# Alex Gurevich: Interest Rate Momentum is an Excellent Predicator of Equity Market Performance

**February 7th 2019**

***Erik***: Joining me next on the program is Alex Gurevich, founder and Chief Investment Officer at HonTe Investments in San Francisco.

I'm so excited, Alex, to have you back on the program. It has been so long. You are an interest rates guy from way back. And, boy, interest rates – Treasury yields in particular – have everybody's head spinning.

Before we go into rates, though, why don't we start with the bigger picture of the business cycle. Is it finally over? For so long, a lot of sceptics were saying it's overdue for this business cycle to be ending, credit cycle to be ending. But we kept getting proven wrong, and it had a little bit more left to it.

Is it finally done?

***Alex***: Well, first, I'm glad to be back as well. And, second, yes, it is done. And irrevocably. I called for the end of the business cycle, actually, exactly a year ago. I pinned my tweet that we were transitioning into the late-cycle dynamics, and I feel the last 12 months were following step-by-step exactly the playbook of the ending of the last two cycles. And I think where people have disagreements and feel certain things as being the signs of economic strength, those exact things actually historically indicated the end of the cycle.

***Erik***: Now there was something that we heard from another guest on this program – he said fear the steepener – that was Charlie McElligott saying everybody worries about the yield curve flattening. It's actually when you get to a steepening, just before everything falls apart, that you have to worry.

Are you echoing that same view? Or do you mean something else when you say the opposite of what people were expecting?

***Alex***: I am not actually using a yield curve as an indicator of anything. I have written about this for a while. I feel like the shape of the yield curve is only as much of an indicator of the economy as, for example, if you are falling off a tall building and you are flying by the 10th floor, that's a good indicator that you are going to hit the ground. But it actually doesn't carry any new information.

So I feel yield curve is based on information that is already available and actually does not say anything new to us. It's more of a product of the inputs.

However, in terms of playing the yield curve as it should be, it is indeed true – the curve tends to be really flat when we go to late cycle. It actually stabilizes in the late cycle. It happened before each of the recent few recessions and it refuses to invert too deeply just as everyone is calling for inversion.

And then, when the Fed actually starts cutting rates, a very rapid steepening and sometimes logic-defying steepening starts to occur. For example, when the Fed starts cutting rates at the beginning of a recession, usually long bonds don't benefit from those rate cuts at all and all the benefit goes to short-term notes.

***Erik***: So we're talking about a bull steepener where it's not about the 10-year yield blowing out, it's about the 2-year yield collapsing. I shouldn't say collapsing, but rather being forced down by policy action which is trying to be more accommodative to the economy.

Does that lead you to a trading strategy? I know you said the information is already there, but sometimes you can play it. Do you look at something like a twos/tens steepener in this environment as a trade that you consider? Or is there a better way to trade the market as you understand it?

***Alex***: I tend to not enter long/short trades, so I typically actually don't do curve trades at all. Instead, I decide which part of the curve I want to be long. And for years it has been – I've focused on being long classical bond futures. And now I'm distributing to the earlier part of the curve.

The classical bond futures, the long end of the curve, would prevail if I'm wrong and the Fed continues – stays on hold for a while or even hikes again – which seems increasingly unlikely. But many smart people still see it as a possibility. So, assuming my view of the world is wrong and the Fed stays hawkish, long bonds would benefit tremendously while the short end actually could sell off from here.

However, my central scenario is that the Fed is starting to cut rates somewhere in the middle of this year. It would be June to September 2019. And, for this purpose, I like being long the very front end of the curve which will most benefit from this.

***Erik***: And, with respect to what's going on in general with interest rates, so many people were persuaded of what I've come to call the Jeff Gundlach view, the notion that, hey, we've reached the end of a 35-year cycle, it's time to move back up in interest rates. And everybody was so convinced if we broke 3.10 or so on the 10-year yield that we'd never turn back. Well, needless to say, we turned back and we turned back in a pretty big way.

