Ronald Stoeferle: Precious Metals Update

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Erik: Joining me now is Ronnie Stoeferle, managing partner and fund manager for Incrementum. He prepared a terrific slide deck for us. Listeners, you'll find the download link in your research roundup email. Now if you don't have a research roundup email, it means you haven't registered yet at macrovoices.com. Just go to the homepage at macrovoices.com. Look for the red button that says looking for the downloads. Ronnie, it's great to have you back on the show. I'm looking forward to diving into this precious metals focused slide deck. But boy, what a week in in the markets. Why don't we start with the big picture? What happened? What's going on? Why the sudden return of volatility and how do you see this market environment?

Ronald: Hi, Erik. First of all, I don't know if it's if it's too late. But anyway, Happy New Year to you and all your listeners. Well, it seems that that volatility is finally back. I mean, we all knew that the market was pretty expensive. And you know, we went into the new year with the largest forward P/E discount for emerging markets relative to develop markets ever. We were trading at a 40 times Cape multiple, which is a I think Dave Rosenberg wrote it. That's a three standard deviation event that we lost had in November 2000. And we all know that the next year so 2001, the market was down 18% to everyone's surprise. And it's you know, it's not only the P/E ratio, it's also, you know, the S&Ps price to sales ratio. It is at three times! It's a price to tangible book ratio at 15 times. So the market was very, very expensive. And I think that the market participants realized after this tremendous year of 2021 where the S&P I think made 17 new all time highs with very very low volatility. It was the lowest realized volatility since 2017.

It realized, first of all that, you know, Jay Powell seems to get really serious and the three to four rate hikes plus tapering plus quantitative tightening is not really something that the market really looks forward to. So this terrible taper, this tapering on steroids. Yeah, I mean, it's something that obviously caused this major and brutal correction. But from my point of view, I'm seeing it fairly relaxed. And first of all, one of the reasons is that there was a great chart that I retweeted yesterday, it's by the guys that 314 research, it shows that if the sell off should continue, the Fed will probably stop hiking before it before it started. So history says that in 71% of all Fed hikes, they have come when the market is within 6% of its 12 month high. So I think the market now is, is already kind of discounting that the three to four rate hikes won't really happen. From my point of view, it will be a one and done. And I think, you know, coming back to the to the equity markets, I think market participants seem to forget that household ownership of equities is now at 45 trillion. That's an all time high. That's actually twice the size of the US economy and way above the historical norm, which I think is 13% or 14%.

So that means that a 20% drawdown in this cycle and you know, 20% corrections are just something normally normal usually. A 20% drawdown in this cycle will feel more like a 60% plunge. So therefore, I think that it's almost impossible for the Federal Reserve to do three or four rate hikes this year. I think they will have to do the U turn pretty soon. And this will be the point in time when they completely lose the rest of their reputation. So I think it's a highly interesting development that we're seeing at the moment. And I think that gold is perfectly reacting to this whole development. It's already kind of sniffing out that the Federal Reserve will have to reverse its course.

Erik: Ronnie, I want to ask you the question that I've been pondering all week, which is if you were to consider what an academic or somebody on the cable channels would say about this situation, they would say look, the reason that the market sold off. The reason the stock market sold off so hard is because the stock market is a very well known predictor of economic recessions. And so therefore, what the market is telling us is that the Fed has signaled a policy error is trying to be a little bit too hawkish too quickly. And it's going to cause a recession, which will affect corporate earnings. And that's the reason for the market sell off. I say, baloney, the market doesn't work that way anymore. That's the old normal pre-2009 back when fundamentals mattered.

These days, I think the market is mostly a casino that's driven by available liquidity, most of that supplied by central banks. And I think that what this is about is the market kind of behaving like the mafia saying, oh, you don't want to buy any protection services from us, when we talk to you in a week, see how you feel about it then. This in my eyes Ronnie is nothing more than the market, roughing up the Fed in advance of the FOMC meeting I should mention that we're speaking on Tuesday this week, a couple of days before this airs. But I think this is the market roughing up the Fed threatening them saying you better be careful what you do at your next meeting. And I don't think that if the Fed called their bluff and said, well we're going to hike anyway, the stock market might crash. But I don't think it means economic recession. I'm think it means finally, the gig is up for the liquidity driven stock market and I don't think that's going to happen, either. I think the Fed is going to reverse course, exactly, as you said. But do you think that if the Fed stood Path that it really is an economic recession that's coming? Or is it just the breakdown of this new normal liquidity system that's breaking?

