Minutes of the Advisory Board Meeting
Austrian Economics Golden Opportunities Fund
October 3, 2016

Strong Oil + Weak Growth = Stagflation?

Highlights of the conversation:

Special Guest: Grant Williams:

- I think the most important thing is just to differentiate between the oil price and the US dollar and which one is actually moving. Probably a lot of what we've seen in terms of oil going down in 2014 can be very easily laid on the dollar.
- About Deutsche Bank: They won't let them go under, as they won't want to risk another Lehman moment. They cannot let them go under, as DB is systemically far too important.
- Some kind of panic about Deutsche Bank could very well lead to a short-term aggressive spike in the US dollar. My point is that I think in the long term the dollar goes down and I think if it needs to be capped and managed down, that will happen sooner rather than later, they can't afford to let it run like they did back in 80s with the Plaza Accord.
- If they allowed Deutsche Bank to go under, the chaos that we saw in 2008 would be like a walk in the park compared to what they would trigger this time.
- For me being short the US consumer discretionary sector is a great trade.
- Around the elections, getting long December volatility and paying for it with short the front month's vol makes sense to me. Because, like Jim, I think the market is priced for a Clinton victory and I think the Brexit phenomenon will show up again, but it's going to be way more powerful here in the US.

Jim Rickards:

- There's a great effort by Saudi Arabia to destroy the American fracking industry. Basically they've asked themselves the following question: What is the price at which the fracking industry is destroyed but it does the minimum damage to the Saudi fiscal situation? The answer is: USD 60 a barrel.
- Now to a great extent it's that their mission has been accomplished. They actually have at least prevented or delayed the expansion of the US fracking industry. So they're now in a position to cause a price increase.
- It may be the case that in the longer run OPEC cannot set the price of oil because there are so many macroeconomic factors that have to be taken into account. But in the short run they certainly can! And when you say that OPEC has production quotas, it's actually that Saudi Arabia has production quotas. So if you see any output cuts, they're going to come from Saudi Arabia.
- I think there's a soft ceiling at USD 60 per barrel and a soft floor at USD 45 per barrel. I'd trade in that range, but the trend is currently more to the upside, meaning to the USD 60 per barrel level.
- Right now today, I think that the needle of the inflation-deflation seismograph would point a little bit more to the inflationary direction – not a lot, as the deflationary forces are also very powerful.
- Consequently, I see the Fed raising rates in December, as also the growth numbers are okay. The main difference between June and September and now is that back then the markets didn't believe them, because the data wasn't there. But now the data is there, not in a strong way, but strong enough to justify what they want to do already!
- That rate hike that I expect should send stocks down another 10-15% to the end of this year and early January. I think we're going to see a kind of replay of what happened between December and February last time.
- I agree completely with Grant that Deutsche Bank will not be allowed to fail.
- Politically a bail-out is impossible – also due to the fact that Merkel hasn't allowed Renzi to bail out Banca Monte dei Paschi (BMP). Therefore, a bail-in will be used. It will come at the expense of equity and they will go to bondholders if they have to.
- In a bail-in the first people who lose are equity holders, then bond holders, then deposit holders to the extent that their deposits are in the excess of the insured amount. And then finally there are the counter parties. You could argue that counterparties should bear the first loss, but the risk of contagion is too great.

- I think there will be an equity rescue, but not yet and you'll probably see the stock go to EUR 1 or EUR 2 per share before that money steps up. Hence, one of the best plays out there is just to short Deutsche Bank.
- Deutsche Bank's gross notional exposure to derivatives has gone down from USD 70 trillion to USD 45 trillion in about 6 months. That's not really good news, that's horrible news. USD 30 trillion of gross notional derivative exposure has been terminated early, or they are normal maturities and they can't roll them over, they can't expand their book. That tells you that people are already running for the hills!
- In terms of trading, I like Grant's idea about being short the XLY ETF.
- If we get within 2-3 days of the US election and the polls are close, and I expect them to be close, I'm going to buy puts on Amazon. Jeff Bezos owns the Washington Post and if Trump wins I think he will get the Department of Justice to launch an anti-trust investigation to destroy Amazon. It's a sitting duck for an anti-trust investigation.
- Generally, the market is going to be priced for Hillary winning. If she wins, nothing happens, if she loses, you've got massive re-pricings.

Heinz Blasnik:

- Now there are two points that are structurally positive for the oil price: OPEC doesn't have spare capacity and the world is in a balanced primary supply and demand situation in the fourth quarter. If any supply disruptions should happen, and they can happen anytime, then we'll suddenly have a small deficit.
- I think whatever spare capacity is left, Saudi Arabia has it.
- We're going to see higher headline inflation in the coming months, unless the oil price declines again, which doesn't seem likely at the moment.
- And about Saudi Arabia and its relationship to the US, I believe there are two different factions in the US foreign policy establishment: One faction wants to continue with things as they are, and the other faction is in favor of rethinking foreign policy . The latter has probably had the upper hand for a while now, because otherwise there wouldn't have been the deal with Iran.
- Mohammed bin Salman, the deputy crown prince and defense minister, is very active in influencing policy in Saudi Arabia. Ever since this happened, relations with the West have cooled off significantly.
- Like Jim I think that there's going to be a rate hike in December. But I believe it is very likely going to be the last rate hike.

- Hedge funds have reportedly started to move their money out of Deutsche Bank. And if you have a large deposit, it's sensible to move your money out as fast as possible before the situation becomes acute. And that will exacerbate the problem. So as Jim said they might want to avoid a Lehman moment, but they might get one anyway.
- As expected, in the gold space an extended correction seems to be underway now. And depending on developments I am keeping an eye open for an opportunity to re-engage in the sector.
- There's a lot of complacency in the stock market and I'm surprised that it has not had a correction yet.

Frank Shostak:

- I still think that inflation is not going to be an issue. In the US the growth momentum will probably stay at the same level.
- If we were to see some dramatic effects in the financial markets, I would expect them in the second half of next year.
- Concerning the oil price, I'm still seeing quite a visible decline next year. I think the WTI could fall to USD 30 per barrel next year. This is at least what our models, which are trying to capture dynamics, are showing at present. But of course we are aware of the fact that it's only a model that is not including political effects like for instance the Saudi Arabian strategy.
- Japan in August pushed their money supply to 37% (!!!) year-on-year. By this they try to generate some price inflation, which has not been successful yet, as price inflation in Japan is still in negative territory. Also China is trying to inflate rather aggressively, they are currently expanding their money supply by 23%, which is quite significant.
- My model suggests that the US dollar against the euro is going to strengthen until May next year, thereafter I see some stress for the US dollar.
- Bailing out Deutsche Bank would result in a quite significant monetary pumping, which would be against German ideas. The Germans themselves might regard it as a disadvantage to bail out Deutsche Bank, so from this perspective it might well be possible that they might allow it to go under.
- And if they on the other hand do bail Deutsche out, we'll see a significant increase in the Eurozone money supply.

Ronald Stöferle:

- OPEC has announced the first production cut deal in 8 years. We all know that we shouldn't overestimate these announcements, they'll have a more formal meeting on November 30 in Vienna where they want to agree upon a tentative deal to limit crude oil production.
- It seems to me that when it comes to oil, nobody is bullish at the moment. From my point of view, people are overestimating the elasticity of the supply side.
- If OPEC should be able to reach an agreement, will there really be a consequence for the oil price? I've read a very interesting study on that by Jeff D. Colgan, who basically argues that OPEC quotas have had no bearing on actual production and only a very limited impact on the spot prices.

Transcript of the conversation:

Ronald Stöferle:

Welcome gentlemen to our advisory board discussion for the fourth quarter of 2016! It's a great pleasure hosting this conference call! **We're delighted that Grant Williams is our star guest today.** Grant is well-known in the community as the writer of the bi-monthly newsletter *Things that make you go hmmm* that he has been writing for more than 6 years now. And he is one of the founders of *Real Vision Television*[1], for which he travels around the world talking to the smartest people in the financial sphere.

Grant Williams:

It's a pleasure to be with you, thank you guys!

Ronald Stöferle:

Our last months have been quite productive. As you know, the *In Gold we Trust* report is always a very big publication for us, and after having finished it, there were a lot of things to be done that we had postponed in the meantime. At the moment we're working on a new book that deals with the monetary system being in a trap in times of zero interest rates and what investors can do in this environment. **Just last week we published a chartbook that is based on the gold report – it's called *50 Slides for the Gold Bulls*;**

Since the beginning of September business has been picking up. I went to Beaver Creek to speak at the Precious Metals Summit. I hadn't been in the US for quite a while, and my impression was that even in Colorado, which at least at first glance seems to be doing pretty okay, I was shocked to see so many homeless people. And everybody to whom I talked – and these were quite many and diverse people, for instance waiters, concierges, or fund managers at the conference – somehow made me realize that it's highly probable that Trump will make it. That's maybe a sort of biased impression, but it's also interesting as from the European perspective Clinton appears to be the likely winner. However, we don't intend to talk about the topic of the US elections extensively as it's very time consuming and it's already discussed on all the channels. We'd like to discuss two other very important topics that Mark is presenting right now.

