Alex Gurevich: ZERO evidence the secular bull market in bonds is over

June 29, 2017

Please note this was transcribed to best of the ability of the transcriber and may have minor errors. Please refer to the podcast itself to clarify anything.

Erik: Joining me next on the program is Alex Gurevich the CIO at HonTe Investments. Alex it's great to have you back on the program.

I want to start with the news that seems to be on everybody's mind this week which is poor Mario Draghi he's apparently been misjudged by the market according to the ECB and of course the Bank of England is in the news this week, give us an update on what's happening with the central bankers in Europe and the U.K. and what do you think it means in the big picture of how it's going to impact global markets as we see maybe a change of direction to more hawkishness from the ECB

Alex: Hello it's good to be back and the subject is definitely ECB and also Bank of England. Generally I think that would have developed a pattern over the last few years of ECB throwing curveballs to investors and the volatility after ECB meeting sometimes is somewhat strange.

Some people may remember the December 2015 ECB meeting which closed a huge move on euro interest rates while the message was rather mixed.

Personally I think that the ECB message is staying rather mixed and rather consistent. They are kind of switching towards tapering and towards a slightly less dovish stance it's very hard to call it hawkish. If they have negative interest rates and purchasing assets at a little slower pace and that may or may not happen sometimes several months from now.

So just think about how many layers we have here, we have fuel negative interest rates, we have them still aggressively purchasing assets and increasing their balance sheet and they are talking about possibly setting a time to decrease the pace of purchasing those assets, it's like we are talking about 4^{th} and 5^{th} derivative here and all of this probably not happening until 2018.

So, I think today's market is just being skittish and they read Draghi a little too dovish a few months ago or a few weeks ago and they read him a little too hawkish now but in reality where are we going to be six months from now really has nothing to do with the current volatility of interpretations.

Having said that we are kind of almost in unprecedented area here, we have a central bank talking about tapering, we have one precedent of QE and tapering which of the United States.

There is no rule that it has to go exactly the same way but we have one thing to guide by and what happened after us tapered, we had a kind of knee jerk selloff in U.S. bonds which actually a few months later rectified and ended up in a huge rally.

So, tapering didn't really cause interest rates to go up however it did cause dollar to go up and very dramatically and this is part of the reason one of my core positions for three years has been to be short euro from somewhere early 2014 to early 2017 and I've closed down this position entirely and I'm focusing now on being short Swiss francs in that sector.

The reason is that I am worried about the euro rally if you looked at short euro over long dollar versus short euro it has very good carry for dollar and interest rate differentials are still very high and very favorable to dollar. So, euro would have to do really well over the next ten years for you to lose money by being short euro but the risk reward is just not as good as it used to be given the risk of ECB following through to this strategy of tapering and maybe gradually beginning to get rates to zero. I don't know how many years it will take them to go to positive rates if ever.

The reason I wouldn't be long euro is because I'm just not sure whether it's all going to happen because U.S. may start rolling over very soon and if Europe sees a contagion of slowdown they're probably never going to follow through with getting rates even to zero. So they will just forever carry on very severely negative interest rate which I think eventually will erode euro. So, it's kind of a two sided game to me.

However to me why it's a little interesting is because those guys are not tapering squat, they're just kind of sit on a real negative rate and they're going to be happy with that because they actually want Swiss franc to be weaker and it is very strong against the euro, it's much stronger than they thought was already very strong which was 120 and I think if Europe will go with the positive way we think euro-Swiss will go to like 130 and Swiss National Bank will be very happy with that.

On the flipside, Swiss franc is not so cheap against dollar either and if the euro's going to be weaker it's going to probably drag Swiss franc with it and all along the [inaudible] for being short Swiss franc.

We've seen the decoupling beginning to happen today like Swiss franc is beginning to weaken against euro I think it has much further to go and the only way Swiss franc can strengthen against euro is if there'll be some kind of geopolitical or any kind of other meltdown that's what I would be worried about if I was the other way on euro Swiss.

Erik: Let's tie the euro conversation back to the U.S. dollar because we've had quite a few guests on the program articulate very intelligent sounding logical arguments that are bullish the U.S. dollar but boy look at the chart especially in the last couple days as we're speaking on Wednesday afternoon the last couple days of action in the dollar index has been just falling off a cliff. Is that transitory just as a result of the euro rallying or is there more to this picture is what's going on with the dollar?

