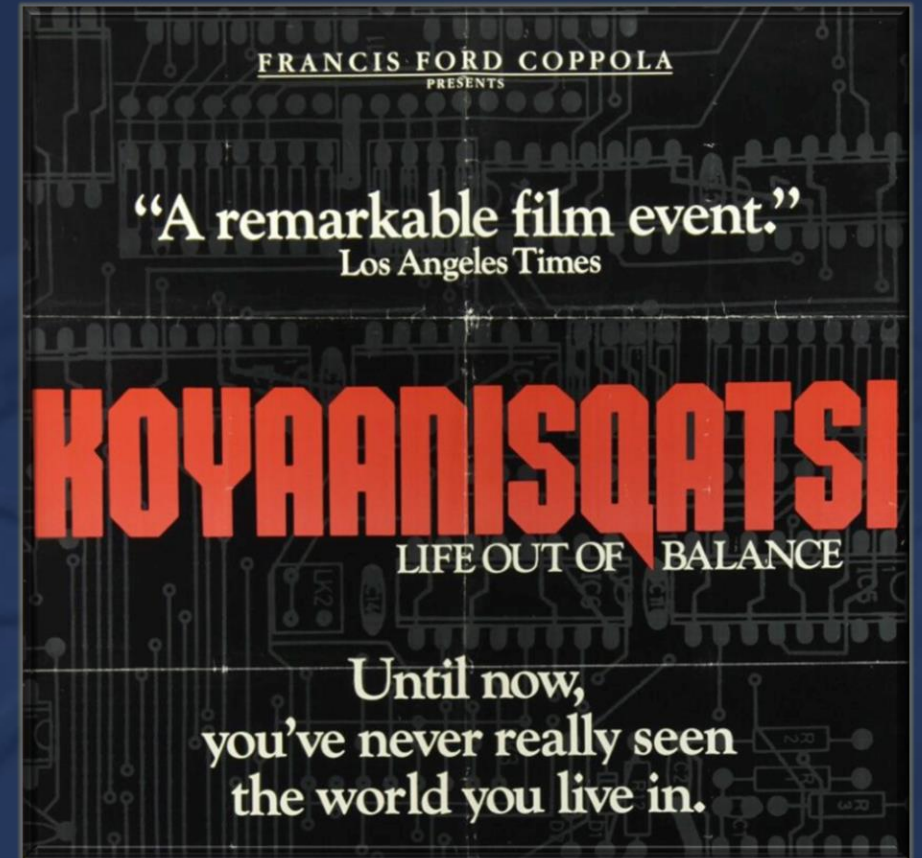


KOYAANISQATSI

Life Out of Balance

Ronald-Peter Stoeferle
Managing Partner, Incrementum AG

Precious Metals Summit Zurich
November 15, 2022



In Our Partners We Trust



Koyaanisqatsi: Life Out of Balance

*“Before you take any decision,
consider its effect on the next seven generations.”*

Hopi Proverb

KOYAAANISQATSI

ko.yaa.nis.qatsi (from the Hopi language), **n.**

5. a state of life that calls for another way of living.

Life Out of Balance Society



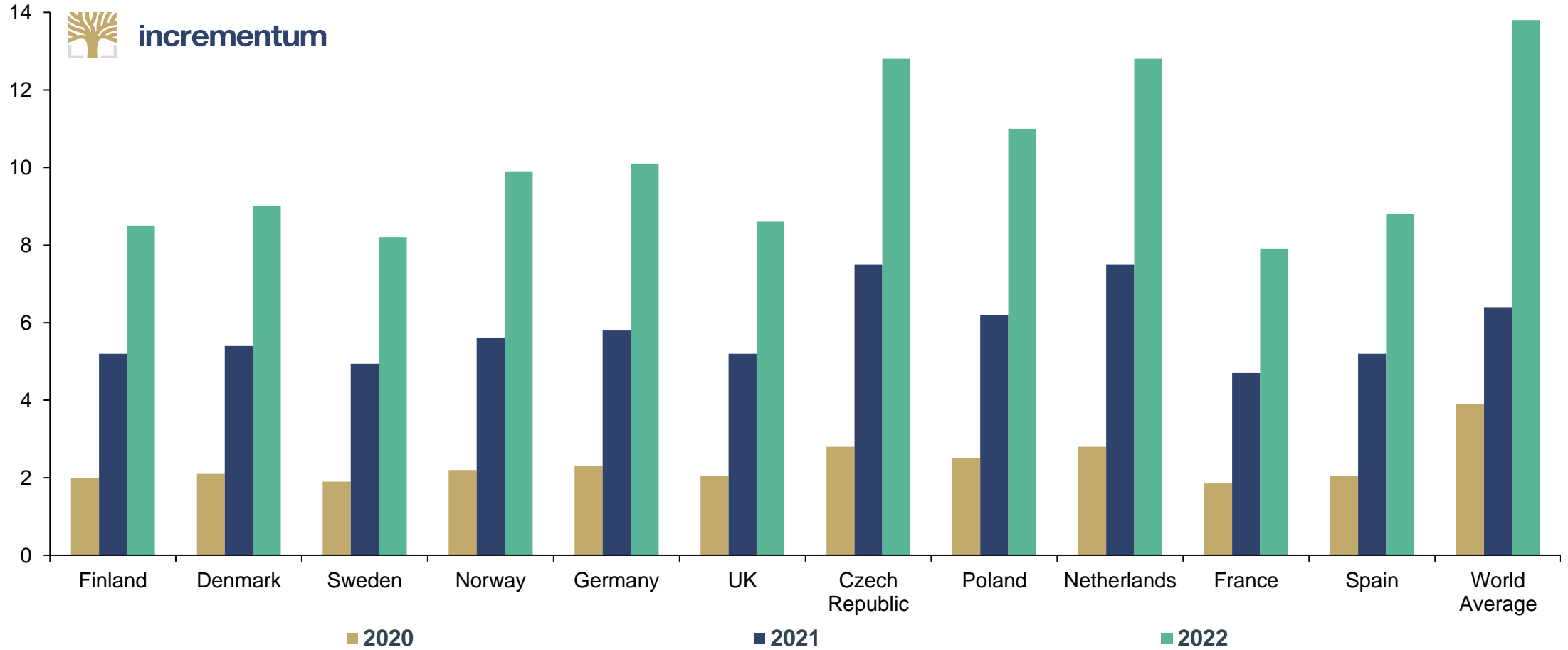
Life Out of Balance

Politics



Life Out of Balance

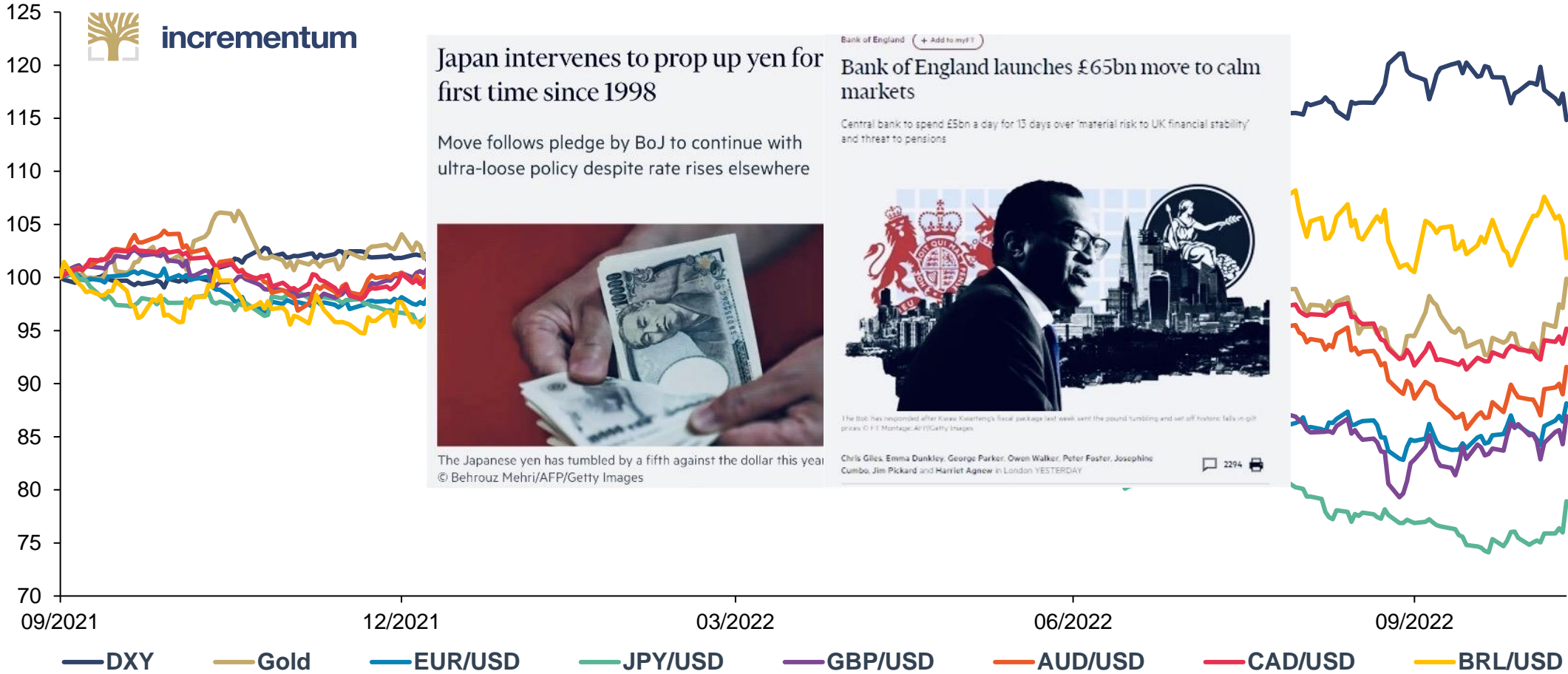
Energy Markets: Energy Costs, in % of GDP, 2020-2022



Source: Andreas Steno, Incrementum AG

Life Out of Balance

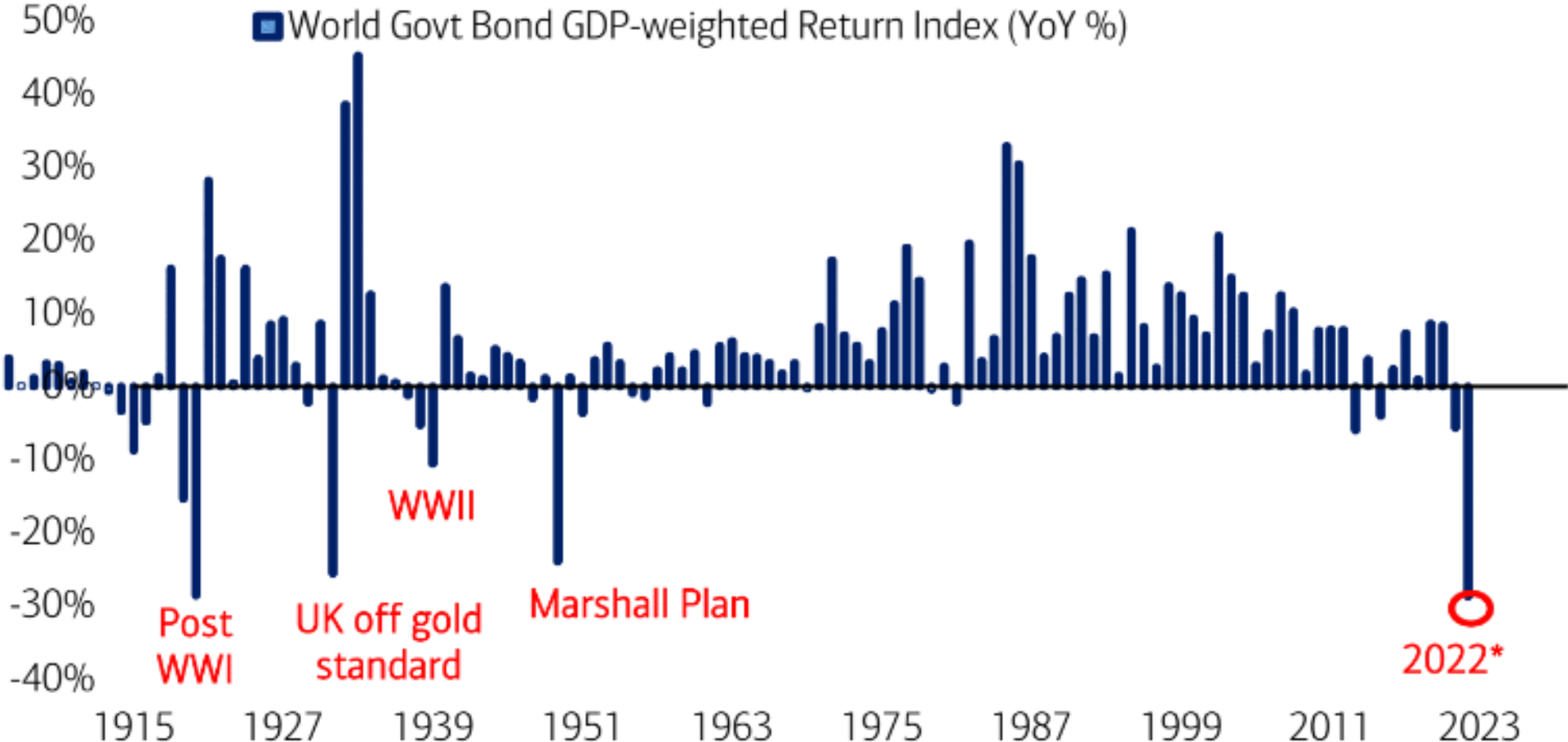
Currencies: JPY, GBP, and EUR Have Weakened Significantly vs. the USD Recently!