[1] People can start using *Real Vision Television* with a free trial.

Mark Valek:

I'd love to do that, thanks Ronni!

Our dear topic inflation and the tug-of-war between inflation and deflation, which all of us are looking at very closely, are of course central again. **First, price inflation – could it enter the arena again? Especially, we want to dedicate one part of the discussion on the most recent developments regarding oil. Could a new run up in prices – if it turns out to be a more lasting bull market as a result of OPEC decisions – trigger a significant rise in headline inflation?** More in general, we're interested in your views on the whole commodity complex.

Second, there's a lot of media attention in these days for Deutsche Bank and potential turmoil in the financial sector, which again might trigger some major deflationary forces.

And finally, we'll end up again talking about potential upcoming Fed policies – we're very interested in your expectations towards the US dollar, whether it'll continue getting stronger in Q4 or in 2017.

Ronald Stöferle:

Let's start with the first question: **OPEC has announced the first production cut deal for 8 years. We all know that we shouldn't overestimate these announcements, they'll have a formal meeting on November 30 in Vienna where they want to agree upon a tentative deal to limit crude oil production.** There are a few topics that I want to bring into discussion:

First of all, it seems to me that when it comes to oil, nobody is bullish at the moment. From my point of view, people are overestimating the elasticity of the supply side.

Second, if they should be able to reach an agreement, will there really be a consequence for the oil price? I've read a very interesting study on that topic by Jeff D. Colgan, "The Emperor Has No Clothes: The Limits of OPEC in the Global Oil Market". He basically argues that OPEC quotas have had no bearing on actual production and only a very limited impact on spot prices. OPEC announcements appear to have an ability to move spot prices for about 15 to 20 days, but for the longer term there's hardly any correlation between OPEC quotas and oil prices (the correlation is 0.15 only). And we should not forget that moreover US crude production today is already 700,000 barrels below the peak level and that actually Saudi Arabia and also Iran and Iraq have increased their production quite significantly.

I don't know if this all might have to do with the US Congress votes regarding this Justice Against Sponsors of Terrorism Act (JASTA) – probably Jim will have some very interesting insights on this. Of course, this is increasing uncertainty a lot. We're seeing Saudi Arabia being on a big tour at the moment promoting their bond sales and we all know that the Saudis want to IPO 5% of Saudi Aramco sooner or later, which would obviously have significant consequences for investors in the energy space.

So a first big question from my side is: **If there's going to be a decision in Vienna at the OPEC meeting, is it going to have a lasting impact on prices?**

And a second, more political question: Do you think it will really affect the ties between Saudi Arabia and the US, for instance such that Saudi Arabia will lean more towards the East, and especially China in the next few years?

Gentlemen, the floor is yours.

Heinz Blasnik:

I'd like to say something on Colgan's view that OPEC has no influence on prices: That is in my opinion true. Governments are always the last ones to jump on a trend or to do something about something. The one thing about OPEC that in my opinion is important is its spare capacity – that's the only thing that's really of interest. And currently OPEC's spare capacity is very, very small because they're all producing all-out. If we look at this year, global oil demand will increase by 1.2 million barrels per day – that's about 1.3%, which is slightly below the long term average of about 2%, I believe. But it's actually enough to balance supply and demand in the fourth quarter (I'm talking about primary supply and demand, not counting inventories). **Now if we think about these two points – OPEC not having spare capacity and the world having a balanced primary supply and demand situation in the fourth quarter –, then it's structurally positive for the oil price. Because if any supply disruptions should happen, and they can happen anytime, then we'll suddenly have a small deficit.**

So that's the one thing. **And about Saudi Arabia and its relationship with the West, particularly the US, it seems to me that there are different factions in the US foreign policy establishment: One faction wants to continue with things as they are, and the other faction says "Well, these things are getting too expensive, we have to rethink our strategy". The faction that is in favor of rethinking the strategy has probably had the upper hand for a while now, because otherwise there wouldn't have been the deal with Iran.**

And I followed a little bit what happened in Saudi Arabia: King Abdullah ibn Abd al-Aziz died and the new king Salman ibn Abd al-Aziz took over power, whose son **Mohammed ibn Salman is the deputy crown prince and defense minister. And he is very active in influencing policy in Saudi Arabia. Ever since this happened, relations with the West have cooled off noticeably.** There was one small sign of this, when a report by the German spy agency, the "Bundesnachrichtendienst", was leaked, in which they were extremely critical of the king's son and his very muscular foreign policy. They basically accused him of sabotaging Western efforts to make the region more peaceful etc. So, there has been an undercurrent of anti-Saudi-Arabian sentiment that has come to the surface. You know, in the mainstream media you normally wouldn't read a lot of things with negative connotations about Saudi Arabia. But that has actually changed a bit over the past year or two, concurrently with the change of Saudi Arabia's leadership. So there is certainly something going on there and of course it's a problem in the sense that Saudi Arabia is still among the largest producers of oil in the world and the only one that usually has some spare capacity; **I think whatever spare capacity is left, Saudi Arabia has it.**

So that is all I wanted to say about oil. And of course, the fact that the oil price is now higher than it was a year ago will definitely have an effect on reported headline inflation rates due to base effects. **We're going to see higher headline inflation in coming months, unless the oil price declines sharply again, which doesn't seem likely at the moment.** So that is one thing that could drive reported price inflation rates higher. But there are also other points worth mentioning when we discuss inflation in more detail later.

Mark Valek:

Great points, thanks a lot, Heinz!

Who wants to go next?

Jim Rickards:

For oil, there are always geopolitical implications and there's an interesting triangular, or love intrigue among Russia, Iran and Saudi Arabia and we could talk for hours about that. But I always view the oil situation more simply, which is that **there's a great effort by Saudi Arabia to destroy the American fracking industry.** I mentioned before that there was a fairly simple linear programming problem that can answer the following question: **What is the price at which the fracking industry is destroyed but it does the minimum damage to the Saudi fiscal situation? The answer is: USD 60 a barrel. So that explained the drop from say USD 100 a barrel to USD 60 a barrel throughout late 2014 and early 2015.** But then there was an overshoot; Iraqi oil was coming on-line. Then more recently Iranian oil was coming on-line with the Iranian deal with the United States. So, the West has been polite and the price went far lower than the Saudis wanted, they ran larger fiscal deficits and they were faced with a mixture of selling US Treasuries, borrowing money and cutting state expenses – and they've actually done all three.

But having said that, **now to a great extent it's that their mission has been accomplished. They actually have at least prevented or delayed the expansion of the US fracking industry.** We all know that once you have an existing well there's no reason to take it off-line, even if it's unprofitable as the high side, the fix costs, are sunk and the lifting costs are low. Even though your total costs are higher than USD

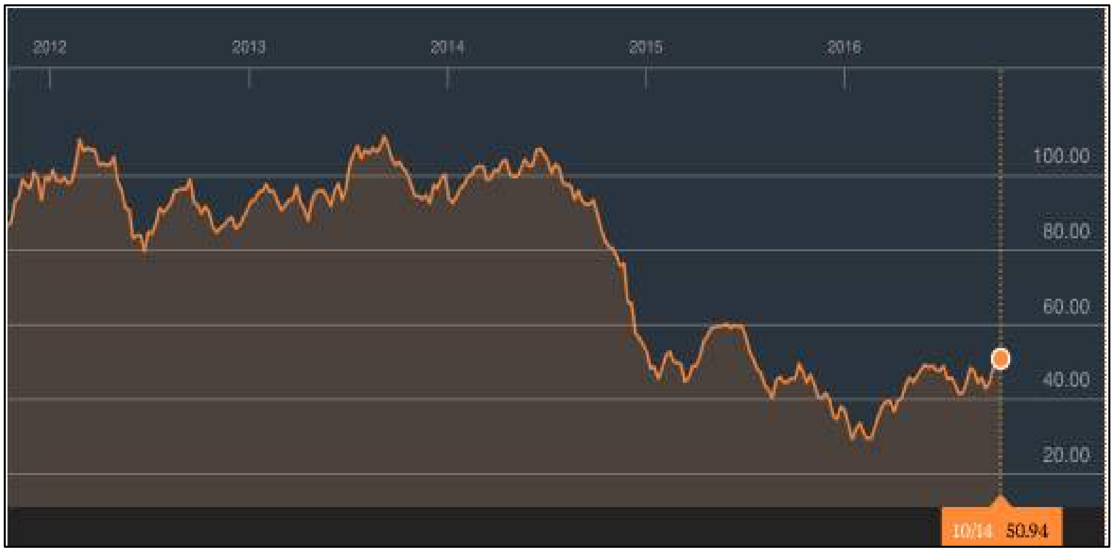
70 a barrel, once you have spent the sunk costs, the marginal costs of lifting are low. **So it economically makes sense to keep on producing with the existing wells, but it doesn't make sense to set up new wells.**

