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The Solari Report

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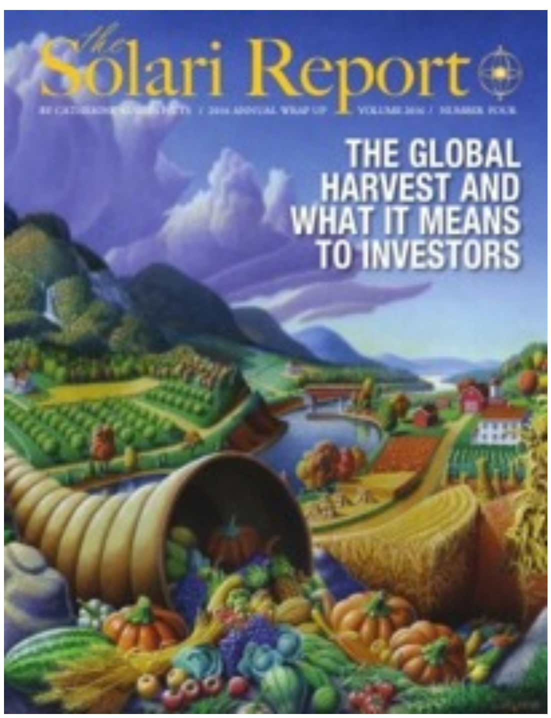
The Annual Wrap Up – Equity Overview & Rambus Blockbuster Chartology



Annual Wrap Up – Equity Overview & Rambus Blockbuster Chartology

C. Austin Fitts: Good evening. Welcome to The Solari Report. Today is January 19, 2017. I am Catherine Austin Fitts, and we are discussing the *Annual Wrap Up Equity Overview* with Rambus' Blockbuster Chartology.

I want to make sure you have your web presentation up. You can link to it through the Subscriber links on your Solari Report Commentary. Any of the commentaries from the Wrap Up will take you to the web presentation. You're going to want to access and use this information, first of all, when we talk about it because it's much easier if you're looking at the charts. Then you're going to want to use this information to help you prepare your 2017 strategies – both for investment of your time, whether it's personal or business. I love doing scenario planning, and I've used it for planning for many, many years.

There are three sections. First we are going to go through the web presentation charts and review 2016 and talk about what happened last year. Then we're going to turn to Rambus's charts and talk about what he says in January 2017 and what the markets look like now. Then we're going to go through the future scenarios.

This year my future scenarios are very different than they have been in the past. So we're talking about a big change - a big turn. It's very different than the last Annual Wrap Up or any Annual Wrap Up since I started The Solari Report.

Let's turn to the 2016 review of web presentation charts. If you click on the markets you'll see the overview page. There's a quick overview of all the markets and a chart of the US dollar. As you can see, the US dollar had an interesting year. It fell and was down in the summer, and then continued to climb back up. It ended the year a little more than up 3.5%. That means that the bull trend in the market continues, and the dollar continues to be the strong go-to currency despite all the concerns about the long-term.

So the bottom line bull trend in the dollar continued particularly after the election. So summer months were rough, but after the election it pulled up.

Fixed Income. If you go down under 'Markets' and click on 'Fixed Income' you'll see the Fixed Income charts. It was quite an interesting year. We started the year thinking, "The end of the long-term bull market is upon us," and we certainly expected that. The opposite happened. Interest rates went deeply into the negative. We had trillions of sovereign bonds in the negative market, and the prices in the long treasury market just flew. As you can see, the long Treasury ETF was up over 20% in July, which was incredible if you were expecting rising interest rates.

The Fed had increased interest rates. They bumped them in December 2015, and said they were going to do it quarterly throughout the year. Of course, they chickened out until December 2016. So between the negative interest rates globally and the money looking for any kind of yield in that market and the Fed backing off, treasuries just flew.

The long treasury ETF was up over 20%. The intermediate was nowhere near as glorious, but it went up over 8%, which was quite astonishing because when that was happening the S&P was still not doing anywhere near as well as it closed at the end of the year.

Corporate bonds outperformed other bonds. The treasury spiked beyond, but corporate bonds ended up doing reasonably well for the year – up 4.2%. The star was junk – up 14.43%, even outperforming the S&P. I keep saying to you, and I'm sure you're bored hearing it every Money & Markets, "How in the world?"

The problem with junk is that the minute the market tanks, it could drop 50%. So I don't have the courage to do junk. I know too much about the credit ratings.