Source: Reuters Eikon (as of November 11th, 2022), Incrementum AG

Life Out of Balance

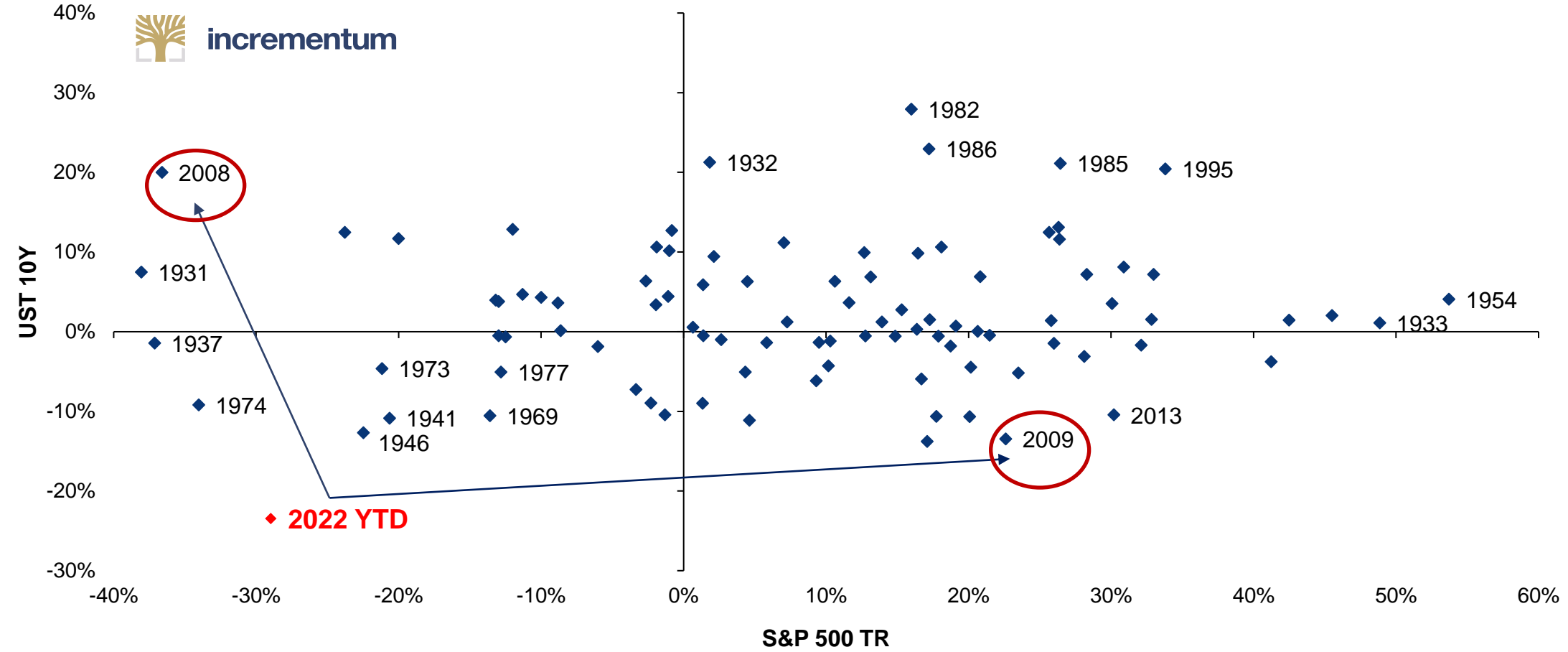
Bond Markets: World Government Bonds on Course for Worst Year Since 1865 (!!!)



Source: BofA Global Investment Strategy, 2022 YTD annualized

Life Out of Balance

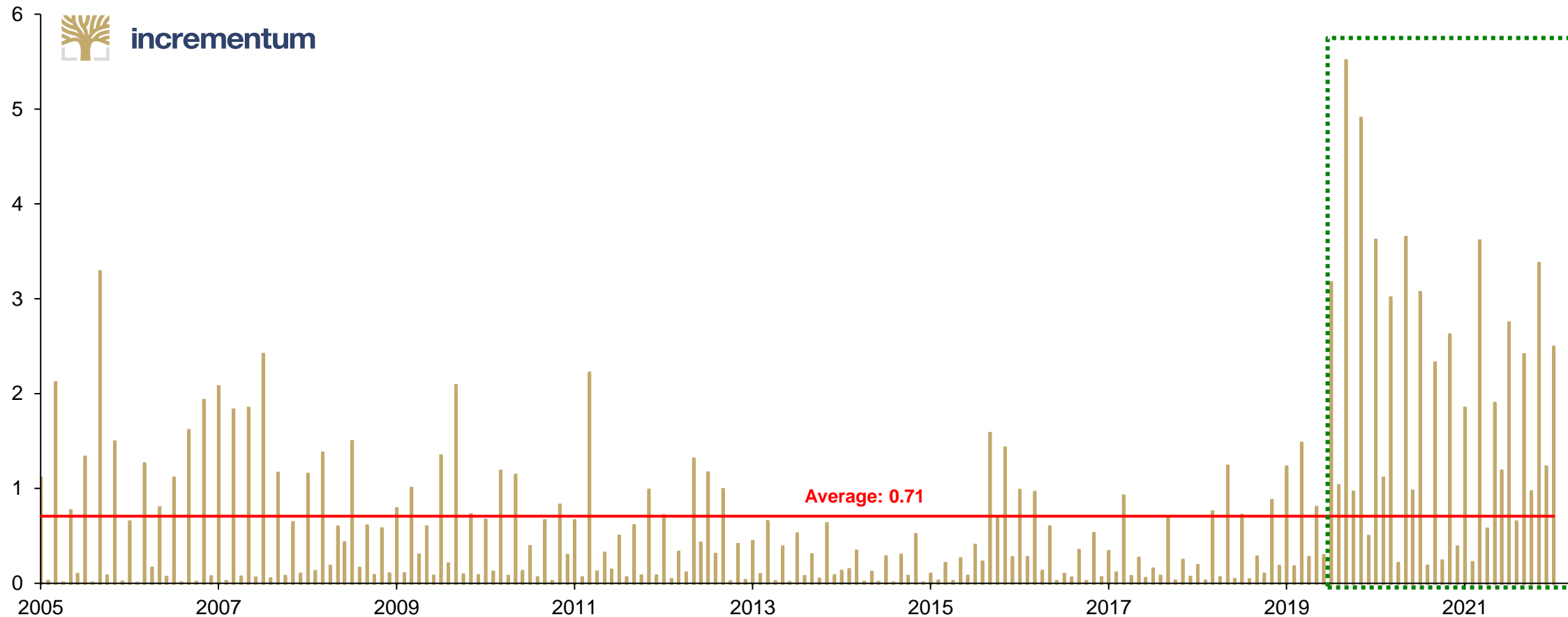
Balanced Portfolios set to have worst year on record in 2022: Real Annual Returns, S&P 500 (x-Axis) und UST10Y (y-Axis), 1928-2022



Source: NYU, Reuters Eikon, Incrementum AG

Life Out of Balance: Gold Market: Physical Deliveries Soared From 2020 Onwards

Comex Gold Deliveries, in Millions of Troy Ounces, 01/2006-10/2022



Source: CME Group, Goldchartsrus.com, Incrementum AG

Inflation: Out of Balance

“Time isn't used, it's experienced.”

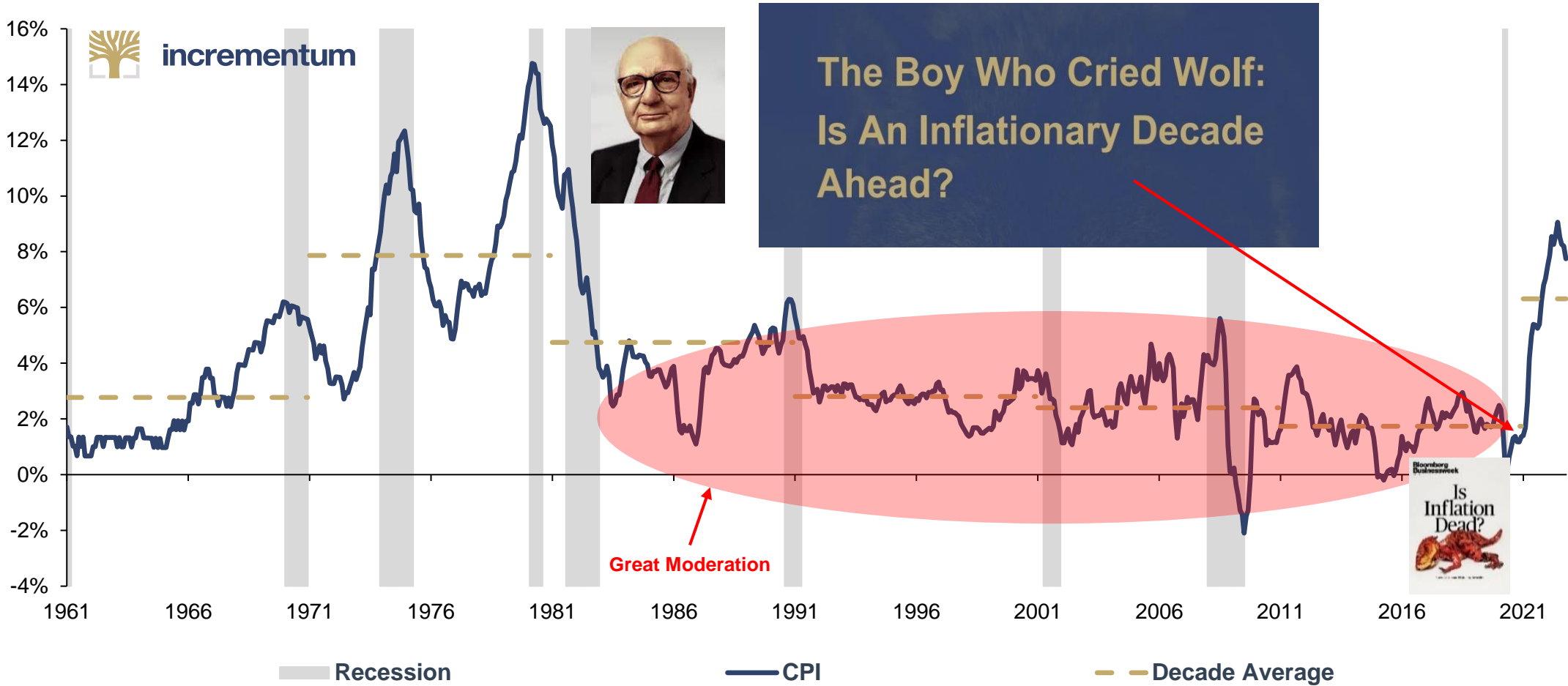
Hopi Proverb

The Low Inflation World Stood on Three Pillars



Rethink: From “The Great Moderation” to “The Great Imbalance”?