So how do you see the overall development of the Treasury yield space over the next year or two? What's driving this? And what should we expect next?

***Alex***: First, I was really puzzled by people – well, puzzled is probably not the right word because that happens at the end of every business cycle right before a huge rally in the bonds is about to begin – a lot of people are saying that this is the end of the bond bull market. It already happened several times during this continuous bond bull market, which I think is only beginning. I think the real rally in the bonds is actually ahead of us. The last 40 years were just a taste.

And, because of convexity, actually 30 years, when they rally from 3% yield to zero yield could rally as much in price as they would rally from infinite yield to 3% yield. So convexity-driven rally could be really staggering going forward from here.

So that's the big picture.

I also put zero weight on discussions like breaking 3.1% yield on 10-year notes. Honestly, I think it's sheer nonsense. I don't think interest rate instruments are based on the yield charts because, first of all, yield charts are meaningless to begin with because they don't reflect, actually, anybody's P&L. Only total return charts matter for interest rate instruments. And fully funded total return.

And even those charts, I think, have limited use in the US interest rate markets. But that's a subject for a separate discussion.

Also, yields have negative predicting power. So the higher they go ,the lower they are likely to end eventually. Because high yields create tighter monetary conditions which ease policy. So the fact that rates sold off last year only increased my conviction that rates are going lower eventually. Because that created tighter monetary conditions.

And, as for the longer story, well, we see the story playing out in every developed market country. We have population growth declining gradually. Japanification is unavoidable. Government budget deficit is expanding. Government debt is expanding. Rates are unavoidably pulled to zero. And I think the US is possibly in the last spike of rates before we go into perpetual zero rate policy.

***Erik***: Let's tie the US dollar into this, because we've seen a very strong US dollar in the last several months. A lot of people, though, would say you know what? Of course you see that because the Fed was in a hiking cycle. And, at the same time, they were also beginning to reduce the size of their balance sheet through quantitative tightening.

Now we've heard an announcement that maybe they're done with their hiking cycle, at least for now, and maybe they're even going to reduce the rate of balance sheet roll-offs.

Does that change the outlook for the dollar? Is there an argument that the dollar has peaked here and it's time to move lower? Or how do you see it evolving from here?

***Alex***: Absolutely not. It would be intuitive to expect the dollar to get strongest at the end of the hiking cycle. That's not how the dollar historically behaves. In fact, one of the first hints that I got that we've reached the end of the business cycle was the big selloff on the dollar that occurred in the winter of 2018, exactly a year ago. That, actually, is rather typical of the end of tightening cycles.

Interestingly, the dollar index bottomed out the previous times in September '99, a few months before the end of the hiking cycle of 1999–2000, and not that long before the recession. And also the dollar bottomed out in February 2008, right at the onslaught of the great recession. After that, early in the recession, even as the Fed is cutting rates, the dollar typically rallies – and rallies pretty sharply.

So I would expect for the next two years very strong tailwinds for the dollar and dollar performance stronger. And I wouldn't expect to see serious weakness in the dollar until they go with zero rates and a new round of quantitative easing.

***Erik***: Alex, you just mentioned quantitative easing. But, before we go there, the official story is still quantitative tightening. So let's talk about the dynamics of how quantitative tightening affects markets.

But why don't we start with how much quantitative tightening do you think is left before, as you say, they reverse policy completely toward another round of easing?

***Alex***: My best guess is probably two or three months more. But the range of possibilities is very wide. I do think they are reluctant to stop quantitative tightening. And the evidence has to be very strong for them to change policy, which is very bullish for bonds because it makes me sure that the Fed will not get ahead of the curve. Which means that financial conditions will remain tight until the beginning of this recession.

With regards to quantitative tightening, I believe quantitative tightening is kind of a counterpart of fiscal expansion, because it's essentially increasing the supply of US Treasuries out there that someone has to buy.

