INVESTMENT FOR WEALTH

General report

Comments for April 2014

Bubblenomics, the study of booms and busts.

Central bankers will have to talk "bubblenomics" in the coming years. The first signs of the coming bust phase – the revenge of the animal spirits against the macro-model-rule-book and the nowadays so veneered statism – are becoming apparent.

A quote from Doug Noland from *The Prudent Bear* : *"from a monetary standpoint, things just really run amuck at the end of long Credit cycles. The growth of Credit surges uncontrollably, while quality rapidly deteriorates. Even as problems begin to surface, the massive financial infrastructure that built up during the long boom gets stuck in overdrive. This ensures that too much "money" whimsically rides roughshod through the financial and economic systems."*

Again Doug Noland : *When it comes to Credit Bubbles, I subscribe to a few basic tenets. These include: "They tend to go to unimaginable extremes – then double!" Collapse is unavoidable once Bubbles succumb to "terminal phase" excess. The more protracted the "terminal phase" the greater the impairment to the financial system and economic structure – and the more painful the inevitable bust. And while analysts of Bubbles are invariably viewed as "extremists," in the end things are always worse than even the Bubble analysts had suspected.*

So where can we see the booms?

Is it in real estate? Luxury mansions and apartments in London or Manhattan? Last week we saw the first apartment reaching a quarter of a billion dollars in London (new record, buyer from East Europe) and in the same week a New York mansion for $147 million (new record, buyer a hedge fund manager). Or is it in the Canadian residential market where the median house price surpassed 9 years of median household revenue. Even the multiple projects to create the world's tallest building are rampant.

Is it in equities? Social media and biotech already seem losing their momentum fever. But the case can be made that a lot more of the equity market is overvalued in historical terms. Some go as far as to project negative returns from US equity markets for the coming ten years. New records of assets managed by hedge funds and records in HFT (high frequency trading) are just confirming this reality.

Is it in collectibles? Prices for old cars, artworks and Chinese teapot's are reaching for the sky.

It is certainly in the credit markets…

It is in (a big part of) the emerging market corporate and public debt.

It is in public debt from Japan to Europe and even from the US .

It is in junk bonds and low covenant loans, student loans and auto loans.

It is in CLO's

The "moneyness" of all these debt instruments is stretched beyond normal. In a lot of the debt markets solvability credentials and liquidity can disappear in a wink.

Gold is attractive on a pure commodity basis, given the growing Asian, Chindian 'love trade'. The results of the Indian elections can give an extra boost.
Furthermore we believe that the central banks will progressively lose control over the debt and asset value bubbles they have helped to create with their ZIRP policies and all their unconventional interventionism. Losing control by central bankers invariably leads to boost gold assets.

Indeed in the end it won't matter if ensuing loss of control brings inflation or deflation, recession or depression, rolling currency implosions or real war. The fear trade will grow explosively with each central bank becoming impotent to continue to blow more extreme bubbles in the real economy.

Gold and gold equities as the most unloved assets, being dreadfully undervalued, will benefit when the busts come. When black swans or bubble-burstings push the central banks out of their (illusionary) control on the real economy, a boom for holders of precious assets will gain more and more traction. Gold will play its natural hedge just like it always has done in the past.

Performances and trading

iW Alternativ SIF – Low Risk
The fund has increased by 0,44% in April, NAV 9002,60 EUR.
iW Alternativ SIF – Commodities
The fund has increased by 1,3% in April, NAV 364,96 EUR.
iW Alternativ SIF – Real Value Growth
The fund has decreased by 0,5% in April, NAV 64,39 EUR (I), NAV 63,24 EUR (P)

Best regards,
The fund manager