Alex: Well I think I would separate it may be into several different ways to look at it. First of all I'm not a big chart person having said that each of the last three years including 2015 and 2016 right around this time was the peak of dollar weakness towards the end of June and then dollar picked up in the second half of the year so we have a little bit of historical pattern there and dollar it's still stronger against developed markets than it was a year ago or two years ago.

So, I would not read too much into this I think broad dollar index was kind of in a corridor for the last couple of years I think the general tendency still for dollars to go stronger if you look at a long enough chart and if instead of looking at price charts which I have not fully meaningful you look at total return charts which are much more meaningful because they actually reflect making or losing money and total return divergence if you look at dollar/yen or dollar/euro that's already beginning to significant accumulation of total return of a the last two or three years that's several extra percent because a dollar carries a couple of percent against the euro and yen and 25% against Swiss over two, three years that accommodates pretty serious difference on how charts look.

So, that's the same with emerging markets on the other side all this stuff like Brazil and Mexico and Turkey perform much better than they look on the price charts because there have huge carries and I think people looking at the price charts just look at wrong charts that's one of the practice I have.

Secondly I am not necessarily a very strong proponent of this very broad unconditional dollar bullish story. First of all to me dollar bullish story is contingent on interest rates proceeding as they are priced which I think it's very unlikely but it is important to accept the reality of the current markets. If you look at the U.S. yield curves it currently prices rates albeit very slowly but keeping to go up.

I think it is somewhat preposterous to think that two years from now Fed will be tightening the curve should be inverted from one year out all the way out that's my economic view buts as it is not and if the price is what we currently see I think a dollar would have to continue strengthening because otherwise in order to catch up to that type of interest rate differential dollar would have to be weakening really really considerably over the next ten years because interest rate differential is so high versus yen and Swiss franc and euro that the only way you can lose money by dollar weakening another 25% and I don't think it's--- its possible but I don't think it's just the most likely scenario.

So, when I look at total returns I think dollar is favored by the current level of interest rate and therefore it is a superior trade to be long dollar yet you can combine it very well being long bonds because if you're wrong on the interest rates you're going to make much more on the bond side and then you will lose on a dollar that's my view.

But having said all this I think it is important to understand that for two years like 2000 we started dollar bull market with the idiosyncratic weak yen market in 2012 it was not a broad dollar bull in 2012 it was just a yen bear 2012 and 2014.

In 2014 and 2015 and in the end it ended up to 2016 as well it ended up to be broad dollar bull market where the dollar was going up against everything and one by one various emerging markets currencies were collapsing Kazakhstan and Azerbaijan and Tanzania's and Nigeria's were all like one by one falling like dominos.

I think that process may be at least partially arrested and now we have to look at currencies individually it is very possible that we may enter idiosyncratic euro bull market but euro bull does not mean dollar bear against all other currencies it just means that euro might performing as well as dollar or better than dollar but I think there's of other currencies which have way to go down for example to me that Mexican peso is an uptrend, the ruble has been doing well even though it's beginning to show some signs of weakness now yet I think currencies like Swiss franc and Canadian dollar possibly New Zealand dollar there's a lot of downside.

Erik: You've mentioned the Swiss franc having being overvalued that it being a lot of downside what would be your favorite pair to trade that against you would go short Swiss against long what if you want to make that trade?

Alex: Dollar.

Erik: OK so long dollar short Swiss?

Alex: Yes, it's the portfolio best because it's a very good risk on trade which I think will do well if oil does well and it pairs really well with being long U.S. treasury bonds.

Erik: A lot of people have written about the so-called Trump reflation trade rolling over and I think you've written quite a bit about this in some of your letters to your subscribers. If I look at the commodity charts boy CRB you know the commodities definitely are echoing that story but it seems like the S&P 500 didn't get the memo if things are supposed to be rolling over.

What's going on with this very strong divergence that we're seeing with so much strength in U.S. equities when we're seeing weakness in so many other sectors?

Alex: Well you know when people stump me by saying why certain market goes up or certain market goes down I just end up having to say well this market is going up because there's more buyers and sellers in the end that's what it comes down to when you're looking at something going up well that means that the flow is coming in and there are buyers.

The stock market it's difficult to gauge. I mean I think so many people are trying to see where it should be or what it should be doing and I think it's a very very difficult occupation to be gauging what stock markets should be doing.