With fixed income, we came to the end of the year, and, yes, the Fed bumped rates, but the market bumped rates much more before the Fed did. What we saw was all the glorious gains that we had gotten were given up. So TLT, the long treasury ETF, which had been over 20%, gives almost everything back and closes the year at 1%. The intermediate is doing a tad better, but essentially in the same place. So all the gains were given up by the end of the year.

Junk did not give up its gains. That's what was so remarkable. Corporate bonds gave up some of theirs, but held up better.

In the middle of the summer, Jeff Gundlach, the bond king, declared the end of the long-term bull market. I think he called it right. At most it was a month or two early, but he definitely called it right. I do think that we've seen the end of the long-term bull market in bonds, and it's having a dramatic impact on politics. I think a lot of what we're watching in terms of the campaign reflects that and the fact that money is about to get much more dear.

I noticed a headline today that Obama leaves office with the country $75,000 more per person in debt for everybody who had a full-time job as of December 2016. So that's a very tough financial situation. What we're watching in Washington is a whole group of people who have had fun in the bubble, not wanting to give the bubble up, and not realizing that there is little choice; it's pure mathematics.

If you turn to equities, drop down on the drop-down menu and you can pull it up. You can see that the S&P was like a little turtle that won the performance of the year, although technically it was outperformed by junk. It just turtled along throughout the year, and so many other things soared like the long treasuries. They did a roller coaster up and then came down, and the turtle just kept going up.

Then, of course, after the election we had what is called the 'Trump surge' whereas bonds had the 'Trump thwack'. So at the beginning of the year we were all concerned that US equities were as high as they could go, but they turtled along and did quite well.

Some of the star performers were US defense stocks. Trump is saying he is going to rebuild the army and the military, but I think the performance all year long indicated the fact that both candidates were fairly pro-defense. With a troubled world, I think defense is perceived to be a safe place to grow.

Industrials did remarkably well and also the financials, particularly the regional banks. They skyrocketed. They were up 35% for the year, most of that coming after the Trump election. And healthcare had a rocky time given what has been going on with the debate over Obamacare. The healthcare stocks rose a lot on Obamacare, as we've discussed many times. Now they're giving some of those gains back.

Interestingly enough, home construction and home building – which was supposed to do so gloriously, and I kept pointing out Clinton's first ad looked like a Fannie Mae commercial – had a story line that didn't work out. First of all, it was because the economy didn't begin to match the glory of what the Fed or the Democrats were expecting, so home building didn't perform.

Europe did nowhere near as well as the US markets. Because Germany pulled up with the Trump surge, Europe got the benefit. There is no doubt that the European stocks look infinitely more attractive right now than the US stocks just because the US has traded so high.

As you can see, one of the roller coasters was the emerging markets. So the emerging markets went up to almost 20%. They peaked and then came back down. So it was much stronger than I expected for the year, but choppy. China was almost flat. The small caps underperformed the large caps. The large caps ended the year up a point and small caps down four.

I expected India to have a very good year. Sure enough, it was almost up 10% coming into October. Then Modi essentially destroyed the economy trying to please the guys from Davos, Bill Gates and the US to get everybody onto strict cash payments. It's a very ugly example – one of the ugliest I've seen – of central control being forced onto an economy. The excuse was that it was going to take away corruption, but really the whole goal was to make sure that centralized corruption could reign supreme. It's a very ugly picture with the harm being done to both the economy and the people and is very sad to see.

If you see how strong the growth is going to be over the next ten years in the Indian economy, I don't think it's going to kill things, but it shows you an example of how much destruction forced centralization can do.

Finally, the frontier markets have been down and out this year. They were down almost 13% and started to come back up after the election. So maybe we will see a little bump in the frontier markets this year.

Essentially, the strong part in the equity markets was the US market. It continues to be somewhat of a safe haven. But the clear message from 2016 across the board was that the bull market and equities continues, and that was given for US companies. That was against some really strong headwinds, both on the earnings side and the potential for rising interest rates.

Just click down on your menu bar to 'Commodities'. We'll take a look at precious metals. We thought by the summer that the long-term trend up in gold and silver had reasserted itself, and you had certainly a very strong performance. Silver was up almost 50% as of the beginning of August, and the miners were glorious – almost touching. The junior miners were above 160%, and the mining stock ETF above 120 – almost 130 at the peak. Then the roller coaster came way down with bullion closing below the equity market. Silver was a little above at 14%, the same as junk.