Ronald: Well, I think actually as I mentioned before the addiction to high and rising equity prices is higher than ever, and therefore, I think that even a small correction will massively impact consumer sentiment. And therefore I think, you know, the yield curve is already kind of telling us that that economy is not doing so well. We all know that we've got a midterm election year end and midterm election years are always complicated. Just remember 2010. Remember 2014, 2018. There were all years of, let's say, monetary detoxification. So we saw then end of QE one in March 2010. We saw I think, end of QE three in October 2014. And then 2018, we all remember that, yeah Quantitative tightening. And you know, Jay Powell was saying a long way from normal. So I think those years are always pretty, pretty tough. But you know, I wonder why so many people are now being called on the wrong foot. Because you know, that the current correction, I mean, we already saw it underneath the surface, if you had a look at, you know, the market breadth, for example, we already saw that only a handful of sectors were making new highs and none of them were cyclical. We saw that the Russell 2000 was massively underperforming.

And I think what was most important for me, and this is why we took a very profitable short position in the NASDAQ. We saw that the market behavior over the last couple of weeks was kind of changing. I think people were starting to sell the rallies instead of buying the dips. And that was for me, the sign that well, you know, a bigger correction could happen now. But I think I'm not too bearish for the time being. I think that corporate credit, at least until now does see the current events as some sort of non event. So I don't see panic in the corporate credit market. So my take would be the Federal Reserve will move slightly more dovish. So I don't think that we will see three or four rate hikes this year. I think we'll see one, maximum two, I think the market will like that. But I think what's really important going forward, I think we have to become much more selective when it comes to equities. I think the easy part of this bull market is probably over. I think it's time to take some chips off the table to reduce beater to de-risk, to move into other sectors. I'm seeing great value in in the energy space, in the commodity space in general, of course in the gold mining space. So I think it's not necessary anymore to be in those, you know, big FAANG stocks that were responsible for most of the market move over the last 12 months. I think this time actually is over.

Erik: Ronnie, you're probably best known as a precious metals expert. So I want to move down to your slide deck. And I kind of tell you, when I saw page two of the deck, I think this meme you have here is probably the best piece of content I've ever seen on a macrovoices slide deck, because it is just so true and so simple. So for anybody who doesn't actually have the deck in front of you, I'll describe it. There's what it looks like about a six year old little girl talking to a man dressed in a suit, it looks like a Wall Street guy. And the little girl says, hey mister, I predicted 7% CPI in 2021. And Wall Street guy says, wow little girl! How much money did you make? And she says, I bought gold. And then the final picture is you see him consoling her, it looks like somebody died.

Ronnie, I've been listening to this gold bug narrative for 20 years now that basically goes look, we're going to get to a point where the government's going to just run out of options. They're going to print too much money, debase the currency, and gold goes to the moon. And I always said, okay, these guys are maybe a little bit alarmist, but I know they're going to be proven right eventually someday in the end game. Well, guess what? They're being proven right in all those predictions except for one, which is the part about the price of gold going up.

Ronald: Well yeah I mean, I think this meme really says says more than a 1000 words and he wrote a piece for Raoul Pal's Global Macro Investor where we basically explained from our point of view what actually went wrong. And you know, our time is precious so we shouldn't beat around the bush. 2021 was extremely disappointing for gold, especially as we saw this major move in inflation, as we saw real rates going to extremely negative territory. It was disappointing, but you know, so the question is what happened actually? And as you can see on the fourth page, well, actually, you know, if we take a step back, we saw gold doing very very well in 2019 and in 2020. Gold was up 18.3% in 2019, it was up 25% in 2020. Now, last year, gold in dollar terms was down 3.6%. In Euro terms, which counts for us over here, thanks to Madame Lagarde, gold was up 3.6%. So it wasn't actually that bad. So, you know, I would say if we have a look at the performance table, I think that gold's already discounted this major surge in inflation in 2020. And I think, you know, we really should manage expectations. Nobody should expect Bitcoin like performances from gold. Obviously, it has a slightly different volatility as we saw over the last couple of days, gold's role is to protect your purchasing power to protect your savings and actually I think it did a pretty good job over the last couple of years.

