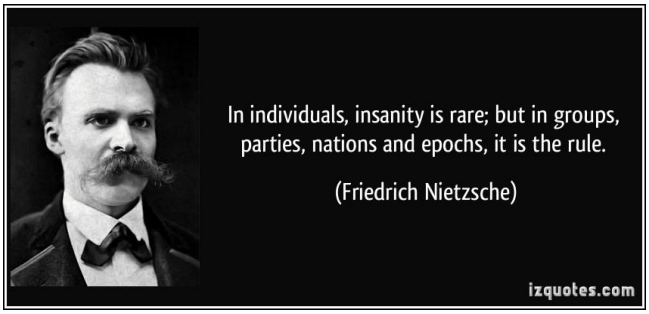
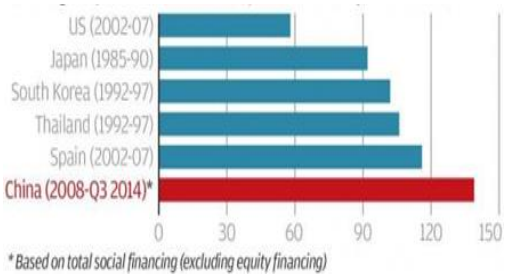
DK Analytics, Post #19: Failing growth amidst sustained global QE, debt, & bubble valuations **5/13/17**
Trade weighted US$: 93.61; US 10-yr: 2.33%; S&P 500: 2,391; Oil: $47.84; Gold: $1,228; Silver: $16.46



Source: DB Global Markets Research

% change in private-sector debt 5 years prior to rout



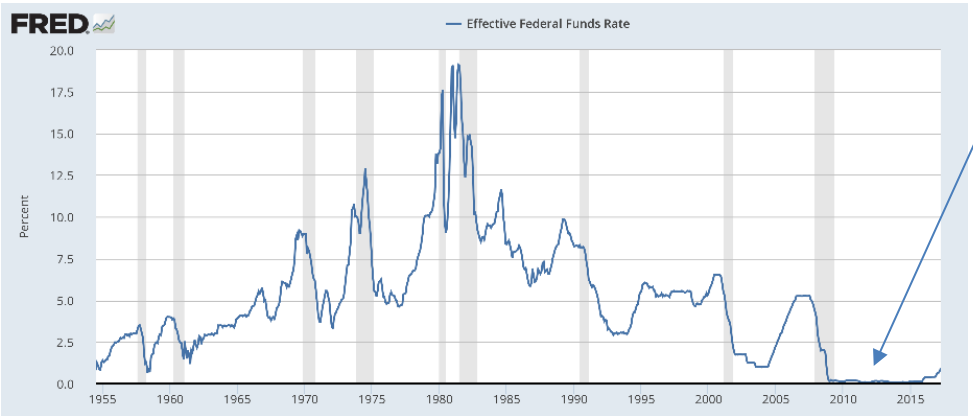
Sources: BIS, IMF, National Bureau of Statistics

Current S&P 500 Price to Sales Ratio

Sources: www.multpl.com/s-p-500-price-to-sales, Zero Hedge

Introduction ("it's the economy, stupid"):

US real GDP growth for Q1:17 was 0.7% with downward revisions likely given increasing weakness throughout the first quarter in retail sales and in auto sales. Yet the Fed remains upbeat on growth while it maintains that further increases in the Fed Funds rate are all but a given. The fly in the ointment: the faltering US economy, which will increasingly stress banking system solvency; money center bank solvency is the privately-owned Fed's true mandate. In the meantime, the rest of the world keeps "printing." How long until the Fed rejoins the overt QE party? Is the Fed raising the Fed Funds rate to a miniscule level so that it can offer a few rate decreases prior to revisiting its ZIRP?

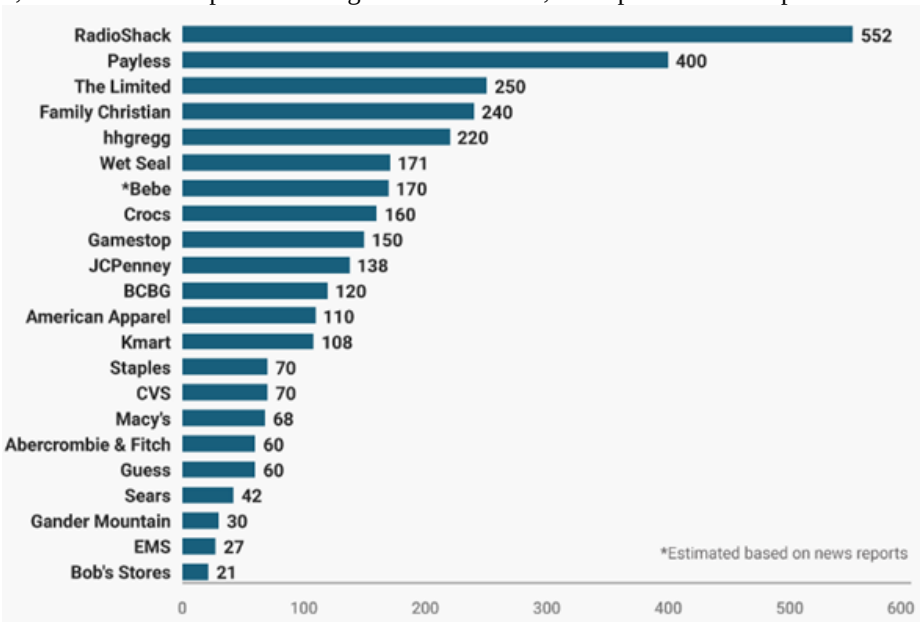


Source: https://fred.stlouisfed.org/series/FEDFUNDS

The Atlanta Fed's initial 4.3% real growth estimate -- just revised down to 3.6% -- for the second quarter (again) lacks virtually any credible growth reinvigoration driver; even the inventories to sales ratio remains elevated compared to 2010 – 2014 levels amidst sharply decelerating real GDP growth. This is especially apt in view of real US disposable

