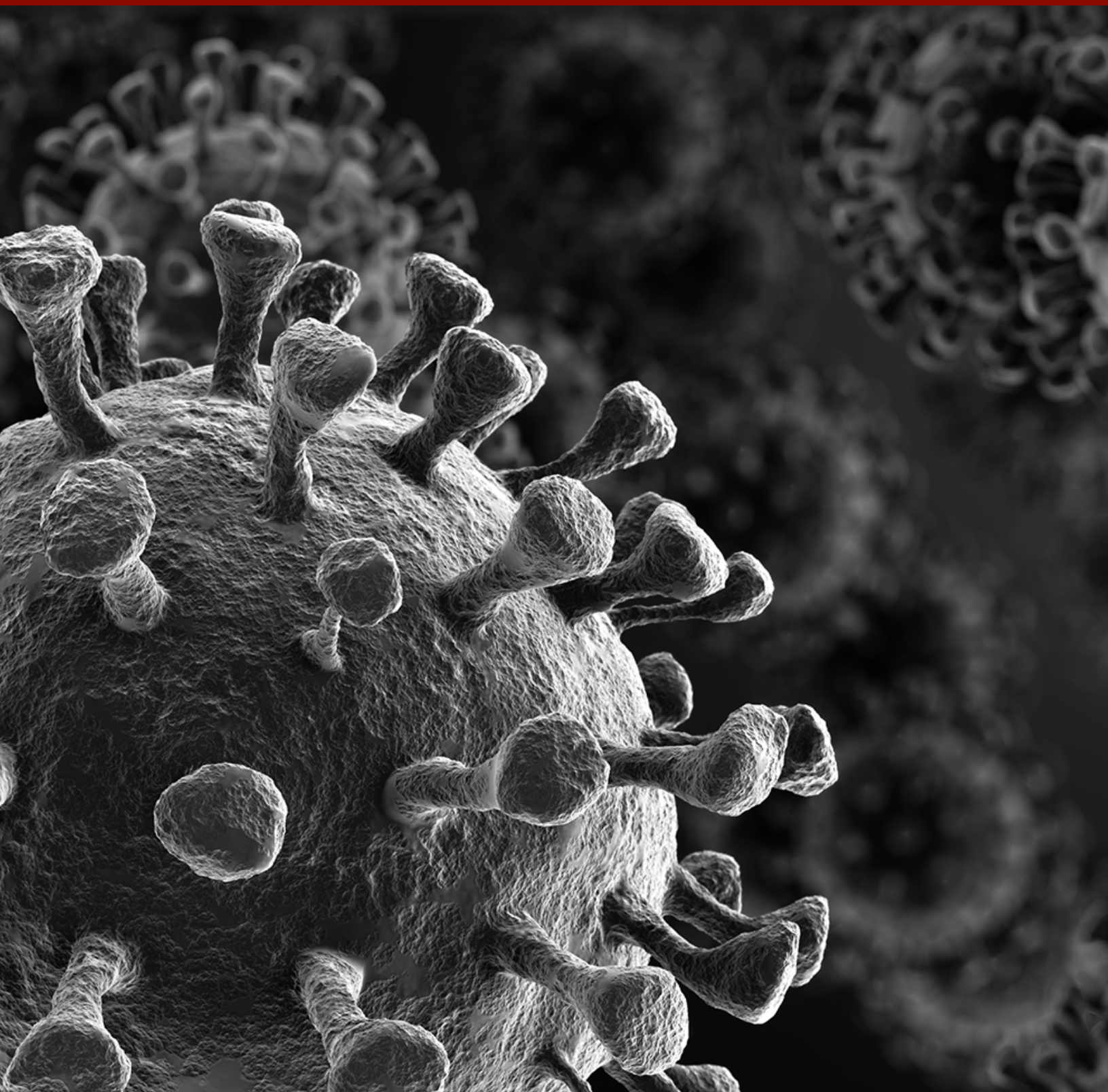
LEGACY RESEARCH GROUP

Coronavirus Crisis Playbook



By Chris Lowe
Editor, Legacy Research

Dear Legacy Research reader,

You have at your fingertips one of the most important reports our firm has ever published.

It lays out timeless strategies for protecting – and growing – your wealth in a crisis.

We wanted to get it out to you – completely free, no strings attached – as soon as possible.

Protecting yourself in a crisis is a critical part of being a successful investor over time.

Every time a crisis hits, it feels new. But the reality is that crises are regular occurrences...

Twenty years ago, the trigger was the meltdown in dot-com stocks...

Twelve years ago, it was the collapse of subprime mortgage bonds that caused the panic...

Today, the trigger is a global pandemic.

These crises had different causes... but the result was, more or less, the same. Stocks tanked... people lost their jobs... and investors lost their shirts.

If you don't learn how to play defense in your portfolio, as well as offense, the chances of you making money in the markets over time are slim.

You will make money when the good times are rolling on Wall Street... But you will lose it again.

That's why we put together this report. It features crisis-fighting insights from the Palm Beach Research Group, Bonner & Partners, and Casey Research.

These are the three independent newsletter-publishing companies that make up the Legacy Research publishing alliance.

This report takes you through everything you need to know to be prepared for (and profit from) a crisis – no matter when it strikes or what causes it.

You'll learn about our top defensive strategies... and how to apply them to your portfolio...

For instance:

In Chapter 1, we'll show you which assets you should own to protect your wealth from a crash…

In Chapter 3, we'll show you why holding cash is always a good idea… and where to put it to work in a crash…

In Chapter 5, you'll learn how to profit in a falling market…

And in a special bonus essay by our tech expert, Jeff Brown, you'll learn about one company whose revenues are virus-resistant, making it an attractive buy right now.

I urge you to set some time aside to read this report cover to cover. Take notes along the way.

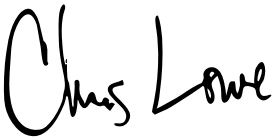
Do you follow a sensible asset allocation plan like colleague Teeka Tiwari recommends?

Do you know Doug Casey's formula for finding world-class gold stocks?

Do you know how to take advantage of the steeply discounted stock prices right now?

If not, you're about to find out. It's all in this bonus report, compliments of the Legacy Research team.

Regards,



Chris Lowe
Editor, Legacy Research

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Chapter 1

ASSET ALLOCATION

By Teeka Tiwari
Editor, *Palm Beach Letter*

2020 Palm Beach Letter Asset Allocation Guide

My Wall Street career spanned three separate decades – from the tail end of the go-go 1980s... to the tech boom of the 1990s... and through the dot-com meltdown of the early 2000s.

Along the way, I learned many of the secrets of making large amounts of money.

The sad truth I discovered was that much of Wall Street's wealth-creation machine comes at the expense of its customers. One big, self-serving lie I quickly discovered was Wall Street's slavish devotion to only recommending stocks and bonds.

I came to find out why: The only reason it focused on these two asset classes was because it could easily charge fees on these products.

Traditionally, Wall Street recommends investors put 60% of their investable wealth in stocks... and the other 40% in bonds. It's called the 60/40 model.

But at *The Palm Beach Letter*, we're not bound to big brokerage houses and investment banks. And we never receive compensation for anything we recommend.

So we couldn't care less about what the investment pays its promoters. We only care about what it could pay our subscribers.

This is a fundamental difference between us and Wall Street. The only way our business generates revenue is through selling subscriptions. That's it.

It's a wonderful model that keeps all of our interests aligned. The more money we make our readers, the more likely they are to renew their subscriptions – and possibly refer someone else to our newsletters.

Not being bound to hidden interests gives us tremendous freedom to pursue our own independent research to find ideas outside the mainstream.

That's why I left Wall Street to write newsletters. I'm not enslaved to corporate interests. I can do my own independent research. That means I can bring you my best ideas.

Sure, we believe stocks and bonds have a place in everyone's portfolio. In fact, we own several winning stocks in our portfolio.

But over the years, I've learned that to truly build wealth, you need to create multiple streams of income.

The extra income allows you to grow your overall wealth faster, without putting your principal capital at risk.

You can take your safer income (i.e., bonds and dividend-paying stocks) and devote some of it to high-risk, high-return strategies like cryptos and private startups.

This enables you to turbocharge your portfolio.

The beauty of this approach is the income replenishes every year.

So even if you're dead wrong on your speculative plays, you won't hurt your lifestyle or damage your nest egg.

Within a year, all the income gets reloaded. **This is the real secret to getting wealthy.**

But you can only do so by diversifying your assets. We call this asset allocation. And it's one of the most important lessons I've learned over my career.

That's why at *The Palm Beach Letter*, we use a highly diversified portfolio. It includes multiple income streams, conservative investments, speculative plays, portfolio hedges, and true alternative assets.

And for the first time since 2011, we're overhauling our asset allocation model.

Why are we doing this now?

Over the past decade, the 60/40 model has averaged a 10%-plus return. That's well above the long-term average of around 7%.

Now, I believe the market will continue to chug higher in the 2020s. But there's also a good chance the next 10 years won't be as good as the last.

That means traditional stocks and bonds might not meet expectations over the next market cycle.

If they deliver subpar returns, it'll be imperative to have exposure to other asset classes. So your asset allocation is now more important than ever.

My team thoroughly researched each of our asset classes. And we went over every position in our portfolio.

Not only that, we studied the return forecasts from dozens of major financial firms.

We did all this to create a new model we believe will outperform the market over the next decade – just like we did this past decade.

From our newsletter's inception on April 13, 2011 through June 30, 2019, *Palm Beach Letter*'s recommendations averaged annual returns of 123.6%.

By comparison, the S&P 500's average annual return during the same time frame was just 11.6%.

So our Palm Beach Letter portfolio performed over 10 times better than the market.

Together, we've created what I believe is the best long-term performance of any investment newsletter in existence.

And I plan on building on that success.

Before I get to our new eight asset classes, let me tell you why the old 60/40 model won't cut it in the 2020s...

The "End" of the 60/40 Portfolio

The 60/40 model has been around forever.

The mix gives greater exposure to historically superior stock returns, while also providing exposure to the benefits of bonds – income, ballast to stock volatility, and added diversification.

Wall Street designed this model for senior investors with sizable nest eggs. And it has done its job. Over time, the 60/40 model has cleared the 4% portfolio-withdrawal-rate hurdle by a couple percent, on average.

Now, this past decade, it did exceptionally well.

The S&P 500 produced an average annual return of 14.2% from 2010–2019. Compared to its 50-year average of 9.8%, that's well ahead of the curve.

And as measured by the Barclays U.S. Aggregate Bond Index, bonds averaged close to 4% per year this past decade. That's close to their long-term average of 5%.

So a buy-and-hold investor in a 60/40 model averaged over a 10% return this past decade. As mentioned, that's well above the long-term average of around 7%.

But that's all in the rear-view mirror now. And the future is suspect...

You see, Bank of America recently published a research paper titled, "The End of 60/40."

Not only did it forecast low future returns for stocks and bonds, it also said the historical role bonds have played as a hedge for stocks is ending.

Other financial titans concur...

Morgan Stanley expects traditional 60/40 portfolios to post gains of only 2.8% per year over the next 10 years. This would mark the lowest 10-year return for such a portfolio in nearly a century.

Research Affiliates – a pioneer in asset allocation – predicts a 0.5% annual real return for U.S. equities over the next decade. And it forecasts a -0.6% annual real return for U.S. bonds.

Even more bearish is GMO. Its asset class return forecasts have been closely followed by the institutional crowd for a quarter-century. The firm projects U.S. large caps will average a -4.4% annual real return over the next seven years... and U.S. bonds will average a -2.1% annual real return during the same time frame.

Now, as I mentioned above, I see the stock market continuing to move higher. But equity returns may not be as high as those of the 2010s.

And bonds look wildly overvalued to me. But I said the same thing around seven years ago, and they still managed to move higher in price.

I want to make sure we're in a position to win – whether stock and bond prices zoom higher or just bump along.

My solution is to readjust our asset allocation to prepare for this next market cycle.

Our Solution Works

I believe the most important part of building wealth is how your investments fit together into one holistic portfolio.

Various studies show that over 90% of a portfolio's long-term returns are driven by asset allocation.

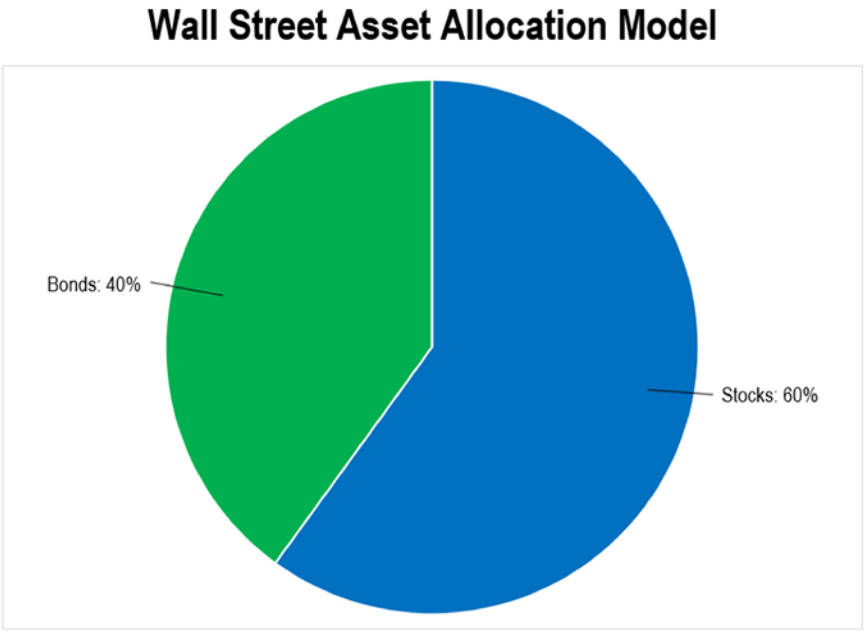
Two individuals I have great respect for preach the importance of asset allocation – and more specifically, the need for diversification within an asset allocation model...

- **Mark Ford:** Mark cofounded Palm Beach Research Group in 2011. As he says, "You need to put your money into a wider group of assets that give you a full range of income and appreciation potential." He invests in stocks, bonds, precious metals, collectibles, annuities, life insurance, real estate, and private businesses. Mark credits a diversified portfolio of assets with growing his wealth safely over time.
- **David Swensen:** Swensen has served as CIO of Yale's endowment since 1985. During his tenure, he has spearheaded the use of alternatives and multiple asset classes. Over the last 30 years, he's grown the endowment portfolio at an unparalleled 12.6% per year. As Swensen professes, "Asset allocation is overwhelmingly important in terms of the results you achieve." Today, the "Yale Model" has eight asset classes.

As I showed you earlier, we've crushed the market over the past decade with much less volatility by following a similar philosophy.

But as we move into the new decade, it's time for a change. And that's why my team and I have come up with a new asset allocation model.

Remember, Wall Street's cookie-cutter model has only two asset classes: stocks and bonds...



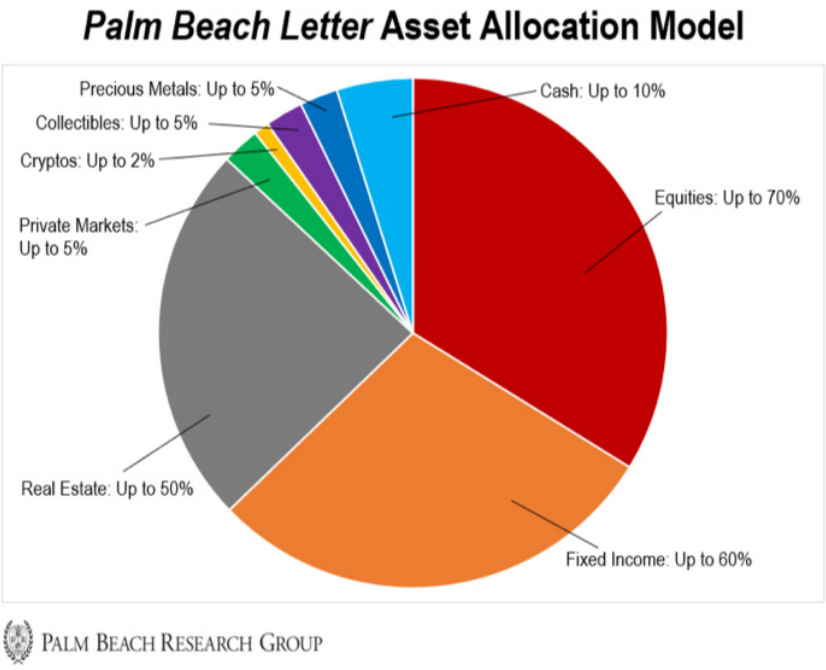
PALM BEACH RESEARCH GROUP

This approach just won't cut it anymore.

That's why we've diversified our wealth-building research across multiple asset classes. Not only does it hand you better returns... greater diversification also results in lower risk and better protection for your money.

So instead of Wall Street's two asset classes, we have eight. Here's what our *Palm Beach Letter* asset allocation model contains:

1. Equities
2. Fixed Income
3. Real Estate
4. Private Markets
5. Cryptos
6. Precious Metals
7. Collectibles
8. Cash



Why Our Allocation Sizes Don't Add Up to 100%

As you read this guide, you'll notice our suggested allocation sizes don't add up neatly to 100%.

Each individual is unique. So we don't recommend one-size-fits-all allocations.

Every investor has a different financial roadmap – including monetary situation, risk tolerance, and investment time horizon.

Some of you will keep a heavier allocation to Fixed Income. Others will rely more on Equities. And others will max out on our upper-limit ranges for alternative assets, such as Private Markets and Cryptos.

This structure gives you the flexibility to build a diversified portfolio that best fits your long-term investment goals.

So now, let's go through each of our eight asset classes...

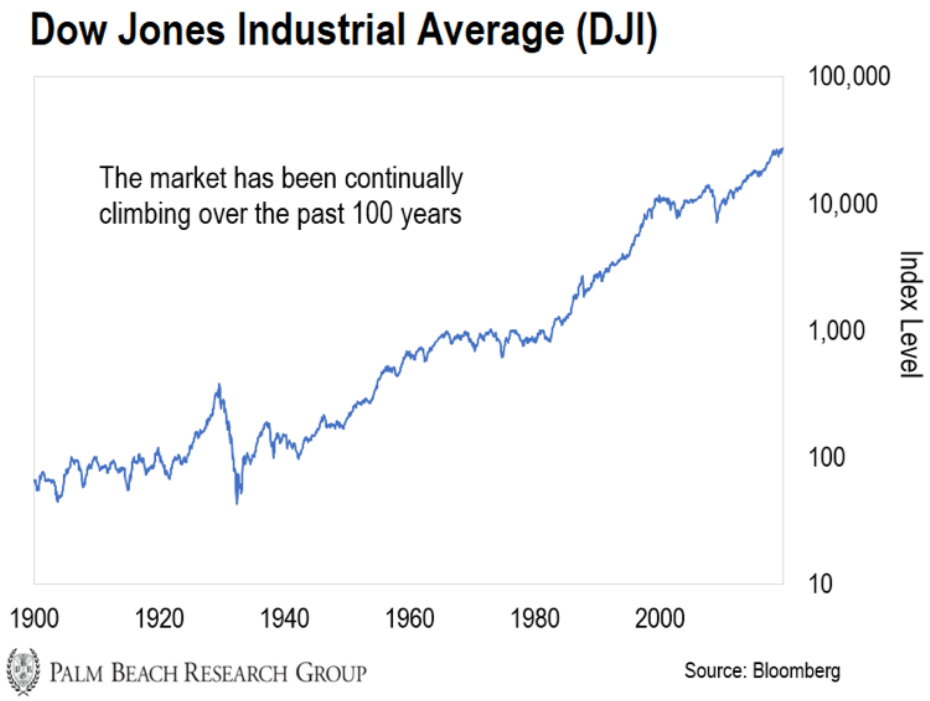
The *Palm Beach Letter* Asset Allocation Model

1. Equities – Up to 70% of Your Portfolio

This asset class covers large-cap, mid-cap, and small-cap stocks across all sectors and industries. We also recommend exchange-traded funds (ETFs) and closed-end funds (CEFs) in this category.

We recommend equities to take advantage of continued long-term growth in the stock market.

Over the last century, the market has continued to climb higher. And we don't expect that to change.



As you can see in the chart above, stocks climbed higher for the majority of the last century. In fact, stocks outperformed U.S. Treasurys, gold, and nearly every other asset class over the last 100 years.

Until we see otherwise, history proves the highest likelihood of making money over time is in the stock market.

Now, there are two ways we'll benefit from equities: growth (price appreciation) and income (yields).

Growth comes from one or more drivers. Sometimes, it's a near-term catalyst that'll push the price higher. Other times, a valuation is too cheap to pass on. Or maybe analysts predict huge earnings growth for a company, sector, or industry.

And income comes from dividend payments.

Whether we're targeting income, growth, or both, we're investing for the long term with this asset class.

2. Fixed Income – Up to 60% of Your Portfolio

This asset class includes bonds, short-duration securities, preferred stocks, annuities, ETFs, CEFs, and bond-like alternatives. We are constantly hunting for opportunities that provide safe, above-average yields.

Since the 2008 Great Recession, the Federal Reserve's zero interest-rate policy has made it hard for ordinary Americans to find safe income with a decent yield.

Today, the rate on the benchmark 10-year Treasury note is hovering around 1.9%. That's nearly 60% less than its 100-year average of 4.6%.

And other traditional income products yield virtually nothing...

For example, the average yield of a savings account is just 0.09%. So for every $10,000 deposited, you'll get back only $9 at the end of the year.

In 1995, you could've earned 4% on your deposits. That's $400 annually on a $10,000 deposit – or 45x more than today.

We're in a low-interest-rate environment. And we don't expect that to change anytime soon. Barring some unforeseen event, low rates are probably here to stay for a while.

But fixed income is still a must for every retiree's portfolio. It's crucial to provide safe, reliable income that's not tied to stock market volatility.

