INVESTMENT FOR WEALTH

General report

Comments for October 2013

Patiently abiding time amid growing frustration. Central bankers seem to still have the upper hand. It reminds me of the song *Everybody Knows* by Leonard Cohen.

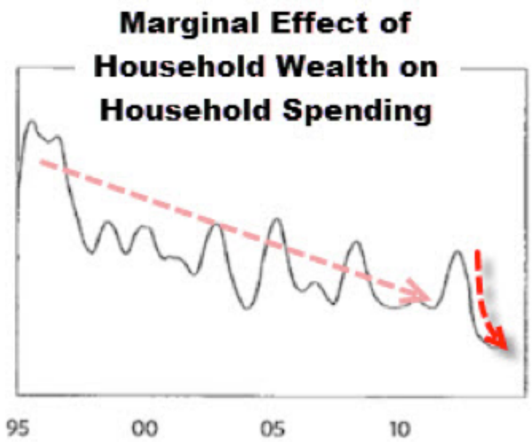
Everybody knows that the dice are loaded
Everybody rolls with their fingers crossed
Everybody knows that the war is over
Everybody knows the good guys lost
Everybody knows the fight was fixed
The poor stay poor, the rich get rich
That's how it goes
Everybody knows

Everybody knows that the boat is leaking
Everybody knows that the captain lied

Marc Faber phrased it like "Karl Marx was right". From zerohedge by Marc Faber:
Readers should consider carefully the fundamental difference between a "real economy" and a "financial economy." *In a real economy, the debt and equity markets as a percentage of GDP are small and are principally designed to channel savings into investments. In a financial economy or "monetary-driven economy," the capital market is far larger than GDP and channels savings not only into investments, but also continuously into colossal speculative bubbles. It would seem to me that Karl Marx might prove to have been right in his contention that* ***crises become more and more destructive as the capitalistic system matures*** *(and as the "financial economy" referred to earlier grows like a cancer) and that the ultimate breakdown will occur in a final crisis that will be so disastrous as to* ***set fire to the framework of our capitalistic society***.
http://www.zerohedge.com/news/2013-11-07/marc-faber-warns-karl-marx-was-right

Indeed, we have stated repeatedly that QE and ZIRP policies have gone global (in the sense of worldwilde) and have distorted all markets to the point of insanity. Lower yields have not led to more private financing and yield-producing investments. Draghi's latest rate cut to 0.25% alone will not end a 19 month non-financial private debt contraction in Europe. The transmission mechanism of lowering central bank rates to stimulate private demand and investing is not working in Europe, neither is it in the US. The latest figure on consumer confidence has collapsed to the lowest since December 2011. The September consumer credit number has confirmed the same. Apart from government subsidized student and car loans, non-revolving credit is contracting. For the past 12 months student and car loans have represented 99% of all new consumer loans; nothing surprising, when even after 5 years of stubborn central bank obsessions with QE and ZIRP, real income growth of US households was only 0.9% in 2013. Put together with the exploding gini coefficient, the slack in the US economy is not surprising. 40% of all American workers make less than $20.000 a year before taxes, 65% less than $40.000. Given the decreasing labor participation rate – 62.8% for October, the lowest in 35 years – some 932.000 Americans fell out of the labor force. Even at salaries of $20.000 per year? As Deutsche Bank stated : "Yellen may actually have to increase QE". This was written after the 'good' October private payroll figures.
http://www.zerohedge.com/news/2013-11-08/deutsche-bank-yellen-may-actually-have-increase-qe-heres-why

If the only positive effect of QE is losing traction, why continue to even bother about the "To Taper" or "Not To Taper". See the following chart by Ray Dalio (founder of Bridgewater) : the marginal effects of household wealth on spending are diminishing.