And we should not forget, Erik, that gold in August 2018 when it's made its lows, gold was up compared to the August 2020 top. It was up 80% so it really had to kind of digest this dismissive move. And then of course, there are the other reasons, as you can see on page five, actually, as I've said before, equities were up, the S&P for example 29% without any major volatilities. So for every fund manager, there was actually no necessity to hold any protection, to hold any gold as a portfolio stabilizer. So I think those were the main reasons of course, then we also saw a strong US dollar, we saw that Bitcoin was stealing the show. And I think most importantly, perhaps from the flow side, we saw that institutional players and I regard ETF flows as a gauge for institutional flows. You know, they couldn't care less about gold. And what's interesting, Erik is last week on Wednesday, we saw three tons of inflow into GLD and on Friday, was a very, very turbulent day, we saw 828 tons of inflows into the gold ETF, the GLD, which was the biggest net inflow in US dollar terms in history. So I think it's really changing. Now, I think that that gold has kind of reappeared on the menu. It has reappeared on the watchlists and therefore, I think it's a pretty interesting setup at the moment.

Erik: Now, you really piqued my curiosity with one of your comments. Let's go back to page four for a second. What you're saying is, okay, it's not the gold didn't react to this inflation and debasement and so forth. Look at 2019, up 18.3% in US dollar nominal terms and 2020 up 25%. So, of course, as the pandemic news comes out, gold's really, you know, up 25% that's a darn good year. But it seems to me, Ronnie, that if what you're saying is gold's doing an excellent job of anticipating these things, well, okay, if it's not up anymore, now, it sounds like the gold market is persuaded that maybe the Fed really is going to unwind all this stuff, and that we're not going to continue indefinitely with all of this money printing in what I consider to be central bank largesse. Is that the way to interpret this because frankly, my base case was they keep on partying.

Ronald: Yeah well they probably keep on partying. And we all know from the times when we were young that such parties can last much longer than we all think, especially if there's illegal substances involved. So I think, actually, and that's contrary to what many people in the gold camp think, I think the end game or the big reset, or whatever you want to call it, it can take much longer than we all would expect. And but still, I think that gold is I think it's more of a transition hedge or a singularity hedge. And from my point of view, at some point gold will be repriced and I think one such of a repricing will be more than enough for every investor actually in the lifetime. Now, coming back to your question, Erik, I think that if we have a look at page six, for example, I think that gold was sniffing out that real yields take a dive and I think that it anticipated future inflation very very quickly. And my take is, I think gold cannot be compared to most other asset classes to high yield bonds, to convertibles, to tech stocks, whatever. And I think the main reason is that gold is something special, actually in every country, on every continent, in every culture, in every religion. So I think the wisdom of the crowds is much, much bigger than in other asset classes.

So I think that gold, therefore, is sniffing out that those major moves much earlier. And I think gold at the moment is kind of starting to sniff out this this big policy mistake that we're seeing coming from the Federal Reserve, because I mean, we all know and I'm on record with that, that this will be the shortest and the shallowest rate hike cycle in the history of the Federal Reserve. And I think if we have a look, for example, at slide 16 or slide 17, it shows that actually gold is behaving before and after the first rate hike in a new cycle. And actually, it was really interesting in 2015, gold actually made it slower. And I remember this day pretty well because every everybody was forecasting gold to go below 1000 bucks, but it actually made its lows exactly on the 17th of December 2015. On the day of the first rate hike. And if we have a look at page 18 for example, the first rate hike when Maestro Alan Greenspan was still around in 1999. And we all know that this campaign wasn't so successful either. Only a couple of days later, actually 20 days later, after the first rate tag gold made its lows so I think we are at this stage where the market or the gold market is already pricing in that this rate hike cycle won't last very long. And therefore I think that's on of my calls for this year, I think we will make new all time highs this year, as the market will realize that this rate hike cycle will be over before it, it really started running.

