

*The Value of Global Macro Investing*



**CRESCAT CAPITAL<sup>®</sup>**  
V A L U E - D R I V E N P E R F O R M A N C E

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# Crescat's Current Global Macro Themes



## Our Three Highest-Conviction Macro Ideas Today

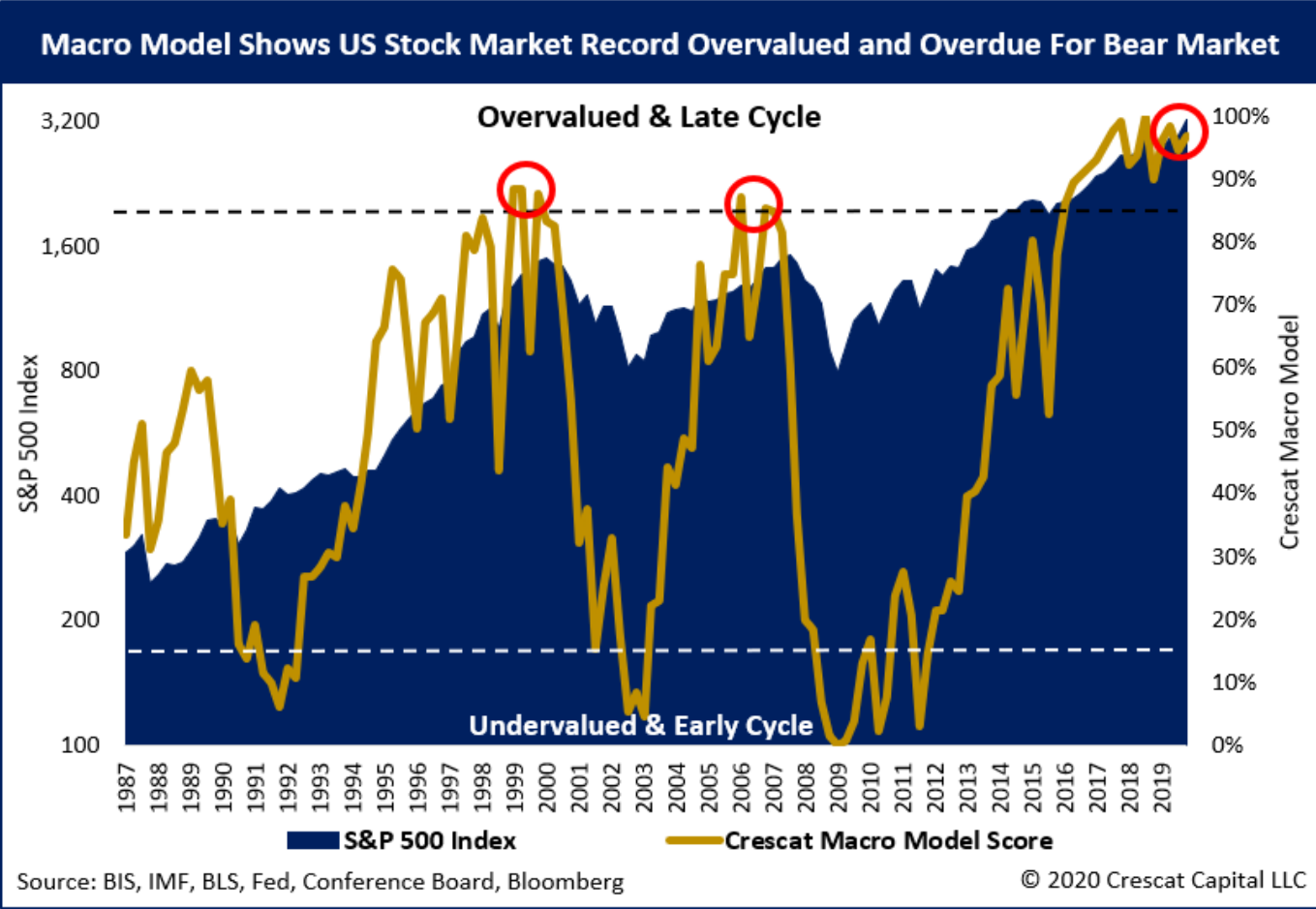
**US Equities:** The market is damaged after breaking down in Q4 2018 from truly record valuations while profit growth has peaked. Crescat's hedge funds remain tactically net short US stocks identified by our models.

**China & Hong Kong:** These two economies have a historic credit bubble that is now bursting. We believe it will be globally contagious. We expect both currencies to soon enter a full-blown crisis. Crescat Global Macro Fund is positioned to capitalize on a yuan and Hong Kong dollar devaluation.

**Precious Metals:** Gold is an extremely undervalued haven currency today. Precious metals mining stocks offer deep value. All Crescat strategies are positioned to benefit from the early stages of a new secular bull market in precious metals.



Crescat macro model only 3 percentage points from record overvalued levels.  
The US business cycle has likely peaked and we are long ways from a market bottom.



US equity market valuations are at historical extremes across at least 8 fundamental measures.

