Ronald-Peter Stöferle: Gold/Precious Metals Special
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Erik: Gold is on everyone's mind this week and we've got a gold heavyweight for you for today's feature interview. I'm joined now by Ronnie Stöferle who is managing partner, founder, and fund manager for Incrementum.

He's also probably best known as the principle author of *In Gold We Trust*, which is probably one of the most respected – I think it's annually re-published documents – that really makes the whole fundamental case. If you haven't read it yet, I strongly recommend it, and we do have it linked to your Research Roundup email.

Ronnie, thanks so much for joining us. I want to dive into some fairly advanced topics today. But, just for the benefit of any newer listeners who may not be familiar with the high-level picture, let's start with gold.

Why is it so important? I'm convinced it will be the asset to own in the next decade. But let's hear it from you, your perspective. Why will we care about gold in our portfolios?

Ronnie: Hi Erik. Thanks for having me. It's been a while and I'm really looking forward to this.

Well, I have to say that gold is an extremely emotional topic. It seems that everybody has an opinion on gold. They are either radical gold bugs or people that hate gold.

From my point of view, I'm not a radical gold fundamentalist. It is not a religion. It is a prudent and, I would say, it's some sort of an inexpensive hedge against recession risks, against equity risks, and inflation.

So my "finance guy" view on gold is that it's some sort of an option on aggressive monetary policies, a potential monetary end game. It is a zero-yielding asset, of course, and therefore a long-duration asset.

And, currently, as the market moves to the view of lower interest rates, gold should not only begin to outperform shorter-duration asset classes, it should also continue to show a very high inverse correlation to bond yields. This is basically what we're seeing at the moment.

But nothing more, nothing less. So that's kind of the "finance guy" view that I have on gold.

On the other hand, I'm writing the *In Gold We Trust* report for 13 years now. And many people think this must be the most boring job that one can have. But we published more than 3,000 pages of research about gold and all influencing factors.

And it still continues to fascinate me because there are so many different things involved. Of course, opportunity costs like equity markets, bond markets, inflation. It's about geo politics. It's about development in our society.

So I think it's really something extremely fascinating. It is no coincidence that the history of the world is also a history of gold. And if you study gold you will learn that basically it is precious and valued on every continent, in every religion, in every society. So if you learn about monetary history, of course you learn about gold.

And that's a bit something that perhaps differentiates us from many other people in the gold industry. We really try to make this holistic view.

As you can hear, perhaps, I've got an Austrian accent. I was born in Vienna, and therefore I very much adhere to the Austrian school of economics. And therefore what's really important for us is to explain people stuff like the stock-to-flow ratio, for example.

I often hear that the annual supply and annual demand for gold is so important. But that's totally, totally useless. We once called that the greatest misunderstanding in the gold sector. So if you understand the stock-to-flow ratio of gold, you will see gold from a completely different viewpoint.

Those are the things that we try to analyze and explain in our report. And I think that's something that makes us a bit different from the rest of the analysts in the gold space.

Erik: I want to talk now about something that is probably the hardest thing in trading, which is getting the timing right. Sometimes when an asset makes a big sudden move, it's a signal. You want to jump on it because it's a signal. You want to jump on it because it's the beginning of something really, really big.

But almost – let's say more often – those big moves, if you chase them, there ends up being a retrace and you get clobbered.

Is it time here, with the really big move that we've seen up in gold in recent weeks to the upside, is it time to fade it because it's overdue for a retrace? Or is it time to really feel like, hey, this thing is really taking off? We're going to jump in with both feet here?

Robbie: Well, I think that we're going to talk about the technical details a bit later on. But from my point of view it is crystal clear we are in a bull market again. You can see that every dip is being bought at the moment. You can see that, even die-hard gold bugs, they still do not really believe in this move.

And from what I see talking to institutional clients, we have seen that in fourth quarter 2018 when basically every asset class was down – stocks had their worst performance in December since the Great Depression. This was a big warning shot from many institutional investors. And I think then gold reappeared on their radar screens.

