



CRESCAT CAPITAL[®]
THE VALUE OF GLOBAL MACRO INVESTING

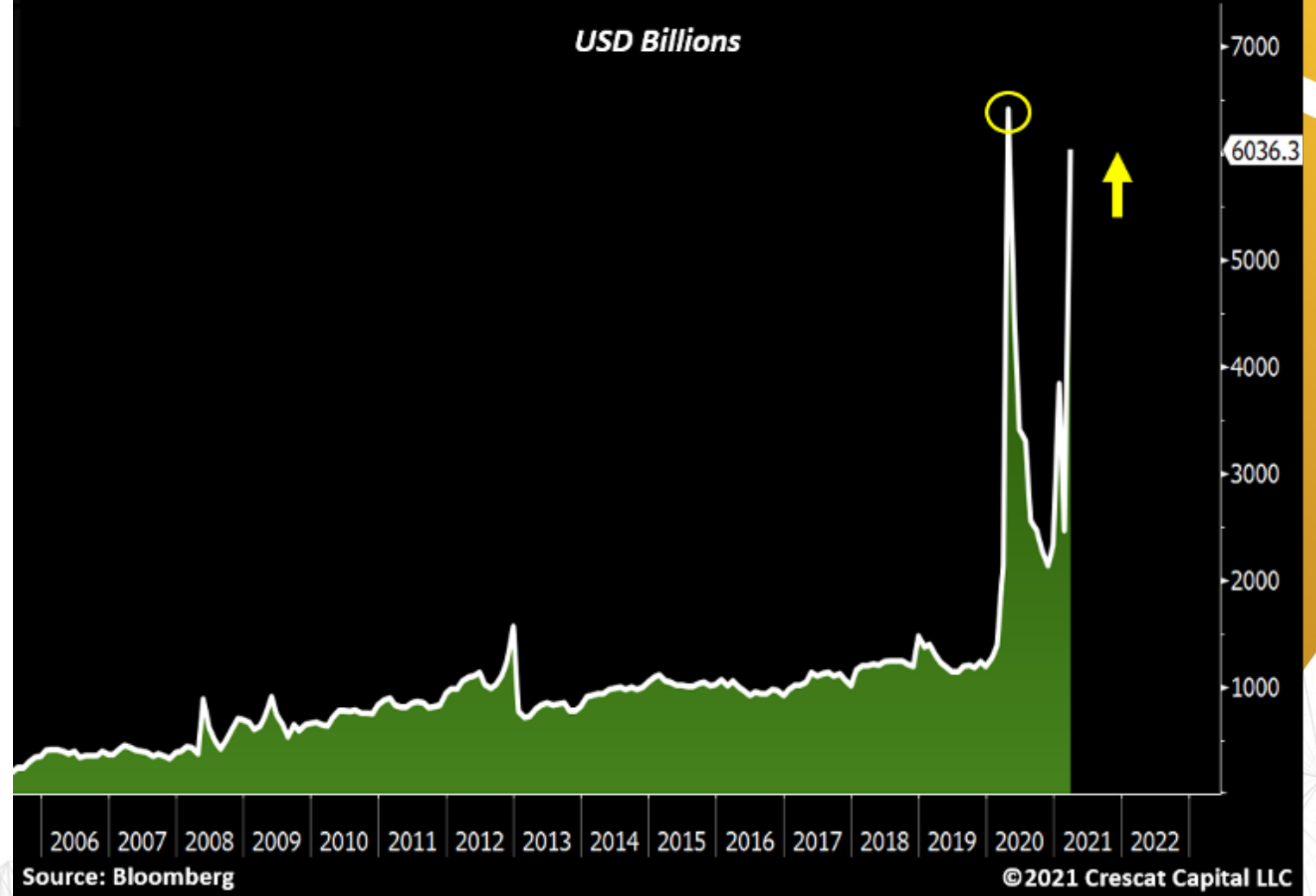
MACRO PRESENTATION

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US Personal Savings

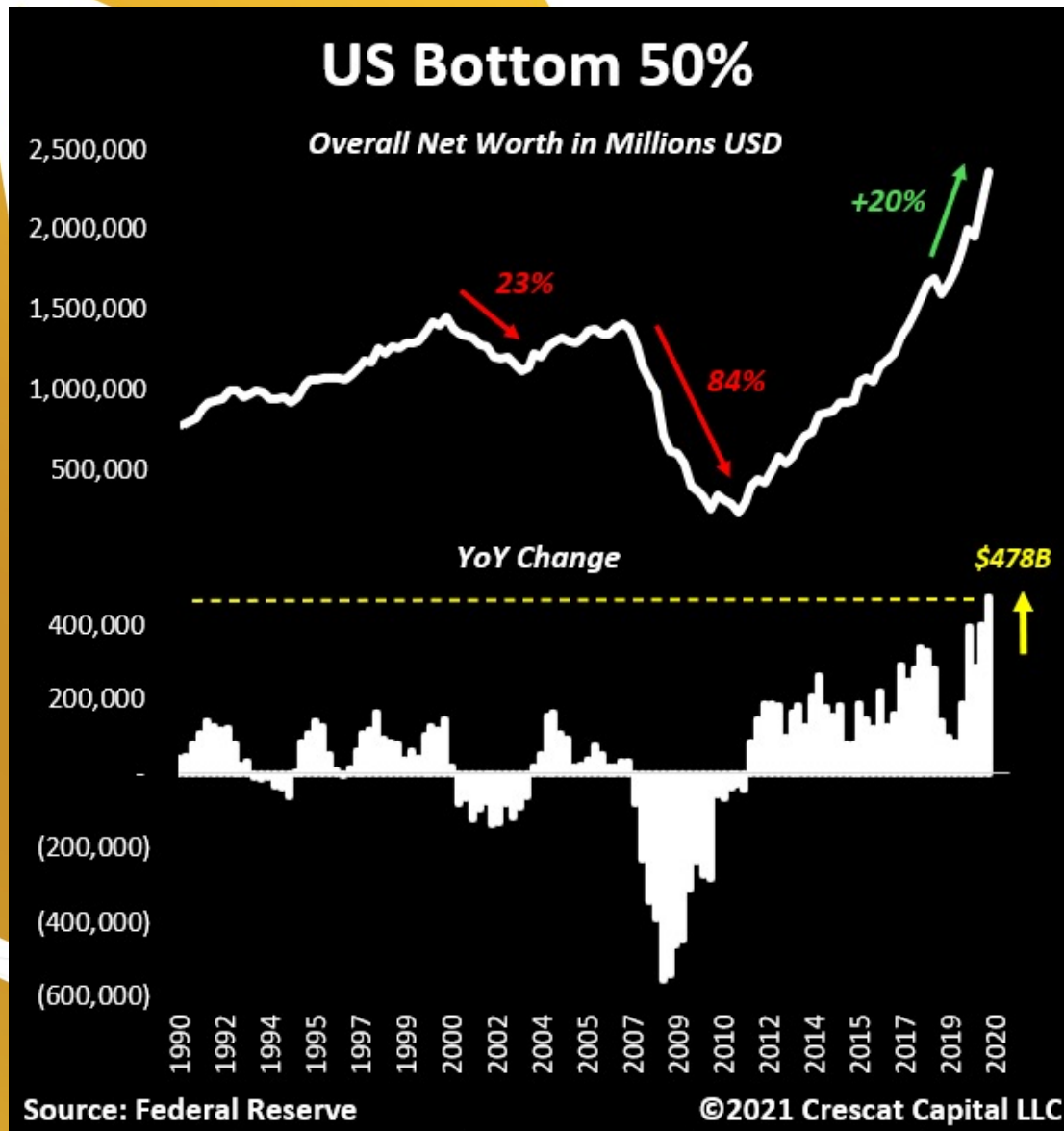
USD Billions



Source: Bloomberg

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Fiscal stimulus has boosted personal savings. With the economy re-opening, we estimate that consumer spending could surge to as high as \$4.5 trillion in the next 12 months stimulating the demand- pull side of inflationary pressures.



Wealth among the lower classes is at the highest in the history of the data, further charging up a demand-pull inflationary environment. Was the opposite case coming out of the GFC and tech bust.



US Inventory to Sales

Retail Inventories / Retail Sales



Source: Bloomberg

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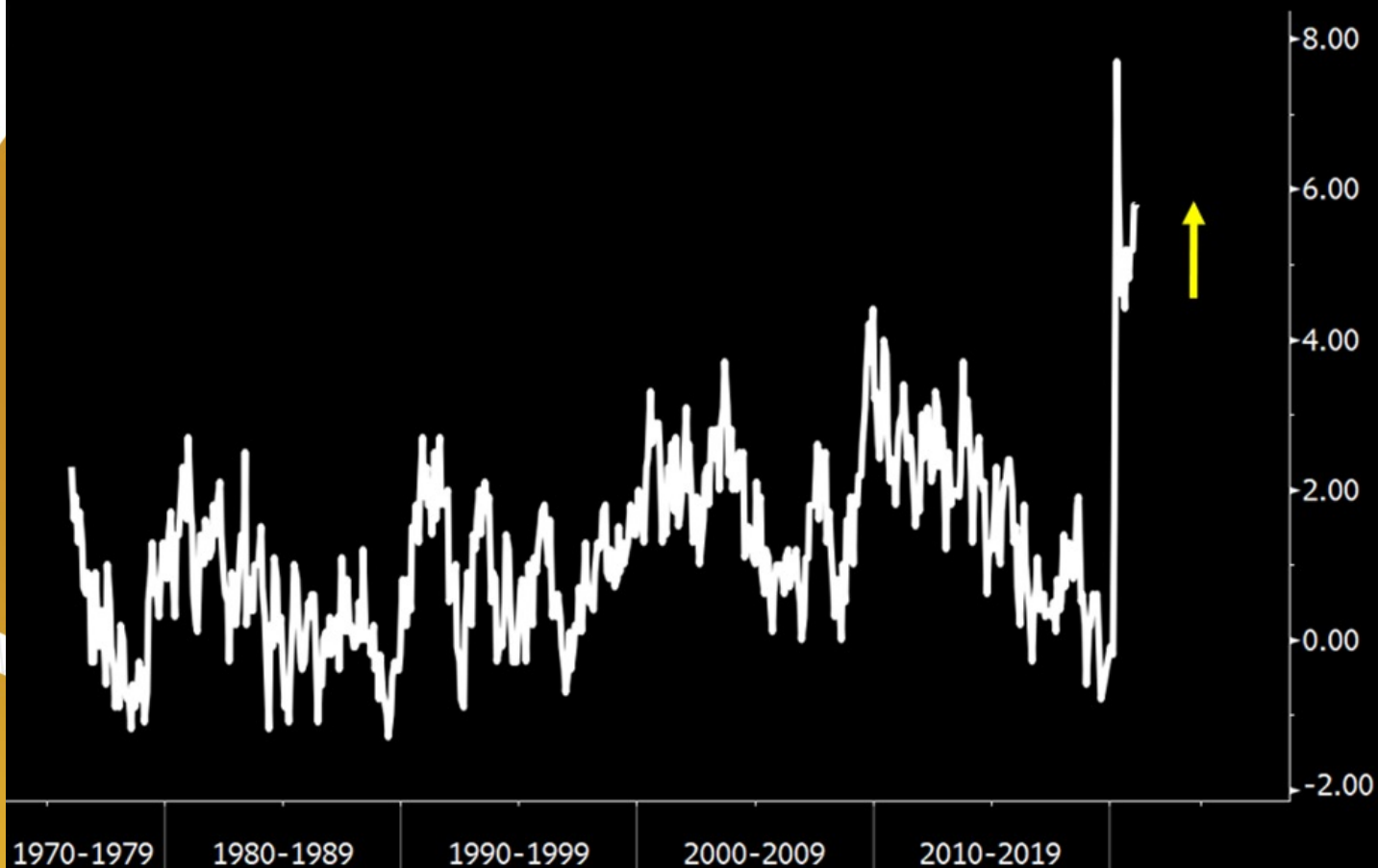
Historic amounts of savings are likely to create a wave of consumption that the supply chain is ill-equipped to handle.



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US Total Population Out of The Labor Force

YoY Change (%)



Source: Bureau of Labor Statistics

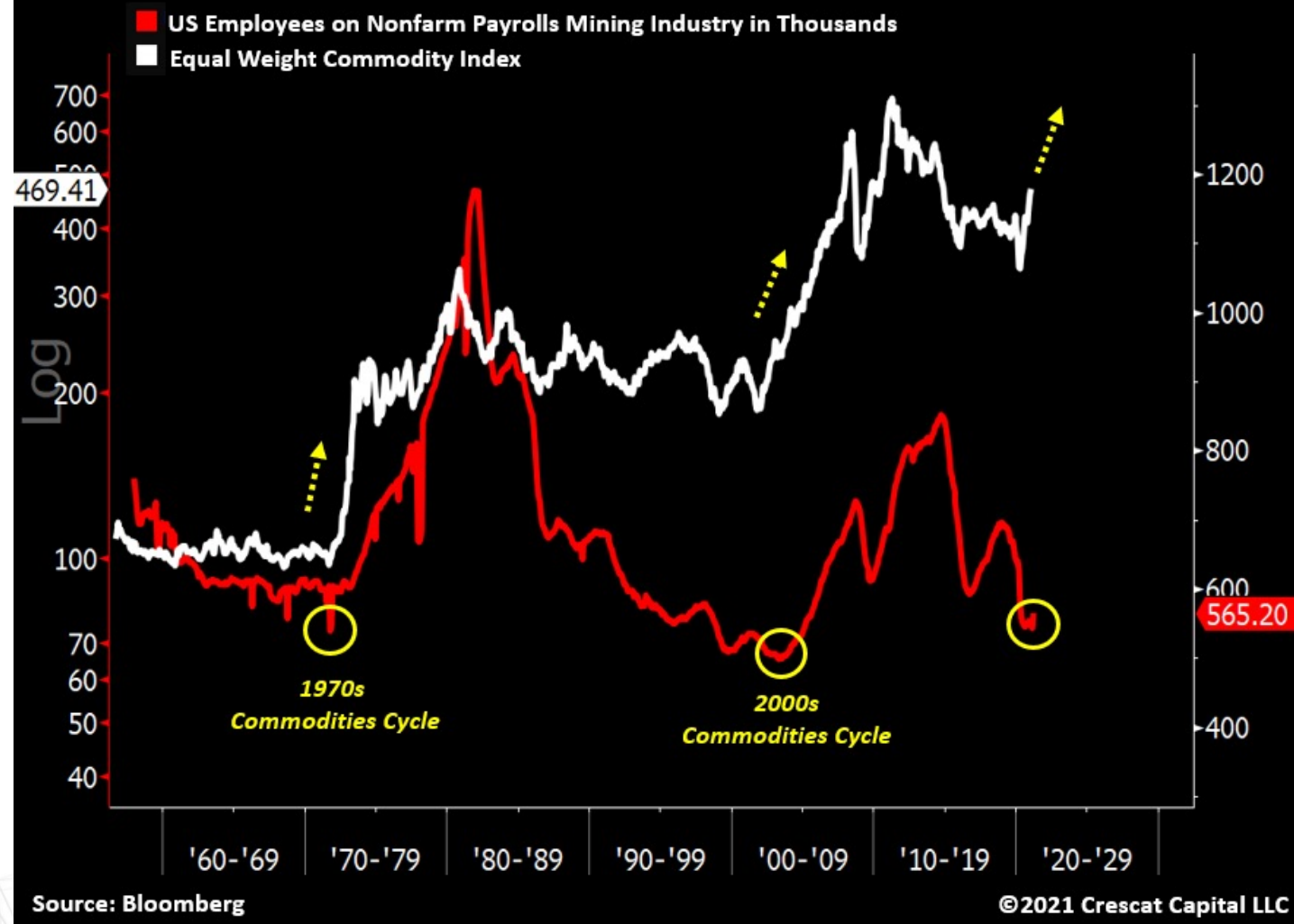
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Government policies seem to be discouraging folks from return to the labor market. In fact, as shown in the chart below, people continue to leave the labor force like never before.



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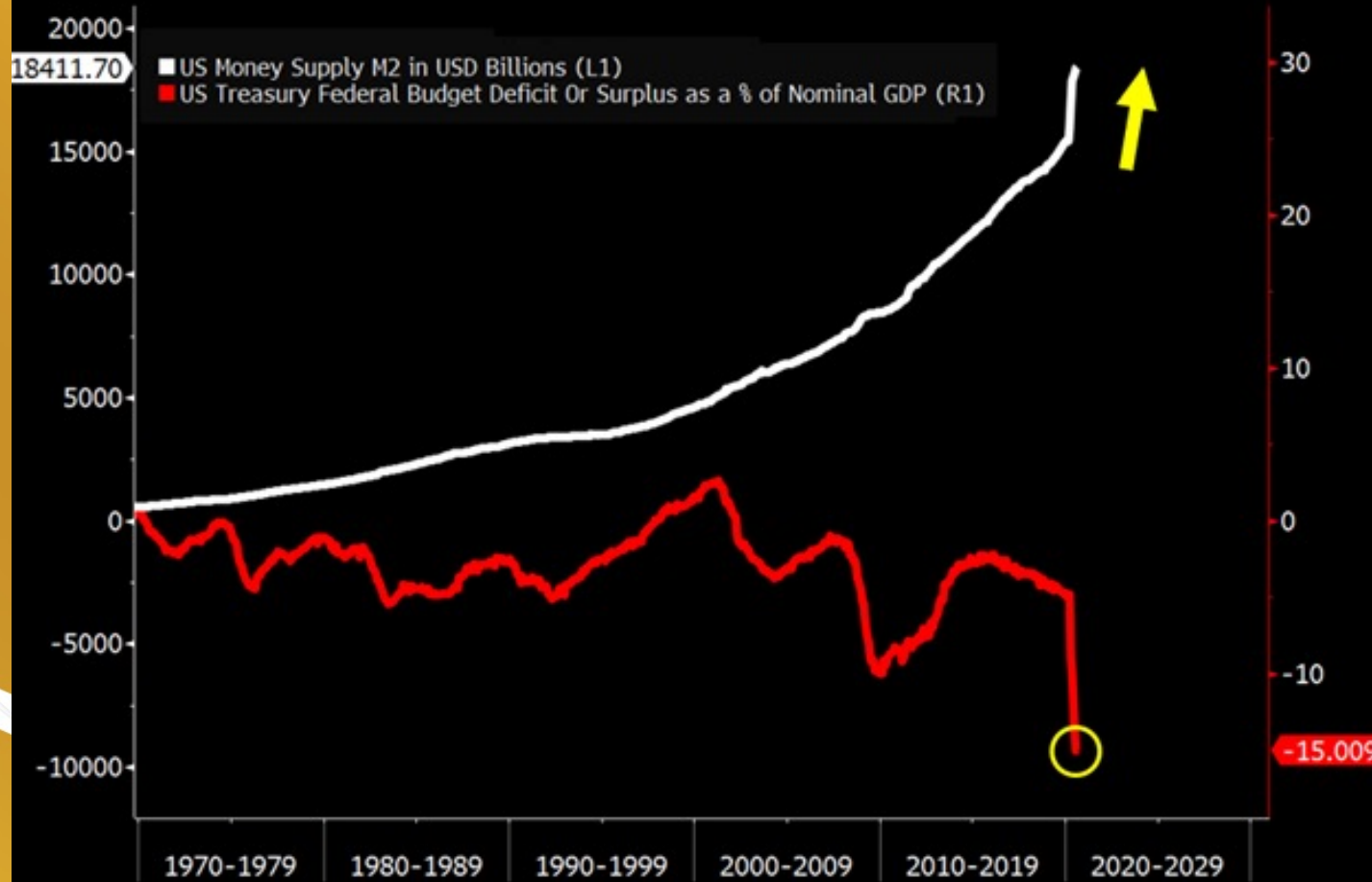
Commodities vs. Mining Labor Market



A classic early sign of a commodity cycle. Mining industry nonfarm payrolls near historical lows. Labor & capital constraints are the amplifiers of bull market in resource stocks.