And there are two possibilities:

Either foreign buyers have to buy the incremental supply of Treasuries, which drives capital account surplus and drives the dollar up because foreign buyers have to buy dollars to buy US Treasuries. It doesn't matter at what price they are buying them. Eventually someone has to buy them. So on a given day we will have all sorts of price durations of Treasuries. But they have to clear somewhere.

Alternatively, and I think we've seen more of that, the domestic buyers have to buy US

Treasuries. But that just displaces other investment. They have to take money out of other things to put it into Treasuries.

A third possibility (that would deny this story) is that if the incremental buyers of Treasuries were institutions like banks who can use them essentially like cash as collateral – now, in this case, I'm going to give you my conjecture that banks are kept out and are not strong incremental buyers of Treasuries. They've had as much of them as they could over the last few years.

But I think that, due to various balance sheet restrictions and regulations, they can't really have too many of them. So the incremental Treasuries will go either to domestic buyers, displacing other investment and slowing down the economy, or to foreign buyers, driving the dollar up.

***Erik***: Alex, you mentioned driving the dollar up. Something I've noticed in recent weeks or months has been the commodity currencies, like the Canadian dollar and Australian dollar, have been awfully volatile.

What's going on there and how does the commodity currency complex fit into this whole macro story?

***Alex***: Well, Australia, it appears to have its own idiosyncratic story developing, just as it has been very much idiosyncratic over the last few decades and avoided recessions. It developed a housing market which some people consider to be a bigger bubble and a bigger mortgage bubble than the US had in 2008, both in terms of debt-to-income household ratio and even in terms of actual quality of mortgages.

I cannot confirm it firsthand, but secondhand, reading research, there are opinions that the quality of the mortgage market in Australia is worse than it was in the US in '07. And the unwind could be even more brutal on a country scale than the unwind in 2008 was in the US.

So Australia could be heading for a very, very deep recession. And it seems to be at this denial stage that the US was in '07 when we started to have subprime mortgage problems but people were saying, well, there is clearly a problem with the mortgage markets but that's not a problem with the economy.

In '07, when the Fed eased a bit, the stock market even actually reached new highs in October '07. And that was already after their major freeze of financial markets and major problems in the mortgage market. And somehow, for a few more months until Bear Stearns went down, things seemed to be kind of okay.

And I think we're in this stage – both in the US in terms of broader markets, but definitely in Australia. People are really absorbing the scare of housing market correction there, but I don't think they yet realize how much damage it will do to the real economy there. That would begin my most likely conjecture.

I think a similar situation may be developing in Canada, because Canada's debt-to-income ratio is also pretty severe and also higher than in the US in '08. And they also may have a housing problem. I'm not really an expert enough to yet say that it's going to happen. In Australia it just happens to be more observable already.

So I think that's what's driving those currencies. Especially in Australia. Not just the falling commodity prices per se, but their idiosyncratic housing market unwind.

***Erik***: So just as housing was supposedly contained to subprime, Australia's problems are contained to the extent of their exports to China, which is, like, half of their GDP. So let's talk about China and bring them into this. Because I'm assuming you would agree with me that all of Australia's woes are really a reflection of China's woes.

What's the story going on in China? Where is it headed? And how is it going to affect other countries like Australia and others around the world?

***Alex***: Well, China is always a very difficult country to make strong predictions about. Because, even though I may have strong views, the timelines they operate on are very different from the usual business cycles that we are used to in the developed world. And, because of their ability to, without any red tape, basically implement whatever stimulus measures they want, their ability to manipulate the situation and postpone any financial problems or gloss over them is very vast.

On the other hand, historically, the mass of what's going on in China is not working out. They have a huge amount of private debt – probably not precedented in history. And, again, I'm not the person to do the first deep bottom-up research in what it is, but we're talking about tens of trillions of dollars more than the US, more than anything – both in terms of absolute numbers and in relation to GDP it's also huge numbers.

