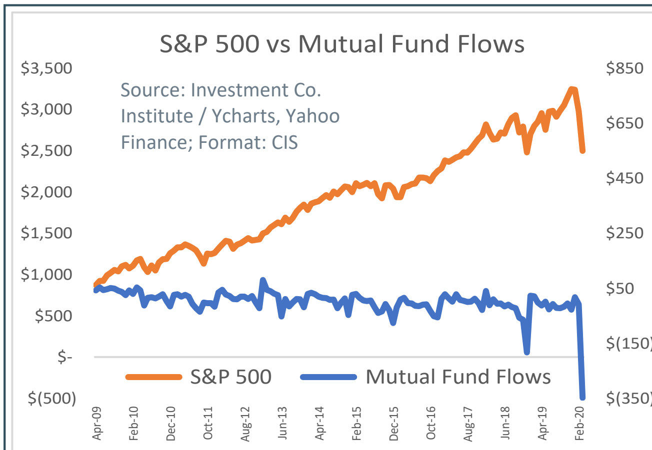
June 2020

What is the Smart Money doing?

Investopedia defines Smart Money as the following:
"Smart money is the capital that is being controlled by institutional investors, market mavens, central banks, funds, and other financial professionals. Smart money was originally a gambling term that referred to the wagers made by gamblers with a track record of success."



This chart shows mutual fund flows compared to the stock market. You will notice that large outflows (down lines) tend to correlate with market declines. Peaks in flows tend to correlate with market peaks. This is a good example of a contrary indicator, investors were buying when the market was high, and selling when it was low, the opposite of what one should do.

Professional traders live by the axiom "Buy on rumor, sell on news." Amateurs follow the financial news, reacting to whatever is hot, and often buying *after* the news is out. The time to buy may have been weeks or even months before. Once the news is out now, it can be too late to buy. But buy they do. Amateurs can be buying while pros are selling. This is what is meant by a stock moving from strong hands (well-financed pros) to weak hands (under-financed individuals).

This has lead to the study of sentiment indicators. These show how bullish or bearish individuals are. At the extremes, bearish individual investors can be a bullish sign. And when they are bullish, it can be a bearish sign. They are considered contrary indicators.

With so much news about the economy and the market, I thought now would be a good time for me to step back and give you some of what the "Smart Money" is doing and saying. This is in no way meant to be a comprehensive review of all the financial news for the past few months. There have probably been many more positive, "everything is going to work out" articles in the press.

And that is precisely why we are doing this. In our view, many of them have been based on what is wrong with the market and economy. Many base their positive market outlook not on fundamentals, but on momentum. "Everybody's buying, you should too!" They say. They applaud when the Treasury racks up trillions more in debt and the Fed expands its balance sheet to over $7.2 TRILLION through its not so invisible hand on the markets.

The headlines below have sources that have done their homework and whose conclusions are based on fundamentals and facts, not hope and spurious data, or flip-flopping sources who said one thing one week and did an about face later. The links to the articles below have excerpts from them which give highlights of the article. Within many articles the author gives an opposing view, as they should, to be balanced. We chose these articles and sources because they rely on sound facts and fundamentals for their conclusions, and we prefer to draw our conclusions from facts, not hopes. We refer to the analysts, investors and others in the articles the "Smart Money" because of their experience, wisdom and proper use and understanding of the data.

This report may seem a bit long, but we wanted to show a wide variety of analysts, investors and experts. There are links to articles that include Warren Buffett, Jimmy Rogers, (one of the best money managers ever), Jeremy Grantham, (the current godfather of value investing), the IMF, the S&P, billionaires, economists, professors, and more.

Stock Market

Is Warren Buffett Expecting a Retest of March 23 Lows? - The Motley Fool, 05/05/2020
""We have not done anything, because we don't see anything that attractive to do," said Buffett on Berkshire's lack of buying activity. …But I believe investors should heed Buffett's implicit warning. The Oracle of Omaha had a lot to share with investors on Saturday, but I believe his actions speak louder than words. …Buffett's actions are suggestive of a highly unfavourable risk/reward trade-off."

Legendary investor Jeremy Grantham says the stock market right now is in the 4th 'Real McCoy' bubble of his career - Business Insider, 06/18/2020

“A stock market legend, Jeremy Grantham, seems certain that the US stock market’s strong recovery from its historic lows in March will end up in pain for investors. …On investor exposure to equities, Grantham said, "I think a good number in the US would be zero, and less than zero might not be a bad idea if you can stand that."”