So that's the situation that we've been in for two years now, that's a development that started sometime back in the middle of 2014. That has hit the fracking industry. And now it's also turning out to be the case that the fracking wells don't have very long useful lives – the depreciation rate is faster than people had estimated. So existing wells have not been shut down, but the combination of new wells not being constructed because they're not economic and existing wells depleting faster than expected has to some extent accomplished what the Saudis intended to do. **So they're now in a position to cause a price increase.**

And it may be the case that in the longer run OPEC cannot set the price of oil because there're so many macroeconomic factors that have to be taken into account. But in the short run they certainly can! Saudi Arabia has the largest reserves, the largest capacity and the lowest lifting price of anyone in the world. So in any sector – and it doesn't matter if it's about oil, cars or candy bars – if you have the lowest costs and the biggest supply, you are the one to set the price. **When you say that OPEC has production quotas, it's actually that Saudi Arabia has production quotas. And probably Saudi Arabia and Russia backchannel.** Iran and Iraq for different reasons might pump and supply as much as they can, also by cheating if necessary. **So if you see any output cuts, they're going to come from Saudi Arabia.** But Saudi Arabia at this point might do this as even if they produce less, they can have higher revenues because of higher prices.

So that's a sort of different analysis. But **I agree that the price of oil is going up, which basically has happened already. I think there's a soft ceiling at USD 60 per barrel and a soft floor at USD 45 per barrel. I'd trade in that range, but the trend is currently more to the upside, meaning to the USD 60 per barrel level.**

WTI Crude:



Source: Bloomberg

Thinking about these things is important, but at the end of the day I'm not an oil expert. I'm probably thinking about these things the way you guys do, namely in terms of inflation vs. deflation. **We've been saying for years that there are these very powerful contra-rotating forces: There's a natural deflationary trend in the world, the world wants to deflate for good fundamental reasons (that are having to do with demographics, debt deleveraging, and technology). But at the same time there is a strong inflationary vector because of central bank policy, the money printing.** But money printing itself doesn't cause inflation, Austrian Economics actually understands that it takes money plus velocity, which is in the end a very psychological phenomenon. The psychology has been the lacking variable for some years now. But having said that: These forces have been in contention. I think Incrementum has done a very good job by using this tectonic plates metaphor and to come up with something like a seismograph that's indicating towards inflation or deflation. And the signal is flipping back and forth, which is not bad analysis but a pretty good reflection upon what is going on in the world. **So right now today, I think that needle would point a little bit more to the inflationary direction – not a lot, as the deflationary forces are also very powerful.**

Consequently, I see the Fed raising rates in December. And if you're asking why they didn't raise rates in March, June and September of this year – there were always missing pieces: In March one had just digested that 11% dropdown in US equities from January 1 to February 10, the world was very nervous and risk-averse at that point and they acted dovish. Then in June, still the inflation numbers were not there and the economy was really slow – the four quarters in total only showed 1.3%. So the Fed was very nervous not to steer the economy into a recession. Now it looks like that fourth quarter growth can be a little bit better – not a lot better of course, it's not something to pop champagne corks over – but it might come in a bit north of 2%, which is a big improvement over 1%. So if you get just a little bit of inflation from the oil side and a little bit of growth, and also the labor situation continues to be robust, I guess we're going to see a rate increase in December. One must not forget the fact that the Fed wants to raise, there's no doubt about this. So, putting all this together makes me believe that we'll see the Fed raising rates in December, regardless of the outcome of the election.

And the last piece has to do with market expectations, which are for the first time this year at about 60% – I think they'll be able to push those to +80% with a bunch of speeches talking about the rate hike. **The main difference between June and September and now is that back then the markets didn't believe them, because the data wasn't there. But now the data is there, not in a strong way, but strong enough to justify what they want to do already!**

That rate hike that I expect should send stocks down another 10-15% to the end of this year and early January. I think we're going to see a kind of replay of what happened between December and February last time.

Grant Williams:

After having read the transcripts of the previous meetings I knew it would be difficult to be the last one in this group of people to talk as all the smart stuff has already been said. I agree with almost everything that has been said, but there are a couple of things that I'd like to mention.

I think the most important one is just to differentiate between the oil price and the US dollar and which one is actually moving. It's one of the great charts if you overlay crude oil and the dollar.

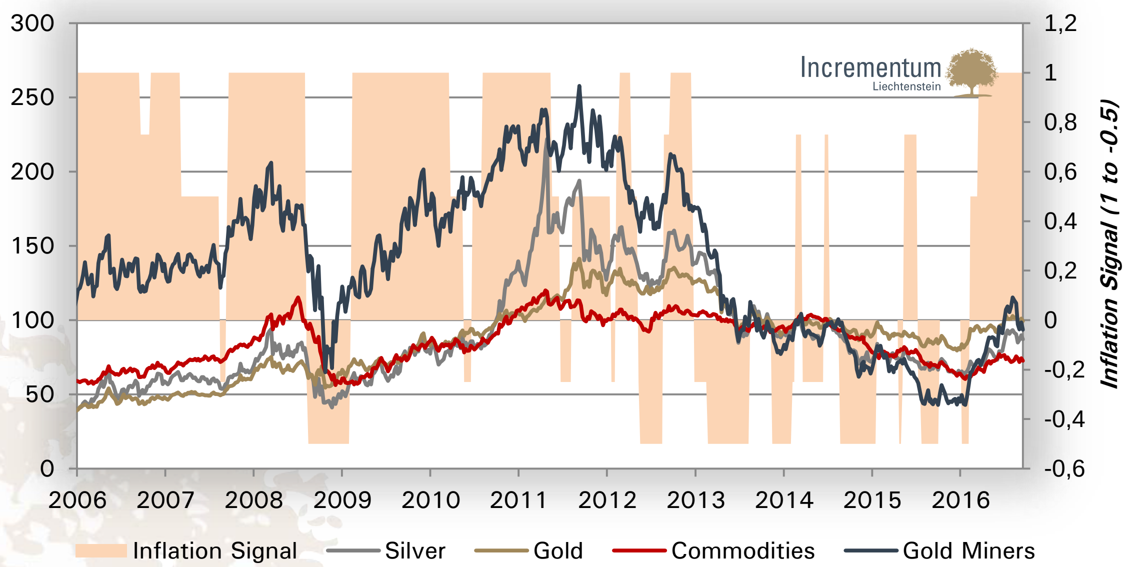
Source: Twitter Feed Raoul Pal

Probably a lot of what we've seen in terms of oil going down in 2014 can be very easily laid on the dollar. To Heinz's point, **I don't think that these production cuts have a very big effect, certainly not as much as they used to have 20 years ago.** This to me has been a story of expectations of the dollar, and we've reached that pause in this rampant dollar bull market where we are trying to figure out if it is going to go back down again, which I suspect it will in the long-term, or if it will have another leg up. **I expect that Jim's point about the rate hike in December is likely to test that upper bound.**

However, I expect that the dollar is getting much stronger from here, that it gets up to 100 – and this is one of those lose-lose situations that everybody is talking about. And as I've been traveling around the world talking to people throughout the past 5-6 months, it's pretty interesting that nobody talked about inflation, everybody is just worried about deflation – which tells me we should be looking in the other direction. And last week in New York and Oregon there were four guys, one after the other, telling me that they're kind of starting to see inflationary pressure and that they switched their positions from deflation to inflation, which Incrementum's indicator had already done a few months ago. And that is the crux in this dollar story: **I think the dollar will get capped again at 100, I think it's just too**

painful for too many people to allow it to run. There is a lot of pressure on the dollar, but I suspect they're going to have to do something to stop that materializing. **So for me it seems that the oil price will eventually go higher, but it's more the result of a falling US dollar than of anything that the OPEC did.**

The *Incrementum Inflation Signal* Indicates a Full-Fledged Inflation Trend



Source: Incrementum AG

Mark Valek:

These are great comments, Grant, that also brings in our thoughts, as we pay a lot of attention to the US dollar when we analyse commodities. For me it's always the question: Is the dog wagging the tail, or is the tail wagging the dog – or generally, what's the tail and what's the dog in this question?