I think interest rates market is much easier and that's why I prefer to trade that market because you actually have to have everything settled eventually. Bonds either default or they don't default interest rates are being set to actual libor settings and if you hold your ten year notes long enough and fund them at whatever the funding rate is you either lose money or make money.

Stocks rates is a very unhinged thing very hard to say are they going to do and why yet in my opinion you've probably seen me writing about this they whole Trump reflation trade was through a very long shot speculation.

So, we have a new administration it says that it wants to do certain things and market took it to re-price treasury bonds by a hundred basis points, re-price stock market, re-price dollar and a whole bunch of out of things but nothing yet happened. None of the stimulus promised by the administration has et happened and honestly right now we're in no better place than we were six months ago the only thing that did happen is in 2016 dollar strengthen which led to somewhat incremental tightening of economic conditions and what else happened is that interest rates went up and long term interest rates stabilized and they are not at the high now but short term rates did go up and that is not huge it's not like catastrophic, one and a quarter percent short term interest rates are not a cause to call police but it is very high. So, all we have is a lot of speculation and incrementally tighter economic conditions.

Now I think some of it has been offset by rising asset prices like in stock markets because rising stock markets can kind of create wealth effect and create some artificial easing of monetary conditions but I think lately stock market is still doing well but it's kind of stabilized so you don't really have that continuous wealth effect going as a like a total title wealth of wealth coming behind us and we are seeing somewhat soft economic numbers and it is really not surprising I mean if you ask me six months ago or nine months ago I wouldn't be surprised to see it and I think I have been talking about this a lot like well all this defacto tightening of 2016 would not show in the numbers in winter it takes at least several months if not longer for anything to feed into the economy.

So, we're beginning to see a historical pattern I think we're bringing a situation which occurs on a tightening cycle slowly matures. For example you were asking me why equities are making highs well, they make new highs at the end of 2007 and I'm not saying it's only in 2007 but in the end of 2007 from the perspective of the general public things blew up in 08, 09 but really but really things blew up in 07, things already blew up in 07. The financial market freeze had happened the Fed was already forced to take measures to ease by then and the credit spreads were blowing out already and yet stock markets were still pushing to the new highs propelled by I guess anticipations of easier Fed policy or by whatever else. So, stock market is not necessarily a very reliable indicator t is just what it is.

Erik: Let's come back to the treasury market thing because I know you do quite a lot of work there. We had about a year ago Jeff Gundlach putting a nail in a coffin supposedly saying OK that's it one spot thirty five whatever that low yield on the ten year was he said that's it we'll never see lower the secular reversal is upon us. Do you agree with that view or do you think that we may still have lower treasury yields yet to come in this 35 year bull market in the U.S. treasuries?

Alex: First of all kudos to him he did have some really good timing calls on treasury markets I don't try to time as precisely as he does. What I would say is that I don't think in terms of yields lows on yields I think only in terms of total returns once again. What I'm thinking which is very different yields charts are kind of meaningless you have to look at the roll adjusted futures charts and total return charts are you making money or losing money by holding and funding your treasuries as a leveraged trader.

So if you bought a ten year note at 135 which is whatever was the lowest yield last summer I actually think you will have made money by the time it expires because I think the average rate from there on for the next ten years is more likely to be below leverage funding rate for ten year note is more likely to be below 135 than above 135 whether the actual yield, the actual yield can go all sorts of places because it's an asset it goes up it goes down who knows that's what is really contingent to say whether we had the lows of yields in the near future would be the same for me as to try to predict the depths and the scope of nearby recession which is very hard.

Having said all this I see absolutely no signs of secular bull market and secular disinflationary trend like zero not even like a tiniest tiny bleep of a sign of the end of a secular market.

All the negative like inflationary signals that we've seen were purely cyclical there has been no secular signal at all nothing happened over the last year that has not been extremely consistent with the last nine corrections on the bond markets which were from 94 there was maybe like eight or nine major corrections in U.S treasuries and the last correct in the scope in the velocity was just extremely similar to the previous ones and it ended at what I called the end of it, that's when the end happened and it's been behaving very very consistently. The pattern is so repetitive that I see no reason to think that this cycle is ending.

Erik: Now of course if you're going to have a view that's bullish treasuries you've got to think about inflation some people have said the major deflationary trend is ending and we're going to shift back to an inflationary secular backdrop, would you agree with that, where do you see the inflation trend going?