Erik: Let's talk about this coming rate hike cycle because I'm going to go on a limb here and say maybe this time is at least a little bit different in the sense that I think you and I probably share a little bit of cynicism that hey, you know, they say that they're not in the business of bailing out the markets. But you know, when markets really start to tank that, you know, they're going to have to and they're going to get much more dovish, because they're gonna rescue the market. I mean, that's just the bias that I have based on history, what seems to me really is different this time is in the past, when they supposedly were on a hiking or tapering campaign. And they kind of abandoned it and reversed course, and turned much more dovish. They weren't fighting inflation then. Now, they're looking inflation in the face. So when they turn dovish they have the risk of exacerbating that inflation. Is that going to make them maybe stay the course a little bit longer or a little bit harder than the market is expecting?

Ronald: Obviously, inflation is a topic again so that's a great question. You know, we put out a special report on inflation in December 2020 when the CPI in December, I think was at 1.2%. Now, in December 2021, it came out that roughly 7%. So for the first time since 1982, I think that was the time when the movie ET premiered in US theaters, we got CPI above 7%. So it's really something big. However, we know that mainstream economists keep telling us that it's only transitory, even though Jay Powell kind of admitted that perhaps it's a bit more sticky than he previously suggested. My take would be Erik, that that to the base effect, we will see inflation numbers coming in slightly lower over the next couple of months. And this will give I think central banks leeway to stay much more dovish than the market is expecting.

Now, we should not forget the one year inflation swap is trading around 3.7%. So the market is forecasting that over the next 12 months, basically, CPI will be almost half of the current 7% reading, the two year swap is trading at 3.3%. So the market believes that inflation will be even less of a problem in two years. So I think and that's really the big question. At what point will long term inflation expectations really pick up significantly? I think that's really the big question out there. And from my point of view, we are seeing some sort of a beginning of a wage price spiral. As you remember Erik, there was this strike at a John Deere and that's just an example. But I think it fits very well for what's going on. And I see it increasingly here in Europe as well. So the strike at John Deere, it concluded I think after five weeks and we saw an increase in retirement benefits, we saw a 10% immediate salary bumps, we saw 5% wage increases for 2023 and 2025. And a quarterly cost of living adjustment that was negotiated alongside the 8,500 US dollar bonus.

So that's an example of what's really going on. And I think that employees are now finally realizing that inflation is a topic again, and they want higher salaries. We're seeing interesting developments when it comes to housing. I think there's like an 18 or 2020 month lag between rising rents, which is I think 25% of the CPI and rising inflation. So given the fact that the rents are up only little less than 4% in the last year, while housing prices nationwide are up about I think 20 or 22%. We will probably go forward tp see a lot of rent inflation that will have to find its way into the CPI over the next year. I think we're also seeing that velocity has now stabilized. Our dear friend Russell Napier said forecasting velocity is his fear and literally difficult. It's like trying to juggle an ink continent squid, something you really don't want to do. And you're very unlikely to be successful. But we all know that Omicron seems really to be the game changes from my point of view, the whole COVID crisis is basically over. Therefore, I would expect that velocity will stabilize, that velocity will actually start picking up. So that should be another inflationary driver. We're seeing that Asian countries are starting to export inflation, we're seeing...

Erik: Hey, hang on a second Ronnie, let's go back to velocity for a second because I am confused by what seems to me like a total disconnect between slide seven and eight in the deck. When I look at CPI inflation just taking off to 7% on page seven, I think, okay, everything I've ever studied about inflation is it's very much about the Velocity of Money, which is a measure of how quickly a unit of currency changes hands from one party to another over a period of time. I look at this chart, and I just say boy for inflation to be going like that velocity of money must be really picking up and I look at page eight it's like no, it's like 120 year low! how's that possible?