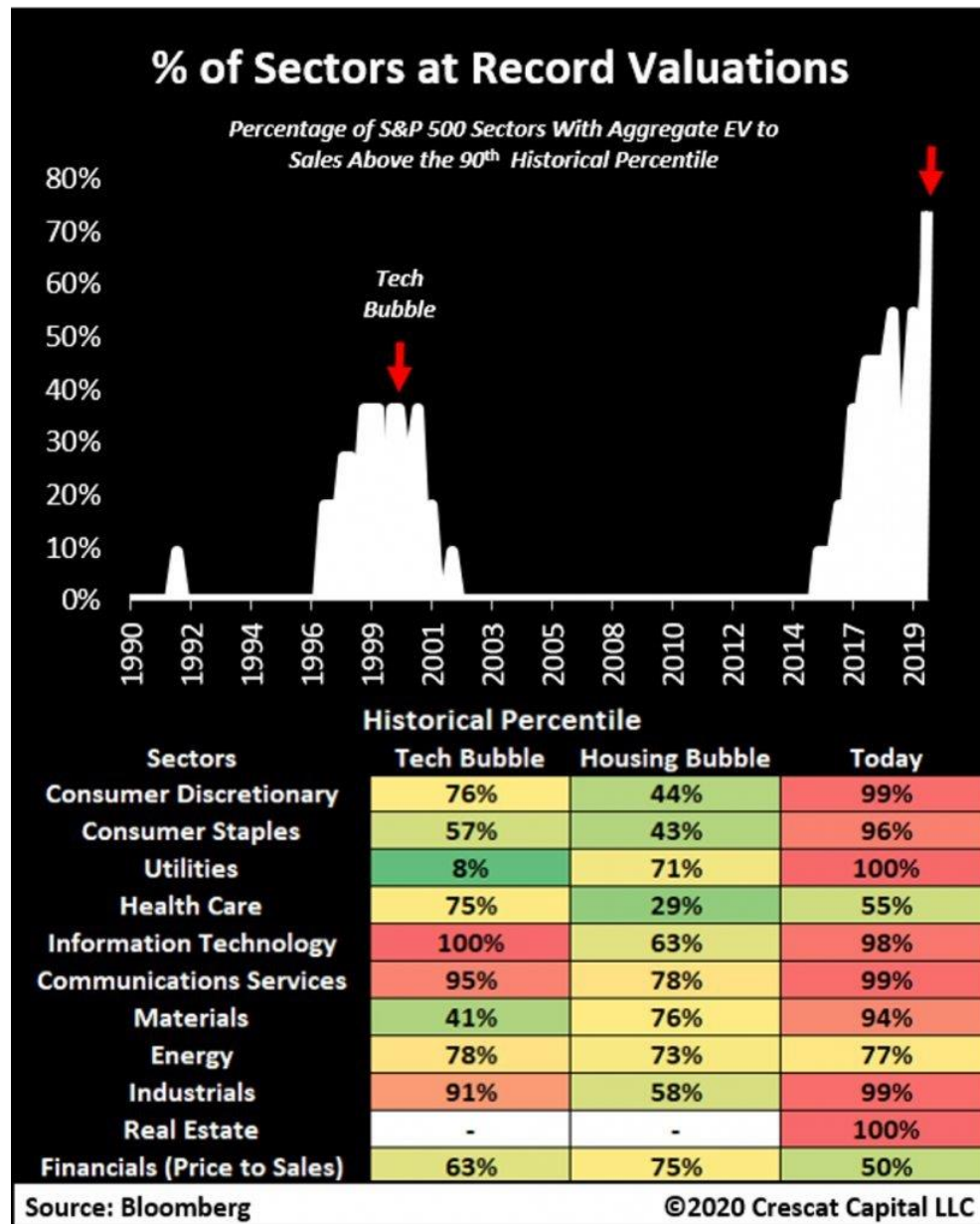
<b>S&amp;P 500 Valuations</b>		
<b>Factors</b>	<b>Most Recent Value</b>	<b>Historical Percentile</b>
<b>Median EV to Sales (Ex-Financials)</b>	<b>3.6</b>	<b>100%</b>
<b>US Total Market Cap to GDP</b>	<b>156%</b>	<b>100%</b>
<b>EV to Free Cash Flow Margin-Adjusted (Ex-Financials)</b>	<b>45.0</b>	<b>100%</b>
<b>Median Price to Sales</b>	<b>2.6</b>	<b>100%</b>
<b>Median Price to Book</b>	<b>3.6</b>	<b>100%</b>
<b>Margin-Adjusted P/E (MAPE)</b>	<b>47.0</b>	<b>99%</b>
<b>Median EV to EBITDA (Ex-Financials)</b>	<b>13.2</b>	<b>97%</b>
<b>Cyclically Adjusted P/E (CAPE)</b>	<b>33.2</b>	<b>96%</b>
Source: Bloomberg, Yale/Robert Shiller, John Hussman <span style="float: right;">*Numbers as of January of 2020</span> <span style="float: right;">© 2020 Crescat Capital LLC</span>		

The median EV to Sales ratio for the stocks is now 3.6x.  
Twice as high as it was at the peak of the tech & housing bubbles.