And, typically, such debt can only be sustained by very rapid growth. Because when you have very rapid growth, even if your businesses are not profitable the cash flows generated by new growth can assure debt service. So it's kind of like a Ponzi scheme cash-flow situation.

I think that game is over for China. Honestly, I thought it would unwind three or four years ago. But three or four years ago we had a very different picture. And that's why any calls for global recession three or four years ago were incorrect because we had a positive momentum on interest rates. So interest rates have fallen globally very significantly by 2015–2016, and that provided a relief for any kind of debt problems around the world.

We don't have that situation today, because the rates in the US have risen. The rates in other countries have stayed at least stable, but not fallen. And I believe that China cannot service the debt within its economy.

And, usually, some sort of catastrophic unwind should occur. As the histories of communist countries, typically this unwind kind of happens in the background but then it's much more abrupt and terrifying than it does in a market economy.

***Erik***: When we had things fall apart in the United States in 2008–2009, it was largely because nobody fully understood just how much was being securitized and how some of these very exotic mortgage products worked. And that led to an overleveraging and a misunderstanding of risk.

People have pointed out when they look at something like Canada and China's housing markets, well you don't really have that kind of risk. It seems to me like China is the place where you do have it.

So if China were to really fall apart, if we had a unwind of the unsustainable debt, the excess debt in China builds up just as the excess unserviceable subprime debt in the United States built up, to the point of bringing on a crisis, is there a transmission risk?

You said it was not justified several years ago when it was a popular narrative. What about now? Is there a transmission risk that China blows up and takes the rest of the world with it?

***Alex***: Yes, I think there is definitely – not a risk but a very high probability of a shockwave from China. What we cannot estimate right now is how bad it is going to be for the rest of the world.

My guess is, as you alluded to earlier, countries like Australia will be hit harder than countries like Mexico. But who knows? It's very hard to predict where the cracks – basically once a shockwave comes, think about this as an earthquake. Wherever there is a crack, that building will fall. And it's hard for us to know which buildings have cracks until we shake them very hard.

But I think China could be that earthquake. Because in the past – for example in '98 – we had a rush on debt default which proved to be an earthquake that brought down long-term capital management and shook the whole financial system. Even though the size of this rush on debt default is really laughably small relative to what China is dealing with right now.

So, yes, I think that China is likely to have a crisis. And yes I think it will be likely to shake up the world. But it's very hard for me to estimate what exact impact.

***Erik***: Let's move over to Japan, then. Because certainly Japan – if we're talking about earthquake zones – is a place that's been talked about for a long time in terms of the excessive debt they have.

But somehow they seem to continue to muddle through. What do you see on the horizon for Japan?

***Alex***: Well, Japan kind of wrote the playbook. I believe that all developed market economies are now going by Japan's playbook. One of the misconceptions I think people have is that fiscal deficit and fiscal expansion lead to higher interest rates, or even weaker currency.

And we can see how in Japan it led to exactly the opposite. It led to fairly strong domestic currency – so strong that they continuously complain of its being too strong – and it led to perpetual zero to negative interest rates. And in that environment, you actually can sustain very big debt.

If you are a productive economy with a good manufacturing base, like Japan, and some good current accounts, you can actually have almost infinite amount of debt and just sustain it with zero rates.

When it becomes unsustainable, like emerging market countries who have to borrow in foreign currency, then eventually that thing collapses and they all end up sooner or later with a balance of payments crisis. But I don't think Japan has any risk of balance of payments problems.

So as long as you have a strong domestic currency, you can pretty much sustain any amount of debt. Because the valve comes through the currency. Until your currency collapses, you have infinite tools to deal with your debt because you can keep monetizing it.

And that's how Japan is able to muddle through.

***Erik***: If that principle holds true, then would that suggest that the rest of the developed world, Europe and the United States, has much longer to get away with everything than everybody thinks? Because, certainly, Japan surprised everyone. There were people talking about the collapse of JGBs and the collapse of the currency 25 years ago. And it was a very good argument, frankly, at the time. But it hasn't happened yet.