Our hope was that the bullion – the gold and silver long-term bull – was going to reassert. I would say that after watching what happened in the second half of the year that we're still in the consolidation and the bull has yet to prove itself. Now, that could happen this year. I certainly think that the chances are good that that will happen eventually.

Oil had a wild ride and ended up flat. Despite that, Russia had a very good year, especially after Trump won. It was interesting to watch the oil market. There are profound questions about what the future of energy is, and there is no doubt that it is imperative to the global economy that we figure out how to keep energy prices as low as possible.

I also put up charts for the commodities index so you can see a breakdown of the different kinds of commodities. It was looking much better than last year. Certainly if you live across from the Hickory Valley cotton gin, as I do, it's much nicer to see cotton up 9.71% than to see it down 37% last year. That was tough for the cotton farmers.

Finally, the Baltic Dry Index seems to be moving up steadily despite all the talk about how slow global trade seems to be.

That's a quick review of the charts, and I would encourage you to go through those charts. I particularly like to look at them next to News Trends & Stories because price matters and price tells a story. It's a very important story.

One of the great stories of this year in the equity markets was when the equity markets started to trade the Trump victory, the day after the NYPD and FBI got clearance to access the Anthony Weiner laptop for the Clinton investigation. It was rather peculiar to watch. So price matters and price will tell you a lot.

If you click on 'Markets' and drop down, the first drop-down is the Rambus January 19, 2017-dated Blockbuster Chartology. Rambus is a very remarkable technical analyst. I don't have a lot of patience for doing technical analysis, and he can sit for hours and do it and he's very remarkable.

Anyway, this is a picture of where we've been, but it tells you where the markets are in January. So let's go through and take a look at currencies.

One thing that he shows is how strong the dollar looks. One of my chief concerns was a concern I had last year, and you're going to hear it from me again this year. We could see the dollar – which has broken through the $100 line, which is a very important technical line and it certainly looks like a breakout which is holding its own – move up to $106 or $110. It is a very strong performance.

The companies that export certainly don't like that because it means they are fighting a big headwind, and those who have to consolidate earnings back can run into trouble. So there are a lot of reasons to want to keep the trading range more stable. That could help get this to happen. I think it has happened over the last two years. There has been tremendous pressure from the corporations to not let the dollar get too high. However, if the Fed continues to bump interest rates during this year, and if we get one or two bumps or the market bumps interest rates, I think you are going to see plenty of money coming into the dollar.

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The other problem – and we look at the charts for the euro – is we have a series of major elections in Europe coming up this year: France, Netherlands, and Germany. The German Vice Chancellor now admitting that it's not unthinkable that the EU could come apart. The question, of course, is if that happens, what does it mean for the euro? What that means is that money is not going into the euro; it's coming out of the euro other than central bank money. It's going to be good news for the dollar.

I keep encouraging those who ask me the question, look at the *Economist* piece 'Dangerous and Dominant', but right now there is absolutely no currency on the planet that can offer the size and liquidity that numerous people in the currency and fixed income market need. So I think the dollar is going to be dominant.

My big concern is, if we get a big run-up in the dollar, and looking at the charts that Rambus has done in the Precious Metals section, that could be very tough on the price of gold if it happens. Of course, my big concern is that we get a dollar bear trap in the emerging markets, and they have borrowed a lot of dollars. Dollars suddenly become very cheap; they can't print them and we can. You could see the emerging markets get thrown for a loop, and that could cause all sorts of problems.

It wouldn't surprise me if, at the beginning of the year the reason the Fed backed off from raising interest rates had nothing to do with the United States but had to do with concern for China and what that might do. I think the Fed is operating as a global central bank, as a practical matter. At this point they have to.

Dollar charts show the strong bull trend for the dollar and the euro being very choppy.

Let's look at the Equity section. We have several pieces that Rambus sent us. One is on the world equity markets, and there are some very good notes in here from Rambus. I would encourage you to read them. He also does a good job of showing the breakout in the industrials, particularly after the election. It's clear that the US market continues in a strong bull trend and industrials certainly were a part of that in 2016.

Financial professionals, at this point, are reticent to buy the US market because it's so high and the earnings increases just don't support continued move up in the market, and yet here it is. One thing Rambus points out is that the bull markets fight a wall of worry, and he talks about this as the most hated bull market in the history of the market. He says that no one can believe it keeps going up.

