

In Gold we Trust ?!

...or why we might be expecting too much
from gold at the moment

Ronald-Peter Stöferle
Managing Partner & Fund Manager
Incrementum AG, Liechtenstein

Precious Metals Summit, November 2017

Life is all about timing....



Greg Schoen

@GregSchoen

I wish I had kept my 1,700 BTC
@ \$0.06 instead of selling them
at \$0.30, now that they're \$8.00!

#bitcoin

8:57 am · 17 May 11



„People are expecting too much from gold!“ Adrian Day

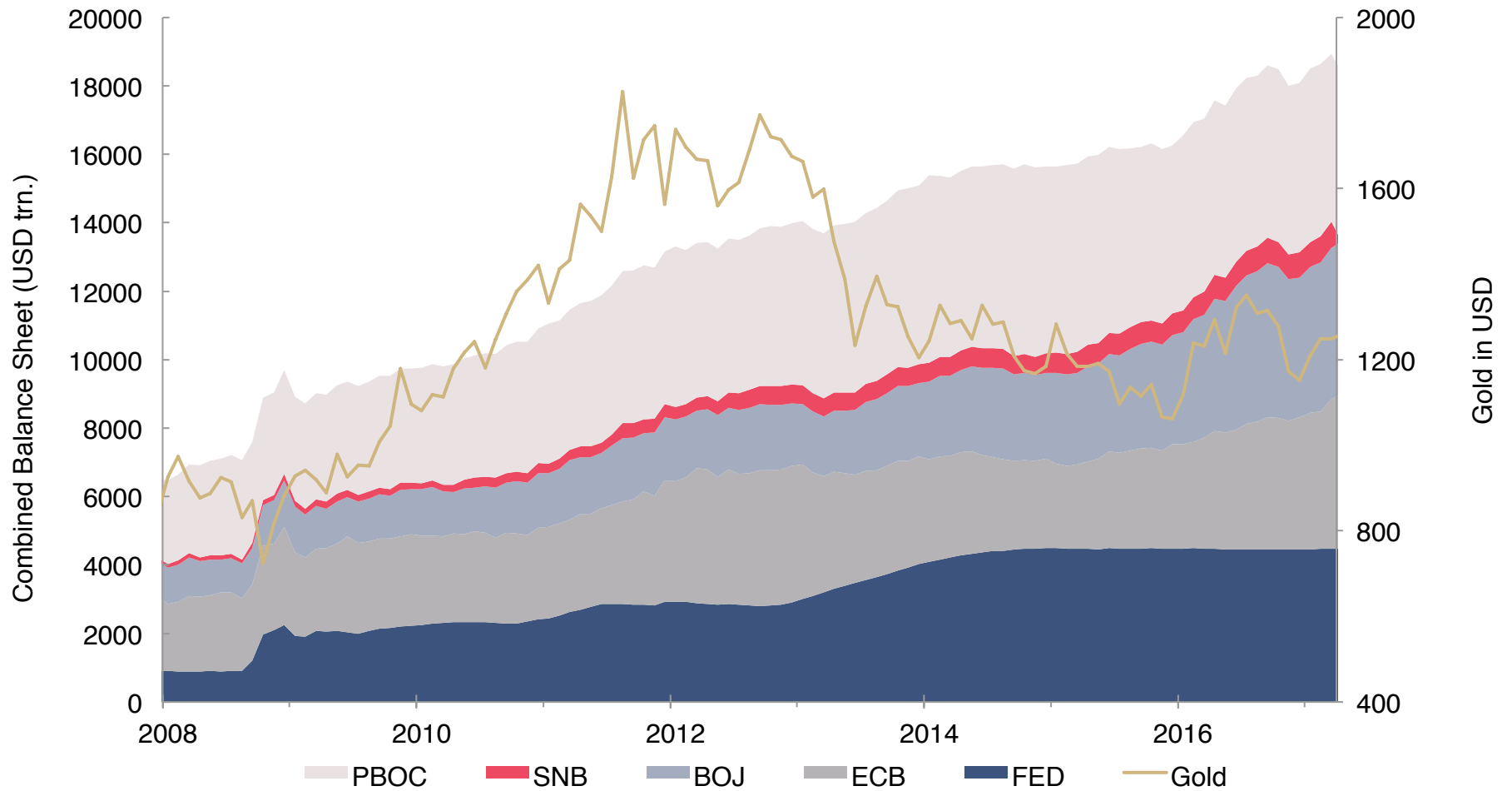
- Stocks rallying from all-time high to all-time high
- Volatility at all-time low
- Real estate rallying
- Bonds trading close to all-time highs
- Trust in financial system and banks is back
- Low price inflation
- Fed raising rates and implementing QT
- Cryptocurrencies are stealing the show

1. Macro Picture & Gold: Where Are We Now and Where Are We Going?

*„A bull market is like sex.
It feels best just before it ends.“*

Warren Buffett

Monetary Surrealism Continues – 1 trn. USD printed in 1 Quarter



Source: Bloomberg, Incrementum AG



THE TRUMP

BEST MOVE: JUST BUY EVERYTHING?

DOW

CHAN

%CHA

on PLC (BBL) 35.23 ▲ 0.31

Blackrock Build (BBN) 22.20 ▲ 0.04

BB&T C

ar, Inc. (BPOP) 45.42 ▲ 0.05

Popular 6.70 Pref (BPOPN) 24.20 ▼ 0.10

B

Bonds and Stocks at Highest Valuations since 1800!