Alex: I see absolutely no reason to think that. I have like zero evidence over that. I see some cyclical inflationary forces like yes we have cyclical a little tight libor market we had a cyclical up pick in wages which may or may not fit in actual prices but I don't know where people are getting secular ideas from.

I literally cannot understand where they see even the tiniest sign of secular inflation it may happen don't misunderstand me it may very well be true but I find that idea that we have secular shift in inflation completely speculative at this stage. I see what I know what I know is I see the trend I see the cycles I see things that have been in place for the last several decades still in place.

Erik: We've had several of our guests suggest that the European Union is maybe at the beginning of the end and that the exit contagion is probably higher than some people especially recently it seems like everybody's breathing a big sigh of relief that everything is all cured for the European Union. I'm not so sure that it's cured.

So, how do you see the situation evolving for the European Union I know you particularly are interested in the Swiss franc as a currency trade what else do you see in terms of macro opportunities around Europe?

Alex: I'll be honest with you ever since Europe Union was formed I've been a skeptic of it. However, it has consistently surprised me by being a more durable than I would have thought possible, interestingly I was correct about 10 or 12 years ago, it's hard to document but somewhere in 2004, 2005 I said I wouldn't want to be long all LIBOR futures which imply rates above zero in Europe for essentially ever.

I think I had this view for wrong reasons but weirdly it came to be true but I was also generally skeptical of Europe I think over the last few years I turned around and I actually started to favor European equity markets and it turned out to be more correct to a certain extent.

We are in unprecedented territory first of all European union, Europe without wars we've never seen anything like this before I don't know people are in a hurry to give it up in some ways so there's very strong attachment many people have this idea of European union and yet we're are heading a very big geopolitical shakeup of the European Union partially exacerbated by the refugee problem.

When brexit started to happen one of the things I said well you know the English and the British in general have a very good track record of basically sealing off when they have troubles on the continent so it's like whenever they have troubles on the continent they close the channel and manage to seal it out quite well. We have hundreds of years of history of that happening and maybe they are correct to close the channel.

I think it's very hard to speculate I think European Union can surprise people by its resilience but it also can surprise people to how quickly it could disintegrate from visible peace and stability to total chaos.

Erik: Let's move around the globe to Asia, Kyle Bass and several other people have had very outspoken views on both Japan and China saying that JGBs are probably in trouble and in China's case there's a view that eventually China will be forced in order to cope with this credit expansion that they've seen a lot of people think it will collapse force China to recapitalize its banks and have to markedly devalue the Yuan along the way sending a wave of deflation around the globe how do you feel about those views and what do you see in terms of your crystal ball for both Japan and China?

Alex: Well my views on China and Japan are very divergent first of all. On China I tend to agree with the China skeptics who think that China is building a huge problem of enormous buildup of private debt which is unprecedented both in absolute and in relative terms but in terms of current condition and the rate of growth the kind of the concept of the whole economy of China being a giant Ponzi scheme is very close to my heart.

I think whereas people might be misguided by the fact that Chinese economic cycle are very slow China is not like on a seven year cycle like the U.S but on like an 80 year cycle so it’s very hard to time.

I think the probability of China blowing up one way or another is extremely high yet the timing of it is really like when people are calling for it to blow up two years ago and it didn’t happen, that’s like a microscopic time frame for China. We could have ten more years of what we see or it will have a minsky moment and collapse tomorrow.

I think it is less likely that it will forever do like a kind of gradual slide an adjustment of how people think that it's not going to reform into western like superpower. I give this extremely low probability to this event because there's no precedent of something like this being resolved in that way no communist country ever became a western style superpower.

If China somehow managed to get out of this situation that they are in it would be the first in history of civilization on probably like a hundred different items and it could be first because China is very unique in so many ways but if you look at five thousand years of Chinese history they actually have been on this position before, in position of being emergent global power and every time they manage to disintegrate themselves one way or another and I think the odds are still that they’ll do it again. So, that’s my view on China.

When it comes to Japan, I’m actually very constructive on Japan I do not think JGBs are going to blow up I do think yen will get weaker. Nikkei is my favorite stock market it’s the only stock market I'm actually long, I have been long over the last year slightly over a year its Nikkei.

I think that paradoxically Japan is in a much better position right now than Europe or U.S. to take advantage of atomization and of their inverse demographic trend that was considered to be a problem might actually become their strength.