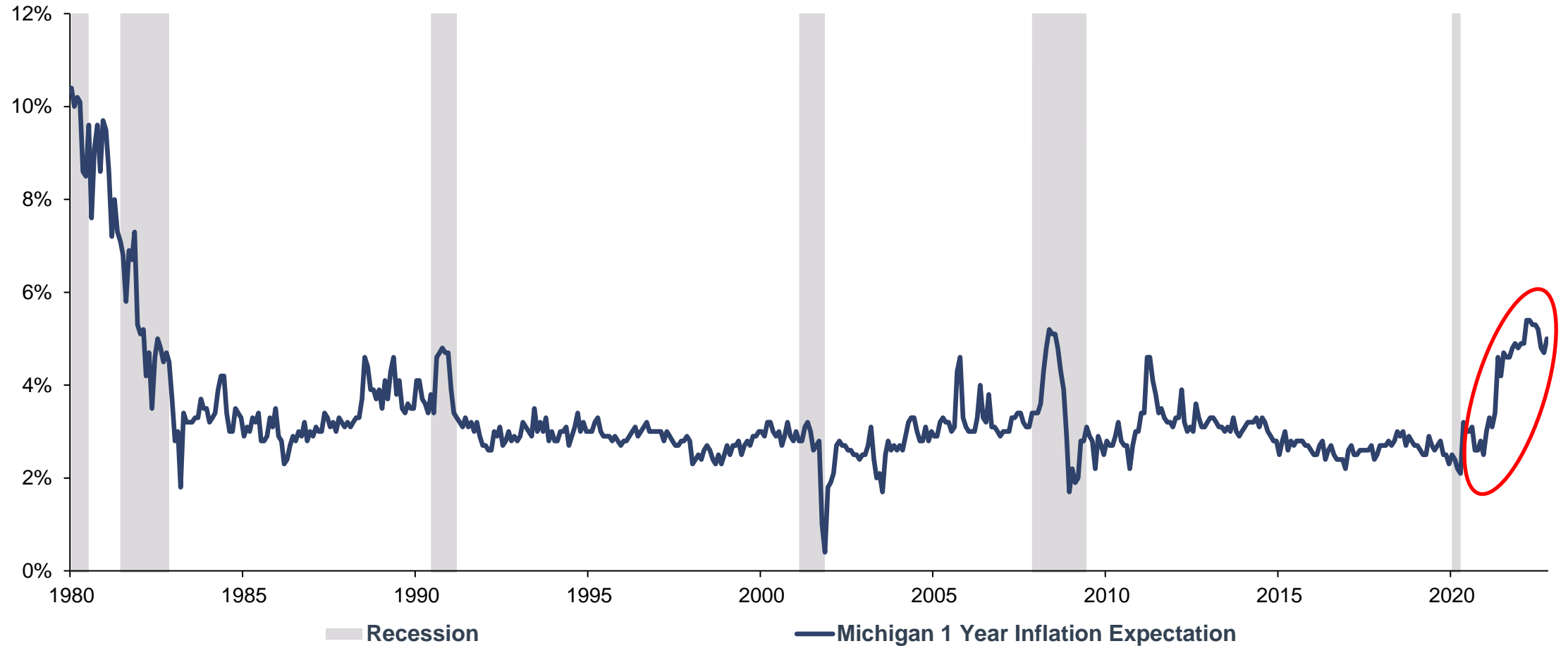
US CPI, yoy, 01/1961-10/2022



Source: Reuters Eikon, Incrementum AG

Inflation Psychology: Are Inflation Expectations Becoming Unanchored?

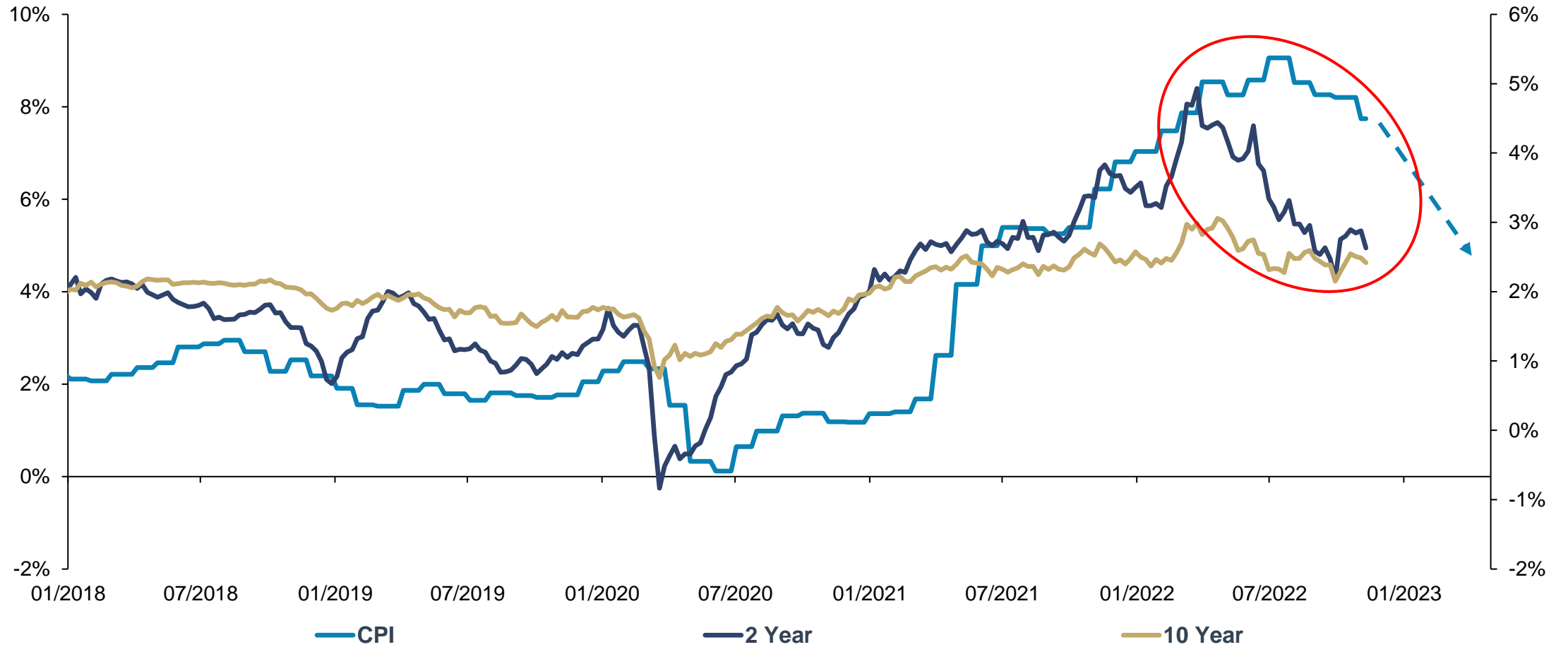
Michigan 1 Year Inflation Expectation, 01/1980-10/2022



Source: Reuters Eikon, Incrementum AG

Are Breakevens Leading the Way?

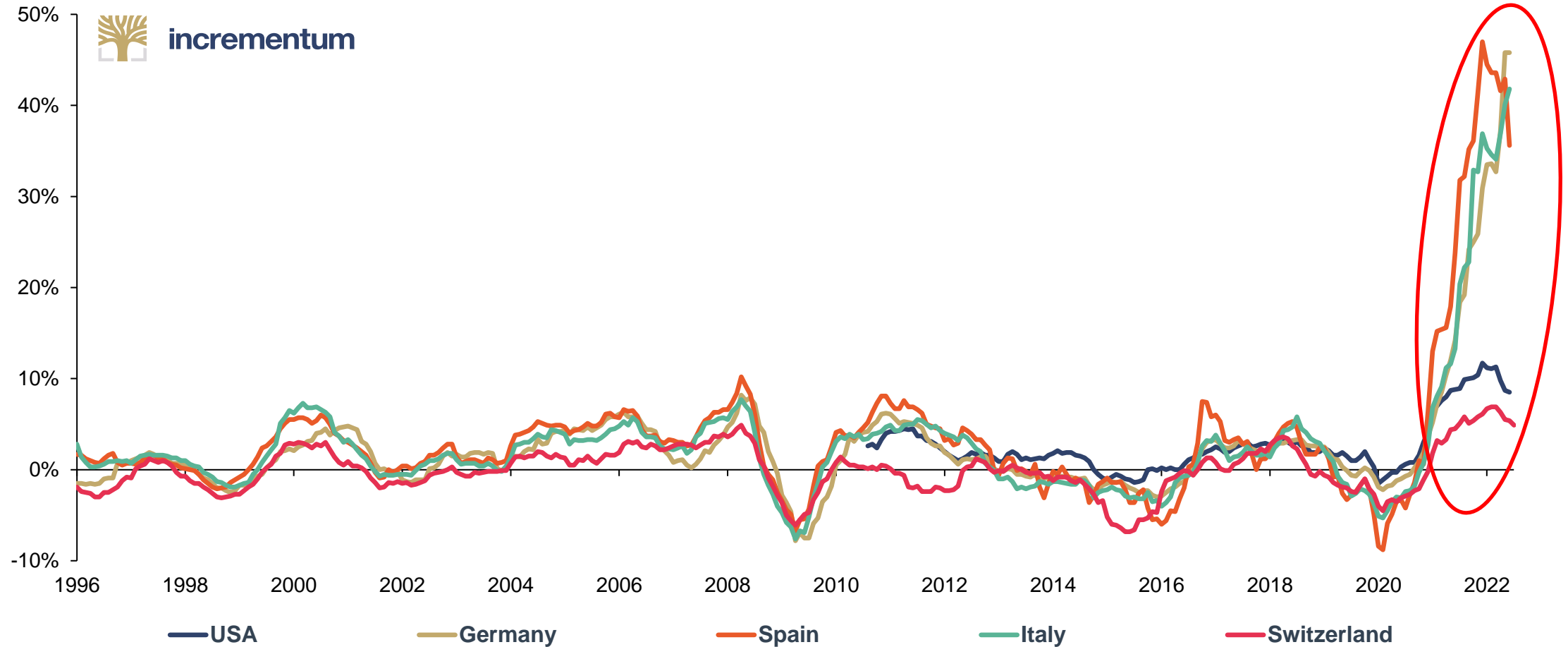
CPI (lhs), yoy, and US Breakeven Inflation Rates (rhs), 01/2018-10/2022



Source: Reuters Eikon, Incrementum AG

Production Prices Seem to Have Peaked...For Now

PPI, yoy, 01/1996-10/2022



Source: Reuters Eikon, Incrementum AG

Is This the End of the First Wave of Inflation?

US CPI, yoy, 01/1966-12/1983 (lhs), and 08/2013-07/2031 (rhs)



Source: Reuters Eikon, Incrementum AG

B. Rich — HEDGEYE



Economy Out of Balance

“Truth does not happen, it just is.”

Hopi Proverb



Source: Federal Reserve Bank of New York

“If financial conditions don’t tighten on their own, the Fed will have to shock markets to achieve the desired response, it’ll have to inflict more losses on stock and bond investors than it has so far.”

William C. Dudley,

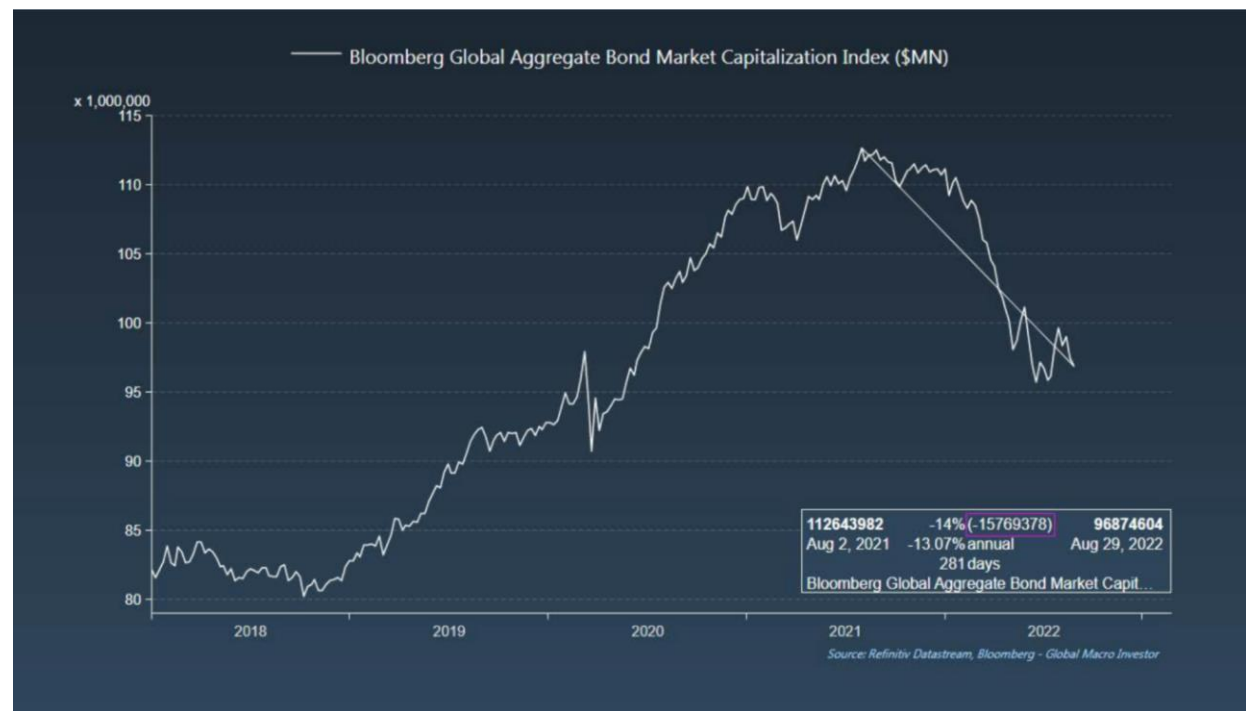
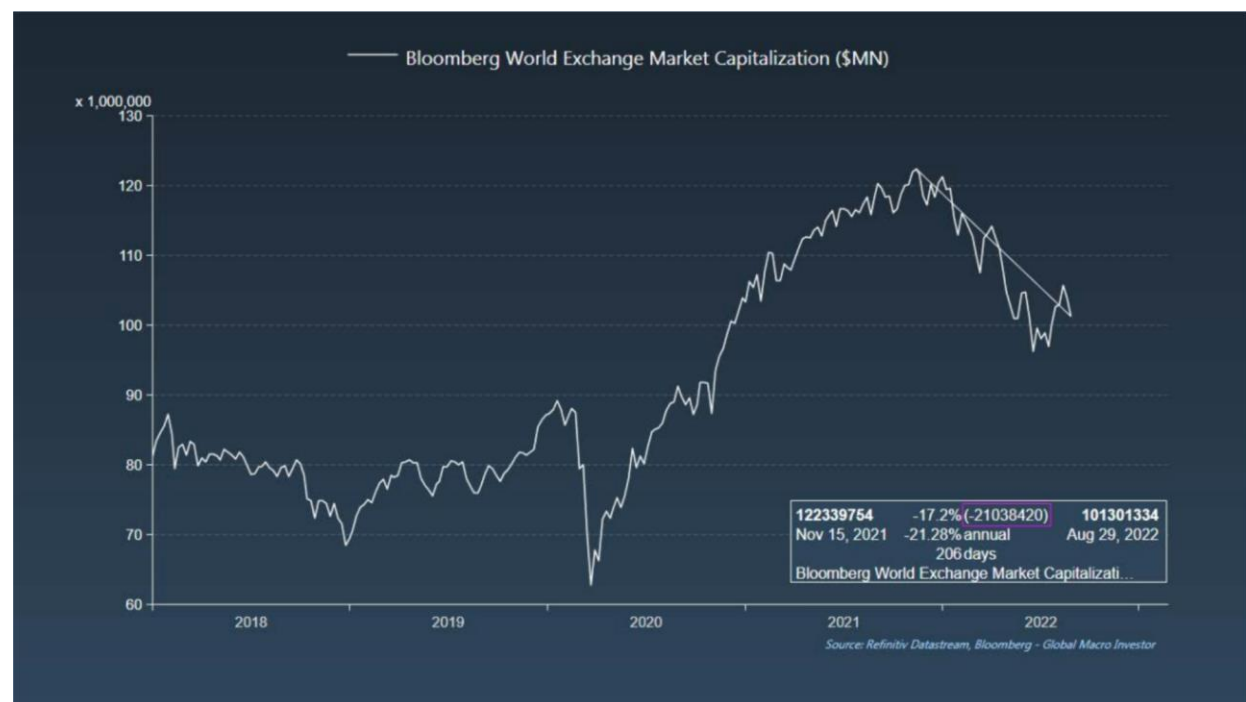
Former President Fed New York & Vice Chair of the FOMC