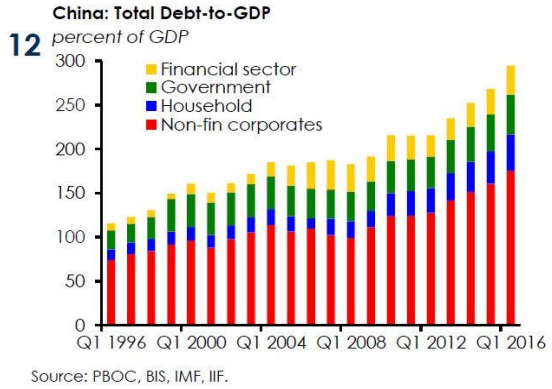
income rising only 1.9% year-over-year. Let us explain: an overstated "1.9%" juxtaposed against a heavily understated "real world" inflation rate (any average American consumer knows that true inflation is much higher), the continued Main Street cross of Obamacare, the means-and-confidence-sapping high "real world" unemployment rate in America, a sharply lower number of online job ads, and the material growth in household, corporate, and government debt aren't, collectively, indicative of a "fat" US economic growth pipeline! And neither is a projected massive, 8,000-store plus US retail sector consolidation in hugely overstored America thanks to lackluster sales (BTW, less than 9% of US total sales are online sales, and a fair portion of those are by "bricks-and-mortar" chains):

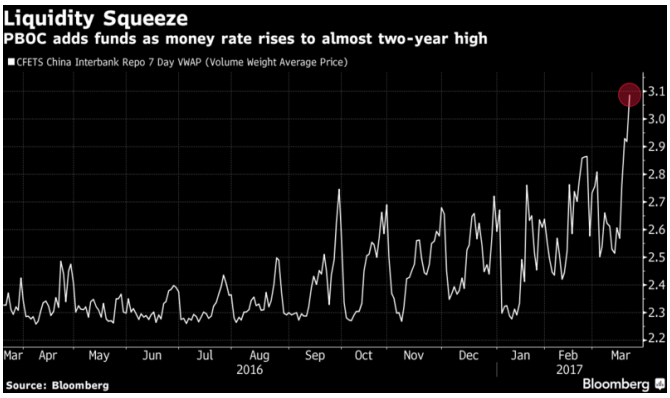
3,000 retail store reported closings YTD 2017 vs 1,200 reported in same period in 2016



Source: Business Insider

In the meantime, the world's second biggest (?) economy -- which has "stuffed" retail shelves in the US (and the west in general) with wares -- is stuttering, casting an additional pall over global growth. China is that other "command & control" posterchild of debt-induced misallocations (incl. real estate bubbles), solvency issues, and rapidly expanding *liquidity/counterparty* concerns (below). This is not an idle concern, for the world economy runs on available credit.





- "BEIJING -- China's central bank announced on May 2, 2017 that it had pumped more than 590.3 billion yuan ($85.6 billion) into the market via multiple tools in April. The People's Bank of China (PBOC) said it injected 495.5 billion yuan via the medium-term lending facility (MLF) to keep liquidity basically stable.
- April 1, 2017: China's central bank injects $89.9 bln of liquidity in March, up nearly 50 percent from the previous month, even as financial markets feared a cash crunch.
- March 21, 2017: PBOC said to inject funds after missed interbank payments; rural banks among smaller institutions said to miss payments; Chinese money market rates climbed to highest since April 2015."

Statism and cronyism, US style, continued (that DC swamp is still bubbling over):

In the interim, the US government's already pathetic fiscal discipline has gone from bad to worse under Republican control of both the executive and the legislative branches of the federal government, proving what we have continued to maintain in various publications, namely that both the Republicans and the Democrats are big government, redistributionist parties (or, as I've said to a close friend for over 20 years: it's either big government with a left blinker or a right blinker, but it is still big government or statism!):

> "President Donald Trump said he'll sign a bipartisan $1.1 trillion spending bill that largely tracks Democratic priorities and rejects most of his wish list, including funds for a wall on the U.S.-Mexico border."
>
> We're very happy with it," the president said Monday in an interview with Bloomberg News. … The president said he will sign the bill if it remains 'as we discussed.'"

Let us get examine, a bit more graphically, just how Trump is jettisoning his goals -- and many of his "Main Street" election promises -- via his readiness to sign a congressional spending bill that was effectively determined by the Democratic congressional minority in cahoots with the "K Street" Republicans (the establishment). Plus, the Democratic minority successfully blackmailed the (erstwhile) GOP with government shutdown threats if sustained profligate spending isn't assured, much less increased. Neither Trump nor leading Republicans have the stomach for a shutdown to better align government spending with tax receipts; in actuality only a fraction of the US government ever shuts down, and impacted government workers get full pay and additional "vacation." Sadly, soundbites trump addressing huge threats to solvency. Politics as usual, it would appear.

Speaking of politics, the president refuses to fire and replace up to 3,000 political appointee holdovers from the Obama administration that are thwarting implementation of Trump cabinet secretaries' decrees. How can (executive branch) agency spending reductions and/or regulatory reforms take place if the bureaucrats that run the administrative state are largely aligned *against* the administration's policy goals? And why hasn't Mr. "You're Fired" done the obvious? Is nepotism an issue? Or is Trump, when push comes to shove, too enthralled with big, active government after all?