It's very, very clear that we are in a bull market in equities, and you can really see it.

He goes through some of the international and frontier markets as well. So it's a very good combination with many, many charts.

Then he turns to precious metals. Precious metals is a love of his; he's traded it for many, many years. He was hopeful that we had gotten a breakout to a bull market last year and watched this consolidation. The question is: Will it hold the 1,100 line? It has, and now it's just peaked over the 1200 line. So we're clearly still in the consolidation. The question is: Is the bull going to reassert, or is it going to turn bear? I continue to think that the chances are very good that the bull is going to reassert. I think from reading between the lines of what Rambus has to say, he feels the same way.

The one thing I've talked about with several subscribers who read Rambus's reports, and the one thing they say to me is that they feel they don't understand all of the technical details. I will tell you that one of the reasons I use Rambus is because I think he's remarkable at continually refocusing his readers on the long-term trend. That is what he is watching. He is watching the long-term trends and encouraging you to stick with the long-term trends. His genius has been his ability to call a switch.

When the consolidation started in precious metals, he called it. Of course, the goldbugs threw a hissy fit. But he is very good at catching those turns. Of course, that is what we want to do.

If you run through his piece, you see the affirmation of bull in the dollar, bull in equities, and we are clearly still in a consolidation for precious metals. But will the bull reassert or not?

One thing he does is makes a chart of the gold versus the US dollar. So it's a chart with a green line as the US dollar, and the dark yellow line the gold. It says, "Gold continues contract EOD CME." It's further down in the presentation. What you can see is how they tend to trade inversely against each other. My big concern is that if we get a very strong dollar, which we could given a lot of the politics with the proposals to drop the tax rates or to reshore a lot of activity and cash held by the corporations abroad, not to mention what they could revive that was shifted during the financial coup.

You're talking about multiple factors that could be extremely bullish for the dollar, particularly if we start to see unravelling around the world. So the one thing I caution everyone on precious metals is, if you are going to hold a position in precious metals, you want to be able to hold that which you can hold in extreme volatility. Consequently, should we break the 1,100 line, in theory we could go down all the way to 700 and still be in the bull market. So a consolidation could go that low.

That completes Rambus. Let's turn to our scenarios, If you click on the section in the navigation bar that says '2017 Get Ready' what you'll find is a graph that shows our four scenarios for the year. When you do scenario design you pick out key variables. Then you establish a range for those two variables. It's always done in quadrants, so you have two axes: one is vertical and one is horizontal. The crossing of those two creates four quadrants.

The idea is to identify the key variables that will drive things one way or another. The two key variables are two that we've talked about a lot over the last year; one is multipolar versus unipolar. Are we going to live in a unipolar world, or are we going to live in a multipolar world? You would think, given when we've seen over the last year and in the election, "Certainly, Catherine, we're going to go to a multipolar world."

It certainly looks like that. My only concern is that a unipolar world could still reassert itself by global investors working through multiple countries getting tight control of the digital systems and space weaponry. We still don't know who Mr. Global is and what Mr. Global's resources are, so I think the chances of a unipolar US dominated world are certainly not what they were five years ago. Still I don't underestimate Mr. Global's ability to centralize and create a command and control system. That is what I am more worried about.

The vertical axis is political and economic alignment, and it can be multipolar or unipolar. The horizontal axis is the other key variable, which is a positive or negative return on investment to taxpayers. So, is government money spent in a productive way with integrity and confidence, or is it spent in a corrupt or incompetent way? Particularly because the US budget has such a dramatic impact on all the financial markets globally and a lot of the cash flows, it's the 800-pound gorilla in the room. It needs to be significantly re-engineered.

That was part of why the debate in this campaign, to my surprise, got very real. The debt growth model is over, the money is over, so now you're going to have to get down and start performing.

So we have multipolar versus unipolar. We talked a lot about these issues with Saker, and Saker is going to be back in two weeks to pick up on that conversation. I know you've heard about it in all the Saker discussions over the last six interviews. There is another chance if you have questions and want to try to understand that world. Saker has a great book, and it's one of the books listed for 'Best Books in 2017' which is under the 'Home' section.

