

FULL FAITH AND CREDIT

SEPT, 2020

SLUGS, SLURPEES and IT'S ALL RELATIVE

We begin this month's FFC by sharing our gratitude and by personally thanking each and every one of our clients, subscribers, and all of the readers who have made *The Great Devaluation* such a massive success. In its first month in publication the book has become the number one bestselling business book in the country. For multiple weeks TGD not only made the prestigious Wall Street Journal bestseller list, it sat at the very top spot as the #1 Business Book in America for multiple weeks! The book also landed the highest of any business book this year on the USA Today bestseller list where it landed #11 in all books on the week it was released. Not to be outdone, the number one retailer in the world, Amazon, had TGD ranked as the #1 bestseller in multiple categories in (*Business, Economics, Finance and Inflation*). The book has sold over 30,000 copies to date which ranks it among the top Business books released all year.

The book attempts to tell the story of the fragile and broken monetary system, and why the imbalances within the system are a warning of its imminent end. It's a message fueled by passion with the goal to warn as many people as possible of the coming dynamic mindset shift occurring before our eyes. More important to us than the popular success at retail, the book has been incredibly well received with nearly 200 authenticated 5 star reviews in the early weeks of release. The reviews and feedback have been phenomenal and we are excited how well the message is being received.



One of the main reasons for the traction of the book is undoubtedly, timing. *Gold Is A Better Way* sparked a movement and kicked off in August of 2018 when the price of gold was under \$1200. Today the price of gold is up over 60%. That rally includes a big move of 25% this year as the ZIRP policies of central banks, plus the additional \$3.5 trillion added to the balance sheet, plus the promise that rates won't be raised until the year 2025 are all positive drivers. The main engine, which is a flight to safety away from bloated, overvalued paper assets has yet to even begin. The true break out will occur in the not too distant future when the current paper bubbles within which we sit break once and for all.

Many would prefer to believe that the all-powerful Fed can keep the paper markets higher forever. We are not among them. This approach hasn't worked in Europe. It hasn't worked in Japan. Nor has it ever worked in history. Maybe we are different and we can achieve what before now has

been impossible. A few things are now certain. The Federal Reserve will pull out any and all stops to keep the levitation ongoing, and in order to do so they will need to continue to pump trillions and trillions more dollars into the system. This approach, while potentially good for paper assets, is a lightning rod for gold and silver for both the short and long terms.

For those who have been with the *Gold is a Better Way* movement from the beginning your patience is being rewarded. These actions of the Fed were inevitable and they're why you believed. For the more recently converted your timing is exceptional. The bull market in precious metals is still at its infancy and is set to roar in the coming months. *The Great Devaluation* is so much more than a book on gold, it's a statement about a collective change that is occurring right now, but one that won't be truly evident until we can look backward in time years from now.

To call it all a movement would be an understatement. *The Great Deval-*

THE BIG IDEA

uation book makes the argument that we are in the midst of a “collective mindset shift.” Movements get people’s attention. These include “corrections” in the stock market and “legs higher or lower” when breaking above or below technicals and previous floors and ceilings. Movements happen roughly every decade. This movement has historically been known as the Business Cycle. The Business Cycle simply means the ebb and flow of asset prices mostly influenced by the easing or tightening of monetary conditions. But the business cycle is driven by the “tightening” and “loosening” of monetary policy. There will be no more movement because there is no more tightening. The Federal Reserve won’t even hint at such a thing, much less take any action in that direction. When the *only* move available is one way, it represents a new direction, a complete mindset shift. It also means the business cycle is dead.

Mindset shifts are what happens when the business cycle dies. They don’t come along very often. They occur roughly every forty years. They take place at the peaks of the pendulum. Their momentum then lasts for decades. Identifying the shift early is both rewarding and challenging. When mindset shifts occur it is better to be “all-in” than diversified.

History will help us to better understand this reality. The last time we had a certain change in direction was forty years ago. In the early 1980’s the fear wasn’t *deflation* like it is today, back then everyone was worried about *inflation*. What few could have predicted when Fed chairman Paul Volcker took aggressive tightening action in 1981 and raised the Fed Funds rate to over 20% in an effort to stave off runaway inflation, was that it would set the stage for the next 40

year, one *directional move* and spark an historic bull run in both stocks and bonds. It was a true mindset shift. The Wall Street mantra to “own stocks and bonds” for diversification became the collective investment mindset. Commodities, which had been prescribed for years prior, no longer made any sense to own within the portfolio. Since that time, the paper tiger has literally roared.

Over the last 40 years as interest rates have been manipulated lower and lower, both stocks and bonds have risen into the stratosphere. The Dow Jones is up a whopping 31 times since 1980. The 10 year Treasury has been the steadiest game in the world since 1980 when Treasuries tipped the scales at all time highs of nearly 16%. Treasuries have returned nearly 11X over the past forty years.

If the pendulum of the mindset shift takes forty years to swing from “peak to peak”, from undervalued to overvalued, it gathers the most momentum and speed in the first 20 years. The massive returns in the Dow happened from 1980-2000 where the Dow Jones increased 14X for an average return of nearly 15% per year. In the second half of that swing the Dow’s momentum has slowed. From 2000-2020 the Dow Jones has only increased 2.5X. The last twenty year swing has been interrupted twice with bubble collapses, first in 2001 when the dot-coms caused a 47% plummet, and then again in 2008 when the Housing collapse wiped out over 50%.