Of course, then, first quarter was pretty good, especially for equity markets. But now, as we're above this massive resistance zone at $1,360, $1,380, this is basically exactly what we explained in our 2019 gold report.

We have seen massive momentum kicking in. We have seen that institutional buyers were going into gold again. Massive flows in the ETFs in the physical market but also in the mining stocks.

From my point of view, Erik, they are – at the moment we're in some sort of a macro regime shift. So we have seen more and more dovish comments by central banks. We are seeing all those really complex trades and geo politics and recession risks strengthening.

So the breakout of gold is basically some sort of a recalibration of commonly accepted macroeconomic fundamentals. I think we are pricing in or discounting recession risks.

So, from our point of view, from, let's say, from a longer perspective, we really like the commodity complex at the moment, because gold has now taken the leadership role, a bit like in the commodity upturn in 1976-1977. Now silver is following. And we wouldn't be surprised if commodities would be next.

We make the case. We compare the current situation a bit to the 1970s and the 2000s where we first had extremely expansive and aggressive monetary policies. Then the booming stock market. And subsequently a decade of surging commodity prices.

So we have seen very, very aggressive and, let's say, experimental monetary policy. But it hasn't reached commodities markets and the gold market yet. So this is one of our core theses.

The second one that I want to briefly talk about is inflation. Of course, gold is highly correlated to inflation. We know that the US dollar is or has been some sort of the linchpin of this deflationary mindset.

And therefore I think the strong dollar has kept commodity prices, has constrained growth in emerging markets, and fueled capital flows to the US. It seems that this is now changing.

For inflation, I think that June was the low. And we expect rising inflation fourth quarter. We have seen, just recently, the PCE rose quite sharply. On the other hand, five-year break-even rates just fell to 1.4% and we are also seeing deflationary pressure with MZM, but also M2 growth being pretty sluggish.

But it seems that this inflationary pressure, this is exactly what central bankers and politicians want to achieve. This is building. And probably in the next couple of quarters, inflation might become a concern.

We shouldn't forget that at the moment there is probably like $13 trillion in bonds with negative yields. My home country, Austria, just sold a Century Bond with a yield of 1.2%.

So, actually, for governments the biggest hope is rising inflation, while for investors that's probably the biggest pain trade that you can imagine. Rising inflation. And it is very much of a contrarian topic nowadays.

The second reason why I think that gold might be a pretty good idea at the moment is that it's a pretty good equities hedge. We have seen that in fourth quarter, basically every asset class was down. But mining stocks, gold mining stocks, were up 17% and gold was up 7%.

So gold worked well as a portfolio hedge.

And now we are seeing – we are working quite a lot with ratio charts and the ratio charts of gold and gold stocks versus the S&P 500 just broke out. And this is a very, very strong sign for us.

When it comes to the equity markets, I mean, that's no secret for you and your listeners, we are in an earnings recession, so we've basically seen three quarters in a row with falling profits. We're seeing pretty big divergences in equity markets. So, basically, the S&P and the Nasdaq is one of the very, very few really strong equity markets.

Today not so much. And most of the other equity markets all over the globe, they are already showing lower highs. So there is a big divergence.

It's also internally in the US, you know Dow Jones Transports, the small-caps, they are already pretty weak. Then we are seeing losing momentum. We are seeing pretty low volume in US equity markets.

So we are, from my point of view, in the process of rolling over. And what we have seen in the last couple of weeks, this unusual calmness and the deterioration in breadth, it's not a very good setup for pretty overvalued stocks, I would say.

So the big question from a portfolio point of view is, Will bonds again be a good equities hedge in the next downturn? We shouldn't forget in 2008 US Treasuries were trading at yields around 3.5% to 4% before the downturn. The 10-year bunds from Germany had a yield of 4%.

Now even the 30-year German yields are negative. So, from my point of view, gold might be a much better hedge than bonds in the next bear market.

