MACRO Voices
with hedge fund manager Erik Townsend

Jesse Felder: The Party is Ending for Stock Bulls

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Erik: Joining me next on the program is Jesse Felder author of the Felder report and Jesse sent us a fantastic book of graphs and charts I strongly recommend that you download it. Our registered users at macrovoices.com can find the download link in your research roundup email. If you're not yet registered we told you earlier in the program how to get the download.

Jesse thanks so much for joining us. We've heard from so many people that are smart people really prominent people saying OK this is crazy, this market is overvalued, it's time for it to roll over and it was actually this week I saw one guy, very prominent guy, wrote that this is the most heinously overvalued market in all of history. Another guy wrote this is the most egregiously overvalued market. I'm thinking OK heinously or egregiously I'm not sure which is stronger.

But both of these guys left out the actual content from their articles about why they think now is the turning point and it's something I really appreciate about your work is you don't just talk about valuations being out of sight, which I think we can all agree on, but you see some very clear reasons and technical indicators that you think this thing's rolling over. So, why don't you tell us why that is and reference your chart book that you sent us?

Jesse: Thanks Erik, first of all thanks for having me on the show. I'm a huge fan of Macro Voices I catch it as often as I can and so it's an honor for me to be on the show, thanks.

I am guilty of that same thing I've been writing about the market being overvalued for a few years now and I am a value guy at heart, so people will probably be surprised at the first several charts in this deck that I put together because they're mainly technicals.

One of the main technicals I use is the DeMark sequential indicator. And this is basically just as a signal of trend exhaustion. So it tries to identify turning points in trends. One of the things I wrote about last week – so these charts are a couple days old – is that I'm seeing these trends exhaustion signals on a variety of indexes across a variety of time frames.

So, I’m basically looking at Spy, QQQ and IWM the three main ETFs I look at and I'm seeing exhaustion signals on daily, weekly and monthly timeframes. So, when I get those timeframes lining up like that and exhaustion signals on multiple levels, multiple indexes, multiple timeframes that to me tells me that this trend is at risk of coming to an end.

Another thing I really look at in this regard is a variety of breadth indicators and that also

helps me try and understand the strength of the trend. And when breadth is really strong that's a powerful sign of strong upward momentum and that's what we've seen in the markets for a long period of time until the last few months.

I really believe this last push higher in the stock market over the last few months is the final blow-off phase because these exhaustion signals are triggering but also because breadth is signaling that this final move up is really running out of momentum.

It's been all over the media people talking about how it's been just the fangs really driving the market higher over the last several weeks or if not months. We're seeing things like on balance volume that's really fallen off, even with the S&P hitting a new high this week it was only more than a third of the stocks in the index trade below their two hundred day moving average. So a lot of stocks are really starting to fall off at this point.

Then one of the most fascinating charts I think this is 14 in the deck is the ratio of the equal weight Spy to the market cap weight and when this ratio is rising it means that all the stocks in the S&P 500 are really participating pushing the index higher. When the ratios falling it means there's fewer and fewer stocks pushing it higher and the correlation between the S&P 500 and this ratio is usually very positive but it's been very negative over the last two months in fact it's been the most negative we've seen since July - August of 2007 which was right around the top of the last bear market.

If you look at that chart you'll see almost every time there's a negative correlation between these two to the degree we're seeing now at least precedes a correction. Last time that we saw in 2007 July and then December of 07 we saw a big divergence in this indicator.

To me I'm seeing exhaustion plus breadth signals that are confirming that this up trend is very very tired.

Erik: Now in your e-mails that you sent us you made several references to 9-13-9 patterns and there's a lot of 9s and 13s in the first few slides here. For some of our listeners who might not be familiar with that particular technical methodology, what is a 9-13-9 pattern? What does the 9 mean and what does the 13 mean and what are the risk levels that you have identified that several of these charts indicate because I see in some cases you're going above the risk level which in normal technical analysis once you've gone above it, it kind means that it invalidates the signals. So, what are we seeing in terms of these indicators here?

Jesse: When I first started getting into technical analysis, I think it's in 2004 or 5, DeMark indicators are one of the first things I discovered that seemed important to understand and I actually met Tom and really had an opportunity to take his brain about how he uses these and I still kind of pick his brain on how these things work and really he's got a variety of indicators this is the one for me that I found is very valuable and works well with other technicals that I use.