We talked about the negative return on investment to taxpayers versus positive in the series we've been doing on the transition to the new Administration. We did the 'Trump Transition with Dr. Farrell'. We did 'Goldman Sachs, the CIA, Russia & the Privatization of Covert Finance'. I published that this week. Then we did 'Can America Be Great Again?' with Jon Rappoport, and that is probably the best one for understanding the issue of what I mean by negative return on investment of taxpayers' money.

Are you going to use the taxpayers' money to make the pie bigger, or are you going to be greedy and pig out and take it, and end up making the whole thing weaker?

With those two variables , with investment to taxpayer positive or negative and the political and economic alignments multipolar or unipolar, we map out four worlds – four scenarios. Let me describe what they are.

The first is Global Musical Chairs. That's a world where we live in a multipolar world, so there is no one guy who is controlling centrally – whether it's the United States or Mr. Global – but we have a negative return on investment to taxpayers. So there is too much difficulty in building out markets and global cooperation. Too much capital has to go into warfare and dangerous competition for resources, and you get disaster capitalism. The United States is in a relatively good position. We're sitting in 'fortress America' behind the Atlantic and the Pacific, so US and developed world equities are stronger. It's a much more human world than a unipolar world – thank God – but it's a world that has risks in it.

The scenario Popsicle Index Rising – and you all know my 'Popsicle Index'. If you don't, I'll explain it briefly. The Popsicle Index is the percentage of people who believe that a child can leave their home, go to the nearest place to buy a Popsicle, and return home alone safely. So if it's 100%, it is unthinkable that a child isn't free to roam in your neighborhood during daylight hours.

The Popsicle Index Rising is a world that is multipolar, it's much more human, but we've figured out we have the positive return on investment right for taxpayers' money, and we've beaten what I call the "Midianite thing" where the factions compete and everybody gets greedy and destroy each other.

In fact, if you look at what is possible with new technology, if that collaboration can happen both nationally and globally, we're talking about enormous explosive wealth creation.

It's very hard to describe because you can't imagine how much wealth is being destroyed by not optimizing, particularly the government money. If you combine that with what new technology can do, it's quite extraordinary. So financially that is an extraordinarily glorious scenario.

The next one is a positive return on investment to taxpayers, using unipolar. I call that one Mind Control. I'm very focused on getting return on investment to taxpayers, but I have to emphasize that I think it's much more important to fight for human civilization than getting the positive return on investment right. In a scenario where we are strictly commanding control top-down, you're going to see the middle class preserved financially, but we're all going to be microchipped and entrained from our smartphones. You're talking about a materially pleasant slavery with lots of drugs and entrainment technology. I think the hideousness of this scenario is why it's so important to really fight and insist on human civilization.

In this scenario, you really don't care what the equity markets are doing, and want self-sufficient living in a remote area as far away from empire as possible.

The last scenario is negative return on investment to taxpayers, and unipolar, which is the world's worst. It's called The War Machine. Unfortunately, that's a world where you want to have your own income-producing agriculture. You want to have very high quality corporate bonds and some precious metals. It's not as controlled as the Mind Control world, but needless to say, the pie has shrunk tremendously. Everybody is busy stealing each other's pie instead of baking new pies.

So every year I give percentages to each scenario, which I did again this year. I said that Global Musical Chairs was going to be 40% and Popsicle Index Rising is 30%. One thing we all want to do is work as citizens wherever we are to do everything we can to shift things to Popsicle Index Rising. Remember: Both of those are multipolar world. So what I'm saying is that there is a 75% chance of a multipolar world.

There is a 30% chance of a unipolar world. I think there is enough pushback against inhuman culture and for human culture that there is a 70% chance we end up in a human-oriented multipolar world. We're going to have to work at how we adapt to new technology, so there is a lot to work out. New technology can be very supportive of humans, but it can also be very inhuman or encourage nonhuman behavior. We're going to have to work at the technology, but I think there's a good chance we can do that.

Anyway, there is a 30% chance for the unipolar scenarios. I give the Mind Control scenario 20%, which makes me nervous. Avoiding this scenario is what I'm most concerned with. War Game, I give 10%.

So those are my percentages. You can see them when you click through 'Get Ready'. That will take you to the big graph and show you all four scenarios, but then you can click down to the individual scenarios. What I do on each one is write a description, and then put a list of, "Okay, if we're in that scenario, here's what your actions in 2017 are going to be, and here's what your best long-term investment is."