Similar to stocks, the lionshare of the gains in Treasuries happened in the first twenty years from 1980-2000 when the annualized average yield averaged 8.6% and the total return equaled over 5X. Over the past twenty years Treasuries have been less profitable, returning only an annualized 3.35%. Again

these returns over time are rather paltry relative to the 8X of gold.

To put a visual on the journey traveled, a *pendulum* best describes the direction and pace of the action for mindset shifts that go from *least adopted* to *over saturated*. The shift into the idea that stocks and bonds were the right way to invest came on the heels of the opposite reality. For forty years, from 1940-1980 the pendulum had swung the complete opposite way. The real returns on the Dow Jones were in fact negative during this time. Bonds offered similarly poor performance as interest rates rose much of that forty year span. As such we’ve had two major swings, forty year on then forty years off. Each pendulum swing finds its greatest momentum at the peaks of directional mindset shifts of change. It’s why it is critical for investors to reposition portfolios for the new world.

This ongoing euphoric central bank induced bubble comes at the end of the forty year cycle. This is a bad omen. The mindset shift has already occurred and is taking place at warp speed. Lower forever, massive balance sheet expansion, and hot running inflation are the new prescription from our Federal Reserve. The new trade will undoubtedly drive commodities back into the limelight while paper assets lose their appeal for the long term investor.

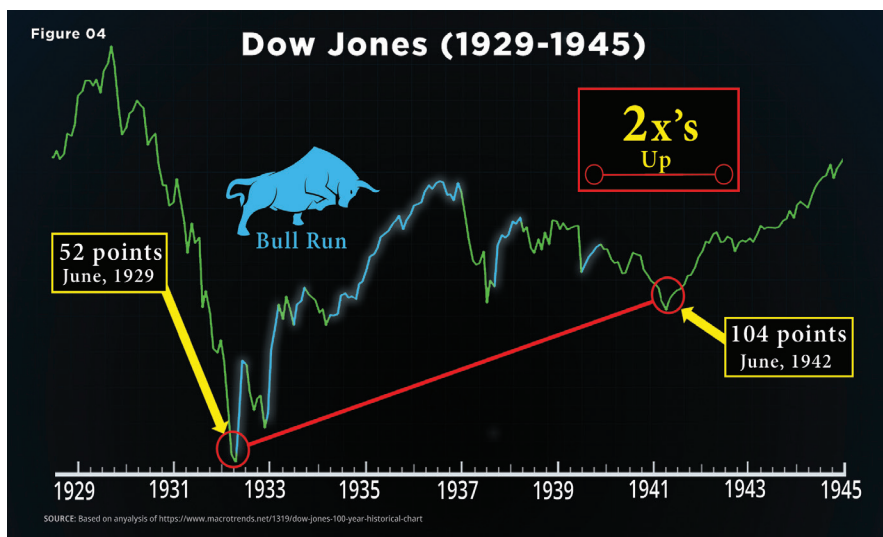
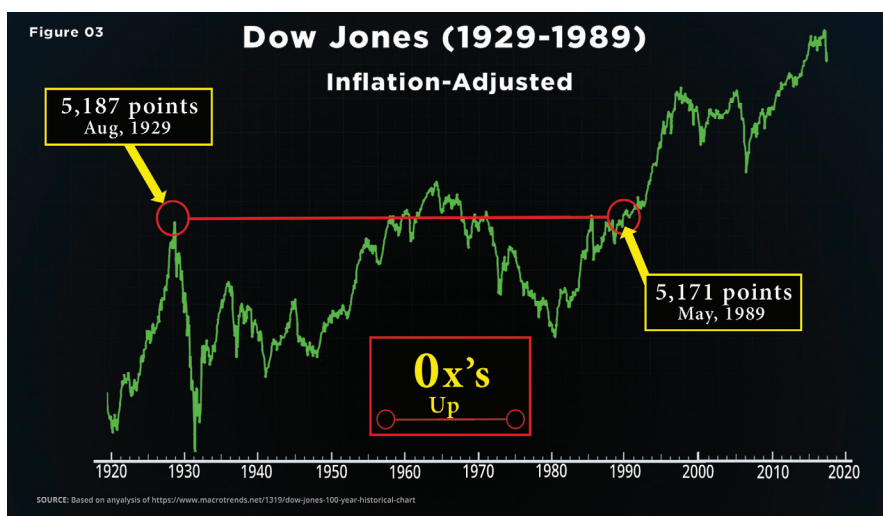
If you are skeptical of the argument and direction you may want to pay attention to what the greatest investor in modern times has recently decided. When Warren Buffett makes a new decision based on the sea change, one that is opposite his core position over the last forty years and calls of him abandoning bank stocks for gold, we must pay attention to the signal. Always watch Warren Buffett. He is always ahead of the curve.