Explanation: Aggregated 15 Developed Markets Country Average Bond (Nominal Yields) and Equity Percentile Valuations. 100 % = most expensive, 0% = cheapest

Source: Deutsche Bank Research, Global Financial Data Incrementum AG

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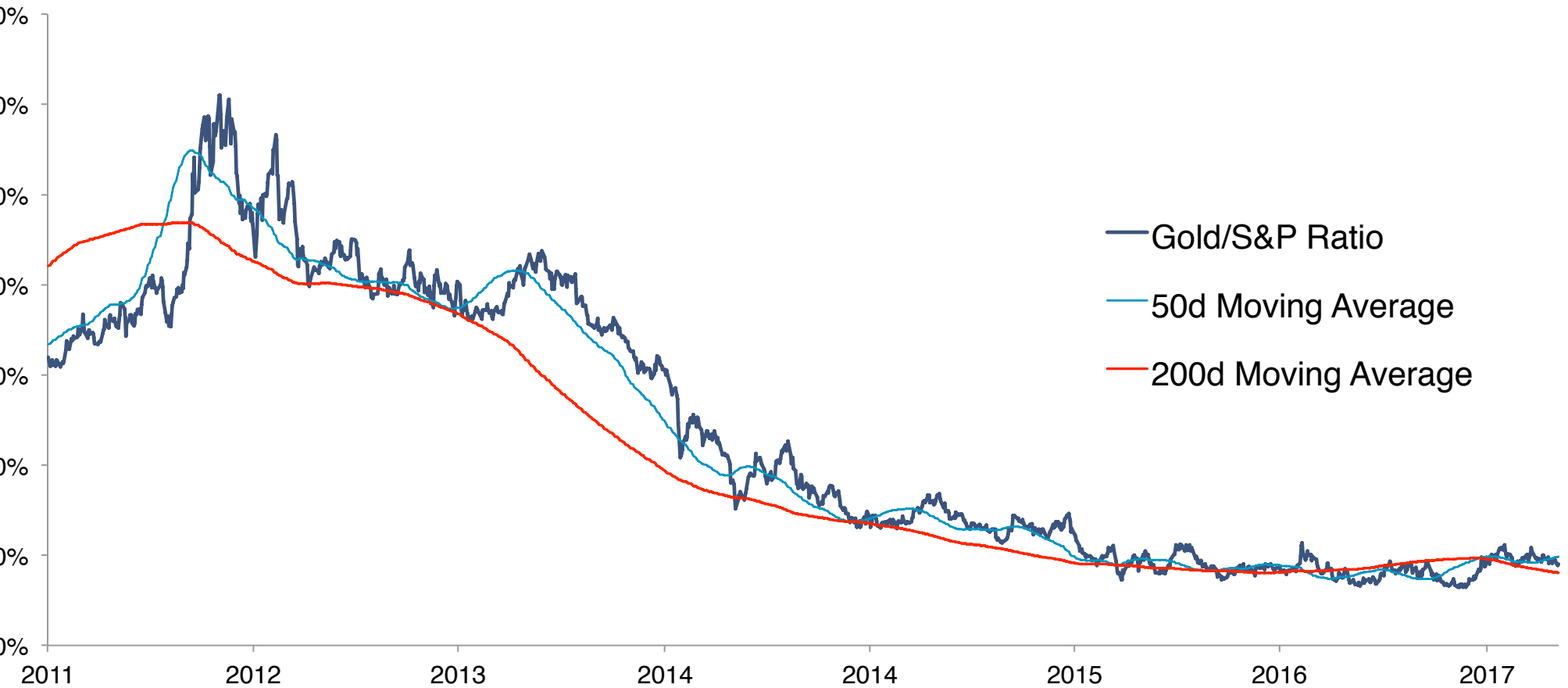
report

Gold Price Performance % Annual Change

	USD	AUD	CAD	CHF	CNY	EUR	GBP	INR	JPY
2002	24.6%	13.4%	22.7%	4.4%	24.6%	5.9%	13.0%	23.8%	12.0%
2003	19.7%	-9.5%	-0.4%	7.7%	19.7%	0.5%	8.6%	13.6%	7.7%
2004	5.3%	1.8%	-1.9%	-3.4%	5.3%	-2.7%	-2.3%	0.6%	0.7%
2005	20.0%	28.9%	15.4%	37.8%	17.0%	36.8%	33.0%	24.2%	37.6%
2006	23.0%	13.7%	23.0%	14.1%	19.1%	10.6%	8.1%	20.9%	24.3%
2007	30.9%	18.3%	12.1%	21.7%	22.3%	18.4%	29.2%	16.5%	22.9%
2008	5.6%	31.3%	30.1%	-0.1%	-2.4%	10.5%	43.2%	28.8%	-14.4%
2009	23.4%	-3.0%	5.9%	20.1%	23.6%	20.7%	12.7%	19.3%	26.8%
2010	29.5%	13.5%	22.3%	16.7%	24.9%	38.8%	34.3%	23.7%	13.0%
2011	10.1%	10.2%	13.5%	11.2%	5.9%	14.2%	10.5%	31.1%	4.5%
2012	7.0%	5.4%	4.3%	4.2%	6.2%	4.9%	2.2%	10.3%	20.7%
2013	-28.3%	-16.2%	-23.0%	-30.1%	-30.2%	-31.2%	-29.4%	-18.7%	-12.8%
2014	-1.5%	7.7%	7.9%	9.9%	1.2%	12.1%	5.0%	0.8%	12.3%
2015	-10.4%	0.4%	7.5%	-9.9%	-6.2%	-0.3%	-5.2%	-5.9%	-10.1%
2016	9.1%	10.5%	5.9%	10.8%	16.8%	12.4%	30.2%	11.9%	5.8%
2017	10.1%	3.5%	4.7%	7.7%	5.2%	-0.6%	3.6%	4.5%	7.2%
Average	11.1%	8.1%	9.4%	7.7%	9.6%	9.4%	12.3%	12.8%	9.9%