'Who am I to be bold?': Warren Buffett's lack of stock purchases worries billionaire investor Leon Cooperman - BusinessInsider, 05/07/2020

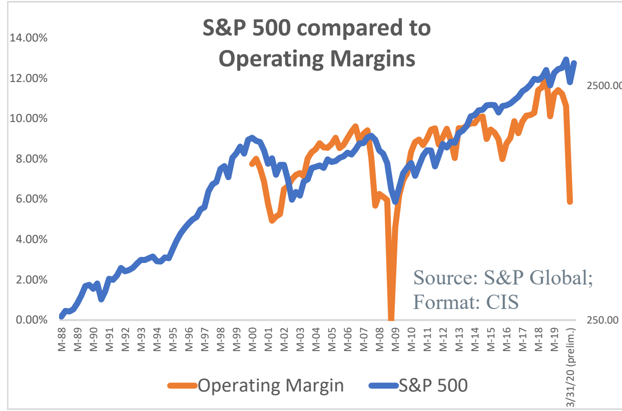
“Warren Buffett's lack of stock purchases during the market meltdown is a red flag for Leon Cooperman, the hedge-fund billionaire said in an email obtained by Business Insider. …"If the greatest investor in my generation can't figure it out, who am I to be bold?" Cooperman said.”

Warren Buffett's favorite stock-market indicator hits record high, signaling a crash could be coming - BusinessInsider, 04/30/2020

“"It is probably the best single measure of where valuations stand at any given moment," Buffett wrote in a Fortune magazine article in 2001. The so-called Buffett indicator takes the combined market capitalizations of a country's publicly traded stocks and divides it by quarterly gross domestic product. Investors use it to gauge whether the stock market is overvalued or undervalued relative to the size of the economy.”

'I've gone to cash': Mark Cuban outlines his coronavirus investing strategy ahead of another 'leg down' in markets — and says now is the time to buy real estate - BusinessInsider, 04/21/2020

“The billionaire entrepreneur and investor Mark Cuban is patiently sitting in cash and waiting for the fallout from the coronavirus to subside before jumping on new investments. …In the short term, Cuban sees "a leg down" for markets, echoing the views of billionaire "bond king" Jeffrey Gundlach.”



2 prior profit margin collapses lead to bear markets. What makes this one different?

- The economy was slower going into this bear.
- Debt levels are much higher
- Unemployment went much higher
- The economy slowed most since the Depression
- The Fed pumped trillions into the system in 1 month
- Federal Deficit is well over $1 trillion
- The market was the 2nd most overvalued ever based on several PE formulas. (And still higher than before the 2008 collapse)

Those are not good reasons for the market to have rallied. Those are *GREAT* reasons for the market to test the March lows.

Oh, I almost forgot, and there is still a pandemic going around. Ready for the 2nd wave?

Will the stock market tumble back to its coronavirus lows in March? About 92 years of S&P 500 history says there’s a good chance - MarletWatch, 05/03/2020

“Since 1928, reviewing the past 25 bear markets, there has been a lower price put in by the S&P 500 index 60% of the time.”

Cooperman: Day Traders "End In Tears" - The Wealth Advisor, 06/20/2020

““Amateur investors have been piling money into different stocks and taking advantage of the market crash over recent weeks, but the billionaire investor Leon Cooperman has rebuked these gains and believes they will "end in tears."”

‘There’s absolutely no reason to own U.S. equities right now,’ strategist says, citing ‘an unholy speculative mix’ - MarketWatch - 06/15/2020

““But it’s exactly that kind of bullish mania that spells doom for this stock market, according to Peter Cecchini, former top strategist at Cantor Fitzgerald.””

Gundlach: A Second Wave Of Layoffs, Market Declines Loom - Financial Advisor, 06/10/2020

““If Jeffrey Gundlach is to be believed, U.S. stocks now have a 76.8% chance of taking out their March 2020 lows, caused in part by a new wave of unemployment, this time among white-collar workers. …The rally—and almost all of the gains of the past 11 years—have been fed by increasing levels of debt created via monetary and fiscal policy. Likewise, all of the jobs created since the global financial crisis and then lost in the coronavirus-caused downturn were largely an illusion and many will never come back, he said.””

Jim Cramer Stands With Buffett And The Bears - The Wealth Advisor, 06/14/2020

“"When everyone thinks they're smarter than Warren Buffett, that's when you're in for a real bruising," the CNBC Mad Money host said on Thursday.”