FROM THE EDITOR

Buffett's tremendous wealth and investing success are proof that it's the earliest adopters of a mindset shift that always benefit the most. Buffett understands that inflation equals growth in the money supply. In the coming years as we see momentum in inflation accelerate, Buffett's buying gold at \$2000 will look like tremendous foresight, and also a tremendous bargain. Those that act similarly now will see the greatest returns. Those that wait will see less gains than those who identify this shift now and take action.

What's most important to consider when looking at the new mindset is how an inflationary impulse will ultimately impact financial assets. There is a false idea, affirmed by countless FA's all over the country that inflation is good for the stock market. Nothing could be further from the truth. In fact, inflation confuses the issue entirely. The three charts on the right will offer insight for those seeking to understand how devaluing currencies actually impact financial markets. The first shows that it took 60 years for the Dow Jones to turn positive on an inflation adjusted basis after the collapse in 1929. The second shows that during the Great Depression the Dow witnessed six bull runs and doubled nominally. The Dow on an inflation adjusted basis was actually a 20% loser over the span of decade. The last chart fits in with our 90 year supercycle argument perfectly. Notice how the lead up to this market looks very similar to the the market prior to its collapse in 1929.

The Great Devaluation, therefore, is the mindset shift to an inflationary world. It is imperative for investors to rethink the portfolio allocation and reposition for a world where the desired outcome is to devalue currencies through inflation.



THE BIG IDEA



Wanna Bet? Buffett Dumps Banks for Gold.

We include the following story to remind everyone of the powerful insight Buffett has always maintained. Interestingly, many of his past positions initially had few adopters. While gold has received a lot of attention in the recent months, we would argue that Buffett's actions are indeed very early and will spark a much longer and popular movement.

In December 2007, the legendary investor known as the Oracle of Omaha proposed a bet for charity that would go on to define the investment landscape over the next decade. Warren Buffett proposed that there would be no hedge fund manager able to outperform the S&P 500 index over the following decade. He offered a \$1 million wager to any hedge fund manager willing to accept. Protege Partners was the unfortunate hedge fund that agreed. The bet, while insignificant in dollar terms, has effectively defined the investment mindset since.

Protege Partners and Buffett each put up \$320,000 into bonds that would appreciate to \$1 million over the course of the wager. (Back then one could invest in bonds that would

more than triple in a decade. This wager is one that couldn't be made without putting up a whole lot more given the state of interest rates in 2020.) Buffett often discussed the two main reasons he believed the bet made sense and why he would win. The first, was a point Buffett has made over the course of his career, namely that stocks tend to go higher over time. The second was that the fee structure of a passive index fund was far superior to the fee structure charged by hedge funds, and a near certainty why over time the low cost index fund would outperform.

The impact of the wager back then was far greater than the attention it brought to each of the players charities. Buffett's certainty on the future of America came at a time when investors were fleeing the market after the housing collapse. Over the course of the next several years while skittish investors feared jumping back into the market, Buffett dove in head first. While everyone else sold, Buffett bought. He bailed out AIG, he bailed out Bank of America, and he bailed out Goldman Sachs. He even went "all in" in America and bought a railroad.

Did Buffett just bet against the U.S. economy?

Those investments turned out incredibly well for Berkshire Hathaway and further cemented his reputation and legendary status. Buffett would go on to handily win the bet. The exercise brought tremendous affirmation to the investment public that it was safe and still the right thing to invest in America through stocks. Because of Buffett's cheerleading "index investing" became the rage. The Vanguard index fund Buffett chose

would go on to provide an over 60% return over the next decade. The impact, however, on the passive investment strategy was far greater than that. Today passive investing controls over 50% of all total stock market capitalization.

The news shocked the investment world.

Buffett's ongoing support and promotion of the strategy along the way has only brought more attention to index investing. Over the years he has continued to tout the idea that for everyday investors, the best thing to own is a passive index fund. Part of that idea includes the timeframe Buffett has in mind when he makes investments. When asked about his time horizons on his investments during the first years of the bet, Buffett's consistent reply was always, "my time horizon is forever." Investors listened, and stocks exploded higher.

That "forever" story for Buffett came to an end in 2018 when Buffett moved a large portion of his capital to cash. Since then long term investors have been waiting for his next move. The financials released by Berkshire Hathaway on August 14th gained the attention of Wall Street. What is Buffett doing? He is selling the airlines, he's selling Sirius XM, he's selling Visa, and he's aggressively selling his bank stocks.

More striking than what Buffett is selling are the stocks he has announced buying. It was such a shift in direction that the news shocked the investment world. The headline on *Marketwatch* was, "Did Buffett just bet against the U.S. economy?" Bloomberg followed with "Berkshire makes bet on gold market that Buffett once mocked." Fortune followed with an even more clever "Buffett traded

FROM THE EDITOR

Goldman Sachs for Gold. Every serious investor has noticed the Buffett's U-turn. Those that remember the history of "the bet" have been put on high alert. This is an abrupt about face from a guy who never changes his mind.

Buffett's new holdings list decry his very own words. In a speech at Harvard in 1998 Buffett said, "(Gold) gets dug out of the ground in Africa, or someplace. Then we melt it down, dig another hole, bury it again and pay people to stand around guarding it. It has no utility. Anyone watching from Mars would be scratching their head." When asked about it over the past two decades Buffett has always been critical, arguing that gold pays no dividend and therefore something he doesn't see the value in. This has been a mantra for decades and one that has solidified gold's negative reputation. Each time some eager gold bug would attempt to get some love from Buffett regarding gold he would slam their enthusiasm. His negative approach to gold, coupled with his "Don't bet against America," sent the message that owning gold was anti-American.