6 April 2022

Global Wealth Destruction

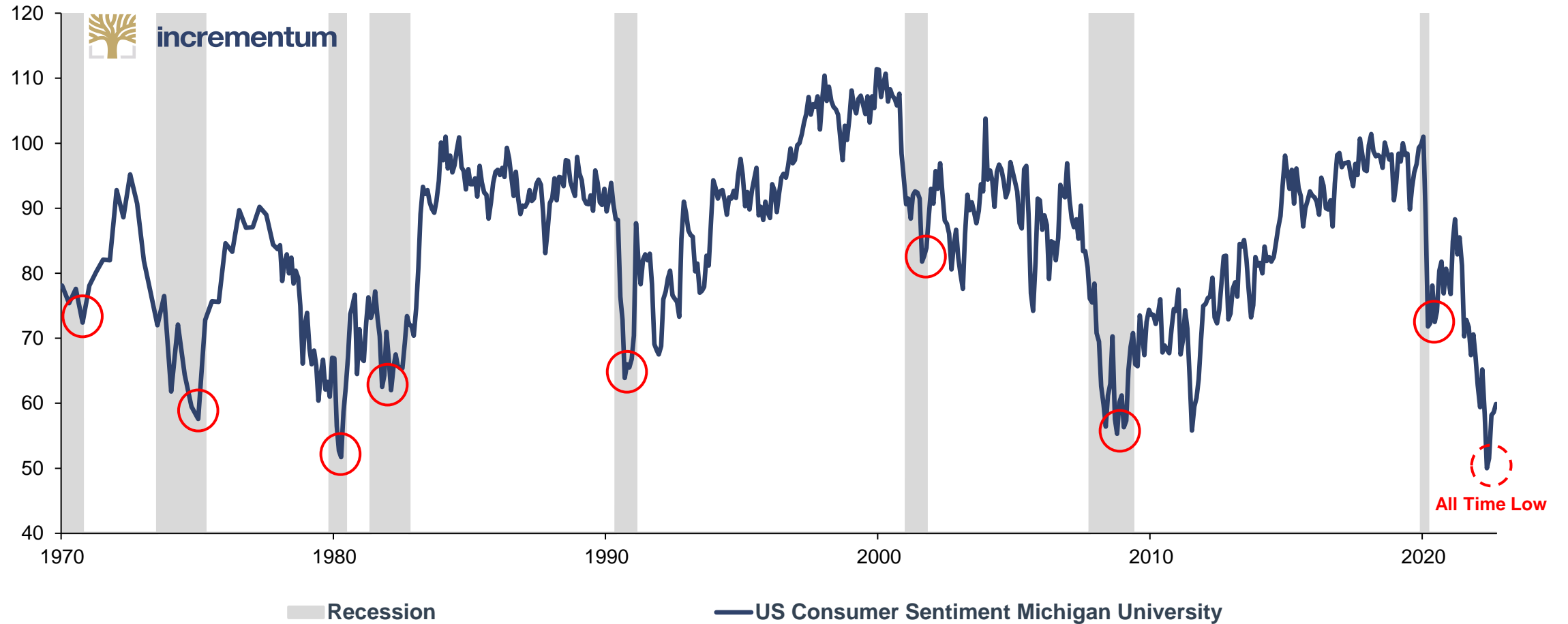
This Year Alone...

- Global equities, bonds, property and other assets have wiped out over USD 60 trn in market cap!
- This is roughly 60% of Global GDP, or more than the combined GDP of the US, China, Japan, India, France, UK, Brazil,....
- More capital has been destroyed in the past 10 months than in any previous bear market!



The Consumer is Feeling the Heat!

US Consumer Sentiment Michigan University, 01/1970-10/2022



Source: Reuters Eikon, Incrementum AG

As Mortgage Rates Doubled in 18 Months...

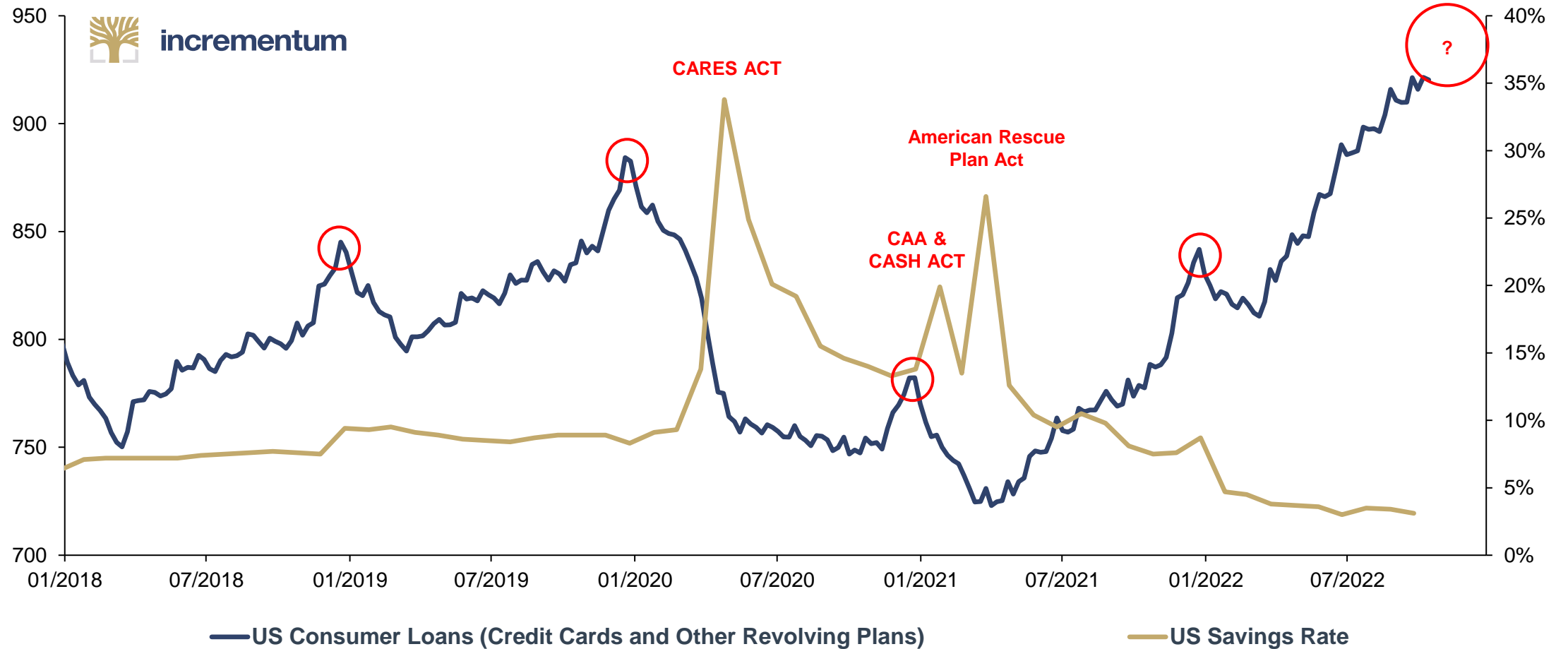
US 30-Year Fixed Rate Mortgage, in %, 01/1991-11/2022



Source: Reuters Eikon, Incrementum AG

The US Economy Remains Resilient Because of Credit Card Debt

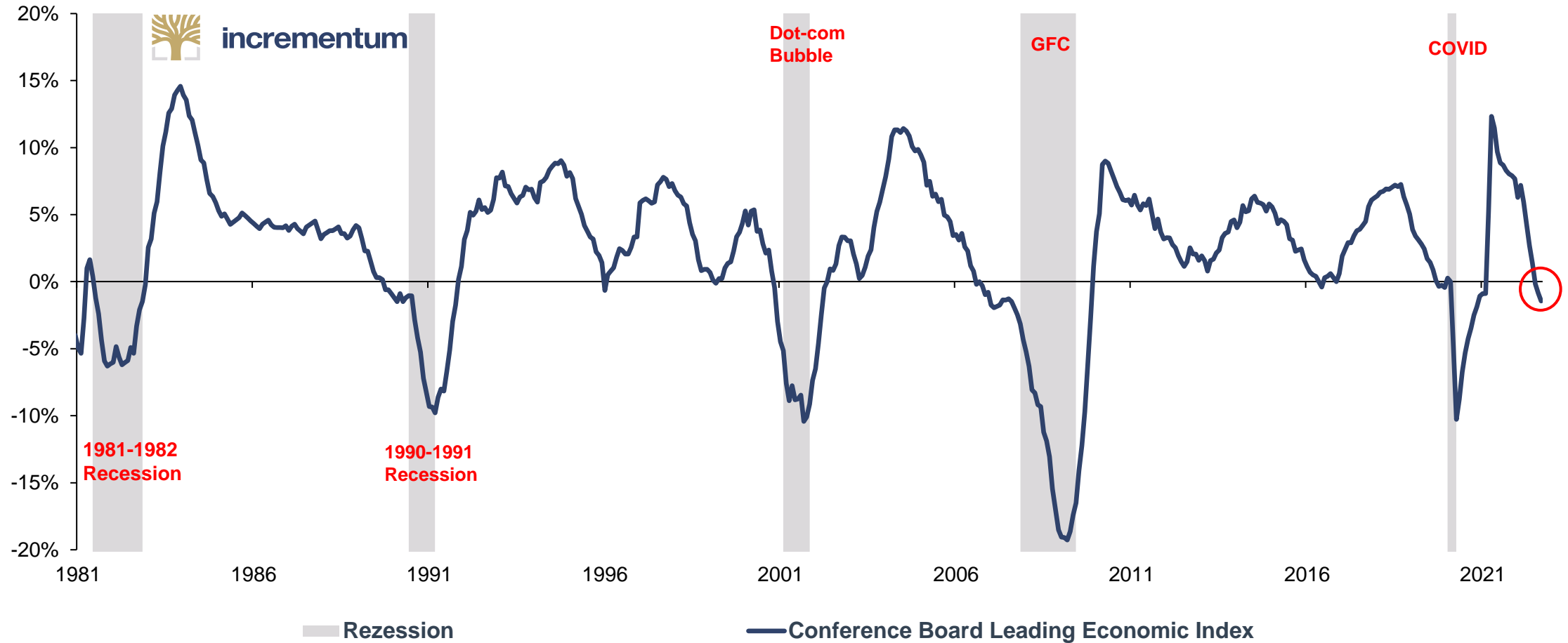
US-Consumer Loans (Credit Cards and Loans) (lhs), in USD bn, and US Savings (rhs), 01/2018-10/2022



Source: Reuters Eikon, Incrementum AG

Top 10 Leading Indicators Confirms Recession Risks This Index Correctly Forecasted 5/5 Recessions Since the '80s!