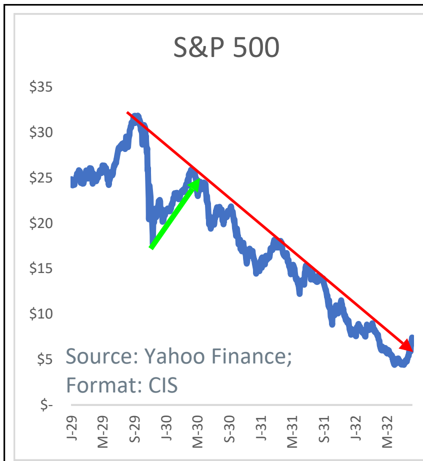
[Why Mark Cuban Compares Today's Market to the Dot-Com Bubble](#) - The Motley Fool, 06/13/2020
""Cuban said that it wasn't just the recent rally in the market, but the massive boom in day trading that's reminding him of the euphoria in the markets just before the technology sector crashed. Thanks to easy-to-use trading apps, we're seeing quite a bit of gambling in the markets lately, and it could end very badly.""

['There is no natural limit to the stupidity of Wall Street': A notorious market bear breaks down why we're not witnessing a recovery — and warns that extreme valuations suggest a 66% drop -](#) BusinessInsider, 06/13/2020
""The problem is that post-recession bull markets typically begin at valuations about 40% of those we observe at present." (said John Hussman, the former economics professor who is now president of the Hussman Investment Trust.) "Current valuation extremes suggest that the S&P 500 could lose about two-thirds of its value over the completion of the current market cycle, even without moving below historically reliable valuation norms," he said."

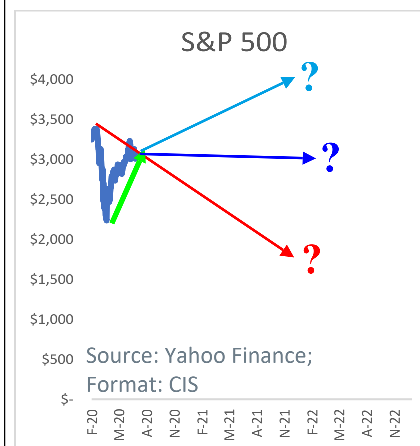
[Incubation Phase: Gradually and then Suddenly](#) - Hussman Investment Trust, 6/2020
"Severe economic recessions often feature what might be called an "incubation phase," where an exuberant rebound from initial stock market losses becomes detached from the quiet underlying deterioration of economic fundamentals and corporate balance sheets. From the post-crash low of November 13, 1929, the Dow Jones Industrial Average enjoyed a 48% rebound, peaking on April 17, 1930, followed by an 86% collapse by July 8, 1932 (an overall loss of 89% from the September 3, 1929 bull market peak). …The current "incubation phase" is reminiscent of 2008. …The same sort of slow incubation characterized the financial markets in May 2001."

[Jeremy Grantham, the legendary investor who called the past 3 bubbles, says investors should be nervous about recent market moves — and warns of 'deep economic wounds' regardless of a vaccine](#) - BusinessInsider, 06/06/2020
"Jeremy Grantham — the legendary cofounder and chief investment strategist of Grantham, Mayo & van Otterloo — calls the deepening chasm between the stock market and the underlying economy "one of the most impressive mismatches in history."
He notes unemployment, GDP, vaccine uncertainty, "thousands" of bankruptcies, and huge piles of corporate and government debt as reasons for his concern. …GMO's net equity exposure in their Benchmark-Free Allocation Strategy has been reduced from 55% to about 25%. …Grantham is skeptical over the idea that a vaccine for the coronavirus will serve as a cure-all for the economic damage that's already been inflicted."

[The market 'correction is not over': Jim Rogers on where to find the world's cheapest assets](#), Financial Post, 04/04/2020
"Financial markets were very expensive prior to the virus outbreak. It was absurd what was happening," he says. …The rally will go on for a while and who knows when it will end. President Trump will do everything that he can to get re-elected. But a lot of damage has been done to the world economy by the virus. The correction is not over," he warns. …"There was too much debt going into the financial crisis in 2007. Now it is much worse. U.S. debt is now higher than it was in the Second World War. This is unbelievable. It was inconceivable 20 years ago that central banks would do what they have done. Debt has skyrocketed everywhere. How will our children and grandchildren deal with this?"



Above is the chart from 1929 through 1932 that so many analysts are referring to. It had a rally of 47% after the initial steep break in the market. This is why so many a drawing comparisons.



So far, in 2020, the rally has been 44% off the lows.

The question is, which direction does the market go next? Fundamental evidence and valuation numbers would suggest it follows the red line down.

[Famed economist David Rosenberg says investors are falling into a classic market trap that's historically preceded a further meltdown — and warns 'there's not going to be much of a recovery'](#) - BusinessInsider, 06/01/2020
""Of course it's a bear market rally."
That's what David Rosenberg — famed economist and founder of Rosenberg Research — said on the "Things That Make You Go Hmmm..." series in response to the stock market's massive rally that kicked off on in late March. …"It is the classic, Bob Farrell, rule #8 that there are three aspects to every bear market," he said. "There's the initial plunge, the reflexive rebound, and then a long and drawn-out decline to the fundamental lows.""

