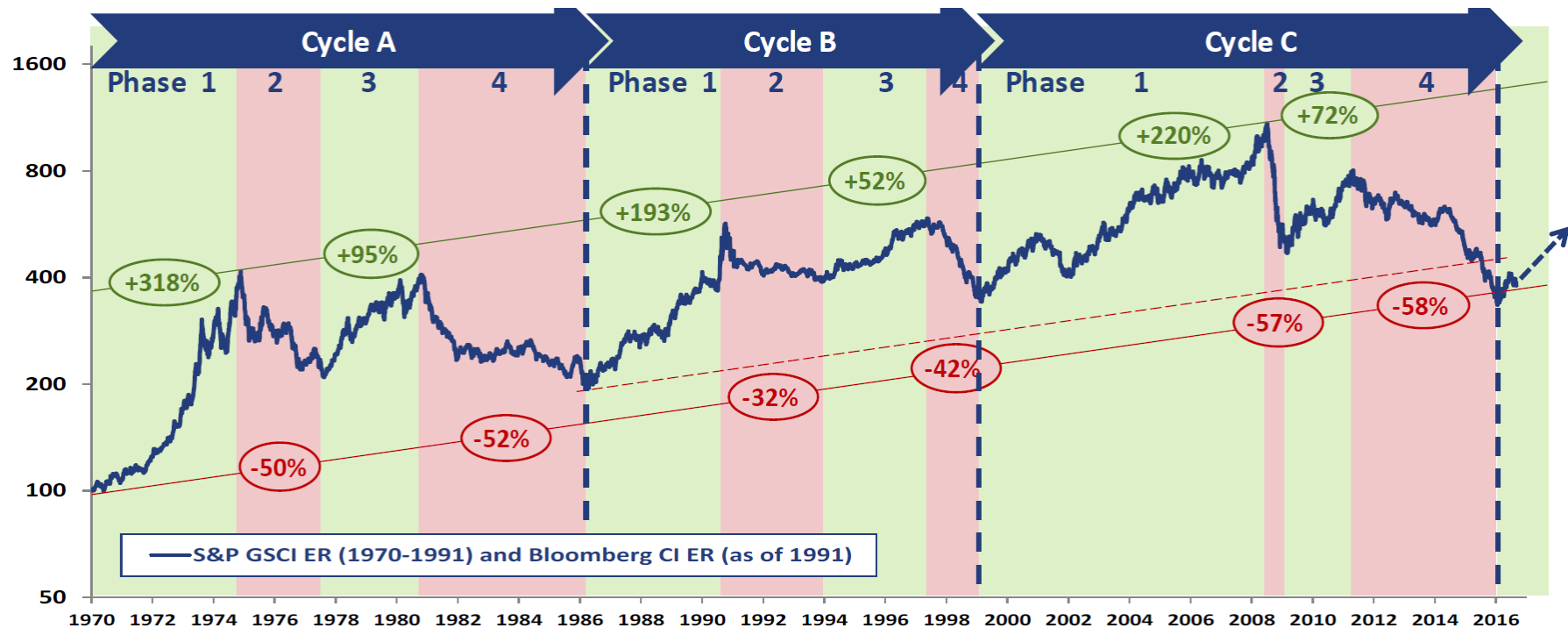


USD Index (30mo chg.)
Source: FRED, Incrementum AG




currency,
the world's
problem

Commodities Have Made a Low in 2016



Source: Tiberius Research, Bloomberg

	Sent.	Spot	Q1 17	Q2 17	Q3 17	Q4 17	2017	2018	2019	2020
Gold \$/t oz		1232	1219	1229	1234	1238	1230	1252	1281	1303
Forecast (Median)			1210	1200	1220	1230	1240	1275	1300	1300
Diff (Median - Curr)			-9	-29	-14	-8	+9	+23	+19	-3
Silver \$/t oz		17.82	17.53	17.77	17.86	17.97	17.78	18.22	18.63	19.03
Forecast (Median)			17.25	17.50	17.27	17.50	17.20	18.50	19.00	19.85
Diff (Median - Curr)			-0.28	-0.27	-0.58	-0.47	-0.58	+0.28	+0.37	+0.82
Platinum \$/t oz		989.19	993.89	996.66	1000.24	1003.83	998.65	1008.05	1018.05	1028.05