Finally, for framing purposes, recall that in FY2016 the US government had to take on $1.49trn in new debt to fund operations. Translation: the true FY2016 operating deficit was $1.49trn, not the touted $552bn. The "real deficit" makes a return to fiscal sanity even more vital. Alas, and without further ado, some Main Street betrayal bill details:

- Instead of codifying Trump's requested measly $17 billion in non-defense spending cuts, the bill sees federal spending increasing by 4% (US spending is currently $4.3trn p.a., and, when including interest payments on the national debt, *over 69%* of the projected 2017 US budget as depicted below consists of so-called mandatory spending -- see p.26, Table S-5, "Proposed budget by category"):

Table S–5. PROPOSED BUDGET BY CATEGORY

(In billions of dollars)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Totals 2017–2021	Totals 2017–2026
Outlays:														
Appropriated ("discretionary") programs:														
Defense	583	584	609	591	593	597	603	606	621	634	646	659	2,994	6,161
Non-defense	581	608	631	631	634	638	647	651	660	671	684	698	3,181	6,545
Subtotal, appropriated programs	1,165	1,193	1,241	1,222	1,227	1,235	1,250	1,257	1,281	1,306	1,330	1,357	6,175	12,705
Mandatory programs:														
Social Security	882	911	948	1,003	1,065	1,130	1,197	1,270	1,349	1,433	1,520	1,610	5,343	12,525
Medicare	540	586	592	592	648	688	736	825	849	863	961	1,017	3,255	7,771
Medicaid	350	369	385	406	424	446	475	502	530	561	595	632	2,135	4,953
Other mandatory programs	529	583	633	678	732	766	802	847	853	864	899	949	3,611	8,023
Allowance for immigration reform	.....	.....	5	10	15	20	20	25	30	35	40	50	70	250
Subtotal, mandatory programs	2,301	2,450	2,563	2,688	2,883	3,050	3,229	3,469	3,611	3,756	4,015	4,258	14,413	33,523
Net interest	223	233	266	329	396	453	497	538	578	612	646	685	1,940	5,000
Adjustments for disaster costs[1]	.....	*	3	7	8	9	9	10	10	10	10	10	36	86
Total outlays	3,688	3,876	4,073	4,246	4,513	4,746	4,986	5,274	5,480	5,684	6,001	6,310	22,564	51,313
Receipts:														
Individual income taxes	1,541	1,545	1,747	1,888	1,981	2,099	2,207	2,318	2,433	2,552	2,678	2,806	9,922	22,710
Corporation income taxes	344	298	410	478	496	528	534	512	499	509	518	530	2,445	5,014
Social insurance and retirement receipts:														
Social Security payroll taxes	770	810	841	878	912	944	991	1,036	1,078	1,127	1,175	1,230	4,566	10,212
Medicare payroll taxes	234	247	257	268	280	291	306	320	334	349	364	382	1,401	3,149
Unemployment insurance	51	49	51	56	55	54	56	57	58	59	62	64	272	572
Other retirement	10	9	10	10	11	11	12	12	13	14	14	15	53	122
Excise taxes	98	97	111	144	154	166	179	190	193	197	201	206	754	1,740
Estate and gift taxes	19	21	22	31	34	36	39	43	46	50	55	59	163	416
Customs duties	35	36	37	37	38	39	40	41	43	44	45	47	191	412
Deposits of earnings, Federal Reserve System	96	120	88	61	49	49	54	59	65	70	74	78	300	646
Other miscellaneous receipts	51	43	58	57	60	63	65	68	71	74	75	77	303	668
Allowance for immigration reform	.....	.....	1	7	20	30	40	45	55	64	74	84	98	420
Total receipts	3,250	3,276	3,632	3,916	4,087	4,310	4,522	4,702	4,887	5,109	5,336	5,579	20,468	46,081
Deficit	**438**	**600**	**441**	**330**	**427**	**436**	**463**	**572**	**593**	**575**	**665**	**731**	**2,096**	**5,232**
Net interest	223	233	266	329	396	453	497	538	578	612	646	685	1,940	5,000
Primary deficit / surplus (–)	**215**	**367**	**175**	**1**	**31**	**–17**	**–34**	**34**	**15**	**–37**	**19**	**46**	**156**	**233**
On-budget deficit	466	634	468	345	418	397	408	491	478	424	479	513	2,037	4,421
Off-budget deficit / surplus (–)	–27	–34	–27	–15	8	38	55	81	116	150	186	218	60	811

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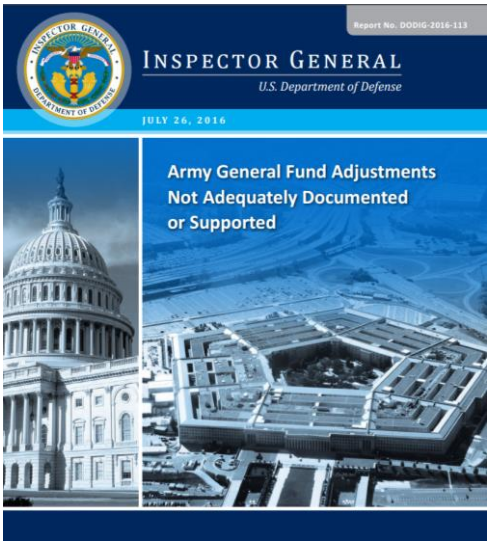
Source: https://obamawhitehouse.archives.gov/sites/default/files/omb/budget/fy2017/assets/17msr.pdf

- The border wall. Although the bill allocated $1.5 billion in additional "border security" funds, Democrats made certain to bar funding for the fence. The secure fence act was signed by President Bush back in 2006, meaning the executive branch has failed, for over a decade, to execute Congress's secure fence bill!
- Trump agreed to continue to illegally endorse the healthcare insurer bailout without congressional funding.
- The partial repeal of Dodd-Frank, the taxpayer funded derivative bailout provision for big banks, remains.
- In the bill, the EPA was saved from the cuts proposed for this year by Trump's OMB, boding ill for material regulatory relief from the very agency that has so burdened small businesses (4x per employee compliance cost as large biz), the engine of employment growth, economic growth, inventions, and productivity enhancements.
- Funding for refugee resettlement and visas from the six countries from which Trump wanted to suspend immediate immigration continues. The refugee program gets $3.1 billion, as it did under Obama.
- So-called "sanctuary" (lawless) cities will continue to be funded, judicial tyranny notwithstanding.
- Planned Parenthood will continue to be funded, despite the long-standing GOP promise to fight to defund it (the RINOs, who control the executive and legislative branches, failed to defund a private organization getting taxpayer funds to "traffic" in baby organs).
- The bill continues to fund green energy programs within the DOE, which Trump targeted for elimination.
- The federal judiciary saw its budget increased by 3% from fiscal 2016 to $7.4 billion, despite engaging in civil disobedience against the rule of law.
- (In the meantime, Sen. John McCain's "Most Wasted" report highlights *$1.1trn* in questionable annual US spending while identifying *$294bn* in spending on programs that are no longer authorized to receive funding!)