So does that mean it's 25 or 30 years before all of the largesse of central banks catches up with the Western world? Or is there something that brings it to a head sooner than that?

***Alex***: It's very hard to look 25 years forward because, even technological disruptions 25 years forward could really change the face of the world. That makes it difficult to make predictions that long.

But, yes, I do think that the US – as long as the US does not succeed in undermining the dollar, which would be like shooting yourself in the foot. I think as long as the US maintains the dollar strength – and I think it's very hard for them to undermine it because they can only talk it down, but all the policies are actually leading to a stronger dollar – they could sustain a lot of deficit and just take rates to zero like Japan and just muddle through it.

Now, this is not an environment that makes everybody happy. While Japan wrote the playbook, I don't think many people are happy with that playbook. It's kind of a very mediocre playbook because you don't get great growth in this environment. And it's also associated with negative population growth – this is where the developed world is heading anyway and probably the US will be there fairly soon too.

So it's not really a super-happy scenario, but it's a very stable scenario.

***Erik***: Let's go around the world to Europe and talk about the situation there. It seems like things are just escalating and there's more and more tension in Europe. And more and more people are starting to talk seriously about the European Union's days maybe being numbered.

What do you see in Europe's future? And what would the economic consequences and knock-on effects be?

***Alex***: Well, the breakup of the EU, honestly, it's almost harder for me to visualize than a China collapse, because that's a very strong institution. And I think the importance of the EU is underappreciated in terms of even maintaining global geopolitical stability. One of the things that the EU has accomplished is that France is no longer fighting wars with Germany as they were doing for hundreds of years before.

So once you put all the countries in the EU, creating this economic union, you make them all beholden to each other economically. And that creates – and that's a big social geopolitical stability.

So the risks to the EU breaking up are probably as much geopolitical as economic. It is hard to predict what is going to happen to the currency because you don't even know what to do with the currency once they break up.

Paradoxically, if we default to the Deutsche Mark, the currency actually could end up being higher – the natural level of currency for Germany is probably higher than here because Germany is running a huge current account surplus at this level of euro. While, for the rest of Europe, about 115-120 seems about right. And our brief venture to 125 a year ago seemed to have brought on recession in Europe.

There are a lot of tensions there. I think they will be reluctant to actually break up. And I think the example of Brexit is not encouraging other exits.

***Erik***: One of the theories that some people have brought is to say that Europe is a proxy for the rest of the developed world. If you look at where European stock markets have clearly rolled over before the US did, European economic conditions are deteriorating, and, of course, we also have the escalation of unrest with the yellow jackets movement and so forth.

So, Alex, is there any basis to this notion that Europe is maybe leading everyone else lower?

***Alex***: Honestly, I'm not sure of that. As a general rule, I'm not sure. As of recent years, quite possibly, because I've seen a pattern in Europe that has developed in the last few years and

Europe has very much predicted, I think, what was happening in the US.

I think about a year ago the European economic numbers looked very strong. And there was a lot of talk about Europe not just exiting quantitative easing but potentially even raising rates, and there was this optimism about inflation rising in Europe.

But if you look back at Europe where it was a couple of years prior to that – at the end of, say, 2016 – we could see the Euro being at 105, which, for Europe as an export economy is very important.

So we had a very weak euro. We also had strong stock markets for a few years, up to 2016, whatever. Brexit shook things up a little bit, but over all right. We had also dramatic fall in interest rates all the way into Brexit.

And with those financial conditions, inputs are creating incentive for economic growth, it was not surprising two years later, at the beginning of 2018, to see strong economic numbers. But by that time, while the economic numbers as a lagging indicator looked strong, the concurrent financial conditions have been deteriorating.

As you mentioned, the stock markets already have rolled over. The euro got stronger. Interest rates, though they didn't go higher, they stopped falling. And so, unsurprisingly, a year from now we have seen a lot of weakness in Europe.