“Gold: It’s Still a Pet Rock”
-- The Wall Street Journal (July 8, 2016)

3 World Views In The Post Lehman Economy: Can Central Bankers Heal The Economy?

1. The Believers



- ▶ Economic mainstream
- ▶ ZIRP etc. has positive effects; normalization will come
- ▶ No need to hold gold

2. The Sceptics



- ▶ Doubts about sustainability of (monetary) policy
- ▶ More and more widespread in the financial sector
- ▶ Pragmatic gold holdings ("marginal buyers")

3. The Critics



- ▶ Conviction that the monetary system is flawed
- ▶ Current economic recovery is artificial and not sustainable
- ▶ Gold = Systemic hedge & inflation hedge (physical!)

“The Sceptics” Are Marginal Buyers



Sources: Acting-man.com, Federal Reserve St. Louis, Incrementum AG

The Triggers For Gold's Resurrection

Gold = The Canary In The Inflation Coalmine



Sources: Federal Reserve St. Louis, Incrementum AG

Inflation – Whatever It Takes!

EZB-Chefvolkswirt: „Wir drucken Geld“



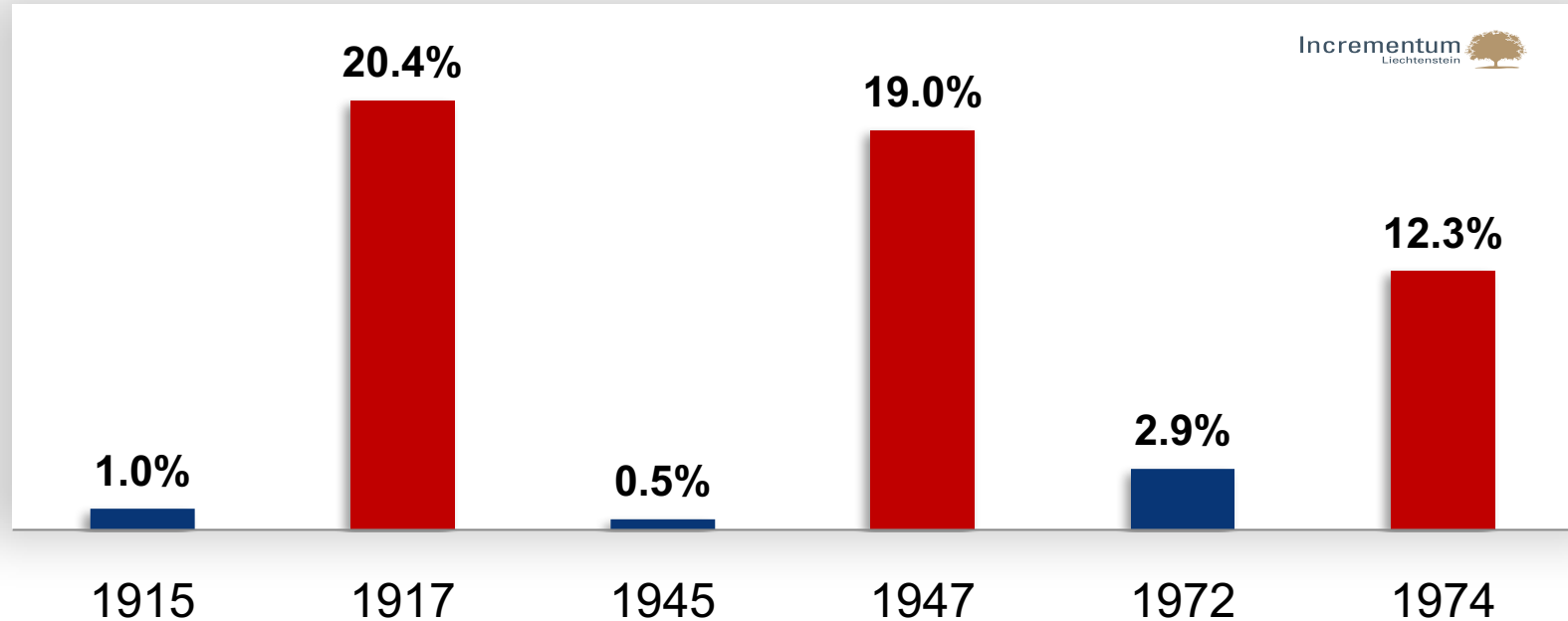
EZB-Chefvolkswirt Peter Praet / Bild: (c) AFP (RALPH ORLOWSKI)

EZB-Chefvolkswirt Peter Praet stellt klar: Die Notenbank wird solange Geld drucken, bis die Inflation steigt.