'All bear markets include false rallies': Citi warns stocks have further to fall during the coronavirus pandemic - BusinessInsider, 04/22/2020
“The stock market will likely find a new bottom in the coming months, analysts at Citi warned. …Citi's team, led by Robert Buckland, said: "All bear markets include false rallies, often associated with supportive monetary policy."”

‘Bond King’ warns the stock market could hit new lows amid ‘social unease - MarketWatch, 05/02/2020
“People don’t understand the magnitude of ... the social unease ... that’s going to happen,” Gundlach explained. “We’ve lost every single job that we created since the bottom in 2009.” With that in mind, he revealed that he just shorted the S&P at 2,863. … I think downside easily to the lows or beyond.””

“Coming Years Worst Bear Market” Says Jim Rogers - The Tradeable, 05/23/2020
“As markets all show slight recovery from the hammering they have taken recently, investment guru J. Rogers warns that the downward trend has only started. According to the experienced investor, there will be another round of mass market melt down. His believe is that the cause will be mix of increased debts, the corona virus induced shutdown and the low interest rates… I expect in the next couple of years we’re going to have the worst bear market in my lifetime,” and the impact of corona virus “will not be over quickly because there’s been a lot of damage. A gigantic amount of debt has been added.”

David Rosenberg Says the Bulls Are in Fantasyland - Advisor Perspective, 05/12/2020
“David Rosenberg bluntly told attendees Monday at John Mauldin’s Virtual Strategic Investment Conference 2020 that the stock rallies in recent weeks ignore reality and don’t recognize that the United States is likely entering a depression, facing double-digit unemployment for at least three years, secular changes in consumer spending and saving, and deflation followed by stagflation.”

Fund that called the last two crashes starts to short global stock markets - The Telegraph, 05/26/2020
“The group’s main fund has turned short, taking large negative positions on equity indexes through futures contracts. “It is going to be very difficult to come out of this pandemic unscathed. We have a pretty strong view that with so much extreme uncertainty, equities should be cheap. Quite simply they are not,” said Tommy Garvey, GMO’s asset strategist. …“We think the long-term return on US equities is going to be negative and prices will have to drop even below the March lows to be attractive,” he said. This implies a 30pc fall in the S&P 500 index to clear the froth and restore plausible valuations.”

Legendary economist Gary Shilling says 'don't be fooled' by the market's recent bounce, and warns stocks could drop 40% next year - BusinessInsider, 05/01/2020
“Shilling drew parallels between the current market downturn, the 1929 market crash and the 1930s great depression to sound the alarm on "the most disruptive financial and social event since World War II." …."Bear markets that accompany recessions last about 11 months, far longer than the recent slump," Shilling said of the current US equity index rallies. ….Shilling warned that in 2021 he believes stocks could fall as much as 40%.”

Goldman Sachs Warns about a US Stock Market Crash - The Market Realist, 05/13/2020
Goldman Sachs sees the S&P 500 crashing to 2,400.
“Paul Tudor Jones and Jeffrey Gundlach expect US stock markets to retest their March lows and form a double bottom. The S&P 500 fell as low as 2,191 on March 23. ….Legendary value investor Warren Buffett isn’t sitting on a $137 billion cash pile without a reason. While we might ignore the subtle warning from Buffett, the disconnect between US stock markets and the economy hasn’t been this stark (ever)”

‘Will the Fed spend trillion of dollars, every year, forever to support the market?’ asks billionaire Howard Marks - Marketwatch, 06/23/2020
“‘How do people feel about buying securities that are high only because the Fed is buying?’….“Those of us in markets believe that stocks and bonds are selling at prices they wouldn’t sell at if the Fed were not the dominant force. So if the Fed were to recede, we would all take over as buyers”

'**The next one has to be worse than 2008': Legendary investor Jim Rogers says you shouldn't trust the stock market's rally — and warns of a scenario where 'everything collapses for a while**' - BusinessInsider, 04/13/2020
“He calls the Federal Reserve's response to the coronavirus crisis "absolute madness."
Rogers notes that 100 years ago the UK was the richest and most powerful country, and says they lost that spot because they spent a lot of money and went deep into debt. He believes America is now setting itself up for the same fate. …I can tell you in history, bear markets go down 50, 60, 70% this is just history. This is not an opinion and many stocks go down 80, 90%. Some disappear. That's just the way bear markets work. .one of the things that history teaches us is people don't learn the lessons of history. They just ignore history and go on as though everything is different now.