There is a very wide divergence between what is the best long-term investment in each scenario. The reality is that we have no idea which way it's going to go. What I say on all scenarios for 2017 is: There is absolutely no way to tell which way it is going to go. That is why it is very important that you stick with disciplined allocations.

What do I mean by disciplined allocations? Let's talk about what you do. What I would encourage you to do is read through each one of these scenarios and particularly the list of actions. I call it 'Implications for 2017'. Also read the introduction. In the introduction I talk about why this year is different. I can't say, "Oh, it's going to slow burn again." I talk about many of the things we all need to do.

I also gave a list similar to that in the 2015 Annual Wrap Up, which you can link to from the page with the graphic. I would encourage you to look at the 2015 Annual Wrap Up section called 'Get Ready, Get Ready, Get Ready' where I laid out the scenarios and the actions you can take.

Between the introduction and the Implications for 2017 and the write-up of actions in the 2015 Annual Wrap Up, there is much for you to think about and chew on.

Everyone is different, and it's very important that what you do is not take my percentages but take your own percentages. What are you chances you think that it will go to which quadrant? If you want to, make up your own scenarios.

Then what I want you to do is allocate your resources in such a way that you are prepared to be successful in all four scenarios. I want you to have a plan on how you're going to rock & roll and be successful, and then have it show you what the things are that you need to do. For example, one thing I say in all of the scenarios is that you need to focus on your home, your business, and your community. What is it that makes your Popsicle Index rise?

There are certain things that are applicable to all, and there are certain things that are just applicable to some.

So holding a core position in precious metals is valuable in three scenarios; it's not that important in Popsicle Index Rising. I would always want to have a core, though, that you want to think through.

For example, if you think there is 100% chance of Popsicle Index Rising, then you are absolutely going to take advantage of all kinds of opportunities this year in equities, particularly if emerging markets get hit hard by a strong dollar. It's a great time to pick those up. Frontier markets are certainly down.

I don't think there is anyone listening to this call who thinks there is 100% chance of Popsicle Index Rising, however, what you will see is how to allocate your resources in anticipation of things going in many different directions.

When I say 'allocation' remember that what I mean are the big allocations: First of all, you are your most important investment – your health and your skills. So I want you to think about where you can invest time or money in building your health and building your skills in 2017. That is your most important investment.

The second most important is your residence and real estate. Certainly pay down debt if there is any way. This is an environment, given the low yields, where the less that you have the better. There are exceptions to that, but, by and large, paying down your debt is a good investment.

Cash. You want to make sure you have a high quality custodian. We did a great First Quarter Wrap Up called 'Where to Stash Your Cash' and I would encourage you to take that out. It is still timely.

Precious Metals Core Position: We describe what that is and how to calculate it in our blog commentary, "What Percentage of My Assets Should I Hold in Precious Metals." It is still timely today.

Fixed Income. We are in a turn in the bond market, and I think that you need to stay short maturities in bonds and stay in very high quality bonds. Especially now, because of the possibility of interest rate rising, bonds are a place to stay mostly in short-term. It's mainly going to be cash equivalents. I'd rather be in a good paying equity with a good dividend if I wanted yield.

Equities. Some commentators are concerned that interest rate rises are going to hurt equities. Traditionally I don't expect big interest rate rises. The idea that interest rates are going up 300 or 400 basis points is very unlikely. Anything is possible; I just don't think it's likely.

Traditionally, if interest rate rises stay within 150-175 basis points a year, the stock market can handle it. To me, the important issue is that the bond market is more than double the size of global equity markets, which means that all that money needs a place to go. I think that is one of the reasons we see such strong equity markets.

There is a tremendous commitment on the planet to build out the global equity markets for many different reasons. We've certainly written and done Wrap Ups on that before when we did Planet Equity, so I'm not going to repeat it here. But I see a significant commitment, and if anything, privatization of assets out of governments into corporations means weaker bond market and stronger equity. I think the long-term commitment to equity continues.

Let me talk about some of the challenges now in investing in equities. The big one is we are seeing all markets overwhelmed by a combination of central bank policies, the integration of artificial intelligence into decision-making, and allocation of much funding and program trading. All of that makes it difficult to fathom the logic of it, particularly in the short run. It is a market that defies logic.

For example, if you evaluate a month after the election, 50% of the increase in the Dow came from three stocks, one of which was Goldman Sachs. If you watched those three stocks, they are three stocks that I, as an investment advisor, would never have recommended. That means that unless you recommended them, you're going to perform underneath the index. What you saw all year long was good money managers often underperforming under the index because they were smart enough to avoid certain things that were flying.