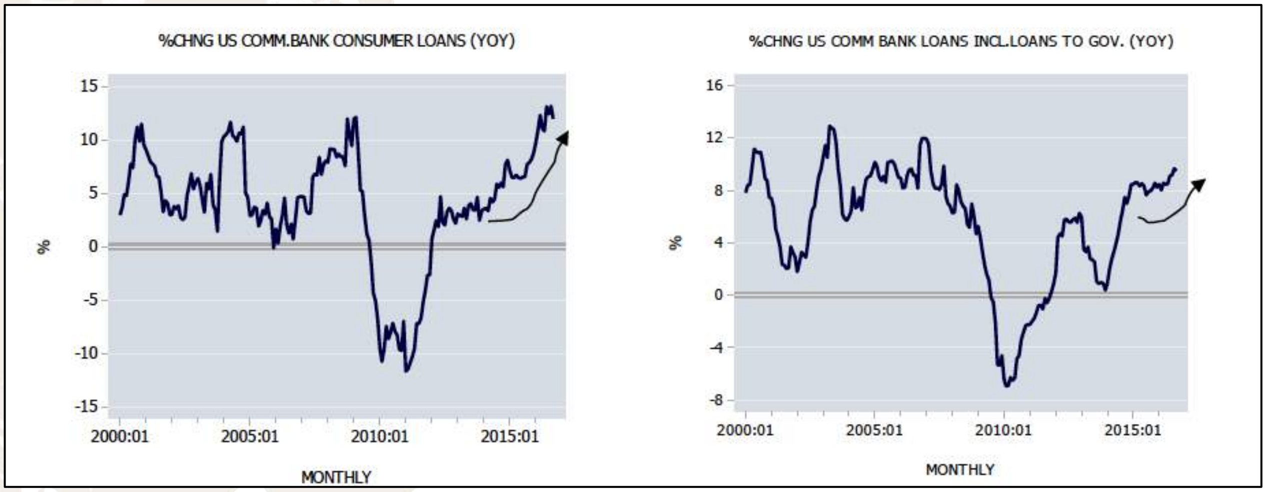
Frank, what are your thoughts?

Frank Shostak:

Based on my models, I don't completely agree with what has been said. **I still think that inflation is not going to be an issue. Particularly in the US the growth momentum will probably stay at the same level.** If you look at the money supply rate of growth, so the one that we calculate, the adjusted money supply, in the US in October 2011 it reached 14.8%, and currently it's around 8.6% year-on-year. So the underlying trend is going very much down. From a monetary perspective this would signal that there aren't so many tailwinds for economic growth, as also various other measures indicate. However, the so-called *lagged effect* is forecasting that the economic activity can strengthen a bit in the US, probably until the first half of 2017. And thereafter we'll see quite a relapse. **If we were to see some dramatic effects in the financial markets, I would expect them in the second half of next year.**

Concerning the oil price, I'm still seeing quite a visible decline next year. I think WTI could fall to USD 30 per barrel next year. This is at least what our models, which are trying to capture dynamics, are showing at present. But of course we are aware of the fact that it's only a model that is not including political effects like for instance the Saudi Arabian strategy.

But on the flip side there are some major economies that are trying to inflate. For instance, in Japan in August they pushed their money supply to 37% (!!!) year-on-year. By this they try to generate some price inflation, which has not been successful yet, as price inflation in Japan is still in negative territory. Also China is trying to inflate rather aggressively, they are currently expanding their money supply by 23%, which is quite significant. Regarding the United States, it has been mentioned here before that some printing would be going on by the central bank, but actually the American Fed is not printing at the moment, although the interest rates are very low. But the Fed's assets are actually declining year-on-year. So from a quantitative perspective, they're following a quite tight monetary policy. The only reason why their money supply is pushing higher is because government deposits are quite strong and also bank lending is currently moving a bit ahead, the excess bank reserves are falling slightly (while they still are of course on a very high level). So these have been my thoughts from a monetary perspective.



Source: Dr. Frank Shostak, AAS Economics

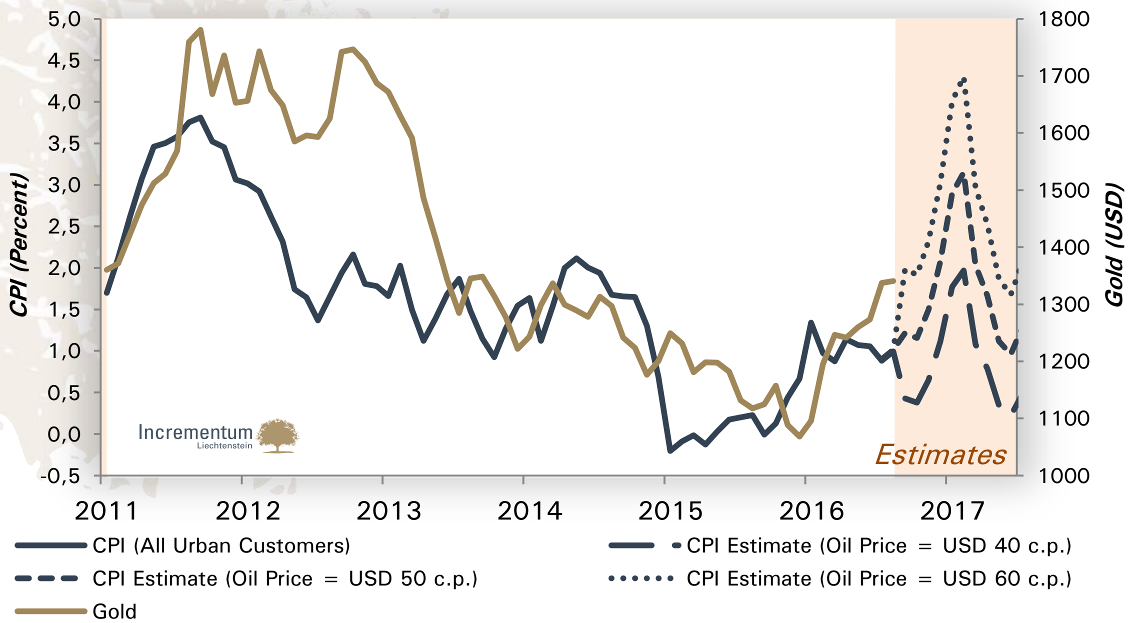
Jim Rickards:

I'd like to make a quick point on Frank's comment, just to be clear: I don't think inflation is going to be rampant or be a big deal, i.e. the PCE going up to 2.5% or 3%, or getting out of control. My only point was that it will be strong enough to give the Fed a foundation for raising rates in December – and that will be the case if it merely goes from 1.6% to 1.7%.

Heinz Blasnik:

Same here! The only thing I'm focusing on in the short term are base effects on headline inflation, so headline inflation rates that are influenced by energy prices. I don't see price inflation getting out of control either. Frank is right that **US money supply growth is slowing down, even though from a historical perspective it is still brisk. The thing is that the markets will anticipate at some point that the Fed is going to readopt loose monetary policy** – not in the near future, as they're very likely going to hike in December like Jim said – but thereafter. Of course they announced that they will do more, but **I think that this is very likely going to be the last rate hike.** But anyway, price inflation is not going to be a big problem in the near term, but like Jim said, it's going to be enough to give some leeway to the Fed to opt for a somewhat tighter monetary policy in the near future. **The same holds true for the ECB, which will also be encouraged to taper its purchase program – which is anyway running into problems now as they don't have enough bonds to buy anymore.**

Mind the base effect! CPI rates in different oil price scenarios



Source: Incrementum AG, Federal Reserve St. Louis

Frank Shostak:

Only one short comment from my side, as we haven't said anything about the US dollar. **My model suggests that the US dollar against the euro is going to strengthen until May next year, thereafter I see some stress for the US dollar.**

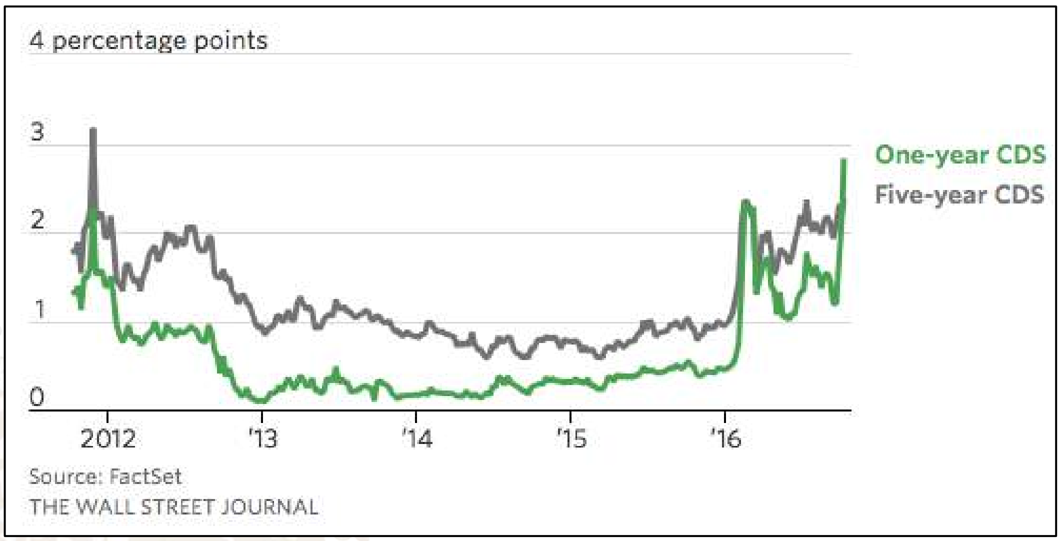
Ronald Stöferle:

Many thanks, Frank, that has basically been the transition to the second topic that we want to discuss today, which Grant has also referred to: the US dollar. It seems that the US Dollar Index is in a sideways pattern, it's a pennant formation or some sort of a symmetrical triangle. There really doesn't seem to be a lot of volatility, and we're actually more in the bearish camp regarding the dollar. **It seems that the dollar compared to the commodity currencies has made its highs, it's more or less on a downtrend**; obviously it's in a downtrend again against gold. Against the euro it's obviously going sideways, although there's a huge number of issues within the Eurozone – so actually one would have expected a much weaker euro. Against the ruble, which is of course an oil story, the dollar also looks quite weak. As I said, in this question we tend to be bearish.

Source: Investing.com

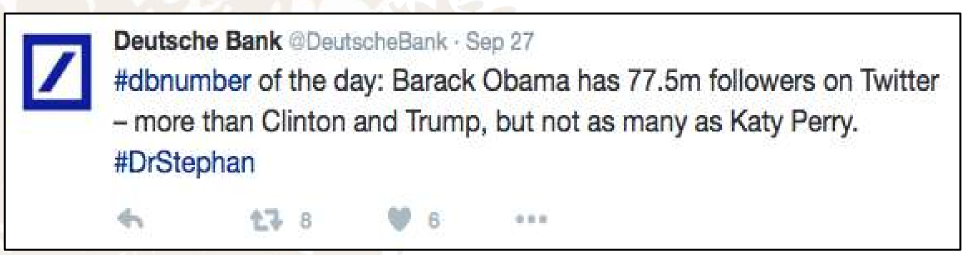
But there could be some events that could be very bullish for the dollar. We have seen that European banks, in particular the Italian banks, are under stress and now we all are following the news regarding Deutsche Bank, which of course is of a different size and of major importance for the financial system. I don't know if you heard of it, CEO Cryan blamed the *evil speculators* for the crash in the stock price of Deutsche Bank, which I think is very funny. And I also followed the twitter feed of the investor relations department of Deutsche Bank, where they try to give the impression that everything is pretty fine. But having a look at their CDS and stock price, it looks pretty worrisome.

Deutsche Bank CDS:



Source: Wall Street Journal

Source: Twitter.com



Source: Twitter.com

So first of all, what do you expect? **Do you think something like a second Lehman moment might be likely regarding Deutsche Bank? And what implications would that have for the US dollar?**

Grant, maybe we start with you. I know that your dear friend and business partner Raoul Pal is pretty bullish on the dollar. But I'm not sure whether you share his view?

Grant Williams:

I totally understand his logic. The main argument is about the structural shortage of the dollars in the Eurodollar-system.[2] I don't know how that will resolve itself, but **some kind of panic about Deutsche Bank could very well spark that dynamic and lead to a short-term spike in the US dollar. My point is that I think in the long term the dollar goes down and I think if it needs to be capped and managed down, that will happen sooner rather than later, they can't afford to let it run like they did back in 80s until the Plaza Accord.**

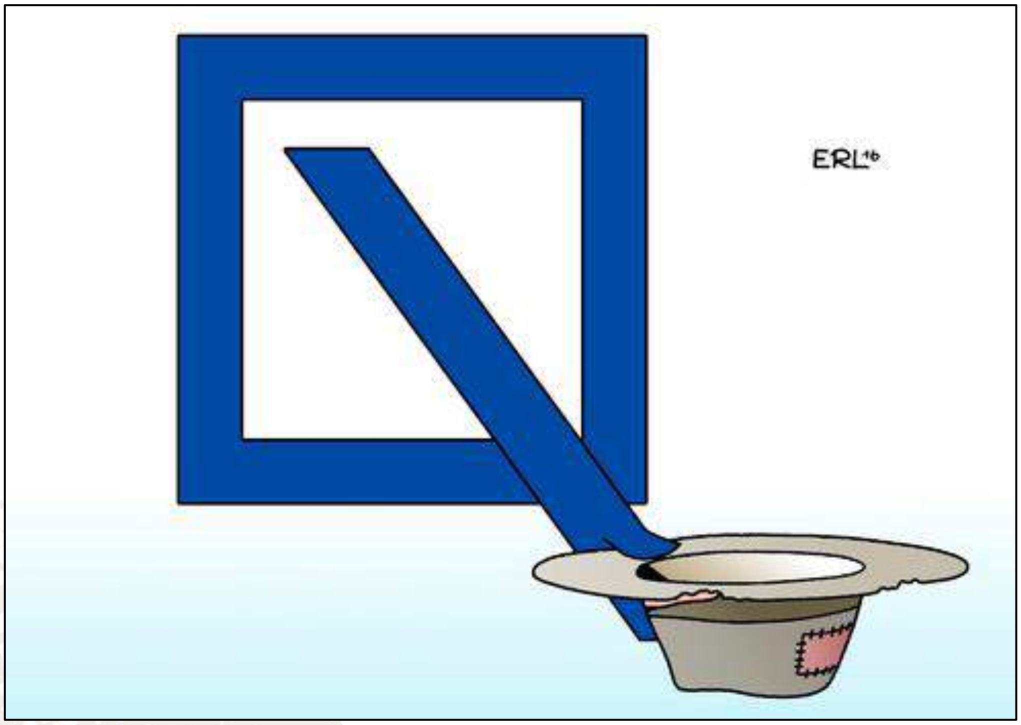
With regard to your question about another Lehman moment, I think the chance of that is precisely 0. This is why they won't let Deutsche Bank go under. They cannot let them go under as they are systemically far too important. Having said this, there's obviously a lot of smoke around it, there're a lot of fears about the size of their derivative exposure etc. (Jim is talking very eloquently about that). But you know, they put in place these bail-in rules in 2013. **One would imagine that if they try to bail-in German depositors it is going to create an almighty political headache.**

Whether Deutsche Bank is sound or not, at some point that is really taken out of the equation and it's not anymore about whether they're sound or not, but about whether people *believe* they're sound or not. And the elections in Germany are in late 2017, so a long time from now, so this isn't something they can kind of manage until they will have gone through the elections. The poor perceptions around Deutsche Bank is what guys like Cryan are desperately trying to nip in the bud, and you know, as soon as you start telling people how sound you are, you're hiding the problem rather than making it go away. So there are many of those signs, for instance hedge funds withdrawing excess cash from Deutsche, which is a classic bank run.

They need to be very, very careful how they manage the situation. The Jean-Claude Juncker approach of "when it gets serious, you have to lie" is quite dangerous. **For instance, when they said last week that there's absolutely no plan to bail out Deutsche Bank and the governments aren't even talking about it, that's a very dangerous way to play this, because they aren't talking to the press and the public here, but they're talking to investors. And as much as you think the public confidence is served by pretending it's no issue to talk about a rescue plan for Deutsche Bank, that is not at all what investors want to hear. If the investors believe that the politicians aren't taking it seriously, that they're not strategizing for what to do in the event of a full-blown bank run, that is going to be so much more**

[2] Note: For excellent background information regarding the Eurodollar system, please have a look at Paul Mylchreest's publications, eg. „Do Central Banks Need A Plumber?".

fuel to this fire on Deutsche Bank. And we start to see that the CDS spike. So I think that is a very dangerous situation that has to be managed incredibly carefully before it gets out of control.



Source: AlphaIdeas.in

Frank Shostak:

I don't necessarily reckon that Deutsche Bank will become a real problem, if they are on the verge of bankruptcy. There're two points here:

First, whether the ECB will agree to bail Deutsche Bank out. **Bailing it out would result in a quite significant monetary pumping. And it's pretty much against German ideas actually to allow enormous monetary pumping. The Germans themselves might regard it as a disadvantage to bail out Deutsche Bank. So from this perspective it might well be possible that they might allow it to go under.**

And if they on the other hand do bail them out, we'll see a significant increase in the Eurozone money supply, which is currently going up quite visibly. **And this again could turn out to be a major problem for Germans as well as the whole Eurozone, to such an extent that they destabilize the system even more and set the preconditions for another possible breakdown.** That's really a factor that one should bear in mind! All this of course would be very good for gold.