Money Supply vs. Fiscal Deficit



Source: Bloomberg

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Monetary and fiscal disorder have perhaps gone too far this time around and significant monetary debasement is, in our view, inevitable.



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Global Central Bank Assets vs. Gold



Source: Bloomberg, Central Banks

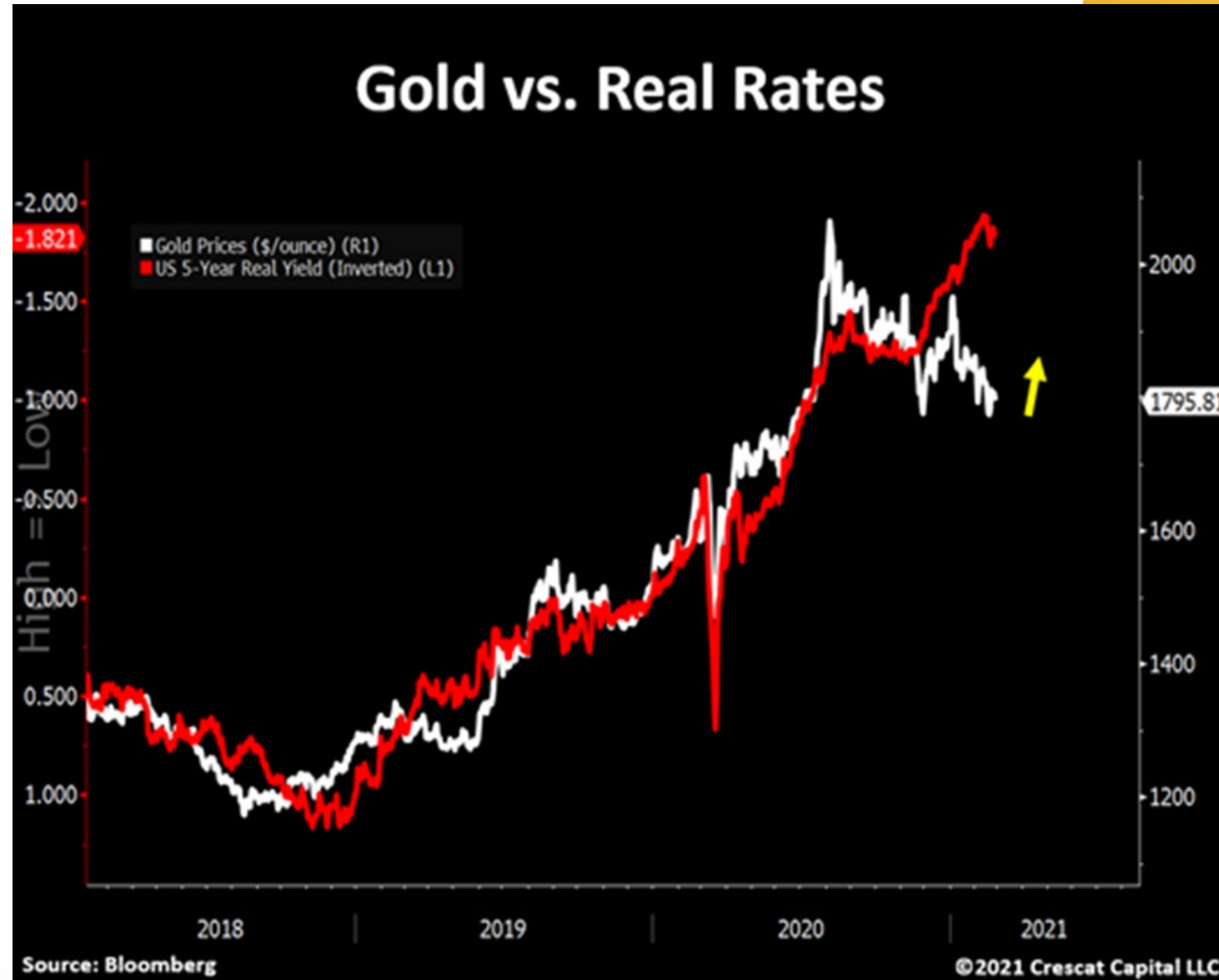
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Money printing only supports financial asset bubbles for so long. Ultimately, QE drives flows out of overvalued stocks and credit and into undervalued precious metals.

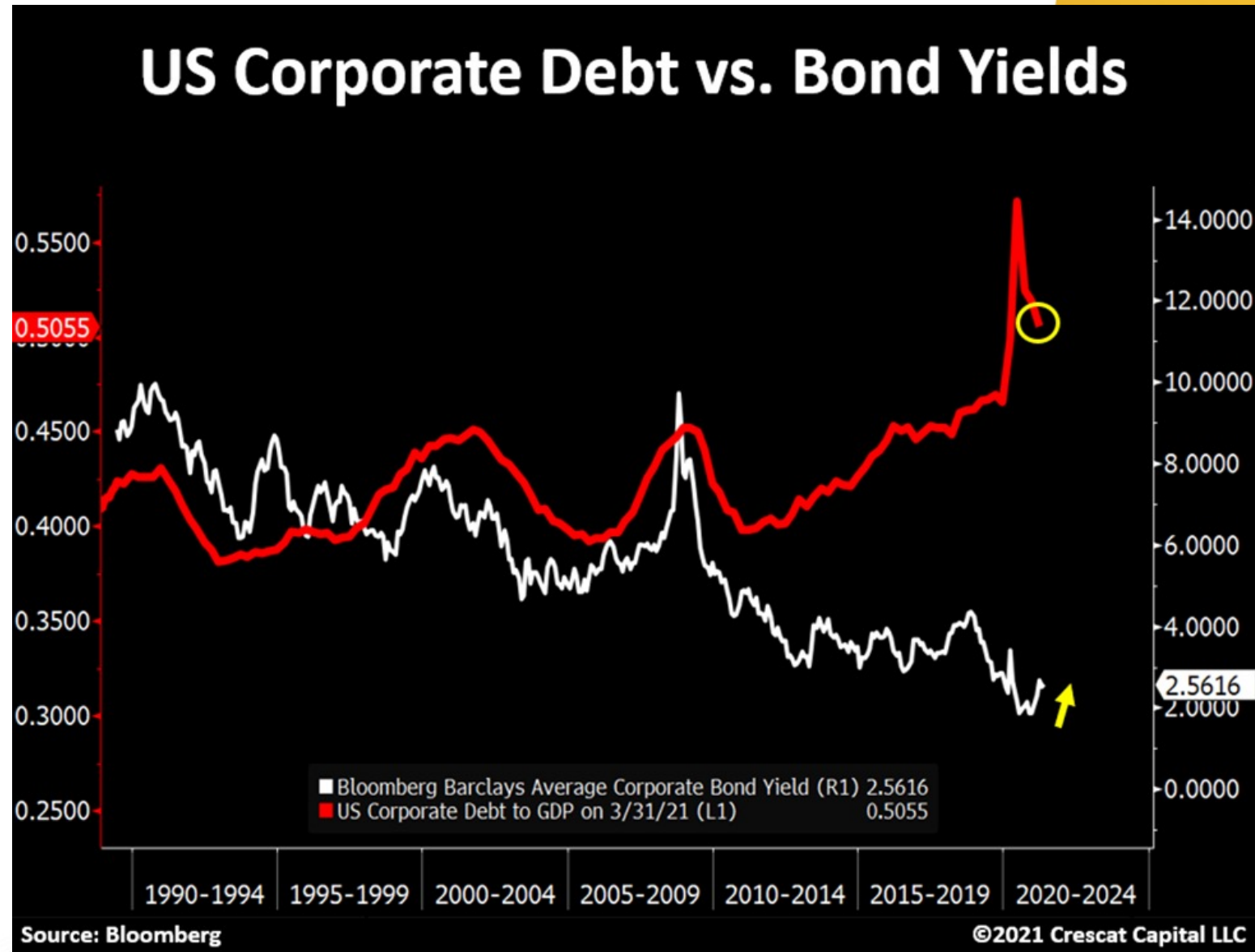


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Real rates tend to lead the way for precious metals, particularly gold.



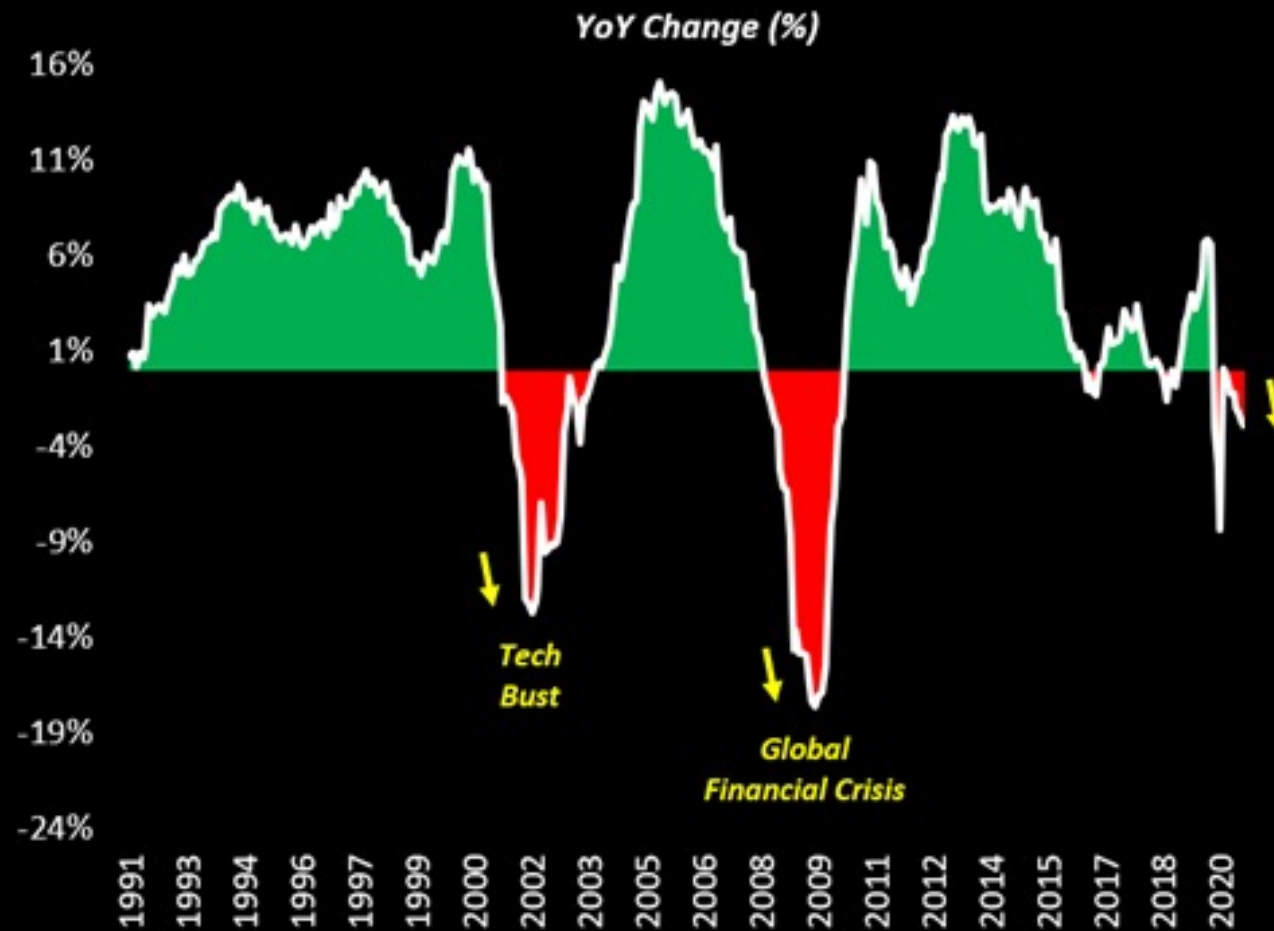
The US corporate bond market has become one the most central bank dependent parts of financial markets today.



How can the Fed reverse its ultra-easy monetary policies with an economy running a twin deficit of 25% of the nominal GDP?



US Federal Budget Net Receipts



Source: US Treasury

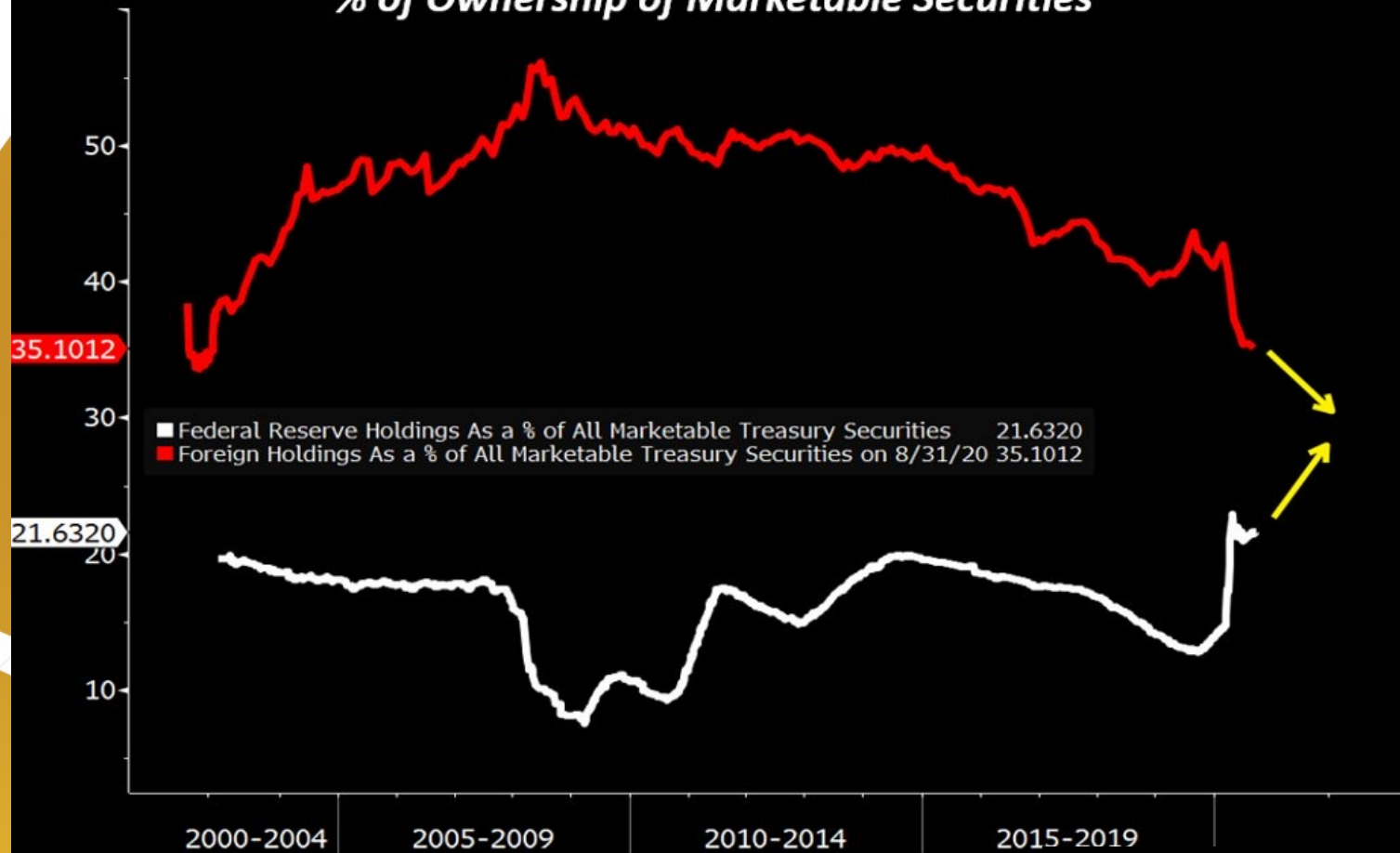
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Not only is fiscal spending surging but US Federal net receipts are also starting to turn lower again. As of January 2021, US federal receipts are down -3% on a year over year basis.