It's very hard to perform in the index unless you're in an index fund. The challenge is if you're a retail investor and want to do an index fund the question is: Who is going to decide when it's time to sell? In other words, we know a modified buy and hold strategy works much better in the US equity markets. What that means is if it turns into a bear, you should get out.

If you don't have an active manager that means it's up to you to figure out when you're going to identify the beginning of a bear market and then exit The advantage of the index is that you're going to go with the index.

Traditionally, 22% of active managers have outperformed the index. So make sure that if you are with an active manager, you want an active manager to know when to buy and sell. You want to make sure that you're with somebody who has performed above the index over the long term. Remember, somebody who outperforms the index can underperform for a year or two. That's not unusual at all.

The second thing is one that I think a lot about in my work. Do you want to be long in the markets, or do you want to be hedged? I'm a great believer that when the market turns bear to get out. The problem is we are way overdue for 20-25% correction, which means the market has to go down 30% before we know if we've turned into a bear.

That makes me extremely uncomfortable. My solution to that is to recommend to people that they use hedged portfolios where a portion of their gains and dividends are spent on hedges.

Let's say the market goes up 25%; they go up less because the hedge drags them back. But if the market goes down 50%, they're not going to go down anywhere near as much or not at all, depending on how the hedge works. A hedge protects you in the downside, and I would rather give up a bit on the upside in this market than take that risk. That way the market can go down 30%, but I'm not down, and I can get out. That means a great deal in this environment.

I'll miss out a lot on a crash up, but that's okay. I want to avoid those big downs.

The final thing that I will say is that, given the combination of both the politics, the central banking intervention, and now the advent of AI, you cannot time these markets. You're going to have to be modified buy and hold. Get out if it turns bear. You're going to have to live with tremendous swings.

We talked about the roller coaster that the treasuries rode and the roller coaster that gold and silver took. If you're going to put money in something, you have to be very disciplined with allocations. Don't put money into anything that you're not willing to ride the ups and downs on. The ups and downs and the swings are likely to be significant.

That's why I keep coming back to quality, quality, quality – quality of custodians and quality of companies you do business with. Now is not a time to stretch for yield and lower your quality. You want to stick with quality.

So that's it for the Equity Overview. I want you to access the web presentation and work through the scenarios and look at your unique situation in personal, business, and investment planning. See if you can use these scenarios to stretch your thinking about how you would be successful in each one of them. See what that tells you about how to optimize your investment of time and money this year.

If you have any questions on the materials, make sure you let us know. You can post the comments in the subscriber section or send them to Ask Catherine. It's very important to me that you use these materials to have a successful and prosperous 2017. It's very important to me because I've been saying for so many years, "It's going to slow burn again next year," and this year I'm saying, "No. It's not going to slow burn. We're going to have a significant re-engineering of government money. We're going to have significant controlled demolitions by insurance companies, pension funds, and the wave is beginning. It's going to continue as the government re-engineering happens. Municipalities and states are going to change as they grappled with unfunded pension liabilities. People are going to get hit."

I describe much of this in the introduction this year and I encourage you to read it.

What is important is when you look at that information; it is imperative to realize that every person is different. I could walk through different individual's financial assets and their geographical area where they live and work, and get unbelievably different fact patterns. So you need to do a thorough bottom-up analysis of these things and how they're going to impact you personally. I'm hoping that your knowledge of your financial assets and your knowledge of your particular situation combined with the different scenarios will help you stretch your mind and start to look for some of the opportunities and make sure you're ducking those risks.

If you have any questions, please let me know. Our final Wrap Up publication is next week with our big theme: The Global Harvest and What it Means to Investors. What you will see as you go through all of these scenarios is that food is so important. One of America's strategic advantages is its arable land, its water, and the fact that it's a major food exporter.

The US has 'bollixed that up' in the interests of trying to lock up the unipolar world. I think GMOs and the IP were some of the ways it was trying to do that. Of course, now that the new President plans to withdraw us from the TPP, it's going to be fascinating to see what that means for food.

Until next week when we return with our final Wrap Up publication, *The Global Harvest and What It Means to Investors*, ladies and gentlemen, good night.

MODIFICATION

Transcripts are not always verbatim. Modifications are sometimes made to improve clarity, usefulness and readability, while staying true to the original intent.

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