Separately, Trump, while having stuffed his own cabinet with Goldman Sachs cronies, refuses to fire swamp monsters such as Koskinen and Mel Watts (in an isolated, belated, yet hopeful sign, the disingenuous, rule of law-mocking FBI head, James Comey, was finally fired by Trump) that typify how and why Washington DC no longer constitutes lawful, representative, pro free market government. Once more: how does one spell "betrayal?"

Speaking of constitutional fidelity or the rule of law, let's see just how far "off the rails" the US government is. Specifically, let's revisit the all-important appropriations front (Article 1, Section 9, Clause 7), the cornerstone of Congress's "power of the purse" -- and, ultimately, a keystone of a representative government. Now juxtapose the Constitution against the statements made below by select US officials; by people of virtue that perhaps couldn't be bought off or intimidated, or perhaps by people that had no choice? In aggregate, a mind-bending, multi-trillion dollar misappropriation story for a nation that is $20trn in debt unfolds (when including unfunded social security, Medicare, veterans' benefits, bailout commitments, etc., the US government's fiscal gap has been tallied at $199trn):

- $6.5trn in Army general fund adjustments were not adequately supported or documented as per 7/26/2016, according to Lorin T. Venable, CPA, Assistant Inspector General



- "The DOD cannot track $2.3trn in transactions," Secretary of Defense Rumsfeld, 9/10/2001
- HUD's missing $59bn in FY2000, according to HUD Inspector General Susan Gaffney

Just where did all those misappropriated funds go? If taxpayers paid the tab, can they get a refund, or demand asset sales related to misappropriated funds, or at least benefit from what's amounted to trillions of dollars of covert government spending? And will citizens get clarity on how these misappropriations were financed? Clearly, US government behavior needs to be brought back to the rule of law, to fiscal sanity, and to the principles of republican government as defined by the Constitution. If achieved, confidence in fiat government and fiat money will be crushed, and asset valuation bubbles will pop. A "reset," in short. Tons of initial pain followed by a chance to defeat the inevitable onset of anarchy followed by one or another form of tyranny, i.e., if we defeat the status quo.

In a related manner, the second Obamacare repeal proposal (RINOcare II or "repeal in name only care," also known as the American Health Care Act, HR1628) that got through the House isn't really about keeping a repeal promise, putting working Americans first, and bringing back the invisible hand of Adam Smith or again unleashing competition. Moreover, the bill (HR1628) passed by the House *offers little if anything in the way of premium or deductibles relief for the average employed American* (thank government-run healthcare). Furthermore, HR1628 leaves almost all of Obamacare's cost-driving federal regulations and mandates in place. Yet the bill collectively reduces taxes on the American people by over $1trn while it massively expands Obamacare's illegal corporate reinsurance structure -- including setting aside a $138bn slush fund for insurance companies. Lastly, "government care" continues to utterly violate insurance pool basics, and thus increases redistributionism (there are no more penalties associated with healthy and young people opting out until they need care), further fleecing the taxpayer.

In a nutshell, the Republicans' healthcare "reform" insanity will be financed by debt instead of tax increases. They will "own" the mushrooming US deficits related to the bill, should it become law close to its present formulation. HR1628 would accelerate the demise of a government-based Ponzi scheme while working Americans' "mortgage-sized plus" out-of-pocket healthcare costs promise to remain a nettlesome personal and political issue. No private sector solution here offering more competition and true healthcare insurance cost relief for working Americans. In short, no repeal and more of the same. This despite over five years of stout promises by Republicans to *repeal, not reform, the disastrous legislation*. Note the following from Republican House Speaker Paul Ryan in January **2016**:

> "It's no surprise that someone named Obama vetoed a bill repealing Obamacare. But we will hold a vote to override this veto, taking this process all the way to the end under the Constitution.
>
> The idea that Obamacare is the law of the land for good is a myth. This law will collapse under its own weight, or it will be repealed," he said. "We have now shown that there is a clear path to repealing Obamacare without 60 votes in the Senate. So, next year, if we're sending this bill to a Republican president, it will get signed into law."

(We would be remiss if we didn't state that Emmanuel Macron's presidential victory in France will assure that the very policies that have gotten France, and much of the West, into trouble, from monetary policy to solvency to national sovereignty to third world amnesty to further Balkanization, will now be doubled down on on the continent. Hello Angela Merkel, German chancellor yet again this fall? Looks like the European swamp won't be drained, either.)

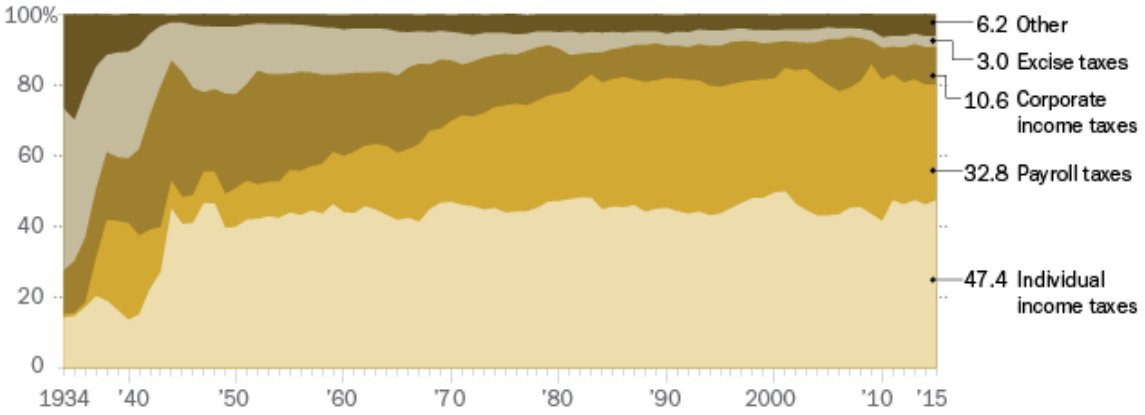
Spending like a drunken sailor, Uncle Sam now may offer record tax cuts (on top of HR1628's $1trn): A weakening economy will generate less tax receipts and higher transfer payments (note that in 2015, over 27m people received "earned income tax credits" totaling $67bn even though they paid no federal income taxes). This by itself will threaten record federal deficits. Either the unprecedented tax cuts and/or the "government "stimulus" being proposed by Trump will most likely be thwarted initially, i.e., until politicians fear they won't get reelected thanks to a rapidly deepening recession; ticktock, ticktock. Upshot: even bigger cyclical deficits are in the offing. Longer-term, retiring baby boomers -- roughly 10,000 a day projected in the US over 13 years -- will temper tax receipts while bloating Medicare and social security outlays add insult to secular solvency injury in the US and around the globe.