Erik: I know you've done some work on Canada as well obviously a lot of people are concerned about a real estate bubble in Canada and the is currency is not looking exceptionally strong with the weakness that we've seen in crude oil. What do you see on Canada's horizon?

Alex: I see the risk is high on Canada. I see Canada as a high risk country right now because as you mentioned I think there are signs of rolling estate bubble beginning to roll over and that could hurt them a lot I think we are really going to have to watch oil prices very closely to see which way Canada is more likely to lean.

Canada is not like a one trick pony, it's not like a middle-eastern country which has nothing but oil it's pretty developed and diversified economy. I think the two things to watch out is, you don't have to watch China because influx of money from China was a big thing that used to support Canada if that will slow down at any point or even like some [inaudible 00:23:32] on real estate that will cause actually a serious slowdown of Canada if you U.S. slows down, Canada could come under a lot of pressure if somehow U.S demand goes down and U.S is just an overwhelming largest Canadian trading partner.

Canada I think just got surpassed by China as being the biggest trading partner of the United States but on the flipside I think it's probably off the charts for Canada.

So, we have to watch oil we have to watch real estate, we have to watch slowdown in U.S. and China and I think it's hard to substantiate this but I think to be very precise about it I think at some qualitative level if Canada get serious heat from one of those directions they could be in an uniquely vulnerable position.

I think Canadian economy, Canadian banks could prove to be very vulnerable, you could have serious equity corrections they might end up weakening their currency very considerably. I think we could see Canadian dollar going to where we saw it at the beginning of the century and there is a big downside.

If the Canadian dollar could get some tailwind from the dollar if the 'dollar is just probably weak for example like the last couple of days the euro got stronger and I think the Canadian dollar got stronger but I don't necessarily think it's a long term effect. I think we may anticipate the test of 160 sooner rather than later on the Canadian dollar.

Erik: You mentioned oil a few times in talking about Canada do you have a view on what's driving this sell off in oil and whether it's set to continue or reverse?

Alex: I'm not an oil analyst but I've heard a lot of smart people talk about oil and there does appear to be an oil glut. There appears to be huge oversupply and a lot of inventories of oil. Oil producing countries are under budgetary pressures and a combination of all those things really create a dynamic for oil which is not so great.

Interestingly also the developed world is really not growing its demand that much anymore I think we are really crossing over to the place where electric cars and wind power and solar power and whatnot is really putting pressure on fossil fuels without even any kind of specific environmental regulations and we may get to the point where oil demand will start falling. People might argue well there's still a finite amount of oil around there so proponents of big oil theory think that even when the demand doesn't grow that much at some point we're going to still run out of oil.

I personally don't believe in it I think civilization has developed and is shifting much faster than we are going to run out of oil. I think 20 years from now if you ask me as a futurist I think oil will be irrelevant as an energy source. It might be relevant as a source of bioorganic materials but I think it will become irrelevant as an energy source. So, it really has a very short half-life to me right now.

Erik: And would you see something else I mean obviously or oil has been what has provided the solution to the need for liquid fuels for many many decades would you see some other source of liquid fuels or do you think vehicles can be powered by some other way, electric vehicles or what?

Alex: I think the development in batteries is sufficiently robust to get rid of liquid fuels entirely without even any major technological breakthroughs but there's two sides of the story. We can look at fossil fuel as the original source of energy and also the source the source of compact energy storage.

Compact energy storage is the biggest civilizational problem like it has been very hard to have anything better than a tank of gasoline to store energy. A lot of other sources of energy are explosive, toxic or dangerous but I think the progress in batteries seems to be already clearly robust enough without any major breakthroughs to really shift away from that.

Now when you talk about original source of energy my personal opinion would then have to go to some nuclear energy. I think the energy needs will never be met by any other source. I think the biggest bet would be cold fusion.

Erik: Let's move on to precious metals a topic that is near and dear to many of our listener's hearts. I've actually been kind of surprised by how strong gold has been considering the very marked sell off in other commodities what do you think is going on there, why is gold catching such a bid when other commodities aren't?

Alex: Well gold is very different from industrial commodities. Industrial commodities to some extent reflect industrial activity which has been possibly softening and thus weakening industrial commodities.

Gold is more like one of the currencies so there's a correlation when dollar is slightly weaker gold in dollar terms tends to be slightly stronger if you don't know anything else about anything all we know is dollar is weakening since we express gold in dollar terms it looks a little stronger if you express gold for example in euro terms over the last few weeks it will probably look not so great. So, that's the first remark I would make.