And that creates a playbook for the US. Because, even a year ago, we started to see weakness in the stock market. But financial conditions in the US have not been tightening significantly yet because we had a weaker dollar, we had a rise in interest rates, and a shakiness of the stock market – but the weaker dollar somewhat compensated it and the stock market proceeded to still make new highs in 2018.

But then we had a second bout of stock market volatility in the US last fall. And that was really accompanied with meaningfully higher short-term interest rates. And the dollar, this time, was stronger.

So now we're getting a negative impulse from financial conditions, which I think gives us hint how the US will follow in the footsteps of Europe to start producing weaker economic numbers into the middle of 2019.

***Erik***: With all of these issues around the world that seem like potential cause for future concern, let's talk about precious metals – gold and other precious metals. What's your outlook there?

***Alex***: So, gold is a hard subject. A lot of people really like being in gold, and I'm actually one of those people. I do like gold, but with the following caveat: I wouldn't play gold for the next 10% run-up or down.

I don't actually care whether gold is $1,200 or $1,400. In fact, given where we are on the cycle, I don't necessarily expect very strong performance from gold because, as I have mentioned, I actually expect the dollar to be strong in the next few years. And just because of the psychological correlation – when the dollar is stronger, typically it is harder for gold to rally a lot, though it can still rally.

But it could be the backup currency, but if we measure it in dollar terms, in terms of another legal well performing currency, it's harder to perform.

However, when you look through the cycle – you could say you don't know, maybe they'll even hike this year or maybe they'll ease this year – sooner or later we will have a recession. Everyone agrees with that. Sooner or later, rates will probably go far down from here, even if they have to go a little bit up again first.

But once the rates go close to zero, once we have a new bout of expansionary policy – whether it is quantitative easing or not – at the end of it, gold will probably triple from here. So I would look for gold $3,000 or $4,000. It will be consistent with what happened at the end of previous recessions.

So, looking four or five years forward, the outlook for gold is so positive that I would want to have some now, lest I actually missed that move.

***Erik***: But it sounds like you do leave plenty of room for a little move down before the big move up.

***Alex***: Yeah. It just doesn't affect my strategy. But, yes, I could easily see, like, 10% move down – it would not have any impact on my strategy at the moment.

***Erik***: Alex, I'm curious if you have a view on the changing correlation patterns that we've seen with gold. For a while there, gold and the Japanese yen just seemed to be almost pegged to each other. And then, suddenly, it wasn't the Japanese yen, it was the Chinese yuan.

And, October 11, that ended and it seems to be that it's on its own new trajectory. Something I noticed since October 11 is that we're not really seeing the same inverse relationship that normally exists with the dollar index. We're seeing gold outperform not only on days that the dollar is down but also on days that the dollar is up.

It makes me start to think – because I have a very similar view to yours that I think gold probably makes a push down before we eventually see a really big move up – it makes me wonder if maybe it's happening and I'm late to the party.

Do you think that these changes in correlation have any meaning? And do you have any insight as to what might be causing them?

***Alex***: Honestly, I would have a hard time reading into each of those correlation switches. But one thing to think about is gold is a measure of liquidity. Like, when there is more cash, more of it can go into gold.

So when we had for a while, we actually had relatively hawkish shift to policies around the world. And now we're beginning to get more dovish. So it's not surprising to me right now that gold would perform in terms of euro, in terms of yen. Because they are pretty dovish and they are sticking now to negative interest rates.

One interesting thing to observe about gold, for example, in euro terms, is that it actually has positive real carry, despite the storage costs. When you factor in very deeply negative nominal interest rates and very deeply negative real interest rates in Europe, gold actually has positive real carry. And I think that is beginning to catch up to the situation.

When there was speculation that the Eurozone might raise rates, maybe that was upsetting it. But when that speculation has gone away, like the nonsense it was to begin with, and now I see a bid to gold in terms of euro.

