MONETARY SCENARIOS

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Global Monetary Viewpoint

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EXECUTIVE SUMMARY:
The powerful climb of the S&P 500 since the business cycle trough of 2009 and the last growth cycle trough of 2015/16, together with absence of recession, has made many investors resistant to pessimism.

Yet monetary pessimism, correctly formulated, has in fact been the basis of far superior returns measured over standardized time periods (similar stages in the cycle or growth cycle) in gold and long-maturity T-bonds, more so than US stocks.

This is a finding which has special relevance to formulating investment policies, under present conditions, where a new growth cycle upturn has become market consensus. Riding a cyclical upturn has no sound exit strategy, especially where the super returns over the years could be extinguished in days or weeks of violent price moves.

THE SUPERIOR RETURNS FROM MONETARY PESSIMISM 2002-2020

How should we define the monetary pessimist throughout the first two decades of the 21st century?

This is someone who believes that the two big shifts in the global monetary regime, led by the Federal Reserve, are taking a huge toll on economic prosperity and freedom. Evidently, the toll is not registering on a clock in continuous fashion; rather the cumulative size reveals itself by comparing snapshots at widely separated times, ideally at similar stages in respective business cycles.

Seven strands of monetary pessimism

The score card to date

The pessimist error of expecting repeat of 1937

Bottom line:

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KIND REGARDS

Dr. Brendan Brown

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