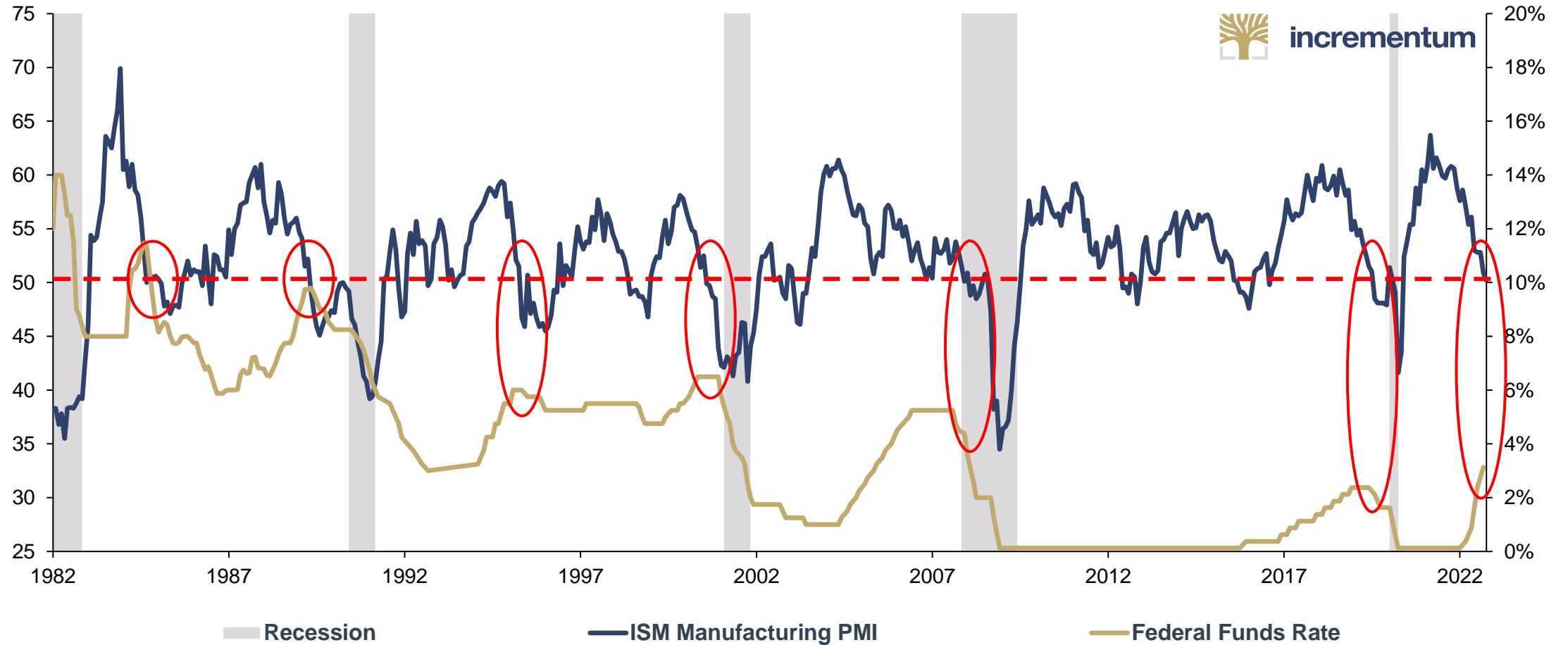
Leading Economic Index, yoy, 01/1981-09/2022



Source: TheMacroCompass, Reuters Eikon, Incrementum AG

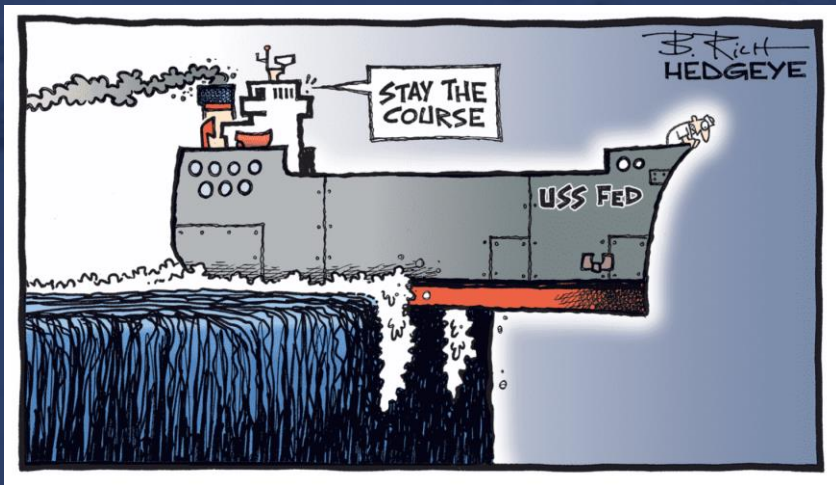
ISM Falls Below 50 -> Falling Interest Rates!

ISM Manufacturing PMI (lhs), and Federal Funds Rate (rhs), 01/2022-10/2022



Source: Reuters Eikon, Incrementum AG

Monetary Policy Out of Balance



“Never be afraid to cry. It will free your mind of sorrowful thoughts.”

Hopi Proverb

Central Bankers Out of Balance

“I think we now understand better how little we understand about inflation.”

Jerome Powell, June 2022

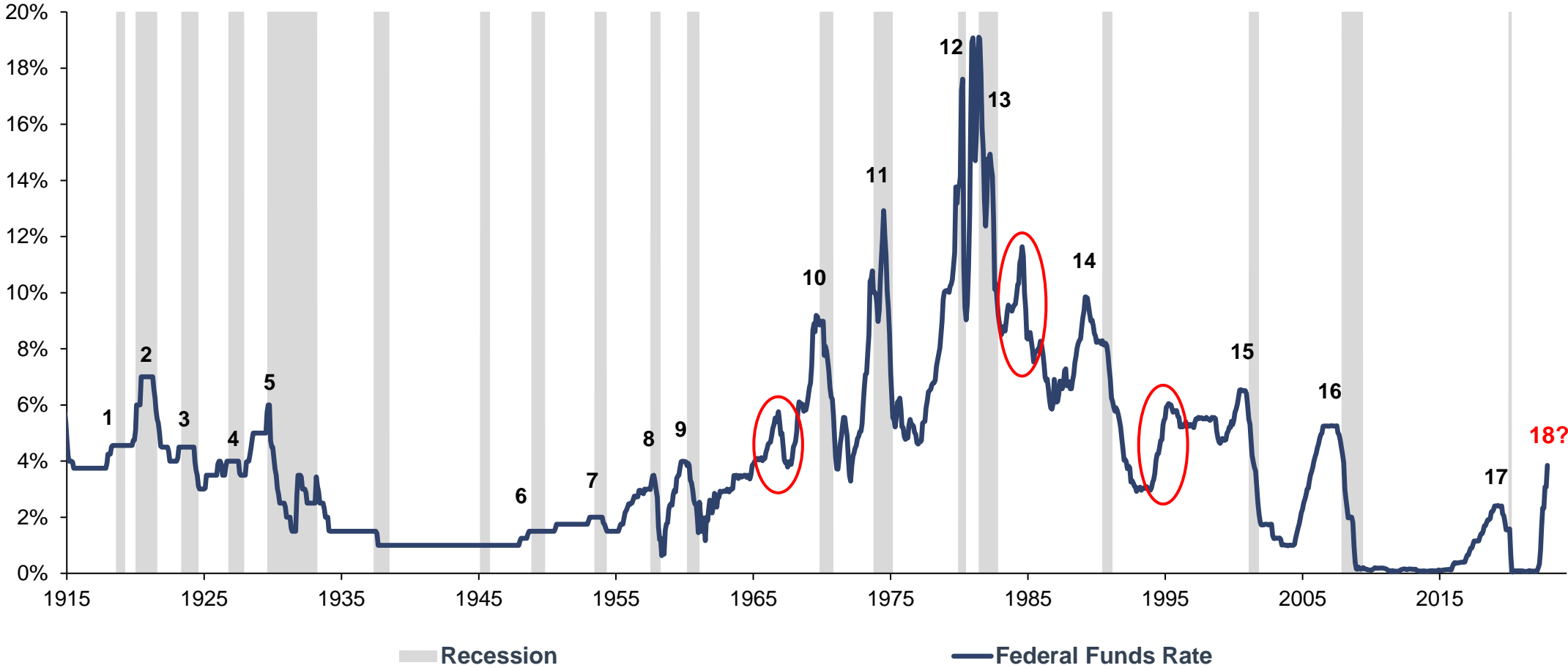
“I see an inflation profile that looks like a hump. We are firmly of the view, and I’m confident, that inflation will decline in 2022.”

Christine Lagarde, December 2021



Only 3 Out of 20 Rate Hike Cycles Did Not End in a Recession

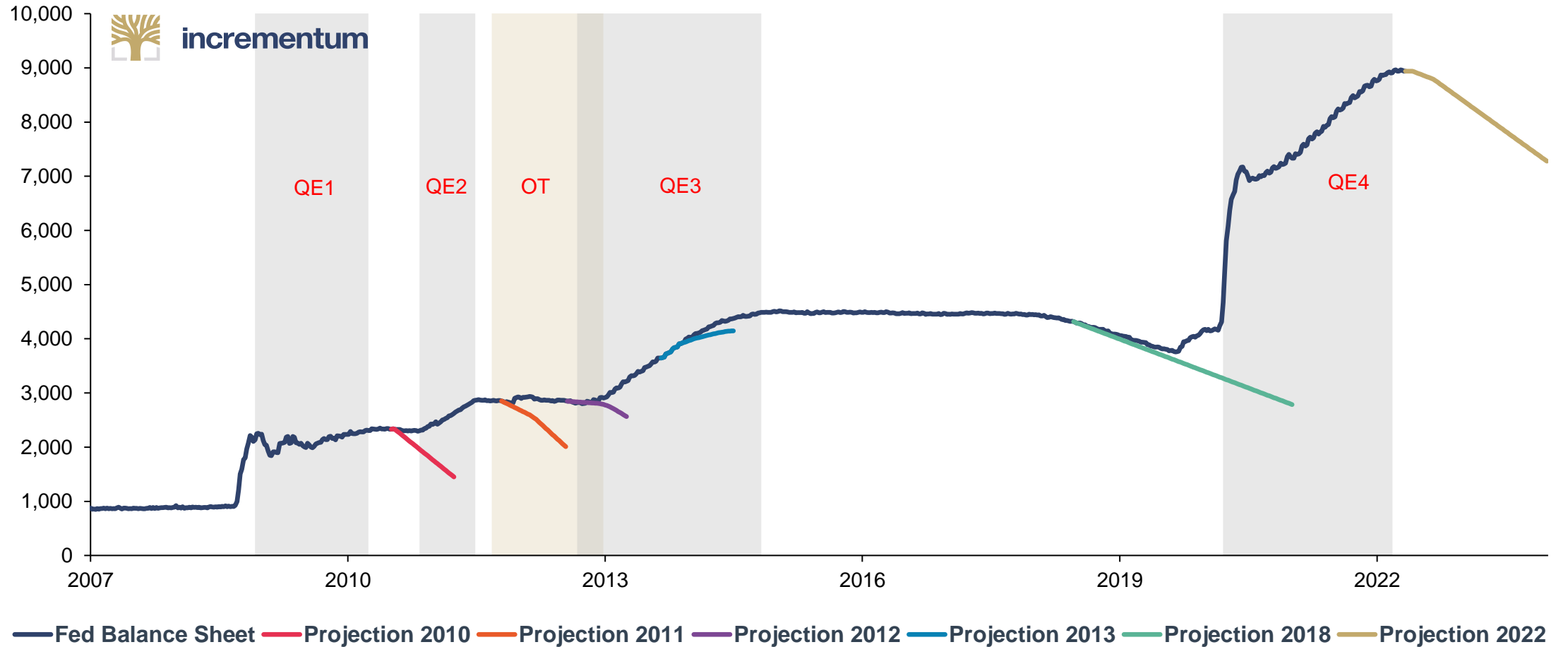
Federal Funds Rate, 01/1915-11/2022



Source: Reuters Eikon, Incrementum AG

Since September 1st QT = USD 95 Billion per Month!