US Treasury Holdings

% of Ownership of Marketable Securities



Source: Federal Reserve

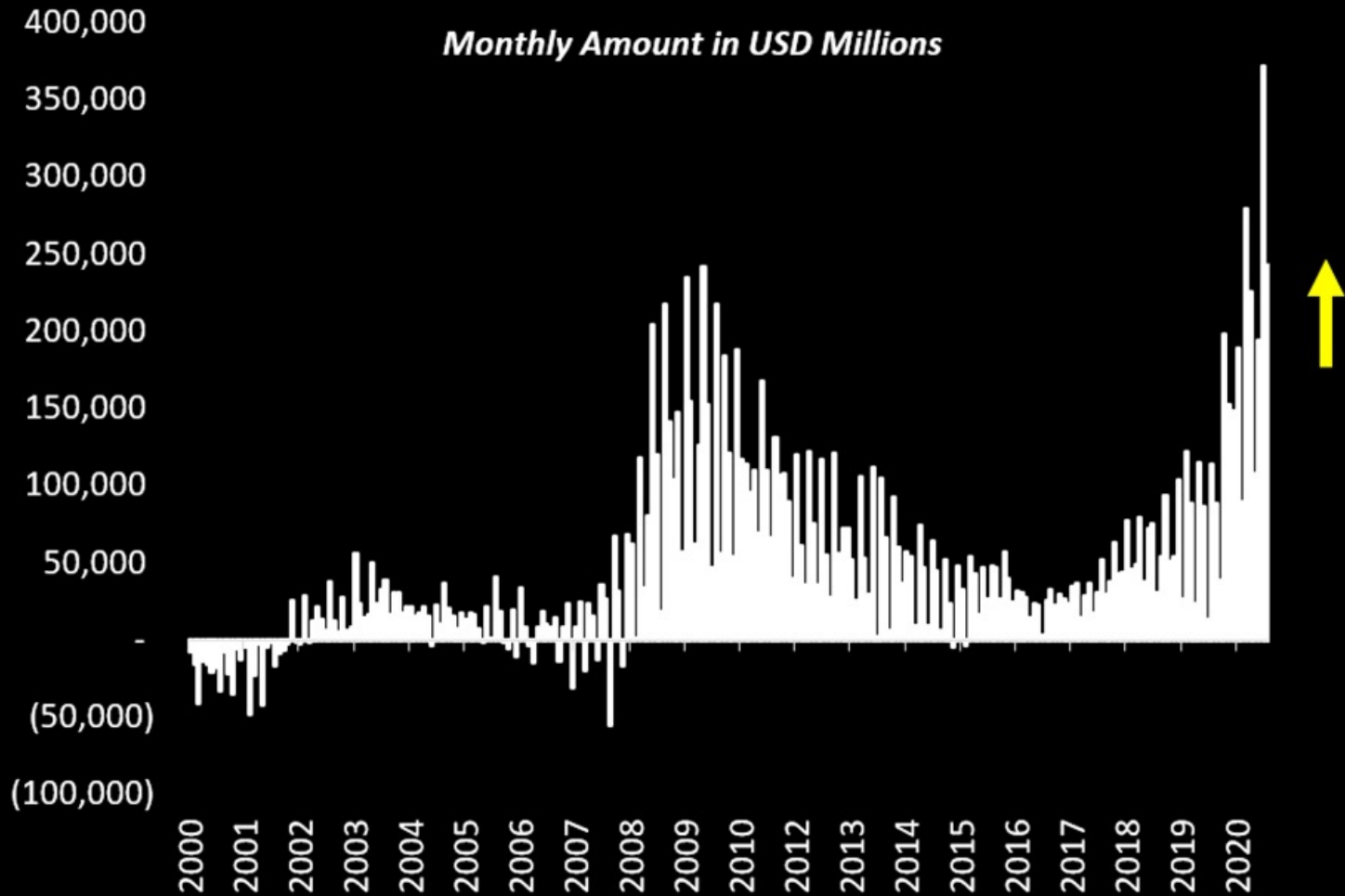
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Foreign investors are currently holding the lowest percentage of marketable US Treasuries in 20 years. The Federal Reserve is becoming the buyer of last resort.



To note, just in the last two months alone, the US government issued \$614 billion worth of notes and bonds and the central bank only bought 26% of the total.

Treasury Bonds & Notes Issuances



Source: Federal Reserve

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Median CPI YoY (%)



Here is the Federal Reserve's own calculation of inflation. At a 7-year low. There is absolutely no rush to cease monetary stimulus.

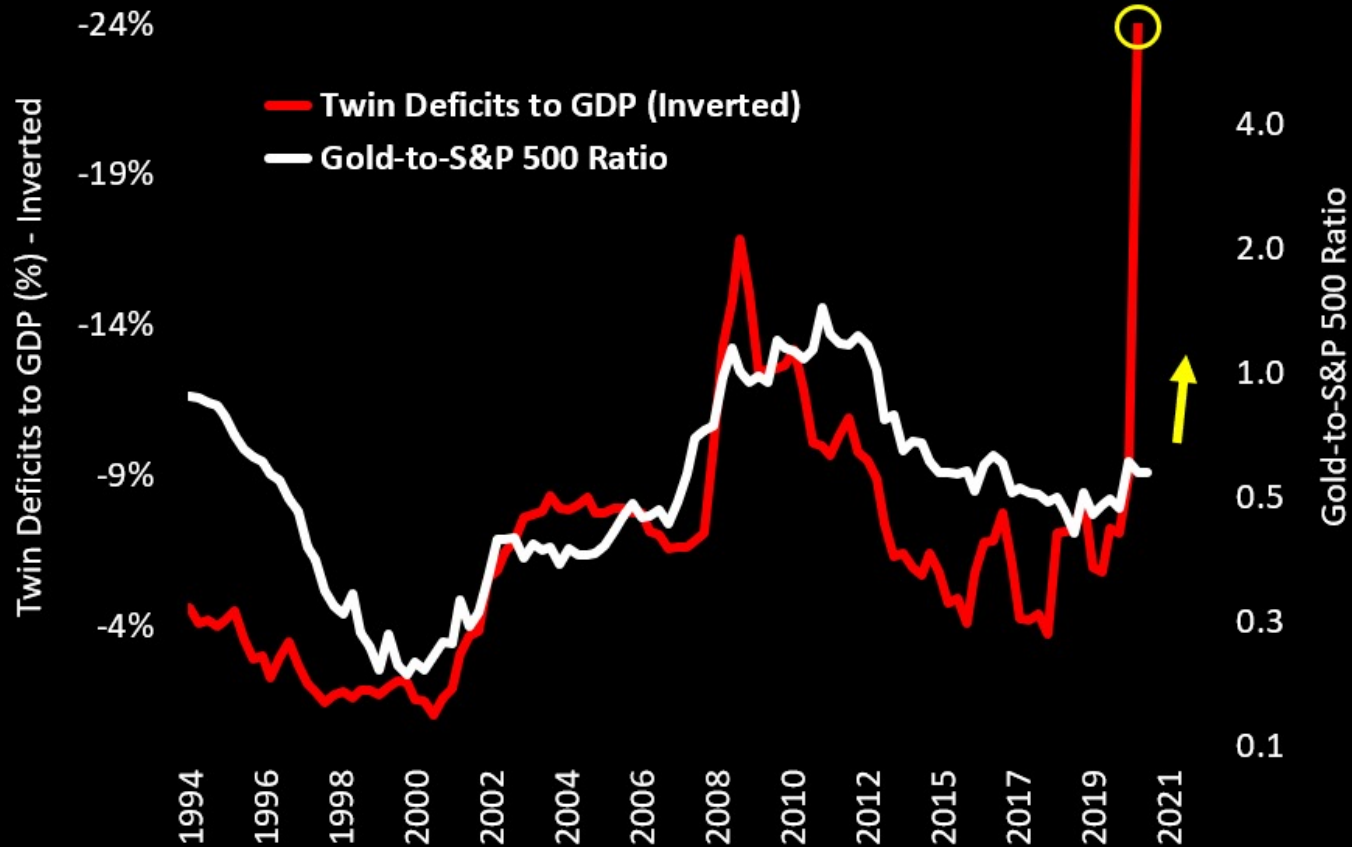
Source: Federal Reserve Bank of Cleveland

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Twin Deficits vs. Gold-to-S&P 500 Ratio

*Twin Deficits Calculation:
Annual Change in US Public Deficit + Current Account Balance*



Source: US Treasury, Bloomberg

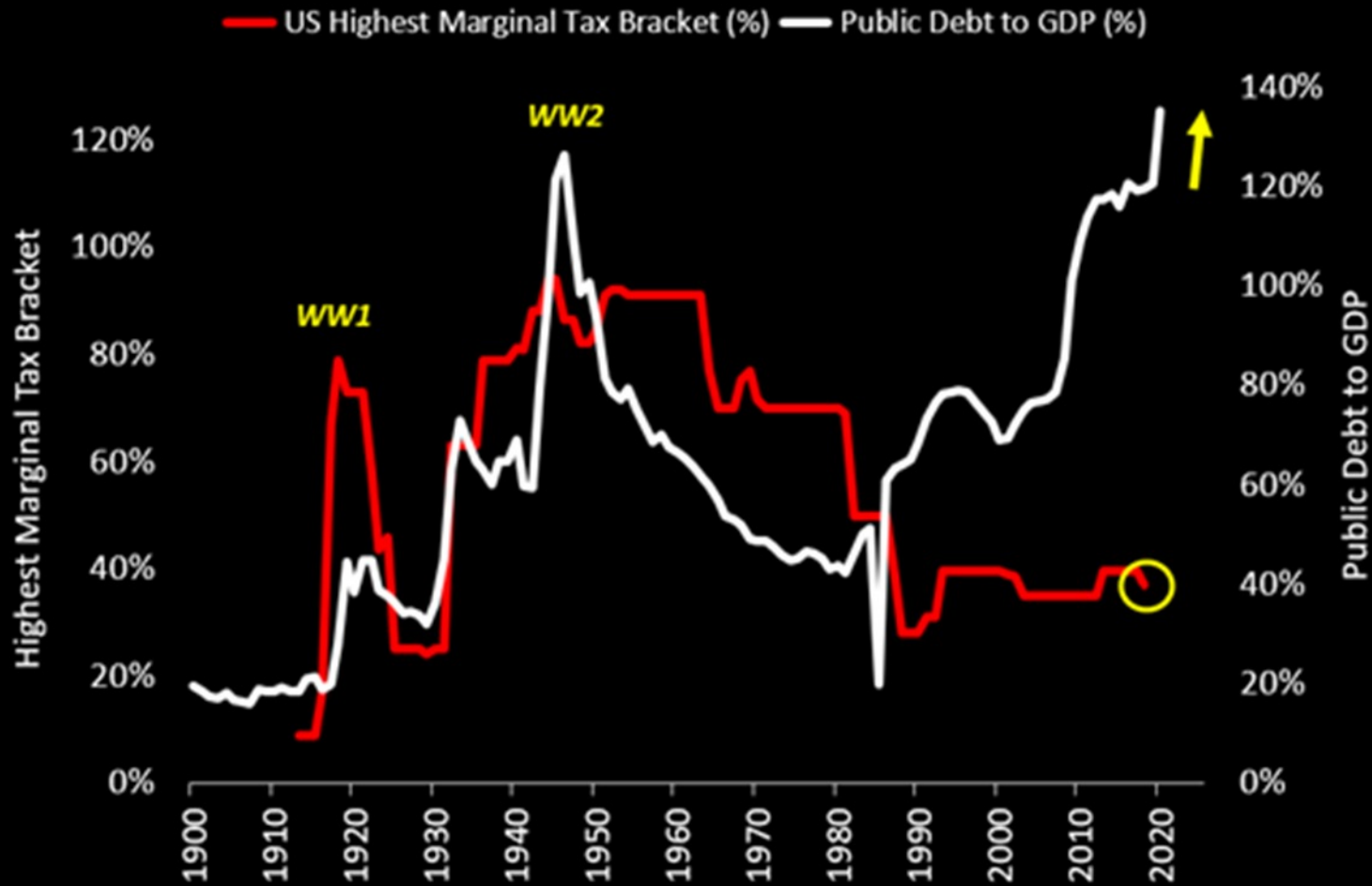
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History has proven during times of fiscal disorder gold tends to outperform equities. Inverted twin deficits suggests a massive upward move in the gold to S&P 500 ratio is still ahead.



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US Marginal Tax Bracket vs. Government Debt



Source: Federal Reserve

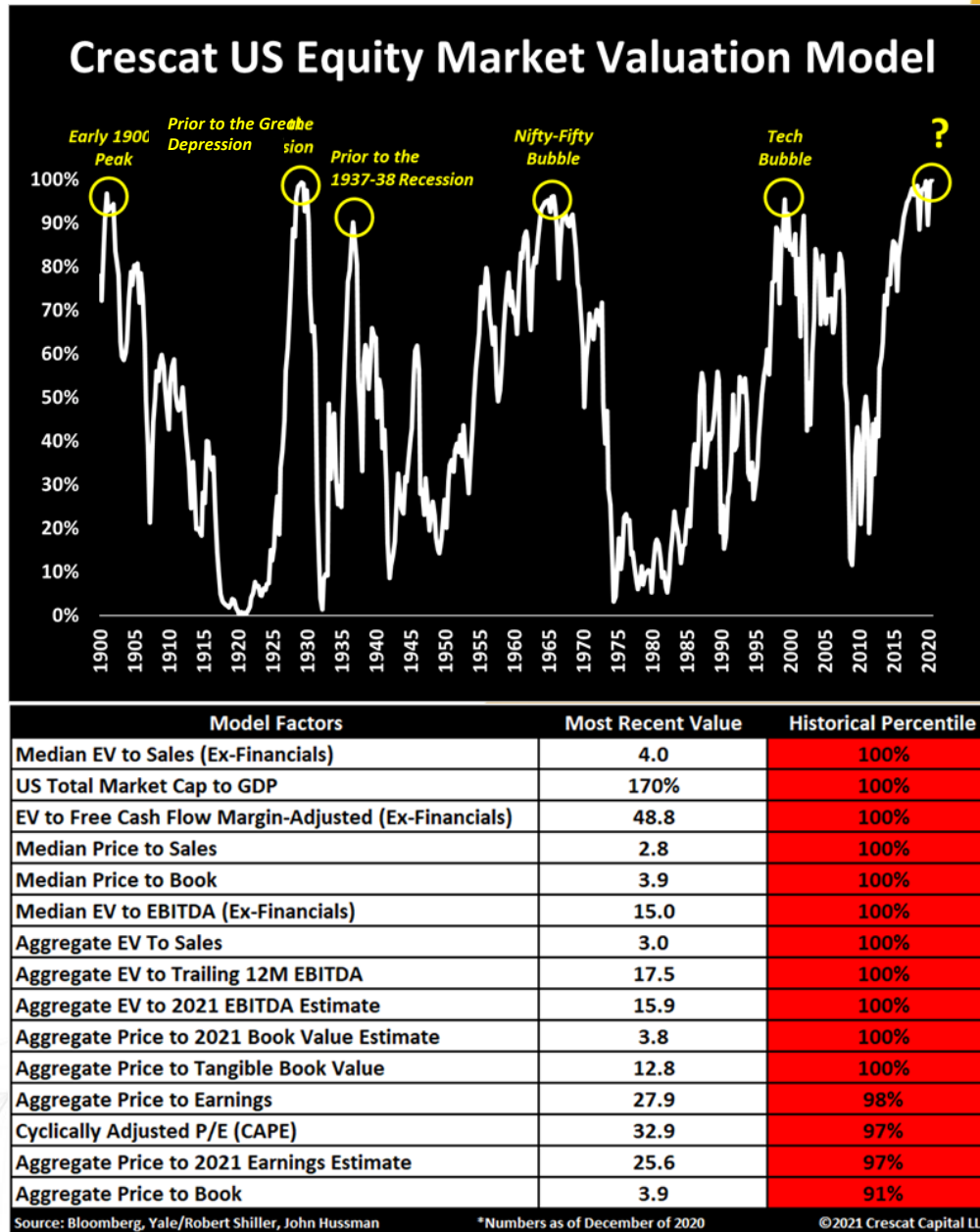
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For people calling for the Roaring 20's, back then not only was inflation falling but tax rates were also in a downtrend. There is no way either of those factors will be in play today.



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Crescat's 15-factor valuation model is at record levels with 11 out of 15 fundamental metrics in the 100th percentile historically.



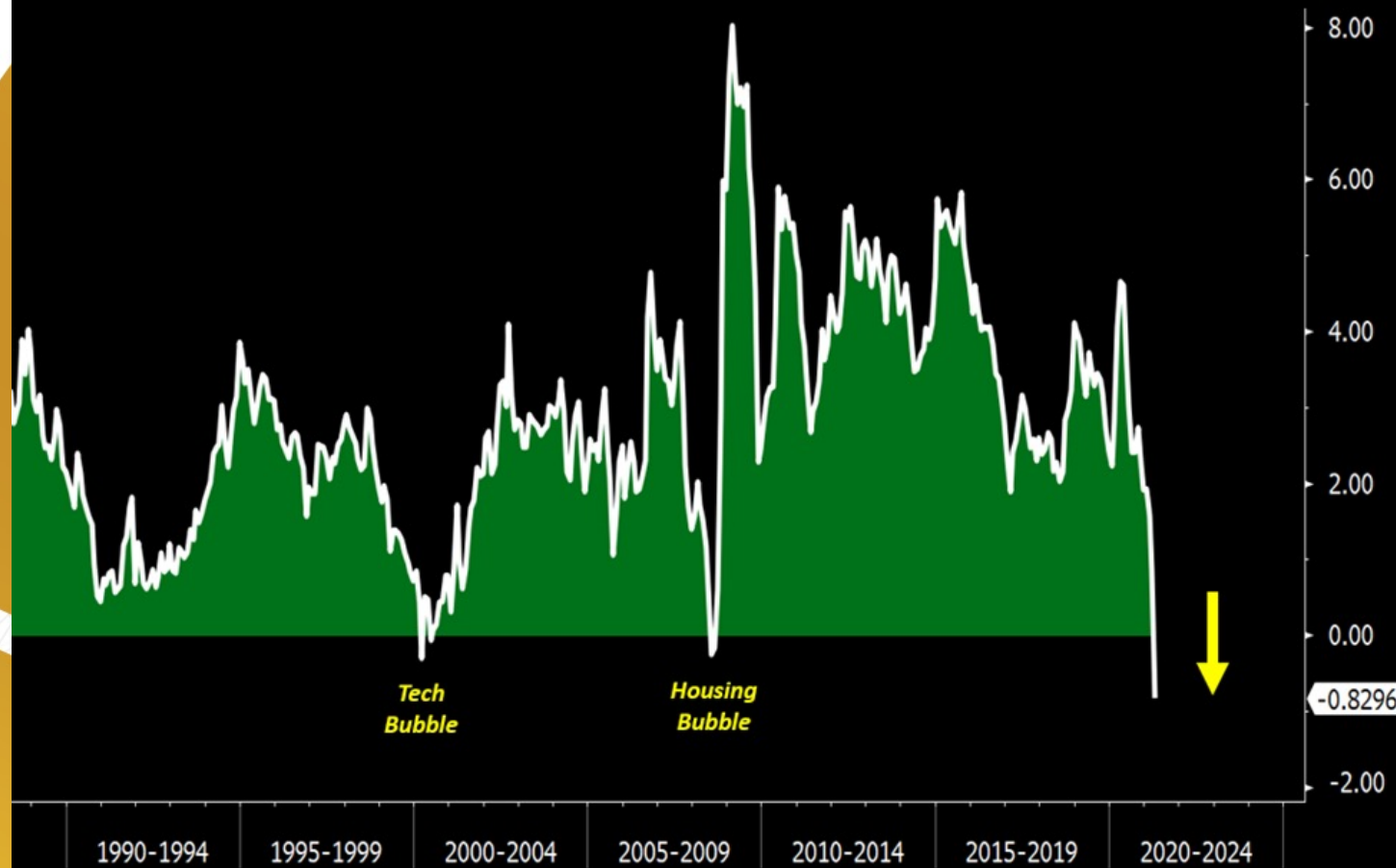
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Corporate bonds now yield less than inflation expectation for the first time in history.



