MONEY MAKER MONDAY WITH JULIA CORDOVA & LYN ALDEN

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SHOW SYNOPSIS

JULIA'S THREE TAKEAWAYS

01

INFLATIONARY CYCLE

We might be in an inflationary cycle that could last for an extended period of time, not unlike the 1940s.

02

THE THING THAT NO ONE IS TALKING ABOUT

Energy prices have not kept up with the increasing inflation. There's something happening behind the scenes that could potentially ignite.

03

THE DE-DOLLARIZATION MOVEMENT

There is a de-dollarization movement going on - but the truth is somewhere in the middle of extreme views. There's global diversification that will start to depend on more currencies outside of the dollar, and gold is something that should potentially be a part of everyone's portfolio to that end.

SHOW NOTES

NOTE: This is a paraphrased summary of Lyn's thoughts she expressed on the show. For full context and more insights, please watch the interview.

THE BANKING SITUATION

- 2008 was a credit problem, this is more of a duration / liquidity / interest rate challenge, therefore it's in the realm of policymaker control. The worst is probably behind us, but if it does escalate, the policymakers have the tools they need to contain it.
- Important to still be careful of small banks, lower end of regional banks, highly specialized banks and banks that have a lot of commercial real estate exposure. Not worried about global banks or the Top 10 US banks.

ENERGY COMMODITIES

- This is the thing that no one is talking about.
- Lyn thinks we still have energy constraints on the supply side. The next time we have a big upswing in the Purchasing Managers Index or economic reacceleration, it's likely to come with another wave of inflation because the key drivers of inflation haven't actually been fixed at the root level.
- We had to draw down the Strategic Petroleum Reserve, and put ourselves in a near recession to get prices down - and oil is still at the level that it is. Imagine if we have another economic cycle without drawdown of the Strategic Petroleum Reserves.

THE FED & INFLATION

- The fed underestimated the importance of broad money supply and that inflation hit harder and faster than expected. Unike 2008, it wasn't just bank reserves being capitalized - it was people and businesses.
- The fed made a mistake trying to go from 0% to 5% interest rates so quickly, instead of allowing refinancing to happen over time.
- Even though we have the recent inflation wave under control, there's a risk of future waves of inflation because the underlying dynamics are not addressed: 1) the ongoing fiscal deficits 2) the commodity supply side.

SHOW NOTES

GLOBAL DE-DOLLARIZATION

- There is global de-dollarization, but it's nuanced. There is still a very strong network effect for the dollar, and that is not something that goes away overnight - BUT we are seeing a trend change. It's not one currency that will takeover, but instead, the world is likely headed in a multi-polar direction to find equilibrium.
- The US is still unrivaled in some areas, but it is no longer the biggest commodity importer, China is. This makes China the biggest trading partner for most countries.

GOLD

- Gold is attractive to have in a portfolio right now and large investors are underexposed. The chart looks like one big cup and handle pattern.
- It's good to hold because it has no counter-party risk and has built-in inflation protection because the supply only grows by something like .5% a year.
- Gold is one of the assets that will do well 5-10 years from now on a risk-adjusted basis compared to other assets. While it does have industrial uses, it's more like monetary premium.