We note that since speaking these words the S&P 500 has risen *three times*. Alternatively, the price of gold has risen nearly *eight times* in the same period. This math was always previously dismissed by Buffett and it's why this recent "about face" is so shocking. Buffett's conversion is akin to the conversion of Saul, the persecutor of the Jews, into the apostle Paul on the road to Damascus. It seems the Oracle of Omaha has finally woken up to data and to the reality that "you can't print gold."

What has removed the scales from Buffett's eyes? What's he seeing that he hasn't seen before? Perhaps it's the firsthand transition of a "sound

money" policy Fed, to a "we need to run inflation hot" Fed. Perhaps he's seeing the Fed openly manipulate their balance sheets in ways that can only be destructive for the dollar. Perhaps he's seeing a situation that has only just begun, where corporate defaults will infect the sustainability of the entire system. Perhaps now seeing the tremendous opportunity to buy gold at an early value well before it's true future value moves higher. The Oracle buys forever. Buffett's actions are huge, and will no doubt drive deeper confidence into gold as the asset class to own.

Buffett's conversion is akin to the conversion of Saul, the persecutor of the Jews.

Ironically, on Friday, at the same time as Berkshire announced it's holdings list, my new book, *The Great Devaluation*, was listed as the number one best selling business book in the country by the Wall Street Journal after it's first week in release. I was asked by a dear friend, "How affirmative does it feel to have the number one book in the country?" My reply? "Not nearly as validating as it feels knowing that the greatest investor of our time just bought gold!"

I believe Buffett's shift signals the peak of the passive index strategy. Too much of a good thing ultimately becomes a bad thing. The fact is today the S&P 500 should really be called the S&P 5 (Apple, Microsoft, Amazon, Facebook, and Alphabet) because these firms account for more than 25% of the entire index. The imbalance provided by the *weighting* from the top companies turns what

was a good idea at one time, into a potentially terrible one for the future.

Jack Bogle, the Father of the passive index fund said as much before he died. Bogle anticipated that the index funds would own half of all stocks and that the concentration actually posed tremendous risks. According to the Wall Street Journal, who covered this story in 2018 before Bogle died. "If historical trends continue, a handful of giant institutional investors will one day hold voting control of virtually every large U.S. corporation. Public policy cannot ignore this growing dominance and consider its impact on the financial markets, corporate governance, and regulations."



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THE BIG IDEA

These will be major issues in the coming era. Bogle said, "It seems only a matter of time until index mutual funds cross the 50% mark. If that were to happen, the "Big Three" might own 30% or more of the U.S. stock market—effective control. I do not believe that such concentration would serve the national interest."

When Bogle highlighted the risks his dear friend Mr. Buffett was sitting mostly in cash. Since that time Buffett has been laying in wait to buy on the cheap, just like he did in 2000 and like he did again in 2008. When markets collapsed in March, the smart money was focused on what Buffett would do next. His precision and wisdom and ability to see through volatility would be a beacon for every other investor to follow. Unfortunately, Buffett didn't move. He was unusually silent. "Where is Warren Buffett?" Was the question many people in the financial news space were asking. Once he made his move it would be an indi-

cator. That move has now happened.

Buffett doesn't overpay. And since the Fed swooped in and liquidated up all the losers, there are no bargains to find. In the end I believe Buffett decided it was best not to fight the Fed. Rather than compete to overpay for bloated and debt ridden insolvent companies, the Oracle of Omaha took the opposite approach and bought the most undervalued thing he could find, gold.

Buffett decided it was best not to fight the Fed.

Institutional investors are already following. Buffett's decision opens up the floodgates for pension funds who've forever shunned gold to also get in the game. The Ohio State Police and Fire Pension fund is the first to act and have reallocated their \$16 billion fund to include a 5% holding in gold. \$800 million in the overall scheme of \$130 trillion dollar stock

and bond markets is a nothing burger. However that gold purchase in a physical gold market that has less than \$1 trillion in market cap becomes something to pay attention to, especially as these bigger institutional moves will become a movement.

Pension funds account for about \$5 trillion in market capitalization. If every fund reallocated to a small 5% of holdings in gold, it would be about to \$250 Billion. Of course, as this institutional move gains momentum, it will become a norm instead of a rarity. A small 5% increase in the overall total market cap of paper assets would equate to a gold demand increase of 8X. It's not hard to predict \$10,000 gold in the coming years as more and more momentum comes to gold. Just like Buffett's lead set the pace for the last decade into the passive index fund, expect to see more and more institutional investors moving into gold, supported by the instincts of the greatest investor of our time.

Join **Gold is a Better Way.com**

Gold \$1,194.88

↑ 65%

\$164,927.00

Silver \$15.16

↑ 86%

\$186,081.00

Dow Jones 25,326.70

↑ 12%

\$112,288.00

S&P 500 2,842.12

↑ 23%

\$123,330.00

(Based on \$100,000 investment) Performance since 8/14/2018

FROM THE EDITOR

\$1,975.30

GOLD as of 8/31/20

▲4.34



Gold Too High?