So we identify safe, fixed income as investments that pay consistent, sufficient income. This income won't waver or vanish with market fluctuations.

3. Real Estate – Up to 50% of Your Portfolio

Real estate is one of the best wealth-generating assets available. And rental real estate bought for cash flow is a solid way to build wealth with this asset class.

Palm Beach Research Group co-founder Mark Ford is a longtime real estate investor. He's generated more wealth from this asset class than any other. And his rule of thumb for buying rental real estate is eight times gross rent for properties in perfect condition.

So if a piece of property generates $10,000 per year in gross rent, he'll pay up to $80,000 for it (but less if it needs work).

If you don't have much money to invest, you can always join a real estate investment club. Just make sure to do your due diligence.

There's no substitute for real estate in a well-diversified portfolio. It offers cash flow, diversification, and tax benefits.

Be sure to invest part of your wealth here.

We prefer owning rental real estate directly. But we regularly offer other alternative ideas for exposure to this asset class – including REITs, real estate funds, and real estate crowdfunding.

4. Private Markets – Up to 5% of Your Portfolio

Private markets have always been a place where the rich get richer.

Back in the 1980s and 1990s, all you had to do was buy a diversified portfolio of private tech stocks and hold them. And when you cashed in, you'd buy 10-year bonds with 7% yields. You'd be set for life.

For example, if you bought private shares of Google back in 1999, you could've sold those shares for 300x a year after the company went public in 2004. A $5,000 investment could've turned into $1.5 million.

But that easy street, wealth-building strategy is in the distant past. The 10-year Treasury yield is less than 2% today. And big venture capital (VC) firms suck up most of the best deals.

However, recent rule changes by the Securities and Exchange Commission (SEC) have opened the doors to this asset class for everyone. And there's still serious return potential in private markets...

According to Cambridge Associates, over the last 20 years, the U.S. Venture Capital – Early Stage Index returned an average of 86.1% per year. In contrast, the S&P 500 Index returned an average of just 6% per year.

That means "private" market investing made almost 15x the return of "public" market investing over the last two decades.

For massive gains, it's essential to have an allocation to the private markets.

Because of the risk that comes with this asset class, we use an "asymmetric" strategy. So you only have to risk a small stake for potential gains of 10x, 50x, 100x, or more.

Just one Private Markets investment can have a huge effect on your portfolio – even if it's a small allocation.

This asset class includes private companies we believe are buyout targets or will file for initial public offerings (IPOs). Private markets are risky. That's why we're extra cautious with our position sizes.

We recommend you put no more than $200-$400 for smaller accounts and $500-$1,000 for larger accounts into these types of plays.

5. Cryptos – Up to 2% of Your Portfolio

If you've been following me since 2016, you know I've been a big fan of crypto and its underlying blockchain technology.

In the future, blockchain technology will revolutionize nearly every facet of our lives – from how we bank to how we transact for goods.

Blockchain is creating an exciting new asset class that'll mint millionaires. Everyone needs to add some crypto exposure to their portfolios.

You see, cryptos aren't correlated to the markets. In other words, their movements aren't tied to the stock market or overall business cycle...

And Wall Street is starting to realize that the price of bitcoin is unrelated to the prices of gold, stocks, bonds, or commodities.

A 2019 study by Bitwise Asset Management concluded that allocating 1-10% of your portfolio to bitcoin provides better risk-adjusted returns than just holding stocks and bonds.

This is Wall Street's "Holy Grail" – an uncorrelated asset performing well under diverse market conditions... and maintaining its ability to rise at the same time.

Crypto also offers a chance to make asymmetric bets. That means you just need a tiny stake to make life-changing gains.

In the future, we see two main drivers that will lift cryptos to all-time highs:

- The first is a dramatic drop in incoming supply caused by the **bitcoin halving event**. (The halving is when the bitcoin mining reward is cut in half. The first halving was in 2012. The second was in 2016. The third will occur in May 2020.)
- The second driver will be **a surge in brand-new, massive demand** for bitcoin and crypto assets. This demand will come from new crypto financial products created by Wall Street.

With more institutional adoption, a potential bitcoin ETF in the near future, and the ability to serve as a safe haven during currency crises (i.e., Argentina, Turkey, and Venezuela), this asset class will be multiples of what it is today.

Cryptos are uncorrelated assets with monster return potential. This asset class could be the biggest wealth-creation opportunity of our lifetime.

But bitcoin and other cryptos are highly volatile. You don't need to risk much to make life-changing gains with this asset. So we recommend small position sizes.

This asset class includes major, large reserve cryptocurrencies like bitcoin and ether as well as much smaller, speculative coins.

The first step to gaining exposure to cryptos is bitcoin. It's the reserve currency of the crypto space.

We recommend you put no more than $200-$400 for smaller accounts and $500-$1,000 for larger accounts into these types of plays.

6. Precious Metals – Up to 5% of Your Portfolio

We don't treat precious metals as "investments." Instead, they serve as disaster insurance.

It could be financial Armageddon... a stock market freefall... your bank going under... or a personal lawsuit against you.

Whatever the implosion, precious metals provide "sleep-at-night" protection.

Whether it's the physical metals or a precious metals ETF, everyone should have some exposure.

Because they don't produce income and don't always increase in value, precious metals are reserved for a small percentage of our overall portfolio.

In fact, we're happy to see this asset class underperforming other asset classes. That usually means our other asset classes are doing well.

We're willing to give up some upside to protect against future market crashes.

This asset class includes our favorite precious metals, gold and silver (coins, bars, and ETFs). But there are others, including palladium, platinum, etc.

7. Collectibles – Up to 5% of Your Portfolio

Like cryptos, collectibles are also uncorrelated assets. And they possess two distinctive qualities:

- As hard assets, they maintain their value and protect on the downside.
- They tend to outperform on the upside over the long haul.

Take vintage cars, for example...

From 2007 to 2017, the classic car component of the Knight Frank Luxury Investment Index returned 334%. The S&P 500 gained just 82% during that time.

And in 2018, when almost all asset classes lost money, the HAGI Top Index for rare classic cars was up 2.5%.

Collectible Porsches have been one of the best-performing assets of the last decade. (Blue-chip artwork and vintage wine collections have also outperformed stocks and bonds over the long term.)

So investing in collectibles is a great way to diversify your assets...

Collectibles have been a favorite asset class of the rich and famous. They've used collectible assets to safeguard and grow their wealth.

Unfortunately, many collectibles have been reserved for the uber-wealthy for decades. After all, who can afford a 1960s Ferrari, a Picasso painting, or a Honus Wagner baseball card?

Yet we've unlocked new, more efficient ways into this asset class.

For instance, fractionalization (owning a piece, rather than the entire asset) allows access to collectible exposure for everyday investors.

Our methods provide investment minimums as low as $10... minimal fees... and instant access with the click of a mouse.

We invest in collectibles as a financial safe haven, for capital appreciation, and to increase portfolio diversification. This asset class includes antiques, artwork, baseball cards, cars, comic books, rare books, stamps, timepieces, wine, and more.

8. Cash – Up to 10% of Your Portfolio

Cash is the universal asset class because everyone needs it. And we like it because it provides optionality.

You never know what life will throw at you.

Stocks could fall 50% and give you a rare shot to buy dirt-cheap stocks. You could discover a lucrative business opportunity. Or you might get blindsided with a huge medical bill.

Whatever it is, cash typically "meets the need" better than anything else. Therefore, it's crucial to hold some.

Periodically, we provide cash-like alternatives.

With low interest rates, we're always in search of safe ways to lock in higher interest rates than what bank accounts and money markets offer.

You should always keep a portion of cash on hand. Whether it's for an emergency, a bear-market buying opportunity, or something else, you'll be glad you have some.

This asset class covers actual cash, checking and savings accounts, money markets, CDs, and certain cash-like ETFs and mutual funds.

The Breakdown

Here's a general guide to use for what types of investments fit where...

ASSET CLASS	INSTRUMENTS	ALLOCATION
Equities	Stocks, mutual funds, ETFs, CEFs, etc.	Up to 70%
Fixed Income	Bonds, mutual funds, ETFs, CEFs, CDs, annuities, bond-alternatives, etc.	Up to 60%
Real Estate	Residential/commercial real estate, REITs, etc.	Up to 50%
Private Markets	Private equity, venture capital, startups, etc.	Up to 5%
Cryptos	Cryptocurrencies, altcoins, etc.	Up to 2%
Precious Metals	Gold, silver, ETFs, etc.	Up to 5%
Collectibles	Fine art, collector cars, fine wine, etc.	Up to 5%
Cash	Cash, money markets, cash-like alternatives, etc.	Up to 10%

This is our basic *Palm Beach Letter* asset allocation model.

And if you want to be more speculative and potentially boost your returns even higher, we have specialized Palm Beach Research Group services that can help you do just that:

Palm Beach Quant…	Equities (Options)
Palm Beach Trader…	Equities
Alpha Edge…	Fixed Income (Options)
Palm Beach Venture…	Private Markets
Palm Beach Confidential…	Cryptos
Crypto Income Quarterly…	Cryptos

Risk-Management Tips

The key to making this allocation guide work is to diversify across different asset classes. And always position-size sensibly.

Let's walk through an example…

In each of the sections above, you'll see we've indicated an approximate allocation size for each asset class.

For instance, our allocation to fixed income is suggested at up to 60%.

But does that mean you should put 60% of your investable assets in one idea? The answer is no. This is where position-sizing comes into play…

Let's say you have your eyes on a preferred stock. We'd slot that security in Fixed Income. You have $20,000 earmarked for it. It's trading at $20 per share. And it has a 20% stop loss.

How many shares can you buy?

Well, our rule of thumb is: If an investment gets stopped out of your portfolio, your maximum loss should be no more than 2.5-5% of your portfolio value.

If you're willing to risk 5% of your $20,000, that's $1,000. So if you get stopped out of the idea, you can afford to lose no more than $1,000.

By buying the investment at $20 with a 20% stop loss, that means your stop price is $16. So your stop-loss size is $4 (the difference between $20 and $16).

This means you can buy 250 shares ($1,000 divided by the $4 stop loss = 250 shares).

Generally, you should position-size for a maximum loss of 2.5-5%.

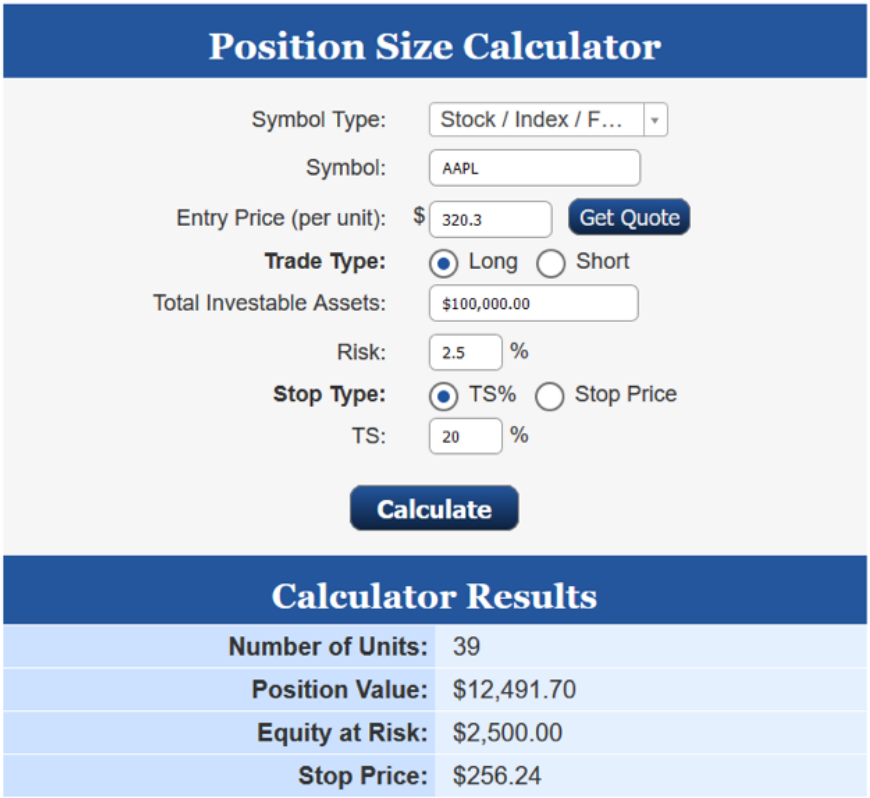
Position-sizing is critical to your success in the markets. By using this simple technique, you'll never blow up your portfolio with one bad investment.

Now, if you want a simpler way to calculate your own position sizes, you can try this free position-size calculator from Investment U.

Just enter the ticker symbol of the stock you want to buy... your portfolio's value... how much you're willing to risk... and the type of stop you want to use.

The calculator does all the rest...

The example below shows the number of Apple shares an investor could buy with a hypothetical $100,000 portfolio, a position size of 2.5%, and a trailing stop of 20%. [Please note: This example is *not* a trade recommendation.]



Source: Investment U

This is a must-have tool for every investor. I strongly recommend you bookmark it and use it before making your next trade.

Bringing It All Together

To create wealth, you must build a solid foundation of multiple income streams. That extra income allows you to grow your overall wealth faster – without putting your principal capital at risk.

You can take your reliable, safe income and use a portion of it to grow your wealth rapidly through strategies like our asymmetric crypto plays.

The beauty of this approach is the income replenishes every year.

So even if you're totally wrong on your aggressive plays, you won't hurt your lifestyle or impair your wealth. Within a year, all the income will be replaced. This is the true secret to becoming wealthy.

You can use that extra money to make more life-changing, asymmetric plays without risking your current lifestyle.

And if you hit it big with your small bets, you can comfortably spend that money on your hobbies... take a dream vacation... buy a second home... or pad your retirement nest egg.

The point is, when you have a steady income source (separate from your employment or main source), you'll have so many more options in your life.

It's never too early or too late to begin building your wealth. The sands of time will continue to slip away, regardless of your actions.

So why not make the choice today to do something different?

Put yourself on the road to happiness, security, and independence that comes from creating financial security for yourself and your family.

Chapter 2

RISK MANAGEMENT

By Doug Casey
Founder, Casey Research

The Crash-Proof Portfolio: How to Make Money When Stock Markets Crash

It's impossible to be sure, at any given moment, whether any market is going up or down. No matter how overpriced a market may be, there are always bulls with good-sounding arguments about why it could go twice as high. No matter how "cheap" a market may be, there are always convincing bearish arguments for it to go lower.

After all, for every buyer, there's a seller (and vice versa). The same is true for the economy, where a case can be made for both good times and bad times at almost any juncture.

How can you hedge yourself against being on the wrong side of the market? By using "hedge" strategies which are surprisingly little-known, though they're almost always lower risk and have higher potential than pure long or short positions.

A "hedge" is a position where you buy X dollars' worth of one stock or commodity and simultaneously short sell an equal dollar amount of a different stock or commodity. Since you're both "long" and "short" the market, you don't really care which way it goes. By choosing your positions intelligently, you can be right on both sides of your trade, regardless of overall market conditions.

As fashions change, the first tend to become last and the last tend to become first. This was recognized in biblical times, and it's equally certain in the investment markets. Regardless of the overall direction of the market, relatively overpriced stocks tend to decline, and underpriced securities tend to rise. Indeed, both movements often happen at once.

By being both long one investment and simultaneously short another, you can escape the need to second-guess the direction of the overall market and still profit in either a bull or bear market. The keys to profitable hedging are patience and consistency: patience because it doesn't make sense to be in any market all the time; consistency because your plan won't work if you don't follow it.

Most of the time, it's a 50/50 bet whether something is going up or down. And you need better than 50/50 odds to make money. The idea is to be in a given investment only when the odds of it going up appear to be 90% or better and to be short when the odds of it going down are equally strong.

Suppose, for instance, you like the prospects of Stock X. You're sure the underlying company will do well. But you're afraid of the market as a whole, which could take Stock X down despite the company prospering. How do you solve the dilemma of whether to buy or to wait?

A hedge might be the answer. Find another company in the same industry, Stock Z, which a) you feel has terrible prospects, b) will lose business because of Company X's success, c) whose stock looks to be overpriced. Then, buy Stock X and short an equal dollar amount of Stock Z.

If your assessment is correct, it will not make any difference how the market in general, or the industry in particular, does. You'll make money as long as X does better than Z – whether they both go up or they both go down. And if their prices move in opposite directions, you can make money on both and double your profits, even while you've reduced your risk.

Value is relative, not absolute. In other words, you want a position not only because of what it is, but because of what price it is.

It's never a question of how many dollars you can get for something you want to sell. The real question is how many shares, or contracts, or acres, you can exchange it for. It might, for instance, be hard to say whether corn is cheap or dear at, say, $4 a bushel unless you know what to compare it with. But we know that wheat usually sells for about twice the price of corn and soybeans for about triple – because of factors like production costs and protein content. If soybeans sell for $6 while corn is at $4, you can be pretty sure corn is dear, at least relative to beans. By selling corn and buying beans, you're likely to make money.

The idea is to pick out very cheap stocks or commodities to buy, and very dear ones to sell simultaneously, with the intention of protecting yourself from general market moves. Buy and sell respectively equal dollar amounts of each. Then wait for the inevitable without caring whether the market in general booms or busts.

An Example

In 1991, I recommended such a hedge in the thrift industry. It provides an ideal illustration of the principle.

Continental Federal, a savings and loan bank based close to Washington, D.C., was selling for $5 – less than a fourth of its $22 book value, and about a fifth of its previous high of $27. An analysis of its balance sheet showed it could even then have been liquidated for $15. It exceeded all regulatory capital requirements by at least two-to-one. All but a few of its loans were in the relatively low-risk residential market, and it had already charged off most of its bad loans.

Although management had been competent in making good loans, their overhead expenses were very high at 320 basis points of their $1.1 billion of assets (i.e., about $35 million or 3.2% of assets). Typically, for a public company, management was treating themselves quite well at shareholders' expense. Why? They owned only 100,000 of the 2.9 million shares outstanding.

Overhead should be no more than 250 basis points (2.5%) of assets, and a difference of 70 points on $1.1 billion is about $8 million per year. If management were forced to tighten their belts by only that much, the stock could easily sell for at least $12 per share.

A group of shareholders, including myself, joined together to make it happen. Still, because of my misgivings about the economy at large, I did not want to be long Continental Federal without being short an equal dollar amount of something likely to join the choir invisible. GlenFed, the third-largest thrift in the United States, with most of its assets in California, seemed like a good choice in that category.

GlenFed had about $16.5 billion in assets and $950 million in stated capital, which was satisfactory on the surface. But about 80% of its capital was debt, on which the interest clock continued to run. At the same time, almost any portfolio losses could quickly wipe out shareholders' equity since non-performing assets were already over $700 million. And in California's depressed real estate market, it was clear they could easily suffer large losses.

In addition, GlenFed owned numerous hotels, shopping centers, and business parks through a subsidiary, the very worst things to be in at the time. It was all for sale. But there were no bidders because it seemed likely that the Resolution Trust was going to wind up with GlenFed's properties and potential buyers could get them more cheaply later.

The hedge worked out well. GlenFed crashed 80% – from $5 to $1 – while Continental rose to $22, where it was bought out by Crestar Bank. I wound up making more money using a hedge than I would have by simply being right about Continental – and I took much less risk, to boot.

I think we're just now exiting the eye of the giant financial hurricane that we entered in 2007, and we're going into its trailing edge. It's going to be much more severe, different, and longer lasting than what we saw in 2008 and 2009. For reasons I've explained elsewhere, we're headed for an economic disaster that, in many ways, will dwarf the Great Depression of 1929-1946.

Given this bearish outlook, most U.S. stocks are likely to be money-losers in the coming years. Although most financial advisors would gasp at the notion, it's a perfectly reasonable strategy to avoid owning U.S. stocks today.

Instead of owning U.S. stocks, conservative investors who don't want to spend much time managing their portfolios can keep a 50/50 allocation of cash and gold. This is a conservative allocation that will hold up well during tough times. It might not make you a lot of money in the coming years (although it could if gold soars), but it certainly won't make you lose much either.

However, if you'd like to own U.S. stocks, consider hedging your holdings using the strategy I've described. I don't mean hedging just a few of your stocks by pairing them with short positions. I mean hedging your entire portfolio of stocks.

Here's how. Take a look at your present holdings. Identify those positions in the most inflated industries and those unlikely to survive a financial collapse. Sell off the most overpriced half of these. Then take that cash and use it to short issues that are wildly expensive, buried in debt, or run by people of bad character.

By taking these steps, you'll make your stock portfolio "market neutral." A portfolio is market neutral when it doesn't have a bias toward higher or lower prices. It's a portfolio with an equal amount of long positions (that profit when prices rise) and short positions (that profit when prices fall).

If you have $30,000 invested in positions that profit when prices rise and $30,000 invested in positions that profit when prices fall, you have a market-neutral portfolio.

With a market-neutral portfolio, you don't have to rely on the market going up to profit. And if you select your longs and shorts well, you'll make money even when stocks crash. If your portfolio is market neutral, you need not worry if the broad stock market rises or falls. To make money, you only need the assets you buy to perform better than the assets you sell short.

Although I think most industries will struggle in the bad times ahead, a handful of industries could actually do quite well. Whatever you choose to do, the most important thing to keep in mind is this:

You're very unlikely to do well with a conventional "long only" portfolio in the coming years. Again, conservative investors can keep a 50/50 allocation of cash and gold. This is a defensive strategy that should protect you from losing much money.

Not losing money is a worthy goal. In a bear market, the guy who wins is the guy who loses the least. He's the guy who has cash at the bottom. He's the guy who buys assets from desperate sellers. He's also the guy who ends up owning the best assets.

But if you're an experienced investor with time to spend managing your portfolio, you could do very well with a market-neutral portfolio.

By Andrey Dashkov
Analyst, Casey Research

Here's How to Spread Your Downside Bets

I'm from Belarus, a small country in Eastern Europe. I have a Soviet Union-issued birth certificate.

It's a novelty item at this point.