Basically a 9 is either a buy set up or a sell set up so it's essentially 9 days in a row where you have a strong trend and so if you understand technical momentum it's kind of a 9 will be that kind of an Elliot wave, third wave type of a move higher which is just strong momentum. Sometimes the 9 days up is enough or nine weeks depending on the time frame, nine months is enough to have a short term reversal.

The thirteen that comes after that is the actual buy or sell signal and what I notice with these is that that's usually kind of like in Elliot wave terminology that would be the fifth wave move which is kind of the end of the trend which has a lot waning momentum as compared to the 9. So, a 9 is essentially a buy or sell set up, a 13 is the actual signal.

Now the risk level on the chart is actually once you get the signal you can calculate the risk levels essentially take the difference between the hot buy and the low on the day of the actual sell signal on the case of these charts and just add that range to the top to the high of the day you get the sell signal and if you trade above that range it invalidates the signal.

One of the things Tom told me about how these are used is that some of the greatest traders, Tom has worked for pretty much whoever's had the biggest hedge fund of the planet for the past 20 years. So, he's worked for Paul Tudor Jones, Steve Cohen and he said some of these guys – I think he mentioned Paul Tudor Jones in particular – in a strong trend they'll wait until the risk levels actually broken to put on the trade and you'll see in the QQQ that daily chart we got a 9 and then a 13 and then the risk level was broken and then it immediately actually reversed.

So, the signal was invalidated but if you were trading kind of in a Paul Tudor Jones way you might have waited until the risk level was broken to actually put that trade on because it's been such a strong parabolic move higher.

Erik: Of course the violation of the risk level to the upside might mean that it's about to run away from you and in each of these cases what we see is that started to happen and then it promptly reversed which means I think you got the call right on that one in each of these cases that I can see here.

As we move on there's another topic that I know you've written quite a bit about and I haven't heard a lot in the press about lately I'd like to come back to and that's corporate buybacks.

Back in the day corporate executives used to be hired to actually run the business for the benefit of the shareholders. It seems like the Wall Street mentality has crept into corporate management to where if they have suddenly this massive massive capital at their fingertips because of artificially low interest rates courtesy of the Federal Reserve you would think that they would issue a bunch of bonds in buy capital equipment and expand their businesses and hire more American workers and do all that but that's not what gets them a bigger bonus they get a bigger bonus by buying back shares in their own companies to take that artificial low interest rate and translate it into an artificially high stock price boost their bonus but just it just seems like – this what's the old quote – what could go wrong here ,what could go wrong here and where do you think, how did this how does this end eventually because I'd say three or four years ago people were writing about how crazy the corporate buyback boom was and how surely it had to end if the Fed started to taper, well the Fed's tapered and we still have this craze of corporate buybacks boosting share prices does this all break at some point and what happens when it does?

Jesse: Yeah that's a great question and you're absolutely right, what's the easiest way for a CEO to make his bonus, is to leverage the balance sheet by borrowing money to buy back stock and push the stock price higher and reduce the flow to shares outstanding so ETFs goes up faster.

I think this entire bubble and I think it's a stock market bubble was started and really predicated on the price insensitive buying by the Federal Reserve, quantitative easing essentially. We're just going to buy bonds we don't care the price we're just going to buy this amount every single month and that price insensitive buying was kind of the lead sled dog that enabled price insensitive buying on the part of corporations to buy back stock and also has encouraged price insensitive buying by individual investors embracing passive investing.

So, I really think we've just seen an incredible amount of – I call it – price insensitive buying and I think really it was, GMO, Jim McGrantham's firm coined the term a couple of years ago but it's just a pattern of price insensitive buying that spread into essentially every market participant and so paying attention to who's the lead sled dog is the Federal Reserve and the central banks around the world they have tapered and now they're talking about reducing the size of the balance sheet and that should be a wakeup call I think in regard to a lot of these strategies.

Buybacks have already started to drop off and I think that's just because a lot of companies have leveraged up, you look at a chart I didn't include is you look at corporate leverage and where it's one that just Jeff Gundlach shared in a presentation recently and said leverage is back to all-time highs corporate debt to GDP and yet leverage is off the charts.