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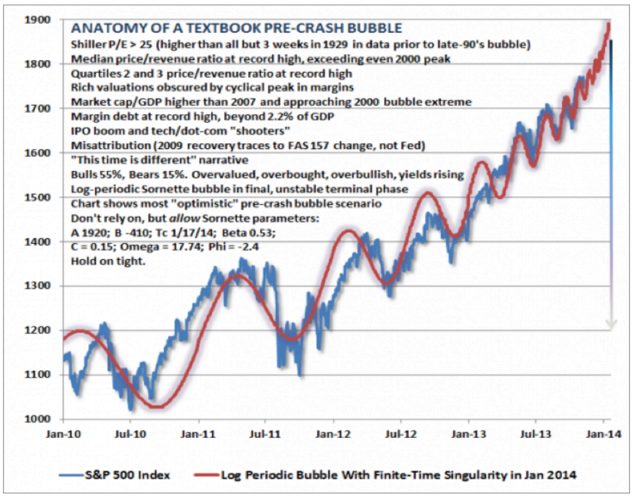
http://www.zerohedge.com/news/2013-11-10/ray-dalios-bridgewater-feds-dilemma-were-worried-theres-no-gas-left-qe-tank

If the fed hopes to stimulate the real economy via more wealth effect, MOAR and MOAR QE will be required, but asset values seem to have already decoupled from realty. Bubbles are seen everywhere.

We have also repeated that the circle will only come to full close after a classical von Mises style blow-off. We see a top in the Dow at 24.000 before September 2015 as likely. If ZIRP and QE are at that moment still in full throttle, an insane top of 30.000 cannot be excluded. The equity bubble still has some margin to grow by his historical perspectives. Other bubbles like collectibles seem already to be popping; we saw it with French wines and now with modern art auctions at Christies and Sotheby's.

Bill Fleckenstein from The Prudent Bear announced that he will start a short-equity fund at the beginning of 2014. As he believes the fed is losing control, he sees an opportunity for such an endeavor. ***"People are, once again, being fooled,"*** *fears Bill Fleckenstein in this brief CNBC clip, warning that investors buying into the stock market at all-time highs here are making a grave error. Investors are ignoring fundamentals at their peril, "in the stock mania in 1999, people were bullish because stocks were going up. In 2007, people were bullish because stocks and real estate were going up. They didn't look ask - Why are they going up?* ***Is this sustainable?*** *Is this healthy? - and in both cases, it was not." In the current environment, the bubble Fleckenstein points to is powered not by tech stocks or real estate, but by the Fed's quantitative easing program. But, he warns,* ***the Fed is losing control of one key market...***
"Now we have the Fed suppressing the bond market such that rates are ridiculously low, and capital is being misallocated everywhere, and the price of nearly everything is out of whack," *Fleckenstein said.*
But he says the Fed is starting to lose control already - meaning that stocks could crack even if the Fed continues to buy $85 billion worth of assets each month.
http://www.zerohedge.com/news/2013-11-08/bill-fleckenstein-blasts-price-everything-out-whack

Personally we think that the bubble has not yet reached its ultimate top. We told our readers that the systemic risks to the financial system were never more astringent : 'the fingers of instability' have entered all markets. Let's close with the following chart by John Hussman on the S&P 500 index, a textbook pre-crash bubble.



John warns : "don't rely on a further blow-off but don't be shocked - risk dominates… Hold tight."

We hope the crisis will just lead to a worldwide monetary RESET an not to the end of Capitalism like Marc Faber stated.

In the meantime be patient, let the bubble blow till it pops; at that moment your precious metals will protect your personal wealth with spectacular returns.

Performances and trading

iW Alternativ SIF – Low Risk
The fund has decreased by 1,1% in October, NAV 8992,98 EUR.
iW Alternativ SIF – Commodities
The fund has increased by 0,5% in October, NAV 399,05 EUR.

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iW Alternativ SIF – Real Value Growth
The fund has decreased by 2,9% in October, NAV 64,38 EUR (I), NAV 63,41 EUR (P)

Best regards,
The fund manager