The cure can be worse than the disease. There is an election in November. They don't care about what happens after the election. They want to get elected, and that's what they do. That's their job. A good politician gets elected, whatever it takes to get elected. Doesn't care about your kids or mine."

The world's biggest investors are notoriously skeptical of the stock market's bet for a quick economic recovery — and warning that the 'fantasy' rally will soon come crashing down - BusinessInsider, 05/24/2020

""The risk-reward for equity is maybe as bad as I've seen it in my career," Druckenmiller (CEO of the Duquesne Family Office) recently told the Economic Club of New York during a virtual event. "I pray I'm wrong on this, but I just think that the V-out is a fantasy," he said, referring to a V-shaped recovery. …A recent Bank of America survey of 194 fund managers who collectively oversee $591 billion in assets found that more than two-thirds of them think this is a bear-market rally. Only 10% of managers expect a V-shaped recovery."

Wall Street Heavyweights Are Sounding Alarm About Stocks - Bloomberg, 05/13/2020

"The biggest names in finance are coming around to a view that seemed unlikely a few weeks ago: Stocks are vastly overvalued. Legendary investors Stan Druckenmiller and David Tepper were the latest to weigh in after a historic market rebound, saying the risk-reward of holding shares is the worst they've encountered in years."

A Wall Street expert lays out how the stock market's 'downright terrifying' surge within this crisis may be laying the groundwork for another 32% crash - BusinessInsider, 05/11/2020

"If the median S&P 500 stock traded down to the average valuation seen at the last three bear market bottoms, it would have to decline another 46% from April 30th levels," Ramsey (the chief investment officer of the Leuthold Group) said. …He added: "If we play along and assume that valuations bottom at the 'richest' levels ever seen at a bear market low, there's still 32% downside remaining in the median S&P 500 stock.""

Two-thirds of asset managers say stocks are still in a bear market - Financial News, 05/19/2020

"Three-quarters of respondents to Bank of America's monthly fund manager survey also said they expect a U- or W-shaped economic recovery. …Fund managers are dubious about the current stock-market rally, according to a survey released on 19 May.
More than two-thirds say the rally that has sent the S&P 500 up 32% from the lows of March is a "bear-market rally" rather than a new bull market, according to the Bank of America global fund manager survey."

'Likely to be excruciating': A notorious stock bear says investor reliance on Fed money-printing is misguided — and warns of more than 50% crash from current levels - BusinessInsider, 05/23/2020

""Despite the fact that the Fed eased the whole way down during the 2000-2002 and 2007-2009 collapses, investors have come to believe that Fed easing always supports stock prices," he (John Hussman) said. "That's the wrong lesson, and the re-education of investors is likely to be excruciating." …Hussman isn't alone in his assessment of the Fed's ability to serve as a cure-all. Stanley Druckenmiller, the legendary investor and former George Soros chief strategist, recently stated: "The consensus out there seems to be: 'Don't worry, the Fed has your back.'" …"There's only one problem with that: Our analysis says it's not true," Druckenmiller added. …Hussman calls for a two-thirds market crash from the highs carved out in February, which implies about a 50% drawdown from today's levels."

Shilling: Don't Be Fooled By The Recent Stock-Market Rebound - Advisor Perspectives, 4/30/2020

"Don't be fooled by the recent rebound in stocks; the investment scene is beginning to resemble the 1929 market crash and the early 1930s Great Depression. …This looks like a bear market rally, similar to that in 1929-1930, with an additional 30% to 40% drop in stocks to come as the deep global recession stretches into 2021."

Billionaire investor Ray Dalio says 'you'd be pretty crazy to hold bonds' right now - MarketWatch, 04/16/2020

"Ray Dalio, the billionaire founder of Bridgewater Associates, the world's largest hedge fund, offered that warning in a Bloomberg webcast on Wednesday, arguing it made no sense to hold bonds when the Federal Reserve and other major central banks are effectively printing money at a rapid clip as part of their effort to backstop a global economy racked by the COVID-19 pandemic."