But the next chart in the deck here just shows a massive amount that's flowed into ETFs so far this year and to me this looks like people are looking at margin debt these days another chart I shared in the in the deck to look for a sign of just massive risk taking and usually at the last two stock market peaks we've seen a huge surge in margin debt but we're not seeing, we haven't seen that this time margin debt to GDP is at an all-time record so I don't think people really have the capability of leveraging up like they did.

But if you look at the inflows into ETF right now and it's just massive to me this looks like a final surge into these products that-- it's a capitulation of everybody who's held off not wanting to get invested for one reason or another they're finally embracing passive investing in a huge way to start the year.

Erik: Now if we go back to page 21 here in your deck where you show quarterly share repurchases it does seem to be turning back down in the last two or three quarters and this chart looks like it's only through the end of 2016 do you think that's the beginning of a secular reversal and do you think that that could be driving maybe the top that you think we're seeing in equity markets or is this just a blip here?

Jesse: I think this really goes with the credit cycle too right because it's the availability of credit that has allowed for this buyback boom and if you look at for me all the signs in the credit cycle show that it's turning I mean the consumer is the biggest part of the economy and we see credit card defaults rising, we see auto loans, trouble starting in auto loans and banks are starting to reduce credit availability.

The only part of the credit market that's still thriving right now, is the investor driven part of it, its investor money flowing into leveraged loans and these things and to me that's just psychology that's just investors not understanding that we are very late in the credit cycle.

I think if that investor psychology shifts in credit and with oil selling off recently I really think we could see that psychological shift any time now. High yield usually is pretty

closely correlated with oil at least it has been in the last couple years and so if the credit cycle is turning there's no doubt in my mind that the money that's flowing into the markets from buybacks is going to be dramatically-- this this trend will continue meaning that buybacks will continue to fall.

Erik: I guess that sort of begs a question then which has if the equity market starts to turn down as you've suggested and particularly if we get towards recession that tends to drive bond prices up and yields down at least in the Treasury curve.

So, if we were to see a return to a secular low Treasury rates do you think that that sparks another round of corporate buybacks or do you think at that point the corporate credit market is kind of dried up regardless of what happens to treasuries?

Jesse: If you just look at this chart and you see that the massive amount of buybacks that we've seen over the last three or four years we really only saw like a couple quarters of this in 2007 before it reversed. I include that, I'll send another chart that shows that corporate leverage.

Corporations just do not have the [indiscernible00:13:47] to lever up any further to buy back stock. It would take a massive-- especially if we were to see a slowdown, an economic slowdown right that hurts their earnings and [indiscernible00:13:57] these things then that absolutely puts a nail in the coffin in this buyback tinge.

I think the only way we could see buybacks really resume is if we did get a big economic resurgence that would really help with earnings and allow companies to continue to lever up but that's highly unlikely in my view.

Erik: Your last chart here shows VIX futures positioning and I want to touch on that as I shared with our listeners last week I actually saw a tweet on Twitter where one of the Twitter guys went out to a restaurant and the waitress at the restaurant is short the VIX through the ETF.

I talked to Raoul Pal about the short the VIX trade and he said it was just so overcrowded like a year ago because so many pensions were just piling in to this ridiculous idea that you can basically camp on the contango in the VIX term structure it produces a very very attractive carry and you're basically writing disaster insurance with no reserves what could go wrong here and how far could this go is the question I asked Raoul.

Well now it's gotten to the point where the waitress in the restaurant is short the VIX how much partner can this go and what happens next in terms of volatility in the market?

Jesse: This trade is unbelievable as and for me what is really the most maybe worrisome part of it is that these products have not been around very long. If you look at this chart it's really since 2011, 2012 that these products have traded anywhere near the size that they're trading in today. In the last bear market they were nothing, they were insignificant.

To me I think it's not only this massive short VIX trade but there are ton of strategies that are essentially now volatility targeting strategies. So, I'm going to adjust my equity exposure based on the level of the VIX in a variety of different ways maybe the most well-known one is risk parity and we'll use volatility targeting measure equity exposure but there's insurance companies and all kinds of other strategies that are just pure

volatility targeting.