Ronald: Well I think that, you know, we're seeing basically a couple of different things. First of all, I think it's the fact that fiscal policy is now becoming much more important than traditional monetary policy. So I think we should, perhaps focus less on what the Federal Reserve is saying and doing and focus more on what politicians are doing. And, you know, I think the big government is back and that politicians really really enjoyed their kind of, you know, moments of glory in the COVID crisis where everybody was super anxious and wanted politicians to pick up the slack and stop the crisis. So I think, you know, first of all, we should focus more on fiscal policy, which has a much more and much more direct and faster impact on the economy. On economic growth and inflation numbers. The second thing is, we could also ask ourselves, well, if velocity is at that low levels, and it's actually at levels that we saw last time in 1933 and 1946. And in both cases, the US government basically resorted to radical measures. So, you know, if we seeing velocity as such low points, and inflation is still picking up significantly, then we could also ask ourselves the question, well, you know, what's going to happen if velocity really picks up?

When market participants start realizing well, this might be some sort of, you know, as the Austrians would say, a crack up boom, and just want to get rid of their paper money. And I think that might be the next stage. Now what's going to happen then? And if we look back into the history books, at times when velocity was at similarly low levels well in 1934, we all know that the US devalued the dollar against gold, by almost 70%. And in 1946 actually the time 1946 till 1951, I think they enforced massive financial repression. So basically, they kept interest rates at a very low level, they implemented some sort of a yield curve control. And I think both of the things that devaluation against gold, and the yield curve control is something that we could expect going forward. So long story short, I think that given the fact that inflation is so high, despite the fact that we're seeing strength in the dollar, despite the fact that velocity is so low, is actually some sort of a confirmation, that the case for future inflation for extremely negative real yields over the next couple of years, if not decades, that's probably makes the case even stronger.

Erik: Ronnie, one of the things that you'll hear a lot of analysts speculate about including myself as maybe what's going on here with gold kind of having a hard time getting moving is that crypto has stolen the show as you put it on page nine of the slide deck. Boy, this slide showing fund flows is really compelling. But you know, if you look at whether or not crypto is behaving as an inflation hedge or as a risk catcher or what have you, you know, look at the last week or so, where gold is up on a lot of uncertainty and crypto is not doing so well. So it seems like maybe that's not the case. So, in your opinion, because this is something a lot of people have disagreed with me to say no, it's not about crypto stealing the show from gold. That's not what it is. Is that what it's about and if it's not point, bpy how do you explain these fund flows?

Ronald: Well, you know, I wouldn't overrate Erik. Well actually, we have two funds, where we combine physical gold with cryptos. One of them is just Bitcoin in cold storage, where we basically harvest enormous volatility by an option strategy, which work tremendously well in markets like at the moment, I think, you know there's very strong opinions in the gold camp and also in the crypto camp. From my point of view, I think there's many similarities. But what we saw recently is clearly that Bitcoin, at the moment at least, is a risk on asset. I think it was a leading indicator on the downside for the S&P. We saw that end of 2017. We saw it in February 2020. We saw it with Bitcoin, basically going down a couple of weeks before the S&P and the Nasdaq crashed. So it is definitely a sign of risk appetite. And it's also leading indicator on the upside, we saw that at the Christmas 2018. We saw it at the S&P crash low I think it was March 23, 2020. So Bitcoin clearly, at the moment is an indicator for risk appetite of investors. But as we can see on this chart, showing the flows, you know, last year, Bitcoins market cap basically reach 10% of gold's market caps. And now it really cannot be ignored anymore.

And I think it was kind of ridiculed from the gold camp, and it was a kind of neglected, but now it's really becoming, it's kind of growing up. So we're seeing more and more traditional banks are offering services related to crypto assets, we're seeing that regulatory authorities are implementing or drafting regulatory frameworks, we're seeing you know, tax authorities are kind of detailing the tax treatment of crypto assets and so on. And I think, you know for crypto enthusiasts, who are in this space for many years already, these may be negative developments, but I think for the masses, for the larger institutional players, this is really some some sort of a confidence building sign. So I think, you know, I would not overrate the flows that are, as we can see on this chart going in an opposite direction. But I think that crypto is clearly stealing the, let's say, the media spotlight from gold. So I mean, last year, if I talked, you know, if we put out some research on gold, you know, journalists, they couldn't care less that's like the most boring thing you can write about. While if you come up with a with a fancy headline saying, you know why Bitcoin goes to a million, this is something that every journalist will kind of pick up.