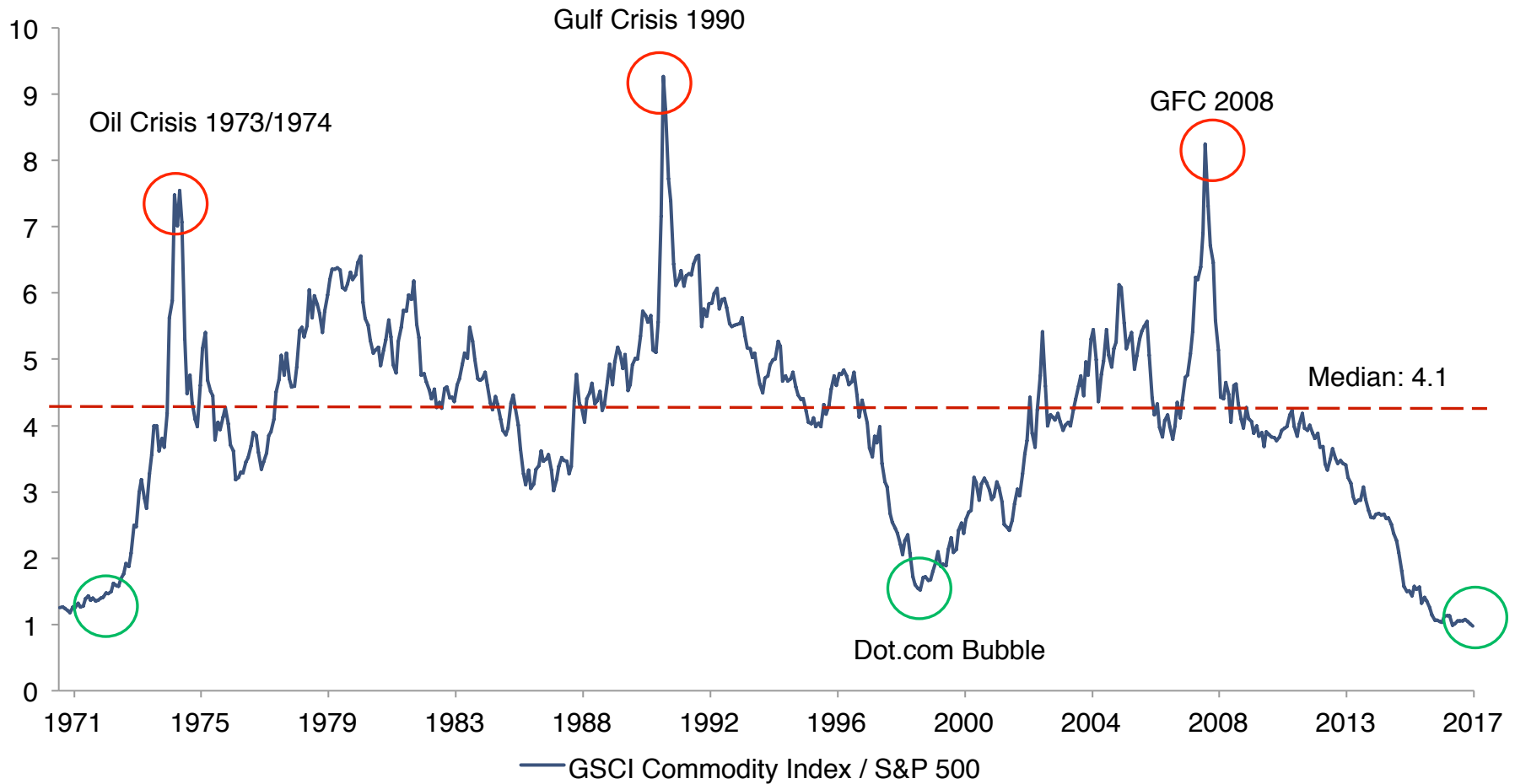
Source: Goldprice.org

Relative Weakness Of Gold vs. Stocks Coming To An End?



Source: Federal Reserve St. Louis, Incrementum AG

GSCI/S&P500 Ratio: Equities Expensive, Commodities Cheap



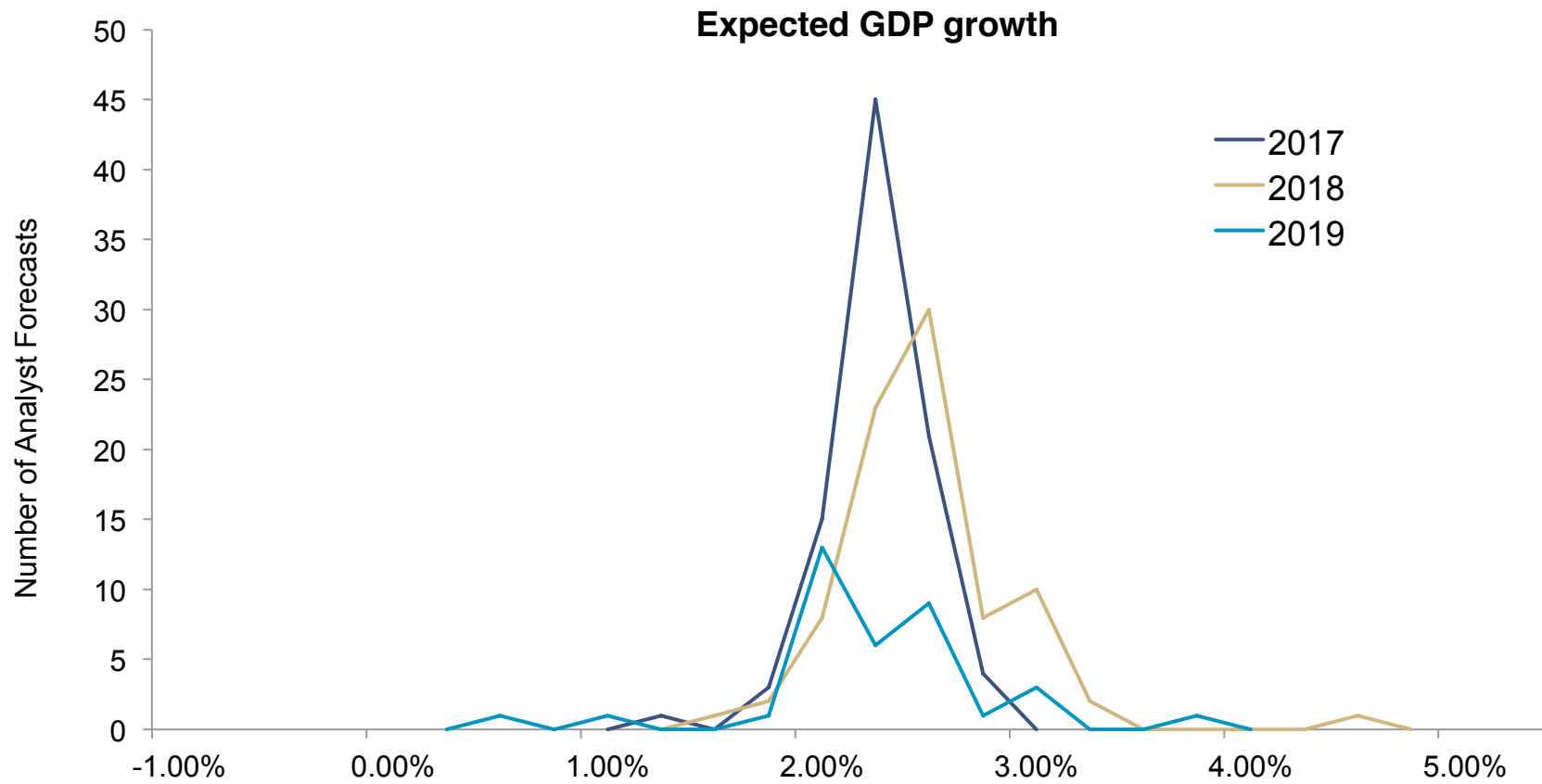
Source: Bloomberg, Incrementum AG, Torsten Dennin, Lynkeus Capital

2. Headwind Becomes Tailwind Recession and Inflation Risks

"The two main risk factors for the average portfolio are less than expected growth and more than expected inflation."