S&P 500 Real Earnings Yield

Aggregate TTM Earnings Yield – CPI YoY Change



Source: Bloomberg

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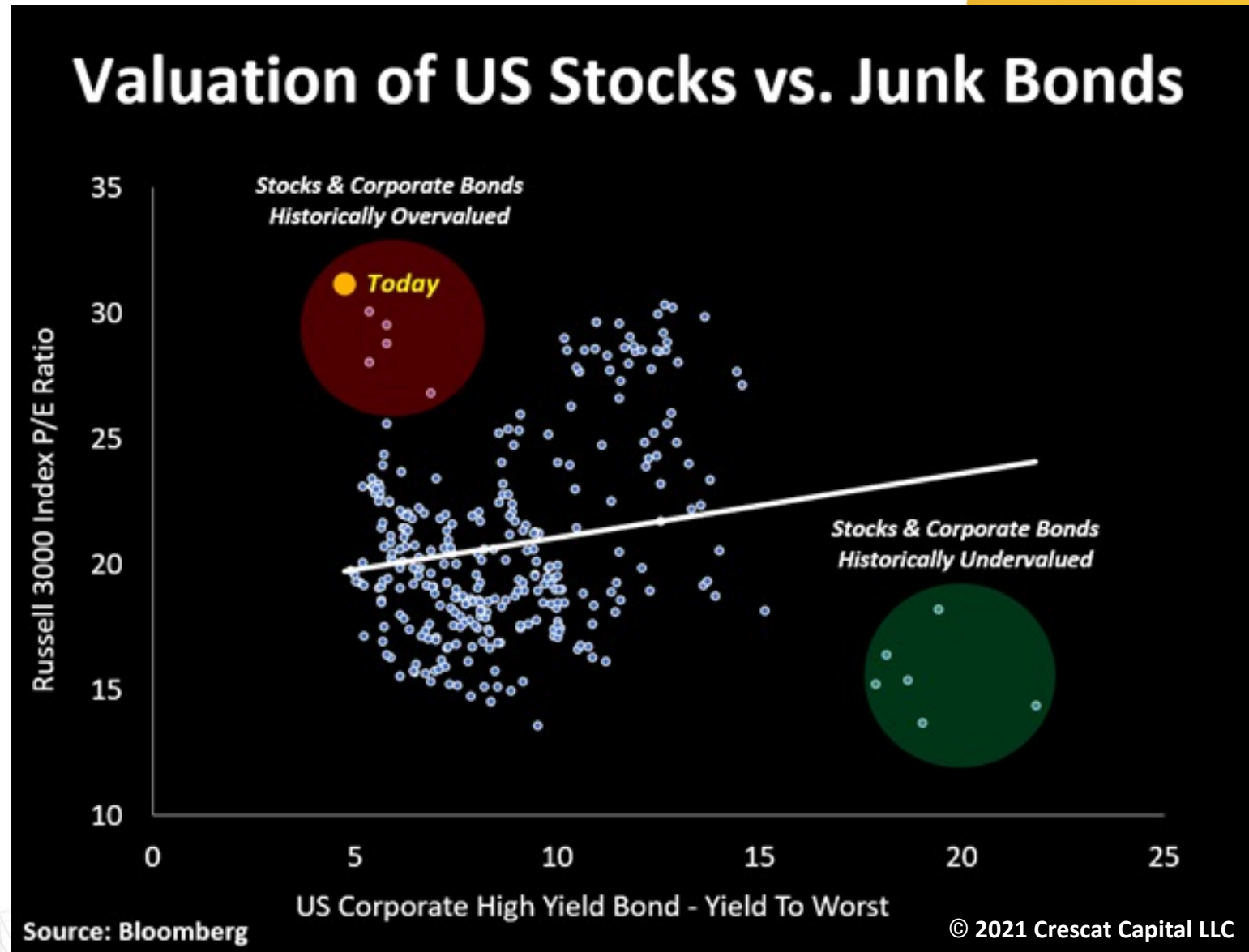
The S&P 500 earnings yield adjusted for CPI is now at its worst level in 30 years.



This chart shows the enterprise value-to-sales ratio differential between high flying technology and value stocks. Note the comparison between the early stages of the 2001-02 tech bust and today.



For the first time in history, junk bonds and stocks are record overvalued in tandem.



Russell 1000 Growth vs. Value

Relative Price to Book



Source: Bloomberg

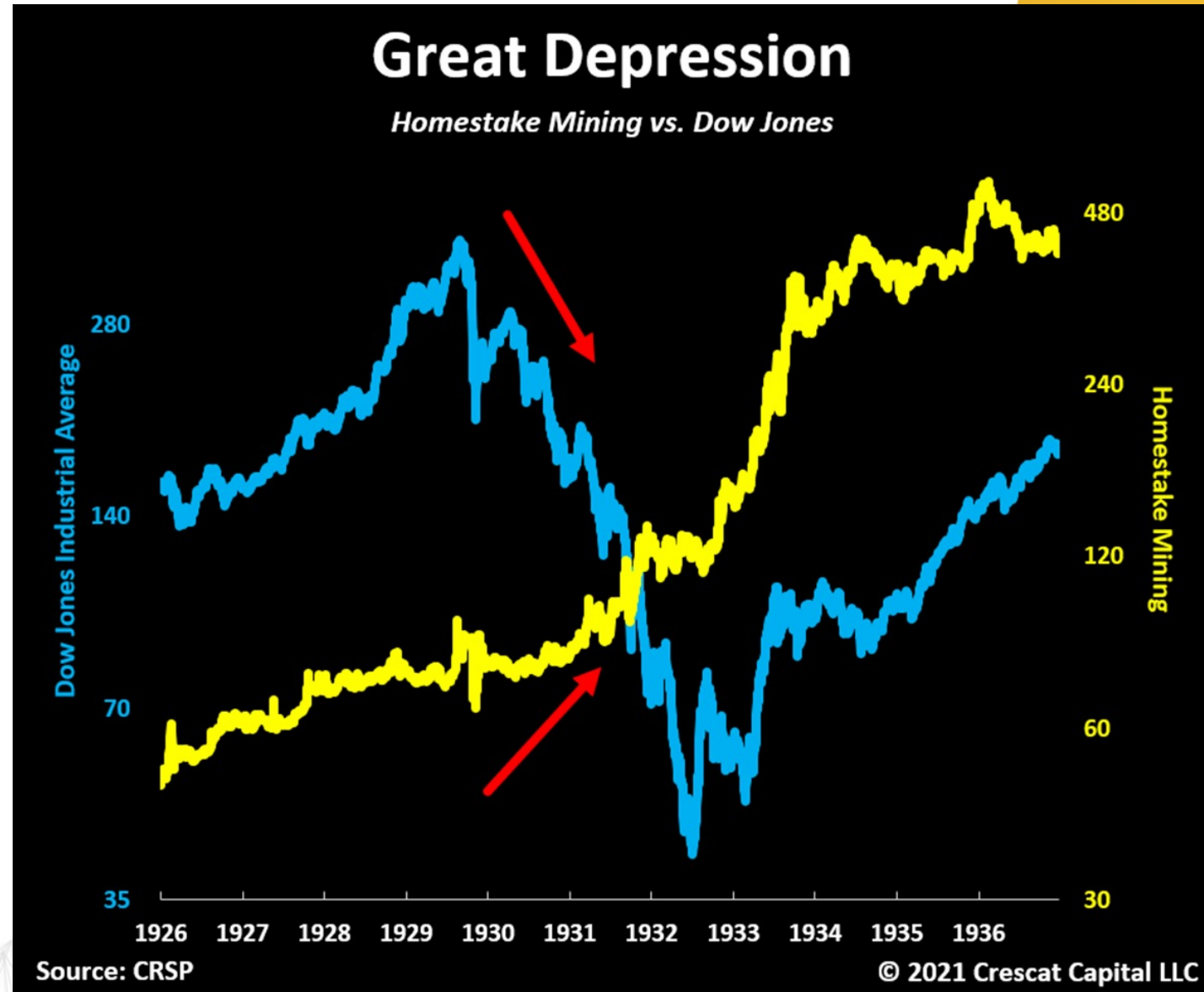
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We believe we are in the early stages of a Great Rotation out of overvalued long-duration growth stocks and fixed income securities and into undervalued inflation-hedge assets.



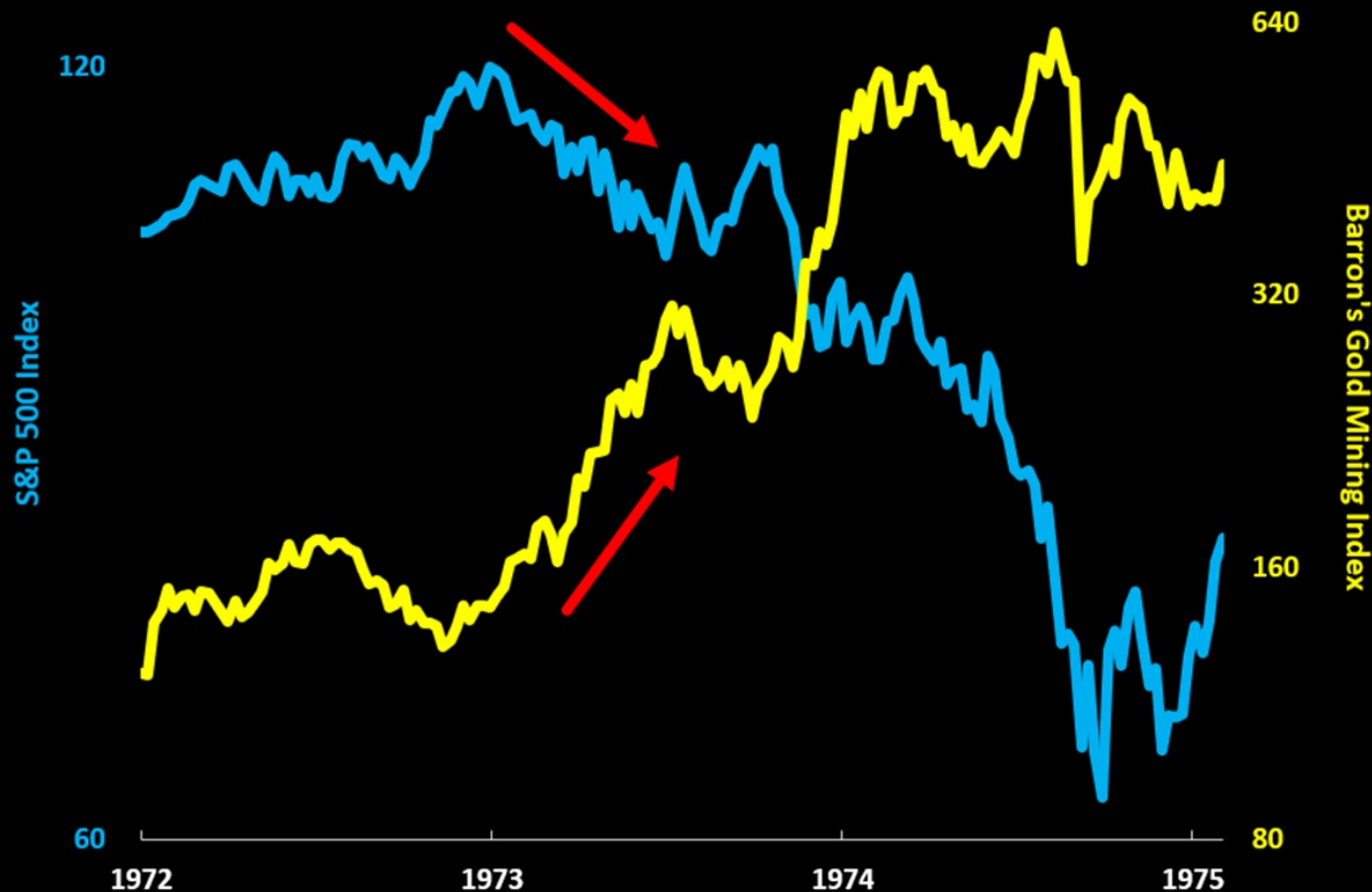
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Gold mining companies acted in counter cyclical fashion to create wealth during the credit deflationary bust of the Great Depression.



Inflationary Recession of 1973-74

Barron's Gold Mining Index vs. S&P 500



Source: Gold Charts R Us

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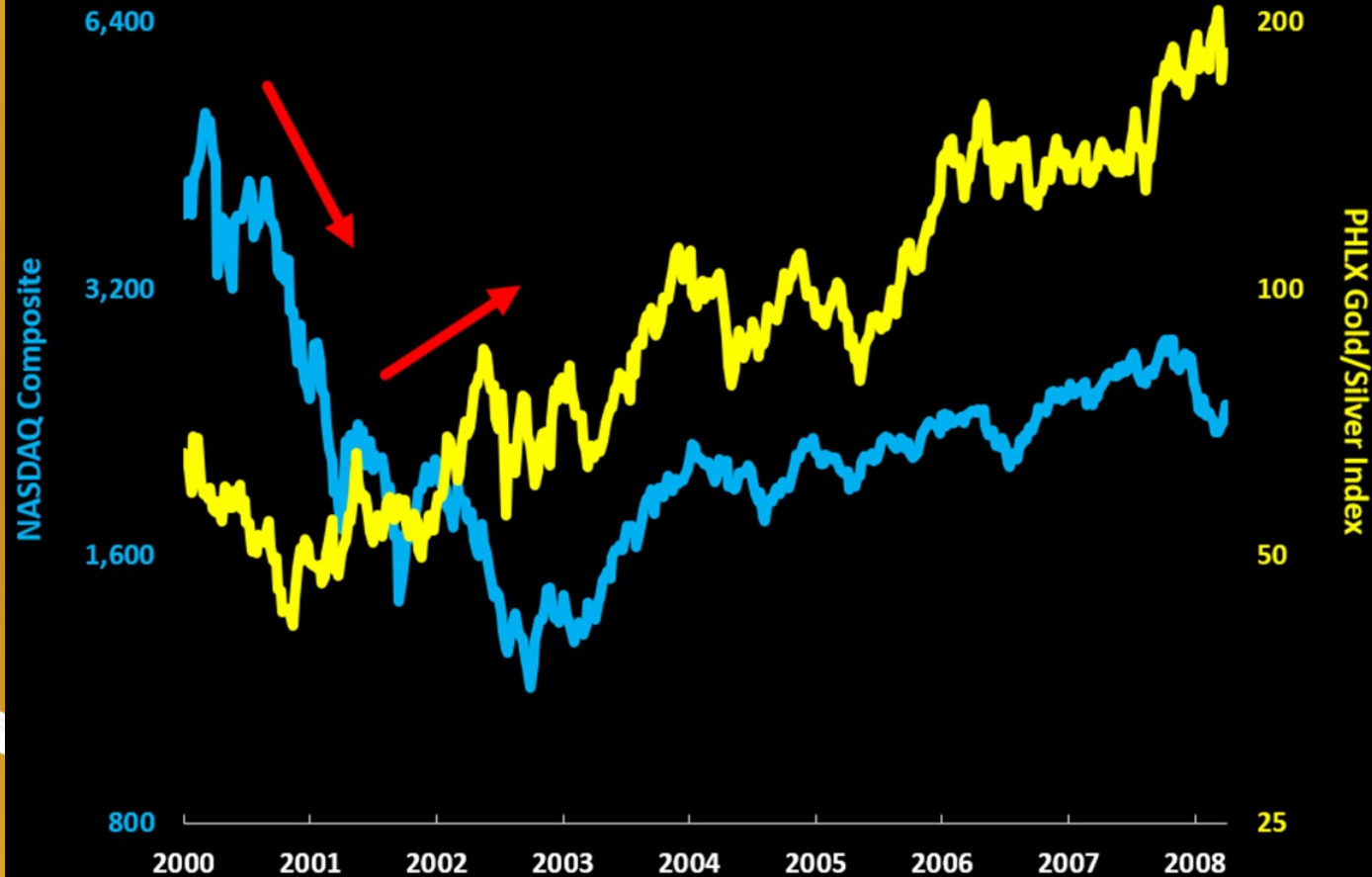
The 1973-74 stagflationary recession provides a good analog for the Great Rotation that we foresee. During that time, gold mining stocks increased 5-fold during the while the S&P 500 declined 50%, in just two years.