Buffett buying gold should be a fundamental indicator of the extreme value opportunity gold represents. It's why I find it fascinating when I hear the CNBC pundits who cheer on the "disconnected from reality" stock market as *fairly valued* as it continues to balloon higher in breathtaking leaps, while at the same time offering the opinion that the price of gold is too high. How can they say such a thing and keep a straight face? For reasons we've discussed at length it shouldn't surprise anyone that this is the Wall Street song. They'll never admit a bubble until after it's popped and stuck all over their face. They'll never support a long term position for gold because it's not how they get paid. They'll never provide information that great investors follow because their entire design is built for the casual trader who makes decisions emotionally and in the moment. It's why if you're looking for long term advice from CNBC you're going to be entirely disappointed in how good it turns out to be.

Certainly relative to 2011, gold isn't high.

So is gold overvalued? Let's reveal the real truth once and for all. This way anyone who wonders if \$2000 gold is high will never have to ask this

question again. Remember Investing is a competition, which means it's all relative. As investors we have choices. One of the best ways to consider our choices is to compare them to other choices and see which ultimately make the most sense. In the land of the blind the one eyed man is King.

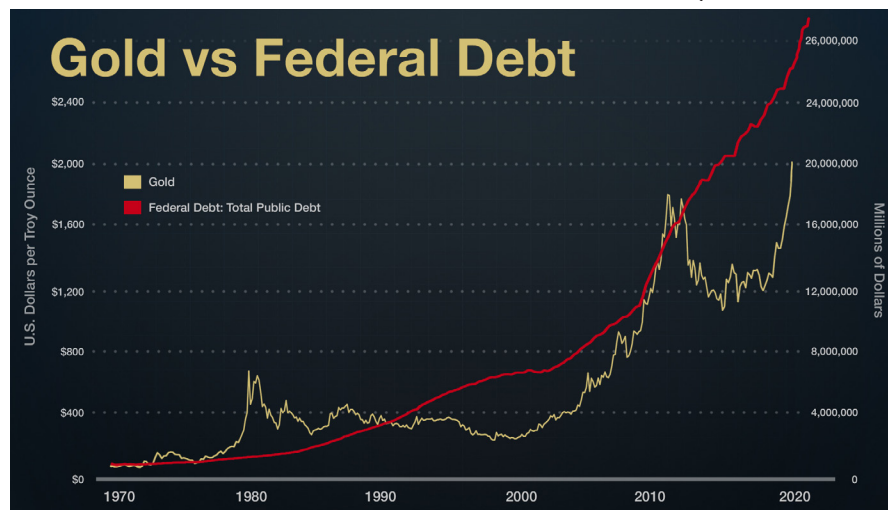
Our debt is no longer moving higher, it's rocketing into the stratosphere.

As we know gold currently sits around \$2000 per ounce. This means that it is near it's all-time highs. "All-time highs" may sound expensive until considering the real value. Consider that the previous time frame when gold hit these levels was actually nine years ago in 2011. Certainly relative to 2011, gold isn't high. It hit highs of \$1925 an ounce then as well. In fact, just getting back to these levels is critical to understanding how gold has just gotten back to its former self. Believe me it's in far better shape this time around. I offer three main arguments to consider.

The first is that when gold hit \$1925 back in 2011 it was against a runaway debt situation that had risen from

\$8 trillion to \$12 trillion in a matter of four years. That explosion in debt was the main driver for the higher prices as the costs to service the debt were heavily increasing. Over the next five years, and through QE2 and QE3, while our debts continued to move even higher, the costs to service the debt actually came down. This occurred while the United States rolled over more and more of our debt at 0% rates. It wasn't until 2016 that costs would again rise on our debts. As costs dropped from 2012 through 2016, so did the price of gold from \$1925 to \$1060.

Since that time however, as our debt has continued to soar, the price of gold has also continued to rise. Here we are today with the same price for gold we had in 2011. Back then when we only had \$12 trillion dollars in debt. Today we are \$27 trillion dollar in debt. But it's far worse than even that. Despite 0% rates again today, our debt is no longer simply moving higher, it's rocketing into the stratosphere. A year ago the CBO predicted we would be \$30 trillion in debt by 2027. Today they predict we are going to hit that number within the next several months. **Fact #1 - Relative to our national debt, gold looks dramatically undervalued.**