„Es gibt keinen Plan B“

Die EZB werde deswegen ihre Politik solange verfolgen, solange es eben notwendig sei. „Es gibt keinen Plan B. Es gibt nur einen Plan. Wir sind bereit, alles zu unternehmen, um die Inflationsrate auf knapp unter zwei Prozent zu bringen. Wenn man genug Geld druckt, wird man immer Inflation bekommen. Immer. Aber wenn die Preise von Öl und anderen Rohstoffen fallen, ist es schwieriger, die Inflationsrate anzutreiben“, so Praet. (jil)

Inflation Dynamics Cannot Be Controlled Like A Thermostat



Sources: Federal Reserve St. Louis, Incrementum AG

Donald Trump – The Saviour?



"The human brain is a complex organ with the wonderful power of enabling man to find reasons for continuing to believe whatever it is that he wants to believe."

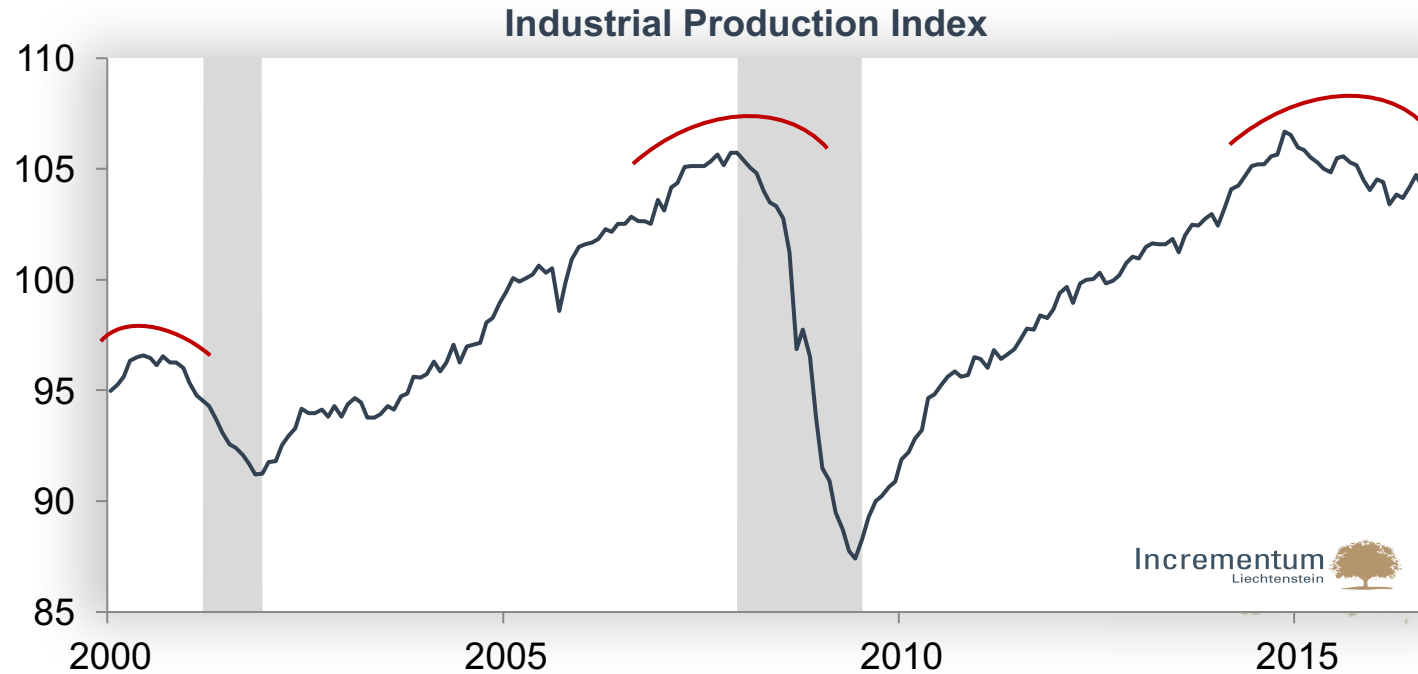
Voltaire



The Supposed Job Miracle

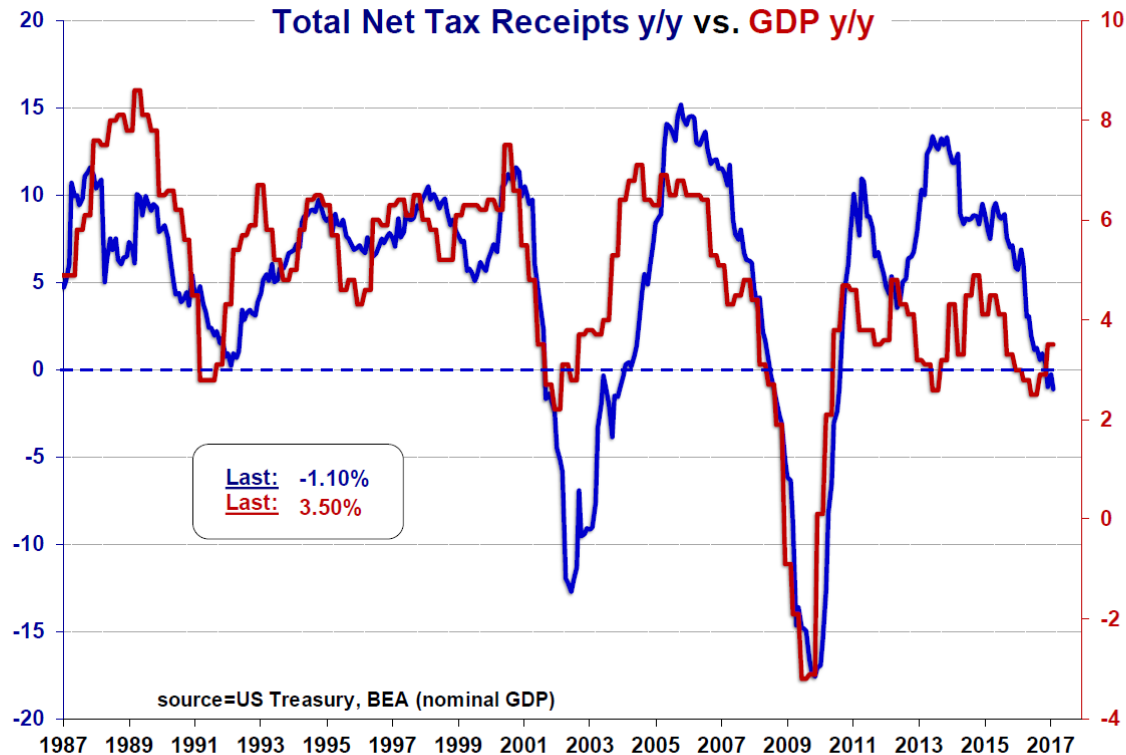


Industrial Production Indicates Rising Recession Risks



Sources: Federal Reserve St. Louis, Incrementum AG

Total Net Tax Receipts Growth Lowest Since The GFC



Gold During Recessions/Stagflation?

Gold Performance During U.S. Recessions

Decade	Gold Start (USD/oz)	Gold End (USD/oz)	Change (%)
11/1973 - 03/1975	100	178	78.0%
01/1980 – 07/1980	512	614	20.0%
07/1981 – 11/1982	422	436	3.3%
07/1990 – 03/1991	352	356	1.0%
03/2001 – 11/2001	266	275	3.5%
12/2007 – 06/2009	783	930	18.8%
Mean			20.8%