Below a summary of the tax cuts recently proposed by the Trump administration:

- The corporate tax rate would decline from 35% to a globally competitive 15% (corporate tax receipts comprise only about 10% of all federal receipts, but a viable tax rate would boost US reindustrialization, a good thing).
- Individual tax rates would be reduced from 7 to 3 (10%, 25%, and 35%) while the standard deduction would be doubled and itemization-related reductions reduced (nearly 50% of Americans pay no federal income taxes).
- The hugely destructive and inequitable "death" tax would be eliminated. After having paid gobs of federal and state taxes at income, capital, and sales levels, businesses/farms should be transferred to heirs without having to sell the enterprise to pay the taxman (again). This would be very positive for small business and the real economy.
- Controversially, and hugely treasury receipts negative, is the 15% "pass-through," proposed corporate-like tax rate for highly paid freelancers, law firm partners, MD association surgeons, consultants, etc. This would be a

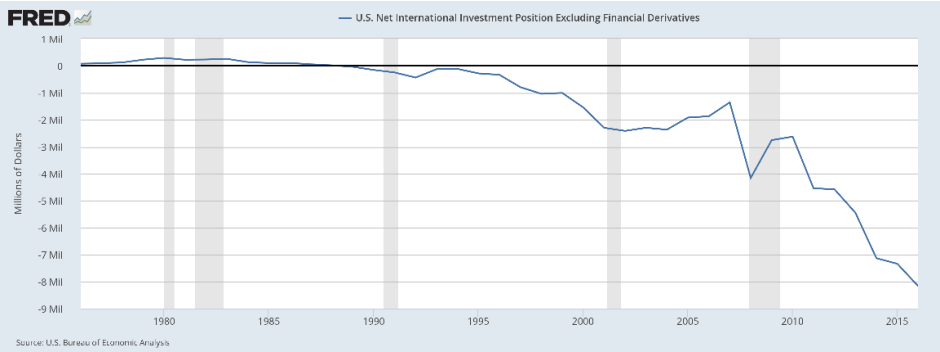
windfall for the richest people in America who are a) currently paying a 39% federal tax rate at the margin and b) pay the vast majority of individual income taxes, *which in turn constitute 47% of US government receipts*. Upshot: the "Moms and Pops" would continue to pay a consolidated 15%, while "professionals" and entertainment stars making millions would be taxed at 15% instead of 39%. Meanwhile, US deficits would gap higher and class warfare rhetoric could well result in even more growth and meritocracy destructive policies (hello President Bernie Sanders and a Democratic Congress?)

How the US government is funded (% of total revenue)



Sources: www.pewresearch.org/fact-tank/2016/04/13/high-income-americans-pay-most-income-taxes-but-enough-to-be-fair/ft_15-03-23_taxesrevenue, OMB

In summary, then, government spending looks set to keep growing beyond tax receipts, and tax cuts tend to be popular, especially during recessions. However much "supply-side punch" or greater business activity lower business tax rates ultimately generate, there is a one-to-two-year time lag. In the interim, the statist spending beast should be starved to offset lower receipts related to lower tax rates. Yet this isn't in the cards. But a black swan fiscal moment may be, especially with acutely political US budget wrangling related to that historically skywards marching "US debt ceiling" in high gear this year. Perhaps "Mr. Hyde" is trying to drive the shaky US financial bus over the cliff so that markets or bond vigilantes force fiscal sanity through massive sales of US Treasuries (recall that US net debtor status is over $8.1trn) -- sales that could spike the heavily indebted, deficitary US government's (re)financing cost?

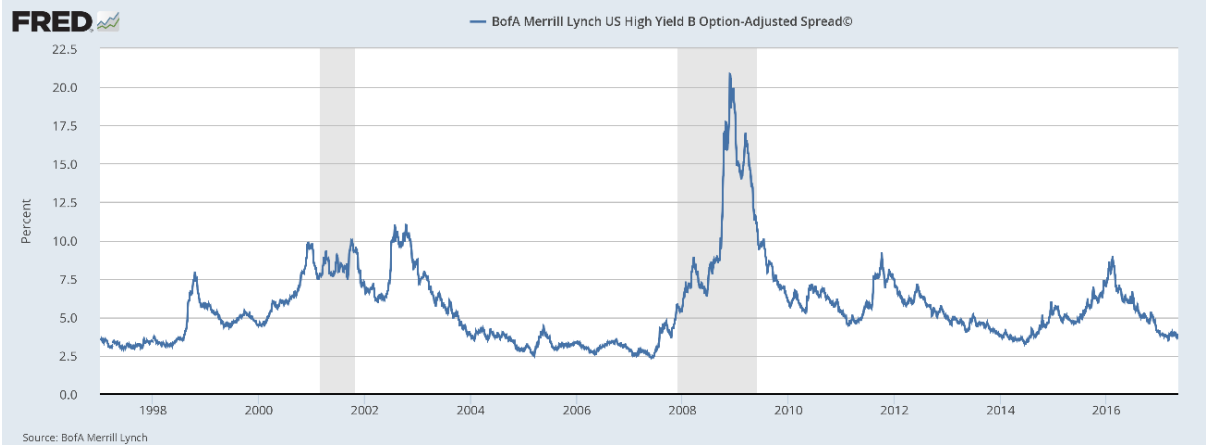


Source: https://fred.stlouisfed.org/series/IIPNETINA

$20trn in US debt refinanced at 2.4% instead of at today's approximate 1.4% net cost of financing would result in $200bn in additional US government outlays. A 5.4% average borrowing rate -- to pick a rate in excess of the 4% long-term average -- would imply $800bn in higher financing outlays for Uncle Sam. Needless to say, the Fed would step in to purchase Treasuries being unloaded (canary-in-coal-mine hypertext link!) by foreign accounts in large quantities to minimize a surge in long-term interest rates and the damage that this would inflict on financial entities' balance sheets/loan portfolios, its own included! While the related QE would likely hold down the globe's benchmark 10-year Treasury yield, "printing" substantially more dollars would likely pummel the greenback's exchange value, igniting US inflation. Either way, continued large US government deficits juxtaposed against interest rate or inflation fallout would provide stark headwind for what could be an increasingly reckless US fiscal policy consisting of more spending and tax cuts.