And then the third point is gold as a recession hedge. We crunched the numbers in our last gold reports and it's absolutely sure that gold is a very, very good hedge in recessions. We are already seeing that the bond market has perfectly signaled that, yeah, we are seeing some sort of a global cooling.

In the US, I think it's a bit different as we are seeing that government spending is skyrocketing higher. It was up 5% annualized. While in the Eurozone it seems that we are really – of course especially Germany but also France, Spain, and so on – they are coming in weaker and weaker.

And it's not only the Eurozone. It is really a synchronized global slowdown. So Mrs. Toorenburg, she might be scared of this global cooling that we're seeing at the moment.

In 64% of the world, we are seeing PMIs coming in negative. Eleven countries – that's according to Dave Rosenberg – 11 countries have posted at least one negative quarterly contraction. And 16 central banks have cut rates already.

So, from my point of view, in this we are seeing a pretty, pretty long period of growth. I still believe in cycles although central bankers want to get rid of those economic cycles.

So, from my point of view, a recession – and a recession is something just normal, something healthy – is around the corner. Perhaps we are already in a pre-recession phase. And gold, according to our research, is a pretty good diversifier and a pretty good hedge in a recessionary environment.

Erik: Ronnie, for dollar bears this is easy. If you think the dollar is done here, it's so easy. You're way late, but you want to be in gold.

But a lot of us, myself included, feel that there is a very strong argument that there's been a US dollar liquidity squeeze globally, and that that is causing the dollar to appreciate against other currencies, and that that would potentially create a headwind for gold.

So, for US-dollar-based investors who care about what their ultimate return is in US dollars, that was a real concern.

Now, in the last few days with President Trump's actions on China, we've seen the US dollar take a nosedive. But before that it was really breaking out above. Just as gold broke above a key technical level, the dollar was also breaking out.

And I guess what it really brings to my mind is – you know, for a long time I've argued that someday we're going to get to where gold and the dollar move up together. And, frankly, that's not a good thing. That means that the world is getting really scary, where there's a double safety trade into both gold and dollars at the same time and they both move up.

Is that already happening? Is that what we're seeing here? Or is there more to this story?

And how do you feel about the dollar? How do you feel about a US dollar-gold long-long pairs trade? What do you see in terms of the relationship with the dollar?

Ronnie: Well, I love listening to your show, and I'm very proud to call Brent Johnson but also Luke Gromen friends of mine. And we did lots of work together with them. We interviewed them for the *In Gold We Trust* report. So I think, actually, their views are pretty similar. It's just that the timing is the big difference.

Our clients are mostly euro or Swiss franc based. So I would say, if you compare on the longer-term basis the euro versus the US dollar performance, it is actually very, very similar.

You know, just like since 2004, for example, the annual average performance in dollar terms of gold is 9.3% while on the euro basis it is 10.3%. So that's not a very, very big difference, actually.

The only paper currency that really, really outperformed, I would say, on a relative basis – where this loss of purchasing power wasn't that dramatic since 1971 – we are calculating most of our numbers since 1971 because that was the beginning of this new monetary era – was the Swiss franc.

And it's no coincidence, because the Swiss franc, until May 2000, was backed with 40% gold. And this was one of the main reasons why the Swiss franc has always this safe-haven currency.

So I can really understand and follow the case that you and also Brent Johnson make for a strong dollar, within the environment of a liquidity crunch. The question is, What would then happen? We would see major volatility in emerging markets. We would see very strong deflationary pressure in the US.

And actually that's the very last thing that Donald Trump and the Federal Reserve want. So I expect that they will take countermeasures pretty quickly.

Of course the big difference or the big question is also always the time lag. Let's remember what happened in 2008 and when equity markets really started to move. That was like five months after, basically.

From my point of view, when it comes to the correlation between gold and the US dollar – we wrote about that last year – and, of course, the consensus always seems to be that a strong dollar automatically means lower gold prices.

And this theory can empirically be substantially. The negative correlation is 0.5.

But our quantitative analysis shows that there is some sort of an asymmetrical correlation. So a strong US dollar does much less damage to the gold price than the weak US dollar does to gold.