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Tech Bust

Philadelphia Gold and Silver Index vs. Nasdaq Composite



Source: Bloomberg

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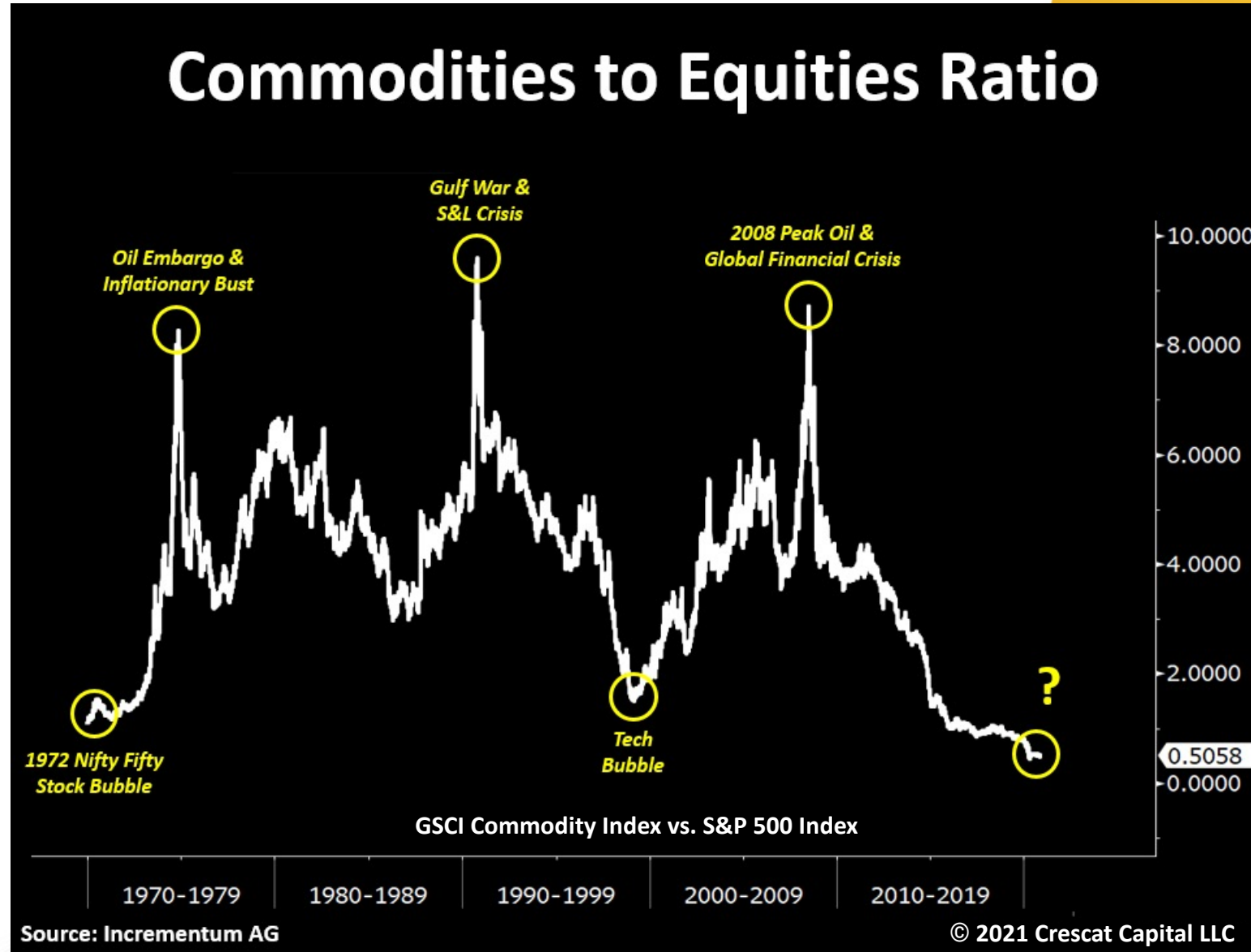
The wake off the tech bust provides another good analog for the Great Rotation. The NASDAQ Composite declined 78% from 2000 to 2002 and was still down through 2008. The Philadelphia Stock Exchange Gold and Silver Index increased five-fold from 2000 to 2008.



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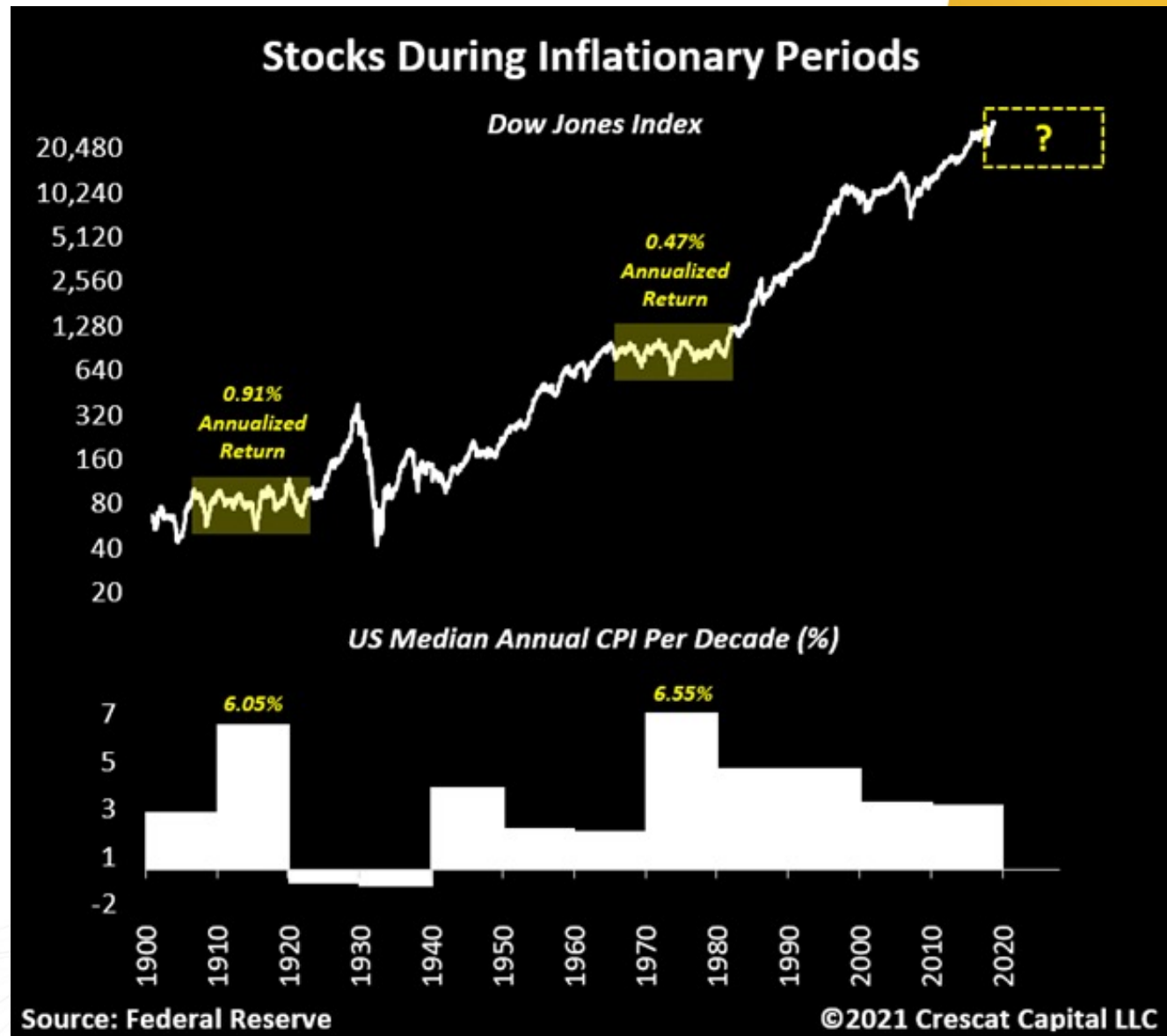
Commodities to Equities Ratio

The commodity-to-equity ratio is at a 50-year low.



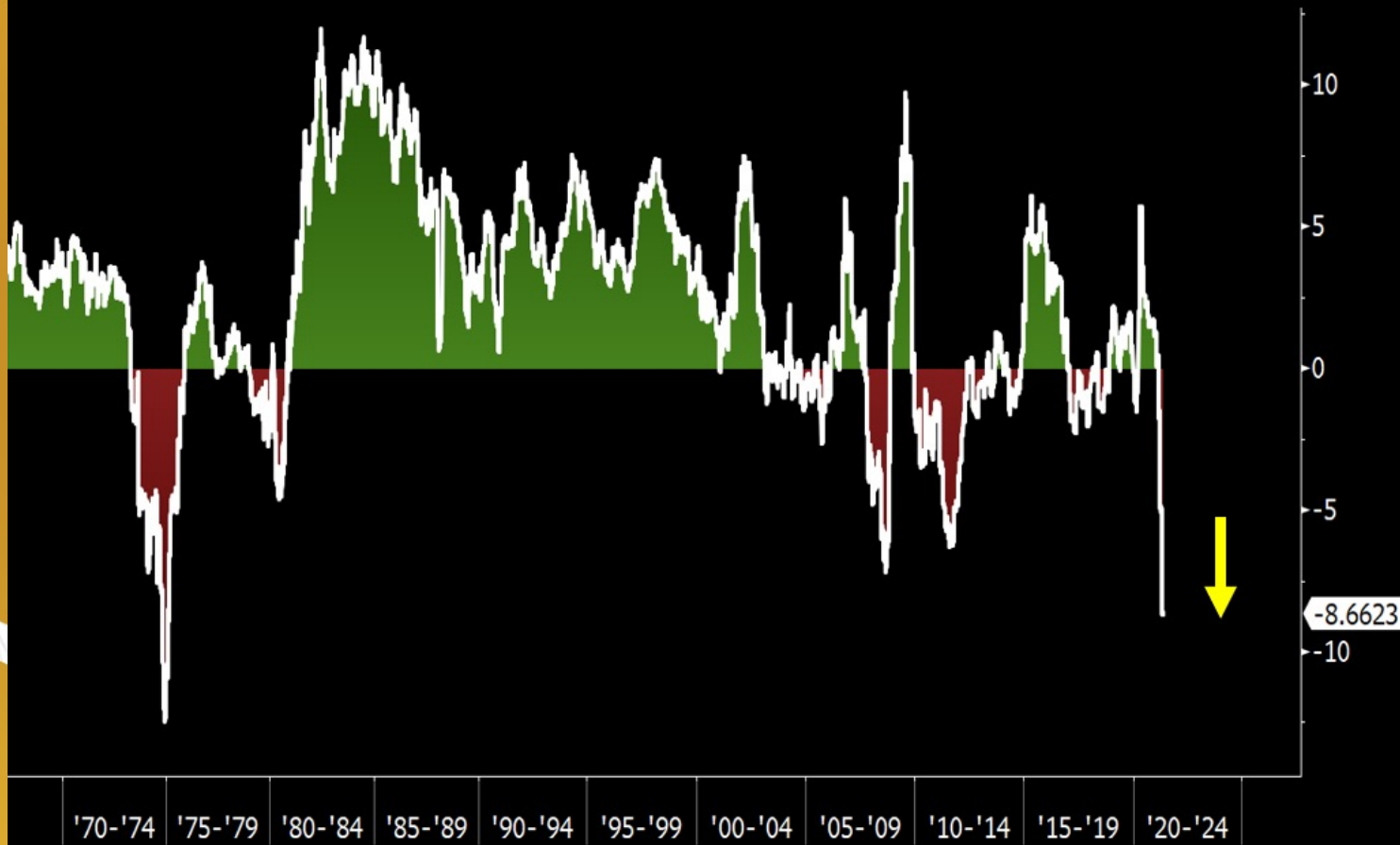
Stocks During Inflationary Periods

Annualized stock performance during the US's most inflationary decades was negative 5 to 6% on a real basis in the 10s and 70s. Commodities performed exceptionally well.



US 10-Year Real Yields With PPI

US 10-Year Nominal Yields – Producer Price Index YoY Change



Source: Bloomberg

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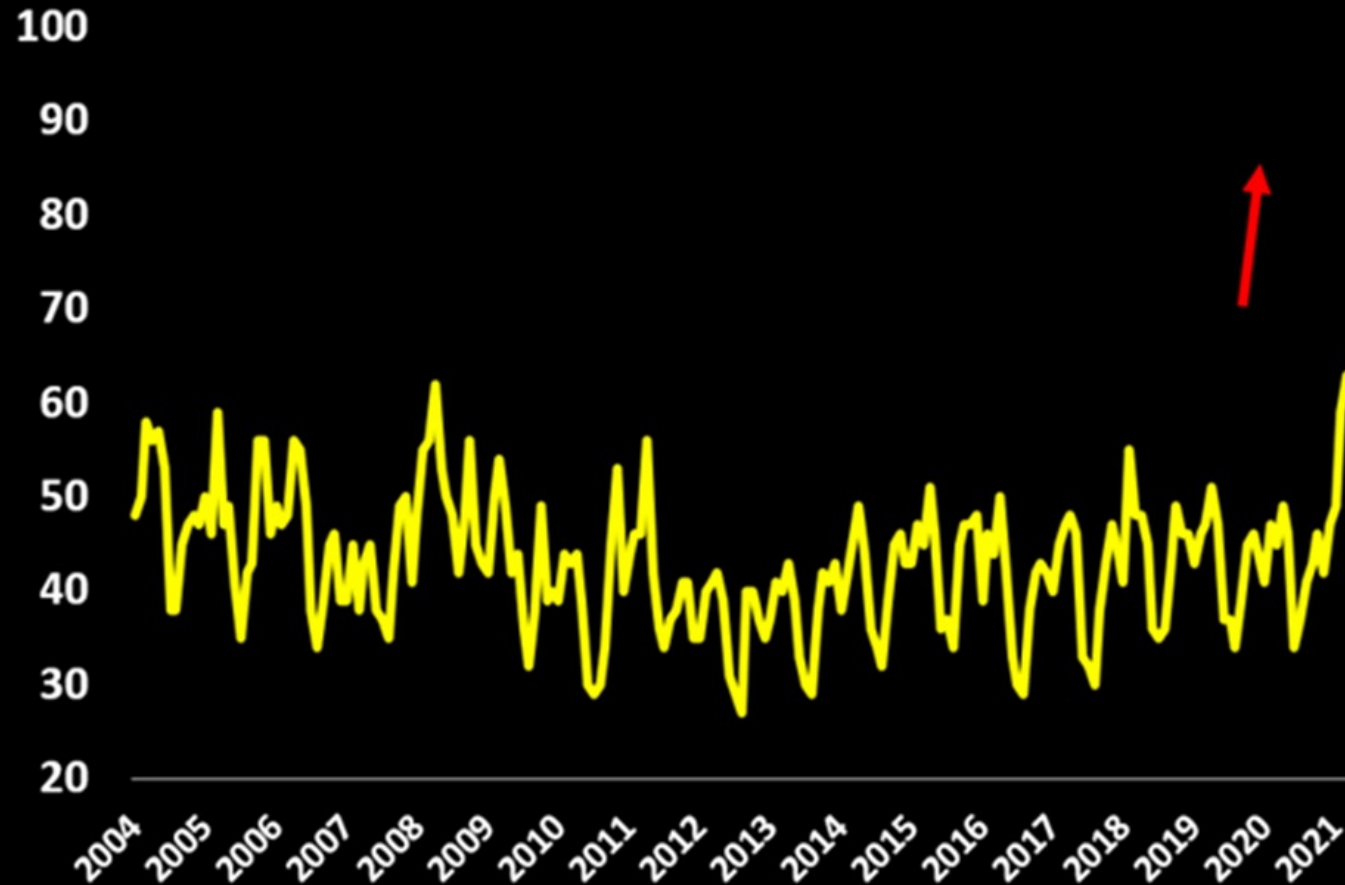
Money printing only supports financial asset bubbles for so long. Ultimately, QE drives flows out of overvalued stocks and credit and into undervalued precious metals.



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Google Search Popularity: "Inflation"

Percentile Rank



The popularity of the word "inflation" in Google searches has recently spiked to all-time highs as the monetary debasement narrative continues to gain momentum.

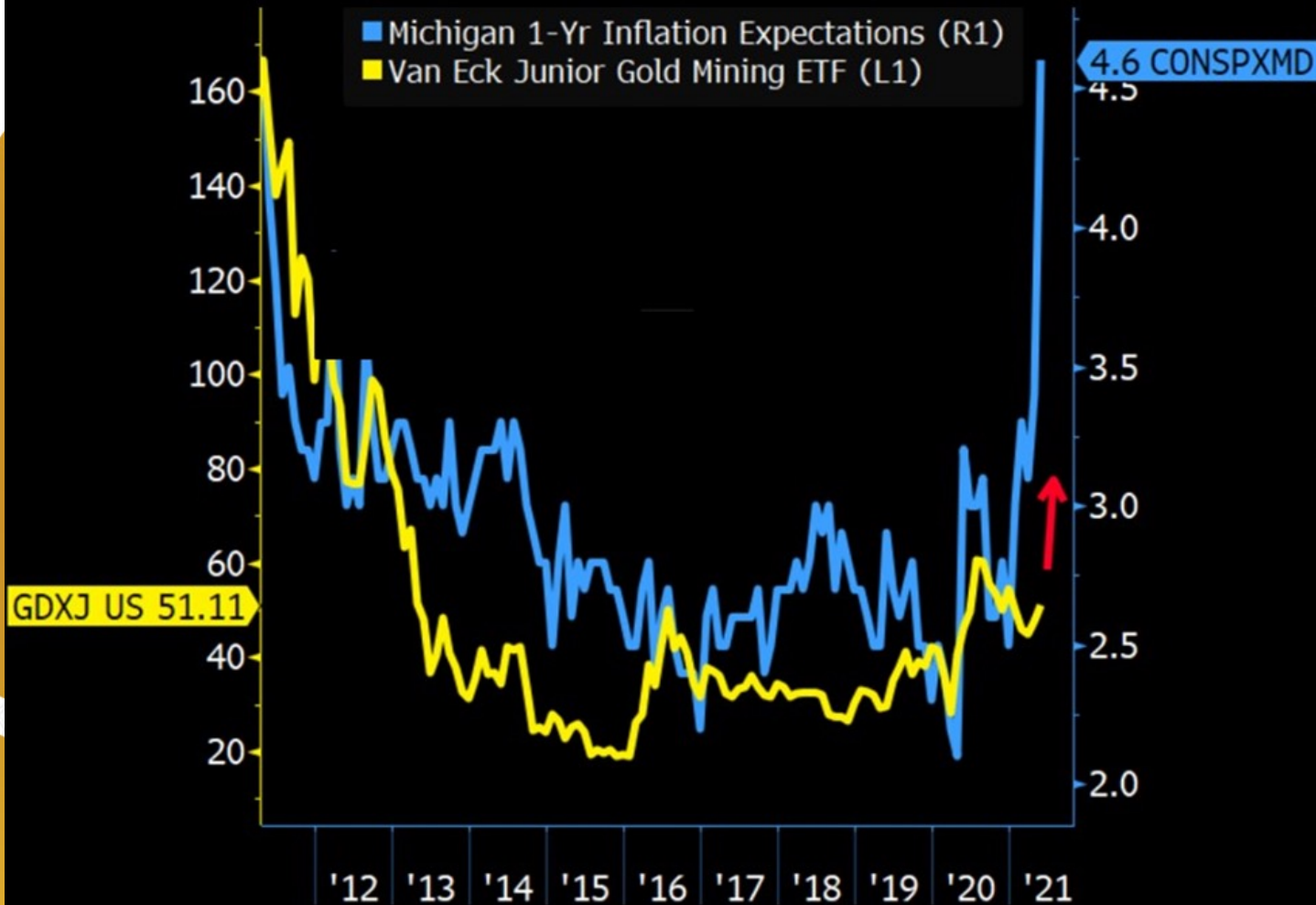
Source: Bloomberg

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GDXJ vs. Inflation Expectations



Source: Bloomberg

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Gold mining stocks follow inflation expectations. Junior exploration stocks are highly undervalued after a 10-year bear market.