And this is changing now, I think the market is realizing that well, actually, you know, they are major corrections happening in crypto still. But from my point of view, I think it's still I don't think that this bull market is over. And the main reason is, as you can see on the next slide, slide 10 it's basically the stock to flow ratio, which is very similar for gold and for Bitcoin. Bitcoin will be starting in 2024, it will have a significantly lower inflation rate. So the stock to flow ratio will be 121. So therefore, I think, you know, I really don't know if bitcoin will be around in 10 years from now, I would see it rather as a binary thing, but if it will be around in 10 years, boy, I think it's gonna be significantly higher than it is today.

And from my point of view, coming from the macro side, and trying to analyze you know, monetary growth, future inflation, and so on. From my point of view, the stock to flow ratio of gold and of Bitcoin, this relative scarcity that we are having in our monetary system. This is really crucial to understand. So I'm on record saying that we are still very very early on. Of course, there will be major setbacks. But I think both gold and Bitcoin are kind of non sovereign hedges against the monetary debasement against deeply negative real yields in an environment where central banks basically, globally pursue ultra loose monetary policy and really try to dilute their currencies and win the currency wars. And I think in such an environment, it just makes sense to hold gold but also probably to a smaller degree because it's the volatility significantly higher, but also to have some allocation to Bitcoin or even other cryptos.

Erik: Now Ronnie I'm sure some people are probably thinking, what do you guys even doing talking about gold, the Fed is about to begin a rate hiking cycle. Everybody knows rate hiking cycles are always bad for gold. Dovish, is good for gold. Hawkish is bad for gold. But I move to page 16, the data doesn't say that, does it?

Ronald: No no, the data doesn't say I think this is becoming even more pronounced because...

Erik: So many people believe that, you know, dovish good for gold, hawkish bad for gold. That's just how it works but it's not.

Ronald: Exactly, exactly! I mean, I talked about 2015 and 1999, where the first rate hike, basically, marked the lows, marked bottoms in gold. And as you can see on chart 16, actually, of course, the 1980s where interest rates move much faster. It didn't really work. And it was a tough decade for gold. But based on our research actually, gold is discounting the future rate hikes. And as soon as the rate hike cycle starts, actually, the worst is over. So it's a little bit of a, you know, sell the rumor buy the fact. And you know, Erik, you know, you've had so many discussions on this fabulous podcast with great thought leaders in the macro space.

I think we don't really have to talk about the debt situation, we don't have to talk about the policy errors that have already been made. So therefore, I think, you know, it's gonna be a very short and very shallow rate hike cycle. But what's really gonna be interesting Erik, and this is something that Jim Bianco wrote on a tweetstorm. He wrote about the first week of January in the bond markets and actually, the first week was really epic. We saw a 10-year note finishing its worst week in 42 years, with a total return loss of more than 4%. So only the February 1980 saw a bigger loss for a calendar weekly loss. We all know what happened in February 1980, when Paul Volcker actually panicked and the Fed funds rate headed to 25%. For the 30 years, it was, I think, a 9.3% total return loss just in the first week of January.

Now the big question Erik is we all know that, you know, risk parity and basically every asset allocator out there says that bonds aren't the anti-fragile bedrock of every portfolio. Now, what if this time is over? At what point will investors rethink their portfolios? At what point will they realize, well, perhaps bonds aren't the best hedge in this environment anymore? And I think this will really be the point in time when major players will rediscover gold. And we will see major inflows into the gold space not as a satellite investment, but really as a core investment of every portfolio. And I'm not speaking about 40-50% but 5 to 10%. Why not? If market participants realize that if the portfolio allocation shifts in that direction, and I think that inflation is probably the trigger that will lead to this rethinking of market participants, then I think it will be the time when gold really picks up momentum, and probably we're not too far away from that point.