I think there is a lot of influence in the global community and people like to buy gold when they are anxious and just a little worried about things I think gold in general if you really think about where do you go with your safe assets, again if you look at something like Switzerland or Japan or Europe or Sweden will have negative interest rates it's almost like gold is almost like cheaper to hold than cash, you have to pay interest on your cash, you have to pay storage on gold.

Typically the one thing that works against gold is that it's costly to hold, even if gold is generally tends to be in an uptrend over the years with inflation but it used to cost money to hold it but now in terms of all currencies except dollar in terms of developed markets gold is not so expensive to hold anymore so it only cost in dollar terms to hold gold but when dollar comes down the pressure and people don't want to be in dollar I think people are just getting squeezed into gold and that is kind of a two-way process. You could ask a question why gold is not weaker but I could also ask a question why gold is not much stronger because there are my reasons for gold to go up.

Erik: Let's move on to a subject that has me very curious which is we have seen in the United States a big political divide where the political left seems to be absolutely convinced that Russia has hacked the U.S. elections attempted to influence the outcome of the U.S. presidential election. President Trump is actually a K.G.B. agent I think according to some of these folks although I think the K.G.B. was eliminated about twenty years ago in favor of the F.S.B.

On the other hand the political right in the US says this is a witch hunt it's absolute nonsense and there's no basis in reality for any of it without taking sides on who's right on that I can't help but observe the United States is really saying a lot of things and taking sanctions against Russia in some cases what would be the economic implications, how is this going to affect markets if the political left in the United States continues to punish Russia for things that Russia may or may not have actually done wrong?

Alex: Politics aside Russia is on somewhat precarious economic condition now I travelled to Russia last year and the previous time I went to Russia was in 2009 and there was a very stark contrast.

In 2009 the feeling all our western world was in turmoil economically but Russia everything was actually going pretty well you could see things being and development of new highways, new bridges, tunnels just stuff that looked positive and upbeat especially coming from U.S. in 2009 and in 2016 I felt the reverse of it I felt our world was actually upbeat but in Russia internally there was a lot of economic unrest, a lot of economic unhappiness.

A lot of small businesses are under pressure going out of business, a lot of people who depended on discretionary spending who were doing well like the type of business associates just depended on discretionary spending which tend to do well were getting really seriously worried and the small sample of people I talked to the mood was worse.

In some currencies the Russian currency has stabilized and it possibly helped the currency in fact has rallied a bit since that trip and maybe there is a sense of higher stability there but the position is precarious because they are going to need oil to stay at a certain level to keep going. Russian oil is not super cheap I'm not sure how well they are doing even with oil close to $40.

There is a lot of growth that is being subsidized by energy revenue and Russia is a country with a lot of geopolitical intense borders some internal tensions I would refer people to track for economic theories and I guess George Friedman's book The Next 100 Years, I don't know if you've read this book it creates a very interesting forecast landscape for 21st century and so far it's been really really followed through well one of the things that it forecasts basically Russia getting really aggressive on this decade which leads to its eventual moment - may not happen but I think there is definitely some risk there.

Erik: Finally before we close I'd like to move on please give our listeners who may not be familiar with what you do at HonTe Investments a sense of what you do there and also your book, The Next Perfect Trade. Tell us what people can expect to find there?

Alex: My book, The Next Perfect Trade I wrote it in 2014, 2015 and that's basically the summary of my strategic system which is a system of selecting what I call superior trades. The idea behind this book is instead of trying to forecast economic outcomes to find trades that are just good trades, types of trades that tend to make money regardless of economic outcome and it goes from fairly basic principles to more complex principles involving interactions between asset classes.

This is how I trade for myself and this is the way I've built my business HonTe Investments. It's basically an outgrowth of my family office which now takes outside capital it's only available to accredited investors but basically what I'm trying to do, I'm trying to run money long term based on selecting superior trades which is not really worried about daily or monthly volatility, to do what I'm doing with my own money, not competing with any benchmarks or any other outside parameters. Just trying to make money over the long term and those investors who want to have the same financial experience as my own money tend to come along.

Erik: OK well I cannot thank you enough for a fantastic interview Patrick Ceresna and I will be back as Macro Voices continues right here at macrovoices.com.