THE BIG IDEA

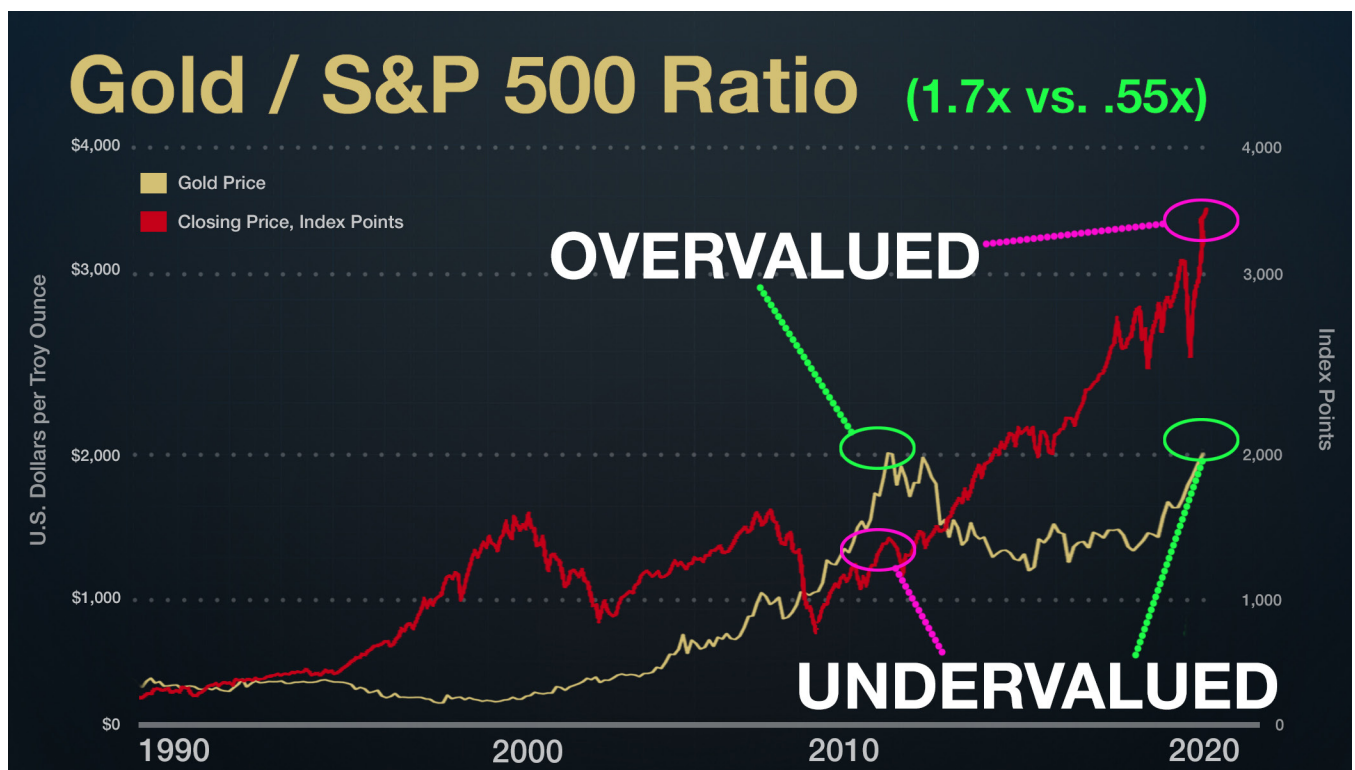
The second major aspect to consider is the price of gold relative to the S&P 500. Back in 2011 the move higher in gold corresponded with a massive sell-off in stocks. Gold saw huge demand as investors fled paper assets for the safe haven status of gold. Gold reached all-time highs on September 5th, 2011 where it touched \$1924 in intraday trading. The S&P 500 at the time was getting pummeled and trading at around 1120 points. This means the Gold versus S&P ratio at the time was 1.7X. This is how most people went on to judge gold, something good when everything else is bad. The safe haven reputation was earned during this time in history. We are in a markedly different situation today. The S&P 500 just hit all-time highs of 3500 points. This is a tremendous 3X return in less than a decade. It means valuations in equities have literally never been higher. On a relative basis the gold price has not moved. It sits today where it sat nine years ago

around \$1925. Today the Gold versus S&P ratio is .55X. **Fact #2 - Relative to the S&P 500 gold has rarely been this undervalued in history.**

The Fed is not raising rates ever again.

The third and most obvious aspect to consider is the tremendous and ongoing monetary stimulus and forward guidance being provided by the Federal Reserve. When the Fed tells us that they do not anticipate raising rates until 2025 we must recognize it's smooth sailing for much higher gold prices. Add to the lack of rate hikes, the willingness of the Fed to allow inflation to run hotter than 2% for an extended period of time and you have the makings of a gold bonanza akin to the stock bonanza we've seen

over the last decade. Powell's statement at the Jackson Hole symposium this past Wednesday tells us all we need to know about the future. The Fed is not raising rates ever again. Ever. The handcuffs have literally been removed from gold. This time not just for some period of time before the Fed feels the need to tighten. No. The Fed will never tighten again until inflation is raging. By then, of course, it will be too late and the price of gold will be multiples higher than \$2000. Bet on it like Buffett. The ultimate challenge facing central banks will be their inability to unwind all of the easy money at some point in the future. So long as the mandate continues to focus on propping up insolvent markets and not on protecting the integrity of the dollar, gold will continue to surge higher. We believe that when that occurs the dollar could suffer permanent injury. **Fact #3 - Relative to forward guidance gold has never been this undervalued.**



FROM THE EDITOR



The more and more Wall Street becomes disconnected from the reality on Main Street, the more I begin to think this market is like a video game. I see day traders who believe that stocks only go up. They pick stocks by selecting scrabble tiles. “It’s easy, everything goes up,” is Barstool Dave’s mantra. His social media account is connected to millions of young investors who look at investing like a game. Of course it’s always fun when things only go higher. The reality is that it’s only numbers on a computer screen until you cash out. Those who forget this fact will more than likely be leaving the casino with lint in their pockets.