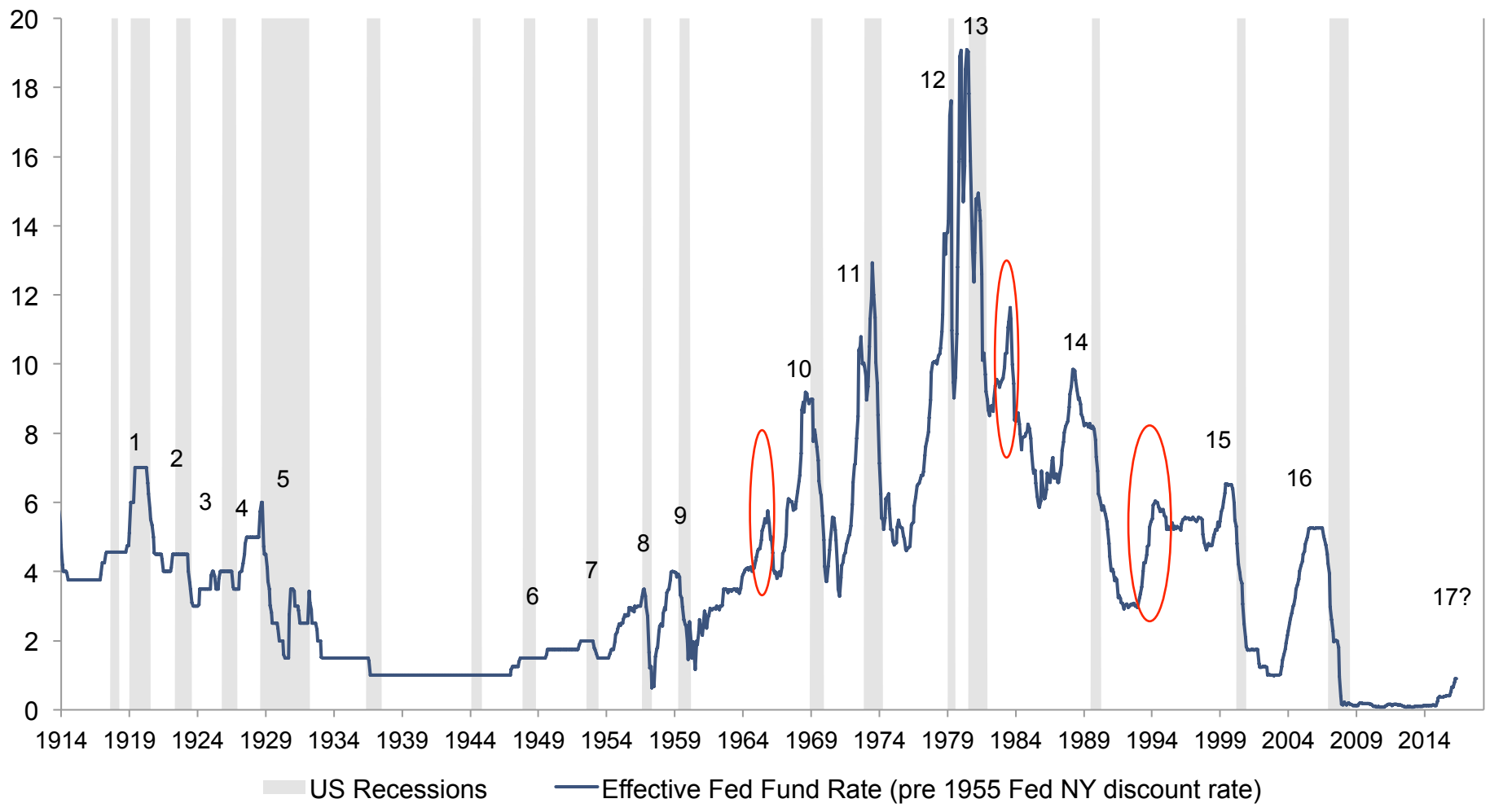
Ray Dalio

A Black Swan? Zero Analysts See Recession



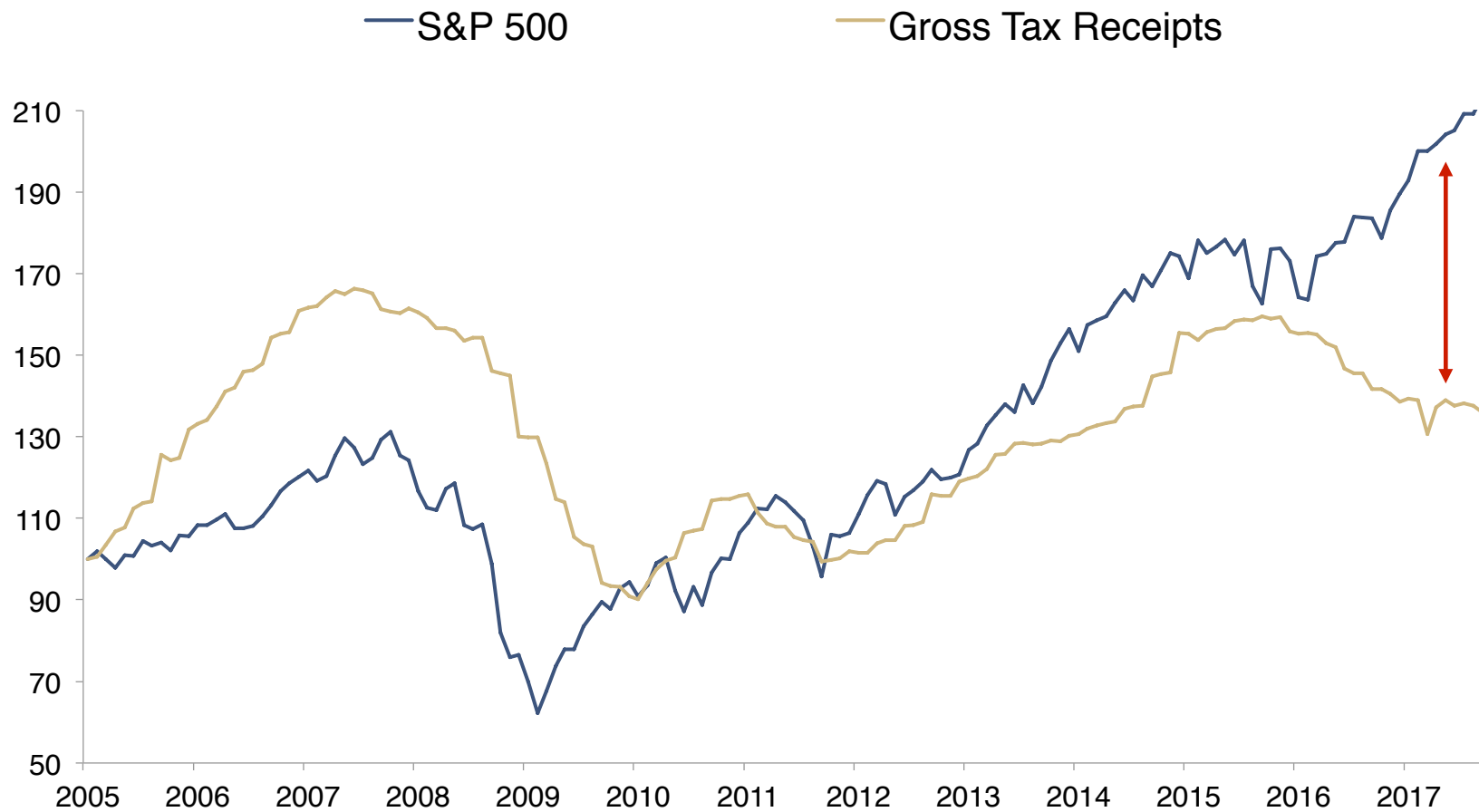
Source: Bloomberg, Incrementum AG

Rate Hike Cycles And Following Recessions