Global asset bubble indicators -- bonds, stocks, RE, student loans, car loans -- abound:
www.investors.com/news/schwab-tops-forecasts-as-account-openings-hit-17-year-high (a fine retail investor contrarian indicator)

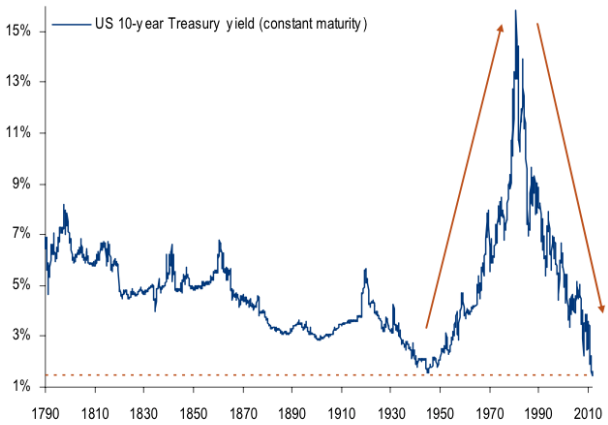
Let us start with the biggest bubble of all, *the bubble in confidence* (in fiat government, in fiat money, and in rising insolvency/indebtedness). Dwell, for a moment, on the valuation implosion impact on trillions of dollars of securitized non investment-grade debt (e.g., consumer debt) when the spread below again widens -- not to mention additional pressure rising 10-year Treasury yields would bring. The chart below captures the complacency of it all nicely:



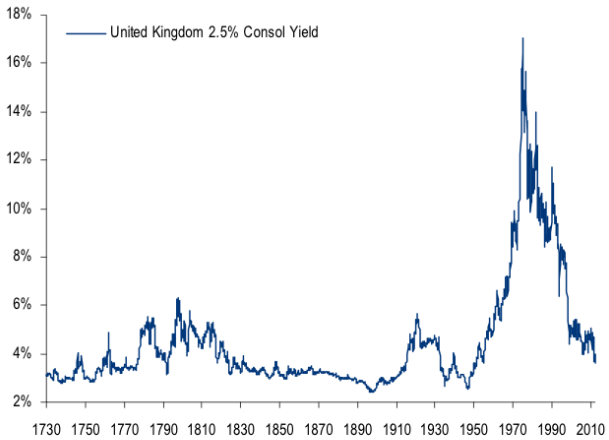
Source: https://fred.stlouisfed.org/series/BAMLH0A2HYB

And this bears repeating: the net present value or NPV of all long-duration assets is keyed off investment-grade government bond yields (p. 3 & p. 8)! Over hundreds of years, investment grade government bonds have averaged roughly 4% yields (please see chart below). With bubble valuation OECD government bond yields still flirting with either record or near-record lows, the impact on "ground zero" Treasuries, on corporate bonds, on securitized mortgage and auto loans, on real estate, and on stocks from a much higher 10-year Treasury yield will be much lower valuations (NPVs) in the aforesaid asset classes. This is because the 10-year Treasury yield *is* the benchmark interest rate and because NPV math "dictates" it. Thanks to unrivalled global solvency and ultimately to metastasizing monetary inflation risks borne of central banks fighting the debt-induced deflation they have created with QE with yet more "money printing," dramatic increases in benchmark yields that could "stretch" toward levels reached in the stagflationary '70s are a distinct risk. Call it invested capital at risk, especially in the bond and stock arenas.

With the aforesaid in mind, let's look at some asset bubbles "looking for a needle." Let's begin with a multi-hundred year perspective below. Let's examine both asset class valuations and composite asset class value expansions:



Monthly data
Source: BofA Merrill Lynch Global Equity Strategy, Global Financial Data, Bloomberg



Monthly data. Data was unavailable July 1738, July 1769, August 1914-December 1914
Source: BofA Merrill Lynch Global Equity Strategy, Global Financial Data

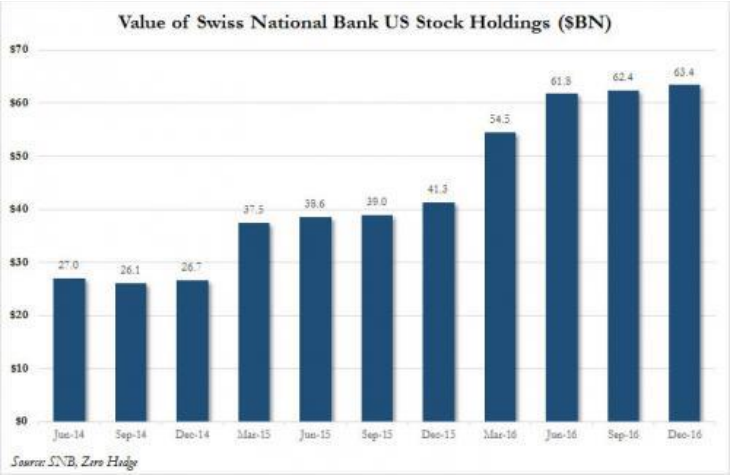
The Nikkei bubble: the BOJ entered market on down days more 50% of time in last four years

Sources: FT, www.zerohedge.com/news/2017-05-05/bank-japan-bought-dip-over-half-time-last-4-years