And it seems that this historical pattern is currently changing.

From my point of view, I'm not 100% sure about the reason of this change. And it seems that this what we call the autonomous rate of increase – the rate of the gold price increase that is independent of exchange rate fluctuations might – continue to rise. And I think the main reason is probably that 70% of all gold demand is nowadays coming from emerging markets.

So we'll see what's good for the US dollar doesn't always have to be bad for gold. We're seeing at the moment that gold is pretty strong, that equity markets are extremely weak. And that at the moment this safe-haven move into the US dollar doesn't really happen.

We wrote recently that the US dollar feels like a stock that doesn't rise on good news anymore.

So, I mean, structurally I wouldn't say that I'm a big euro bull. But I have never met in the last couple of months probably somebody being really bullish the euro. It is a bit like finding a polar bear in the Sahara or, I once said, a good song on a Britney Spears album.

I mean, we are having so many troubles over here. There is the Brexit mess. Italy's open rebellion against the stability pact. We've got the yellow vests in France. We've got Germany being on the verge of a recession.

But still the euro, from my point of view, is holding up pretty much okay. So the reaction to the news, from my point of view, is pretty strong.

Long story short, from my point of view going forward, it won't be a huge difference if you hold gold in euro, in US dollar terms, or in whatever other fiat currency. I think it's just a very, very good hedge and a very safe currency going forward.

Erik: Ronnie, a lot of really smart people have convinced themselves that the 35-plus-year bond bull market ended in 2016 and that we are now in a secular bear market, meaning that we should expect steadily increasing interest rates. Which, of course, would compete with gold because the more you've got real interest rates as an alternative to gold – which is a zero-yielding asset – the more that tends to hurt gold.

That doesn't happen to be my view. I don't agree with that. But a lot of smart people think that.

So, if that were true, if the bond bull market really is over, how would that affect the outlook for gold?

Ronnie: First of all, I would say I don't think that the US Treasury's bull market is over. I mean, over here in Europe, you've seen that now even 30-year bunds are trading with negative yields. If you follow the European bond markets, it really looks like this blow-off top that comes at the very end of every trend.

So, from my point of view, the developments over here in the Eurozone are really scary. And every pension fund manager that buys German 10-years with significantly negative rates now guarantees that he's going to destroy capital.

When it comes to the US, I'm not sure – from my point of view, I sense that we will see zero yields for US Treasuries before we see 5%. So why shouldn't US Treasuries trade at zero yields or even negative yields in the course of a next recession?

Erik, I remember a couple of years ago we had a meeting and I think the bund future was trading at 120 or 121 – it must have been like 2011, 2012. And somebody told me that it is mathematically impossible that the bund future would trade above 160 because that would basically imply negative yields. Now the bund future is trading at 175.

So why shouldn't US Treasuries go significantly lower? And I don't see any blow-off top in US Treasuries at the moment. Of course, the 2-years made a big move, the 10-years made a big move, but I don't see such a big move yet in the Treasuries.

And, normally, equities – you know, the bond market has been sort of diverging from equities. Normally, I would say the bond market is right and has signaled this global cooldown pretty well.

So, from my point of view, having a short position or no position in equities probably is a pretty safe bet. And, as I've said, I think the 10-years – I mean, they are not cheap anymore, but from my point of view they would rather go to zero percent before they go to 5%.

Erik: Ten years ago, when Russian economist Sergey Glazyev started this de-dollarization campaign trying to persuade countries around the world to reduce their use of US dollars in order to reduce the ability of the US government to control the financial system through its currency, frankly, at the time 10 years ago, when that started, it was ignored by most of the world.

But it's really come around to the point now where even the European Union has warmed up to this idea of eliminating dependence on the US dollar.

So what does this mean for gold? And I guess it also brings a related question to mind, which is, How much do we really know about sovereign gold holdings and the trends, because that certainly is an indication if people really do want to dump the dollar? Then you would expect to see more increases in sovereign gold holdings around the world.