So, what I worry about is that if you have this massive short VIX trade and you do get a jump up in the VIX it's got to be some kind of unforeseeable event probably that would inspire the VIX to double from 10 to 20 overnight and these guys realize they can't hold on to this short position if the VIX is going to go to 30, 40, 50 and they're short this much of it at 10 that can create a huge bid for the VIX.

On the other side of this trade are commercial hedgers who have been getting long VIX to enable these guys to get short VIX and what do they go do with their long VIX they go buy S&P to hedge out that exposure to long VIX.

So, as these guys have been getting short VIX over a long period of time the first thing to think about is it's created a bid in the S&P, persistent bid in the S&P for a long pretty time just hedgers in these VIX futures going and buying S&P.

Now if this trade starts to unwind and these guys have to cover their shorts commercial hedges have to sell VIX and then sell their S&P hedges and then you have volatility targeteers on top of this including risk parity but I've seen estimates that could it be two trillion dollars invested grows in strategies of volatility targeting and they're all trying to unwind at the same time.

To me it just smacks of portfolio insurance and like you said Erik when it gets to the point where it's the waitress who is selling VIX and recommending it, it's reminiscent of all of these famous disturbances – to avoid the word crash – disturbances in the markets that we've seen historically over the last hundred years.

Just to add to your story I had somebody who approached me on Twitter recently telling me that his Uber driver was telling him to sell naked put options against the S&P that you could never lose money in the trade and so it's fascinating to see where risk appetites are today because these trades have gone so far, it's astounding.

Erik: The thing that really fascinates me about this particular situation with this massive massive buildup of short interest in the VIX is that I struggle frankly to understand it. If you take a normal futures trade, let's say everybody is in the same side of the boat they're all long crude oil, what happens everybody is on one side of the boat price starts to go down they all bail out they all sell it once, it's very clear the result is crude oil sells off on the price goes down, that's easy to see.

But when you look at the VIX as you said there's commercial hedgers so if all of a sudden the VIX doubles overnight everybody gets stocked out that causes a massive wave of VIX futures buying. So, the VIX futures are at 35% even though the underlying stock market is not at 35% in terms of actual realized volatility. There's a huge number of triggers that happen is you just said.

I don't know what they all are I can't get my head around all of the different knock on effects and consequential implications of VIX futures, suddenly starting to trade above 30 and what arbitrages that opens up.

If I can't get my head around it that means a lot of other risk managers don't really know what risks they're taking when they put this short trade on and it just scares the crap out of

me Jesse as to what could happen when we all realize one day in the postmortem, "Oh we never realized how much risk there actually was in this massive buildup of short volatility" which everybody just takes as if it's nothing.

Jesse: Yeah and it's really reminiscent of portfolio insurance which was blamed for the 87 crash I don't understand all the dynamics either but it's something to me that is obviously something we've never seen before and one of the main things I worry about is in the news lately it's come out that algorithms and computer based trading is now driving 60% of the volume in the stock market these days and actual active investors are all responsible for 10% or less of the volume in the stock market these days and I think the main just kind of big picture thing I worry about in terms of the algorithms and things is all of them are based on the last 20 years, 30 years, 40 years maybe 50 years of trading and they say well this trade, this VIX trade can't go wrong because it's this is never happened in 50 years of history.

Well the VIX is only 25 years old or something and so we don't have that much data on it in history but I guess the argument behind it is this is never been a problem the past. The VIX has never gone up fast enough to cause it to be a problem in the past.

It just reminds me of the housing bubble they said housing prices have never gone down a nationwide basis year over year it's never happened before and I think it was Jeff Gundlach who said recently as soon as you hear people use the term never it's about to happen and so for me when you hear people talking about that could never happen to the VIX, well that's for me a red flag going up.

Erik: Well the other thing too in addition to what you mentioned is that the traditional providers of liquidity in the market don't exist anymore. We don't really have market makers because high frequency traders have run them out of business and even in the 2008, 2009 crisis we had those traditional liquidity providers in the market.