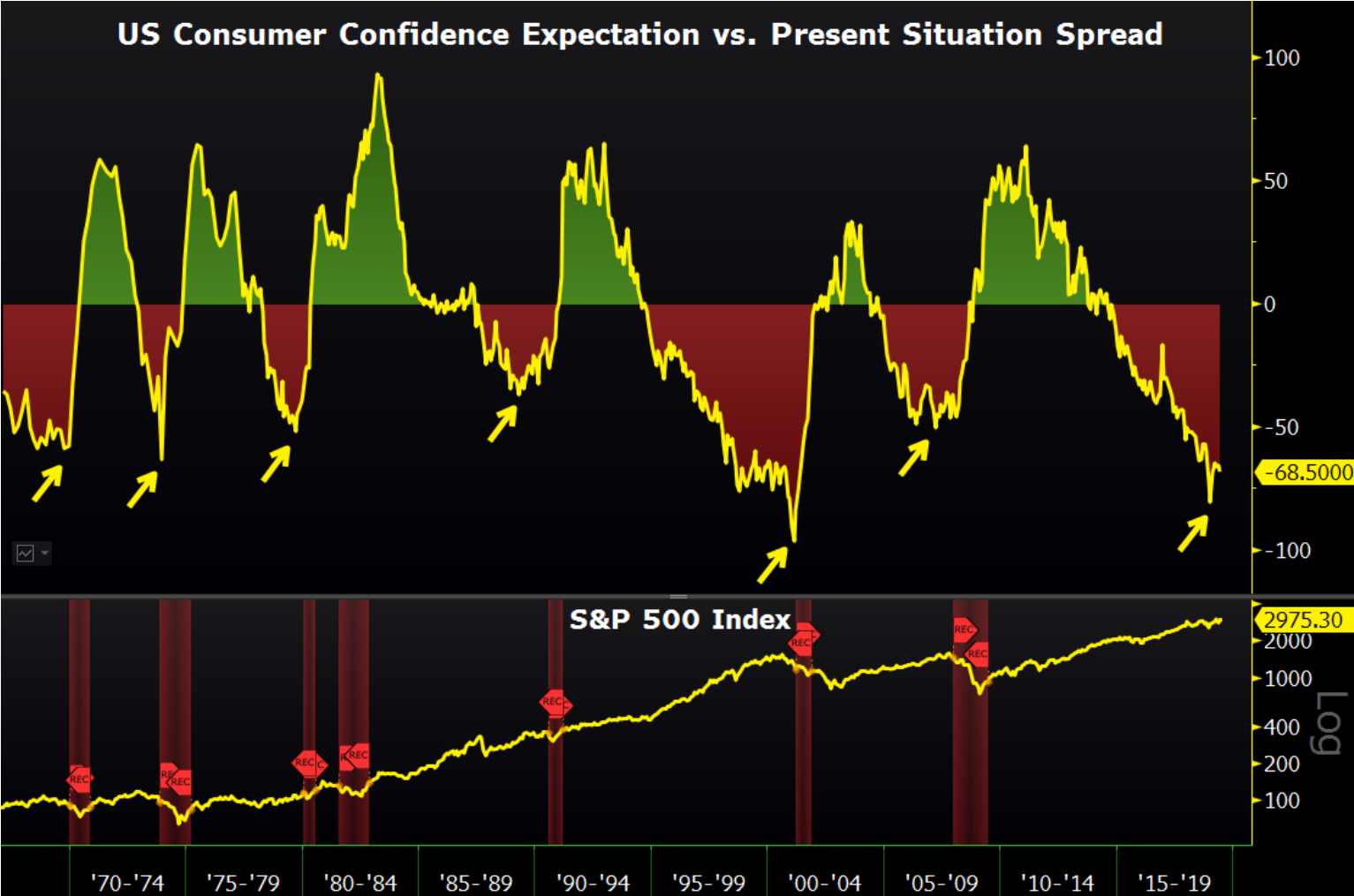


8 out of 11 sectors are at record valuations.

Unparalleled to anything we've seen in the last 30+ years.