Wall Street star money manager says S&P 500 could plunge to 1,500 in worst case, with coronavirus fallout lingering for years - MarketWatch, 04/06/2020

"…one thing I would caution is that if earnings continue to fall as I expect them to, S&P earnings could get as low as $100 this year. Given the traditional market multiple of about 15 times earnings, that would put the S&P at about 1,500"

Buffett Sells More Stocks, Including Goldman Sachs, With No 'Elephant-Sized' Acquisition On The Horizon - Forbes, 05/16/2020

"The investing conglomerate sold $6.5 billion worth of stocks in the month of April, compared to buying only $426 million worth of equities during that period. "We did very little in the first quarter," Buffett admitted at the company's annual shareholder meeting"

Stock market is a 'bubble' that will likely 'end in tears,' Scott Minerd says - CNBC, 06/11/2020

"Guggenheim Partners Global CIO Scott Minerd continued to sound the alarm about the stock market on Thursday, telling CNBC that the recent selloff could be just the start of a roughly 50% decline. …"The recent highs have been a selling opportunity, and I think we're going to have a tough slog here, especially with the increasing number of Covid cases that are coming up as a result of the reopening,""

Mark Cuban says the market is overvalued because it's 'almost impossible' to predict consumer demand - CNBC, 05/14/2020

"Billionaire entrepreneur Mark Cuban told CNBC on Thursday that he believes the stock market is overvalued, citing the uncertainty around consumer spending due to the coronavirus pandemic. …"It's almost impossible to predict where consumer and corporate demand is going to come from," he said on "Closing Bell." …"And because of that, it's hard to create a valuation for businesses," Cuban said."

'You think everybody is a genius in a bull market': Mark Cuban says the day-trading boom reminds him of the dot-com bubble - BusinessInsider, 06/10/2020

"The recent run-up in stocks and surge in day trading reminds Mark Cuban of the months before the dot-com crash. …Cuban said the rally is likely to end when the pandemic's economic fallout becomes clear. …"'I have to go all in' - that's the type of thing that we saw exactly in the internet bubble," Cuban said. …"You can also make the argument that this whole run-up is just buying the rumor," Cuban said. "Once we start to really have definitive data on the other side, people are going to sell on the news, and if I had to make a bet, that's it.""

'Last Chance to Sell': Hedge Fund Warns of Impending Stock Market Crash - CCN, 05/03/2020

"The hedge fund bear warns this is your "last chance to sell" before the market begins the next leg of its prolonged crash.
The macro environment makes me want to be net short today, a recession starting from record valuations and debt. The technical picture only adds to the set-up at this moment, a 61.8% Fibonacci retracement on the S&P 500 from the Feb. 19th top. Resembles the 1930 relief rally."

Economy

America Is On The Road To Relapse Not Recovery - Financial Advisor, 06/22/2020

"Spence and his co-author Chen Long warn that "the U.S. is heading for a situation comparable to the Great Depression." They are in good company: Hardly any leading academic economist believes in the V-shaped recovery story, where output snaps back as far and as fast as it has fallen."

Fed chair warns of 'significant uncertainty' around US recovery - Yahoo News, 06/16/2020

"Despite some recent positive signs, "significant uncertainty" remains about the recovery of the US economy from the coronavirus pandemic, Federal Reserve Chair Jerome Powell said Tuesday. …And unless consumers feel confident COVID-19 has been defeated, "a full recovery is unlikely," Powell warned in his semi-annual testimony before the Senate Banking Committee."

A dollar crash is virtually inevitable, Asia expert Stephen Roach warns - CNBC, 06/15/2020

"Stephen Roach, one of the world's leading authorities on Asia, is worried a changing global landscape paired with a massive U.S. budget deficit will spark a dollar crash. …."The dollar is going to fall very, very sharply." …His forecast calls for a 35% drop against other major currencies. …"These problems are going from bad to worse as we blow out the fiscal deficit in the years ahead," said Roach, a Yale University senior fellow."

The decline of the U.S. dollar could happen at 'warp speed' in the era of coronavirus, warns prominent economist Stephen Roach - MarketWatch, 06/23/2020

"Stephen Roach, a Yale University senior fellow and former Morgan Stanley Asia chairman, tells MarketWatch that his forecast for a sharp deterioration of the U.S. dollar could be a very near-term phenomenon, not an event that looms off in the distance. ….Roach is calling for the dollar to soon decline 35% against its major rivals, citing increases in the nation's deficit and dwindling savings."

The 'Great Repression' is here and it will make past downturns look tame, economist says - MarketWatch, 05/02/2020

"Think about what years of no pricing power is going to do to those corporate cash flows in the future," (David) Rosenberg writes. "Even government intervention is capable of suffering from the laws of diminishing demand. Japan is a classic template."

'We don't come out of this where we went in': Famed economist Mohamed El-Erian fears the global economy is stumbling into a new depression - BusinessInsider, 04/15/2020

"Notable economist Mohamed El-Erian has warned that the global economy could stumble into a new depression amid the coronavirus pandemic, and that things will change forever during the crisis. …"I don't think the market has realized we don't come out of this where we went in," he said in reference to current corporate behaviour and what it would look like post the global pandemic."