So, what happens if it takes all of 31 milliseconds for all of these high frequency trading algorithms to say, "hey something's wrong pull out" and suddenly there's no buyer of last resort or provider of last liquidity and it makes me wonder, we've talked through it a few scenarios here you mentioned the 87 crash and what happened there, we've talked about the VIX and the structural nobody's sure what could go wrong. On the other hand some of the other things that you mentioned around buybacks, that's kind of a trend that's going to taper off and eventually reverse.

So, when you talk about maybe we're at or very close to a top here, does that mean to you that a crash is imminent or does it just mean that maybe a trend reversal is going to slowly began and we're going to drift lower from here in terms of where markets hit?

Jesse: It's my belief that a crash is as high a probability today as it's ever been. Now a crash is not a high probability event and I don't even know how to start to go put a probability on it. but looking at the underlying dynamics and just thinking about-- it's the price insensitive buying that is driven prices higher over the last seven or eight years in every market cycle we've seen that type of buying turn into selling and so there's liquidity on the way up when all these price insensitive actors in the markets are buying there's liquidity on the way up.

But if all of these let's say passive investors decide to become sellers and this is just human nature it's how it works then you make a good point, who is there to buy, there are no

market makers, how many value investors are there left in the market to say OK, stocks are cheap now I'm going to step in and start buying. All the money has flown out of active.

So, I wonder who is going to step in to buy in an event where we start to see price insensitive selling and then that maybe begs the question of maybe the gang who started it all in terms of price insensitive buying steps in and starts to transport the stock market but we're getting a few steps ahead for the Fed to try and buy equities but we have to see a crash type experience I think.

Erik: Well I think the other important point that what you just said kind of brought to my mind is active is not where it's at. Most of what's going on in investing now is passive index investing. So, what you have to worry about is when the long term buy and hold not going to touch it not changing anything people, when the owners of those assets panic and lose faith in the institutions that they've placed their trust in, well look at what's going on around us in politics in terms of riots in the streets people who either love Donald Trump or hate Donald Trump are literally at each other's throats beating each other with baseball bats because our societal mood has become so reactive and so violent.

So, it just makes me think boy if there is a small panic where people start to say they don't trust financial institutions at all just give me all of my money I want it in cash, I'm taking it out, I don't care about staying invested for the long haul. If that gets started boy it could run away quickly and I don't know what would happen at that point.

Jesse: Well yeah and that's a good point that could be a catalyst and a catalyst I think about too is just from a demographic standpoint. The only people who really own equities these days are baby boomers and so I think a lot of this push to pass investing is just a function of baby boomers getting more aggressive with their allocations and thinking that if I'm passive then I can put 60, 70, 80% percent of my money into the equity markets instead of doing something more traditional would be a 100 minus my age should be my allocation to equities and that would be, for a lot of these baby boomers, 30, 40% allocation of stocks.

I've seen anecdotal stuff. The Wall Street Journal ran an article recently showed a dentist who is I think in his 60's or something maybe close to 70 a retired dentist who has 80% of his money in the equity markets right now if market starts to sell off and baby boomers realize they're way too exposed to the equity markets that might be all it takes to say 60, 70, 80% is too much exposure for a retiree and that could turn price insensitive buying into price insensitive selling.

Erik: Another topic that you've written about is a secular shift away from financial assets in favor real assets things like land and gold and so forth. I really just couldn't agree with you more in principle that that has to happen because you look at the financialization of the economy over the last 30 years or so and we've gotten to these just crazy high valuations for what's really just paper someday it all has to fall apart.

But frankly Jesse I started reading Dr. Chris Martenson writing about that subject a good 10 or 12 years ago and it hasn't really happened yet in terms of a major trend so what are the catalysts and triggers that eventually cause an exodus from financial assets into hard assets?

Jesse: That's a great question and basically I ran across a chart year or so ago and I'll include this in the chart deck also it's basically the ratio of financial assets to real assets. You look over

long periods of time during the high inflation of late 70's, early 80's you see real assets very highly valued that was the best time to be a buyer of equities that we've seen in our lifetimes since 82.

We're essentially the opposite today where financial assets have never been more highly valued in history. If you look at my chart on page 20 of the deck here it shows that corporate enterprise value to sales and essentially this is equity and debt corporate equity and debt relative to their sales. This ratio has never been higher in history.