It's also a sad reminder of a system that took the lives and assets of hundreds of millions of people as it crumbled back in the 1990s.

Here's an example. Your parents saved $150,000 for you back in 1990. Then the country they lived in ceased to exist. Their savings were frozen "until later."

It's 2016, and you want to check how that "capital" is doing.

The bank clerk logs into her computer... checks your ID... and prints out a statement that shows $5.

That's all. The government blew up 99.997% of your inheritance. The money your parents painstakingly saved out of their paltry salaries for years is now worth nothing.

Go buy the most expensive burger of your life with what's left.

It sounds like a nightmare... But it was a real experience for many people. And it goes to show you never know when a crisis like this could hit... or how it might affect you.

The lesson millions of people learned was to rely on themselves. It meant pulling yourself up by your bootstraps was the only way to go.

For me, it meant stuffing my head with quality information, building a network of powerful contacts, and getting as much hands-on money management experience as I could. So I got a master's degree in finance and earned the coveted Chartered Financial Analyst (CFA) badge.

I applied everything I knew while working on a team that managed hundreds of millions of dollars in Vancouver. And now, I'm committed to telling Casey Research subscribers everything I know.

Crisis Advice

1. Allocate 10-15% of your portfolio to cash. It's simple, I know, but it's fundamental. You want to make sure you have cash on hand so that when any opportunities – or crises – arise, you're prepared to act.
2. Be ready to buy some really good companies trading at rock-bottom, bargain valuations.
3. Hold gold for the long term to help cushion any blows your portfolio takes during times of volatility. It's a safe-haven asset that every investor should have in their portfolio. Allocate up to 15%. Throw in some speculative early-stage mining stocks for extra leverage – but no more than you can afford to lose.
4. Playing with volatility without understanding it can steamroll your portfolio. As such, it's best to avoid volatility-based funds.
5. History shows that the best time to buy during an epidemic is between one week and one month after daily infection numbers peak. Coronavirus is a pandemic… but the advice still stands.

Yes, the situation will get worse… But it will get better. Brace for more volatility.

Take the steps I outlined above. Then take a look at ETFs (exchange-traded funds) that tend to move opposite the market.

How to Spread Your Downside Bets

Funds that move opposite the market usually have a "negative beta." An ETF tracking the S&P 500 would have a beta close to 1. Negative beta means that these ETFs aren't tied to the movement in the broad market.

Negative-beta funds don't guarantee that they will provide you complete protection against market fallouts… But they're a really good way to diversify your portfolio in a crisis.

The list below has some ideas about what moved opposite the market in the long-term. Check them out, do your research, and diversify your portfolio accordingly.

And as a bonus, some of them also pay dividends, like Invesco's Taxable Municipal Bond ETF (BAB).

ASSET CLASS	TICKER	5-YEAR BETA	DIVIDEND YIELD, %
Invesco Taxable Municipal Bond ETF	BAB	-0.14	3.7
iShares Core U.S. Aggregate Bond ETF	AGG	-0.14	2.5
Invesco DB Gold Fund	DGL	-0.08	1.8
Invesco CurrencyShares Japanese Yen Trust	FXY	-0.17	-
SPDR Gold Trust	GLD	-0.1	-

The key takeaway: Spread your downside bets like you spread your speculations.

How the next crisis will look is anyone's guess. But I can tell you that it won't feel good to be invested in the wrong assets... And it'll feel worse if you're anxious and unprepared.

To protect yourself, focus on the big picture, keep some cash on hand, and use the tools that I mentioned above.

Chapter 3

THE IMPORTANCE OF CASH

By Chaka Ferguson
Managing Editor,
Palm Beach Daily

Investors Should Set Aside Up to 10% of Their Portfolios in Cash

You never know what life can throw at you...

The market could fall 50% and give you a rare shot to buy dirt-cheap stocks. You could discover a lucrative business opportunity. Or a huge medical bill or lawsuit might blindside you.

That's why you need cash.

You see, cash is *the* universal asset class because everyone needs it. And at Palm Beach Research Group, we like cash because it provides optionality.

So how much cash should you have ready to cover life's unpredictable events?

Today, I'll tell you how much you should keep on hand.

But first...

Cash Gives You Stability

Cash is safer than most other investments. But holding cash still comes with risks...

The U.S. dollar can (and does) devalue relative to other currencies. And there's always the risk that inflation will eat away at your cash savings.

On top of that, if you keep your cash at home, you could lose it to theft or in an accident. If someone burglarizes your home or it burns down... there goes your retirement.

So the idea that sitting on cash is riskless is a fairy tale. That being said, cash can stabilize your portfolio in volatile times.

Let's say you have a $100 portfolio – with $50 allocated to cash and $50 to stocks. If your stock portfolio goes down 10%... your stock position is now worth $45.

But your overall position is $95 ($50 in cash + $45 in stocks). So your portfolio has only lost 5%. And if your stock portfolio loses 20%, your overall portfolio only goes down 10%. So cash can ballast your wealth during a market pullback.

This is just hypothetical… But it demonstrates the power of asset allocation. That's the process by which you spread your wealth across different types of investments.

Still, it doesn't answer how much you allocate to cash.

I'll get to that next…

How Much Cash Should You Hold?

At Palm Beach Research Group, we use a highly diversified portfolio. It includes conservative investments… speculative plays… portfolio hedges… and true alternative assets.

And it's worked spectacularly…

For instance, since launching *The Palm Beach Letter* on April 13, 2011, our recommendations averaged annual returns of 123.6% through June 30, 2019.

But that's all in the rear-view mirror now. We're only looking to the future…

It's a new decade. And we expect the market environment to change with it.

That's why *Palm Beach Letter* editor Teeka Tiwari recently overhauled our asset allocation model… One that will continue to outperform the market in the 2020s.

We streamlined it by renaming some asset classes… and creating new categories to reflect today's market realities.

The asset classes now include cryptos, collectibles, private markets, as well as old standbys like gold, real estate, stocks, and bonds – and of course, cash. [See Chapter 1 of this report for the new *Palm Beach Letter* asset allocation model.

While cash remains an asset class, we did adjust how much we allocate to it. We now recommend you keep **up to 10%** of your portfolio in cash.

That includes checking and savings accounts, money markets, CDs, and certain cash-like ETFs and mutual funds.

You should always keep some cash on hand. Whether it's for an emergency, a bear-market buying opportunity, or something else, you'll be glad you have some.

For example, you can use your dry powder to scoop up quality crypto projects… or cannabis stocks beaten down by negative sentiment. When these assets recover, they'll make 10 to 100 times your money – and in some cases, even 1,000 times.

Whatever life throws at you, cash typically "meets the need" better than anything else.

By Andrey Dashkov
Analyst, Casey Research

Protect Your Portfolio From Unforeseen Risk

As I sat down to write my first report for Casey Research – barely a year after I was hired, in 2007 – I had high hopes for what the future held.

But it was probably the worst time to get into the investment industry.

There was chaos on Wall Street. Thousands were fired as "invincible" institutions crashed and burned. Analysts and bankers were laid off in droves. Investment bankers were jumping off ledges.

Lehman Brothers collapsed. Markets crashed globally. New York, London, Hong Kong... There was no safe haven for a budding analyst like me.

But it turns out, this timing taught me the most important investing lessons of my career...

Behind the Scenes at Casey Research

I've worked behind the scenes at Casey Research for 10 years. I've learned from the best. Incredible investing minds like Doug Casey and Nick Giambruno have helped shape my writing and thinking.

Now I'm here to tell you how to protect your wealth... so you can take advantage of the best off-the-radar opportunities we can provide.

I want to make sure you have the best knowledge so you can do well in the current market climate.

Why do I care?

Because I've lived through the collapse of a country. I've survived panics, political crises, attempted revolutions, food rationing. I want to share the lessons I've learned from my experiences. All these events taught me things no textbook could...

Opportunities Lurk Everywhere

Here's the good news: There are more investment opportunities available now than when I started out. It's not just stocks, bonds, and gold anymore. There are thousands of exchange-traded funds (ETFs), derivatives, cryptos – strategies that give you access to the same tools that the world's best hedge fund managers use.

But to take advantage of these opportunities, you need to know how to be defensive… And you need to know that no matter what crisis or turmoil hits, your savings, your wealth, and your nest egg won't be destroyed.

Without further ado, the vital lesson…

Prepare and Protect

It's not fun to think about risks and danger, but it's way worse to face them unprepared.

The Great Recession of 2008-2009 was like a Big Bang. It blew up like nothing we'd ever seen before.

But it taught me a lesson I'll never forget: Always have a Plan B.

Have you protected yourself? Did you put money at stake that you can't afford to lose? Have you piled all your eggs into one shoddy basket?

The only way to invest is to be aware of the risks, seen and unseen. That's why the experts at Casey Research tell you how much money to put into a position… how to set your stop-loss orders… when to take profits… and what to do when the market turns against you.

Think about this… How many stocks do you have in your portfolio? How many ways are there to make money in the market? I bet you have a stock that'll go up if the U.S. economy does well… and also something more conservative, to get some dividend income. Do you have a speculative pick whose success depends on a successful drilling campaign, clinical test, or a breakthrough of some other kind?

I bet you have a little bit of all of the above. As you should.

But how do you protect yourself? Do you hold gold? Treasurys? Corporate bonds? Alternative assets that don't move along with the market? Hedge fund strategies, private companies, real estate, market-neutral funds?

I can go on and on…

Spread Your Bets

Much like you have a diversified "upside" portfolio, you should also have one that protects you from all sorts of risks. Not just from inflation, a debt crisis, or war…

You need to be protected from the type of crisis nobody sees coming… the famous "black swan" event. Completely unforeseen, impossible to predict, but disastrous.

Like what we're currently experiencing with COVID-19, which has people panicking and buying more hand sanitizer than they could ever need (and for some reason, tons of toilet paper).

What You Should Do Right Now

I'll leave you with two things...

One is a crucial tactic: **Hold cash**. Because regardless of what kind of crisis happens next, markets will go down. Assets will become cheaper. You'll want to have liquidity at hand to take advantage of the best opportunities the next crisis will bring.

If you don't trust fiat currency and prefer gold or other "hard" assets, fine. Whatever helps you sleep at night. Keep in mind, though, that the best option is to hold gold for the long term, not trade it for cash when a crisis hits. Gold may become cheaper, too. And to buy more of it, you'll need cash.

And overall... Remember this contrarian mantra: Keep calm and buy when everyone else is running the other way.

Having just a little cash at all times (say, 10-15% of your portfolio) will allow you to buy incredible assets on the cheap – and turbocharge your returns when the market gets back to normal.

Chapter 4

JUMPING BACK IN: FINDING HIGH-QUALITY COMPANIES

By Nick Giambruno
Editor, Casey Research

The Most Powerful Wealth-Building Secret in Investing

What is the greatest secret in all of investing? What really separates amateurs from professionals? Losers from winners?

If you search the internet, you'll find dozens of people with dozens of answers to this question. Some will say the secret is their proprietary trading system. Some will say it's their method of picking stocks.

I'm sure some of those ideas are useful. But they're not nearly as useful as something I call "the most powerful wealth-building secret in investing."

Master this skill and you'll consistently spot opportunities to make five or 10 times your money on safe investments.

I know that's counter to the conventional investment wisdom that says you have to take big risks to make big returns.

Well, after learning this secret, you'll know that you most certainly do not have to take big risks to make big returns. You'll know most people have it backwards. You simply have to know how to apply this one skill.

It's a skill that helped make Warren Buffett one of the richest men in the world. A skill that helped make Casey Research founder Doug Casey millions of dollars in the stock market. And a skill that made Sir John Templeton a rich man and one of the most respected investors of all time.

I'll tell you what this skill is in a moment. First, I want to show you three real examples of how it has made investors rich.

- **In 1939, legendary investor John Templeton made a fortune betting against the crowd…**

At the time, millions of Americans were in poverty due to the Great Depression. And Nazi Germany had just invaded Poland to kick off World War II.

There was an incredible amount of fear in the world. But Templeton, a recent college grad, invested $10,000 in U.S. stocks. That's the equivalent of $167,000 today.

Amazingly, Templeton didn't even study which companies to buy. He didn't need to. He knew that the extreme fear in the world had pushed U.S. stocks down to ridiculously cheap prices. So, he simply bought any stock selling for less than $1 on the New York and American stock exchanges.

Four years later, Templeton sold his portfolio for a 300% gain. Today, he's known as the greatest stock picker of the last century.

- **In 2008, iconic U.S. bank Lehman Brothers failed...**

It was the biggest bankruptcy in U.S. history. U.S. stocks crashed more than 50%... the biggest crash since the Great Depression. And the stock prices of many great businesses dropped 80% or more.

People were terrified of losing everything: their jobs, their houses, their life savings. There was an incredible amount of fear in the markets.

But the fear was masking an incredible opportunity...

It was the best time to buy quality stocks in 30 years.

Investors who purchased quality stocks in late 2008 made a killing.

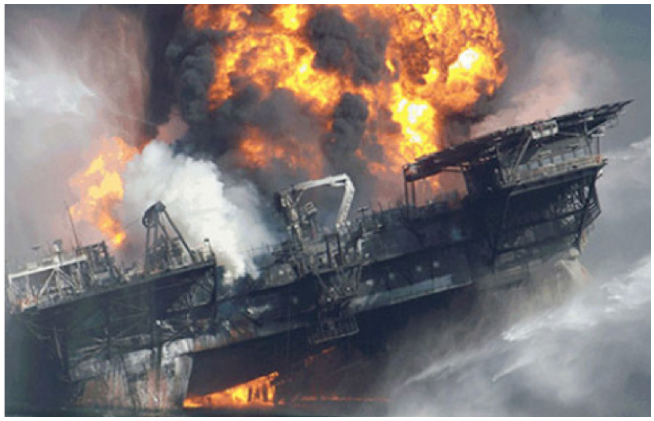
For example, an investor who bought stock in the coffee chain Starbucks in late 2008 made more than 1,900% on his money. An investor who bought technology company Apple made as much as 966%. Ford Motor Company's stock gained more than 1,200% in just over two years after the financial crisis.

The list goes on. Many quality companies gained at least **10x in less than two years** from February 2009, including Ruby Tuesday (+1,072%), Crocs (+1,347%), La-Z-Boy (+1,016%) and Gulfport Energy (+1,227%).

- **In 2010, an oil rig named Deepwater Horizon exploded off the coast of Louisiana...**

The blast instantly killed 11 workers and eventually spilled 4 million barrels of oil into the Gulf of Mexico. It was the worst environmental disaster in U.S. history... and the biggest oil spill in world history.

The negative media coverage was nonstop. Newspapers ran pictures like the one below.



As partial owner of the oilrig, British oil giant BP became one of the most hated companies in the world.

In a matter of weeks, BP's stock price collapsed from $59 to $27… for a stunning loss of value of $105 billion.

At that point, hardly anyone would touch BP stock… But smart investors asked, "Are BP's assets really worth $105 billion less today than they were a month ago? Or are investors overreacting?"

It turned out investors were overreacting. Buying BP stock near its bottom made an 80% gain in just a year. It also locked in a safe 6% (and growing) dividend yield.

Although these stories of massive wealth creation are all very different, they have one thing in common…

They show the power of buying assets during times of maximum pessimism… when no one else wants to buy.

You see, from time to time, an extraordinary opportunity comes along to buy a dollar's worth of assets for a dime.

If you can spot these opportunities, you can make gigantic returns without taking big risks.

After all, the gains we just discussed didn't come from investing in speculative biotech stocks or tiny gold companies. Many of them came from just the opposite: **iconic, blue-chip American companies that have been around for decades.**

According to Wall Street, you must take big risks to earn big returns.

But these stories show that's not true. Buying valuable assets for pennies on the dollar is one of the least risky investments you can make.

Warren Buffett, Jim Rogers, and generations of Rothschilds got rich using this strategy. I believe this is the most powerful wealth-building strategy available to anyone. Amateur investors run from crisis. Great investors run toward it.

By Andrey Dashkov
Analyst, Casey Research

History Shows When to Buy During an Epidemic

The coronavirus outbreak that's gripping the markets has the marks of both something that's happened before and a new problem altogether.

At first, global markets had mixed reactions to the outbreak, which started in China. Then, they ignored it and hit all-time highs. Then, they sold off.

I want to introduce you to **Special Situations** – corners of the market that Wall Street will always overlook. Hidden investment gems that are within reach, but seldom talked about.

Let's see if the coronavirus outbreak qualifies as a Special Situation... and how you should approach this panic...

How to Spot a Special Situation

Special Situations come in all shapes and sizes. In essence, a Special Situation happens when a trend breaks. Or when external forces distort the market's normal pricing mechanism.

These are some of the signs you want to look out for to identify a Special Situation:

- **Fundamental disruption:** Past patterns halt, at least temporarily. Growth rates change (go up or down swiftly), press releases point at deep fundamental changes, and valuations break multi-year trading ranges.
- **Lack of information:** Put simply, the market shows that it's confused about how much something is worth. Major indexes or company prices trade sideways and swing wildly before they settle on a level that, in their opinion, reflects all the changes that took place.
- **Volatility:** The way the market "feels" its way toward a fair price is through a series of wild overshoots and undershoots. This volatility is when you should look out for an opportunity. And by the way, it may last for months.
- **Bargains:** You'll be able to pick up assets at excellent prices, because the market will stay on the fence about the value of a company or an index.

Does coronavirus have these features?

Let's see...

- **Fundamental disruption:** It definitely is disrupting the fundamental workings of the global economy. The global supply chain has been in a state of chaos. In China, the situation has improved. But as the virus spreads globally, more countries are feeling the effects. **Check**.
- **Lack of information:** Information coming out of China (and the U.S. government) has been low-quality. As a result, investors are grasping for any hints of potential danger to the global economy and trying to figure out what to do. The S&P 500 just had one of the worst months since 2008 because selling stocks looked like the most obvious solution to many. **Check**.
- **Volatility:** The market's volatility gauge, the CBOE Volatility Index (VIX), was at a five-year high for a lot of last month. **Check**.
- **Bargains:** The S&P 500 has given up all its gains since the end of 2018. **Check**.

What to Do?

First, expect further rate cuts and stimuli from global governments. They'll try to do what they can to fight a coronavirus-borne recession – not that they will succeed.

Second, the spread of the virus will continue, and the situation will get worse before it eventually gets better. So brace for more volatility...

Third, the oil price war that Saudi Arabia and Russia started can easily last a year or more. Russia has enough government reserves to last several years. Evaluate your energy holdings and see if they have what it takes to survive an extended period of oil at $30 per barrel.

Fourth, global GDP growth will likely slow from about 2.7% to about 2.2% this year. Cyclical industries, like discretionary goods or gambling, will have a tough time.

Credit Suisse says that during past epidemics, **the right time to buy was between one week and one month after daily infection numbers peaked**. Currently, there are over 120,000 people infected across the world.

In the meantime, consider picking up some quality companies at bargain prices. Here is a list of 20 stocks whose valuation (as measured by the popular valuation metric, EV/EBITDA ratio) dropped by 80% or more compared to their five-year highs.

[EV stands for "enterprise value." It is the sum of the market value of a company's debt and equity, minus its cash. EBITDA stands for "earnings before interest, taxes, depreciation, and amortization." A lower EV/EBITDA ratio usually indicates a cheaper, more valuable stock.]

COMPANY	SYMBOL	DIVIDEND YIELD	5-YEAR HIGH EV/ EBITDA	CURRENT EV/EBITDA	VALUATION DROP
American International Group, Inc.	AIG	5.5%	244.6x	4.5X	-98%
Diamondback Energy, Inc.	FANG	4.5%	81.7x	4.2X	-95%
Twitter, Inc.	TWTR	0.0%	286.3x	18.1X	-94%
News Corporation	NWS	0.0%	123.6x	7.9X	-94%
MetLife, Inc.	MET	5.6%	187.7x	13.2X	-93%
DXC Technology Company	DXC	6.0%	38.8X	3.1X	-92%
NortonLifeLock Inc.	NLOK	2.6%	37.4X	3.1X	-92%
Pioneer Natural Resources Company	PXD	2.9%	47.1X	4.2X	-91%
EOG Resources, Inc.	EOG	3.6%	28.3X	3.2X	-89%
CenterPoint Energy, Inc.	CNP	7.5%	63.3X	7.7X	-88%
Berkshire Hathaway Inc.	BRK.B	0.0%	29.9X	3.7X	-88%
ConocoPhillips	COP	5.0%	23.7X	2.9X	-88%
Cincinnati Financial Corporation	CINF	3.0%	39.2X	5.0X	-87%
Marathon Oil Corporation	MRO	5.4%	18.8X	2.4X	-87%
salesforce.com, inc.	CRM	0.0%	296.7X	40.2X	-86%
Incyte Corporation	INCY	0.0%	246.8X	34.1X	-86%
Helmerich & Payne, Inc.	HP	16.3%	19.6X	2.7X	-86%
Concho Resources Inc.	CXO	1.6%	40.6X	6.0X	-85%
Vertex Pharmaceuticals Incorporated	VRTX	0.0%	299.1X	45.5X	-85%
Alexion Pharmaceuticals, Inc.	ALXN	0.0%	53.3X	8.4X	-84%

Source: Capital IQ

These are some of the panic bargains you should have on your radar.

Chapter 5

HOW TO PROFIT FROM A FALLING MARKET

By Joe Withrow
Analyst, Legacy Research

Short Selling: How to Put Dollars in Your Pocket During a Market Crash

"Companies addicted to the crack cocaine of "gain-on-sale" accounting would simply do new and bigger deals to offset those downward revisions. Once a company gets on such an accounting treadmill, it is hard for it to get off.

This became the cornerstone for our bearish view on Enron, and we began shorting Enron common stock in November of 2000."

That was what hedge fund manager Jim Chanos told the U.S. House of Representatives at an Enron hearing on February 6, 2002.

You see, Jim Chanos is a legendary "short-seller" on Wall Street. He looks for companies that he thinks will fail... and he bets against them by "shorting" their stock.