Outlook



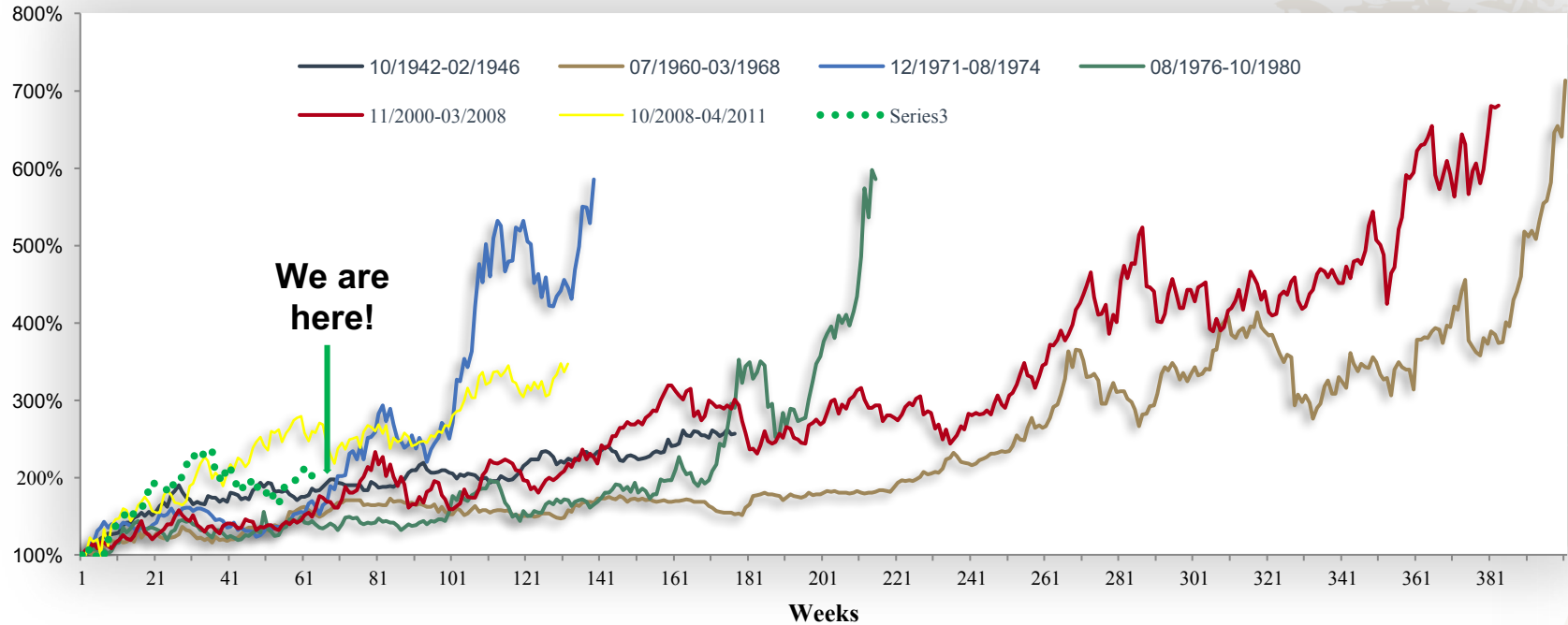
Market Cap Of The Entire MSCI World Metals & Mining Index Currently Equal To Google's Market Cap!



Source: Tiberius Research, Bloomberg

Mining Stocks: The Party Has Just Started!