So, to me that shows it's not just stocks that are overvalued, its stocks and bonds and if you look at the ratio of financial assets to real assets, real assets have never been cheaper in history. So, if you're a value guy like me, you go OK, real assets, that's interesting maybe that's a long term trend, that's going to be interesting over the next ten years.

I think what changes it is probably a longer term secular-- I think the most obvious thing would be a shift in inflation I think as long as we see inflation remain tame, financial assets are going to be preferred over real assets but if inflation starts to pick its head up again I think investors will be encouraged to look at real assets and what might catalyze something like that-- I look at almost everything Donald Trump wants to do and this is not a political comment this is just from the standpoint of looking at it from an economic standpoint, it's inflationary. He wants to be more of a trade protectionist that's going to raise prices. He wants to rebuild the infrastructure, well you have 4% unemployment where are you going to find people to build a wall on the border you're going to have to pay a ton of money to find those people.

There's a lot of things that he wants to do that are inflationary and right now doesn't look like he's going to be able to get his agenda across but I think in the next recession one trend we might see around the world is the monetary authorities essentially handing off the baton to the fiscal authorities to say hey guys we are 0% interest rates we have been forever this isn't working it's not helping the economy, you guys need to start pulling your share of the weight and seeing fiscal authorities really start to get involved and that's where I believe where inflation will start to take off again.

Erik: I'd love to get your feedback on a view that I've held for several years which is people ask me where is all this headed and I say I have no idea how long it takes but the end game starts when you get to runaway inflation and the reason I say that is no matter what goes wrong if central banks can print money out of thin air and get away with it and use it to solve problems and just throw money at whatever is bothering them that works it has to at least kick the can down the road.

When you get to a runaway inflation backdrop where central bankers hands are tied they cannot conjure more money out of thin air because that would just exacerbate the runaway inflation and push us into a true hyperinflation, that's to me where the end game starts is when their hands are tied by runaway inflation.

Would you agree with that view and do you have any opinion at all on how far away we might be from a situation where the options available to policymakers are limited by inflation?

Jesse: Yeah, I think it's this dynamic between the fiscal and monetary authorities. Monetary authorities can do almost whatever they want as long as the fiscal authorities are staying

so conservative as they are now you might sound silly but Europe has experimented with austerity and so the central bank, European Central Bank, can almost do whatever they want and it's not going to be inflationary because the fiscal authorities are being so conservative but as soon as the fiscal authorities change that policy, change that view and say we have to do something, we have to put people to work, we have to do this-- then that essentially puts the central banks into a bind.

If inflation starts picking up because fiscal authorities start becoming really aggressive that does put them in a bind are they going to enable it right by buying the bonds directly from these sovereign entities or are they going to have to turn their attention to fighting inflation I think that's when it gets really interesting.

But to me the main thing I'm watching is watch the fiscal authorities, see what their plans are because in the next economic slowdown I think they're going to really-- the central banks are going to say hey, look guys it's your turn and if the fiscal authorities really start to get aggressive it will potentially kick off that process you're talking about.

Erik: We've talked about a secular transition eventually from financial assets into real assets you've talked about being a value guy so I'm sure the gold bugs in the audience want to know where you stand on gold because of course one argument is gold is the ultimate real asset and some people would say it's cheap here you ought to just back the leverage truck up and buy as many gold futures as you possibly can or physical gold if you're in that camp and put all your money there.

Is gold actually cheap here, do you think that the deflationary wind in the air and the general turnover, look at the CRB index rolling over, if you believe that gold trades with other commodities, commodities aren't looking real good right now although a lot of people don't hold that view. What do you see for gold and precious metals in general looking forward?

Jesse: I'm bullish on gold I think it's in this era of experimental, unprecedented experimental monetary policy it's, as Stan Druckenmiller said a year ago, it's the only currency that I really want to own longer term shorter term. Shorter term there's a lot of different dynamics going on and watching the dollar, yen and whatnot but I think longer term I really do like gold and I think it goes a lot higher.