China's manipulated stock market

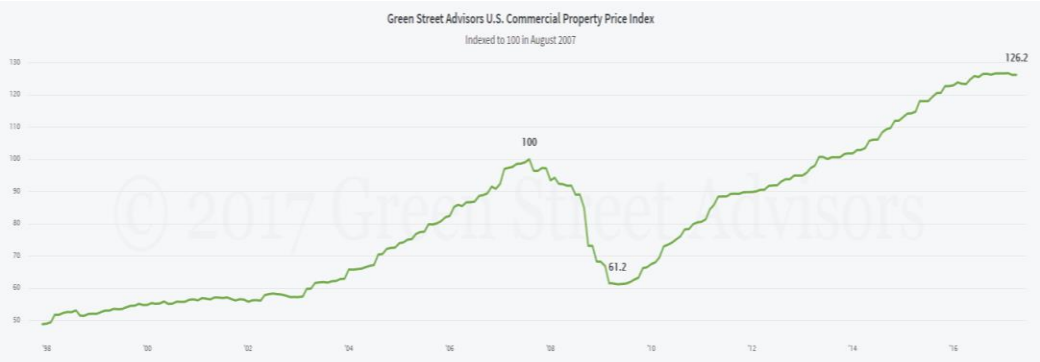
Sources: www.bloomberg.com/news/articles/2017-04-20/china-s-new-market-anomaly-stocks-refuse-to-drop-more-than-1; https://www.bloomberg.com/quicktake/chinas-managed-markets

In the meantime, the SNB is overtly propping up the US stock market (below). How much covert purchases of US stocks has the less transparent Fed and possibly the US Treasury, with allegedly trillions in dark ESF dollars at its disposal, been engaging in?



Source: https://snbchf.com/2017/02/swiss-national-bank-stock-holdings-january/

The US commercial real estate bubble

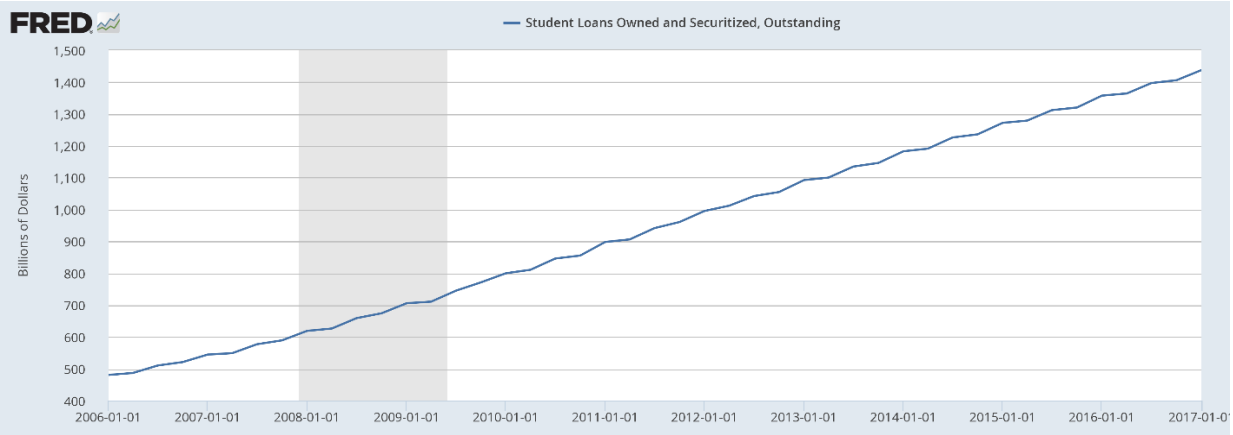


Source: www.greenstreetadvisors.com/insights/CPPI

The global housing bubble

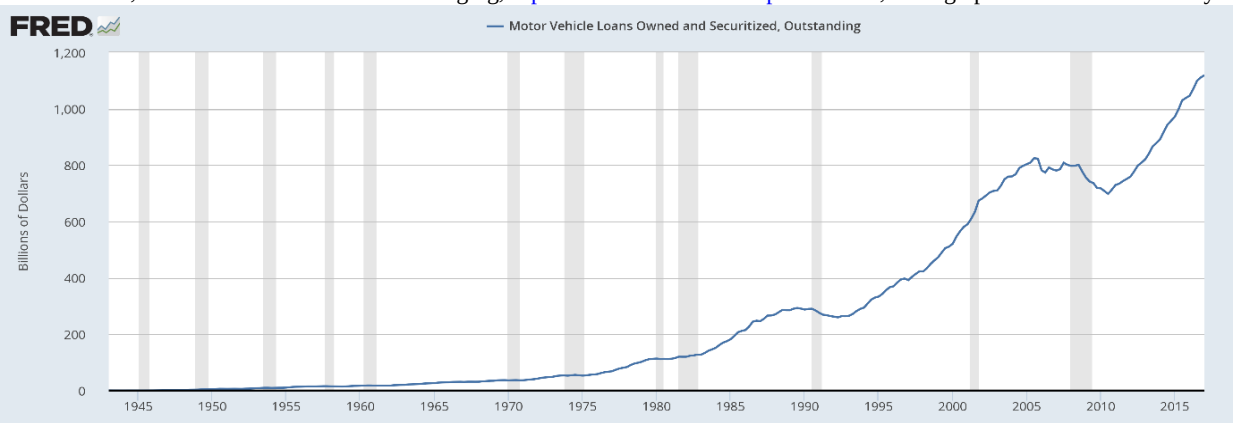
Source: www.telegraph.co.uk/business/2017/01/02/fears-massive-global-property-price-crash-amid-dangerous-conditions/

Concerning composite asset class value expansions, government-backed US student loans are "through the roof" as college education (indoctrination) cost increases continue to materially outstrip inflation. To keep this "wealth transfer to the education establishment" bubble going, Fannie Mae has moved to secure new housing purchasing power for increasingly indebted students, de facto helping to underpin US home prices that are out of reach for a growing number of Americans facing poor full-time job prospects, including younger American workers unable to avail themselves of such "assistance:"



Source: https://fred.stlouisfed.org/series/SLOAS

In the interim, US motor auto loans are also surging, esp. in the securitized sub-prime arena, setting up investors for a black eye:



Source: https://fred.stlouisfed.org/series/MVLOAS

Risks:

Markets can stay irrational longer than investors can stay solvent or investment industry "professionals" can remain employed. How much longer can global asset valuations be divorced from solvency, economic, and return fundamentals? How much longer will savers and pension funds have to endure pathetically low or even negative real interest rates (if "real world" inflation rates are used) in many countries? Nobody knows. And investors could continue to make incremental returns in so-called traditional assets that trounce the zero yield associated with holding safe cash or precious metals.