Simply put, shorting a stock is the exact opposite of buying a stock. When you want to short a stock, you sell the shares first... and then you make money if those shares fall in value.

For example, if you short 100 shares of a stock, and that stock then falls by $1 per share, you make $100. And you can close your short position at any time by simply buying those shares back. If you can buy the stock back for less than you sold it for, the difference is your profit.

You want to sell high and buy low... in that order. Simple, right?

In the case of Enron, Jim Chanos began shorting the stock in November 2000 when it was trading around $80 per share. By the time he testified before the House in February 2002, Enron's stock had plummeted to $0.29 per share.

Chanos and his fund generated a 99.7% return on their Enron short in less than two years. Meanwhile, Enron's plunge crushed most other Wall Street analysts.

Chanos doubled his money by shorting Enron while the rest of Wall Street took massive losses. That's the power of short-selling.

And you can do the same thing in this bear market...

As I'll show you, learning how this strategy works is now more important than ever.

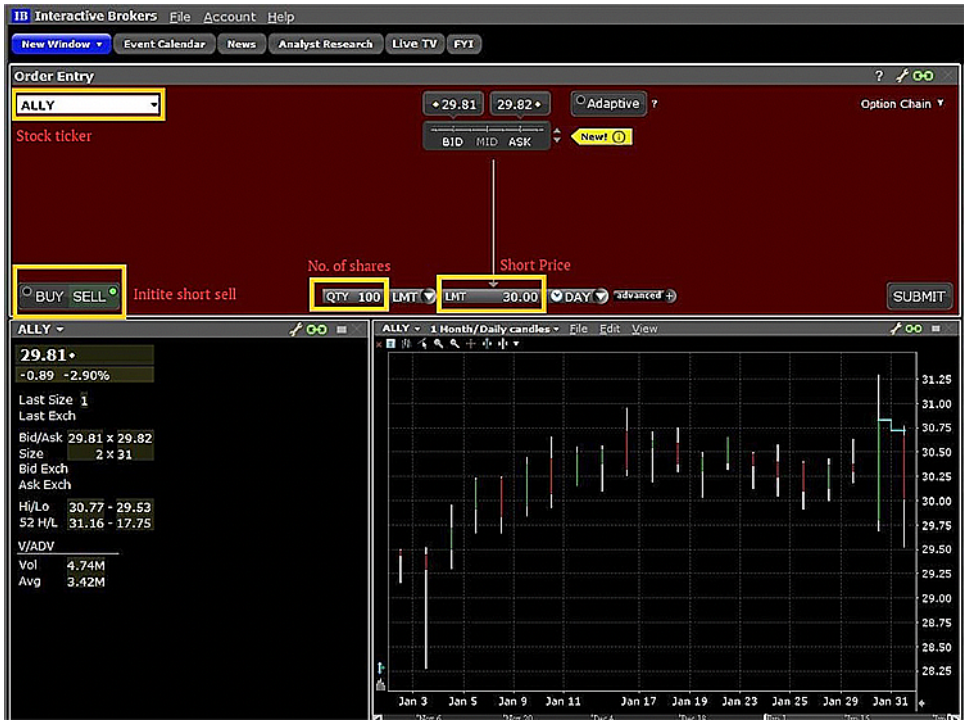
That's because 99% of investors can only make money when the market goes up. Then, when the market falls, they give their gains back. By learning to short, you will be able to make money when the market goes up... and when it goes down.

How It Works

There are two things you need to understand before shorting your first stock.

Before you can sell shares short, you must first borrow them from someone who already owns them. This sounds scary... But don't worry, your broker (or brokerage platform) will handle all the details.

For your part, you initiate your short position in the same way you would open a long position. You would just "Sell" instead of "Buy"... specify how many shares you want to short... and choose your price. Here's an example:



The only difference with establishing a short position is that you choose "Sell" instead of "Buy" to open the position. It's that easy.

But don't worry if you are still on the fence about shorting stocks. You can get first-hand experience by shorting just one share of a stock. Try it once and you will see how easy it is.

Just pick a stock... sell one share short... watch the position for a day to see how it moves... then buy one share of the stock back to close the position.

You will become a much better investor if you learn how to short stocks effectively.

Shorting Aids Price Discovery

Now, there are some investors who look down on short selling. They think it is wrong to root for a stock to fall in price.

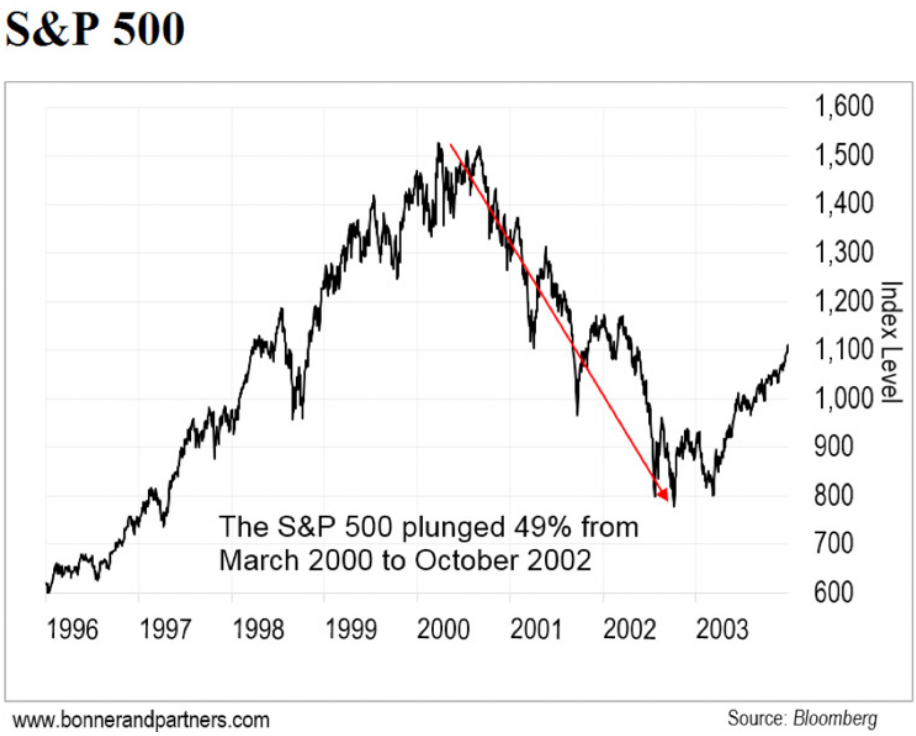
But shorting does not harm a healthy business... or its investors. In fact, shorting strong businesses is a recipe for failure.

Instead, short selling is an important part of price discovery. That's the stock market's fundamental purpose – to discover accurate prices for publicly traded stocks.

By shorting bad or fraudulent businesses, short sellers are telling the market that they think those companies are overvalued. In this way, short sellers hold public companies accountable for their conduct. Remember, it was famed short-seller Jim Chanos who first discovered Enron's fraudulent activity.

But unlike Jim Chanos, we're not looking to strike it rich from short selling. Instead, we want to use it as a tool to hedge our portfolio against a market crash. We want to use shorts to offset our portfolio losses.

And that will be key during the next market crash. To put this in perspective, take a look at this chart of the dot-com crash:



As you can see, the S&P 500 plummeted 49% from March 2000 to October 2002. The stock market was cut in half. Anyone holding stocks lost a lot of money.

And look at this chart of the 2008 crash:

The S&P 500 plummeted 57% from October 2007 to March 2009...

And again, investors lost a lot of money.

But if we hold a few key short positions, we can offset a chunk of those potential losses.

We went back and analyzed the last two bear markets – the dot-com bust from 2000 to 2002 and the financial crisis from 2007 to 2009.

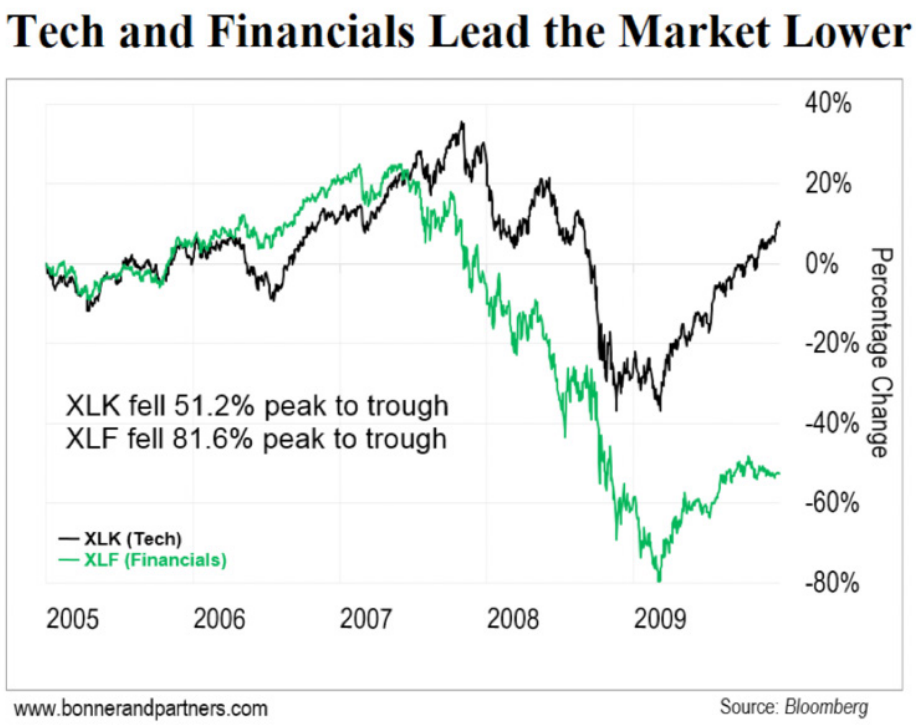
What we found was that there are two sectors that led stocks lower when the market crashed each time: tech and financials.

This next chart tracks the Technology Select Sector SPDR ETF (XLK) and the Financial Select Sector SPDR ETF (XLF) through the dot-com bust from 2000 to 2002.

These are sector ETFs that mirror the performance of tech stocks and financial stocks.

As you can see, tech stocks plummeted 81% during the dot-com bust. And financials fell 36% during that same time.

Look at what these sectors did during the 2008 financial crisis:



Financial stocks plunged 82% from 2007 to 2009. And tech stocks fell 51% during that same time.

Those are huge moves. A well-timed short would have enabled us to turn those losses into gains... and offset at least a portion of our core portfolio losses.

Timing Your Shorts

So, how do you time your short selling to take advantage of these big moves during a bear market?

The answer to that is simple in theory... but difficult in practice.

Look at this chart of the runup to the dot-com crash:

The red circles signify a drop of more than 7%.

Notice how the S&P 500 fell by more than 7% on seven different occasions on its way up from 600 to 1500. It even fell by 19% from July to October in 1998.

But you would have gotten crushed had you tried to short any of those small corrections. The market kept trending higher... setting "higher highs" along the way.

But then, in August 2000, the market stopped trending higher.

Instead, it set a "lower high"... and the market tanked shortly after.

And look at what happened during the runup to the 2008 crash:

This time, the S&P 500 suffered six "mini corrections" from 2005 to 2007 on its way from 1,200 to 1,560. But the market kept trending higher...

Once again, the big crash did not occur until after the S&P set a "lower high."

In theory, that "lower high" is the ideal time to establish your short positions. In practice, however, it is impossible to time this perfectly. After all, we can only know that a "lower high" was set after the fact.

So, the best way to time your shorts is to wait until it "looks" like the crash has begun... but to use a tight stop-loss in case you are wrong.

The Easiest Way to Short Tech and Financial Stocks

Now that you know how to short stocks, we are going to make it even easier for you.

Instead of shorting tech and financial stocks, you can use two inverse ETFs: the ProShares Short QQQ (PSQ) and the ProShares Short Financials (SEF).

The ProShares Short QQQ ETF (PSQ) is a fund that is designed to provide returns that are inverse of the NASDAQ-100. In other words, PSQ goes up when tech stocks go down.

In the same way, the ProShares Short Financials ETF (SEF) is a fund that is designed to provide returns that are inverse of the Dow Jones U.S. Financials Index. SEF goes up when financial stocks go down.

These inverse ETFs will allow you to put on short positions without short selling. You can buy them like you would buy any other stock.

Neither PSQ nor SEF were around for the dot-com crash... But look how they performed during the 2008 financial crisis... PSQ spiked 69% from August to November in 2008...

ProShares Short QQQ (PSQ)

www.bonnerandpartners.com Source: *Bloomberg*

And SEF performed even better... It rocketed 105% higher from September 2008 to March 2009.

ProShares Short Financials (SEF)

www.bonnerandpartners.com Source: *Bloomberg*

Anyone with the foresight to buy PSQ and SEF when the market began to fall would have offset a major portion of their core portfolio losses.

And that's exactly what we plan to do when the next selloff comes. We are going to use these inverse ETFs to convert market losses into gains.

By Joe Withrow, Analyst
Legacy Research

Buying Puts: The Perfect Bear Market Strategy

"The best path to anything lay through its opposite. One gains by losing and loses by gaining. Victory comes not from waging the one decisive battle... but from the roundabout approach of waiting and preparing now in order to gain an advantage later."

According to hedge fund manager Mark Spitznagel, this passage from the *Daodejing* is the key to his massive success in the stock market.

Mark pioneered what he called the "tail-hedging" strategy on Wall Street... and this strategy reaped over $1 billion in profits for his fund Universa Investments during the 2008 financial crisis.

Do you remember the 2008 meltdown?

If you recall, the credit market's liquidity evaporated... and the bond market plummeted. The S&P 500 lost half of its value in less than six months. When the dust settled, more than 30 million people had lost their jobs... and more than one million homes were in foreclosure. All told, U.S. households lost $16 trillion worth of financial wealth – wealth many of them were counting on for retirement.

Meanwhile, Mark Spitznagel made a fortune.

Think about that.

I am going to show you exactly how Mark made over $1 billion during the worst financial crisis since the Great Depression.

What's more, I am going to show you how you can use Mark's tail-hedging strategy to make a killing during the coming bear market. And as you will see, Mark's strategy is quite simple once you understand it.

Mark revealed his secret in his 2013 book, *The Dao of Capital*. In it, he sums up his investment theory: "Lose a little until you win big." He calls this a "roundabout" strategy.

Basically, Mark pays a little bit of money each year to "insure" his portfolio against a bear market. He does this by buying cheap, long-dated put options on stocks that will plummet when the market crashes. Then, when the market finally does crash, Mark's put options skyrocket in price.

We will go over how Mark's strategy works in detail... But first, we need to run through a basic primer on options.

Option Basics

An option is simply a contract that gives you the right to buy or sell a specific stock at a specific price by a specific date. You choose those specifics.

Each option contract represents an even 100 shares of the underlying stock. So one option contract gives you the right to buy or sell 100 shares of the underlying stock.

There are two types of options: call options and put options.

Call options give the buyer the right, but not the obligation, to buy a stock at a specific price by a specific date.

Put options give the buyer the right, but not the obligation, to sell a stock at a specific price by a specific date.

There are five components to every options trade: the underlying stock, number of contracts, expiration date, strike price, and premium.

The underlying stock is the stock that option buyers have the right to buy or sell.

The number of contracts is how many 100-share blocks of stock you are dealing with.

The expiration date is the date on which the option expires. This is the last day on which the buyer of the option may choose to buy or sell the underlying stock.

In the U.S., the monthly expiration date is always the third Friday of the month. There are also options with weekly expiration dates, but they tend to be less liquid.

The strike price is the fixed price at which the buyer of the option may buy (for calls) or sell (for puts) the underlying stock on or before the option expiration date.

And **the premium** is what it costs to purchase each option contract.

Now, there are only four fundamental things you can do with options: buy calls, buy puts, sell calls, or sell puts. All options strategies are derived from these fundamental actions.

In this dispatch, we are going to talk exclusively about buying put options. Put options are the secret behind Mark's roundabout strategy.

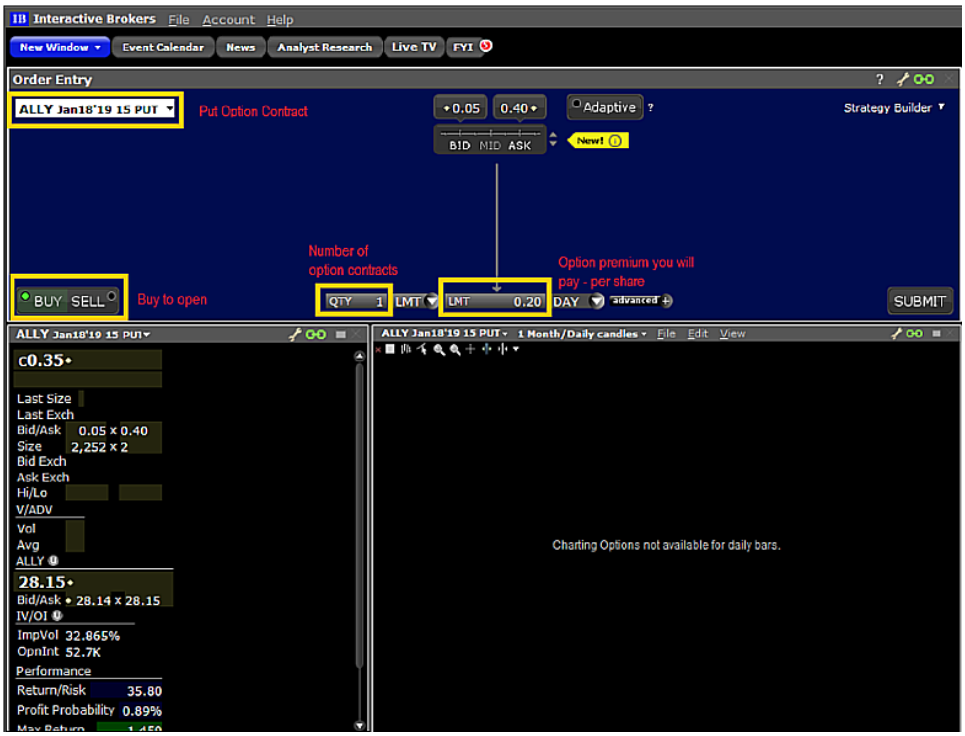
Put Option Basics

To recap: A put option is a contract that gives you the right to sell a specific stock at a specific price by a specific date. Here's an example of what a put option contract looks like using Ally Financial (ALLY):

1 ALLY Jan18'19 15 PUT @ .20

If you were to buy this contract, you would be buying the right to sell 100 shares of ALLY for $15 per share on or before January 18, 2019… And you would pay $0.20 per share ($20 per contract) for that right.

Here's what that would look like in your brokerage account:



Now, let's talk about how this works. Remember, you buy put options to profit when a stock falls in price. Let's demonstrate with an example…

Suppose ALLY fell to $12 per share before January 18, 2019. Since this option contract gives you the right to sell ALLY for $15 per share, your put option would be worth at least $300.

If you chose to "exercise" your option, your brokerage would buy 100 shares of ALLY for you at $12 per share. It would then sell those 100 shares for $15 per share to whoever sold the put option originally. And you would see that $300 profit appear in your brokerage account.

I know that sounds complicated… but don't worry. Your brokerage handles all the details. And, even better, you would probably not exercise your option in that scenario. Instead, it would be easier to simply sell your put option – just like you would sell a regular stock. And, depending on how close the option was to maturity, it is likely that you would earn more than $300 by selling your put.

On the other hand, suppose ALLY never fell below $15 per share before January 18, 2019.

Suppose the stock was trading at $20 per share on expiration day. Your put option gives you the right to sell ALLY for $15… but you would lose $5 per share if you did so. So there's no advantage there.

In that case, you would let your put option expire worthless and you would lose the $20 in premium that you paid to buy the option originally.

See how this works? This option contract gave you the chance to gain $300... and you only had to risk $20 for that chance.

I will show you how to turn this into a comprehensive strategy in a moment. But first, I need to clarify a few things.

The Perfect Bear Market Strategy

I am writing this in February 2018 – nearly 12 months before the expiration date. And ALLY is trading around $28 per share today.

So, ALLY would have to fall by more than 46% in less than 12 months for this put option to be profitable. I don't want to bore you with the technical details, but this option is considered "out-of-the-money" because of how far the stock would have to fall for it to be profitable.

That's why this put only costs $0.20 per contract... And that's why we can risk $20 to potentially make $300.

The more the stock would have to fall... and the shorter the timeframe... the cheaper the option premium will be.

It's also important to point out that option contracts trade continuously... just like stocks. Let's use our ALLY put option from above as an example.

We paid $0.20 in premium for our ALLY put – that was the market price when we bought the option. That price will fluctuate constantly, however. If the underlying stock tanks, our put option's price will go up. We could then sell our option for a profit at any time... we do not have to wait until the expiration day to exit the position.

And that's what makes this a perfect bear market strategy.

We never know exactly when the next bear market will come. We know what indicators to watch... but it is impossible to predict exact dates.

But when the bear market does come... and the stock market tanks... we can sell our put options and reap massive gains. All we have to do is buy... and wait. That's why Mark Spitznagel calls this a "roundabout" strategy.

But you must buy put options before a bear market comes – while they are still cheap. It will be way too late to buy put options if you wait until a full-blown bear market is underway. They will already have skyrocketed in price.

And if the put options you buy expire before the bear market comes... you must buy more put options with a new expiration date. That's why Mark says the key is to lose a little until you win big.

When to Buy

But here's the thing – you need to buy your put options when the market is relatively calm. That's when you will get the best prices. And the best way to know when the market is calm is to watch something called the "VIX" – the Chicago Board Options Exchange S&P 500 Volatility Index.

I won't bore you with the technical details, but the VIX officially measures the market's expectation of 30-day volatility.