Now for me as a value guy from an investment standpoint I focused mainly on some gold mining stocks over the last couple of years. Some of the gold miners at the end of 2015 you could buy them as a traditional net stock essentially by them at 50% discount to their liquidation value and there are some that still trade significantly below book value which is for me a very attractive way to play gold because it builds in a margin of safety for me.

But I'm definitely bullish gold and I think right now it's battling that down trend line and it looks like it broke out recently but then it gave it right back in terms of DeMark signals we just did get a 9, buy set up yesterday on the daily chart so it could be close to another near term bottom but I think we need a catalyst for gold to get up above that six year down trend line that it's been doing battle with over the past year and a half.

Erik: I'd like to change gears now Jesse and talk about your own experience with finance you've described yourself as just a totally committed finance geek. You obviously love this stuff, you love writing about this, you've made time for our listeners by giving us this wonderful

interview today.

You ran a hedge fund almost any sane person would think J if you're doing all of this work, spending all your time and energy on the markets, surely you would continue to run a fund and be compensated by having other people invest alongside you.

You got to the point where you preferred to just walk away from running other people's money and just focus on running your own money and family money but you still seem to have the energy to do interviews like this and publish a fantastic newsletter.

What's going on with you that soured you on the professional money management business and why do you prefer just to run your own money at this point?

Jesse: That's a great question really what's most rewarding for me has been educating people. I think this is-- they say may you live in interesting times, we live in some fascinating times and for me it's been very valuable to just share my thoughts with people who are looking for a different answer, something that they don't hear on CNBC. I really think right now this passive propaganda is so strong and there are people out there that want to hear something different.

So, for me it's been trying to just educate people. I think with running money and raising money and these types of things there's so much more that goes into it besides just doing the research and the investment side of it.

A lot of people ask me about starting businesses in these types of things and one of my favorite books in that regard is that E Myth, the entrepreneur myth and Just because you like baking doesn't mean you should open a bakery and so I'm not a fan of the business side of Wall Street and so that's why I focus on the parts of it that I love which is the research and investing and then just sharing my ideas.

Erik: Well and you've been incredibly generous doing that, The Felder Report is a great newsletter. I believe you've also just launched a podcast of your own. So please tell us tell our listeners where they can find out more about your work, The Felder Report what's in the podcast and what's available.

Jesse: thefelderreport.com is a blog that I've been writing since 2005 and yeah I just recently started a podcast I was inspired by Macro Voices among a couple others to really do it myself and there's just a number of people that I talked to that I consider super investors. People who have really inspired my process over the years and I said shoot why don't I just record some of these conversations I'm having with these guys and put it up as a podcast.

So I interviewed Eric [indiscernible00:36:35] small cap manager who doubled the return of the Russell 2000 over the past 20 years or something. Interviewed Bill Fleckenstein he’s a friend of mine and we had a just a fascinating conversation and the newest one coming out is I finally got to interview my friend Todd Harrison who ran Minyanville, Cramer Berkowitz hedge fund and we talked about his new venture in cannabis wellness space.

So, there's so much fascinating stuff going on out there and I think I'm in a privileged position to be able to talk to some of these guys and share their wisdom with my audience so that's what it's about .

Erik: So thefelderreport.com is the place to look for the blog I assume the podcast are at the same URL?

Jesse: Yes thefelderreport.com/podcast.

Erik: Fantastic final question because all of our listeners I know have been wondering this, dude what is with the picture on Twitter? Is that you, are you at the top of Mount Everest ,what's going on there?

Jesse: Yeah the beard, so I think it was late 2014 actually September 2014 market had gone straight up through 13 and14 and I said, I tweeted, I said I'm not shaving until we get a 10% correction because we hadn't had a 10% correction in like five years or something, maybe not that long, three and a half or something and the market probably went down 9.8% in September of 2014 and people were tell me just round up, round it up to ten and shave.

I said no, it's not ten it doesn't count and so I didn't shave for 11 months and until the August 2015 sell off when finally we had our first 10% correction in four or five years or something and so that's finally when I went and shave the beard off, but yeah the beard got pretty epic there for about 11 months.

Erik: Well finally we have unearthed a story that I know many people on Twitter have been wondering about for years.

So I can't thank you enough Jesse for a fantastic interview. Patrick Ceresna and I will be back as Macro Voices continues right here at macrovoices.com.