Yet capital exposed to overvalued assets is capital at risk. We contend that the "staying invested" risk is much bigger than the potential "greater fool theory" reward. Specifically, that someone or some computer program will pay an even more outrageous price for a bond or a stock, and that investors fleeing yield deprivation will continue to push up the value of single family homes and/or commercial real estate to levels that further divorce investors from sound rental-based returns. In all, we view the incremental bubble return prospects as smaller than the risk of being invested.

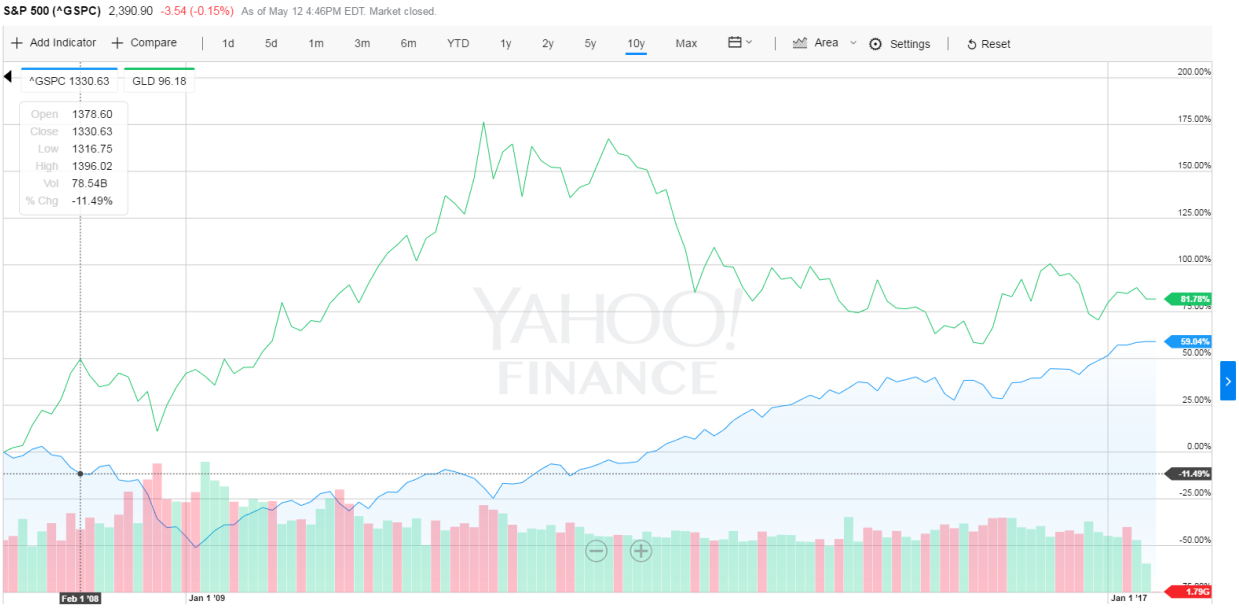
Conclusion:

We're in the twilight zone of valuation, solvency, and political insanity. We've doubled down on all the policy mistakes that gave us "2008." It's also spelled "fiat money and fiat government," the enablers of debt, cronyism, and depotism. Such eras have never ended well. And we've never had a time in history during which the whole world was divorced from sound money and, increasingly, from the rule of law and the related stout property right protections.

We're also facing a troubling productivity growth trend; we're losing the growth. And we're actually becoming less productive, both in the US and around the world (p. 6). This is tied into progressively lower returns on energy investments (we may get into this in a publication before all too long) and the related, rapidly declining growth in new, affordable 24/7 energy (geology is getting tougher!) upon which productivity gains are largely based. Our waning global productivity is also tightly linked into our worldwide fiat money-financed misallocations and our toxic public policy stew, which is sadly more in line with political correctness and cronyism (very much including the "green" kind) than it is conducive to a free market, productivity-laced, wealth of nations trajectory for the vast majority of citizens.

Ultimately, sound future returns (p. 13), or nominal GDP growth and then some, depend on buying quality assets at sensible or even cheap valuations relative to their earnings power or their yield. We don't see any screaming traditional asset class bargains out there for passive investors. And (safe) cash and precious metals -- "cash on steroids potential" real money that's long been massively manipulated down and is like a compressed spring ready to expand -- are considered "trash." Or are they your ticket to scooping up traditional assets at fire sale prices down the road? And is the current gold price weakness (and, by extension, silver price weakness) a cold precursor blast from the 2008 stock market meltdown past? A litte déjà vu unfolding right in front of investors, which had gold fall before the S&P 500 plummeted only to see gold outperform the same index handsomely thereafter for years? Please see below:

S&P 500 performance compared to GLD (Spider Gold shares, whose sole assets are gold bullion and, from time to time, cash)



Source:
https://finance.yahoo.com/chart/%5EGSPC#eyJjb21wYXJpc29ucyI6IkdMRCIsImNvbXBhcmlzb25zQ29sb3JzIjoiIzFhYzU2NyIsImNvbXBhcmlzb25zR2hvc3Rpbmc
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6IiM3ODdkODIiLCJtYWNkU2lnbmFsQ29sb3IiOiIjMDAwMDAwIiwicnNpTGluZUNvbG9yIjoiI2ZmYjcwMCIsInN0b2NoS0xpbmVDb2xvciI6IiNmZmI3MDAiL
CJzdG9jaERMaW5lQ29sb3IiOiIjNDVlM2ZmIiwicmFuZ2UiOiIxMHkifQ%3D%3D

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