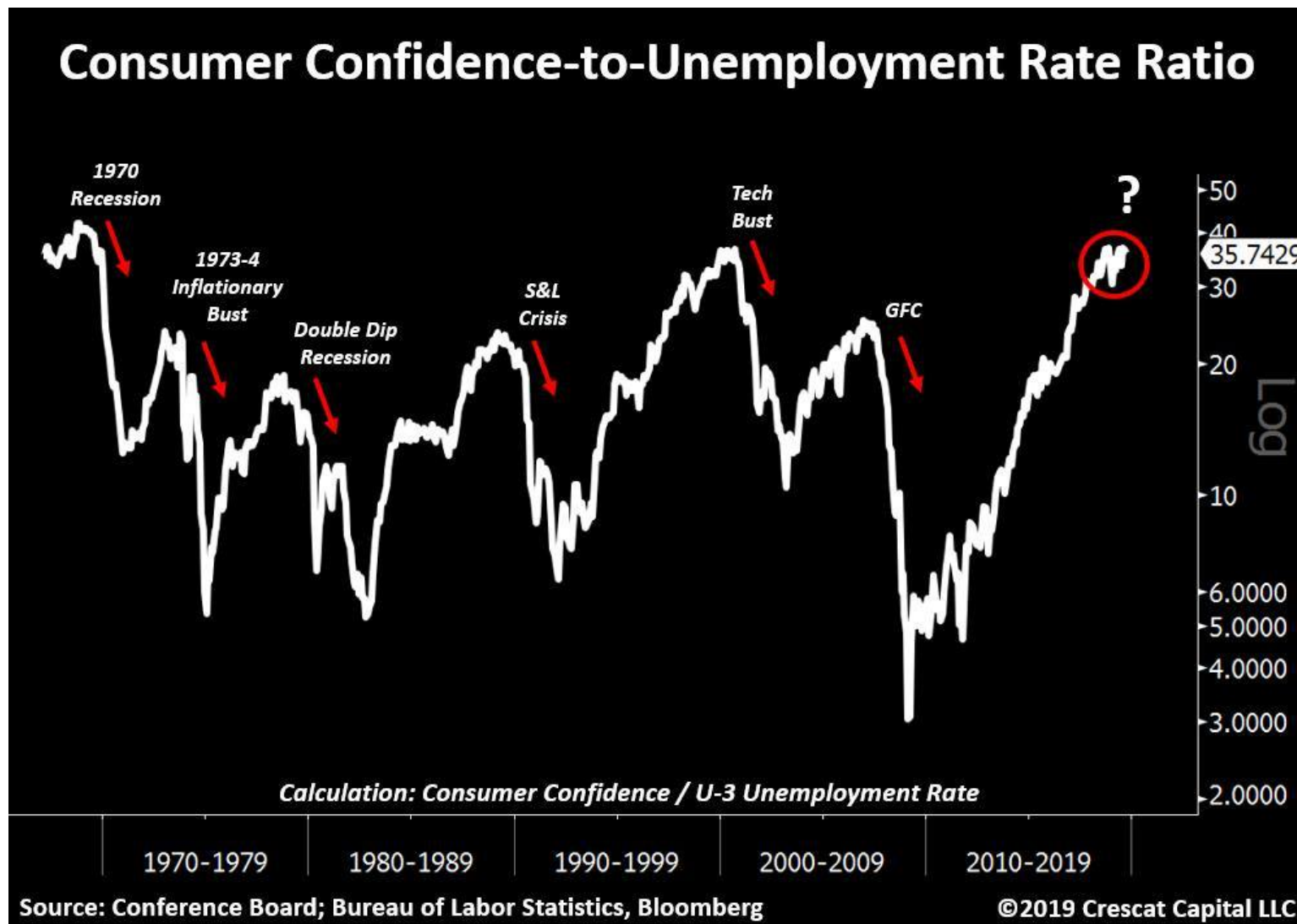


This is now the widest drop in Consumer Confidence Expectations vs. Present Situation since the Tech Bust. Every other cyclical decline in the past 50 years led to a recession.