Ronnie: When it comes to sovereign gold holdings, as far as I know it from conversations with central bankers, I think the gold community often thinks that everything central bankers do is just sit on their Bloomberg screens and just follow the price of gold.

I think for them it is something that, of course, they have a look at. But it is not something that they focus on every time. So I think this is a bit of a misinterpretation in the gold scene quite often.

But this de-dollarization that we're seeing at the moment, that's a big trend. And I think many people think that the US dollar will be kicked from the throne by the Chinese yuan, by the euro, whatever.

But if you study the history of reserve currencies, you can see that it always takes many, many years, mostly decades. And we just finished reading this wonderful book by Barry Eichengreen about reserve currencies and the fate of reserve currencies.

And you can see that, basically, the British pound and the US dollar, they were basically both reserve currencies alongside each other for many decades.

But we are seeing a strong trend when it comes to gold from emerging markets. And if we take a step back, I would say it's interesting that gold always moves out of countries where the capital stock is declining and it flows into countries where capital accumulation is taking place, where the economy is prospering, and where the volume of savings is increasing.

The Romans realized that more than 2,000 years ago, when the Chinese and the Indians accepted only gold and not Roman goods in exchange for spices and silk.

So gold goes where the money is. And it came to the United States between the World Wars I and II. Remember, the US had more 30,000 tons of gold, which also, of course, later on was the basis for the Bretton Woods agreement, I would say.

Then it was transferred to Europe in the post-war period. We have seen the gold drain and the Germans and the French wanting their gold back. Then it went to Japan and to the Middle East in 1970s and 1980s.

And now it is going to China. It is going to Russia. It is going to India, to Vietnam.

We travel to those countries quite a lot. We just started publishing the *In Gold We Trust* report in Chinese as well. And you can tell, those guys, they are really in for the long game. They don't care about daily price fluctuations. They really want to accumulate gold on a monthly basis. They see it as a monetary hedge.

And we shouldn't forget that in 2020, 50% of the world's GDP will be generated by emerging markets, while in 2000 it was only 19%.

A friend of mine calls this "the love trade" with those emerging market economies really, really having a high affinity for gold.

And we're not seeing it for the central banks. Of course Russia, China, but also recently Turkey, Poland and so on, they are buying gold. It is also private people from those countries.

Last year, we have seen that central banks purchased 650 tons of gold. This year, according to the world gold count, it will probably be 750 tons. So it is really a big increase compared to the last couple of years.

And we are seeing – for example, I mentioned Poland. Poland is the largest purchaser in the last quarter. They bought more than 100 tons. And it is not only that they are buying gold. They are also repatriating it.

And this brings me to this loss of trust on the international level that we were describing in the last gold report. And I think there are, in general, many, many things going on with this whole de-dollarization.

So Europe has taken the new US sanctions against Iran and now wants to build up the infrastructure when it comes to payment systems. Jean-Claude Juncker, he just said that it is absurd that Europe imports crude oil and gas worth around $300 billion annually but pays 80% of those imports in US dollars.

So I think there is quite a lot going on with this de-dollarization. But people should not forget that this is really a long-term topic and a long-term trend.

And, of course, this trend will also have an impact on gold. Gold plays a major role in this de-dollarization game. But we should not overestimate the impact, I would say, on the shorter-term price movements in gold.

Erik: Ronnie, there has been a global change of social attitude. The social landscape is changing. There has been a rise of populism. A lot of younger people are very openly advocating a departure from capitalism in favor of socialism.

We've also seen central bank policy already starting to favor zero or negative interest rates. Modern monetary theory, which advocates monetization of government spending, has become extremely popular.

And I guess the other thing is that, at some point, there is an inevitable day of reckoning for all of the unfunded liabilities in the form of pension entitlements and so forth that cannot possibly be paid in the long run.

How do all these things affect the long-term story for gold?