'We're all going to be permanently scarred': Billionaire Sam Zell cautions the coronavirus will leave a Great Depression-level dent in the economy - BusinessInsider, 05/05/2020

"The coronavirus recession will likely fuel long-lasting economic fallout similar to that seen after the Great Depression, billionaire businessman Sam Zell said Tuesday on Bloomberg TV. …"Too many people" expect the economy to rebound in a V-shaped trend, he said. "We're all going to be permanently scarred by having lived through this." …A wave of bankruptcies is necessary for economic recovery, but the virus' prolonged pressure on demand will drive more defaults than usual, Zell warned. …Other businesses will simply fail to adapt to the way behavior, strategies, and investing changes in the wake of the pandemic, he added."

Make no mistake…the pandemic morphed into a Depression-like crisis,' says UCLA economist, who predicts U.S. economy won't recover from coronavirus until 2023 - MarketWatch, 06/25/2020

"The road to recovery for the U.S. economy from the COVID-19 pandemic could be a very long one, predicts David Shulman, senior economist at UCLA Anderson School of Management in a recently published quarterly research report. …To call this crisis a recession is a misnomer," he warned. "Make no mistake, the public health crisis of the pandemic morphed into a depression-like crisis in the economy,""

IMF says global economic collapse caused by coronavirus will be even worse than feared - The Hour, 06/24/2020

"The International Monetary Fund on Wednesday painted a bleak portrait of the global economy, saying the coronavirus pandemic has caused more widespread damage than expected and will be followed by a sluggish recovery. ….The global economy will shrink this year by 4.9%, worse than the 3% decline predicted in April, the IMF said. ….Current conditions are considerably more dire than the "unprecedented decline in global activity" that the fund projected two months ago. Since mid-April, economic data suggest "even deeper downturns than previously projected," the fund said."

A wave of bankruptcies, surging taxes, and Americans harboring lasting scars from coronavirus lockdowns — the head of world's largest asset manager warns of grim outlook - MarketWatch, 05/09/2020

"Fink, speaking privately with clients of a wealth advisory firm, outlined an unattractive future in which the economy continues to weaken, bankruptcies soar and American consumers — the lifeblood of economic vitality in America — remain psychologically scarred from the impact of the deadly pathogen. Adding insult to injury, Fink warned that even as that brutal scenario plays out, taxes on corporations and individuals would eventually need to be raised to finance the trillions of dollars in economic aid that has been doled out."

Insight Conversation: Jim Rogers, chairman, Beeland Interests - S&P Global, 05/21/2020

"The main lesson of history is people don't learn the lessons of history.

I said that the next time we have an economic problem in the world, it would be the worst in my lifetime. And it is – here it is. It's not over yet. It's going to get worse before it's over. There's going to be some rallies. But there's too much debt. America was the largest debtor nation in the history of the world. And in the last month, Americans added several trillion – trillion with a T – dollars of debt and printed huge amounts of money."

Banking & Finance

Fed's Neel Kashkari warns bank losses during COVID could trigger next financial crisis - CBS News, 06/19/2020

"The head of the Minneapolis Federal Reserve warned Friday that banks should "stop paying dividends" and "raise capital" as more Americans struggle to pay their loans and credit losses mount at America's large banks amid the ongoing coronavirus pandemic…. Kashkari also said that "the recovery will take longer than we had hoped only a few months ago," and forecasts that it will "take a long time" for the labor market to recover."

Fed suspends share buybacks and limits dividends for big banks after stress test results - Business Insider 06/25/2020

"The Federal Reserve on Thursday imposed new restrictions on the US banking system after its annual stress test showed that some banks may approach minimum capital levels under certain coronavirus pandemic scenarios.

Banks will be required to suspend share repurchases for the third quarter of the year, the central bank said in a statement.

In addition, the board is also capping dividend payments and requiring large banks to re-submit and update capital plans later in the year to reflect current stresses."

The Looming Bank Collapse - The Atlantic, July/Aug/2020
"The U.S. financial system could be on the cusp of calamity. This time, we might not be able to save it. …You may think that such a crisis is unlikely, with memories of the 2008 crash still so fresh. But banks learned few lessons from that calamity, and new laws intended to keep them from taking on too much risk have failed to do so. As a result, we could be on the precipice of another crash, one different from 2008 less in kind than in degree. This one could be worse."

Wells Fargo, worried about defaults, stops making loans to most independent car dealerships - CNBC, 06/02/2020
"Wells Fargo, one of the biggest lenders for new and used car purchases in the U.S., sent letters to hundreds of independent auto dealerships last month telling them that the San Francisco-based company was dropping them as a customer, according to people with knowledge of the situation."