Source: Federal Reserve St. Louis, Incrementum AG

Mind The Gap! S&P 500 vs. Gross Tax Receipts



Source: <https://www.fms.treas.gov/dts/index.html>, Mac Overton, Incrementum AG

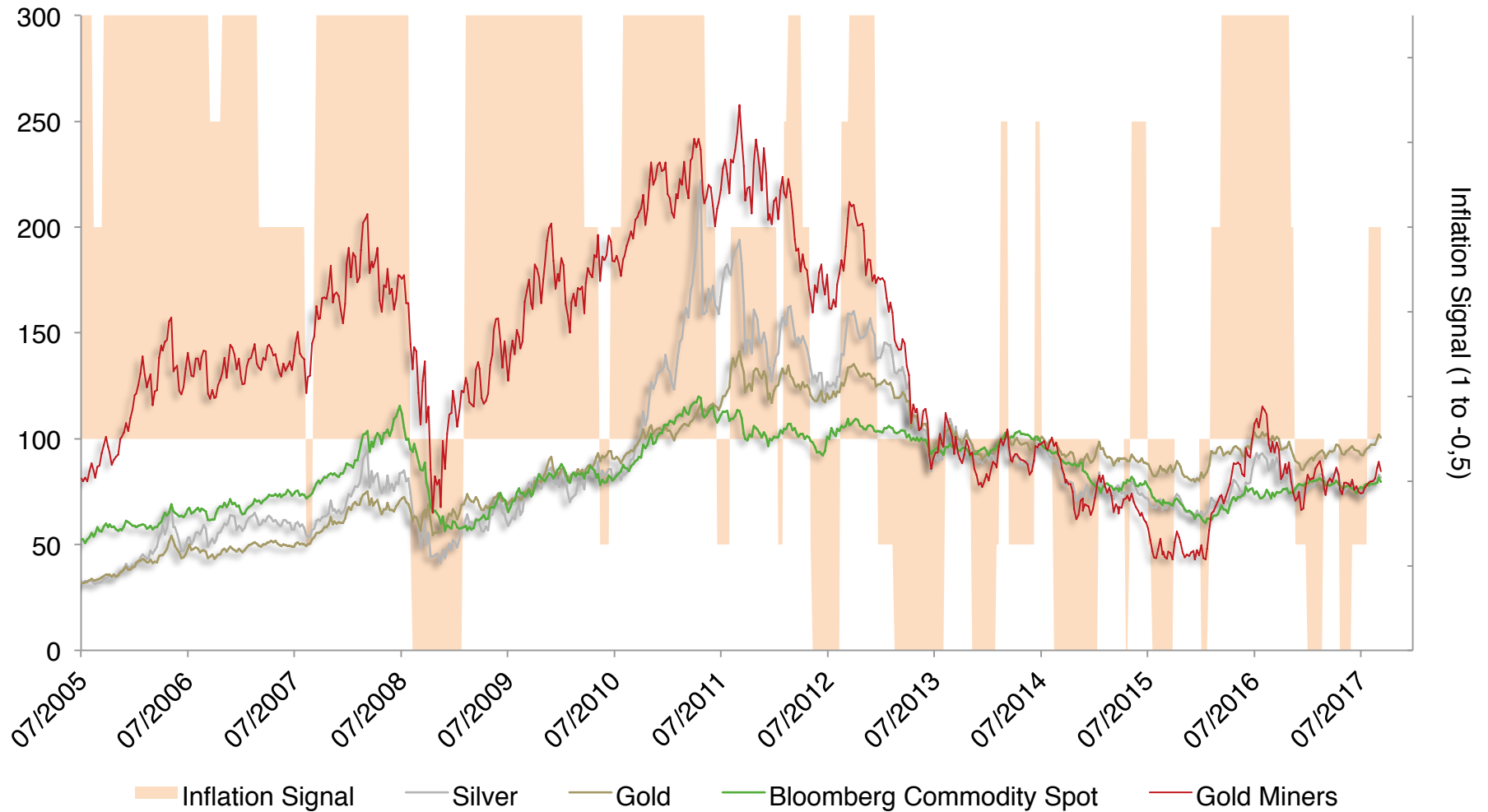
How Does Gold Perform During Recessions?