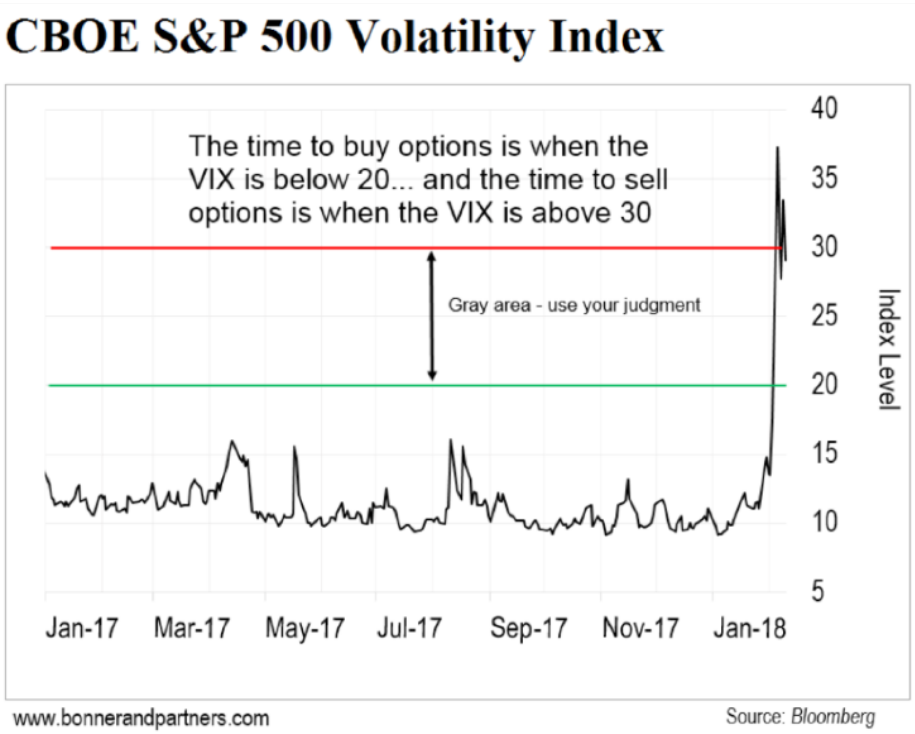
Here's what you need to know: When the VIX is high, investors expect the market to be volatile over the next month… and options will be expensive. And when the VIX is low, investors expect the market to be calm over the next month… and options will be cheap.

As I write this, the VIX's 50-day moving average is about 13. Its 52-week high is 50.3. And its 52-week low is 8.6.

As a rule of thumb, you should buy your put options when the VIX is below 20… and the lower, the better. On the flip side, you should not sell your options until the VIX spikes above 30. And the higher, the better.

As for the 20-30 range – that's a gray area. We would not advise buying options in this range. But it may make sense to sell the options you already own if you are able to do so at a profit.

That's a judgment call depending on how close your options are to expiring… and whether you think the market is going higher or lower in the interim.



Which Options to Buy

So now you know what put options are... and when to buy them. But which options should you buy?

The short answer: Buy put options on low-margin, highly indebted companies that are guaranteed to tank during a bear market. It's hard for us to get more specific in this report because this is just a guide... not an investment service. We don't know when you will read this or what the current market conditions will be at that time.

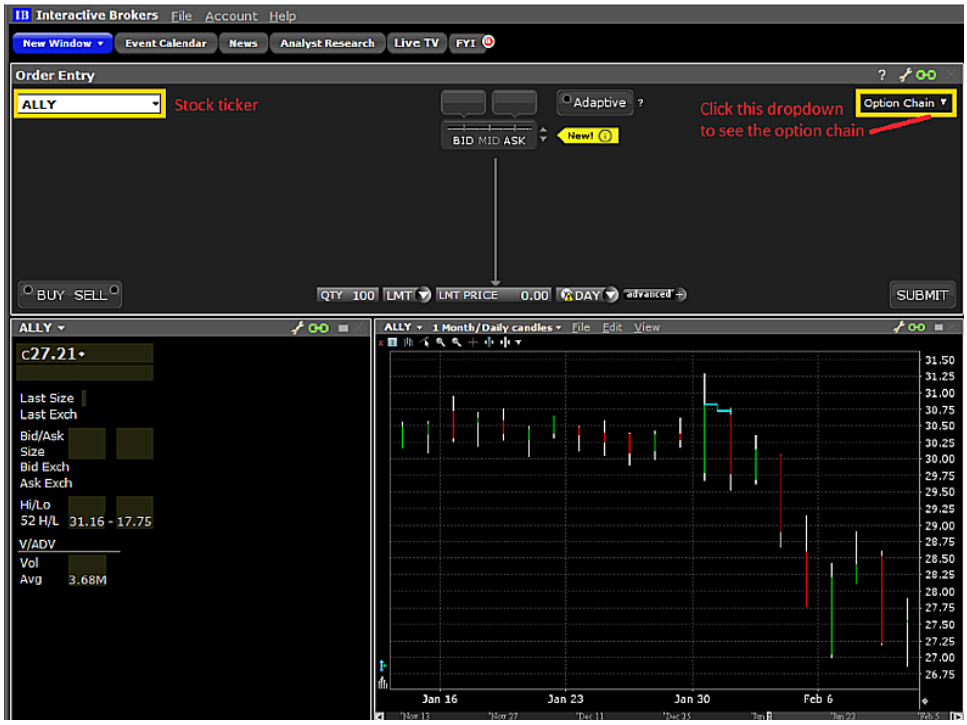
But for a starting point, here are three companies that you can begin your research on for buying puts. Each of these companies is loaded with debt coming due over the next three years and they each have negative free cash flow:

ALLY – Ally Financial CAR – Avis Budget Group TSLA – Tesla

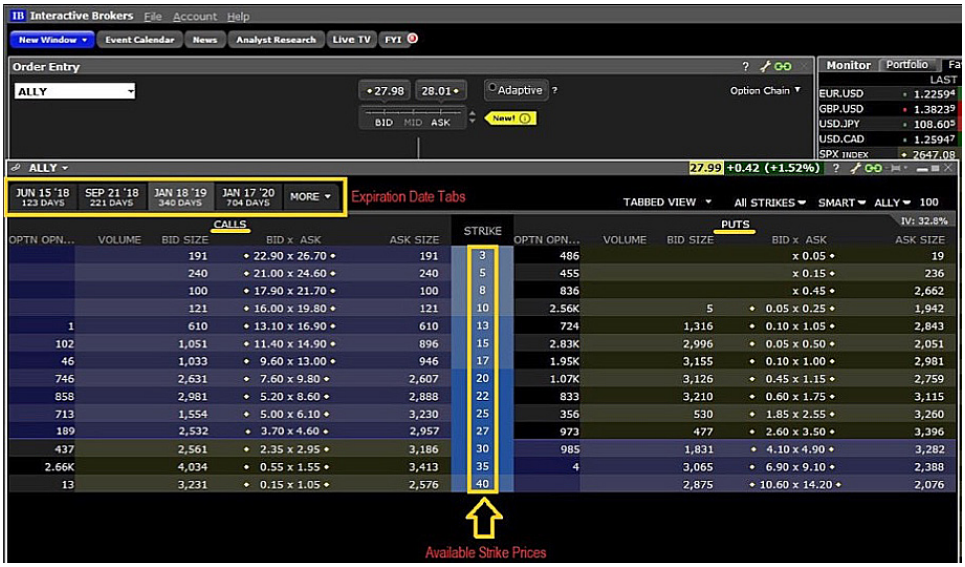
The purpose of this report is to provide you with as much actionable information as we can so that you can employ this strategy independently if you so choose. So let's get a little more technical...

You find the available options to trade for a given stock in its "option chain." Getting to the option chain will be a little different for each brokerage platform. Just reach out to your broker if you need assistance.

Here's where you can find the option chain in Interactive Brokers (top right on the screen):



We recommend buying "out-of-the-money" options with about 12 months left to expiration. Let's look at the option chain for ALLY to demonstrate:



You can see that you can sort the stock's options by expiration date in the top left – in this example, we are looking at the January 18, 2019 options.

And you can see that call options are listed on the left… and put options are listed on the right. And the available options are sorted vertically by strike price.

So, in this screenshot, we are looking at available call and put options for ALLY with an expiration date of January 18, 2019 with strike prices between $3 and $40. Each individual option contract is known as an "option leg."

For our bear market strategy, we recommend buying put options that are about 12 months away from expiration. I am writing this in February 2018, so the January 18, 2019 options are our best choice.

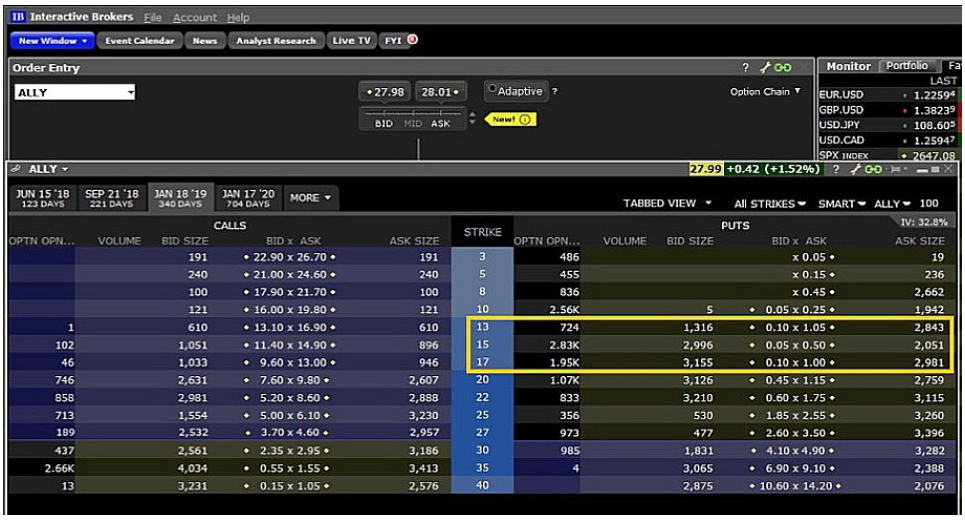
From there, we recommend buying out-of-the-money options because they give us tremendous upside potential for very little capital outlay.

Remember, out-of-the-money means the option's strike price is relatively far away from its current price. For put options, that means we are looking for options with a strike price much lower than the stock's current price.

In this report, we used the ALLY Jan18'19 15 PUT as our example because we thought it gave us good bang for our buck. But there is nothing magical about that specific option leg. The ALLY Jan18'19 17 PUT and the ALLY Jan18'19 13 PUT would work in just the same way while giving us about the same risk-reward setup.

The lower the strike price you go with, the cheaper your premium will be. But you will also have a lower chance of being profitable with that option. It's a trade-off.

Let's dive into this a bit more...



As you can see, we have highlighted the three option legs we are considering.

That first column "OPTN OPN" is the existing open interest for that particular option leg. Open interest represents the total number of open or outstanding options contracts at any given time.

The second column is volume, which represents how many options contracts have traded on a given day.

The third column is the bid size, which indicates how many options contracts investors are willing to purchase at the current bid price.

The fourth column is the bid-ask spread. This is the price range within which you could buy or sell the option contract at that point in time.

And the fifth column is the ask size, which indicates how many options contracts the market maker is willing to sell at the current ask price.

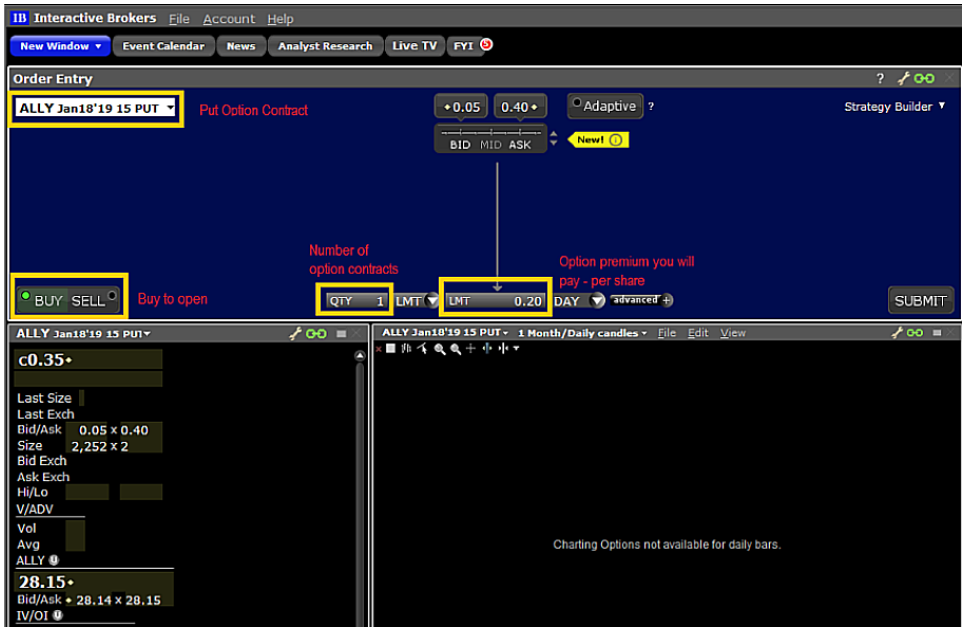
Here's what you need to know about these columns...

Open interest, volume, bid size, and ask size will not be terribly important to us because we are treating this as a long-term strategy. Those metrics are much more important to short-term options traders.

With that said, open interest and volume will give you an idea of how "liquid" a particular option chain is. The higher the open interest... and the greater the volume... the easier it will be to buy and sell that option.

The most important thing to pay attention to is the bid-ask spread. You can see that the bid-ask spread for our ALLY Jan18'19 15 PUT is $0.05-$0.50. Again, that is the price range within which we could buy or sell this put option contract. But that's a big range. How do we know which price to choose?

First, you should only use "limit" orders to buy or sell options. Limit orders specify the maximum price at which you are willing to buy... or the minimum price at which you are willing to sell. Let's go back to our example:



You can see that we used a limit order of $0.20 to buy this option contract. That is what the "LMT" designates.

By using a limit order, we are telling our broker that we are not willing to buy this option above $0.20 per share. Had we used a market order (MKT), our broker probably would have filled our order for somewhere around the $0.40 ask price. Limit orders ensure that you get the best price possible.

In this example, I entered the buy order at $0.20 because it is in the middle of the bid-ask range... but closer to the bid than the ask. Obviously, you want to buy as close to the bid price as you can. But the closer you get to the bid, the lower the chances are that your order will be filled.

So you may have to do a little trial and error with your buy and sell orders. If my $0.20 order is not filled within a reasonable timeframe, I may have to change the order to $0.25... or $0.30... whatever the case may be. Your order will eventually be filled as you move closer to the ask price.

Putting It Together

To recap: We want to buy out-of-the-money put options about 12 months from expiration on low-margin, heavily indebted companies whose stock will plummet in the next bear market. We want to buy these options when the VIX is below 20. You would then look to sell your options when the VIX spikes above 30... and the higher, the better.

We only recommend allocating 3-5% of your portfolio to this bear market strategy. That is all you need to properly insure your portfolio if you follow our asset allocation guidance.

We also suggest that you build a put option portfolio of five to 10 companies that you are especially bearish on.

Also, know that these options will slowly fall in price over time unless the stock market trades lower. And that's okay.

You must "lose a little until you win big," as Mark Spitznagel put it. This is one reason why we only recommend a 3-5% allocation... this strategy will lose money until the bear market comes.

But when the bear finally shows its face... you will be ready.

Chapter 6

GOLD

By Dave Forest
Editor, *International Spectator*

Gold Stocks Can Deliver Profits During a Bear Market

You'll want to print this essay out and keep it close by.

It may be one of the most important we've ever published.

In short, I've found a way to not only protect your wealth when the stock market takes a dive... but also a method of securing huge gains during a crash.

And I'll go over why gold bullion is still one of the best safe havens for your portfolio.

But I'll also explain why buying physical gold isn't the only way to protect your wealth in the months ahead. There's another way... one 99% of investors haven't considered. And it won't just protect you... it will also set you up for big profits.

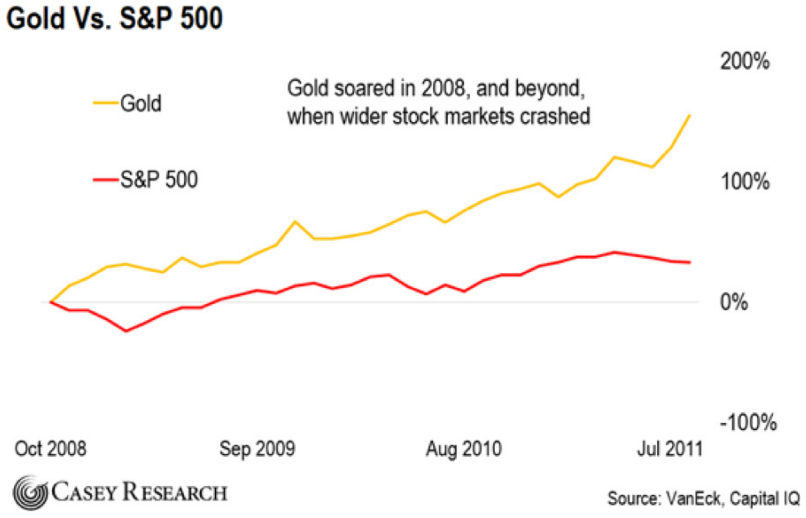
Meltdown Insurance

Have you ever wondered how the ultra-rich protect their wealth? After all, if stocks collapse, the world's wealthiest people face losses in the hundreds of millions, or even billions, of dollars.

What do they do to protect against this massive downside?

They buy gold.

Gold bullion is a time-tested store of value during financial crises. It's insurance against a stock meltdown. For proof, just look to the last major stock market crash in 2008.



After stock markets plunged 54% in 2008, gold took off. Between October 2008 and July 2011, bullion outperformed the S&P 500 by a whopping 113 percentage points.

For wealthy gold owners, that "insurance" got them through the crash. Even as their stocks, real estate, and business interests were wiped out, they cashed in on gold.

Now, as we always say, owning physical gold is the first step.

But there's another way to use gold's wealth-capturing power to insure your portfolio...

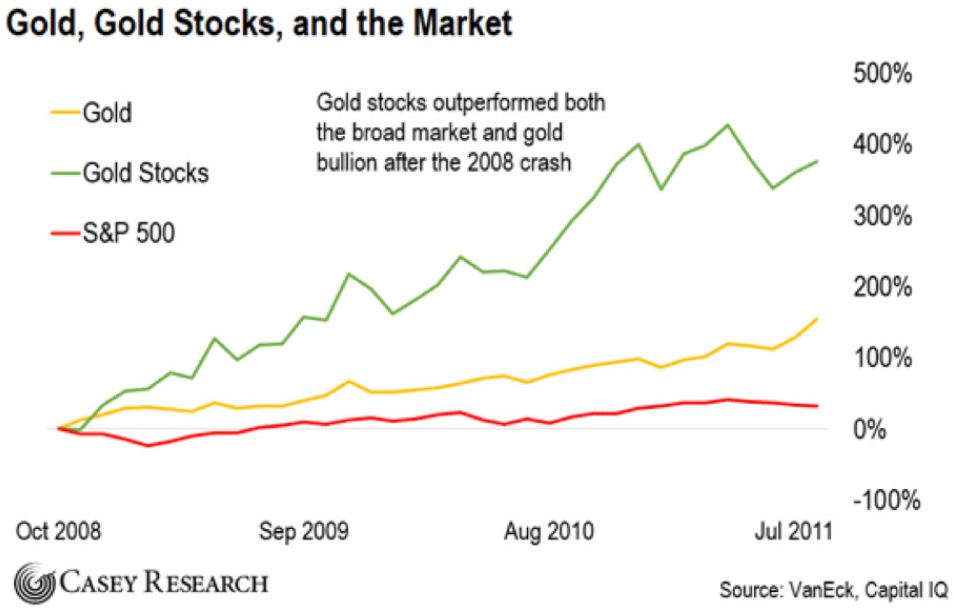
Better Than Bullion

There's another class of gold investment that is easy to buy. You just need a simple brokerage account.

Even better, these investments *deliver higher* returns than bullion during times of crisis.

I'm talking about junior gold stocks. You can buy shares of companies that develop gold mines. These are firms that own physical gold themselves. Firms that do the storage, assessment, and transport for you.

Look at how this basket of junior gold stocks performed during the 2008 collapse. In the same period when the S&P delivered 41%, and gold bullion – the weapon of choice for the wealthy – gained 154%, gold stocks like these delivered a stunning 427% at their peak.



Those are huge gains. So you only need a small bit of money in this "insurance."

Just a few percentage points of your overall portfolio could be enough to safeguard you.

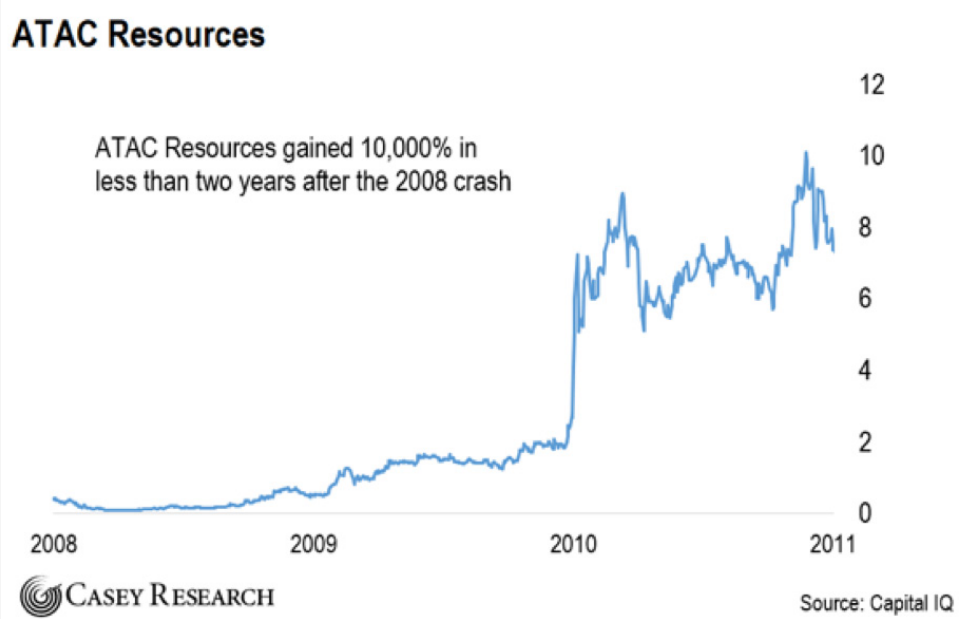
So these stocks are perfect for investors looking to invest a small portion of their portfolio – a few hundred or a few thousand dollars.