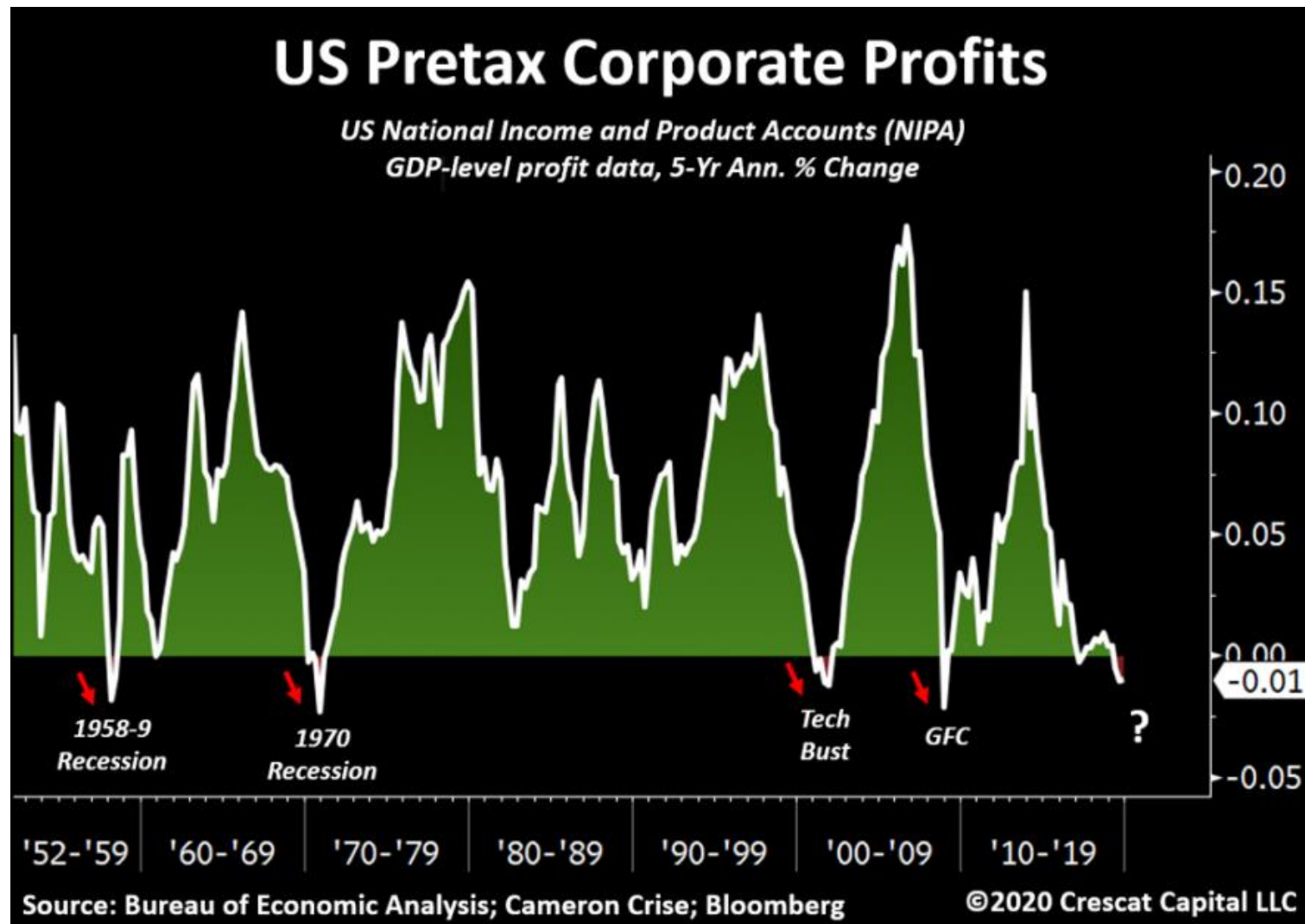




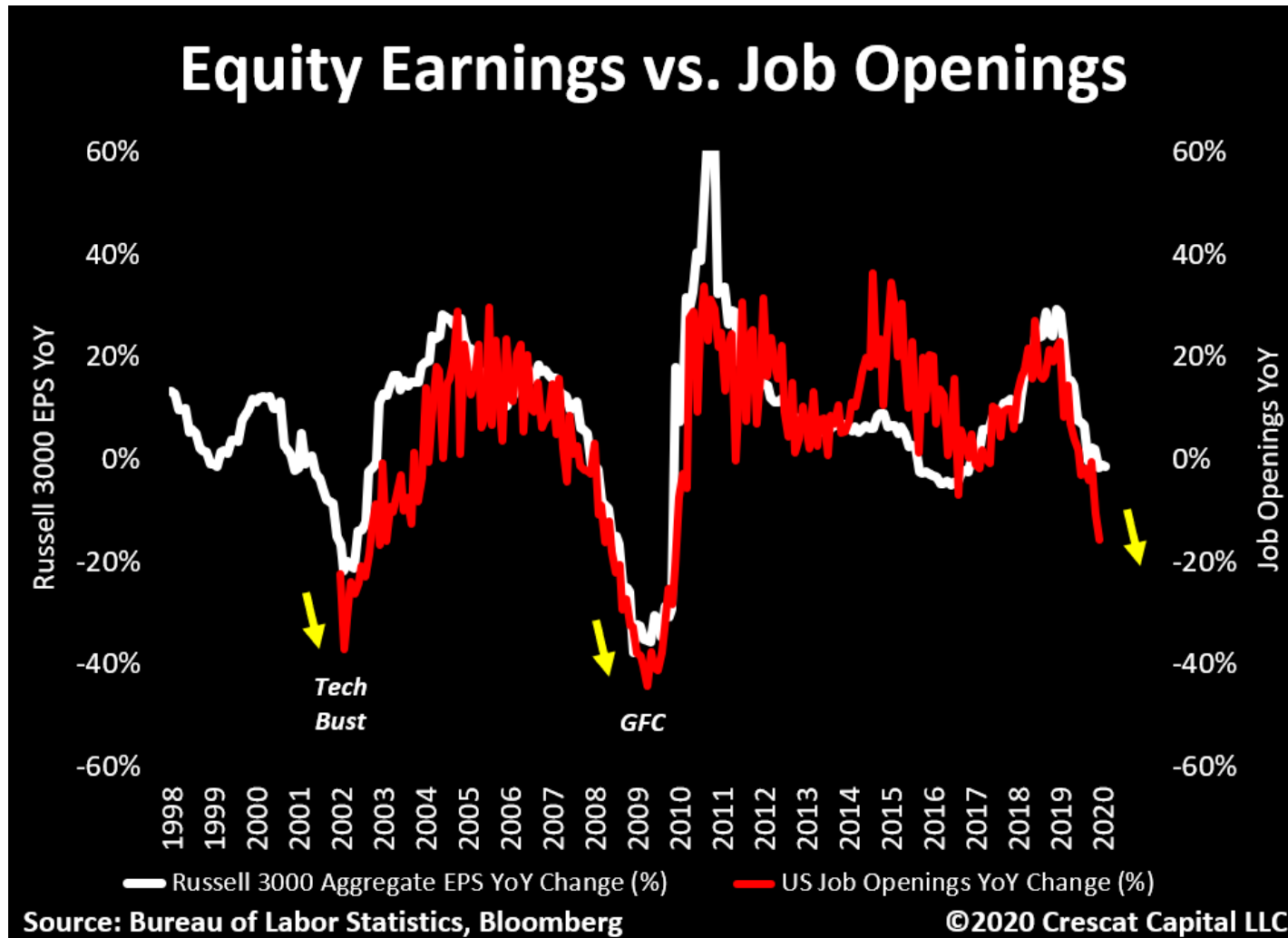
Consumer confidence-to-unemployment ratio near all-time highs.