Gold Performance During U.S. Recessions

Decade	Gold Start (USD/oz)	Gold End (USD/oz)	Change (%)
01/1973 - 03/1975	100	178	78.0%
01/1980 - 07/1980	512	614	20.0%
07/1981 - 11/1982	422	436	3.3%
07/1990 - 03/1991	352	356	1.0%
03/2001 - 11/2001	266	275	3.5%
02/2007 - 06/2009	783	930	18.8%
Mean			20.8%

Source: Incrementum AG

Incrementum Inflation Signal Switching To Rising Inflation



Source: Incrementum AG

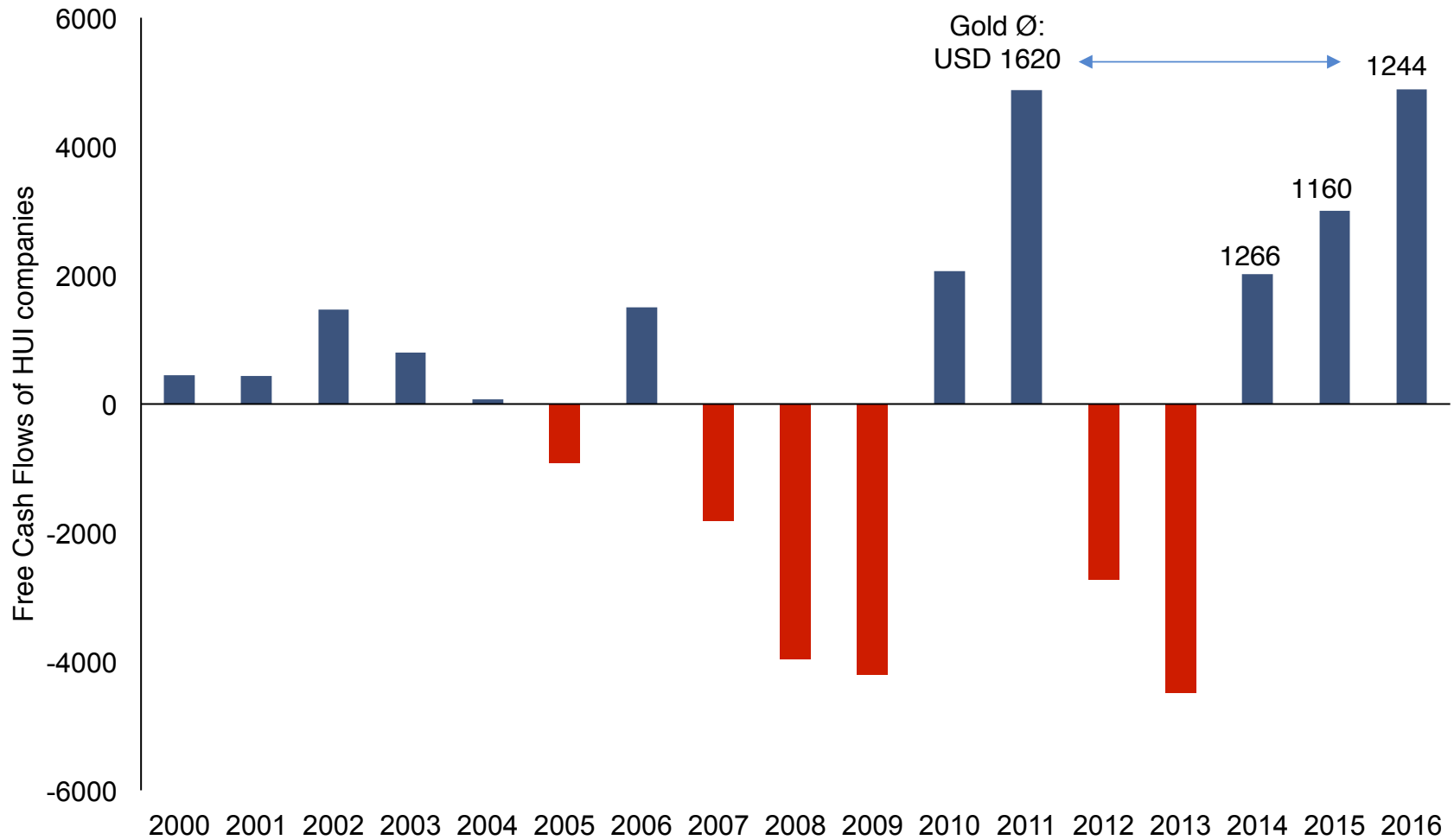


Since Rocky IV?!

“Going in one more round when you don't think you can – that's what makes all the difference in your life.”