Ronnie: That's a tough one. And you know, Erik, I've got three little daughters. And the change in the social landscape, all the populism from the very right and the very left side of the spectrum, this is something that really concerns me. It gives me sleepless nights sometimes.

We have written about this matter of trust this year. So this was basically the *leitmotif*. We wrote *Gold In The Age Of Eroding Trust*.

And, actually, 13 years ago when I was a young analyst sitting in a bank, when I wrote my first *In Gold We Trust* report, I didn't realize that this name is a really good one, *In Gold We Trust*.

But for this year's report, we studied the matter of trust quite a lot. It might sound a bit philosophical, but trust is the basic value of all interpersonal cooperation and it is basically the foundation of our social order.

And we are seeing, at the moment, this erosion of trust capital. We are seeing it in society. We are seeing it, of course, in media. We are also seeing it in concepts like fundamental concepts of science.

We are quoting some article showing that the Flat Earth Society, for example – it is incredible how many people nowadays started believing in this stuff. And this is a sign that people lose trust in those fundamental concepts of science.

And of course we are seeing this loss of trust in politics. We are seeing this loss of trust in institutions. And it is pretty frightening.

There is the General Social Survey for the US and it shows that since 2000 confidence in all institutions has eroded. So, at the moment, only one in five persons still has any confidence in banks, churches, or businesses – and only one in ten in government.

And I'm not sure if it's similar in North America, but over here in Europe, it seems that the level of polarization, of xenophobia, of nationalism, the loss of the middle class in the political realm is really, really frightening. It's scary. There is a huge, let's say, divide in society.

And the interesting thing is – I think Dave Rosenberg wrote about that quite recently – at the moment we are probably at the peak of the stock market cycle and the economic expansion.

Now if you remember the Occupy Wall Street movement that began in September 2011, it was pretty peaceful. But now the next recession and the next stock market correction, crash, whatever, will happen with income and wealth disparities basically at the highest levels ever. So I'm not sure if the next Occupy Wall Street movement or whatever will be that peaceful again.

And, so this is something that is really a big concern for us over here. And this is why I also think that the 2020 US presidential elections are so important, because it is going to be a vote for extreme or against extreme policy proposals.

I don't know if there is any voice for fiscal conservatism, of a balanced budget, and spending within our means. But so far I don't really hear that voice.

And the thing is, when it comes to MMT, and I think this will become a much, much bigger topic in the course of campaigns – a friend of mine said it's only the newest addition to the central banker alphabet soup. So those new acronyms like QE or LTRO, they always sound extremely sophisticated, but MMT is just the new darling of the inflationists.

From my point of view – as I said earlier, that I'm very much influenced by the Austrian school of economics – Eugen von Böhm-Bawerk, he said political power can never invalidate the economic law.

And this is what we're trying to do. We're trying to invalidate the economic law. And this won't happen very well. We tried that in Weimar Republic and it ended catastrophically.

So from my point of view, coming back to financial markets, if some sort of MMT will be introduced, it will perhaps be a bit more fair for people. And it will have much more direct effects and quicker effects on the economy – and especially on inflation.

So I think if MMT really in some sort will be introduced, I think this might really be the point when the inflation genie gets out of the bottle.

Erik: John Maynard Keynes famously referred to the gold standard as a barbarous relic and we have a new generation who are calling gold a barbarous relic.

And their argument is, look, the whole point of gold was that it was a way to have an asset outside of the financial system that derived its value principally from its scarcity.

And their argument is cryptocurrency creates a new way of, essentially, a high-tech solution to that problem that's better than gold. Now that we have cryptocurrency, forget about gold, it's on the way out.

I personally couldn't disagree with that particular view more strongly than I do, myself. But, for those who may hold that view, what's your perspective?

Ronnie: Well, when it comes to cryptos, it seems – I mentioned in the beginning that gold is a very emotional topic and everybody seems to have a view on gold. But when it comes to bitcoin, it is even more emotional.

So, from my point of view, there is actually quite a lot of similarities between gold and bitcoin. And when you read the white paper by Satoshi Nakamoto, you can see that actually Satoshi understood gold and he understood the stock-to-flow ratio.