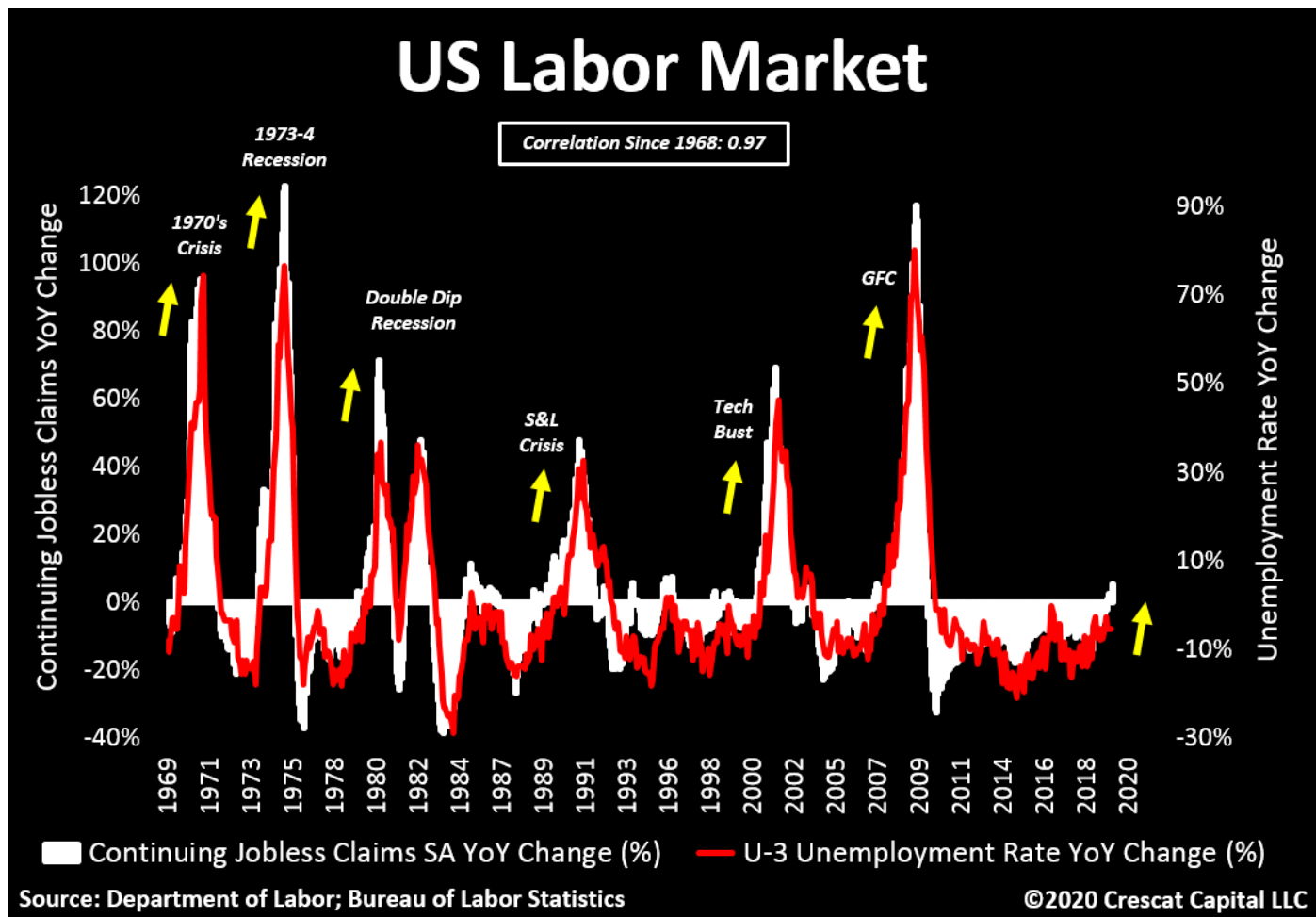
US economy-wide corporate profits have been in a declining growth trend and just turned negative.