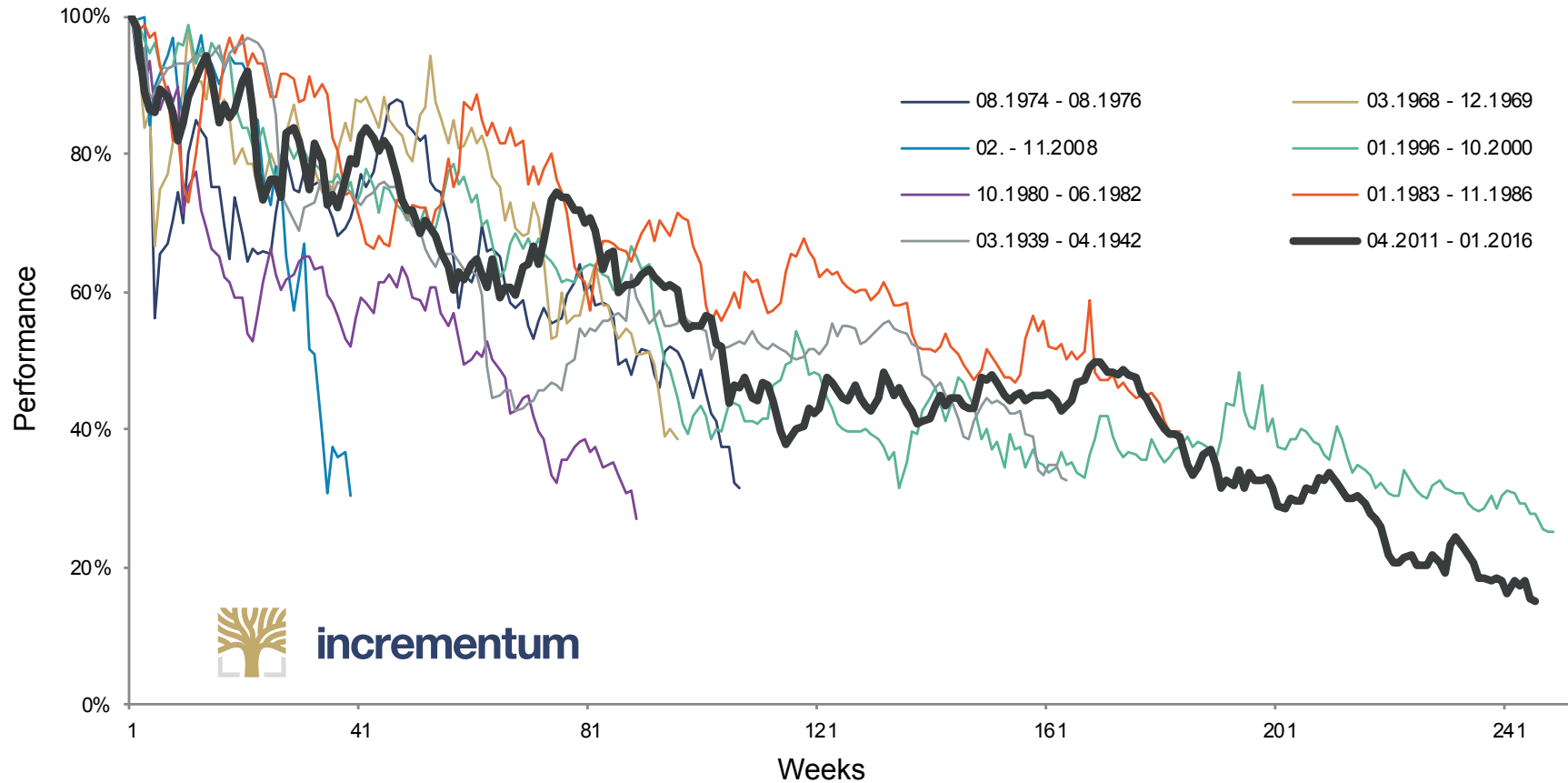
Rocky Balboa, Rocky IV

Free Cash Flows of HUI companies 2016 higher than in 2011!



Source: Incrementum AG, Bloomberg

2011-2016: The Longest and Most Severe Bear Market in History!

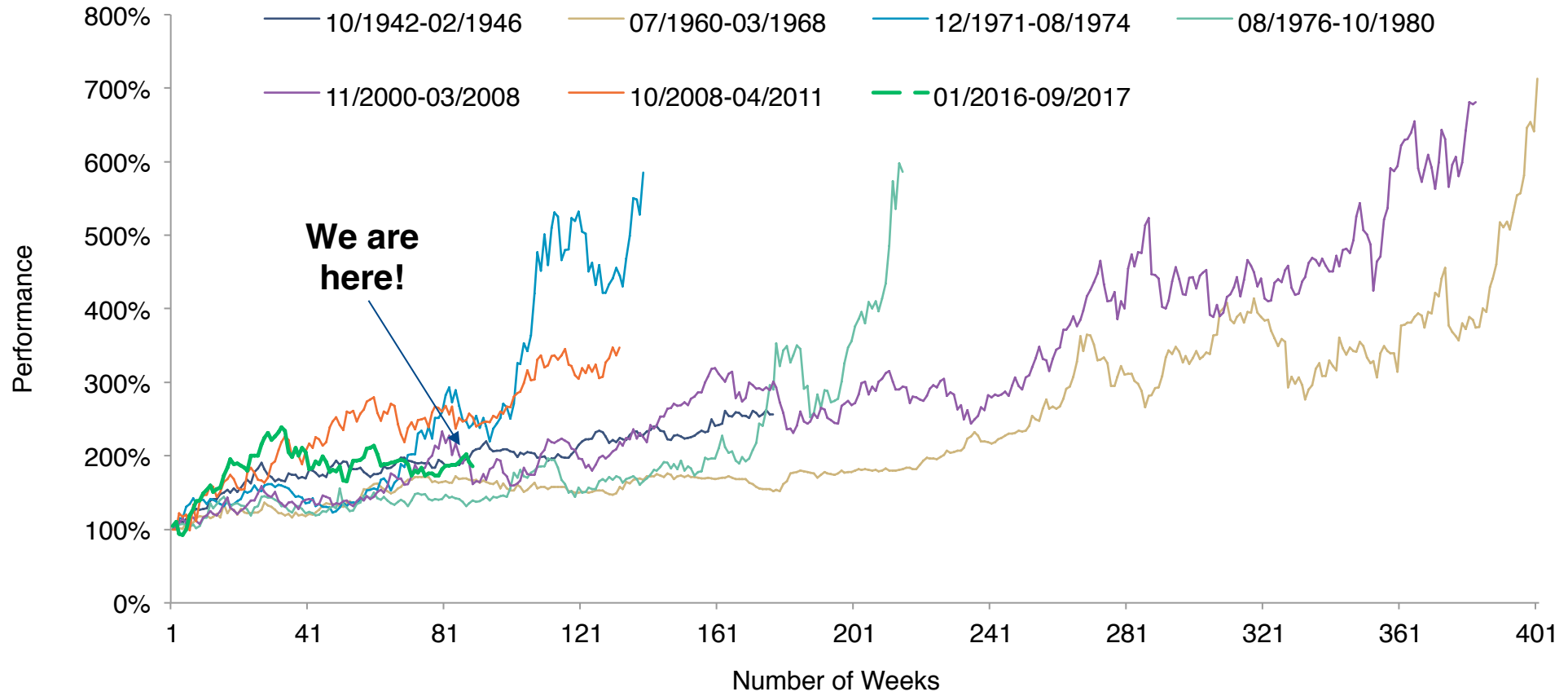


Source: Nowandfutures, TheDailyGold.com, Barrons, Incrementum AG

When Do You Buy Christmas Decoration?