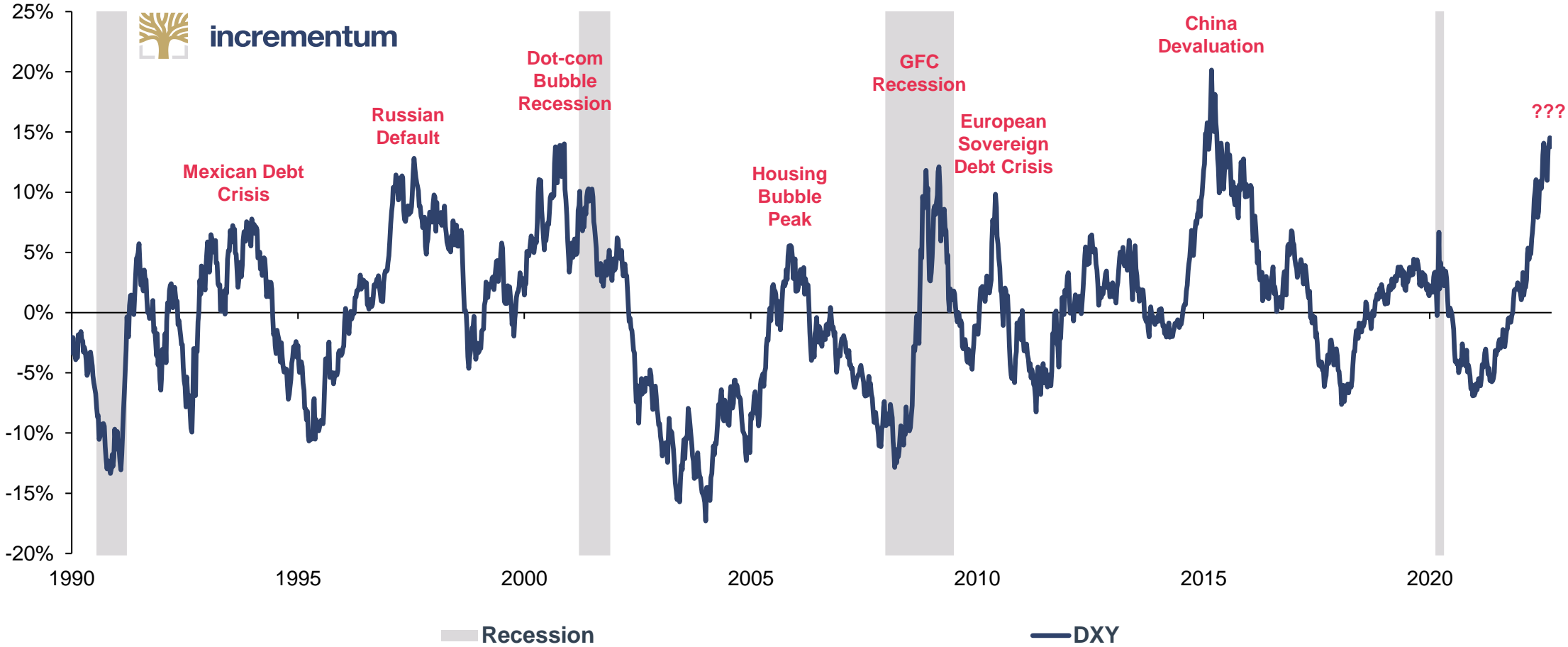
Fed Balance Sheet Path, in USD bn, 01/2007-01/2024e



Source: Reuters Eikon, Federal Reserve, Incrementum AG

US Dollar Strength

DXY Deviation From 2 Year Average, in %, 01/1990-09/2022



Source: Reuters Eikon, Incrementum AG

Paul Volcker vs. Jerome Powell



1979 - 1987



2018 - 20??

Stagflation 1.0 vs. Stagflation 2.0

Comparison of Stagflation Phases 1970-1983 and Stagflation 2.0

Factor	Stagflation phases 1970 - 1983	Stagflation 2.0
Trigger	Oil embargo 1973 Yom Kippur War 1979 Iranian Revolution	Covid-19 pandemic & lockdowns/massive stimulus measures Supply chain issues War in Ukraine
Duration	4 phases between 1970 and 1983	?
Annual monetary overhang	Up to 4.9% (1982)	Up to 21.3% (2020)
Real interest rate	Partly positive, partly negative, mostly within a range of +5%/-5%; Strong increase in early 1980s to just under +10%.	Currently, strongly negative Positive real interest rates not conceivable
Budget deficit	Max. 5.7% (1983) Low (data 1970 and 1982)	Max. 15.0% (2020) High (data 2021)
Debt	- State: 35.7%; 35.2% - Company: 47.0%; 53.1% - Private households: 44.0%; 47.9%	- State: 123.4% - Company: 77.2% - Private households: 76.4
Debt	Low (data 1970 and 1982)	High (data 2021)
Labor market	High degree of organization; Growing workforce potential	Low degree of organization Declining workforce potential as a result of demographic change
International division of labor / geopolitics	Division of labor largely stable Geopolitics: Cold War	After decades of globalization now deglobalization Slipping into Cold War 2.0
Food prices	Poor harvest in 1972 led to a sharp rise in food prices in the US	Fertilizer crisis due to price increase Sanctions against Belarus and Russia Impending food crisis due to the Ukraine war.
Oil price development (WTI)	Jun 1973–Feb 1974: +184% Dec 1978–May 1980: +166%	Dec 2020–Apr 2022: 116%
Price controls	Wage and price controls ended in 1974 and triggered catch-up effects	In some countries, introduction of price controls, especially for energy, but also for food prices, as well as massive subsidies to compensate for inflation
Currency regime	Exchange of gold currency standard on system of flexible exchange rates	Increasing departure from the unipolar monetary system with the US dollar as an anchor currency
End	Interest rate hikes, Volcker shock double dip recessions	Potential debt crises due to high debt levels

Source: Incrementum AG



Gold as an Anchor in Times of Imbalance?

“We are the ones we have been waiting for.”

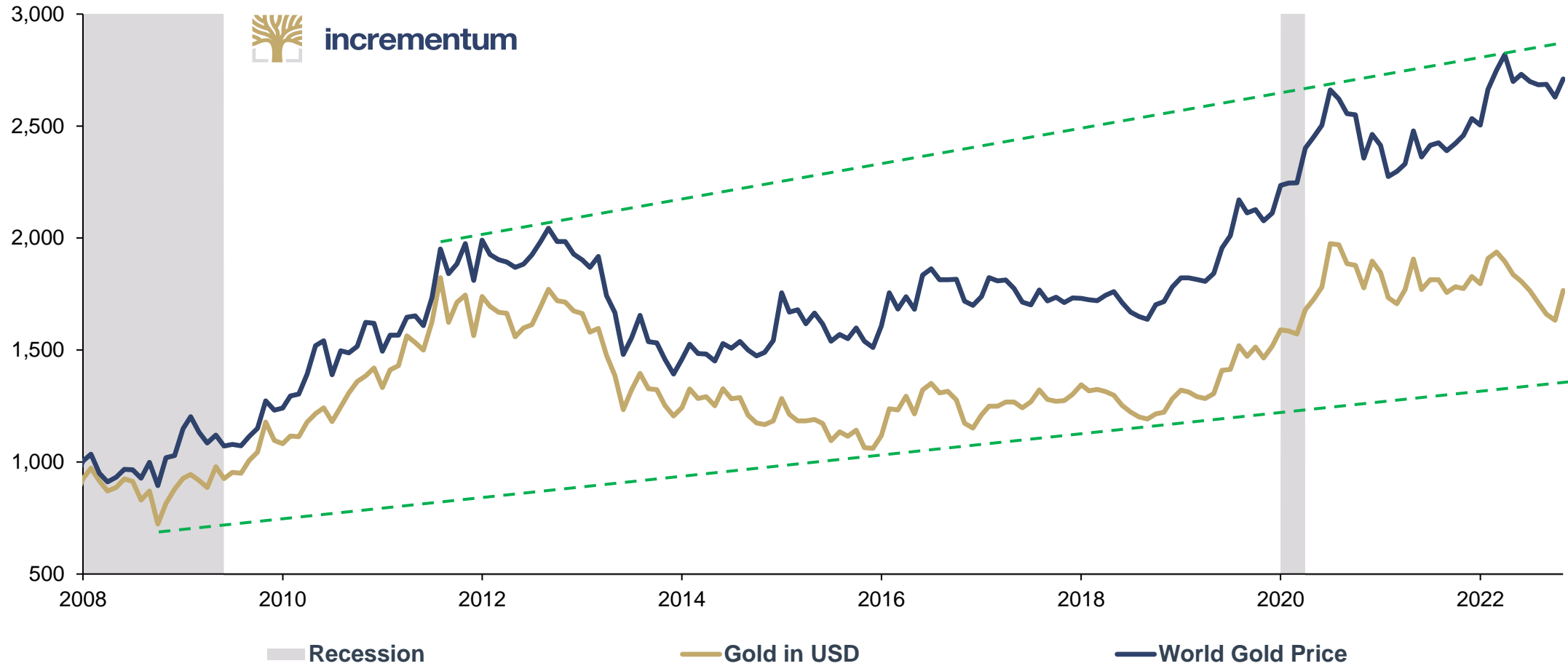
Hopi Proverb

Life is about expectations!



It's All About the USD...World Gold Price Close to ATH

Gold Price, in USD, and World Gold Price, in USD, 01/2008-11/2022



Source: Reuters Eikon, Incrementum AG

Gold Performance Since 2000 in Various Currencies

Annual Gold Performance, 2000-2022 YTD

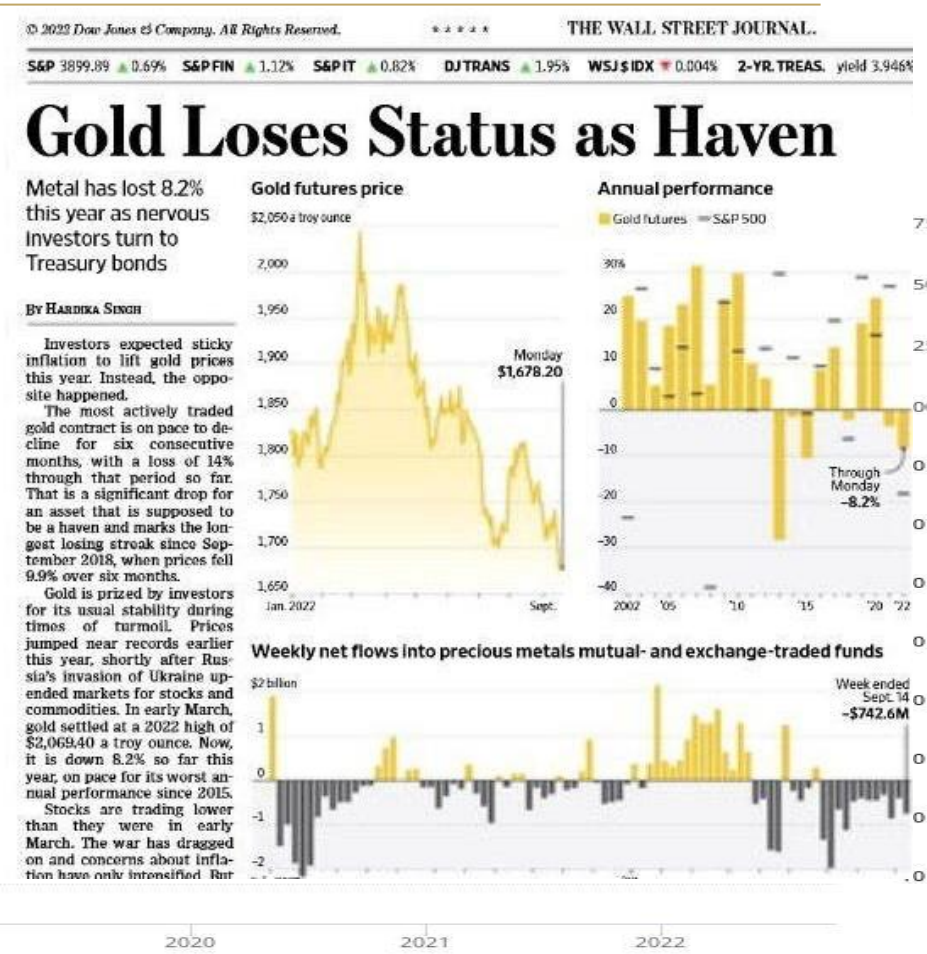
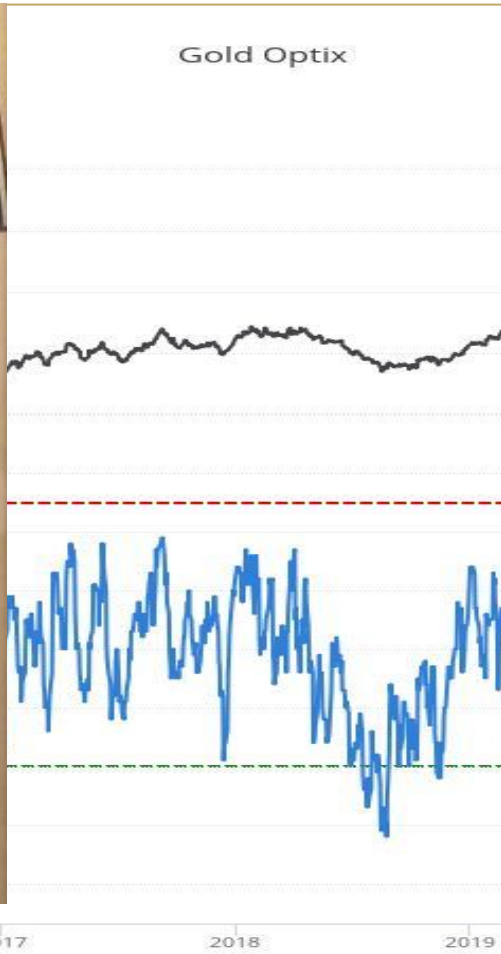
Year	USD	EUR	GBP	AUD	CAD	CNY	JPY	CHF	INR	Average
2000	-5.3%	1.2%	2.4%	11.2%	-1.9%	-5.4%	5.8%	-4.2%	1.4%	0.6%
2001	2.4%	8.4%	5.3%	12.0%	8.8%	2.4%	18.0%	5.5%	5.8%	7.6%
2002	24.4%	5.5%	12.3%	13.2%	22.9%	24.4%	12.2%	3.5%	23.7%	15.8%
2003	19.6%	-0.2%	8.0%	-10.7%	-1.3%	19.6%	8.1%	7.4%	13.9%	7.2%
2004	5.6%	-2.0%	-1.7%	1.5%	-2.0%	5.6%	0.8%	-3.1%	0.1%	0.5%
2005	18.1%	35.2%	31.6%	25.9%	14.1%	15.1%	35.9%	36.3%	22.8%	26.1%
2006	23.0%	10.4%	8.1%	14.3%	23.3%	19.0%	24.2%	14.1%	20.7%	17.5%
2007	30.9%	18.4%	29.2%	18.0%	12.0%	22.5%	22.5%	21.8%	16.9%	21.4%
2008	5.4%	10.0%	43.0%	30.5%	28.7%	-1.5%	-14.2%	-0.8%	30.0%	14.6%
2009	24.8%	21.8%	13.0%	-1.6%	7.9%	24.8%	27.9%	21.1%	19.2%	17.6%
2010	29.5%	38.6%	34.2%	13.9%	22.8%	25.1%	13.2%	16.8%	24.8%	24.3%
2011	10.2%	13.8%	10.6%	9.9%	12.7%	5.2%	4.5%	10.7%	30.7%	12.0%
2012	7.1%	5.0%	2.4%	5.3%	4.2%	6.0%	20.7%	4.5%	11.1%	7.4%
2013	-28.0%	-30.9%	-29.4%	-16.1%	-23.0%	-30.1%	-12.6%	-29.8%	-19.1%	-24.3%
2014	-1.8%	11.6%	4.4%	7.2%	7.5%	0.7%	11.6%	9.4%	0.2%	5.6%
2015	-10.4%	-0.2%	-5.3%	0.6%	6.8%	-6.2%	-9.9%	-9.7%	-5.9%	-4.4%
2016	8.5%	12.1%	29.7%	9.4%	5.3%	16.1%	5.4%	10.3%	11.4%	12.0%
2017	13.1%	-0.9%	3.3%	4.6%	5.9%	6.0%	9.0%	8.3%	6.3%	6.2%
2018	-1.5%	3.0%	4.3%	9.0%	6.8%	4.1%	-4.2%	-0.8%	7.3%	3.1%
2019	18.3%	21.0%	13.8%	18.7%	12.6%	19.7%	17.2%	16.6%	21.3%	17.7%
2020	25.0%	14.7%	21.2%	14.1%	22.6%	17.2%	18.8%	14.3%	28.0%	19.5%
2021	-3.6%	3.6%	-2.6%	2.2%	-4.3%	-6.1%	7.5%	-0.6%	-1.7%	-0.6%
2022 YTD	-4.0%	6.9%	10.9%	5.3%	1.2%	8.5%	17.5%	1.4%	3.9%	5.7%
Average	9.2%	9.0%	10.8%	8.6%	8.4%	8.4%	10.4%	6.7%	11.9%	9.3%

