GIAUQUE PERIODIC

TRIPLE CROWN WEALTH MANAGEMENT GROUP

RAYMOND JAMES®

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Need we really wait for how this ends?

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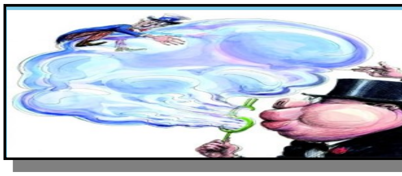
Ponder this….the *Enterprise Value-to-Sales ratio* of the S&P 500, the *Price-to-Sales ratio* of the S&P 500, the *Total Market-Cap-to-GDP* of the S&P 500 as well as *total global debt-to-GDP* are now simultaneously at all-time record highs, besting prior market valuation and debt level peak ratios of all prior epic market bubbles that have come before it, including 1929, 2000 and 2007. The number of speculative equity calls purchased in the second week of January set a new all-time volume record besting even the most furious ramp of speculation seen anytime near the apex of even the wild year-2000 parabolic blowoff top of the epic tech/dot-com bubble. With that said, the level of Federal Reserve provided liquidity over the final 4-months of 2019 also broke a record, per recent data provided by *CrossBorder Capital* and the *U.S. Federal Reserve*. Such a feat by the U.S. Federal Reserve, in itself, is stunning given the three monster, previously and once unprecedented post-crisis money printing schemes (QE-1,2 and 3) engineered between late 2008 and late 2014. But its not just the U.S. Federal Reserve who has again ramped-up propping assistance for the giant toxic sphere of financial media wafting over the planet. Virtually every major central bank is now pumping madly, simultaneously. Which begs the question, what are they scared of and can we ever return to an environment in which markets are again allowed to set prices on their own? The collective fanaticism of the global central banks has thus manifested itself into another leg higher in global financial asset prices which has again furthered the already giant chasm between that of financial market values and that which can be reasonably supported by the increasingly debt impugned global economies.



Index	Jan. 31 2020	YTD%
S&P 500	3226	-0.1%
Dow Industrials	28256	-1.0%
Nasdaq Composite	9151	+2.0%
Value Line Arithmetic	6411	-3.7%
Russell 2000	1614	-3.2%
U.S. Dollar Index	97.39	+0.7%
Gold (ounce)	$1585.90	+4.6%
Silver (ounce)	$18.01	+1.0%
Amex Gold Bug Index	223.68	-2.6%
Oil (NYM Lt Sweet/barrel)	$51.33	-15.9%
30 Year Treasury Yield	2.01%	-0.39%
10 Year Treasury Yield	1.53%	-0.39%
2 Year Treasury Yield	1.39%	-0.19%

The S&P 500 is an un-managed index of 500 widely held stocks. The Dow Jones Industrial is an unmanaged index of 30 widely held securities. The Russell 2000 index is an un-managed index of small cap securities which generally involve greater risks. There is no assurance these trends will continue. The NASDAQ Composite Index is an unmanaged index of all stocks traded on the Nasdaq over-the-counter market. The Value Line Composite Index is composed of all of the companies that are included in the Value Line Investment Survey. The Dow Utility Average is an unmanaged index comprised of 15 utility stocks. The Amex Gold BUGS (Basket of Unhedged Gold Stocks) Index is a modified equal dollar weighted index of companies involved in gold mining. Inclusion of these indexes is for illustrative purposes only. Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results will vary. Past performance does not guarantee future results. Commodities and currencies investing are generally considered speculative because of the significant potential for investment loss. Their markets are likely to be volatile and there may be sharp price fluctuations even during periods when prices overall are rising. U.S. government bonds and Treasury bills are guaranteed by the U.S. government and, if held to maturity, offer a fixed rate of return and guaranteed value. U.S. government bonds are issued and guaranteed as to the timely payment and interest by the federal government. Treasury bills are certificates reflecting short-term (less than one year) obligations of the U.S. government.