Historical Bull Markets in Mining Stocks



Source: Nowandfutures, TheDailyGold.com, Barrons, Incrementum AG

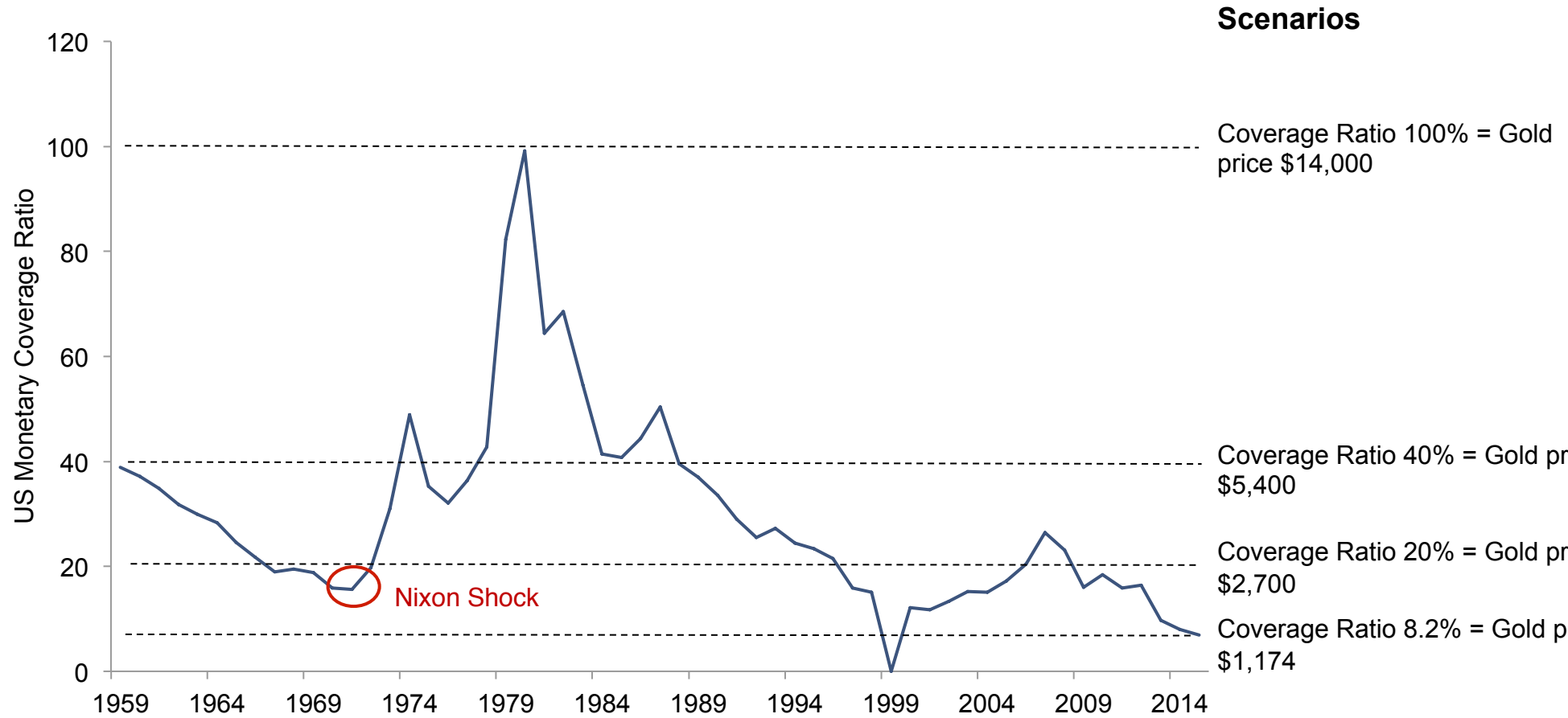
Outlook

"In an economic system, if the goal of the authorities is to reduce some particular risks, then the sum of all these suppressed risks will reappear one day through a massive increase in the systemic risk and this will happen because the future is unknowable."

Karl Popper



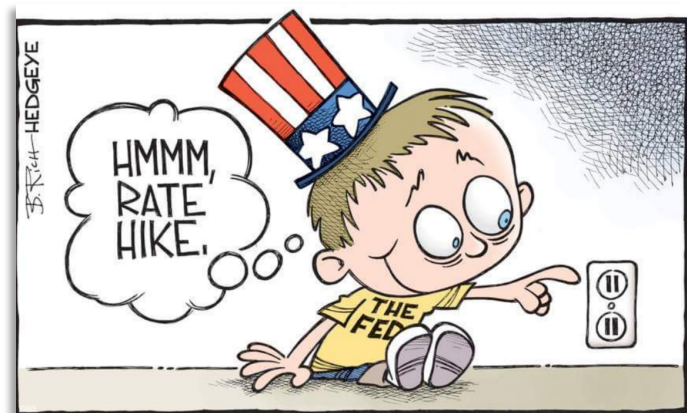
US Monetary Coverage Ratio: Gold Is Cheap!



Source: BMG Bullion, Federal Reserve St. Louis, Incrementum AG

Executive Summary

- Current environment is not very favorable for gold. Despite massive headwinds, gold is still up 10% since Jan. 2017.
- If the normalization of monetary policy does not succeed – which we expect - gold will pick up momentum.
- Price inflation might surprise on the upside, due to oil prices, political events, wage inflation,....
- Mining stocks are in the beginning of a new bull market – creative destruction has taken place, leverage on rising gold price is higher than ever
- We expect the gold-silver ratio to decline. Silver mining stocks should offer particularly interesting investment opportunities.



Source: Hedgeye



Source: Hedgeye

Many Thanks For Your Time!

www.incrementum.li

www.ingoldwetrust.report

Biography – Ronald-Peter Stoeferle



- **Managing Partner at Incrementum AG, focussing on Research and Portfolio Management**
- Business Administration and Finance Studies at Vienna University of Economics and University of Illinois
- Chartered Market Technician (CMT) and Certified Financial Technician (CFT)
- Erste Group Research 2006 - 2012
 - Analysis of Asian Equities
 - Development of Commodity Research (Precious Metals, Energy)
 - Asset Allocation
- Manager of a global macro fund that is based on the thoughts of the Austrian School of Economics
- Since 2007 author of the annual „In Gold we Trust“-Report, one of the most widely followed publications on gold
- Since 2013 lecturer for Austrian Economics at Scholarium as well as lecturer at the academy of the Viennese Stock Exchange
- 2014 Publication of the bestseller „Austrian School for Investors“
- Advisor for Tudor Gold, a Canadian junior explorer

About The „In Gold we Trust“ Report

- The gold standard of gold-research: Extensive annual study of gold and gold-related capital market developments
- Reference work for everybody interested in gold and mining stocks
- International recognition – newspaper articles in more than 60 countries, more than 1.5 mn. readers
- German and English versions, available in a Compact and Extended version
- Published for the 11th time in 2017
- Further information and old editions can be found at: **www.ingoldwetrust.report**





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