My colleagues, they are publishing the crypto research report where we basically want to educate people about the advantages and disadvantages about the flaws and the scams in the crypto scene.

They regard gold as bitcoin without electricity. So, from my point of view, they are relatives, but not like father and son. Not like Darth Vader and his son Luke Skywalker. I think they are rather like cousins.

And therefore I think it's pretty strange when people from the gold industry attack people from the crypto industry and the other way around, because both are basically anti-government monies.

And I think the new technologies that are coming up, they are a direct consequence of the erosion of confidence in our international monetary policies. So, from my point of view, the stock-to-flow ratio that is so important for gold – there's 190,000 tons of gold and the annual inflation is 3,200 tons, so basically 1.7%.

It is pretty similar when it comes to bitcoin. Bitcoin's inflation rate at the moment is 3.6% and it will slope lower. So the amount and the supply of new bitcoins, it kind of follows a preprogrammed, transparent, and predictable schedule. And this is totally unaffected by fluctuations in demand.

This extremely inelastic supply makes the prices of gold and bitcoin completely dependent on their demand and not on the supply, I would say.

So I think that when it comes to gold – physical gold, let's say – it is for the younger generation, for the millennials – it might be a barbarous relic, they don't care about physical gold.

But, at the moment, there are many gold-backed crypto things coming up, gold-backed stable coins and so on. I'm pretty critical when it comes to that because they are centralized, there is counterparty risk, some of them are extremely expensive.

So there is quite a lot of trust required for those gold-backed cryptocurrencies. But, from my point of view, when you know what's going on in the scene, there is so much financial but also human resource moving into this market. I think it's really interesting what's developing in this whole ecosystem.

So the big question for an investor – and I have to say that we're about to launch a strategy with physical gold 75% and 25% bitcoin – the big question is how will bitcoin perform in a recession or a market crash? Because we haven't experienced a full cycle yet.

From my point of view, I would say it will perform pretty good because there is very, very little credit involved in the bitcoin and in the crypto market. So normally, within a bear market or a crash, it's a reallocation of credit, it's a restructuring – so I think this is the main reason why those cycles in crypto are much shorter than general market cycles.

But, going forward, will bitcoin be around in 10 years? I'm not sure. But if it will be around, I think it will be significantly higher. I don't know, 50,000, 100,000, whatever. Or it will go to zero.

For gold, I'm absolutely certain that it will be around in 10 years and that it will have a monetary aspect and that it's probably going to protect you from monetary policy, from inflation, and so on.

But, I think, to put it in a nutshell, I think that crypto assets are here to stay. And in 5 to 10 years I think it will be pretty normal for every asset allocator to have at least some allocation in crypto assets.

Erik: I want to pick up on something you mentioned a couple of times in that last answer, which was physical gold bullion.

There is an argument that a lot of people have made, which is, look, if your reason for wanting to own gold in the first place is that it gives you some insulation from things going wrong in the financial system, then you don't want to own your gold through the financial system.

So, so-called paper gold instruments such as shares in ETF or futures contracts they say are not as good as owning physical gold in your possession.

To what extent is that real?

And if we look at something like even some of the funds that you manage. On one hand, you're running physical gold strategies, actually vaulting the bullion. But if someone is investing with you through a fund, to some extent that's a paper instrument. They've got ownership in a fund that you're managing through a piece of paper they hold. They don't have the gold in their own possession.

What are the tradeoffs in terms of physically holding your own bullion versus owning it through a financial asset like ETF shares?

Ronnie: Well, I think the answer is pretty easy. Every time somebody says, but I don't want to have paper exposure, then I say, okay, then buy physical gold. That's fairly easy and not expensive. And then you only have to care about how to store it.

I think this whole paper versus physical gold discussion, I think sometimes it's a bit naïve. Because we've got the same or even more extreme ratios when it comes to the paper oil or the paper copper market, but nobody is talking about that.