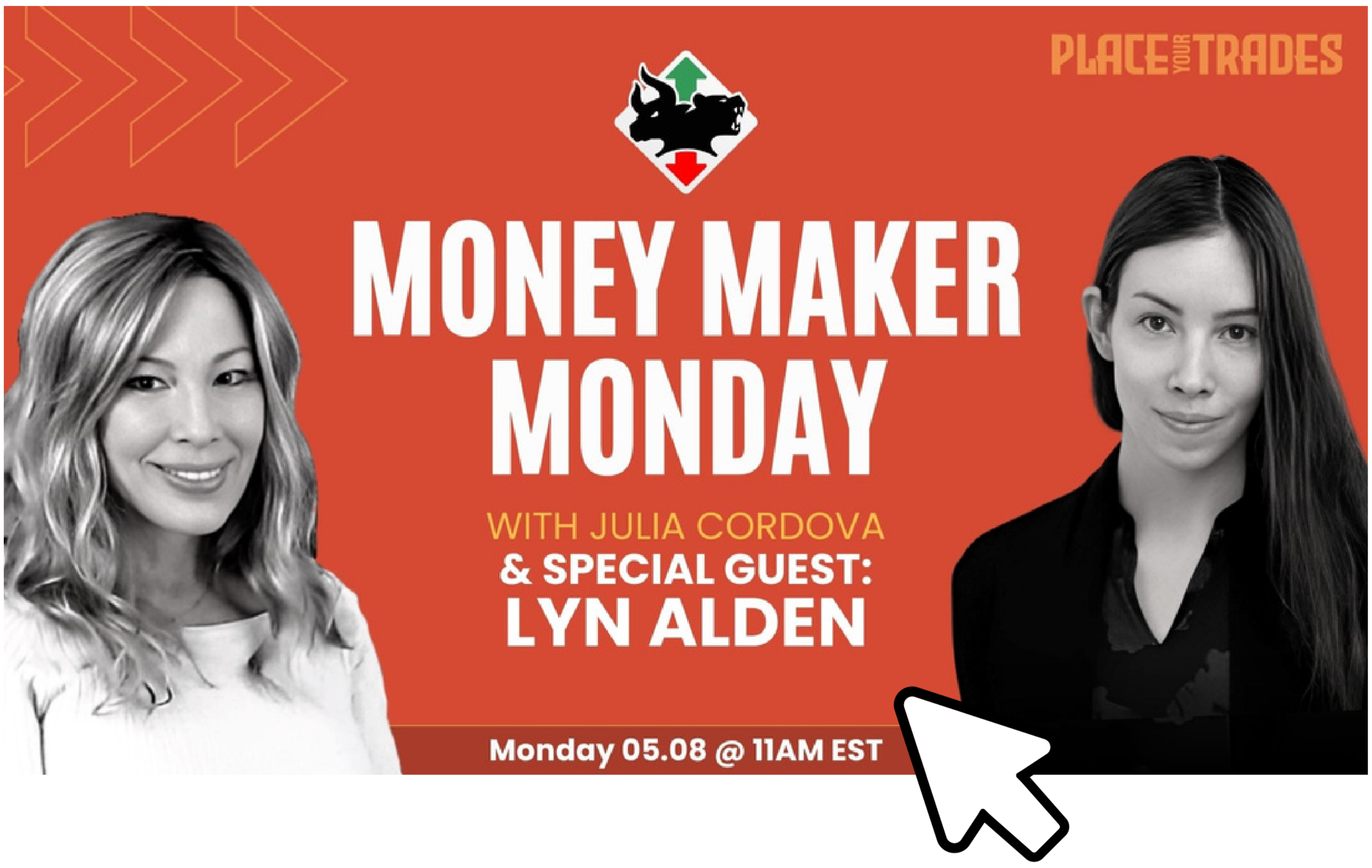
BITCOIN

- Long term bullish on Bitcoin, but no view on the next 6 months or so. If you have a near term view on it, it needs to be about liquidity. Long term, it's more about fundamentals.
- People say it's an inflation hedge, but it's a money supply growth hedge - which precedes inflation.
- It's a shared global ledger that anyone with an internet connection can access. More people in the world have smartphones than bank accounts.
- You can bring it anywhere in the world, which you can't necessarily do with equities. This may not seem important in the US, but for people around the world (South Africa, Lebanon, Nigeria, Vietnam, etc) the global portability is a huge asset.

SHOW NOTES

MARKET PRICES & CYCLES

- Bearish case for equities would be that earnings slowdowns are being underestimated. That would affect the fundamentals of the companies.
- When equity markets go through an inflationary recession, their equities do decently in nominal currency terms but poorly in dollar terms. Expecting that stocks are not going to have a very good inflation adjusted 5+ years of performance.
- The problem is that as a percentage of total assets in inflation adjusted terms, equities are probably unlikely to do very well, but that they might still do better in novel terms than the bears think with this ongoing cyclical inflation problem.



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