The market has literally become like a video game whose scoreboard screams higher every day. All of it reminds me of a story from my childhood when I was about twelve years old and in the 5th grade. Video games were the thing. Back in 1982, we didn’t have the same kind of gaming that could be played from the comfort of home like we do today. The best we could do for the home then was Pong, and lame versions of Asteroids and Space Invaders. The real action then was at the arcade where the games were far more advanced. When I was 12 years old a video game came out that became the rage and captured the minds of 12 year olds across the country. The game was Mrs. Pac Man. It was the sequel to Pac Man and yet far more addictive. Arcade owners around the country hit the jackpot as kids lined up everywhere with their quarters to dump into the machines. The craze became a boom when the 7-Eleven and other convenience stores added them.

The goal of the game was to eat all of the dots on a maze before getting eaten by the multiple monsters attempting to kill you. The better one became at the game, the faster the monsters attacked. It was the feature that made the game so much fun and so addicting. Ultimately the further one got in the game the faster the pace. Finally the game would get so fast that the only way to avoid getting eaten was to follow a pattern. The monsters

simply moved too fast to actively see what you were doing. The secret was to simply follow the memorized path. What made the game truly addictive was that after getting through the maze without getting eaten you’d advance to the next level, where the same deal would play out. At first the pace was slow, but as you progressed it took knowing the pattern to be able to stay alive.

In my 5th grade summer I became a Mrs. Pac Man junkie. Soon I found myself taking all of the quarters I could drum up over to the local 7-Eleven, where me and two other friends would fill the machine with quarters while we drank cherry slurpees. It was a fun way to spend the early summer. Within a few days of nearly full time attention I had the highest score ever accomplished on the machine and my initials were at the top of the board.

This market is like a video game

Despite being the champ, no matter how I tried I couldn’t get past the fourth level of the game. Once there I would quickly lose and need to insert another quarter. I just couldn’t beat the fourth level. But soon I had an even bigger problem. In the first week of the summer I had run through my entire allowance I had been saving for nearly a year. My video game and slurpee habit had me broke. While I had been bragging about my video game prowess relentlessly, I know my Mom was secretly happy at the opportunity to teach me a life lesson. Rather than give me any more quarters, she would remind me that if I wanted to play Mrs. Pac Man I would need to work to earn money.

THE BIG IDEA

The game was addictive and I would soon spend several hours working in the yard in the early summer mornings to earn eight quarters so I could go play Mrs. Pac Man in the afternoon.

One day a friend came over with his father's toolkit. Inside the kit were dozens of washers that turned out to be the exact size and weight of a real quarter. My friend had even tried it out on the Mrs. Pac Man machine the day before and the arcade games didn't know the difference between the slugs and the real thing. This meant we could use the slugs and play the game to our hearts content. Oh the joy! No more summer work for me, I was headed back to the 7-Eleven so I could up my high score.

We were so excited that we set out with a plan for the following morning. Me and my two other partners in crime all rode our bikes to the local 7-Eleven so we could monopolize the machine from the time it opened. The game was so popular that kids would line up and if you didn't get control of the game early, you might be waiting a long time for the machine to open up.

The new money going into the market machine has been created out of thin air.

From 7am on we parked ourselves in front of that machine. Only this time when I would get bounced out and lose at level four, I would immediately shovel in another slug and try it all again. By noon that afternoon I had finally conquered level four and I was the unchallenged champion and certain that nobody would be able to

take my title. Even the owner of the store, who knew me by name because I was there so much, offered me a free slurpee for having achieved the highest score. And why not, right? I mean he just thought I put three rolls of quarters in his pocket. For those who forget, there are 40 quarters in a roll of quarters which meant the store owner was expecting \$30 in the machine. The owner got so excited about the free-slurpee idea that he made a sign and offered anyone who could beat my high score a free drink.

I went off to the summer vacation with my family down to the Jersey shore knowing that my initials would still be atop the board when we returned a month later. But I also was worried because I knew what I had done was wrong. I was just praying I wasn't going to get caught.

That turned out to be wishful thinking. My vacation was rudely interrupted when my Mom got a phone call. The owner of the 7-Eleven had tracked my Mom down all the way to our vacation at the Jersey shore. He wanted her to know about the crime her son had committed by filling his machine with fake money slugs. I'm not sure I had ever seen the kind of disappointment I saw in my Mom's eyes that I saw that day. It was one I never wanted to see ever again.

The analogy is one that I expect is an easy one to connect. The Federal Reserve, coupled with the Federal Government and their stimulus package have created is an environment whereby everyone has free money to play with. Much like a slug that serves as a quarter, the new money going into the market machine has been created out of thin air. The accessibility has everyone pumping more and more into the system. As the money gets dumped in we are witnessing a higher scoreboard every day.

The game is so addictive and the scores flying higher every day that we forget none of it is real. The real economy is doomed. Unemployment levels have eclipsed those during the Great Depression. And yet while most are toiling in the yard trying to earn enough quarters just to make ends meet, the video game of the stock market keeps sounding higher scores. The initials on the leaderboard are now household names.