Bull Markets Compared: Barron's Gold Mining Index (BGMI) Bull Markets Since 1942



Sources: Sharelynx, Nowandfutures, Barrons, Incrementum AG

Conclusions

Headwinds

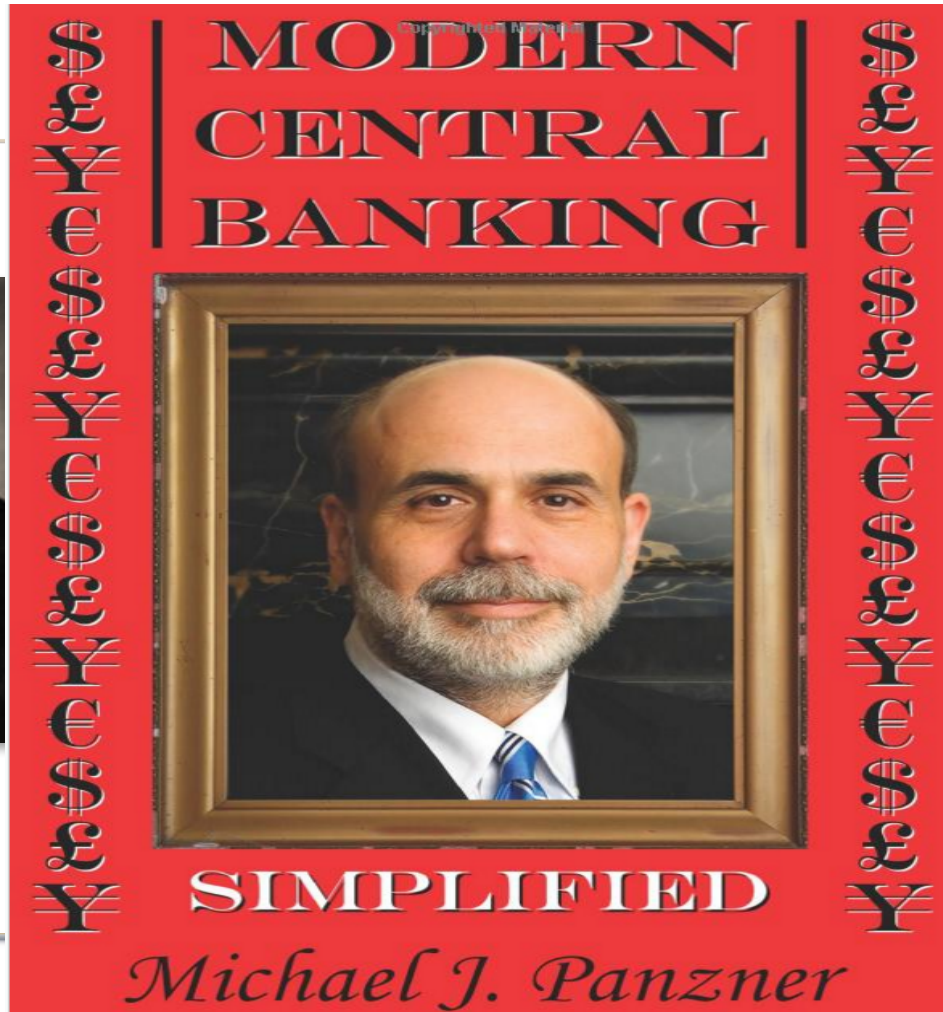
- ▶ Oil rolling over
- ▶ Silver relatively weak (GS-Ratio should be falling stronger)
- ▶ Complete lack of volatility in financial markets – if this continues – gold may struggle



Tailwinds

- ▶ Very strong start to the year – Gold up 8 % in USD terms,
- ▶ ETF inflows picking up
- ▶ Inflation momentum starting to stir:
 - ▶ Eurozone inflation was at 2% (highest level in four years)
 - ▶ US inflation + 2.7% - highest rate of change in 5 years, ex food/energy +2.2%
 - ▶ Consensus view: “*market pricing for inflation is flat for the next 30 years*”
- ▶ No shortage of policy uncertainty – Global Policy Uncertainty Index is at 17 year highs





you'll do it.

ts, you save

s to print."

ray N. Rothbard

**MANY THANKS FOR YOUR
ATTENTION!**



APPENDIX



Biography

Ronald-Peter Stöferle

Managing Partner & Investment Manager

Ronald was born in 1980 in Vienna, Austria. He studied business administration and finance at the Vienna University of Economics and the University of Illinois at Urbana-Champaign. During his studies, he worked in the field of Fixed Income/Credit Investments. After graduation, he participated in various courses in Austrian Economics. Ronald is a Chartered Market Technician (CMT) and a Certified Financial Technician (CFTe).

In 2006, he joined Vienna-based Erste Group Bank, covering international equities, with a focus on Asia and also began writing reports on gold. His benchmark '**In GOLD we TRUST**' report attracts international coverage including on CNBC, Bloomberg, the Wall Street Journal and the Financial Times. In 2011 and 2016, he was awarded most accurate gold analyst by Bloomberg. In 2013, Ronald joined Incrementum AG, Vaduz as managing partner and co-owner.

In 2014, he co-authored a **book on Austrian Investing** ("[Österreichische Schule für Anleger – Investieren zwischen Inflation und Deflation](#)"). He is also a **consultant for Tudor Gold**, a junior exploration company in the highly prolific Golden Triangle (BC), which hosts several of the largest and highest grade gold and copper deposits in the world.