Erik: Let's move on to page 22, where we have a series of slides talking about the gold mining shares, which boy you think gold has not done that well, the mining shares are even worse.

Ronald: Yeah, well, you know, I'm analyzing and investing in the mining space for 15 years now and that's a tough one. I lost quite a lot of hair and nerves investing in the mining space, however and I think that also applies for silver. I don't think that mining equities can really decouple from the price of gold, I don't think that silver can decouple from gold. But I think at some point, if we really move higher in the price of gold, I think that mining, the mining stocks will have their big moment. And as you can see on the next slide, well actually the GDM index, which is the gold miners index, it's not only relative to its own history, but also relative to the S&P 500. It's extremely cheaply valued. We're seeing, for example that the dividend yield. I mean mining stocks over the last cycle, never really had big payout ratios and never really had big dividend yields. Now, they're 2.3%, which is significantly higher than the dividend yield for the S&P 500.

But it's not only that, its margins are really high. We're seeing that price/earnings, price/EBITDA, price sales, and so on, are very, very attractive. We have seen that over the last couple of months, that most of the companies really got rid of their debt. So we're seeing pristine balance sheets in the mining space. We're seeing that, of course, that the major players, they have seen some cost inflation. But for example for the next year, we do expect the the all in sustaining costs at roughly $1,250 US dollar. So at $1,850 for gold, that's still a pretty pretty nice margin, I would say. And just recently, we saw that M&A activities are picking up. We're seeing more share buybacks. We're seeing lots of nice price action actually in the companies that we follow, especially so I think and you know, this kind of gives me goosebumps because I would have never expected to say something in my life. But I think we're seeing great value place in the mining space. And therefore, you know, we feel like little kids in the candy store. We're seeing super attractive valuations given at this price level of gold. But if our assumptions are correct that we are in a bull market, that gold will make new all time highs, I'm expecting tremendous performance in the gold mining space and even more so in the civil mining space.

Erik: Ronnie, we're starting to run out of time. So I'm gonna move all the way forward to slide 33, your forecasts for 2022 so give us the quick rundown on what we can expect.

Ronald: Well, this is something some sort of a tradition that I'm doing every year at the precious metals conference in Munich that didn't take place unfortunately due to COVID. But those bold forecasts are something really big over here in German speaking world. So So I think my most important calls are that the gold will make new all time highs this year, I see oil rising into triple digits. I'm extremely confident when it comes to nickel. I see uranium spots rising to 60 bucks. From my point of view at some point a central bank or a sovereign wealth fund will will start buying Bitcoins. I see Federal Reserve with only one rate hike, Tesla stock correcting 50% from the top and Elon Musk resigning as CEO and probably the boldest forecast I don't think unfortunately that Austria will win the football world cup.

Erik: Well that one I'm sure we can agree on. Ronnie, I can't thank you enough for a terrific interview but before I let you go tell us a little bit more you run a fund for Incrementum. You also publish the In Gold We Trust report which is one of the most respected fundamental analysis books on gold and it's free too! Comes out in May of each year doesn't it?

Ronald: Yes we are already working hard on the upcoming In Gold We Trust report. 24th of May is the big date, we will publish it in German and in English but this year for the first time also in Spanish and before that we will publish our In Gold We Trust preview chart book that should come out beginning of March but most people know us because of our In Gold We Trust report that is really dear to our hearts. We love researching the topic of gold which is not only about gold, it's actually about everything. So we really enjoy this, but primarily we're asset managers based in Liechtenstein managing six funds. We're a boutique player, focusing mostly on commodities, precious metals, and cryptos.

Erik: And for our accredited and institutional audience who are able to invest in those funds, how do they contact you to find out more about them?

Ronald: Well have a look at our webpage incrementum.li. But, you can also contact me on Twitter. My handle is @RonStoeferle, and you will also find my contact details on my webpage.

Erik: Ronnie, I can't thank you enough for a terrific interview. Patrick Ceresna and I will be back as MacroVoices continues right after this message from our sponsor.