With the Federal Reserve going all-in by announcing their new inflation approach at the Jackson Hole symposium last week, stocks ended Friday August 28th at historic highs. Along with it comes the soaring net worth of the richest people in the world. According to Bloomberg, "the rarefied club of centibillionaires expanded to four members" this past week.



RANK	NAME	NET WORTH
01	Jeff Bezos	\$201 B
02	Bill Gates	\$127 B
03	Mark Zuckerberg	\$107 B
04	Elon Musk	\$101 B
05	Warren Buffet	\$82 B

FROM THE EDITOR

Jeff Bezos is the undisputed king of kings with a total net worth of over \$200 billion. The rest of the top four are rounded out by Zuckerberg (Facebook), Gates (Microsoft) and the fastest riser in history, Elon Musk (Tesla). Due to the ceaseless rally in Tesla stock which broke \$2200 per share and is up an unfathomable 512% since the Fed's monumental slugging of the economy, Musk's fortunes is now worth over \$100 billion.

The story of Tesla is one that must be given serious thought and attention. The market cap of Tesla is now \$412 billion. By comparison, General Motors had more than seven times Tesla's revenue in 2019 and today has a market cap of only \$43 billion. Ford has a market cap of \$27 billion. Honda has a market capitalization of \$44 billion. Toyota has a market capitalization of \$187 billion. Volkswagen has a market capitalization of \$73 billion.

The above listed major car companies employ 1.6 million people

around the globe versus the 50,000 employed by Tesla. These companies produced over 33 million vehicles last year versus the 367,000 produced by Tesla in 2019. Is it any wonder that Tesla is the most shorted stock in history? Unfortunately for the bears the Fed has engineered the greatest short squeeze in history. Let's not forget that It was only a year ago that Musk was in jeopardy of losing his entire company. A massive debt overhang threatened the entire firm in 2019. Now, thanks to the free money slugs handed out by the Fed, Musk's name is atop the leaderboard.

And just like a video game recording higher and higher scores built on extended time provided by the free money slugs that have been added to the machine, the wealth of the world's richest men represents a flashing neon scoreboard informing us that nothing anymore is real. The massive disconnect between the real world and the financialized economy

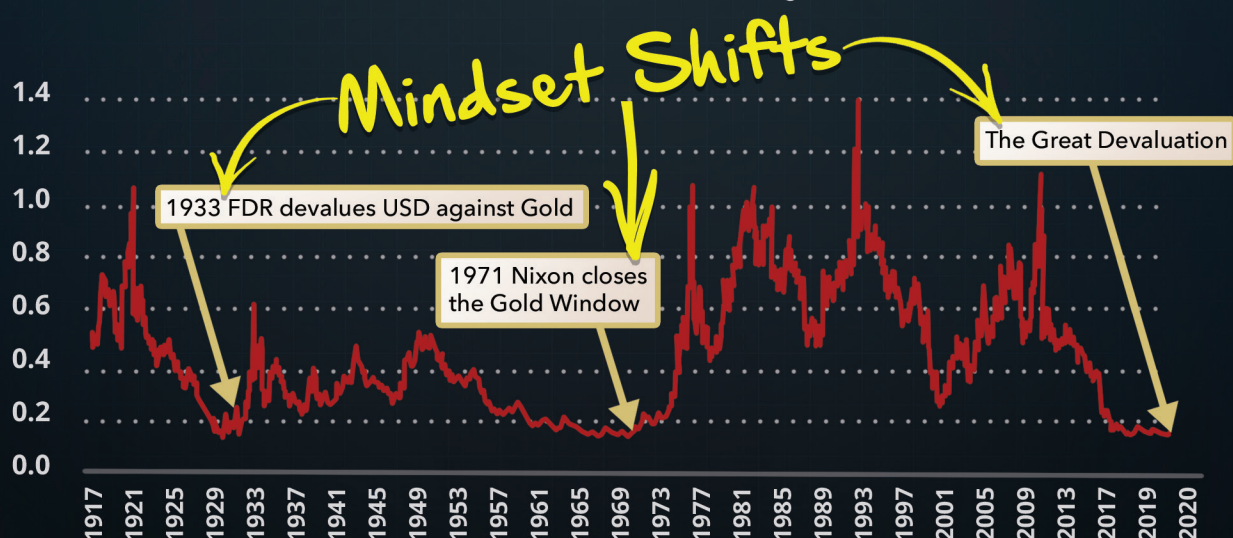
spurred by the Federal Reserve is a warning signal to the world.

The day will come when the owner of the store opens up the change box and realizes that instead of real money, the coins in the machine are worthless. When that happens we are all going to have a sheepish look on our faces. The fact is that we know better, and will be ashamed we weren't more honest with ourselves as it was all going down. Rather than believe the rings of higher scores keep sounding the digital scoreboard as the Fed pumps money into the system, we should have heeded our gut instincts that have been telling us for some time that it's really GAME OVER!

-Adam Baratta

COMMODITIES / DOW JONES RATIO

Chart 1: 103 Years of Commodity Valuation



Goldman Sachs Commodity Index to 1970. Goehring & Rozencwajg Commodity Index Pre-1970
Source: Bloomberg, Goehring & Rozencwajg Models.