Citigroup Says Over 10% of High-Yield Bonds Could Default. That's Not Even the Worst-Case Scenario - Barron's, 06/04/2020
"Citigroup, for example, is predicting that 10.4% of outstanding high-yield bonds could default this year, and that 7.6% of leveraged loans could default. And investors who own risky bonds and loans will probably recover 30 cents and 50 cents on the dollar, respectively, the bank's strategists say. …But if economic conditions are as bad as the 2008-09 financial crisis, the high-yield default rate could rise to 14% for bonds and nearly 10% for loans, the bank says."

Goldman Sachs unpacks a ticking time bomb in the market's junkiest debt due to the coronavirus — and explains why even the Fed will be unable to avoid it - BusinessInsider, 04/18/2020
"The amount of high-yield debt that is coming due within two years is at its highest in over a decade, according to Goldman Sachs data. ….Many of these companies are not sufficiently creditworthy for the Fed to include them in its coronavirus stimulus plan.
They will account for much of the jump in credit defaults in the coming months, a Goldman strategist said."

Gold

World's ultra-wealthy go for gold amid stimulus bonanza - Reuters Business News, 06/18/2020
"As stock markets roar back from the coronavirus-led rout, advisers to the world's wealthy are urging them to hold more gold, questioning the strength of the rally and the long-term impact of global central banks' cash splurge…. Nine private banks spoken to by Reuters, which collectively oversee around $6 trillion in assets for the world's ultra-rich, said they had advised clients to increase their allocation to gold."

Gundlach: Powell No Superman, Buy Gold Instead - The Wealth Advisor, 06/21/2020
""Jay Powell has said he will expand the balance sheet to infinity if need be," Gundlach said… "Superman" Powell's "kryptonite" is negative rates, added Gundlach, adding that quantitative easing and zero rates have not worked in the past because otherwise "we wouldn't be back at them on steroids ten years later." …Gundlach's other key comments from the webcast included a projection that the U.S. stock market will likely fall from its "lofty" recovery levels while the U.S. economy will likely face a wave of white-collar unemployment…. When it comes to gold, Gundlach remains very bullish long-term, expecting for the precious metals to reach new highs."

Hedge funds bet on gold as refuge from 'unfettered' currency printing - Financial Times. 05/04/2020
"Some of the world's largest hedge funds are raising their bets on gold, forecasting that central banks' unprecedented responses to the coronavirus crisis will lead to devaluations of major currencies."

Hey, Washington, Buy Gold to Support Dollar, Guggenheim CIO Says - Chief Investment Officer, 06/11/2020
"The basic idea, he explained, is that gold increases in value during bad economic times, as investors flock to it as a refuge. They reason that it is the ultimate tangible asset, incapable of being diluted, at least physically. …"The accumulation of gold as a reserve asset historically has been seen as a responsible policy response in periods of crisis," Minerd argued. "This may very well become the policy option of choice in the future."

The stock market may get cut in half, but this 'most undervalued' asset is about to surge, billionaire investor says - MarketWatch, 05/16/2020
"Paul Singer, the hedge-fund billionaire behind Elliott Management, warned last month that the ultimate path of global stock markets is a drop of at least 50% from February highs. …Gold, advised Singer, is "one of the most undervalued" assets available and it's worth "multiples of its current price" due to the "fanatical debasement of money by all of the world's central banks.""
As the guidance from many of the above sources would indicate, we are patiently waiting for a real buying opportunity. When it comes it will *not* be met by the masses with joy, greed and excitement, it will be met with fear, disdain and trepidation. *That* is what a bear market bottom looks like, not the panic buying and enthusiasm we saw in April and May.

Conclusion

This list of articles isn't meant to scare or discourage the reader. It is meant to give a different perspective from the game show, gambling casino feel of the current financial news. They present investing as if it were a game, to be won or lost. According to the financial media, you show your bravery by taking on undue risks. None of that is true or right. If you find yourself getting pumped up by the financial news, you are watching the wrong channel.

Investing is a process. It requires patience, time and self-control. The financial news should put you to sleep. This stuff is deathly boring and dull, dull, dull. Luckily, I love it!

Our strategy is very simple.

- We want to take advantage of the next leg down with our hedge positions
- We want to sell the hedge positions when there is fear and panic. We want to sell them when the market is bottoming (the hedges should be peaking then). Investors' attitudes will have switched from today's "get me in" panic buying to "get me out at all costs!"
- It is then that we want to start to pick up companies with strong balance sheets, and potential for strong dividends.

Warren Buffett is famous for saying "Be fearful when others are greedy, and greedy when others are fearful." Today investors are greedy and that may prove to be their undoing. We expect them to be fearful soon.

With how quickly this market is moving, it could be sooner rather than later.

Thank you for your patience,

John Riley
Chief Strategist

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