Source: Reuters Eikon (as of November 10th, 2022), Incrementum AG



The Mood in the Gold Camp is Extremely Bearish

OPTIX Indicator Sentimentrader



Source: Sentimentrader, WSJ, 20. September 2022

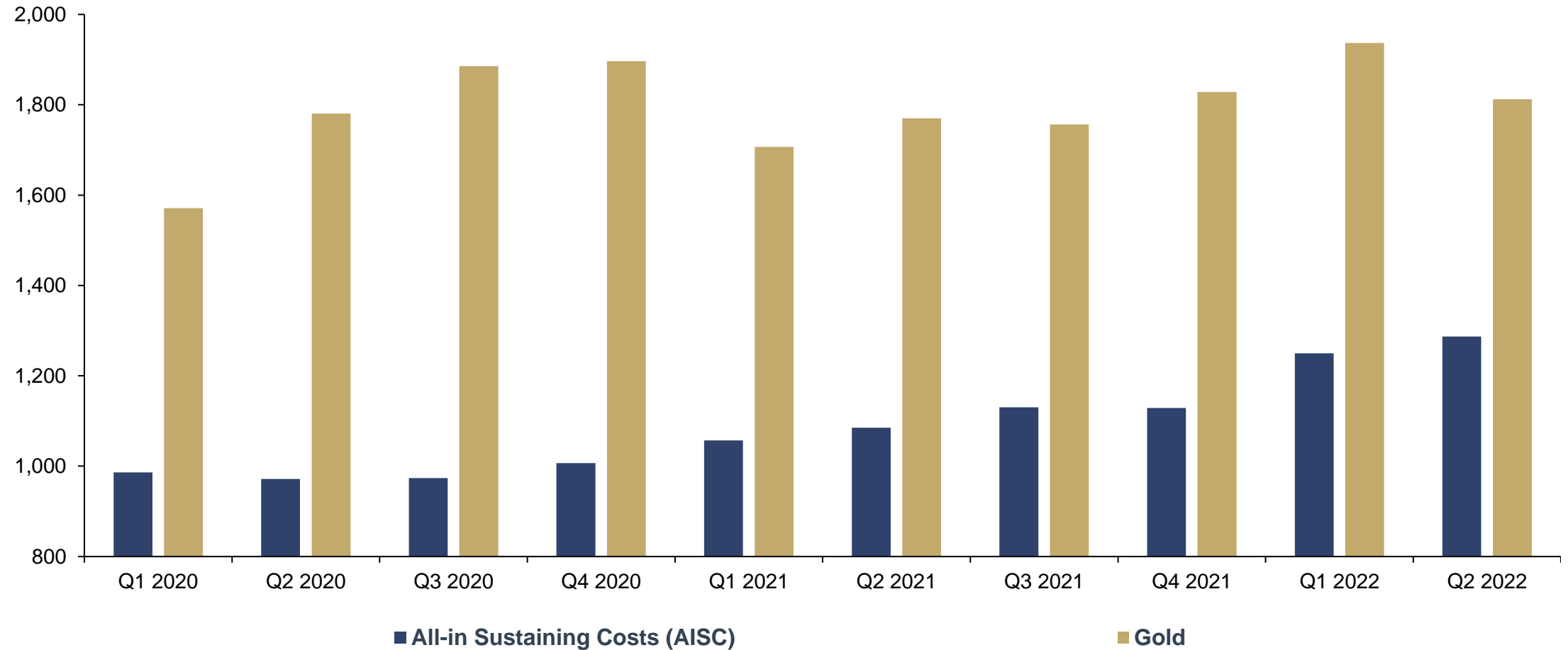
Miners

“One finger can't lift a pebble.”

Hopi Proverb

Cost Inflation Continues, but Margins Remain Very Healthy

All-in Sustaining Costs (AISC), in USD per Troy Ounce, and Gold, in USD, Q1/2020-Q1/2022



Source: World Gold Council, Reuters Eikon, Incrementum AG

Miners are Extremely Oversold Relative to Gold!

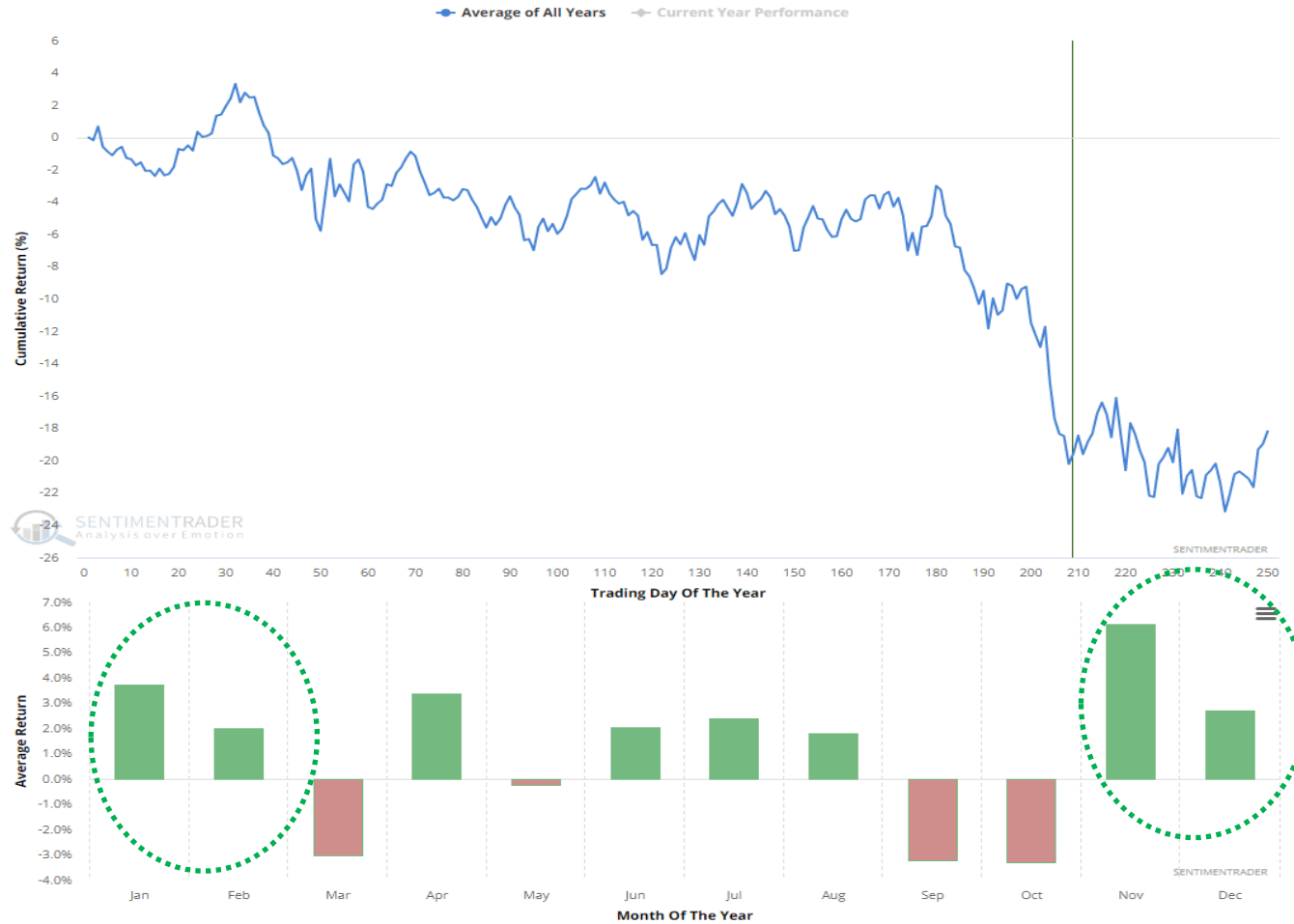
HUI/Gold Ratio, 01/1997-11/2022



Source: Reuters Eikon, Incrementum AG

The Best Seasonal Period for Gold Mining Stocks Starts NOW!

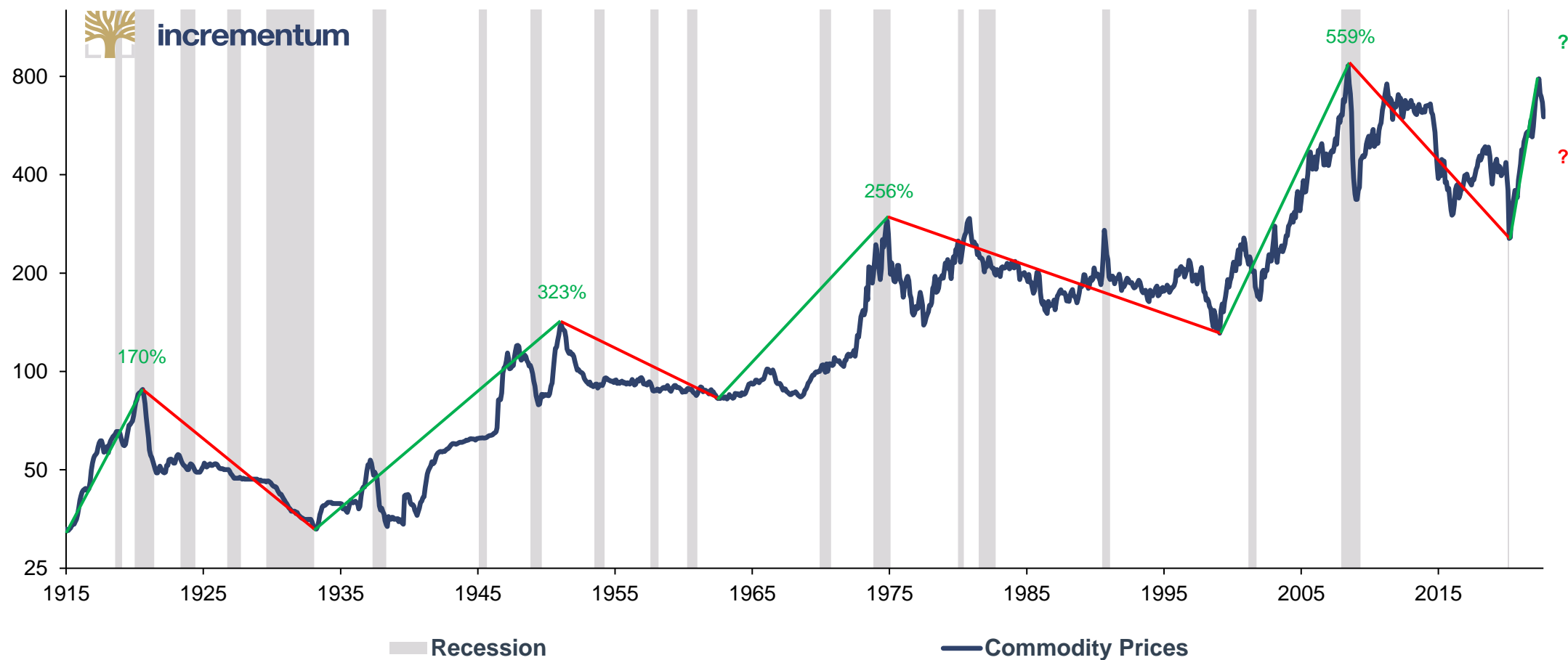
GDX Seasonal Average



Source: Sentimentrader.com

Geopolitical Risk is Keeping Commodity Prices Elevated, but Recession and Hawkish Central Banks Recently Put Pressure on Commodity Prices!