Grant Williams:

Frank, I can't see any way they can let Deutsche Bank go under. It's just far too systemically important and if they'll do this, they'd demonstrate that they had learned no lesson from the chaos when they let Lehman Brothers go under. I can't think of a worse signal that they could send to the market. I agree with you that they have to bail Deutsche Bank out rather than in. But again, they have hamstrung themselves by their response to previous crisis – and these guys keep doing this, they keep putting stuff in place seemingly without any thought given to what may happen in the future and how these rules might affect them in the event of another crisis. **So if they allowed Deutsche Bank to go under, the chaos they went into in 2008 would be like a walk in the park compared to what they would trigger this time.**

Jim Rickards:

I agree completely with Grant that Deutsche Bank will not be allowed to fail. It's too big to fail. 10 years from now Deutsche Bank will still be around. But that's not the point. There are two other things to consider. One, bail-in is the new norm. That's been the case since the 2014 G20 communiqué from Brisbane Australia. If you look at it, it's clear that **bail-outs are no longer acceptable in major developed economies and therefore we will be looking at the bail-in option. Bail-outs are too politically unpopular.** In addition to that you have a very powerful political vector, which has to do with Banca Monte dei Paschi (BMP). It's the canary in the coalmine. It's clear that Renzi wants to bail it out and use taxpayer money if necessary. The best indicator is that when the BMP management issued a press release in June about recapitalization, Goldman, JP Morgan and others set out to basically raise money. They said they would report back by the end of September, but before the end of September they said they were going to postpone an update until December. That was because of the Italian election in November. However, that's basically like saying it failed because if they could have raised money, they would have. They can't raise the money, and they don't want to admit that before the elections. **Renzi has been told by Merkel that he is not allowed to do a bail-out, so he will be forced to do some kind of bail-in. But this is basically a sideshow to Deutsche Bank. If Merkel says they can't bail out BMP, she can't bail out Deutsche Bank. Therefore they'll do a bail-in.**

But it's important to understand what a bail-in is. There's a ranking in descending order of likelihood of who bears the losses. The way to understand these things is that the losses are already there. There isn't a question of whether there will be losses. The only issue is who bears them? That's a political issue. In a bail-out the taxpayers bear the losses. At best they get the money back, but they don't get an upside. Or worse they don't get their money back at all. So in a bail-out the tax payers lose.

In a bail-in the first people who lose are equity holders, then bond holders, then deposit holders to the extent that their deposits are in the excess of the insured amount. I believe the insurance will be honored, but if you have an excess amount you are at risk of receiving shares in a bad bank. And then finally there are the counter parties. You could argue that counterparties should bear the first loss, but the risk of contagion is too great. I agree with Grant that they did learn their lesson after Lehman.

I actually think the depositors are safe. I think there is enough money in the equity and the bonds to recapitalize Deutsche Bank, without taking capital from depositors and I agree that haircutting depositors is unacceptable. So these losses will fall on equity holders and, to the extent that there is still a hole in the balance sheet, also on the bondholders. The thing about equity is that you will raise new money, but here I go back to December 2007. Remember, our financial crisis really started in July/August 2007 and reached a critical stage in September 2008 with Lehman. What happened is that we went through the autumn of 2007, Paulson was chasing his tail, but the US got the sovereign wealth funds to bail out the US banking system. Remember that Abu Dhabi bought 9% of Citigroup, CIC bought Morgan Stanley, Temasek bought a big chunk of one of the US banks. The price for Citigroup was USD 30-40 per share, but adjusted for preferred stock dividends and options it was closer to USD 24 per share. But the share price went to USD 2 in 2008. So basically they couldn't go back to the sovereign wealth funds in the fall of 2008, so they had to go to congress and use TARP etc.

That lesson has now been learned. So now when you try to recapitalize Deutsche Bank and try to go to the sovereign wealth funds, or the other big pools of money, they will think "why should I buy the stock at EUR 7, when I can buy it at EUR 1?" So the way I see it is that Deutsche Bank is in distress and there will be a bail-in of some sort. **I agree with Grant that the regulators – FASB, Deutsche Bundesbank, ECB and others – are extremely cognizant of the Lehman process. They don't want this to be messy, but the money is not going to step up to the plate until the stock is down at EUR 1 or EUR 2. So there will be a lot more pain for existing holders.** Because why should you buy the stock at EUR 9 and watch the losses pile up and have it go to EUR 2? That's not a lot of fun, so I'll just let the game play out, wait until it goes to EUR 2 and then maybe invest at that point. So it will get recapitalized with equity and you probably won't have to do more than that. **And that means that one of the best plays out there is just to short Deutsche Bank.** But people say: "It's already down 90%, how low can it go?" But it's like Zeno's paradox – you can have an infinite series of 90% decreases in price.

Source: Investing.com

Deutsche Bank went down 90% from around EUR 70 to EUR 10, but it can go down 90% again from EUR 10 to EUR 1 – and that's what I expect to happen! **So I think there will be an equity rescue, but not yet and you'll probably see the stock go to EUR 1 or EUR 2 per share before the money steps up.** But having said all that, I agree they don't want a Lehman moment. **Politically a bail-out is impossible, a bail-in will be used. It will come at the expense of equity and they will go to bondholders if they have to.** Maybe the CoCo's (contingent convertible bonds) will be converted to equity as well.

But having said that, they might end up with a Lehman moment, even though they don't want one. I agree with Grant, they don't want that. They understand how big a blunder that was. But sometimes these things take on a life of their own. They spin out of control despite your best efforts. And that's the problem with contagion and psychology at the early stages of panic. So this sequence may play out very quickly, but I think bail-outs are off the table and bail-ins are the new bail-outs. I think most of the pain will be felt by equity.

Grant Williams:

I'm just jumping in again. Is there a way they can avoid haircutting deposit holders? Because my understanding was that the amounts for equity holders, deposit holders and bond holders were already set in stone. Is there some flexibility that they can take it all out of equity?

Heinz Blasnik:

Grant, I can tell you about it because actually I've studied that quite closely. What happens is that once it is decided by the supervisory authorities that the bank has solvency problems and that some sort of resolution process has to be set into motion, what they do is to proceed in exactly the way Jim mentioned. The capital structure is used from the top down. They first bail in the equity holders, then they bail in the bond holders and, if that's not enough, depositors will be bailed in. Of course, it's not a problem at the moment, but they are in the process of creating a deposit insurance scheme, which is not in place yet. It's being built up as we speak. It's going to take another 2-3 years to be fully funded. And I'm not sure what has happened in Germany, but in Austria the state deposit insurance fund is no longer active, so the government is no longer insuring deposits. But officially I think that deposits up to €100,000 are insured, and if Deutsche Bank goes under and they have to bail in depositors, they will first bail in those that have deposits in excess of the insured amount.

Now the thing is that the mere possibility of this happening, even though I agree with Jim that it's not likely and that equity and bonds will be enough, will scare big depositors. What was mentioned earlier, that some large hedge funds are already moving money out of Deutsche Bank, is how these things start. If it comes to a resolution it might become difficult to move large amounts of money out of Deutsche Bank. The supervisory authority might say that they first have to check if it's still possible to move money out – to check if equity and bonds are enough. **So if you have a large deposit with Deutsche Bank, it is sensible to move your money out as fast as possible before the situation becomes acute. And that will exacerbate the problem. So as Jim said, they might want to avoid a Lehman moment, but they might get it anyway.**

Jim Rickards:

I agree with that, on paper at least, and raising equity and haircutting the bond holders could potentially be enough. But I don't see them raising equity until the share price goes much lower. So they could prop up the bank without reaching in to the deposit accounts. But with that being said, **they will whack deposit holders before they go to taxpayers.** But I don't think it will get to that point. **But here's the**

thing I find most disturbing: I was updating my numbers on Deutsche Bank's gross notional exposure to derivatives and I had frequently seen the USD 70 trillion figure and I saw that it's actually down to USD 45 trillion. Someone will say that's really good news because they are getting it under control, but I say it's horrible news because that's not proactive risk management. That's counterparties using early termination provisions and doing everything possible to reduce exposure. So the run has already started. USD 30 trillion of gross notional derivative exposure has been terminated early, or they are normal maturities and they can't roll them over, they can't expand their book. And this happened in about 6 months. So when you see the $30 trillion reduction in exposures it tells you that people are already running for the hills. So the run has already started. And the derivatives counterparties tend to be other banks and they tend to be the most knowledgeable and sophisticated insiders. Retail investors and the public are always the last to know.