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The epicenter of the current mania, tech and the mega-cap momentum variety of stocks continue to see activity wholly reminiscent again of the wild action I recall having taken place in the last weeks of that epic year-2000 tech and dot-com bubble. Shares of Tesla (TSLA), perhaps the most pristine example of unbridled speculation at this juncture of the *everything bubble* era have rallied from a 52-week low of $177/share last June to a recent high of $968 per share making the electric car manufacturer's market-cap worth more than the combined values of all three Big-3 U.S. auto manufacturers combined with room to spare. This is even as the cult-like electric car manufacturer reported a recent GAAP quarterly loss of nearly a billion dollars, just a 1-percent year-over-year growth in revenues while selling just 21,000 more cars than it did in the same quarter a yar ago. The parabolic blow-off of

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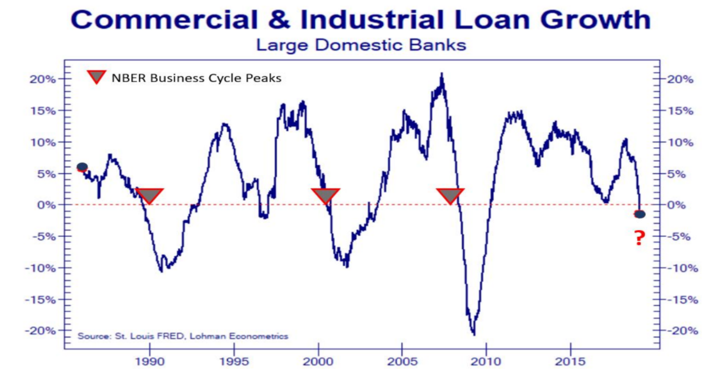
Tesla along with a plethora of other grotesque year-2000 like spikes in other technology mega-caps smacks eerily of the March 2000 epic blow-off of that bubble.

Nearly all the mega-cap four letter stocks continue to see euphoric daily market-cap moves reminiscent of the year-2000. Even Beyond Meat (BYND), one of 2019's "*it might be a bubble when…*" hall of fame inductees, has reasserted itself following its second half of 2019 collapse from a peak of $239/share to a December low of $71 (a peak to trough 70% crash). By mid-January the share price of the *fake meat* company had seen its shares surge from the low 70s to over $135 per share. As global central banks frantically flail about in their haphazard efforts to plug periodic holes springing leaks associated with the increasingly number of malfunctions now occurring throughout the increasingly leveraged and severely compromised global credit markets, these frantic efforts of throwing superfluous liquidity on top of superfluous liquidity has again manifested itself into a frenzied and manic surge of excess liquidity induced stock market speculation.

When the Federal Reserve was forced to intervene in short-term credit markets last September, just to keep the "greatest economy's" most elementary credit market mechanisms functioning it marked the first time the Fed was forced to intervene in the short-term repo markets since the more panicky moments of the 2008 and 2009 financial panic. These operations, we were told, were temporary and would end on October 10th of last year. Yet, here it is, February 2021 and the Federal Reserve's massive $500-billion infusions of short-term liquidity since then continues unabated. Alas, there is nothing normal anymore about what we still fondly call, our banking system, stock and bond markets. So, there's yet another thing the Fed was wrong about. As can be seen in the chart on the upper right of this page, this amplified episode of historic liquidity infusion is certainly not aiding what we used to think of as the primary functions of a banking system, one that is mostly there to provide short-term credit and longer-term loans for other functioning businesses and commercial ventures. Instead, this excess liquidity is simply being used to plug holes periodically cracking wide-open within a system now totally distorted and broken by years and years of continuous self-reinforcing speculative influences that have now essentially become the centerpiece of a now mostly dysfunctional credit system and stock market. Accordingly, the excess splashes of liquidity aimed at plugging the increased frequencies of these credit related malfunctions ends up pouring into speculative financial instruments. *See below a current chart of Commercial and Industrial Loan Growth among the large U.S. domestic banks….*



Commercial & Industrial Loan Growth of Large Domestic Banks (Source: St. Louis Fed/Lohman Econometrics)

If this recent massive liquidity infusion gratis of the Federal Reserve were truly about fostering a better environment for real economic lending activity, once a cornerstone a properly functioning economy and not to just aimed at keeping all of their bubbles from popping, that chart above would not be tilting into recessionary territory.