Commodity Prices*, 01/1915-10/2022



Source: Alpine Macro, Federal Reserve St. Louis, Reuters Eikon, Incrementum AG

*1913-1934 US PPI Industrial Commodities, 1935-1949 Spot Price 28 Commodities, 1950-1969 Spot Price 22 Commodities, since 1970 S&P GSCI



Quo Vadis?

“We believe it is illusory that the Federal Reserve can deprive the market of the proverbial ‘punchbowl’ for any length of time, and we seriously doubt that the transformation of doves into hawks will last.

Most hawks will merely turn out to be doves in hawk’s clothing and will shed their hawkish garb sooner rather than later as a result of the inevitable consequences of monetary tightening: recession, rising yields, stock market corrections, bankruptcies, unemployment.”

IGWT Report 2022

Gold Price Still Appears Cheap in Relative Terms

Comparison of Various Macro and Market Key Figures at Gold ATH in 1980, 2011 and Currently

	1980	2011	Currently
Gold Price in USD	835	1,900	1,771
Monetary Base in USD bn	157	2,637	5,411
M3 Supply in USD bn	1,483	9,526	21,709
US Federal Debt in USD bn	863	14,790	31,244
US Median House Price in USD	63,700	228,100	454,900
S&P 500	111	1,174	3,993
USD Index	86.1	75.2	106.3

Source: treasury.gov, Federal Reserve St. Louis, Reuters Eikon (as of November 11th, 2022), Incrementum AG



Conclusions

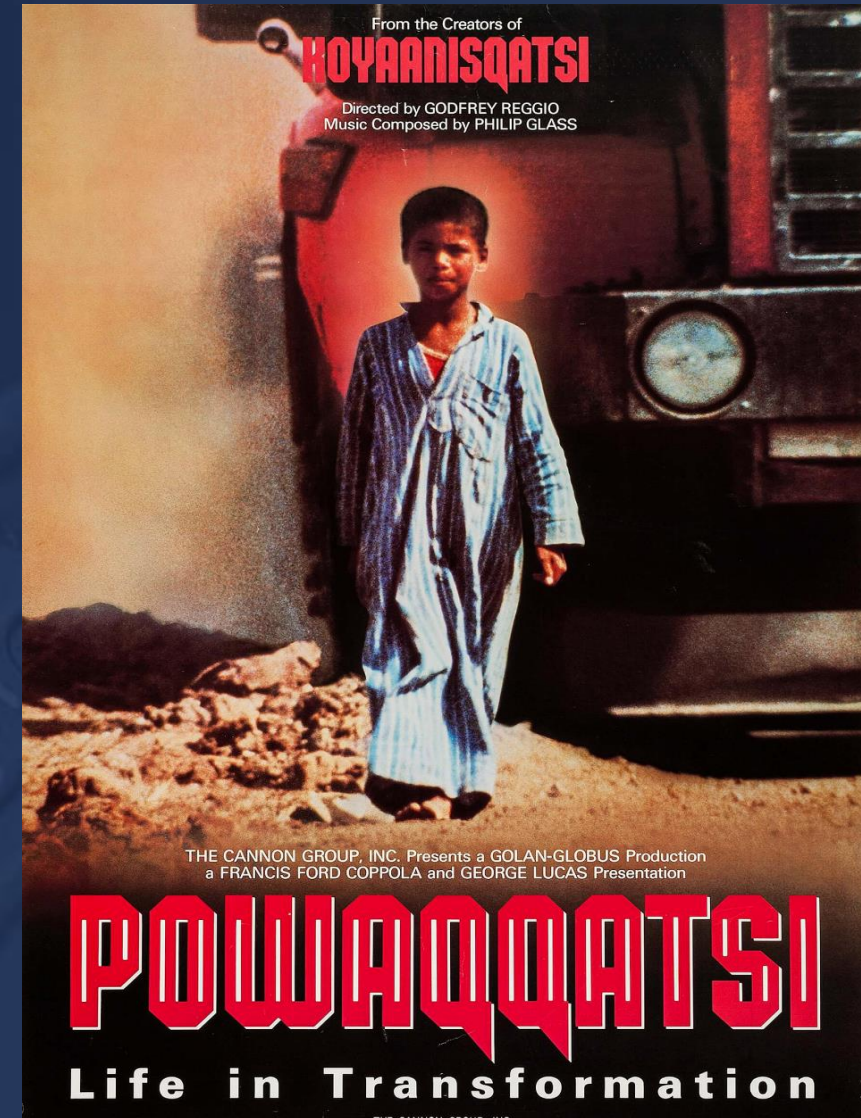
- **Decades of Disinflation (Great Moderation) have ended**
- **Inflation shock → rates shock → recession shock → PIVOT**
- **Politicians will shield the private sector and offset losses, using the government balance sheet. Release valve: Currency or Bonds!**
- **Current wave of inflation to peak soon. Inflation to continue in waves.**
- **Crucial Question: When will monetary tightening stop?**

Return to Balance?

Rebalance

Rethink

Renew



**Thank You For
Your Attention!**

Addendum

Because we care...

*About our **Clients.***

*About **Society.***

*About the **Future.***

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- **Incrementum AG** is an owner-managed and fully licensed asset manager & wealth manager based in the Principality of Liechtenstein.
- Independence is the cornerstone of our philosophy. The partners own 100% of the company.
- Our goal is to offer solid and innovative investment solutions that do justice to the opportunities and risks of today's complex and fragile environment.

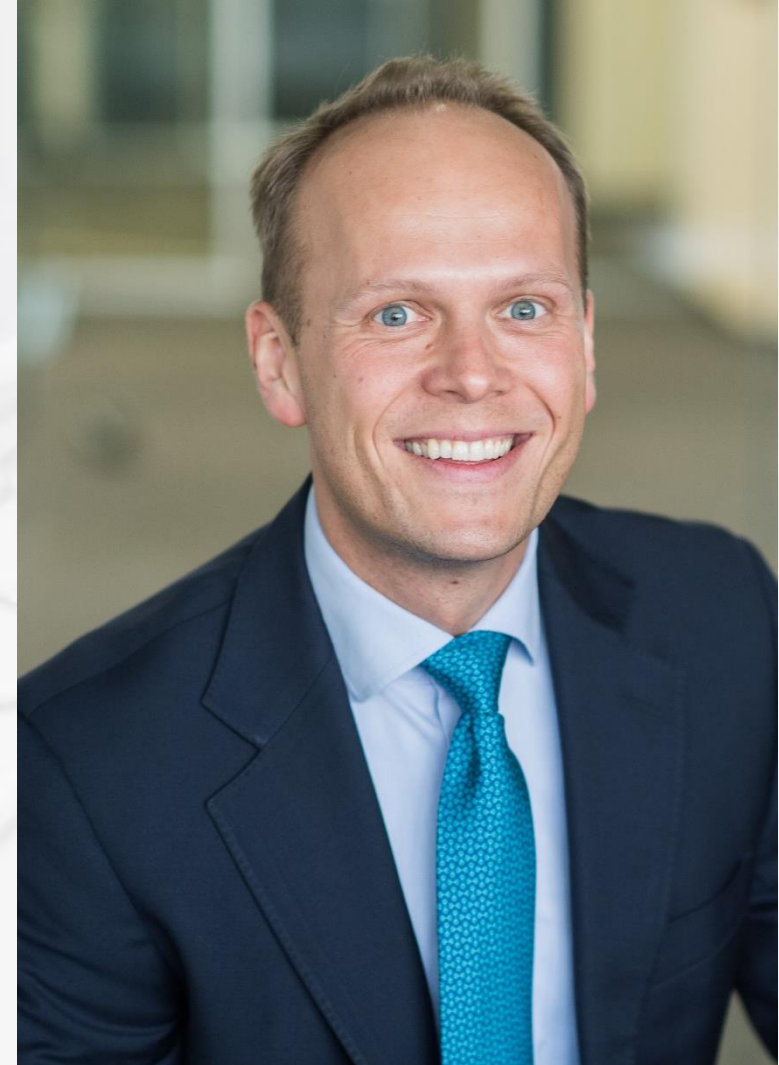


The 5 partners of Incrementum AG

Mark J. Valek, Dr. Christian Schärer, Ronald-Peter Stöferle,
Stefan Kremeth and Hans Günter Schiefen

About Ronald-Peter Stöferle

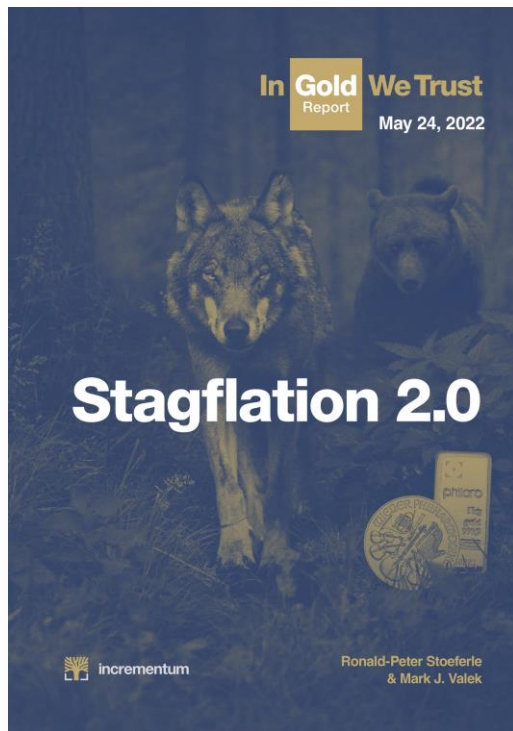
- **Managing Partner of Incrementum AG
Research and Portfolio Management**
- Business Administration and Finance studies in Vienna and at the University of Illinois
- Chartered Market Technician (CMT) and Certified Financial Technician (CFT)
- Erste Group Research 2006 – 2012
- Fund manager
 - Incrementum Inflation Diversifier Fund
 - Incrementum Digital & Physical Gold Fund
 - Incrementum Crypto Gold Fund
- Since 2007 **Author of the *In Gold We Trust Report***
- Publication of the bestsellers "Austrian School for Investors" (2014) and "The Zero Interest Trap" (2019)
- Member of the Board of Directors of Tudor Gold (TUD), a promising Canadian junior explorer
- Advisor at Matterhorn Asset Management / Gold Switzerland



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Extensive
Detailed study on gold and gold-relevant capital market developments.

Critical
Critical consideration of all relevant events.

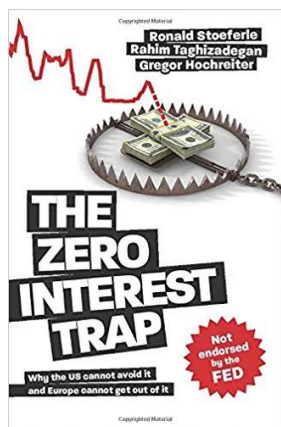
Global
Recognized in more than 60 nations.

Key Facts

- ✓ Extensive annual study of gold and gold-related capital market developments
- ✓ Critical analysis and holistic approach
- ✓ Reference work for everybody interested in gold, precious metals and mining stocks
- ✓ Extent 2020: More than 300 pages
- ✓ International recognition – newspaper articles in more than 60 countries (Wall Street Journal: "The Goldstandard of Gold Analysis")
- ✓ Available in a Compact and Extended version
- ✓ Obtainable in English, German and Chinese
- ✓ Published for the 14th time in 2019

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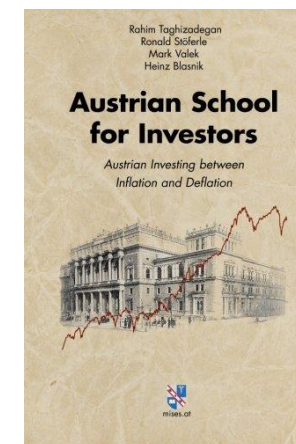
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