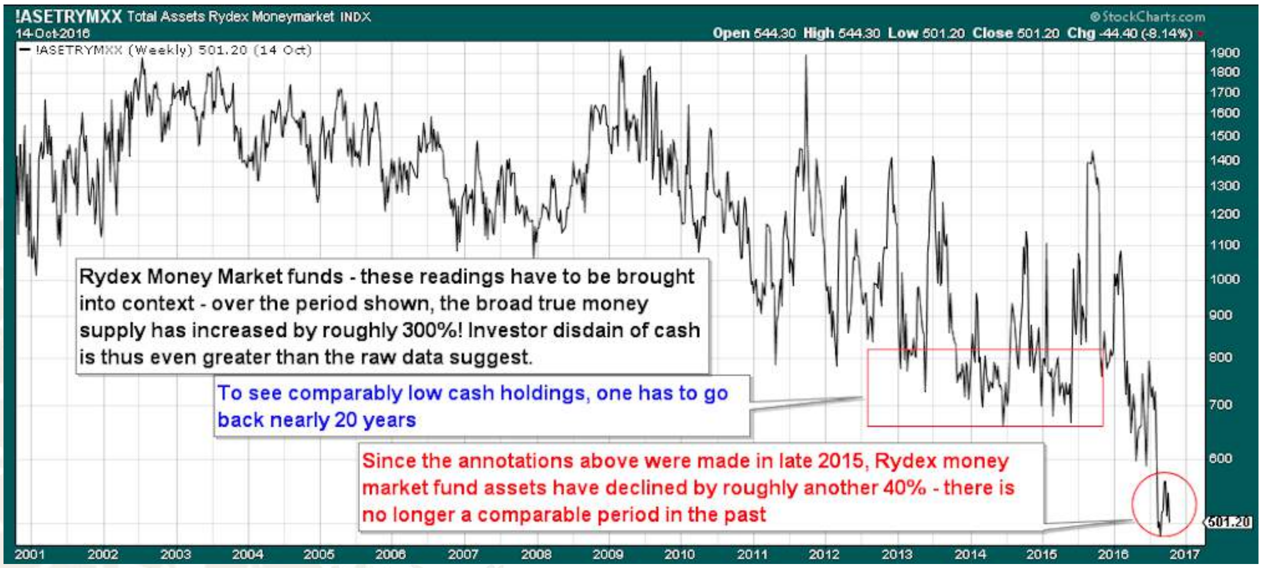
Mark Valek:

Such huge amounts of money – USD 30 trillion – compared to a US GDP of around $18 trillion. It's very difficult to wrap our heads around these numbers. We need to wrap up soon so we want to ask you what are your biggest convictions for Q4? Jim said shorting Deutsche Bank, even at this price. How about the others, could you please share your views?

Heinz Blasnik:

Ok, if you remember our last discussion, I said at that time that **in the gold space we're likely to get an extended correction and that seems to be happening now. And depending on developments I am keeping an eye open for an opportunity to re-engage in the sector.** I am watching technical levels on the gold stocks and I'm watching the positioning in gold futures. There is still some work to be done and this correction isn't over yet. **If for instance the HUI index were to decline to its 200 day moving average, then that would be the point at which one should consider taking positions in gold mining stocks again.** It's not something one should rush into immediately, but it's something one should keep an eye on.

The other thing is that I'm surprised that the stock market has not had a correction yet. And I'm still thinking that it should at least have some sort of correction because there is a lot of complacency in my opinion, but then again, there has been complacency for a very long time. I've recently updated my long-term positioning and sentiment charts and what I see is that **the one asset that is shunned the most is cash among certain groups of investors.** So if you for instance look at the ratio of retail market funds to market capitalization, or Rydex money market fund investments, these are all at, or near, record lows. Mutual fund cash reserves are at record lows – 3.2% – never seen before, except maybe at one point in 2015. I'm keeping annotated stock charts and I annotated the Rydex money market funds chart at the beginning of the year and it says there that to see comparatively low cash holdings one has to go back nearly 20 years. **Since the beginning of 2015 cash holdings are down another 40%, so it seems like nobody is positioned for a downturn. Similarly, margin debt has begun to increase again.** It's not yet at a new high, but if it were to go to a new high one would have to re-adopt a wait-and-see mode. As long as it remains below its all-time high, it is actually negatively diverging from stock prices. That is a bearish signal. But my main point is that there seems to be a lot of complacency about the stock market and **that's surprising, because on the other hand we see a lot of anecdotal bearishness. We always hear from well-known investors, for example Carl Icahn and Stanley Druckenmiller, they're all very bearish apparently.**



Source: Heinz Blasnik, www.acting-man.com

Ronald Stöferle:

I totally agree that we have been in an earnings recession for five quarters. It's very interesting that the market is holding up so well. During the summer months, volatility was non-existent in the US equity markets. It was in a daily range of something like 0.4%, it was ridiculous. So leading over to Grant, what do you think about buying volatility now? What would your best ideas be?

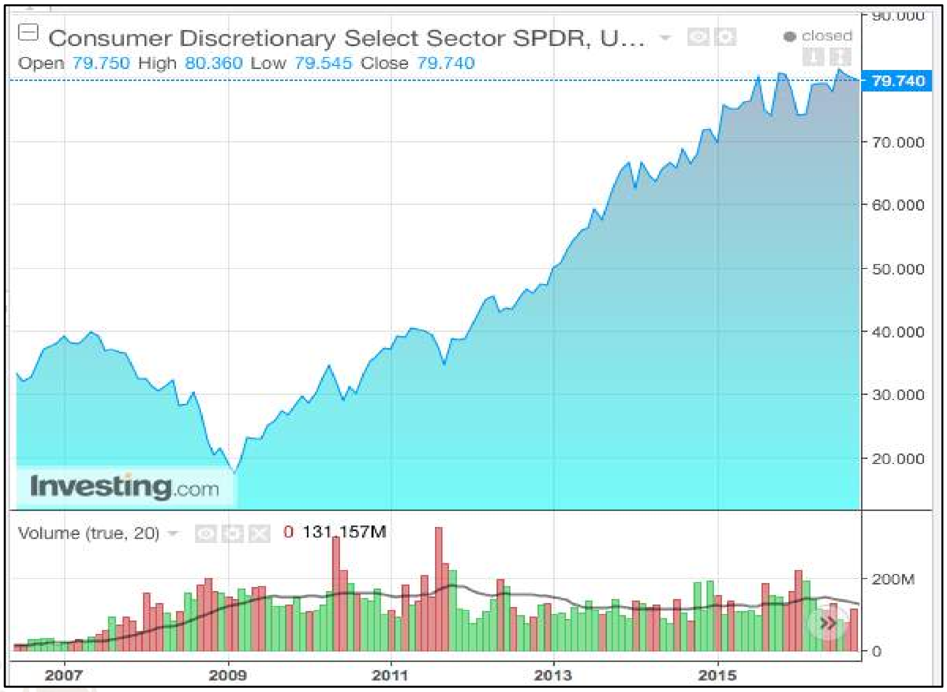
Grant Williams:

I echo Heinz' sentiments on cash. **I think that the optionality that cash potentially offers you right now is well worth the negative interest rate** (which is actually the reason why people believe you should stay away from cash). I completely agree with that.

Volatility, if you can get long of it in an effective way, unfortunately it's always such a quirk of timing and the reason it's been crushed like this is because you just get bled out. **There will be an increase in volatility, but you just have to find the right way to structure that trade that enables you to be wrong for as long as you possibly can.**

But I agree with the Deutsche Bank trade that Jim mentioned, I expect the shares to go far lower. But there will be 2-3 failed attempts first to fix it before the shares go far lower. But like we saw on Friday when the farcical headline came out that the DOJ fine may only be 30% of the company's market cap and the stock jumped 6%, which is just absurd to me. **But you will get some great opportunities in spikes like that to pick up put options cheaper than you would on days like today when the news are all negative. So that's a great trade, but you have to time it very, very carefully.**

The thing that is really baffling me that I think offers a great risk/reward for Q4 is consumer discretionary retail in the US and the ETF XLY is close to its all-time high against the backdrop of a US consumer who is nowhere near as strong as the Fed would have you believe, and even the data is starting to bear that out. If you look at the savings rate in the US, if you look at what consumers are doing in terms of revolving credit and paying for essentials with credit cards, the fact that the XLY is very close to its all-time high is surprising. And it's mainly because 14% of the ETF is Amazon, but the rest of the holdings of that particular ETF are all things that you would want to be short if the market does start to represent reality. It's got Disney, it's got McDonald's, it's got Starbucks, Priceline, Nike – there's all kinds of stuff in there. So for this ETF to be within 1%, I think, of its all-time high, just seems to me to be a clear opportunity as we go into the shopping season. The Thanksgiving and Christmas retail season in the US are coming up and I suspect we will see again another disappointing season. And you look at the chart of retail versus inventories and you would actually swear that increasing inventories is a bullish thing for retailers. It's one of the more bizarre charts I've seen this year. **So for me being short the US consumer discretionary sector is a great trade.**



Source: Investing.com

Jim Rickards:

Grant, do you know if Netflix is in XLY?

