PLACE YOUR TRADES

KEY TAKEAWAYS

Special Guests: Jim Bianco and Keith Dicker

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CHIGRL'S KEY TAKEAWAYS

Jim Bianco

1. On the current yield curve and its projection

The yield curve has been inverted for about a year (referring to the 10 year 3 month yield curve), the longest we've seen since the 70's. He believes we are in the process of uninverting through the bear steepener instead of a bull steepener, with interest rates rising and long term rising faster than short term. He believes that inflation is causing the yield curve to not function properly, and the reason why we are seeing long rates go up. Why have long rates risen in the past month? He believes inflation is the main cause.

2. On inflation

The biggest economic event of our lifetime was the global shut down and restart of the government during the 2020 pandemic changing virtually everything. Remote work has impacted the economy keeping it in a perpetual imbalance, meaning more frictions and higher inflation.

3. Soft landing, hard landing, no landing? View on the feds potential rate hike

Jim believes there will be no landing arguing that there is no such thing as a soft landing. The Fed has backed itself into a corner due to their need to pause and assess the rate hikes. They will probably not raise rates this year but there might be a rate hike or two in 2024.

4. On US markets

People are predicting that we're gonna have a hard landing and earnings are going to fall apart, however that is just the competition. He believes that the market's problem is going to be higher rates and its need to adjust stating that strong growth and out earning the higher interest rate scenario is the way to overcome it.

5. On fiscal policy vs monetary policy

The Federal Reserve is raising rates and the government and treasury is over spending. The Fed will not let the fiscal situation affect policies, it is not the Fed's job to raise rates. He believes that the bond market, when it's ready, can focus congress's mind.

6. On gold's recent rise

Financial markets have ruined gold through the financialization of gold turning into another currency, creating the effect of when the dollar is weak gold is strong. Another problem being that GLD is not a reliable currency as it will not be as beneficial as most people say. Gold suffers from the same problems as any other non-dollar currency. Now that we have put futures and options and ETFs on gold, it is so intertwined with the financial system making it less reliable as it once was.

7. What to look for in the next 24 to 48 months

Mainly we will see political instability. China will be at the top of the list for political instability. With manufacturing moving to other countries. Major corporations, like Google, are trying to separate themselves from being involved with China. With covid lockdowns lifting, China has failed to see the economic boom they were anticipating.

CHIGRL'S KEY TAKEAWAYS

Keith Dicker

1. On the Canadian housing market

The Canadian economy is rolling over and slowing. There has been a massive immigration surge increasing the demand therefore increasing the housing prices. Enabled by demand and population growth as well as the policy reaction from the 2020 pandemic. Canada is facing the possibility of a recession in the recent future, which they have not experienced before.

2. On the Yen

Japan has to make a decision between the bond market and the FX world, they are trying to do both. Keith believes they have to save the bond market no matter what. If it is not, it will create an immediate loss within their pension fund system as well as on balance sheets at banks. Eventually it will attract domestic capital to come back home.

3. On the the economic effect of current government's carbon tax and food prices

Inflation plays a big role. The Canadian government is blaming grocery stores for high food prices, avoiding the blame on carbon taxes and supply line issues. The government in Ottawa is quite weak across polls and with an election we will likely see a swing from one side to the other. He believes that Canada will become attractive economically from energy and investment in the next cycle.

4. On the Canadian oil patch

Ottawa has not been friendly to the oil patch and they have been late to the market trying to produce liquified natural gas for exportation. Catching up is very doable with the right investment and resources. Alberta, the energy king for Canada, has been negatively impacted by Ottawa’s policies but we should see a shift in that with the election changes.

5. On copper being so weak when we have all time high demand in China and the green energy transition push

Because of global growth it is rolling over, right now energy is getting the geopolitical premium attached to it as opposed to most other base metals are not.

6. On gold’s recent rise

Canadians tend to have a core holding in bullion, not too significant of a weighting but it's there. They do not view gold as a hedge against inflation or deflation, but more so a hedge against everything hitting the fan. The longer term opportunity for appreciation protection from gold is quite positive. It is important to have some holding to it to protect you from some global macro events.

7. What to look for in the next 24 to 48 months

The probability of the US surging over this time frame is quite high due to things happening outside of the US. The likelihood of a hard landing in many non-US economies is increasing. The capital will flow into the dollar driving it higher, which means it will be weaker on the cross rates. The probability of sovereign debt markets experiencing severe stress at some point is high.

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