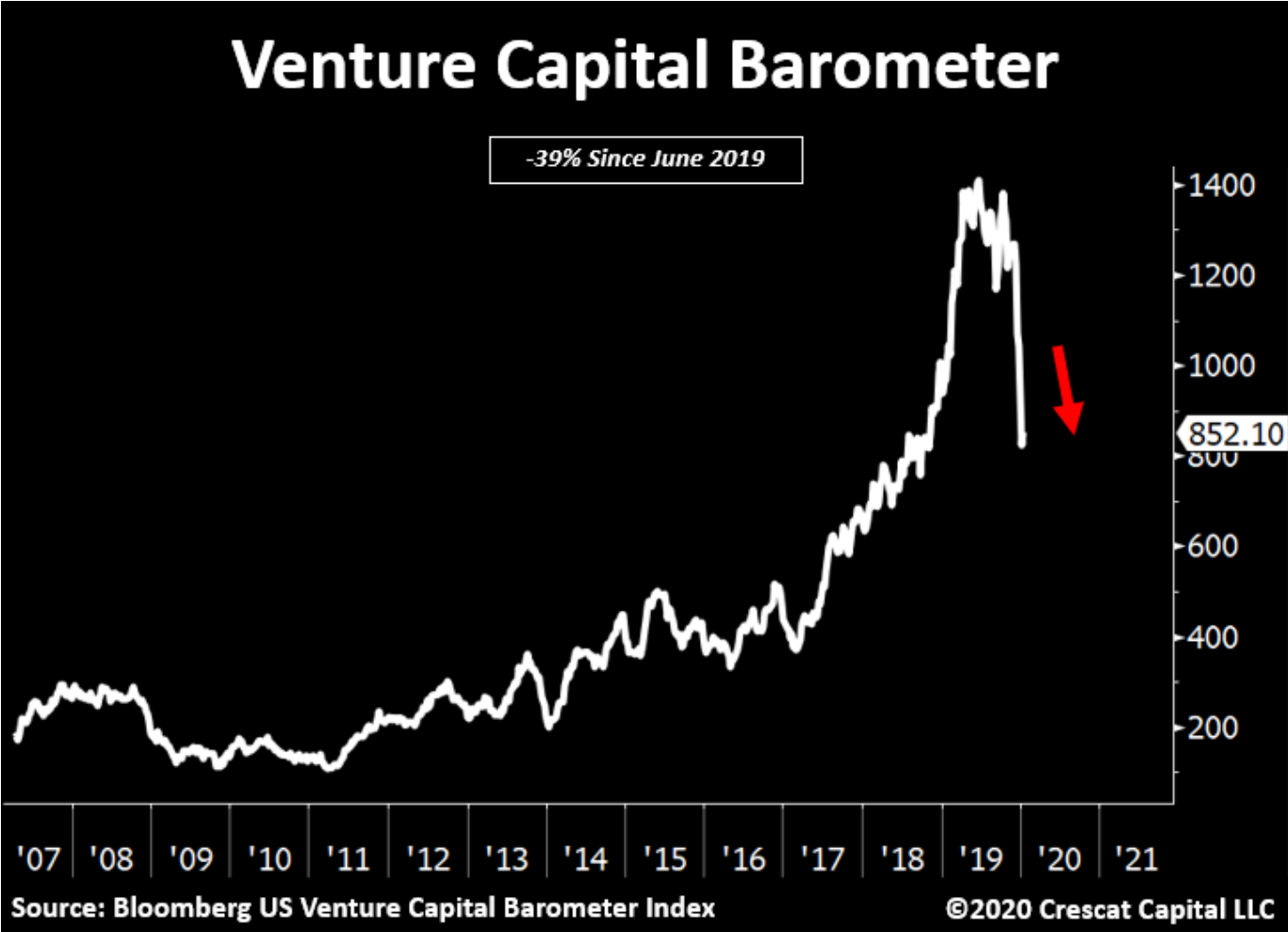
Companies are significantly shrinking hiring plans as profits fall.



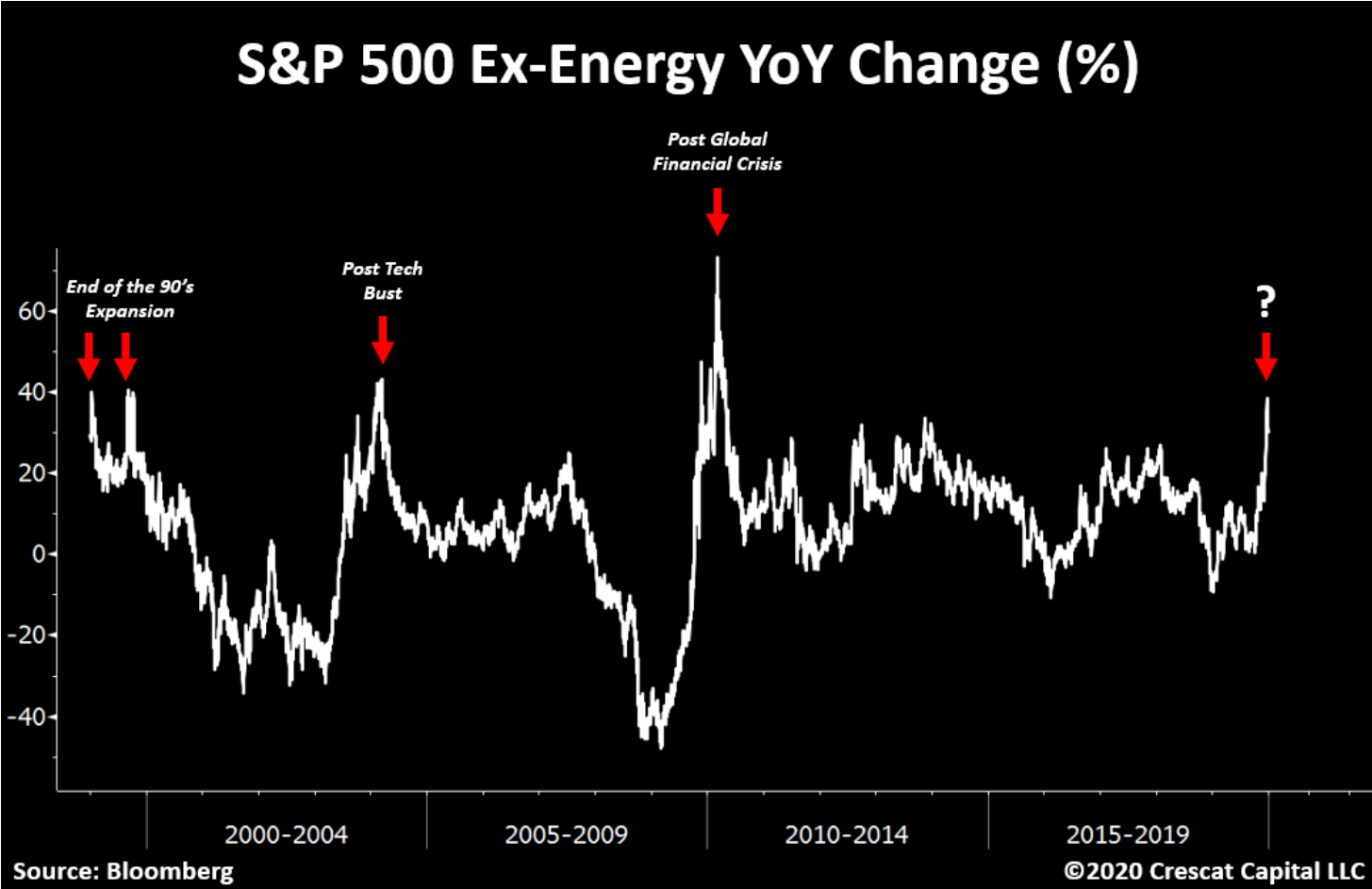
Continuing Jobless Claims now rising the most since the Great Recession.