And probably the same applies to yen. And China – that's a hard subject. Well, first of all, they could be big operators in gold to begin with, in terms of managing their reserves. But also it's just kind of its own animal. It's very hard for me to read into it, from the top of my head.

***Erik***: Alex, we touched earlier on the changing direction of interest rates. I want to come back to that because you wrote a book back in 2015 called *The Next Perfect Trade*. And a very central theme in that book was the predictive value of interest rate trends on equity prices.

So tell us a little bit more about both what the book predicted but also how that is starting to play out in the marketplace.

***Alex***: When I was writing this book in 2014, I was observing historical trends in the bond markets. One of the things that I noticed is the secular uptrend in the Treasury bonds when you take into account the total return on bond futures, for example.

And I also predicted that it would be highly superior trade to be long bonds for the subsequent several years. The book, I wrote it in 2014, it came out in 2015. So we have almost four to five years of data since then. We had a lot of headwinds to the bond market since – from a very robust employment market, to elections in the US that could be viewed as negative for US Treasury bonds, to all sorts of other things. Like, even the simple absence of huge catastrophes is negative for bonds, because any catastrophe in the world could have given an extra bid. Still, the bonds performed well.

The US Treasury bonds delivered positive returns since 2014, despite every possible thing being wrong. And that's a characteristic of a superior trade, what I talk a lot about in my book.

One of the interesting observations I made also in my book is, since a lot of people try to predict performance of the stock market – and I cannot claim that I have a perfect prediction – but what I have found is that a very good indicator is interest rate momentum.

If you look today and ask yourself a very simple question – are interest rates today higher or lower than they were two years ago? – that will give you a very good answer on how likely stock markets will be higher or lower two years from now.

**So, again, to repeat, looking back two years on bonds will help you to look forward two years on stocks.**

So when I drew these charts, I saw a pretty good fit. But I didn't have the data over the last few years. And when we extend this chart that I drew in the book, the fit was actually pretty amazing.

If you go back to 2016, you could have been concerned about the stock market because there were severe corrections. But the interest rates in 2016 were significantly lower than they were prior, say in 2014. And that, according to my observation, essentially precluded the stock market from underperforming in the subsequent two years.

The interest rate momentum has not changed to negative until probably late 2016 after the election in the US. And guess when the stock momentum seriously changed? It seriously changed two years from then. From that moment. Which is the end of 2018.

And right now we are still living in the world of flat to negative interest rate momentum. And that allows us – because, even though long-term rates may be the same similar to where they were two years ago – but the short-term rates have risen significantly.

And in this world, that doesn't by itself guarantee a weak stock market, but it opens the door for a weak stock market. That's why I think, incrementally, the chances of a weaker equity market in the future is more likely. And I think those who want to read those chapters in my book will see a historical pattern.

And the last few chapters in which I discuss in detail the regime changes, which include the regime changes that occurred in the year 2000, which I described back then several years ago – but reading that piece right now feels kind of uncanny, how similar it is to what's been happening in the last year.

***Erik***: Now, Alex, you manage a hedge fund which is only available to accredited investors and your compliance department has asked us not to share with our listeners some of the investor communications that we received from you that helped me prepare for this interview. So, unfortunately, we can't send those out for compliance reasons.

But you do write a blog. Tell us a little bit about the blog, what is contained in it, and where people can access it.

***Alex***: My blog can be found very easily using my name alexgurevich.tumblr.com. It can also be accessed through my Twitter account which is @agurevich23 and it's a verified Twitter account so you can go from there to my blog directly.

I post various market pieces which are not necessarily super-time sensitive. Sometimes they could be excerpts of my investor letters, something that just makes it to the general public a few weeks after it makes it to investors. It's more of general thoughts about markets, or ideas about what's going on – something which I don't view as proprietary.

Any accredited investors who want to learn about us can just go to our website: www.honte.com.

***Erik***: Well, Alex, I can't thank you enough for a fantastic interview. Patrick Ceresna and I will be back as MacroVoices continues right here at macrovoices.com.