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Silver remains historically undervalued relative to money supply.



Gold vs. Money Supply

Calculation: $\text{Gold} / \text{M2 Money Supply}$



Source: Bloomberg

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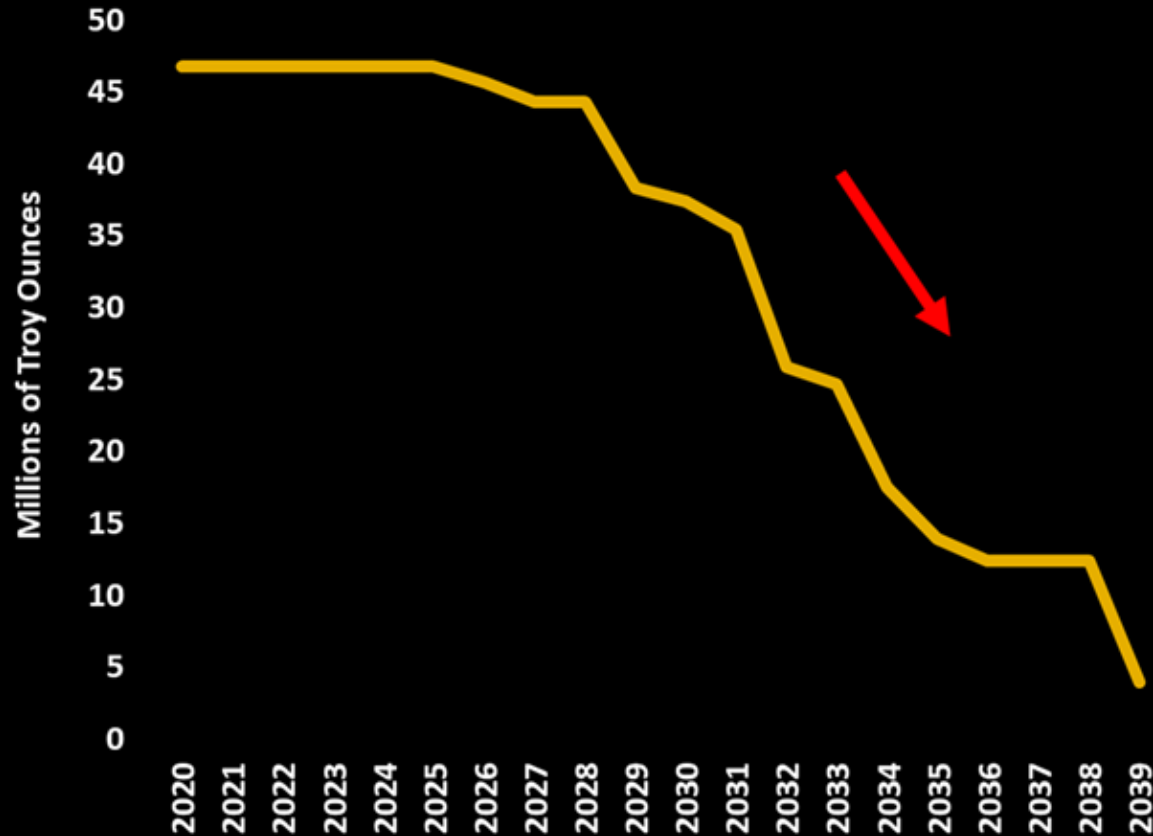
Price of gold relative to M2 money supply still looks historically attractive with significant upside likely ahead.



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Gold Supply Cliff

Top 20 Global Gold Producers
Projected Production from Proven and Probable Reserves



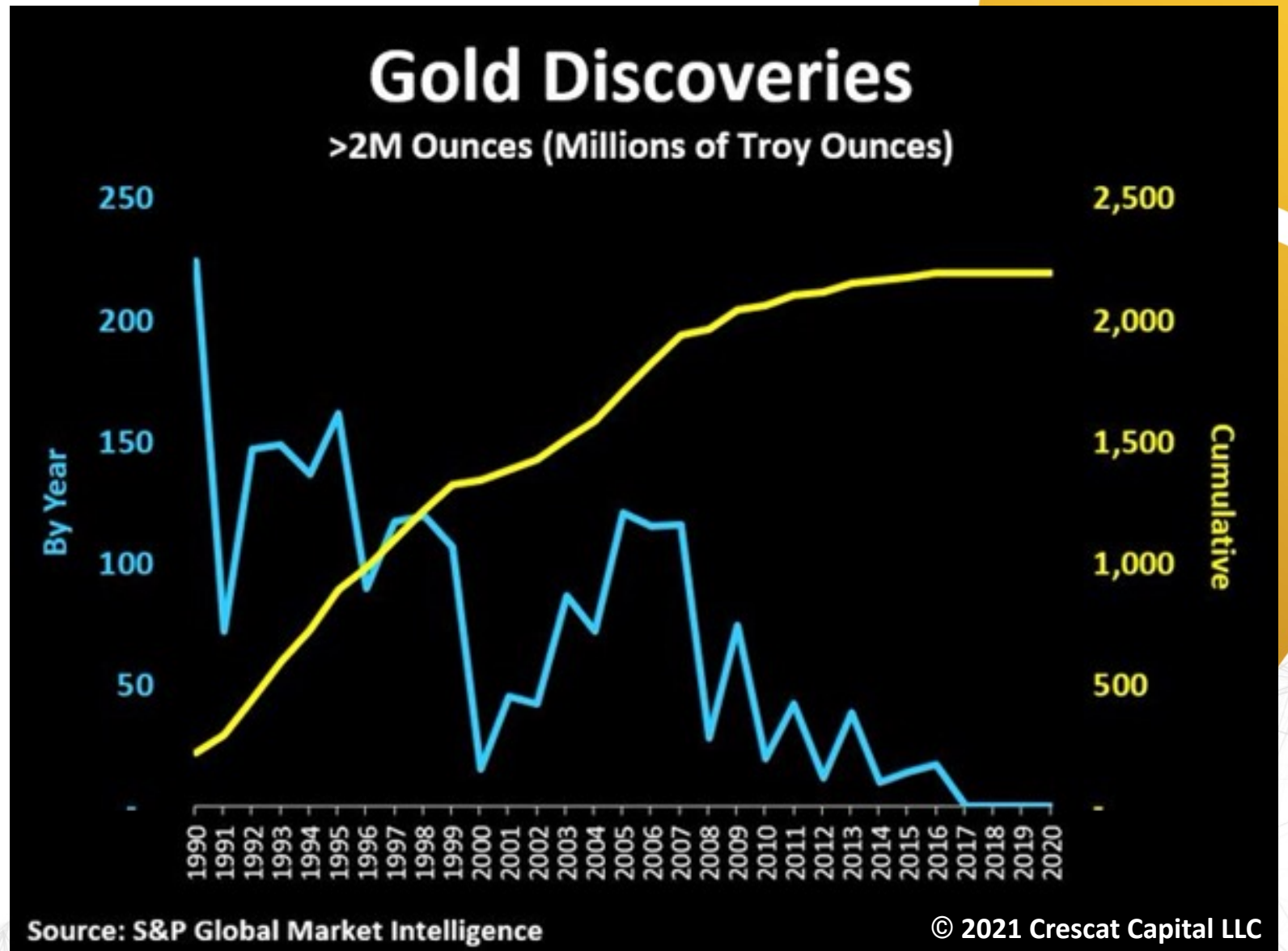
Source: S&P Global Market Intelligence

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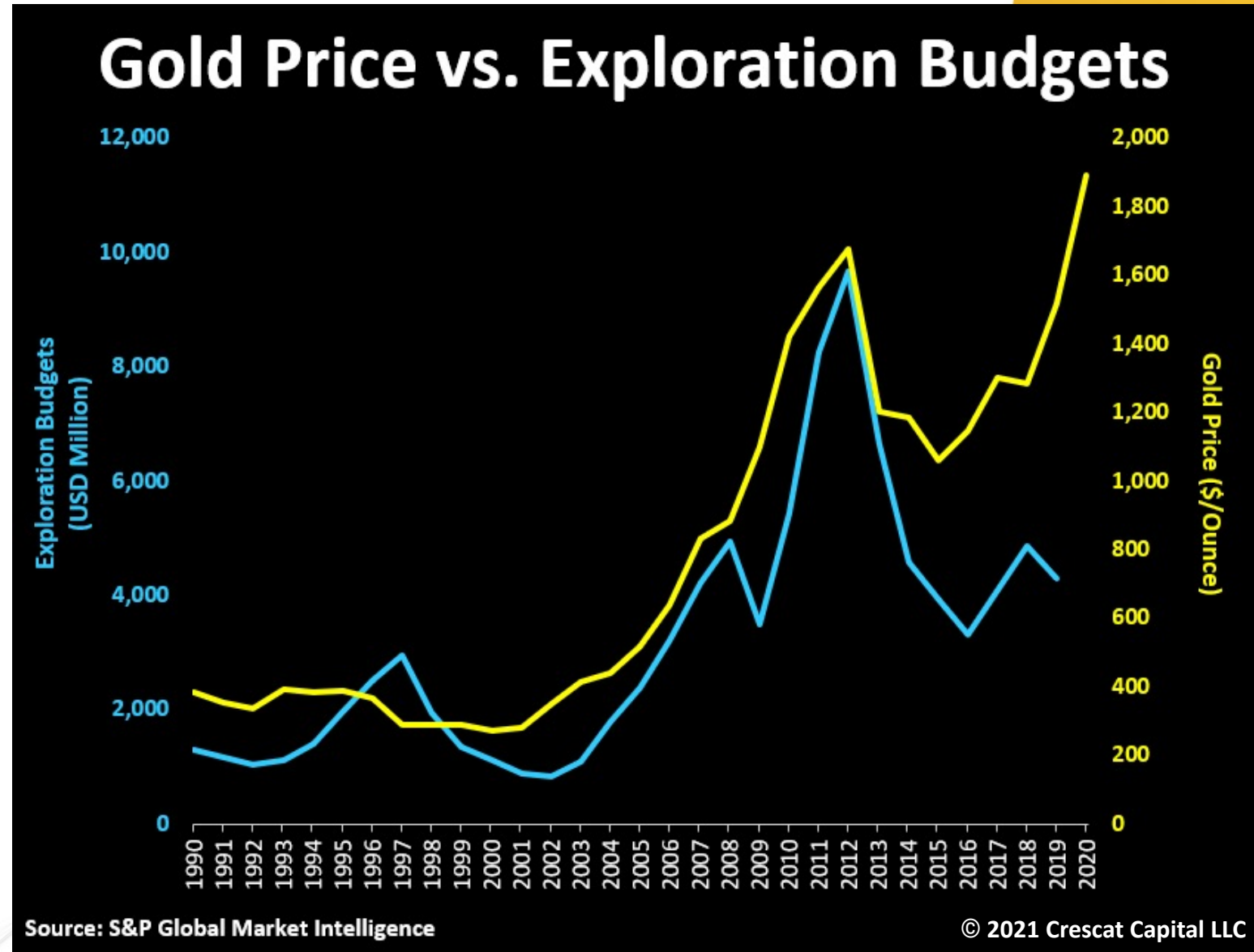
The majors have not been replacing their reserves. The industry is facing a supply cliff.



Because of a decade of exploration underinvestment, there have been no major new gold discoveries in the last four years.



The gold mining industry has underinvested in exploration for the last decade.



Silver Miners CAPEX Cycle

Aggregate Trailing 12-Month CAPEX in USD Millions



Source: Bloomberg

Universe: All Members of the SIJ ETF

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Silver miners CAPEX is at a decade low while, in the last 12 months, \$25T of newly issued debt worldwide, \$9T of monetary stimulus by central banks, and \$18T of negative yielding bonds.

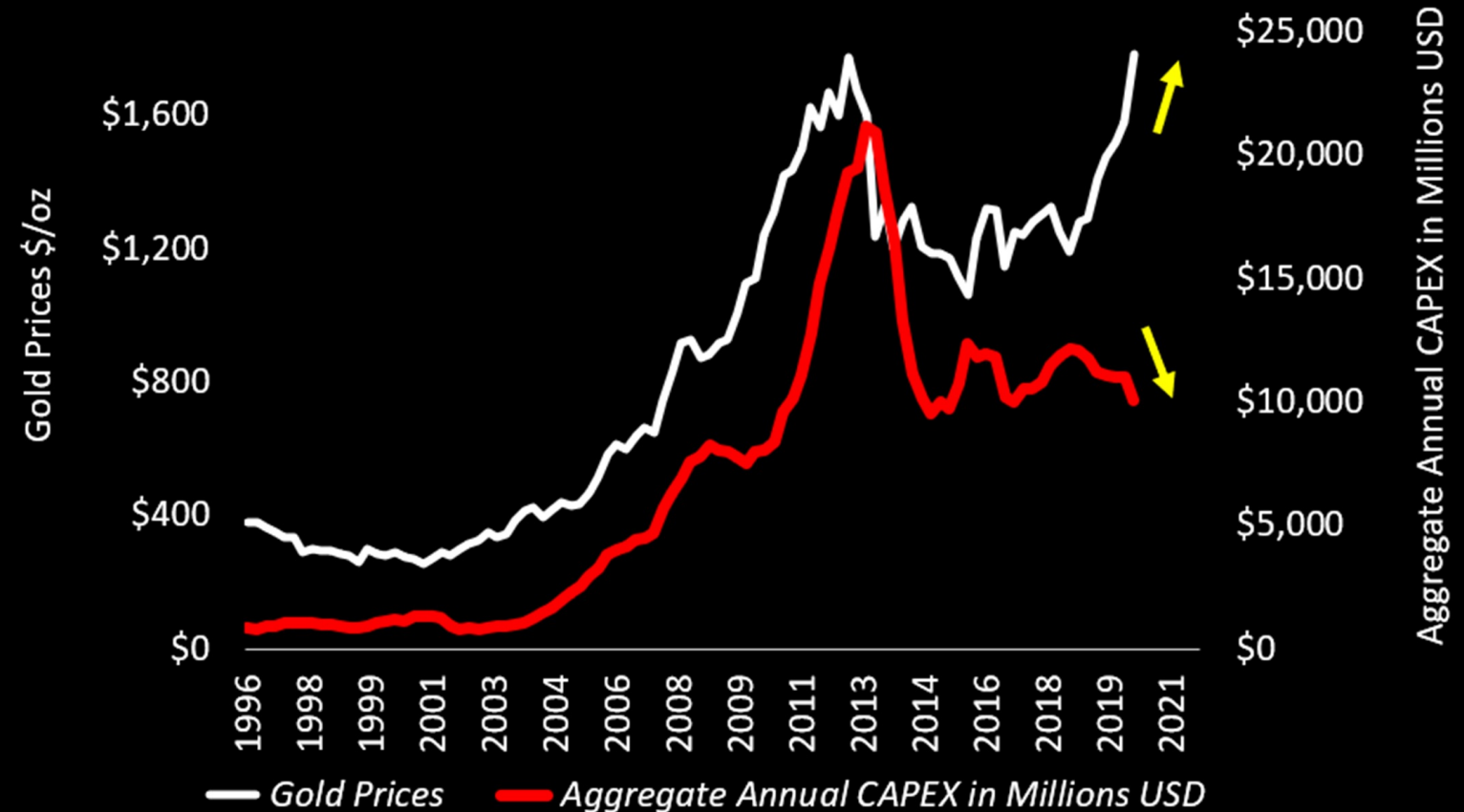


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Miners have been reluctant to spend capital even though gold prices have been moving higher. Thus, supply is constrained, an incredibly bullish fundamental backdrop for gold and silver.

Gold vs. Miners' CAPEX

Top 50 Miners by Market Cap in the Canadian & US Stock Exchanges



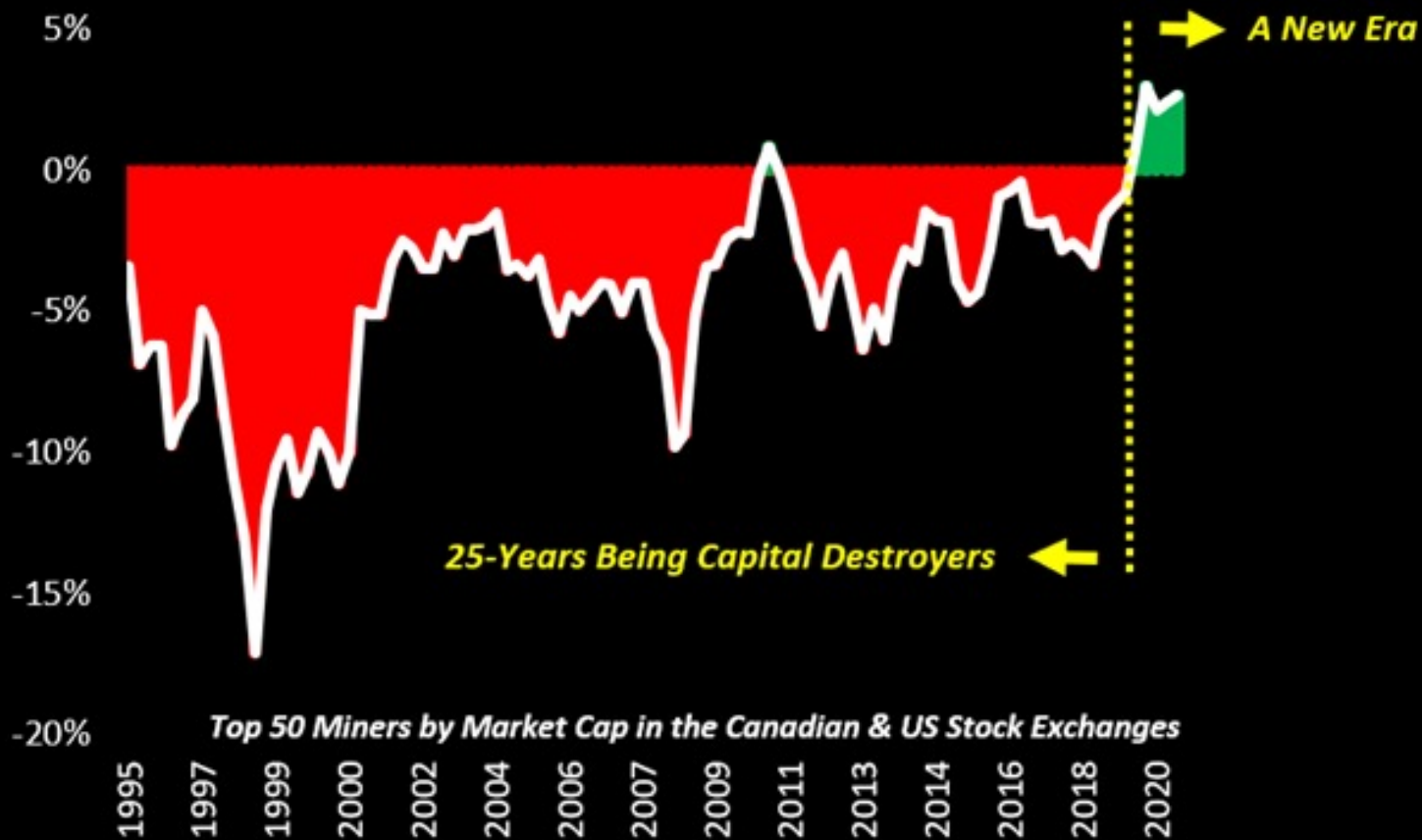
Source: Bloomberg

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Gold Miners' Free Cash Flow Yield