If major stock markets hit a correction or crash, gains like these gold stocks delivered after 2008 will let you keep paying your bills while other investors get wiped out completely.

I should add that the 427% gain for gold stocks was the average after the 2008 crash. Some of the best-quality companies did even better. I personally owned one gold stock, ATAC Resources, that gave me 1,000% gains within 12 months after the crash.

I sold to lock in that win… and afterward, ATAC Resources soared another 1,000%.

I don't sweat it – you never go broke taking a profit. But if you'd held onto ATAC, you would have made a stunning 10,000% gain in less than 24 months after the crash. Some folks did.



Insuring your portfolio with an average basket of gold stocks is easy: You can buy the VanEck Vectors Junior Gold Miners ETF (GDXJ), an exchange-traded fund for junior gold stocks.

If you're at all worried about your portfolio, I urge you to look at the downside protection of gold stocks.

By Doug Casey
Founder, Casey Research

Why Gold Stocks Are an Ideal "Asymmetric Bet"

I believe the gold price is poised to move from its current level of around $1,550 per ounce to $2,000... $3,000, and beyond.

Right now, we are exiting the eye of the giant financial hurricane that we entered in 2007, and we're going into its trailing edge. It's going to be much more severe, different, and longer lasting than what we saw in 2008 and 2009.

In a desperate attempt to stave off a day of financial reckoning during the 2008 financial crisis, global central banks began printing trillions of new currency units. The printing continues to this day.

And it's not just the Federal Reserve that's doing it; it's just the leader of the pack. The U.S., Japan, Europe, China... all major central banks are participating in the biggest increase in global monetary units in history.

These reckless policies have produced not just billions, but trillions, in malinvestment that will inevitably be liquidated. This will lead us to an economic disaster that will, in many ways, dwarf the Great Depression of 1929-1946. Paper currencies will fall apart, as they have many times throughout history.

This isn't some vague prediction about the future. It's happening right now. The Canadian dollar has lost 26% of its value since 2013. The Australian dollar has lost 37% of its value during the same time. The Japanese yen and the euro have crashed in value. And the U.S. dollar is currently just the healthiest horse on its way to the glue factory.

These moves show that we're in the early stages of a currency crisis. But if you make the right moves, you could actually make windfall gains instead of suffering losses. Here's how to do it...

The huge winner during this crisis will be the only currency that has real value: gold.

Gold has been used as money for thousands of years because it has a unique combination of qualities.

Let me spell it out very briefly: It's durable (almost indestructible – that's why we don't use food as money), divisible (each divided piece is valuable – that's why we don't use artwork as money), convenient (its unit value is very high – that's why iron isn't a good money), consistent (all .999 gold is identical – that's why we don't use real estate as money), and has value in and of itself (which is why we shouldn't use paper as money). Just as important, governments can't create gold out of thin air. It's the only financial asset that's not simultaneously someone else's liability.

When people wake up and realize that most banks and governments are bankrupt, they'll flock to gold… just as they've done for centuries. Gold will rise multiples of its current value. I expect a 200% rise from current levels, at the minimum. There are many reasons, which we don't have room to cover here, why gold could see a truly significant gain. And in real terms, not just against paper money.

This should produce a corresponding bull market in gold stocks… of an even greater magnitude. A true mania for gold stocks could develop over the coming years. This could make anyone who buys gold stocks at their current depressed levels very rich.

What History Teaches Us About Great Speculations

Many of the best speculations have a political element to them.

Governments are constantly creating distortions in the market, causing misallocations of capital. Whenever possible, the speculator tries to find out what these distortions are, because their consequences are predictable.

They result in trends you can bet on. Because you can almost always count on the government to do the wrong thing, you can almost always safely bet against it. It's as if the government were guaranteeing your success.

The classic example, not just coincidentally, concerns gold.

The U.S. government suppressed its price for decades while creating huge numbers of dollars before it exploded upward in 1971. Speculators who understood some basic economics positioned themselves accordingly. Over the next nine years, gold climbed more than 2,000%. Many gold stocks climbed more than 5,000%.

Governments are constantly manipulating and distorting the monetary situation. Gold in particular, as the market's alternative to government money, is always affected by that. So gold stocks are really a way to short government – or go long on government stupidity, as it were.

The bad news is that governments act chaotically, spastically.

The beast jerks to the tugs on its strings held by various puppeteers. But while it's often hard to predict price movements in the short term, the long term is a near certainty. You can bet confidently on the end results of chronic government monetary stupidity.

Mining stocks are extremely volatile for that very same reason. That's good news, however, because volatility makes it possible, from time to time, to get not just doubles or triples but 10-baggers, 20-baggers, and even 100-to-1 shots.

When gold starts moving higher, it's going to direct a lot of attention towards gold stocks. When people get gold fever, they are not just driven by greed, they're usually driven by fear as well. So you get both of the most powerful market motivators working for you at once. It's a rare class of securities that can benefit from fear and greed at once.

Remember that the Fed's pumping-up of the money supply ignited a huge bubble in tech stocks in the late 1990s, and an even more massive global bubble in real estate that burst in 2008. But they're still creating tons of dollars.

This will inevitably ignite other asset bubbles. Where? I can't say for certain, but I say the odds are extremely high that as gold goes up, a lot of this funny money is going to pour into these gold stocks, which are not just a microcap area of the market but a nanocap area of the market. The combined market capitalization of the 10 biggest U.S.-listed gold stocks is less than 8% of the size of Facebook alone.

I've said it before, and I'll say it again: When the public gets the bit in its teeth and wants to buy gold stocks, it's going to be like trying to siphon the contents of the Hoover Dam through a garden hose.

Gold stocks, as a class, are going to be explosive. Now, you've got to remember that most of them are junk. Most will never, ever find an economic deposit. But it's hopes and dreams that drive them, not reality. Even those without merit can still go up 10, 20, or 50 times your entry price.

And companies that actually have the goods can go much higher than that.

You buy gold, the metal, because you're prudent. It's for safety, liquidity, insurance. The gold stocks, even though they explore for or mine gold, are at the polar opposite of the investment spectrum; you buy them for their extreme volatility and the chance they offer for spectacular gains. It's rather paradoxical, actually.

Why Gold Stocks Are an Ideal "Asymmetric Bet"

Because these stocks have the potential to go 10, 50, or even 100 times your entry price, they offer something called "asymmetry."

You probably learned about symmetry in grade school. It's when the parts of something have equal form and size. For example, cut a square in half and the two parts are symmetrical.

Symmetry is attractive in some forms. The more symmetrical someone's face is, the more physically attractive they are considered to be. Symmetry is often attractive in architecture.

But when it comes to investing and speculating in the financial markets, the expert financial operator eschews symmetry. Symmetry is for suckers.

The expert financial operator hunts for extreme asymmetry.

An asymmetric bet is one where the potential upside of a position greatly exceeds its potential downside. If you risk $1 for the chance of making $20, you're making an asymmetric bet – especially if the odds are very good you could be right.

Amateur investors too often risk 100% of their money in the pursuit of a 10% return. These are horrible odds. But the financially and statistically illiterate take them. You might do better in a casino. It's one of the key reasons most people struggle in the market.

I've always been more attracted to asymmetric bets... where I stand a good chance of making 10, 50, even 100 times the amount I'm risking. I'm not interested in even bets. I'm only taking the field if my potential upside is much, much greater than my potential downside.

Because of the extreme asymmetry gold stocks offer – because of their extreme upside potential when they're cheap – you don't have to take a big position in them to make a huge impact on your net worth.

Right now, gold stocks are near a historic low. I'm buying them aggressively. At this point, it's possible that the shares of a quality exploration company or a quality development company (i.e. one that has found a deposit and is advancing it toward production) could still go down 10%, 20%, 30%, or even 50%. But there's an excellent chance that the same stock will go up by 10, 30, or even 50 times.

I hate to use such hard-to-believe numbers, but that is the way this market works.

When current government policies inflate the coming resource bubble, the odds are excellent we'll be laughing all the way to the bank. Assuming the bank is still there...

No one, including me, knows that a gold mania is just around the corner. But having operated in this market for over 40 years, I can tell you this is a very reasonable time to be buying these volatile stocks. And it's absolutely a great time to start educating yourself about them.

There's an excellent chance a truly massive bubble is going to be ignited in this area. If so, the returns are going to be historic.

By Doug Casey
Founder, Casey Research

The Nine Ps: How To Find The World's Best Gold Stocks

The Nine Ps are a relatively simple question-and-answer process to help pinpoint the best gold stocks on the planet. Only a small fraction of companies successfully make it through the Nine Ps screening and into the pages of our publications. With a little practice, you can use them to screen any and all resource stocks you are considering for your portfolio. At the very least, answering the questions will give you a much better understanding of the true potential of a company.

1. People

The first question you want answered is, "Who are the key players involved with the company?" As is the case with all human beings, some are more skilled, more honest, and harder working than others.

To state the obvious, Boy Scout virtues like honesty, thrift, courage, and diligence are always good traits for your management teams. As are competence, knowledge, experience and, perhaps most importantly, a track record of success. You can find this information from a variety of sources, starting with management biographies (increasingly available on company web sites). Then do your research by talking with the managers themselves or their investor relations staff.

Use a service like Stockwatch.com to research the track record of the companies that the management has been involved with previously (during their tenure, of course). And don't hesitate to ask your broker – or even competitors – what they think about the people in the deal. Despite being a multibillion-dollar, global business, the mining and resource industry is actually a pretty small village. If someone is a known snake oil salesman or poseur, chances are good you'll be able to ferret out that fact with just a couple of phone calls.

In addition to trying to sort out the black hats, a key goal of this exercise is to find out if investors have made money in their past deals. Or, if things didn't work out too well – mining is a high-risk business, after all – did the company at least make an honest attempt to "do the right thing" for their shareholders? Remember, nothing succeeds like success. In the final analysis, bet on the winners.

2. Property

As you approach the topic of "property," keep in mind that between 95% and 99% of all the properties controlled by mining companies will never actually become mines.

That's because finding a mineral deposit with the potential to host an economic resource is time consuming and expensive. And unlocking the economic value of the embedded minerals is even more so. The cost of building a mine and a mill starts at a minimum of $50 million these days. And it can climb to $1 billion or more.

The good news is that you can make a fortune investing in companies that, for one reason or another, will never go into the production stage. It's all a matter of timing and knowing when to sell.

But back to the question of property. Regardless of whether or not a company ever develops a mine, the big money flows into companies with big mineral resources. And it is the big money flowing into a company that drives the price of your shares higher and provides you with the liquidity to exit with your profits intact.

That's the reason why the bigger and more geologically credible the prospective deposit, the better. How can you tell an ore body (definition: a deposit that can be economically mined) from moose pasture (definition: a large piece of land, usually located in the middle of absolutely nowhere, that is good for nothing better than moose grazing)?

First off, start by ignoring claims made by mining company executives that are not derived from, at the minimum, drill results. (This advice applies in spades if the claims are not in writing for all the world to see.)

A favorite stunt used by some mining executives is to tell you that they have identified a major potential resource using grab, chip, or trench samples. In plain English, those terms mean that geologists working for the company (a) literally grab some rock from the surface of the property; (b) chip some rock from an outcropping; or (c) cut a trench across some interesting rock on the property... and then send the more prospective samples to a laboratory for assaying.

As geologists are not paid to send in uninteresting rocks (otherwise known as "dirt") to the lab, you can rest assured that grab, chip, and trench samples reflect the best possible rock the geologist can find.

Don't get me wrong. Finding highly mineralized rock on the surface of a property is a good thing. Just don't mistake it for a reliable predictor that an ore body rests beneath.

Likewise, don't accept gross value calculations that are derived by simply multiplying, say, the price of gold by the inferred number of ounces of gold in a deposit. Such a simplistic approach to valuation completely ignores the costs associated with getting the minerals to market, which can be affected by engineering problems, physical position of the ore body, metallurgy, commodity prices, stripping ratios, cost of transporting ore (if required), the cost of building the mine and any processing facilities, the cost of financing, and so much more.

What to do? We may, on occasion, buy stocks that have only the earliest-stage indication of a mineral deposit – if we like the management/ exploration team and know that they are fishing in the right pond. A company with respected management, a prospective property, and the money to embark on a good-sized drill program can make for a very good speculation.

Typically, however, we focus on companies that have tested their geological theories with a drill program and come up with logical results. And we will usually get a second opinion from a consulting geologist who will verify the company's interpretation of the data.

Next, if the story looks sufficiently interesting, myself or one of our research team will visit the property – even if it's located in Outer Mongolia or some fly-infested corner of Africa. It is one thing to read about the geological characteristics of a property. It's another thing altogether to examine the rock yourself, then look the geologist in the eye and ask him to describe his theory about the deposit. Geologists are usually not very convincing storytellers.

So, when it comes to property, make sure that you are investing in companies that are chasing elephant-sized deposits... that don't insult your intelligence by pretending that early sampling or gross value calculations represent anything other than wildly speculative assumptions... and companies with significant drill results, whose geological theory makes sense.

At the end of the day, before any decision is made on building a mine, the company will commission a bankable feasibility study – an exhaustive document that can cost millions of dollars to prepare. Only once that document is completed and confirms that an economic ore body exists can you assume that a mine may actually be built.

And even then, any number of factors (financing, metal prices, other company priorities, etc.) can stand in the way of it becoming a reality.

Put another way, never forget that you are not investing in this sector for the joy of seeing a mine built, but for the spectacular returns that can be made along the way to finding out whether or not a mine could be built.

A couple of final observations on this point. (1) Look for companies with more than one prospective large property. That way, if there is bad news (e.g., poor drill results) on one property, you have some downside protection from the company's other properties. (2) When a stock in your portfolio goes up by double or triple digits, don't forget to sell enough to lock in your returns and, ideally, scrape your original investment off the table. That way, you are taking a "free ride" on any further upside potential. And you are protected if the next bit of news is negative.

3. Phinancing

When we look at financing, we're essentially trying to match up the company's next-phase objectives with its ability to finance the cost of attaining those objectives.

Put another way, when we consider buying a junior explorer based upon prospective early drill results, the timing of our purchase may be predicated on the company's ability to finance a more extensive drill program to better define the size of the target mineralization.

In this case, you have to ask, "Where's the money for the drill program going to come from?" Do they have it in the bank? Are they going to do another financing? And, if so, what will the dilution factor be if we buy our shares today?

Or are they going to keep their own corporate treasury intact and instead look for financing from a deep-pocketed senior mining company? If so, how much of the company or the rights to future development on the property will they have to give up?

Armed with the information of who is writing the checks, you then have to ask yourself, "How likely is the company to get the money they need?"

For this assessment, we again have to take management into account. Money follows success. The successes the executive team has had in the past are directly correlated to how easily they can find financing in the future. Finding financing at a reasonable price will also depend on the quality of the property, the stage the company is in, the current share structure, and so on.

This is probably as good a time as any to share with you an important concept regarding investing in this sector. Namely, that the size of your returns will largely be a function of timing your investment before certain "ifs" are answered... and then having the answers be good ones.

For instance, you can pick up a quick double by investing in a company after initial mineralization has been identified by some of the rudimentary, early-stage exploration sampling mentioned earlier – if the mineralization is subsequently confirmed at depth through a credible drill program.

If a comprehensive follow-on drill program confirms your initial results and demonstrates that your property contains a significant deposit, it's back to the bank. If the company is then able to attract a deep-pocketed partner to fund additional drilling or even a bankable feasibility study, your stock lights up again. If the bankable feasibility study confirms that the property can be economically mined, it's happy times once more.

I am skipping over a lot of other events that can trigger an overnight double or triple in your shares – including the vending-in of an attractive new property... pulling a "glory hole"... having a well-known mining pro join the management group... the company hiring a competent public relations firm... even being written up by a renowned stock analyst. Any of those, and more, can do the trick.

The opportunity to hit numerous home runs throughout the rapidly evolving life of a resource company is a major differentiator between resource shares and garden variety investments, where stock gains are based on long-range business plans and new product development. It's like Mattel actually drilling for the next Barbie doll.

Back to the topic of Phinancing... The bottom line is that you need to clearly understand where the money to move a project forward is going to come from – and at what cost to you as a shareholder.

4. Paper

Paper and financing go hand in hand, since capital is almost always raised in the form of new shares being issued. As a result, analyzing the structure of the company is as important as the geology of a company's property holdings. That's because some companies will too quickly dilute existing shareholders by raising money from sweetheart financings completed through private placements, often with full warrants.

While I personally think these are wonderful – and I have made more than a few dollars by participating in private placements myself – there is a right way and a wrong way for a company to do financing.

To that end, we probably spend more time looking at the financial structure of a company than any other aspect. How many shares are outstanding? Who owns the shares? What percentage does management own? (I like to see management have a clear incentive for success.) Are any seed or private placement shares about to come free and, if so, when and in what quantity?

The last question can be very important from a timing perspective. Take a position in a stock just before a large number of cheap shares from a private placement come free, and you could be trying to catch a falling safe. Conversely, if you wait a bit, then put in a cheap bid, you can buy smart.

It is always worth understanding who's got the paper, at what price, and when the company may issue more. And don't forget to go through the simple process of multiplying the number of shares outstanding, fully diluted, by the current share price to come up with the market capitalization – always a useful indication of value.

In overheated markets, it is not unusual to see companies with little more than early-stage drill results on land located somewhere north of Timbuktu boasting a market cap in the hundreds of millions. Sure, they might get lucky. But are you really willing to bet your money on it?

5. Promotion

"You can have the greatest product in the world, but still go broke if no one knows about it" is an old business adage that holds true in mining as well.

In more instances than I can remember, I've come across a well-run company turning up strong results on a geologically attractive property in a mining-friendly country... and the shares of the company are selling for pennies.

In these cases, the missing element is "Promotion" – the fine art of being able to communicate your story to the broad community of investors and analysts. I have a soft spot for these companies, which are typically run by mining engineers and geologists – scientifically minded individuals who sincerely believe that if they do their work well, the market will eventually discover them.

While that occasionally happens – and finding an under-promoted company can offer us a terrific opportunity – more often than not, these companies run out of cash and are unable to raise additional financings... at least at a cost that is not usurious to shareholders.

There are, of course, important nuances. If you can find an under-covered company with real merit that has just hired an investor relations staff or engaged a firm that specializes in corporate public relations, you can make a very nice return very quickly as the company gets the recognition it deserves.

Regardless, a company with an active investor/media awareness program will generate trading volume, driving your shares up and, again, giving you the opportunity to get your profits off the table when you decide to sell. Therefore, before you invest, you should ask company executives about their specific plans to get the company noticed.

So promotion can be a good thing. It can, however, also be a bad thing when a company is built solely around promotion. It is that kind of company that proves true the old Mark Twain quip that a gold mine is "a hole in the ground with a liar standing over it."

If you do your homework, however, it won't be long before you'll be able to tell the real cowboys from the ones that are all hat and no cows.

6. Politics

You may wonder what politics have to do with mining. But that would demonstrate a dangerous naiveté... because politics touch virtually every aspect of life in literally every country in the world.

Politics can make or break a promising junior stock. Remember that a lot of the gold deposits found today are located in fly-blown, third-world countries and backwater banana republics. That's why it is so important to research the political climate in a country where your company wants to go mining.

Is the government stable? Are there rebel groups or kidnap gangs operating around your mine site? Is the country prone to nationalizing foreign interests at the first sign of financial trouble? These are all good questions to ask company executives.

Perhaps the biggest threat to mine development these days, however, is ecopolitics. Try to build a mine in the remotest corner of the remotest desert in the U.S. and be prepared to have your application blocked by the Committee of Friends of the Box Turtle. And it is not just the U.S. but a wide range of countries – Romania and the Dominican Republic, to name just two – where the permitting process can take many, many years.

It is for that reason that you will so often see mining projects being promoted in areas such as Mongolia or Eritrea – countries that are sufficiently desperate for money that they tend to be more tolerant of the mine aesthetics. (In case you are wondering, almost all new mining projects now factor in the cost of reclaiming the land once the mineral deposit has been mined out.)

One of the reasons why I find it so worthwhile to personally visit a mine site – and so far, I've traveled to over 165 countries and counting – is that it gives me an up close opportunity to assess the mood of the locals and the greed level of politicians. Politics count.

7. Push

Push is the answer to the question: "What's going to move this stock?"

Often, impending or foreseeable drill results are the Push that will bring us the returns we seek. That's because we usually see the fastest, most dramatic increases in share price at the time when a small company makes a big discovery. And none of the years of preparation, surface work, geophysics, etc. count for anything until and unless drilling defines an economic tonnage of ore.

But Push can be anything: a successful transition to production, a major increase in the price of the underlying commodity, positive metallurgy or engineering reports, positive feasibility studies, a green light given to construction, a merger or an acquisition, realization of a royalty, the resolution of legal, political, or regulatory difficulties... even a big promotional push can be the Push we're looking for.

Generally, then, Push is any important development that either adds value to the company or removes a negative. And if we can clearly see the Push coming, or if we can see what look like favorable odds of it happening, we have a basis for speculation on rapid returns in our desired timeframe (12 months).

"What's the Push?" is a question we ask ourselves about every company we evaluate. If we can't see the Push, we turn our attention elsewhere. Why park cash in even a great company, if it has no Push?

8. Pitfalls

While the biggest threat to mining these days usually stems from (eco) politics, there are many other things that can go wrong in mine development. That's where the "Pitfalls" P comes in.