When the Fed's latest money printing scheme was officially announced last October, even though they started in late August, Fed Chairman Jerome Powell instructed the press not to confuse this with the three prior post-crisis quantitative easing operations. But the net effect is that this current variety of "Not-QE" has effectively been the single largest dose of monetary QE *EVER* when measured by the monthly rate of growth of the Fed's balance sheet since its inception. Roughly 10-years ago, when then Fed Chairman Ben Bernanke wrote that now infamous op-ed in the Washington Post trying to explain the Fed's necessitation of its once unprecedented policy of needing to make open market, non-price sensitive purchases of treasury and agency bonds (QE), he said it was also temporary and that once the economy and financial markets repaired themselves, the Fed would reverse these purchases back into the market. Of course, I believe once you start injecting heroin its kind of hard to stop and that's the way I looked at the Fed's unprecedented adventure into the world of modern era money printing. But if someone would have told me that the Fed would essentially be on their 4th and biggest money printing scheme ever, 10-years later AND at a time when the Dow Industrials, S&P 500 and Nasdaq were not only at new all time highs, but in the case of the Nasdaq, up over 230% higher today than its pre-2008 crisis all-time high, AND, the official unemployment rate would be just 3.5%--a 50+ year low— even I would not have believed it.

Also, according to recent data released by the U.S. Treasury, the U.S. Budget Deficit in the first quar-

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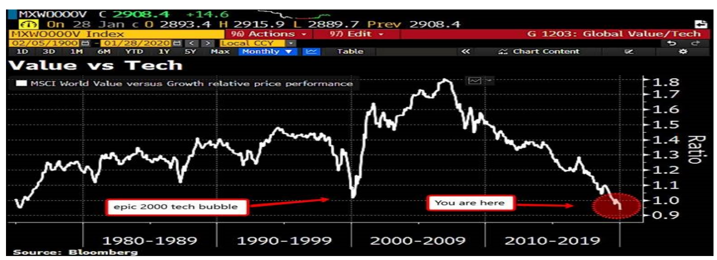
ter of fiscal 2020 (September to December 2019) was $357-billion. This was the largest single quarterly deficit going back to 2011, which was still considered to have been in 'the aftermath' of the global financial crisis. This, on top of all that superfluous central banking liquidity and the massive debt splooge that has now sent global debt-to-GDP to a fresh new all-time record can effectively be viewed as having sent nearly every conceivable form of financial stimulus, from deficit spending, new deficit-funded tax cuts to massive and exponentially growing sizes of global monetary stimulus, all running at max-speed without even being in official global recession. Such unbridled episodes of all-sources and all varieties of external monetary and fiscal simulative might make sense amidst times of extreme financial stress, but now we're simply seeing excesses for the sake of unhinged excesses, and presumably, in order to keep a myriad of epic sized bubbles aloft. Amidst such overt disregard for the accruing leverage and financial risks that continue to mount, legendary macro investor, Paul Tudor Jones recently lamented, during a rare CNBC interview *"We are just again in this craziest monetary and fiscal mix in history. It's so explosive. It defies imagination."* And further cautioned, *"The difference is fed funds were 4.75%; today it's 1.62%. And back then we had (a) budget surplus and (now) we've got a 5% budget deficit."*

In late 1999 and 2000, that epic stock market bubble helped a one-time artificial surge in Treasury tax receipts which was at least partially responsible for pushing the deficit into surplus for what is to date, the last time in history. The recent surge in tax receipts also being witnessed by the Treasury today, however, is not even close to moving the needle significant enough to help provide sufficient cover for the egregious levels of Federal spending, and corporate subsidies via those 2018 tax cuts. I fully expect the next recession, whenever that is, to include annual Federal deficits that run perhaps as high as $3-trillion in a single year. During an interview with *RTNews*, prominent macro investor Jim Rogers warned viewers about this epic period of global financial excess, "*….debt has skyrocketed everywhere and it's going higher and higher. We are going to have a horrible time when this all comes to an end."* And, *"….when central banks are required to intervene again so as to attempt to arrest the current self-induced imbalance….that's when we will have very serious problems… We all are going to pay a horrible price someday but in the meantime it's a lot of fun for a lot of people,"* Rogers opined.

While the outbreak of the coronavirus seems to have elicited some slight recognition of the vulnerabilities of a debt impugned, central bank-reliant global financial system there had been evolving signs beneath the surface that suggested of some renewed deflationary concerns (weakening aggregate demand vis-à-vis record global debts relative to GDP) even before the coronavirus moved into its respective position as being the market's current primary nemesis. Again, we've also had this massive Fed liquidity induced rally that started back in September in unison with the Fed's latest massive money printing scheme and by mid-January, markets had clearly begun to take on characteristics of it having evolved into a speculative parabolic blow-off similar to what we saw in late January of 2018.