Median Trailing 12-Month Free Cash Flow to Enterprise Value



Source: Bloomberg

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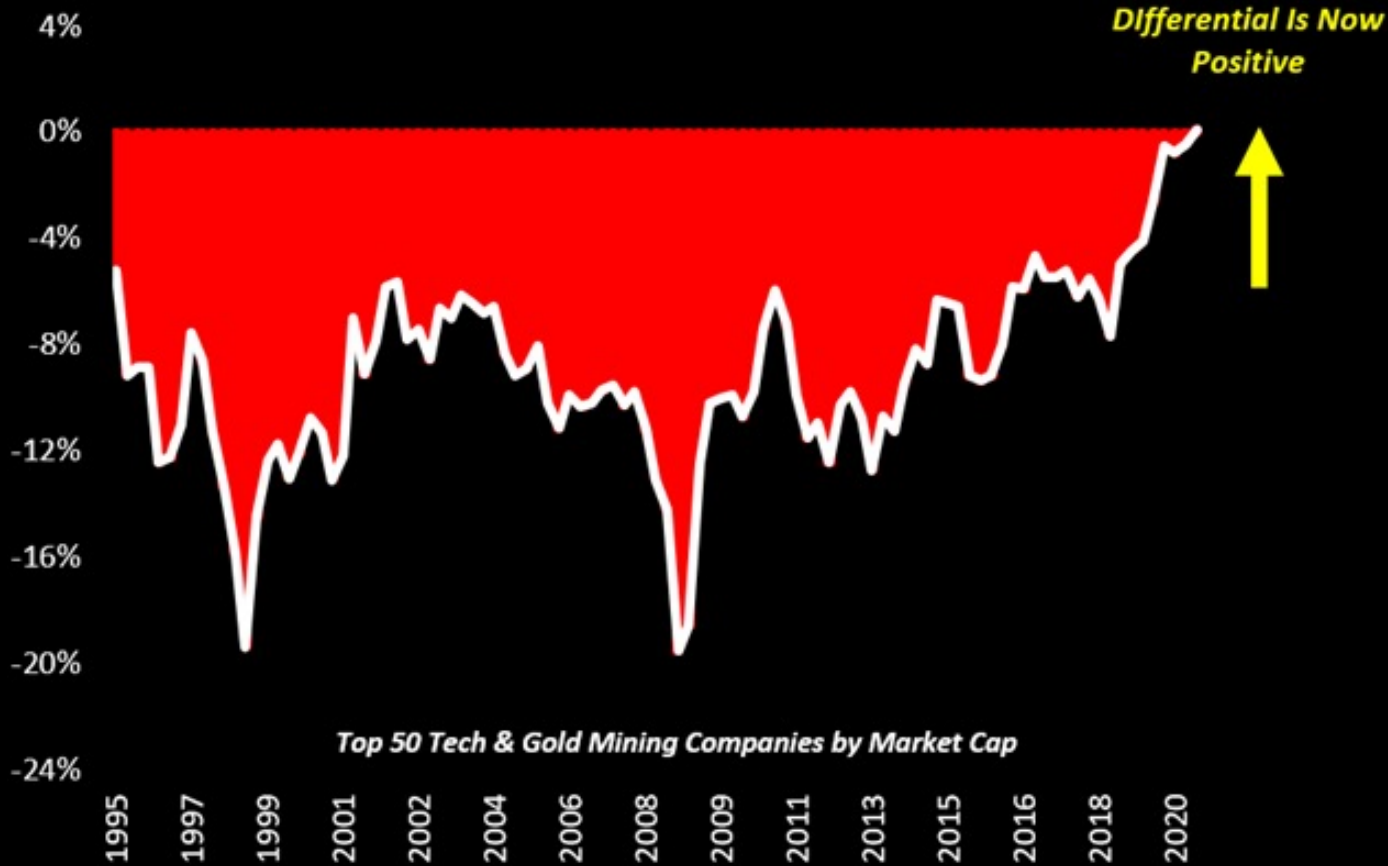
Free cash flow has been positive for the last seven quarters for the top 50 gold miners.



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Gold Miners vs. Tech Stocks Free Cash Flow Yield

Median Trailing 12-Month Free Cash Flow to Enterprise Value Differential



Source: Bloomberg

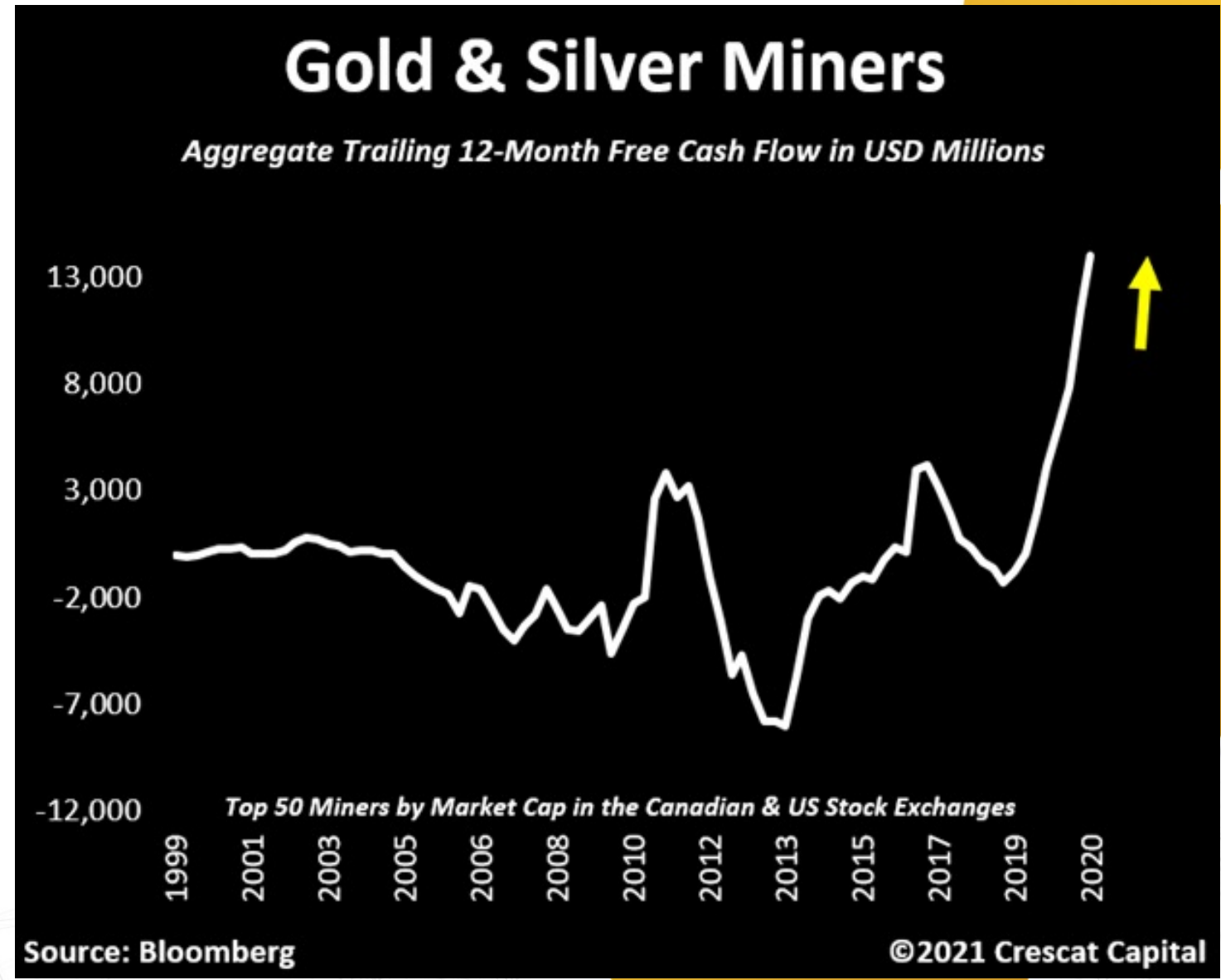
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This is the first time in the last 30 years that miners trade at a higher free cash flow yield than tech companies.

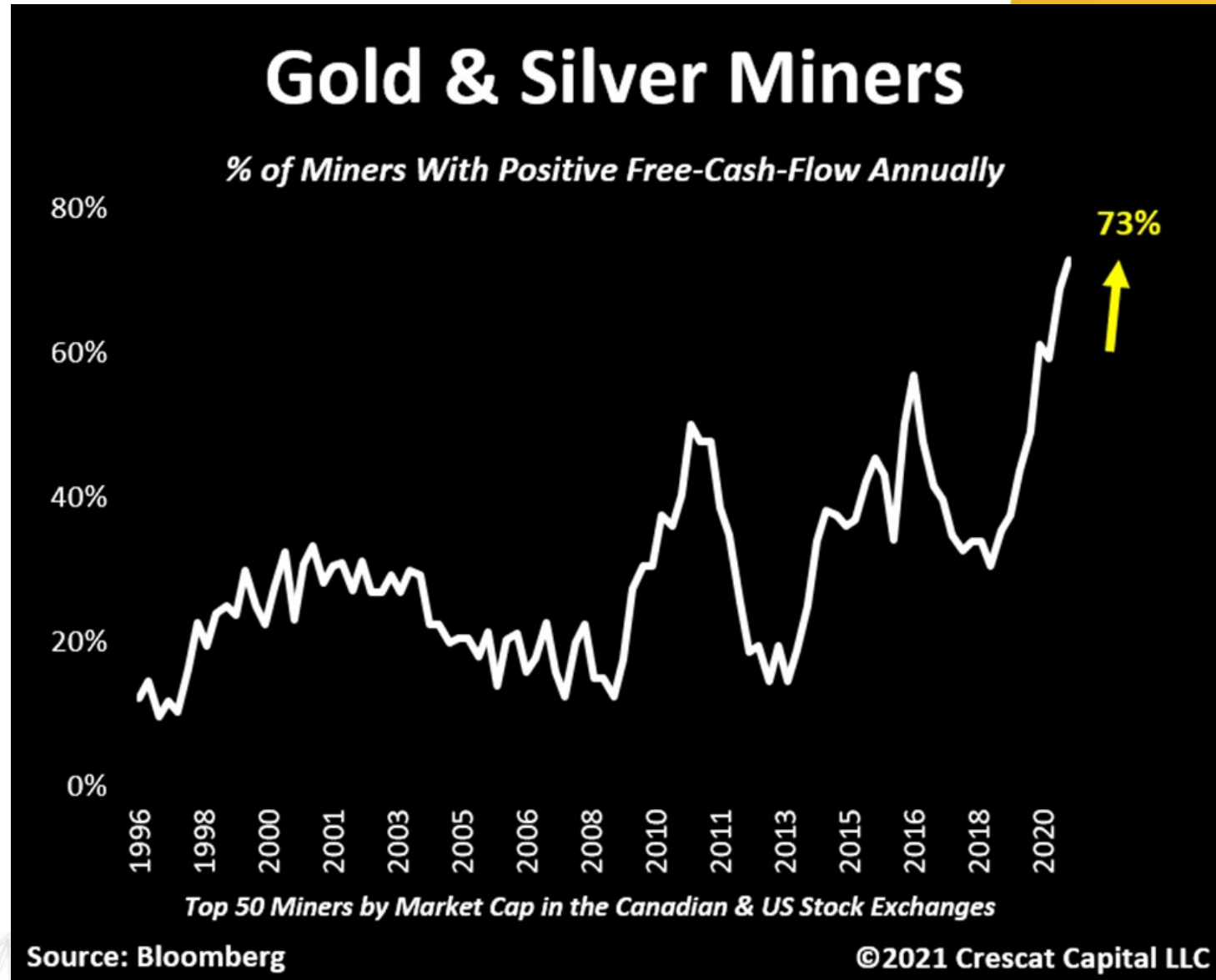


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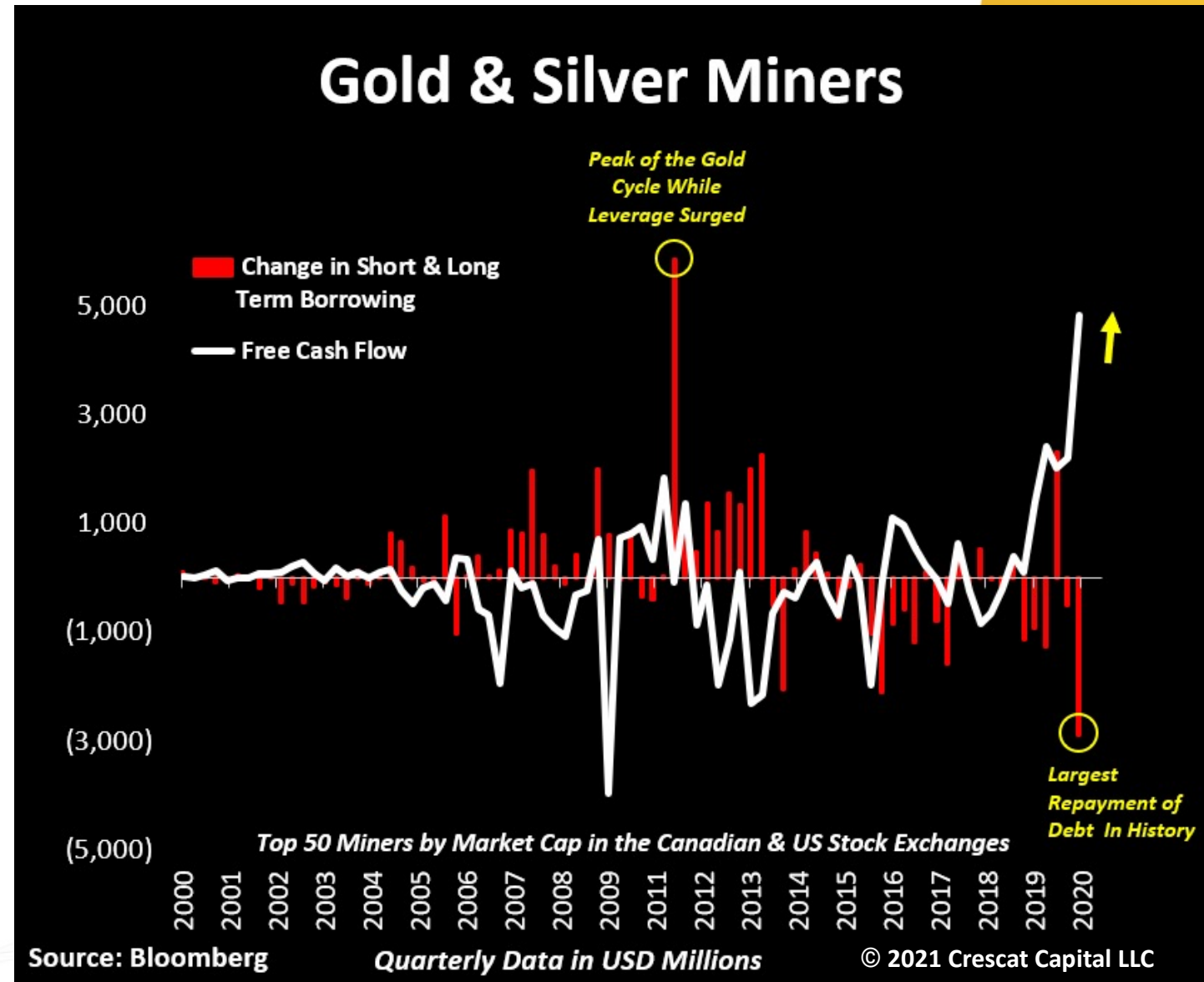
We believe the recent pull back in gold, silver, and miners since August just gave us the perfect opportunity and timing to continue to raise capital and build a portfolio of companies with exceptional properties in strategic geologic locations worldwide.



Believe it or not, today, 73% of the top 50 gold and silver miners are profitable on a free cash flow basis. That is the highest level we have ever seen.