Pitfalls can be viewed, in a sense, as anti-Push. Where "Push" lists things that can go right, "Pitfalls" sums up what can go wrong. Some of these things may also be discussed under the other Ps, but the "Pitfalls" make the risks involved in a specific speculation clear to those considering it.

It's important to remember that Pitfalls are never showstoppers. If they were, we wouldn't recommend the stock.

Here are a few examples of the Pitfalls we look for in our due diligence process:

- **Security issues.** Mine operators in certain parts of the world have to deal with crime, or even terrorism. Most companies know how to manage these situations. Others are simply not affected. But this does happen on occasion. Understandably, some places (e.g. parts of Africa) are just more dangerous than others. As an investor, it makes sense to know how exposed your company is to this.

- **Access to land.** There have been cases of mining companies being bullied into renegotiating land agreements with members of local agrarian communities.
- **Permitting problems.** No two permitting processes are ever the same. And everything needs a permit these days. Not just production, but also drilling. And in some cases, you need a permit simply to get your boots on the ground. Permitting delays vary greatly in seriousness, depending on both the nature of the regulator and the company. Failure to receive a green light from regulators in a timely manner can spell big trouble for a cash-strapped, single-project company. On the other hand, an actual fine can amount to little more than a slap on the wrist for a profitable producer with a host of projects in development under its belt.
- **Competition.** When the resource markets are hot, it can be hard to find good people, available drill rigs, lab time, and many other things.
- **Technical issues.** From metallurgical problems, to stability of power supply, to unexpected weakness in the rock one is tunneling through... the potential technical problems are limitless.
- **Financial issues.** We cover this in Paper and Phinancing, but the nuances are myriad.

This list is by no means exhaustive. Potential "Pitfalls" are just too many to list in one place. So we'll just conclude by saying that they are different for every company.

9. Price

A deposit may be worthless if the market price of the embedded minerals is "X." But it may become economic if the embedded mineralization goes to "2X." At "3X," the project may be worth hundreds of millions.

It is one of the more laborious aspects of analyzing resource companies that, as the price of the underlying commodity rises, you have to re-review your assessments on companies and properties almost across the board.

For instance, a few years ago, we were following a strategically minded copper company that used low copper prices to inexpensively buy a huge package of proven properties. Back when copper had been selling for 75 cents a pound, no one had wanted anything to do with the company.

As copper went over $1.00 a pound, the company's in-situ resources became worth hundreds of millions of dollars... and everybody and their uncle wanted to own the company. Our shares quickly doubled.

So, periodically, as resource prices rise, we do a reassessment of the companies we have previously evaluated and found unattractive due to the Price factor.

Also, on the topic of Price, it is essential that you use rational price expectations when calculating the potential for your investment. Ultimately, gold might go as high as $2,000 or even $3,000 an ounce. But if achieving those high levels will be required in order for your company to do well, you are taking an unhealthy level of risk. So, ask yourself: "What will this company be worth at $500 per ounce? Will it be able to justify its current market cap?" If the answers are positive, you may be on to something.

Remember

At Casey Research, we have always been big believers in making the trend your friend... and the real money is to be made by investing ahead of the masses. Consequently, our approach has been to look for solid speculations in sectors of little public interest because that allows us to buy cheap and, if we are right, sell high as the crowds rush in.

Even a casual glance at the current state of the U.S. economy – the engine that drives much of the world – tells us that the end of a long road is ahead. The fact is that the U.S. government cannot endlessly take on debt, bail out every major bank and corporation, and create money by the truckload.

In time, the fundamentals will prevail – as we are already seeing – and tangible investments such as gold and silver will become the investment of choice of intelligent investors looking to avoid the negative wealth effect of a rapidly eroding dollar.

The metals' rise in recent years is a clear sign that the trend is now the friend of resource stocks. Because there is only a limited number of quality resource investments available, as the serious money begins to flood into them, investors who take a position now will be very well rewarded.

If you are seriously considering investing in natural resources, don't put it off. The leverage on these investments can turn dimes into dollars... if you exercise diligence and take the time to carefully work through the Nine Ps.

Chapter 7

SILVER

The Essential Currency for Surviving a Monetary Crisis

By Casey Research

Originally published in 2017

Currency devaluation, negative real interest rates, and unsustainable government debt and deficits...

These trends won't have a happy or pain-free ending.

Severe inflation is virtually guaranteed.

As we'll explain in this report, silver is one of the best ways to protect yourself from the fallout.

Why Silver Is Essential for Day-to-Day Life During a Crisis

Gold is the ultimate store of wealth. It has held its value for thousands of years. A gold aureus, an ancient Roman gold coin, is worth as much today as when it was created in the first century B.C.

But during a crisis, preserving your wealth isn't enough. You need to be able to deploy your wealth effectively.

Gold's flaw is that it's lousy spending money... because it's just too valuable.

A 1 oz. gold coin is worth about $1,800 right now... and you can't cut it into pieces. A single gold coin is 30 times more valuable than anything you're likely to buy in a grocery store during a crisis.

Buying everyday items with a gold coin is like paying for a coffee with a $100 bill... and getting no change back.

Silver is just as good at preserving wealth as gold is. It, too, has retained its value through all of history's worst crises.

But it has one critical advantage over gold...

Silver is far less valuable. That makes it far more useful than gold for buying small, day-to-day items during a crisis.

A 1 oz. silver coin is worth about $22. A handful of them could buy food for a family for a week.

You could buy canned goods with one silver coin at the grocery store. Then you could buy diapers at the drugstore with another silver coin.

You can't do that with gold.

It's also safer to carry silver during a crisis. There's a saying that "gold is the money of kings; silver is the money of gentlemen." You don't want to look like a king during a monetary crisis.

Flashing a gold coin during a monetary crisis is like wearing a Rolex while walking around the projects at night. Someone might think, "There must be more where that came from"... and follow you home.

It's better to carry silver coins in your pocket... and keep your gold hidden at home.

Both gold and silver are stores of value. Owning them will preserve your wealth through even the worst monetary crisis.

But only silver can function as "walking around money" during a crisis. Owning silver ensures that you can deploy your wealth on the things that matter most if we enter a monetary crisis.

Everyone should own some silver. People have used silver as money for more than 3,000 years. In fact, the word for "silver" translates into "money" in many languages, including French, Spanish, and Hebrew.

But silver is more than money. Unlike gold, silver is mostly used for industrial purposes. And its number of practical uses is growing.

The silver market is also much smaller and more volatile than the gold market. This is why silver is riskier than gold... but has the potential to produce higher returns.

From Photography to Hygiene

Like gold, silver is rare in nature. Gold is mostly used as money and for storing value. Silver's largest use is in industry.

Roughly half of all silver is used for industrial purposes such as...

- Water purification systems
- Radio frequency identification
- Supercapacitors
- Medical applications
- Solid-state lighting (SSL)
- Public hygiene
- Consumer products
- Food packaging and preservation

The amount of silver used for electronics, solar panels, and biocides has more than tripled in the last thirteen years. We expect this trend to continue.

For a long time, photography created the main industrial demand for silver. At its peak, photographic demand made up about 50% of the market. That percentage is dwindling. However, silver now has roughly 10,000 different industrial applications.

Silver's industrial demand means two things for investors:

1. The health of the global economy impacts silver demand and price. Recessions will dampen demand. Robust economies will increase it. Demand for silver increased even during the financial crisis of 2008-2009. Because of the growing number of uses for silver, a recession would have to be especially deep and long lasting to hurt industrial demand.

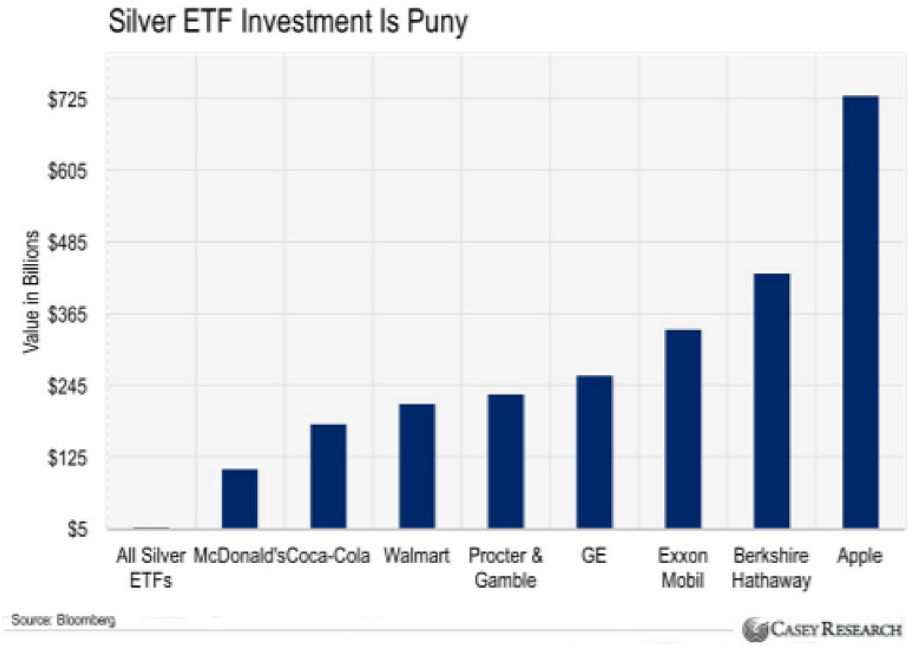
2. Unbeknownst to many investors, approximately 90% of all silver ever produced has been consumed. Most of the gold ever mined, on the other hand, has not.

Right now, mine production cannot meet the world's annual demand for silver. This makes supply dependent on scrap and recycling – a precarious situation for a widely used metal.

The bottom line is that growing industrial demand is competing with growing investment demand. This scenario is very bullish for silver's price.

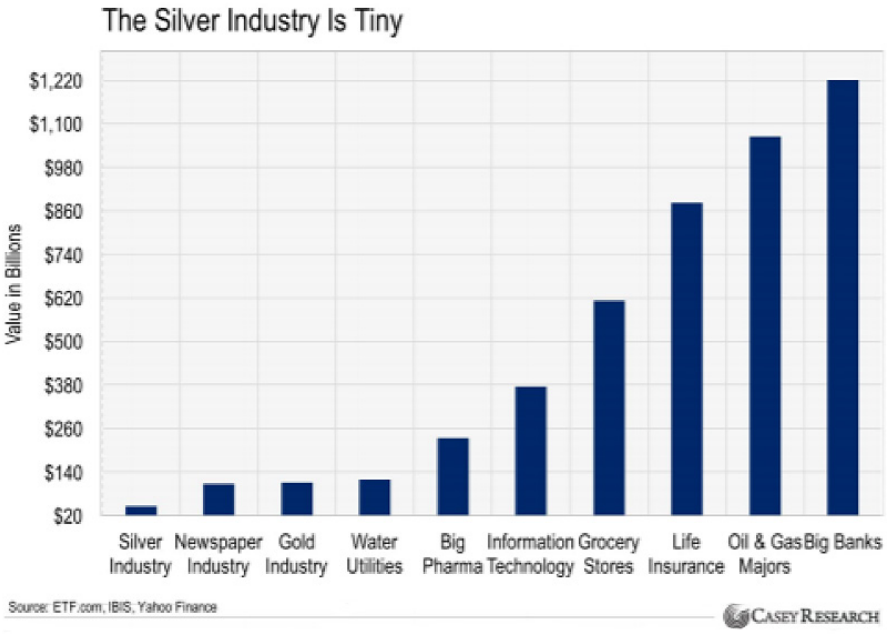
The Small Silver Market

Silver has a much smaller market than gold. This makes the price more volatile. This is true of silver stocks as well. The next chart shows the total assets of all silver ETFs around the world. For perspective, we compared it to the common stocks of well-known companies like Pepsi and McDonald's.



As you can see, silver ETFs are worth a total of about $7 billion. This is smaller than many popular individual stocks.

The next chart compares the total value of all primary silver producers to other industries. The market cap of all primary silver producers is around $46 billion.



Even the dying newspaper industry is twice the size of the entire silver industry.

With a market this small, it only takes a small amount of money to push the price around. And large amounts of money can dramatically impact prices. This makes the silver market much more volatile than the gold market.

We can see this in the difference in daily price movements for both silver and gold. From 2003 to today, gold's average daily price movement has been 3.9%. Silver's has been 5.4%.

Gold's daily volatility has been 1.2%... Silver's has been 2%. In other words:

a. Silver's daily price movements are bigger than gold's.

b. Big moves in silver occur much more often.

Buying Silver Bullion

A great way to buy silver is to buy the most popular silver bullion coins. These include American Eagles, Canadian Maple Leafs, and Austrian Philharmonics.

Silver bars are also a good option. They have lower premiums than coins.

Junk silver is another option. This refers to dimes, quarters, and half dollars that were minted prior to 1965 and contain 90% silver. Junk silver's main appeal is that it's highly divisible.

Its main drawback is that it's expensive to ship and bulky to store.

If you're new to investing in silver, we recommend starting with one-ounce coins. They are the most recognizable form of silver. You won't get questions about their authenticity if and when you need to sell.

Where to Buy Physical Silver

You can buy silver online or from a local dealer. Either way, it's important to use a reputable dealer. As in every line of business, there's no shortage of crooks.

The U.S. Mint publishes a Coin Dealer Database. If you know an honest, reputable coin dealer in your area, that's a good place to make small purchases.

While we like local dealers, they often have higher prices than online dealers, even after shipping costs. A brick-and-mortar store has expenses an online dealer doesn't have.

We've listed our preferred physical silver dealers below (be sure to tell them Casey Research referred you to get the best deal):

MilesFranklin.com (1-800-822-8080). Miles Franklin has some of the deepest contacts in the industry. It can source metal when many other dealers can't. With some of the best prices, it's one of our top picks.

FisherPreciousMetals.com (1-800-390-8576). A national bullion dealer that offers highly competitive pricing and a full Authentication Guarantee to protect against counterfeit products. They are also ISA-certified precious metals appraisers.

DavidHall.com (1-800-759-7575). We go to one place for rare coins: Van Simmons at David Hall Rare Coins. He actually helped create the Professional Coin Grading Service. We don't recommend entering the numismatic world unless you are (or plan to become) a knowledgeable investor.

Money Metals Exchange (1-800-800-1865). Reasonable prices on common gold and silver coins like American Eagles and Canadian Maple Leafs.

Keep in mind that premiums and delivery times fluctuate with the market.

There are other dealers, of course. And some may have good prices. Watch for total costs (including product, shipping, and insurance) and availability.

It's not uncommon for salespeople to push non-bullion products such as proof sets or rare coins. These products have higher markups. You should avoid them. It's easy to overpay, and they rarely return the extra premium. This is especially true of dealers that advertise on TV. Shop elsewhere if you get a hard sell.

Storing Your Silver

There isn't a magic bullet for safekeeping, as each form has its own risks. Silver is subject to theft and fire. The most prudent approach is to store your silver in more than one location.

If you store silver in your house, keep it in a safe, bolted to the floor. Talk to a bonded safe company. Or look for safes online with tags like "floor safe" or "personal safe" or "home safe." Sentry is probably the leading brand. And safes don't have to be expensive – they start around $150.

If you get a safe, put it somewhere you can place something over it, like a refrigerator, because you don't want it visible to strangers or easy to find if you're robbed. And for obvious reasons, you should install it yourself. Some of the kits make it easier than you might expect.

Then there's "midnight gardening." This got its name from people burying their silver at night so their neighbors wouldn't see them digging. If you bury your silver in the daylight, find another reason to dig – like fixing a pipe or removing a stump.

The advantage of burying your silver is that you don't have to worry about losing it if your house burns down. But make sure you store it in something airtight and waterproof, like a bit of PVC pipe with capped ends. Find somewhere on your property that you'll remember but that isn't easy to guess if someone learns you've buried something valuable.

Recap

Silver holds its value over time, just like gold. Silver is money, just like gold.

But unlike gold, you can spend silver in small amounts during a monetary crisis. When cash and credit cards don't work, you can use silver coins to buy the things that really matter like food, gas, or medicine. Silver is "walking around money" during a monetary crisis.

Everyone should own physical silver. A good rule of thumb is to own $1 in silver for every $2 in gold.

And be sure to store your physical silver in a place that you can access easily if a monetary crisis hits.

Bonus Chapter 1

THIS VIRUS-RESISTANT STOCK IS A BUY RIGHT NOW

By Jeff Brown, Editor
Exponential Tech Investor

This Virus-Resistant Stock Is a Buy Right Now

If you want to see what the recommendation below can become, look no further than Amazon Web Services (AWS).

AWS is a division of Amazon.com.

It started as a file storage service. It quickly developed into what it calls "Elastic Compute Cloud." This allowed corporations and individuals to rent computing power and storage on an as-needed basis.

From there, AWS kept adding features... database capabilities, networking, analytics, developer tools, Internet of Things, and now even quantum computing...

In short, Amazon built the world's largest marketplace for cloud-based services.

Two years ago, analysts estimated Amazon's AWS division was worth $250 billion. Now, Goldman Sachs estimates AWS would be worth $500 billion as a standalone company.

That would make it the eighth-largest publicly traded company in America. AWS is bigger than JPMorgan Chase, the largest U.S. bank. It's bigger than Walmart... and AT&T.

And even as a $500 billion company with over $35 billion in annual revenue, AWS is still able to increase its revenue by 36.5% a year. That's staggering growth for such a large company.

The recommendation below is following AWS's playbook.

It started out in one niche – customer relationship management. From there, it expanded into a wide range of enterprise software applications. And it is using Amazon's playbook to build out the largest marketplace of its kind.

That company is **Salesforce (CRM)**. I'm sure you've heard of it. You may even use its software.

I'm also sure you don't know the whole story about Salesforce... until now.

Today, I'll show you how you could double your money with the "must-have" software platform of the modern business world.

Finding a Virus-Resistant Investment

One reason we're investing in Salesforce is that factory shutdowns around the world won't impact its business like they would a hardware company.

With millions of people around the world quarantined and factories shuttered, supply chain issues are happening daily. All it takes is for one key component to be out of inventory and a product can't be produced. Then sales come to a screeching halt.

If the COVID-19 virus continues spreading, we could see many more companies guide lower when they next report earnings.

But Salesforce doesn't have a physical product to manufacture. Salesforce is a software company. But it's not like Microsoft, which depends on PCs that are manufactured and shipped with its software preinstalled.

Salesforce is an entirely cloud-based business. Its software runs in data centers around the world. It is accessible through any internet browser.

Salesforce is a software-as-a-service (SaaS) company. SaaS companies license their software to users on a monthly, quarterly, or annual basis. It's a subscription business model.

Consistent Revenues

We love subscription business models. They tend to be high-gross-margin businesses that grow quickly if the product is great.

And Wall Street likes to see the consistent, reoccurring revenue that comes from subscriptions. This makes for less "lumpy" sales cycles and simplifies the forecasting. The end result is that high-quality SaaS companies receive higher valuation multiples.

This results in better consistency and predictability of revenue growth. As a result, investors will value these companies at higher multiples.

Companies that use these cloud-based subscription services aren't going to cancel their subscriptions because of a virus – especially not something as important as Salesforce's CRM software. And I can say that from personal experience.

The marketing team here at Legacy Research – our parent publishing company – said our business would come to a standstill if we were unable to use Salesforce. Many companies feel the same way.

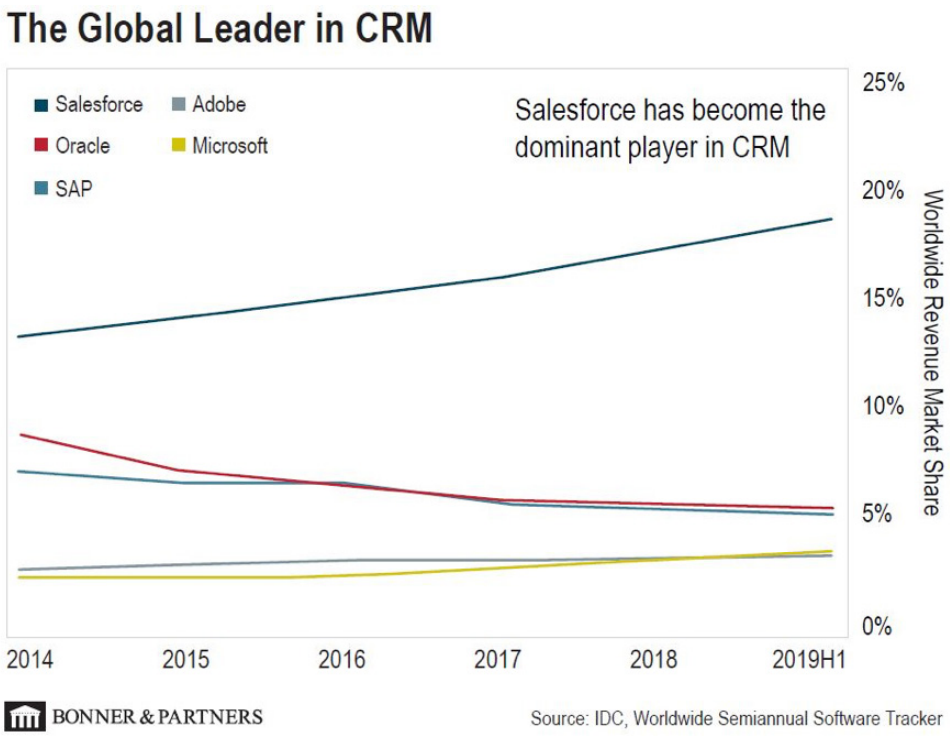
That makes Salesforce's revenues virus resistant.

This isn't to say share prices won't go down in a panic. Shares have fallen in the past few weeks. But that is something I've been waiting for now for a few years... a chance to recommend Salesforce at a reasonable valuation.

And that makes Salesforce very attractive right now.

Salesforce Dominates

Salesforce controls about 17% of the customer relationship management (CRM) market. As you can see in the chart below, the rest of the players are fighting for scraps.