Following that January 2018 blow-off, it took broader markets roughly 18-months to finally breach that previous interim January 2018 high. Yet, to this date the small-cap Russell 2000 still has not taken out its January 2018 highs—2 years later! Seth Klarman, CEO of Baupost recently warned his investors that, "*The relative underperformance of small cap value has been only more extreme twice in history--in 1929, right before the Great Depression, and in 1999, at the height of the tech bubble.*" Also, the economically sensitive Dow Transportations Index only set a marginal new high in September of 2018, and still trades below both its January '18 high and that marginally higher September '18 high. But now, we're even deeper into what had already been the longest business and credit expansion cycle in history not to mention that central banks, while clearly finding new, radical and unprecedented ways to try to perpetually prop-up stock and bond markets, there is little argument that they would find themselves at a considerably more vulnerable starting point from which to begin fighting another one of their own self-inflicted financial crisis, if that might be what we are possibly on the cusp of. Below is a chart depicting the relative price performance between the MCSI World Value Index to that of the MSCI World Growth Index. The performance disparity is now more pronounced than what was seen at the peak of the 2000 tech bubble….



MSCI World Value v. MSCI World Growth Ratio, 1975-Current (Source: Bloomberg/Holger Zschaepitz)

Stock markets are now so incredibly hopped-up with easy central bank-provided inducements (money printing and falsified interest rates due to overt interest rate suppression), that they don't even *pretend* to act like a normal arbiter of financial risk anymore. Please note, again, that the tech heavy Nasdaq closed at a new all-time high on Thursday January 23rd and then saw its largest single day drop in nearly 6-months the following day. By Tuesday of the next week those loses were totally reversed while also adding another 150-points to boot along with a fresh new all-time high, just for bubble's sake. This is even as this same index is chock full of those stocks that are wholly dependent upon the global tech supply chain, much of which resides in China and other Asian countries, and as that supply chain is essentially shut down due to the coronavirus. So, watching such a distorted market has increasingly become an insult to

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all common sense and sensibilities. It's the same reason why I cant sit thru one of those ridiculous super hero movies where almost nothing that happens on the screen can actually happen in the real world when subjected to gravity and friction.

The following day, on Wednesday February 5th, we're supposed to believe that stocks were bolting higher yet again because there was news of a potential breakthrough remedy for the coronavirus. So, I guess this is the relief rally from all that hand wringing and anxiety which had sent the Nasdaq to a fresh new all-time again the day before it?? Note to central bankers. If you're hell-bent on trying to attain perpetual market froth, at least make the plot semi-plausible. For anyone paying close attention, stocks seem to go up when central banks gun their printing presses and they don't go up or even go down when they don't. This exceptionally tight correlation has now amassed a pretty sizeable sample size going back to 2008 and its pretty hard for anyone that lays a chart of the S&P 500 or Nasdaq over a chart of the collective balance sheet sizes of the Bank of Japan (BOJ), European Central Bank (ECB) and the Federal Reserve to conclude otherwise. The People's Bank of China (PBoC) plays a critical roll in this global asset kiting scheme as well, but their efforts are tied more to their tweaking of their bank reserve requirements.

The toxicity of such out of control central banking backdrop, which when measured in some collective magnitude of what all four major global central banks are currently up to, we are actually witnessing far more *all precincts counted* central banking stimulus *now* occurring at a point when the Nasdaq is hitting fresh new records and such crazy things like Tesla (TSLA), a 1% year-over-year revenue grower, is being ramped over 200-points higher in a matter of 48-hours than what was witnessed at the depths and despair of the 2008/2009 financial panic. What gives? Again, I think their actions speak louder than words and if their collective efforts could be translated into words, I think we'd have to conclude that the world's central bankers are aware of the massive global financial imbalances for which they have fostered and they understand that it is absolutely not permissible for these bubbles to gain any traction to the downside, lest they might lack the necessary dry powder capable of arresting such a monster assemblage of mispriced financial media if it were to begin gaining inertia in the "wrong" direction. With all that said, every bubble ends-up having a poster-boy that becomes a testament to the broader insanity of every era's financial mania; and while there are multiple candidates, Tesla now takes that honor. I think bitcoin and cryptocurrencies still take some honorable mentions in this regard, but at this juncture, Tesla (TSLA) is it.

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