So I think we should not forget that gold is one of the most liquid currencies. It is basically traded 24/7. It's got very, very tight spread. And this, from my point, of view is also the reason why in liquidity crises gold is often sold.

And then most people say, okay, gold is now manipulated. But I think it is basically funds, hedge funds that desperately have to get liquidity just dumping their gold futures. That the main reason.

But I think when it comes to funds, we are managing some gold strategies. Of course the gold is not in our possession. It is in the possession of the fund, in Germany and, yeah, it's very, very much safeguarded. So I wouldn't take that as a criticism.

But, on the other hand, if you really want to hedge against extreme scenarios, if you want to really have what I call safety gold, then just buy physical gold.

But if you want to make performance, then you can buy mining stocks, then you can buy futures options, whatever. But I think people have to ask this question first: What is the motivation? Do I want to hedge against extreme scenarios? Or do I want to make performance?

Erik: Ronnie, final question. Let's talk about technical levels. Is right now a good time to be buying? Or is it time to wait for a pullback after this really big move up that we've already seen in recent weeks?

Ronnie: Well, I think, as I said at the beginning, we are in a bull market. There will, of course, be pullbacks. And I think it seems that gold is really back on the watch list and everybody wants to get in.

We have seen a very strong US dollar in July and gold held up extremely well. We have seen some profit taken off, but rarely. But it doesn't look toppy to me.

And I think the whole breakout happened on very large volume, pretty negative sentiment. And this big breakout from the four-year consolidation area, basically that the measured move would be the consolidation zone. The consolidation zone was 300 bucks, so basically the measured move would be up to $1,650.

We're seeing positioning, when it comes to Commitment of Traders Report, many people think it's negative. But I think this switch to CoT longs that we are seeing dominating the flows is just a sign and indicative of this buy-the-dip mentality.

And there are still remarkably few gold bulls in financial markets. According to the World Gold Council, we have seen ETFs at 2,500 tons at the moment, which is worth $120 billion. So that's still fairly small, I would say, relative to other asset classes.

Isaac Newton once said *truth is to be found in simplicity*. And if you have a look at the monthly and the quarterly chart of gold, it looks fantastic. It is confirmed by the mining stocks that look extremely good at the moment. It is supported by strong seasonals.

Pre-election years are very positive – the second half of the years, especially strong.

We are seeing that gold stocks – we crunched the numbers in the past 65 years. In 11 of 13 rate-cut cycles, gold stocks averaged a return of 172% so I think we're back in the bull market and just let's ride this bull market.

Erik: Ronnie I can't thank you enough for a fantastic interview. But, before I let you go, please tell our listeners, first of all, what they can expect to find in the *In Gold We Trust* report. They can find the download link in their Research Roundup email. Folks, if you're not yet registered, just go to our home page and look for the red button that says Looking for the Downloads, next to Ronnie's picture.

Also tells us a little bit more about what you do at Incrementum and where people can learn more about your services.

Ronnie: Thanks, Erik, again for having me. It's been great fun.

Well, the *In Gold We Trust* report, we are publishing it for 13 years in German, in English, and now in Mandarin. There is an extended version with roughly 340 pages, so you really have to take off at least a weekend to work through it.

It is a really high-level or holistic analysis of the gold market about opportunity costs, about hyperinflation, about gold and bitcoin, about mining stocks, technical analysis, and so on.

You can register for it. It's totally for free. This is basically – I feel a bit like a distillery, so I read quite a lot – books, research, whatever. And then I try to distill it once a year into the *In Gold We Trust* report.

Incrementum is an independent, and owned by entrepreneurs – wealth manager based in the principality of Lichtenstein, a very, very good jurisdiction, probably the best within Europe, I would say.

We are managing funds, we are doing wealth management for high-net-worth individuals. And you can have a look at our funds that are mostly, I would say, in the precious metals and commodity space on our webpage: https://www.incrementum.li ("li" stands for Lichtenstein, where Incrementum is based.)

Erik: Ronnie, 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.