Grant Williams:

Yes, it's 1.7% of the portfolio.

Jim Rickards:

I like your idea, even better now that I know Netflix is in there.

Not to be glib, but my favorite trade of the fall is that if we get within 2-3 days of the US election and the polls are close, and I expect them to be close, I'm going to buy puts on Amazon. I told someone this, I can't mention her name, but suffice it to say a well-connected Silicon Valley senior and she got very indignant and said "that's my favorite company". I said that I like them too, they sell a lot of my books, but **Jeff Bezos owns the Washington Post and if Trump wins I think that he will, the day after he is sworn in, get the Department of Justice to launch an anti-trust investigation to destroy Amazon. It's a sitting duck for an anti-trust investigation, that's obvious.** But I'm not saying Trump is going to win, but the market will be priced for a Clinton victory, so if she wins you don't lose any money because nothing happens. If Trump wins it's exactly like Brexit. On June 23 the market was priced for "remain". Sterling was USD 1.50, gold was USD 1,260. Those two prices only made sense if "remain" won. The minute it became apparent that "leave" would win, gold immediately went up USD 100, and ended up something like up USD 60 on the day. But it went up USD 100 before it backed off. Sterling dropped to USD 1.30, the biggest one-day drop, actually 3-hours drop, in history. So the point is that **the market is going to be priced for Hillary winning, if she wins nothing happens, if she loses you've got massive re-pricings and I think Amazon will be the biggest one when people realize it will be a big fat target for the Trump administration.**

Heinz Blasnik:

That's an excellent idea, I agree 100%.

Grant Williams:

The other trade around the election that makes an awful lot of sense to me is going short short-dated vol. This is a trade we were looking at back in late July/early August. So **getting long December vol and paying for it with short front month vol. Because, like Jim, I think the market is priced for a Clinton victory and I think the Brexit phenomenon will show up again, but it's going to be way more powerful here in the US.** I think the stigma of admitting that you are a Trump voter is going to skew the polls beyond people's comprehension. For right or wrong I actually think Trump is going to win this, actually in what could be a landslide. I think the polls are completely misrepresentative of what's going on here on the ground.

Heinz Blasnik:

I agree 100%. People simply don't admit it when they're surveyed - it's the Bradley effect. You can see that wherever he goes he draws large crowds. His supporters are energized. That makes a big difference in my view.

Grant Williams:

I think here, Heinz, the interesting thing to me is not that they won't admit to supporting him, but people are actively saying they will vote Clinton because that's acceptable. I think it's really setting up to be a surprise election.

Mark Valek:

Finally, Frank anything from your side?

Frank Shostak:

I can't say anything about trading, but for instance I can talk about where I see the S&P 500 moving. I believe there can be some weakening sometime in the October/November timeframe, which is traditional. After that I can see the S&P 500 holding, but momentum-wise it will actually start weakening. For next year there will be a gradual increase in the S&P from our perspective, based on increased money supply and liquidity. So **the S&P should end up strong by the end of next year. So if we look at levels it would reach 2,700.** And also, with regard to the gold price we do see quite a strengthening, not a straight line of course, but it won't surprise us if we could reach a level close to USD 1,600, but then with a softening afterwards. **So gold, as far as the underlying trend is concerned, is in a visible uptrend right now.**

Ronald Stöferle:

I think we all agree to that. In my presentation that I gave at the precious metals summit I made the comparison with the Dow theory and said that there are three phases (please click this link to be redirected to the presentation). The first one is the accumulation phase. We have seen that and now it seems that we are in the beginning of the public participation phase and you can tell that it seems like the media is kind of picking up interest in gold. Analyst forecasts are still slightly bearish, but they were revised, so it seems that this public participation phase, which is the major part of this party, is just getting started. Obviously we will talk about gold in the next few meetings, but I think we very much agree that it has a nice risk/reward ratio at this moment.

Gentlemen, so let me thank you very much for another great discussion! I wish you the very best for Q4!

Appendix: Members of our Advisory Board:

Special guest: Grant Williams

Much to his chagrin, Grant Williams has reached 30 years in finance. Over that period, he has held senior positions at a number of investment banks and brokers in locations as diverse as London, Tokyo, New York, Hong Kong, Sydney and Singapore.

Grant is portfolio and strategy advisor to Vulpes Investment Management in Singapore and also one of the founders of Real Vision Television — an online, on-demand finance channel showcasing the brightest minds in finance.

A regular speaker at investment conferences across the globe, Grant blends history and humor with keen financial insight to produce unique presentations that have been enthusiastically received by audiences everywhere.

From humble beginnings in 2009, *Things That Make You Go Hmmm...* has grown to become one of the most popular and widely-read financial publications in the world. Subscribe today to join Grant on a walk around the fringes of finance – your view of financial markets will never be the same again. You can get in touch with his team at info@ttmygh.com

Zac Bharucha

Zac began his career in finance at the investment bank Kleinwort Benson and later became an equity portfolio manager at Philipps and Drew Fund Management. He then moved to AMP Asset Management where he was responsible for managing more than GBP 1bn of institutional assets. Afterwards, he moved to M&G in London. Since 1998, he has developed absolute return strategies and specialized in equities and commodities. After 25 years in asset management, he retired from professional life in 2011 and wrote his first book about market timing.

Heinz Blasnik

Heinz is an independent trader and market analyst for the consulting firm Hedgefund Consultants Ltd, as well as a regular publisher for the Independent Research House Asianomics in Hong Kong. Heinz primarily is responsible for his blog www.acting-man.com, on which he analyses developments in the financial markets from an Austrian point of view.

James G. Rickards

Jim is the author of the international bestsellers *Currency Wars* and *The Death of Money: The coming collapse of the international monetary system*. He is portfolio manager at the West Shore Fund. During his career, Jim has held senior positions at Citibank, Long Term Capital Management and Caxton Associates.

Dr. Frank Shostak

Frank is chief economist at AAS Economics. He has over 35 years of experience as a market economist and central bank analyst. He holds a PhD, MA and BA honours from South African universities. He was professor of economics at the Witwatersrand University in Johannesburg. He is one of the world leaders in applied Austrian School of Economics and an adjunct scholar at the Mises Institute in the US.

Rahim Taghizadegan

Rahim is the founder and director of the institute for value based economics, an independent research institute in economical and philosophical issues in Vienna. He is bestselling author and a popular speaker internationally. Rahim studied Physics, Economics and Sociology in Vienna and Lausanne. He has worked in the fields of economics, space research and journalism. He has also taught at the University of Liechtenstein, the Vienna University of Economics and Business Administration and the Universität Halle an der Saale.

Ronald-Peter Stoeferle, CMT

Ronald is a managing partner and investment manager of Incrementum AG. Together with Mark Valek, he manages a global macro fund which is based on the principles of the Austrian School of Economics.

Previously he worked seven years for Vienna-based Erste Group Bank where he began writing extensive reports on gold and oil. His benchmark reports called 'In GOLD we TRUST' drew international coverage on CNBC, Bloomberg, the Wall Street Journal and the Financial Times.

During his studies in business administration, economics and finance at the Vienna University of Economics and the University of Illinois at Urbana-Champaign, he worked for Raiffeisen Zentralbank (RZB) in the field of Fixed Income/Credit Investments. After graduation, he participated in various courses in Austrian Economics and obtained a Chartered Market Technician (CMT) and a Certified Financial Technician (CFTe) designation. Next to his work at Incrementum he is a lecturing member of the Institute of Value based Economics and lecturer at the Academy of the Vienna Stock Exchange.

Mark J. Valek, CAIA

Mark is founding partner and investment manager of Incrementum AG. Together with Ronald Stoeferle he manages a global macro fund, which is based on the principles of the Austrian School of Economics. In 2014 he co-authored a book on Austrian Investing.

Before founding Incrementum he worked at Raiffeisen Capital Management for more than ten years. There he was fund manager and responsible for inflation protection strategies and alternative investments. During his studies Mark worked in equity trading at Raiffeisen Zentralbank and at Merrill Lynch Private Banking in Vienna and Frankfurt.

Mark's education includes a degree in business administration from the Vienna University of Economics and Business Administration. He is CAIA charterholder and Certified Portfolio Manager. Next to his work at Incrementum he is a lecturing member of the Institute of Value based Economics and lecturer at the Academy of the Vienna Stock Exchange.

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