But this isn't just a story of CRM software. It's a story about building the most comprehensive enterprise software marketplace on the planet.

This type of software used to be available only to the largest companies. But Salesforce makes it available to mid-sized and even small businesses. It levels the playing field for new businesses, allowing them to compete with the established behemoths using the same level of software automation and digital savvy.

Salesforce has made its product accessible to all businesses by making it modular and hosting it in the cloud. No hardware is required to use Salesforce's software application. The modular business model for software applications means that companies can pay for just the software they need... And it's easy to scale up as the business grows and has new needs.

Small businesses can even get free trials of the software to see if it'll help them. And when a business finds it helpful, it can start using the software for as little as $25 a month. Any business can afford the service... And once the business grows, Salesforce has many more software applications/modules to meet its increasing needs.

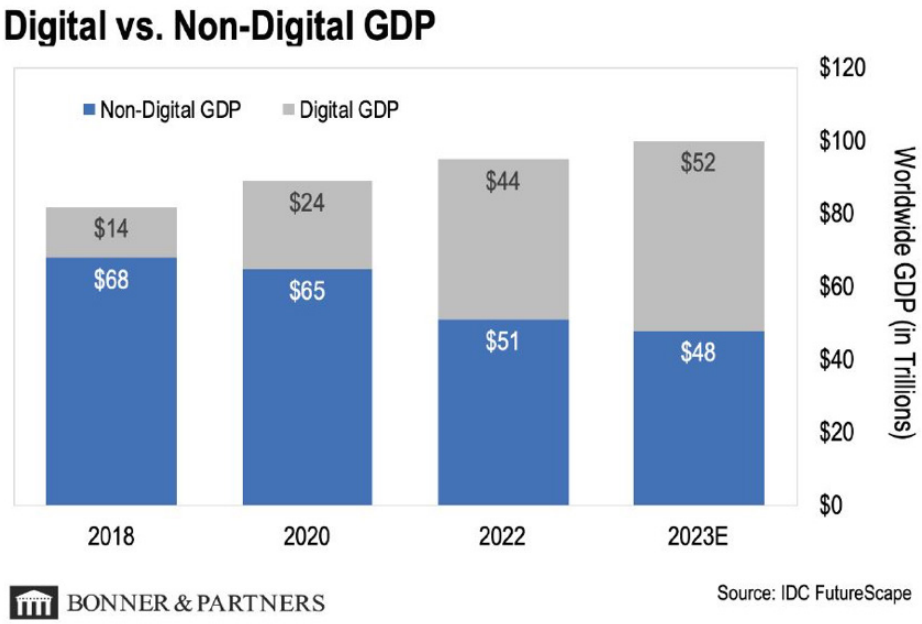
Salesforce's services will be in high demand for years to come. Companies not using software like this to automate their business will be at a severe competitive disadvantage.

Great Equalizer

The internet was the single most disruptive force in modern business. It allowed someone with a little time and HTML programming skills to set up a storefront. And this storefront had the potential to have as much traffic as any other store in the world.

People started doing business digitally in the late 1990s... It grew slowly at first. But it has accelerated over the past decade. Right now, about one-third of the world's gross domestic product (GDP) is driven digitally.

And by 2023, more than half of the world's GDP will be driven by enterprises that have made the digital transformation.



These digital businesses either thrive or die based on how well they know their customers. If a business can't tell where its customers are coming from, it doesn't know which of its marketing campaigns are working.

Salesforce has products that can track current and potential customers and pinpoint the ones most likely to buy something new. This allows successful businesses to focus on what is most likely to convert to sales. This is an advantage that digital firms have over their brick-and-mortar counterparts. That's precisely why companies are rapidly transitioning to digital platforms to run their businesses.

No company in the world is better positioned to help companies go digital in the next three years.

Salesforce recognizes how quickly this shift is happening. And to position itself to take advantage of this trend, it has made a series of strategic acquisitions.

Just like Amazon did with Amazon Web Services, Salesforce continues to build out its marketplace for enterprise software acquisitions. And just like Amazon, it builds some of that software itself and then strategically acquires companies that help it achieve its marketplace goals even quicker.

We recommend you buy shares of Salesforce (CRM) up to a price of $175.

As always, we recommend you never bet the house on any one investment. So keep your position size small relative to your overall portfolio.

Bonus Chapter 2

BILL BONNER'S SECOND-QUARTER 2020 PODCAST

Chris Lowe
Editor, Legacy Research

Bill Bonner
Cofounder, Legacy Research

Post-Capitalistic World

Chris Lowe, editor, Legacy Research, in conversation with Bill Bonner, cofounder, Legacy Research.

Click here to download podcast

Chris Lowe: Hi Bill, it's Chris.

Bill Bonner: Hi Chris. How are you?

Chris: I'm good. I know you're down in Argentina on your ranch. And I'm in Ireland in a little farmhouse. I guess the coronavirus is changing all our plans. How are you getting on down there?

Bill: Well, I'm getting on just fine. I'm not actually at the ranch. I'm at a farm down in the valley, which is more comfortable, actually.

But it's a strange world. We're on the far side of a river without a bridge that we can cross. So we have to go a mile up the river to a footbridge to walk across. So, needless to say, there's not much traffic.

And it's just as well because when we got here, we were identified immediately, of course. And then, the public health officials came over and told us that we were under a two-week quarantine because we were foreigners.

So we said, "Okay." They came back today, actually, and told us that our quarantine was over. We clearly don't have the virus.

But now, the whole country's in quarantine, so we can't go anywhere anyway. Which is fine with us because we're perfectly happy here. We don't have anywhere in particular to go anyway. So for us, it's working out just fine.

Chris: And what do you make of all that's been happening? What's your read on this economic downturn that seems to be resulting from the panic over the virus? Do you see it as something that could become more serious? Or are you a bit more sanguine about it? How do you feel about it?

Bill: Well, I think that the virus is just a virus. It seems to be a nasty virus for people over 70 or people who have pre-existing conditions. You know, almost all the people who have died are actually around 80. That's the average age. So, in terms of the whole population, it's not that big a deal.

But it's become a big deal – partly because people don't want to die, and partly because the government has made it a big deal.

I'm not quite sure how this works. I'm not an epidemiologist or anything, so I don't really know. But I'm beginning to think that they've overdone it. That there are some places, like Japan, where the population is the oldest in the world, but they have very few cases of the disease and very few deaths. I think they only have a total of about 43 people who've died in Japan, even though the disease has been there for two months.

They're just taking a different approach. They're protecting vulnerable populations, but they're letting business and commerce… the theaters are open, the restaurants are open, life seems to go on. Although I haven't been there, so I can't say for sure.

So it appears to me that the virus is being used by the public health officials, by the government actually. Why? Well, I don't really understand. It could be just a panic. Or it could be that that's their best judgment on the way to keep people safe.

But it's probably no coincidence that the whole world economy is in a terrible mess anyway. And that the virus forms a very nice excuse to do something that, probably, they wanted to do anyway.

So here we are. We have an economy that was, in my opinion, a terrible bubble ready to burst. We've been saying it was going to be punctured at any minute. And then along comes the virus, and Boom! It blows up. And it blows up a lot faster and a lot more than anybody ever expected.

So, all of a sudden, we have all these actions coming out and the federal government passing that $2 trillion bailout package. That bailout package is nothing but a huge boondoggle. There are 2,000 pages in it. Nobody has read all those pages. But in there, you can be sure there are a lot of clumps hidden in that little pie.

We're seeing a flourishing public sector spending more money than ever before in history, with a huge, huge increase.

So we're going to see budget deficits over $2 trillion, probably more like $3 trillion. And these things were, in my mind, already baked in the cake because we have growing expenses and falling income. And so, we knew these things were coming. But we never thought they would come this fast.

What I see coming is just the kind of thing we've been looking for for a long time. And this is what we've seen in Argentina for the last 50 or so years. Which is, overspending by the government… then overborrowing by the government… and then defaults and deflation first, where everything falls apart and prices go down… followed by inflation, when they print money to cover the losses.

So I think that's what we're seeing. Right now, we're in the printing stage. We haven't seen the big inflation stage yet, but we probably will soon.

And if this plays out the way it usually plays out, there won't be many surprises. We'll see consumer prices start to rise. And we'll see U.S. Treasury bonds start to fall. We've already seen a bit of this – a hint of a Treasury bond problem.

So, my guess is that it's going to pretty much follow the pattern of other disasters in monetary history.

Chris: Yeah, it seems that the feds have essentially suspended capitalism, or suspended the economy, pretty much. Or nationalized it, I don't know.

Here in Ireland, they're going to pay everyone some portion of wages. I think the thing for me that was surprising is that this isn't just a monetary, central bank response. Very, very, very quickly, this has become a helicopter money response. And by that, I mean the government putting money directly into people's bank accounts.

I know this is something you and I have been talking about on the fringes for a decade or so. I don't know how you felt about it. But it surprised me how quickly we got here when the crisis started.

Bill: It surprised me, too. We've always been expecting it. I say always – we've been expecting it for the last 10 years or so. But we thought it would come on gradually, little by little. A bit like the frog in the pot, the heat comes up a little.

But this time, the frog goes right in the pot and the pot's already boiling. Because we're seeing these incredible moves by the government – faster, more aggressive than anything I've ever seen before.

Now, getting back to the switch to fiscal stimulus. We saw that coming, of course, because the government had already used all of its monetary stimulus. It only had about 100 basis points to cut when the crisis started. And we saw in 2001, and again in 2008, the Fed had to cut at least 500 basis points, 5%, in order to boost the economy and get it going again.

This time, it didn't have 500 basis points, so it could only cut 1%. That it did immediately… with no effect whatsoever. Stocks just kept falling. So they knew they were in big trouble then. That was only a couple of weeks ago.

So immediately, the federal government got in on the act. It came up with a new program. But the program – unlike the program in 2008; that was $750 billion – is $2 trillion. This is bigger, faster, and more aggressive than anything we've ever seen.

Chris: I saw Larry Kudlow, the president's economic advisor, saying that it was $2 trillion on the fiscal side. So $2 trillion in checks, posted out to Americans. And then $4 trillion in firepower on quantitative easing (QE). Basically, the Fed is going to wade in and buy corporate bonds. The original QE from 2008 was government bonds. Now, the Fed is going to be buying corporate bonds.

And then, something else that we've talked about – you and Dan Denning have been writing about it a lot in *The Bonner-Denning Letter* – that the central bank of Japan had started to buy stocks.

But now, we're getting to an even bigger footprint for central banks because they're now going to be buying all the corporate bonds.

So it doesn't seem clear to me how the Federal Reserve gets out of this market.

Bill: Well, I think that's right. There's no getting out of this alive. This is an endgame situation. Capitalism can't survive when the government is the chief buyer of stocks and bonds. And that's what we're looking at. Japan has already been buying equities.

And Kudlow, he came up with the same suggestion – that the U.S. government could buy the stock of companies that needed coronavirus aid. Well, what company doesn't need coronavirus aid? When you shut down an economy, every company is going to be hurting. They all are. The damage is just amazing.

Companies don't have a lot of profit – the profit margin on the average company's only, like, 8%. So if you take out 8% of their sales, you're likely to wipe out all the profit. Then take out a month of sales, which is 1/12th, take out two months, what have you got there? You've got a sixth of their whole revenue down the drain.

And those companies cannot survive that. Starting with the smallest mom and pop restaurant up to the biggest chain of restaurants, they just can't survive that.

So the government feels it must come in with aid because it, effectively, caused the problem by shutting down everything. So it comes in with aid. And then, it becomes the biggest buyer in capitalism. Before that, of course, the Fed has already been the biggest buyer of government bonds. But now, it's going to be the biggest buyer of private bonds.

And this means two things. One is that capitalism's, effectively, as you say, on pause. This is not capitalism. This is a post-capitalistic world.

And it's going to be a rather nasty world. Because whenever people turn away from capitalism towards socialism, they get a lot of corruption. Because that's the way it works.

Now, you have the government passing out trillions of dollars. Who is it going to give it to? Is it going to give it to the guy who doesn't have any real say in anything? Who's out in Utah or something? No.

The lobbyists are already on the case. And in those 2,000 pages of that bill, there are plenty of things. Plenty of money is going to change hands.

And that's true in all of these bond bailouts. Do you think the people on Wall Street won't know which bonds they're going to buy? Well of course they will. They're front-running them already. Stocks, the same thing.

It's going to be ridiculously corrupt and ridiculously inefficient. And it's just… the market economies just won't work like that.

Chris: Yeah. And guess who's giving out the goodies? It's Steve Mnuchin, a former Goldman Sachs employee with fingers in every pie on Wall Street. It's Wall Street giving themselves their own money.

Bill: Exactly. And Mnuchin himself was a big beneficiary of the bailout in 2008. He was one of the chief owners of a large bank, which was saved by the government.

Not to mention Goldman Sachs itself, which was saved when they bailed out the insurance company that Goldman had a big position in.

Chris: AIG.

Bill: So the whole thing is just totally corrupt. It's anti-capitalism. And it's going to lead where anti-capitalism always leads – to poverty, chaos, disaster, and disruption. All the things we've seen in these other economies that have tried it. We're not the first in the world to do this. It's been done a lot.

Chris: One of the other interesting things that's happening under the radar is that governments in 11 countries, including Germany, France, Britain, Israel, and Poland I think, are using phone-tracking data to track people down who have this thing [coronavirus].

So, I talked to a friend of mine who lives in Oslo, Norway. And all the wealthy people from Oslo, when they heard about this lockdown, they got into their cars and drove out to their winter houses and their summer houses and their log cabins.

And the Norwegian government sent the territorial army after them to bring them back, using phone-tracking data. So they're using the GPS in your phone. And that seems to be just fine with everybody these days.

Bill: Right. Technology is coming to the aid of oppressive government, that's for sure. And it's amazing how oppressive they've become. My friend here in Argentina tried to go see his parents, who were ill. The police told him he couldn't go. He wasn't one of the people who had privileged passage. The farm workers are allowed to go to work. Everybody else is supposed to stay home. So it creates this crazy, crazy world.

Chris: It sure does. When I was in Barcelona [last month], we weren't allowed leave our house unless we were going to the supermarket. So the police turned you back if you were trying to go to the beach – there's a nice beach in Barcelona. But they don't even let you walk in the park in Italy.

In Ireland, we're still allowed to walk in the park and leave our house. They don't have the army on the streets. But they have the army on the streets in Italy. They have the army in the hospitals in Spain, basically telling doctors that they need to keep on doing what they're doing. So it's a crackdown.

Bill: It's a crackdown. And the army is, at least the national guard, is on the case in some states in the U.S., too. I haven't seen many reports, I don't know exactly what they're doing.

Chris: And so, what are you, Dan, and Tom Dyson talking about and thinking about? I know you've been talking with each other. I know Tom is in Florida and Dan is in Australia. But what have you guys been thinking about in terms of where to go from here with your subscribers? And what are the thoughts that you have for folks who are reading *The Bonner-Denning Letter*?

Bill: We are oddly all marooned in different parts of the world. So we had a conference call and brought up those very subjects. We feel like if there was ever a time when we needed to earn our money, it's now.

This is the time that is going to determine, for our readers, for people, I'd say, over the age of 60, it's going to determine what the rest of their lives are like. At least the rest of their financial lives.

Because if they make the wrong moves now, and things go against them, they will not have time to recover. If they make the right moves, they will probably be okay for the rest of their lives.

So we've been thinking a lot about it. And the thing that we keep coming back to is the real linchpin. It's almost like a fuse.

The part of the whole apparatus which is most susceptible to a meltdown is the U.S. dollar. Because the Fed is going to support bond prices. They're going to support stock prices. They're going to support failing industries. They're going to support households.

They can print up money – they can print up a lot of money. They can print up as much as they want.

What they can't do is they can't make that money valuable. And over the long run, the more money they print, we will see prices on Wall Street go up. Nominal prices. But the real value of those corporations will go down. That's exactly what's happened elsewhere.

In Zimbabwe, for example. In 2006, the world's top-performing stock market was the Zimbabwe stock market. And it was a time when the inflation rate in Zimbabwe was running like 1,000,000%. But what was going on was, everybody who had any money at all wanted to get out of the currency, out of the Zimbabwean dollar. And they did it by buying property and buying stocks.

I think we're going to see the same thing in the U.S., where people, after it turns... it hasn't turned yet... but when it turns from the deflation stage to the inflation stage, then people are going to realize that the fuse has blown up. The dollar is the weak link. The dollar is going to go down.

And when it does, people are going to try to get out of it. They're going to go into things that they believe will protect them. Stocks are one of those things... land... houses.

In Argentina, the country has 55% inflation. It's been in a recession for years. And yet, property prices are not that low. They're not low because everybody wants property – because they know that's one thing that's not going away.

And so, what we're going to see is the same phenomenon in the U.S., where stock prices are going up, land prices are going up, and the dollar is going to go down.

And when it goes down, the other thing that's really going to go up is gold. Gold, traditionally, is the refuge of people who want to preserve their wealth. There is some chance that gold will be outlawed or confiscated. We always know that's a risk. But gold is going to tell the tale. When the dollar goes down, gold is going up. We've already seen that. The other day, gold saw the biggest rise in years. I can't remember, I don't have the numbers in front of me...

Chris: It was a 6% daily rise.

Bill: Yes. It was a huge increase. And it happened at the time the stock market was falling. That's what's going to happen. We're going to see that shift from deflation – right now, when prices are falling, people are fearful – to inflation. The Fed's policies, gradually, they come to work, and get more and more money in more and more hands. And people start realizing that that money itself is not going to be as valuable as they had hoped.

That's the one thing the Feds can't control – the value of that money. And that's the fuse that's going to blow in this whole system.

Chris: It's strange because I don't know if you've seen this, but you cannot buy gold bars or gold coins for love nor money right now. I've had my analyst in Delray ringing the top coin dealers and bar dealers. And they say it's going to be a two- to three-month wait. Or you're going to have to pay $200 over the quoted gold price. Or you just can't get it.

So already, in the physical gold market, you just can't get it. And apparently, a lot of the refineries are shutting down. A lot of them are in Ticino on the Swiss side of the Italian border. And so, there's literally nobody in the refineries, no one's smelting the bars. So you just can't get any gold.

Bill: Nobody at work.

Chris: Nope.

Bill: Nobody home. Yeah. It's a big deal. I think the gold market has already sniffed out... it's already gotten a whiff of what's coming. And people who can are loading up their own personal cache of gold, burying it in the backyard.

And the big players, too, must be moving a lot of money into gold.

So that's what we're going to see. Dan, Tom, and I are trying to figure out... The easy thing to do is, right now, is simply to buy gold. You can't buy physical gold. But you can move into paper gold, which is not the best way to do it, but it's something.

And silver too, by the way. Silver is underpriced, according to gold. And land, if you can get it. Land's a whole 'nuther thing. You have to be able to manage it. And you have to know what you're doing.

So those are the things that you probably want to be doing as a basic move to preserve your money.

But this thing is also throwing up a lot of opportunities to make money. We're seeing panic selling of good assets as well as bad ones. Chris Mayer's been advising us on this. He runs all sorts of screens, studies balance sheets. So he knows the companies that are really safe and those that are really not.

And he's advising us and showing us that there are some companies that are actually doing quite well. There are some companies that always do well in a crisis.

So we're going to see more and more things like that. And we're going to find ways to play these things. Some people want to trade. Some people feel like they need to trade, and they want to use a little bit of leverage. Right now, there are things trading at weird prices. And most likely, they're going to go back to more normal prices.

So, there are ways to play those, using various sorts of strategies. I'm not a trader, I don't know much about it – but for people who like to trade, now is a good time because things are moving. A lot of money is changing hands. A lot of people who were wealthy a few weeks ago are a whole lot less wealthy now. And a lot of people who had not a dime are starting to make some money.

So in a way, it's an exciting time. It's an interesting time. It's fascinating. For people who like to study economic and financial disasters, it's a great time.

But it's going to be very difficult for most people because they're not really aware of what's going on. And they're not going to know what to do. They don't have that history that we have here in Argentina. A history where people know they can't trust the government. They know they can't trust the government's money. They know they have to find ways to protect themselves.

Americans aren't there yet. They'll be there eventually, but they're not there yet. And so, a lot of people will suffer a lot of losses while they learn those valuable lessons.

Chris: I agree. And what are you doing, Bill, while you're down there? I guess we have to assume that you might be down there for quite a while. So what are you doing with your days these days?

Bill: Well right now, for the last week or so, I've been so busy just trying to keep up with the news and keep up with what's going on and trying to understand what's happening, that I've scarcely ever left my desk. But we are on this farm. We have a couple of horses. And so, generally, we work all day. And in the evening, we get on the horses, ride around and see what we can see.

There are thousands and thousands of acres of wasteland right next to us. So we have plenty of space. So we don't feel confined at all. We're, in fact, quite enjoying it.

Chris: And how is the ranch itself going? I know you've expanded it recently. You bought a neighboring ranch. So how is life, the economic life of the ranch? How's that going?

Bill: Oh. Well it's a trial, as you might expect. We have a grape harvest that we're trying to do. But we can't get our workers up there because they can't move on the highways. So that's a real problem.

We're trying to sort that out, find ways to give them a pass. They need a piece of paper that authorizes them to pass the roadblocks. So we're working on that – legally – and hoping that the grapes won't be totally dried out by the time they get up there.

And then the road's washed out. That was another thing that had nothing to do with any of the other elements involved. We had a freak storm that washed out the roads. And then because of this national quarantine, the city workers couldn't get out with their scrapers to clean the roads. So that complicated things.

So that's life in Northern Argentina. Things go wrong on a regular basis. People try to figure out how to work around things. It's kind of exciting. It's kind of interesting. But it's not easy.

Chris: Well, Bill, thanks for taking the time to talk to me. Hopefully, I'll talk to you again. I guess we're going to be sitting around reading about this stuff, so maybe we'll have another call at some point.

Bill: Okay. Very good, Chris. Always nice to talk to you.

Chris: Likewise, Bill. Thank you so much.