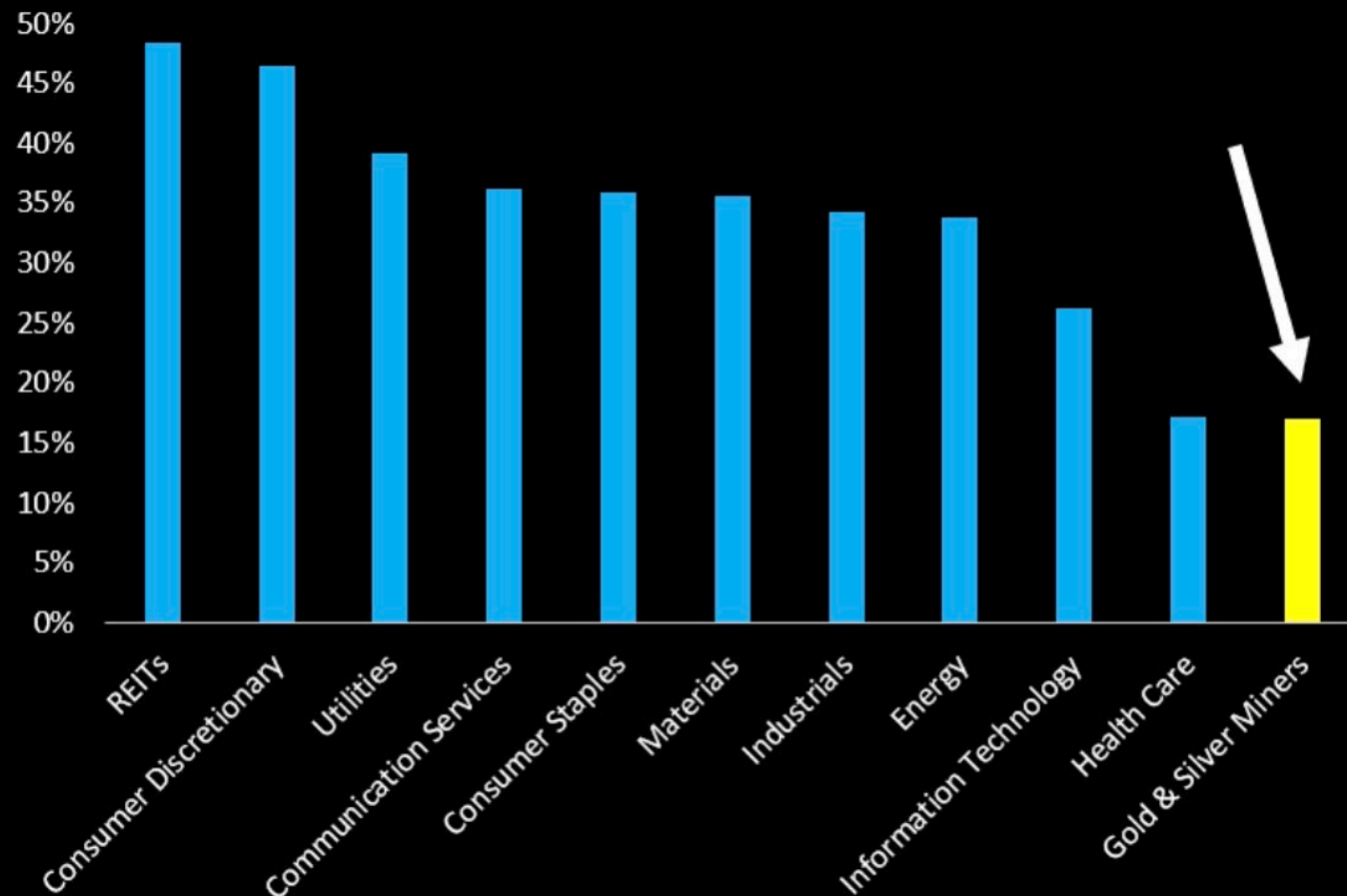


Gold & silver stocks just did their largest repayment of debt in history. They have never generated this much FCF in a quarter.



Median Total Debt to Assets Ratio

Russell 3000 Index & Top 50 Precious Metals Miners By Market Cap



Source: Bloomberg

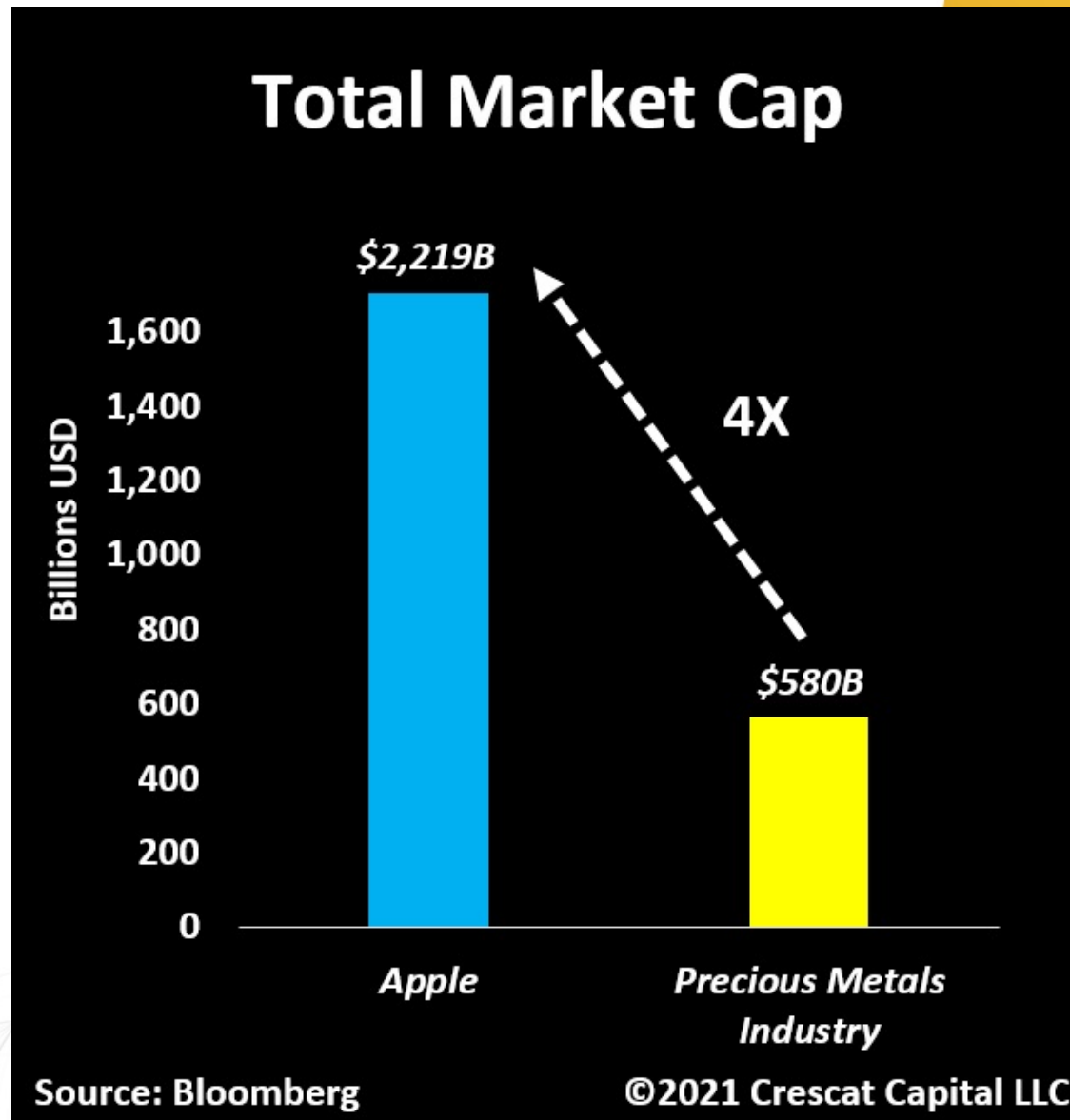
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If precious metals stocks were a sector, they would have the cleanest balance sheets of them all.



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The entire precious metals industry is dirt cheap. Apple's market cap is 4 times the size of the whole precious metals industry.



Newmont Corp.

Weekly Chart



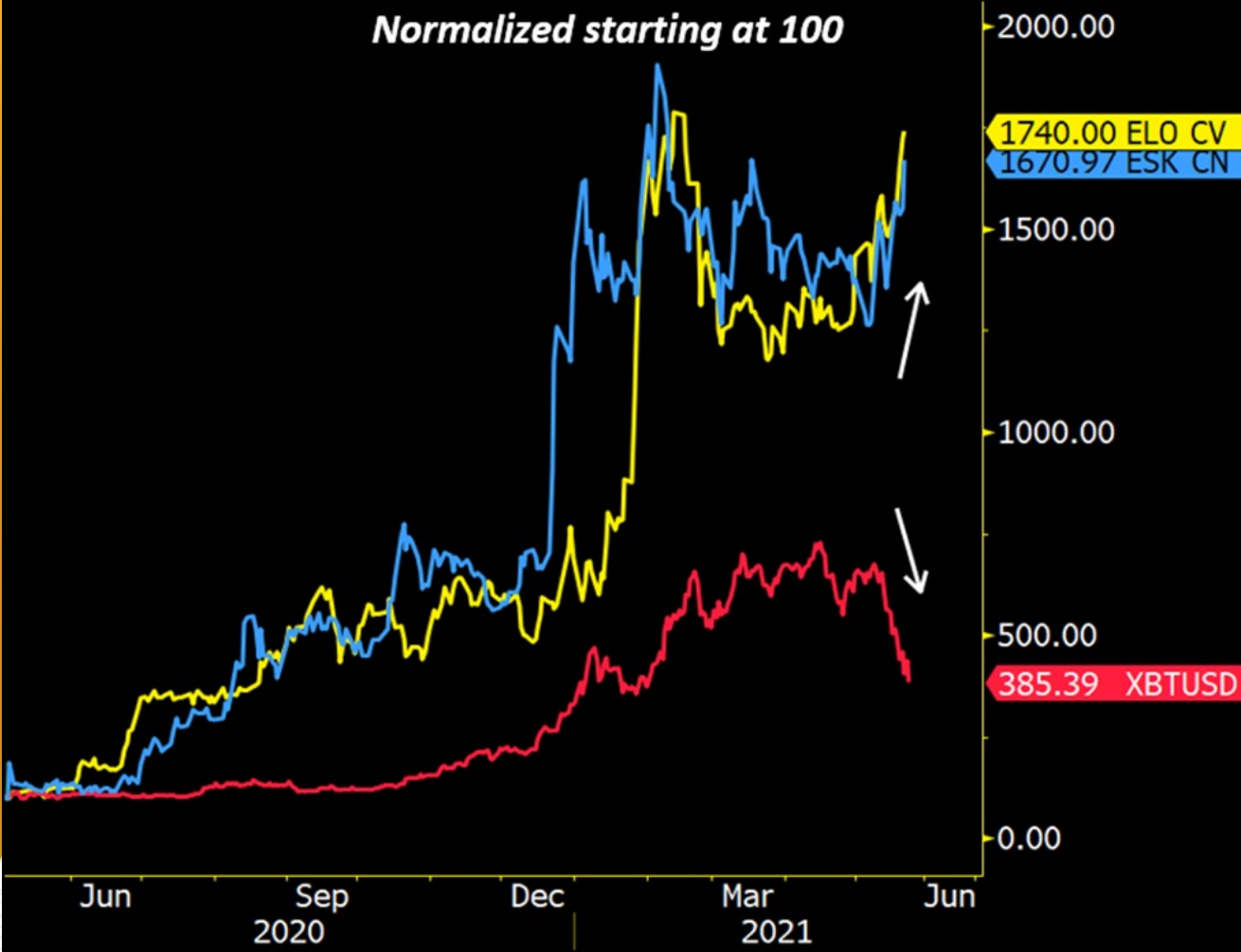
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Eloro and Eskay vs. Bitcoin

Normalized starting at 100



Source: Bloomberg

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New Found Gold vs. Bitcoin

Normalized starting at 100



Source: Bloomberg

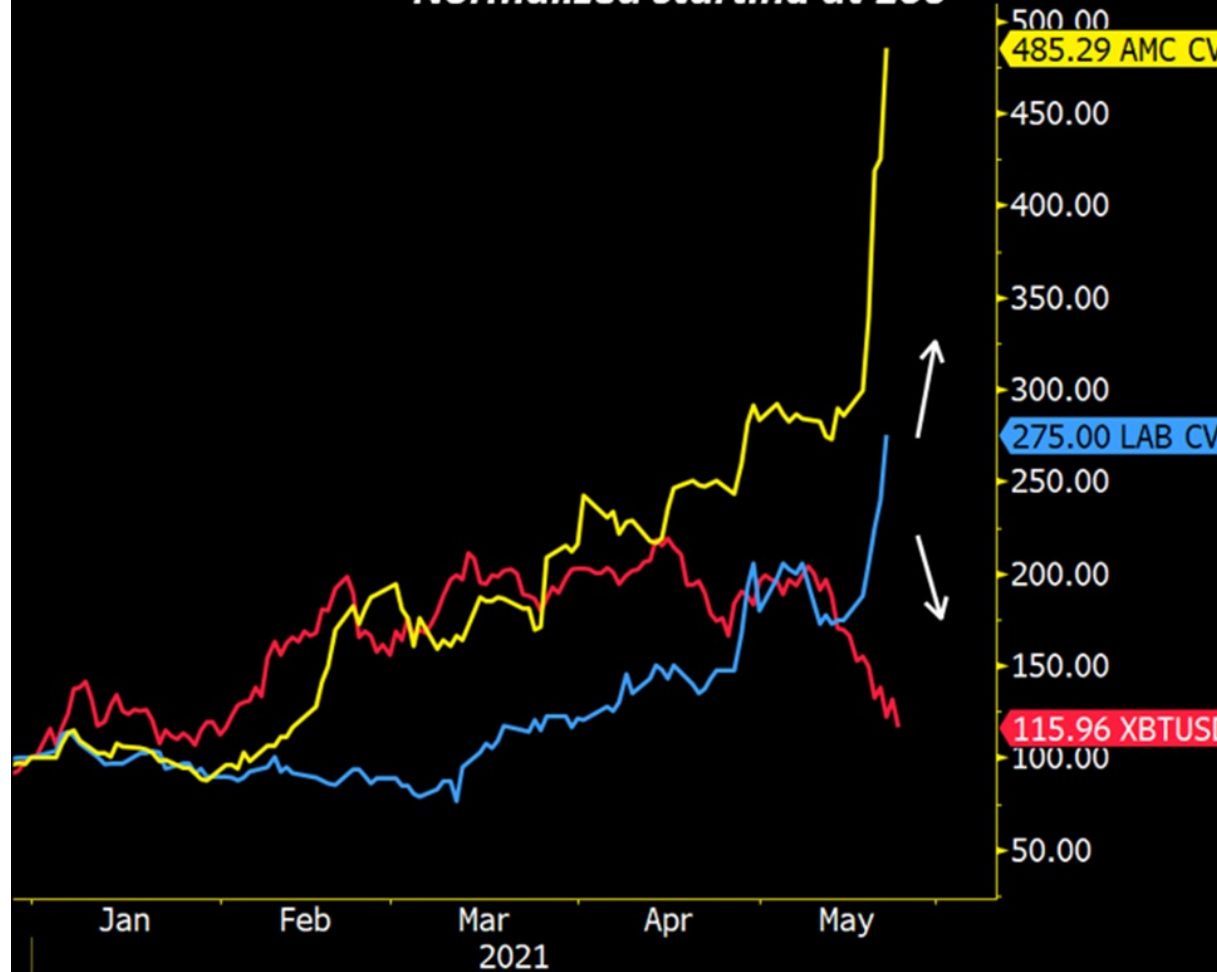
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Labrador Gold and Arizona Metals vs. Bitcoin

Normalized startina at 100



Source: Bloomberg

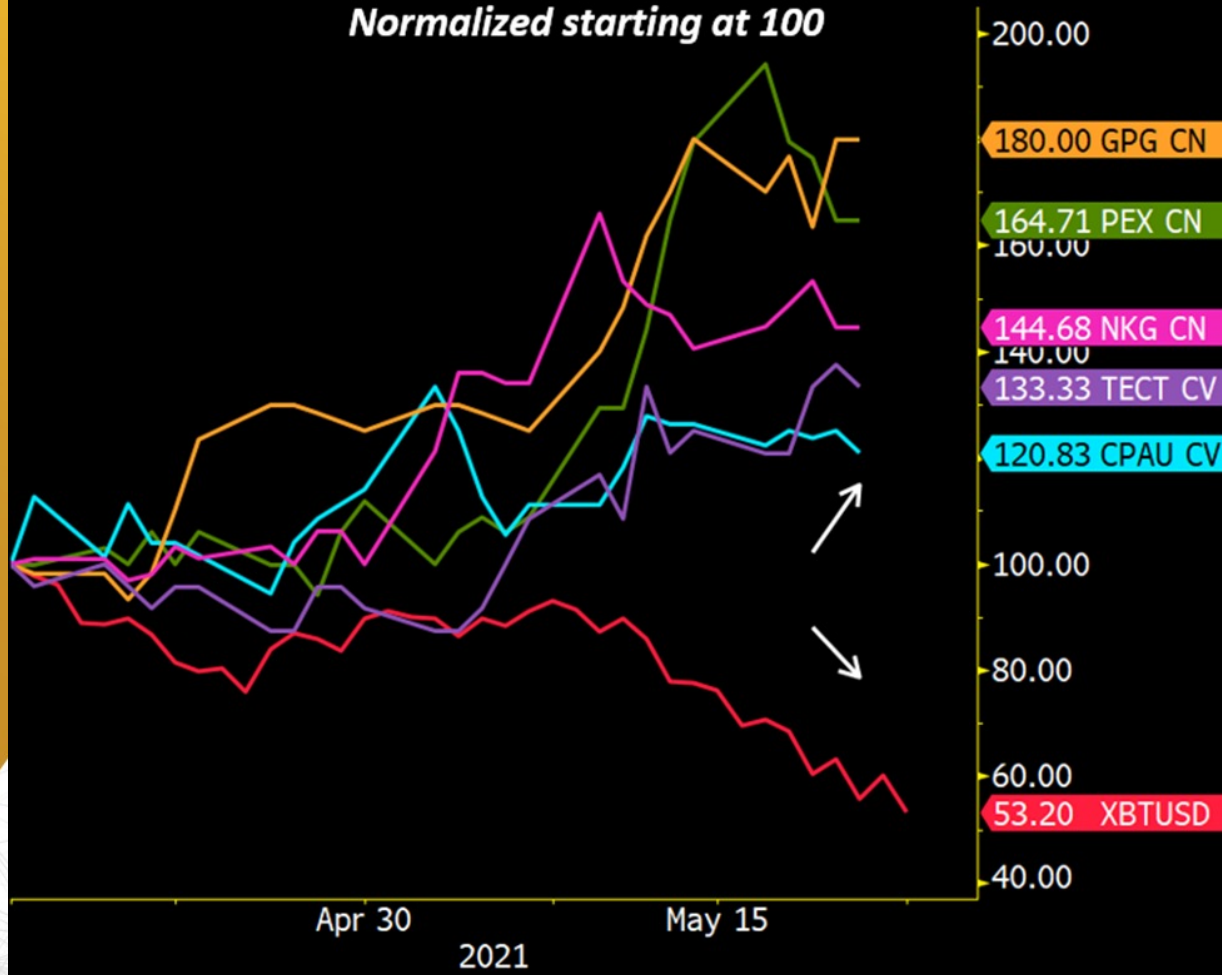
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Grande Portage, Pacific Ridge, Nevada King, Tectonic Metals, CopAur Minerals vs. Bitcoin

Normalized starting at 100

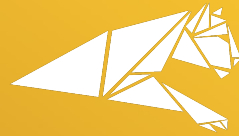


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Crescat Capital LLC
1560 Broadway, Suite 2270 | Denver, CO 80202

Marek Iwahashi

Client Service Specialist
(303) 271-9997 | miwahashi@crescat.net

Cassie Fischer

Client Service Specialist
(303) 350-4000 | cfischer@crescat.net