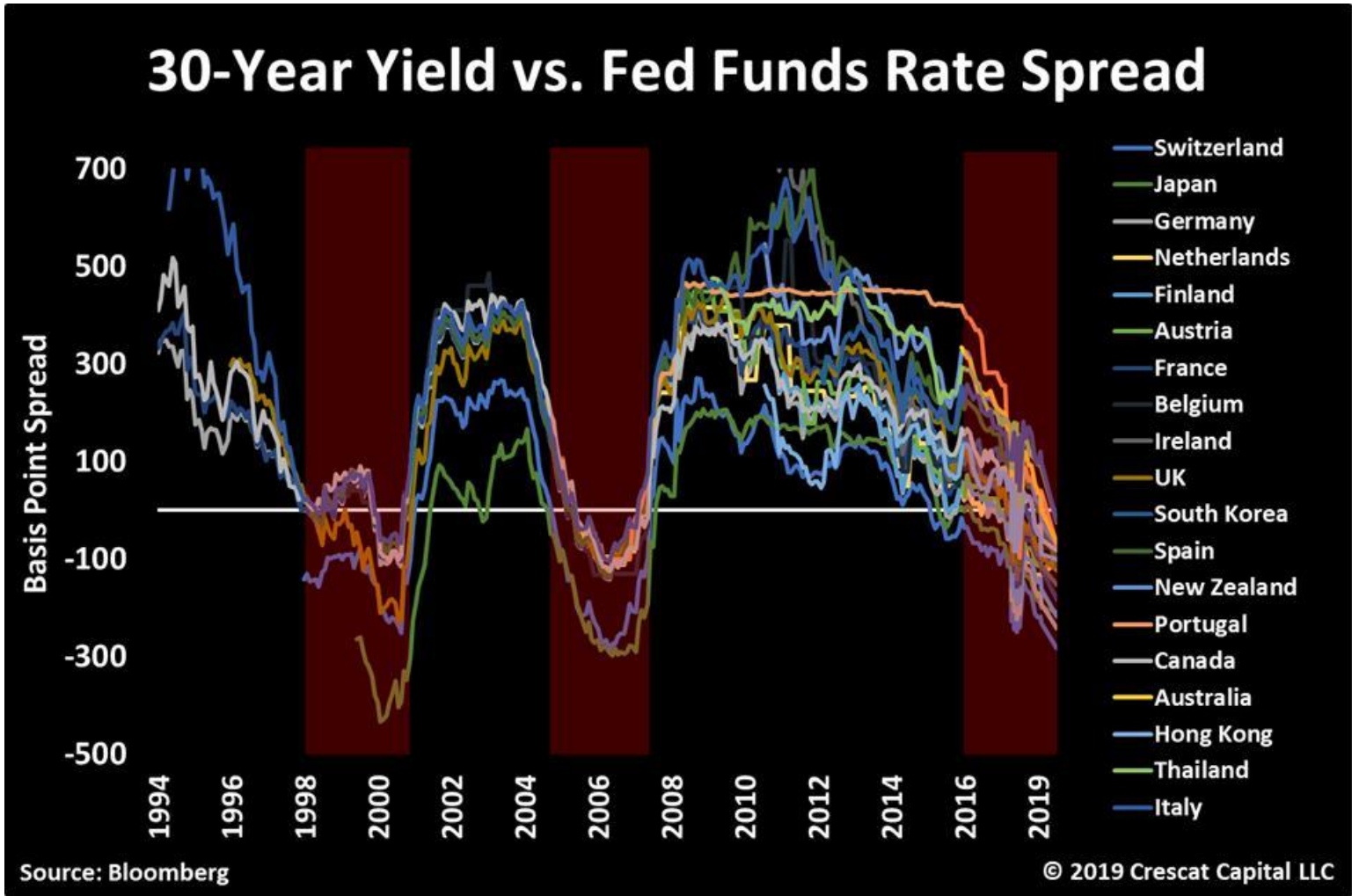
Venture capital barometer down close to 40% from its peak in June 2019.  
VC deal volumes are down 24%, while deal exits just plunged 35%!



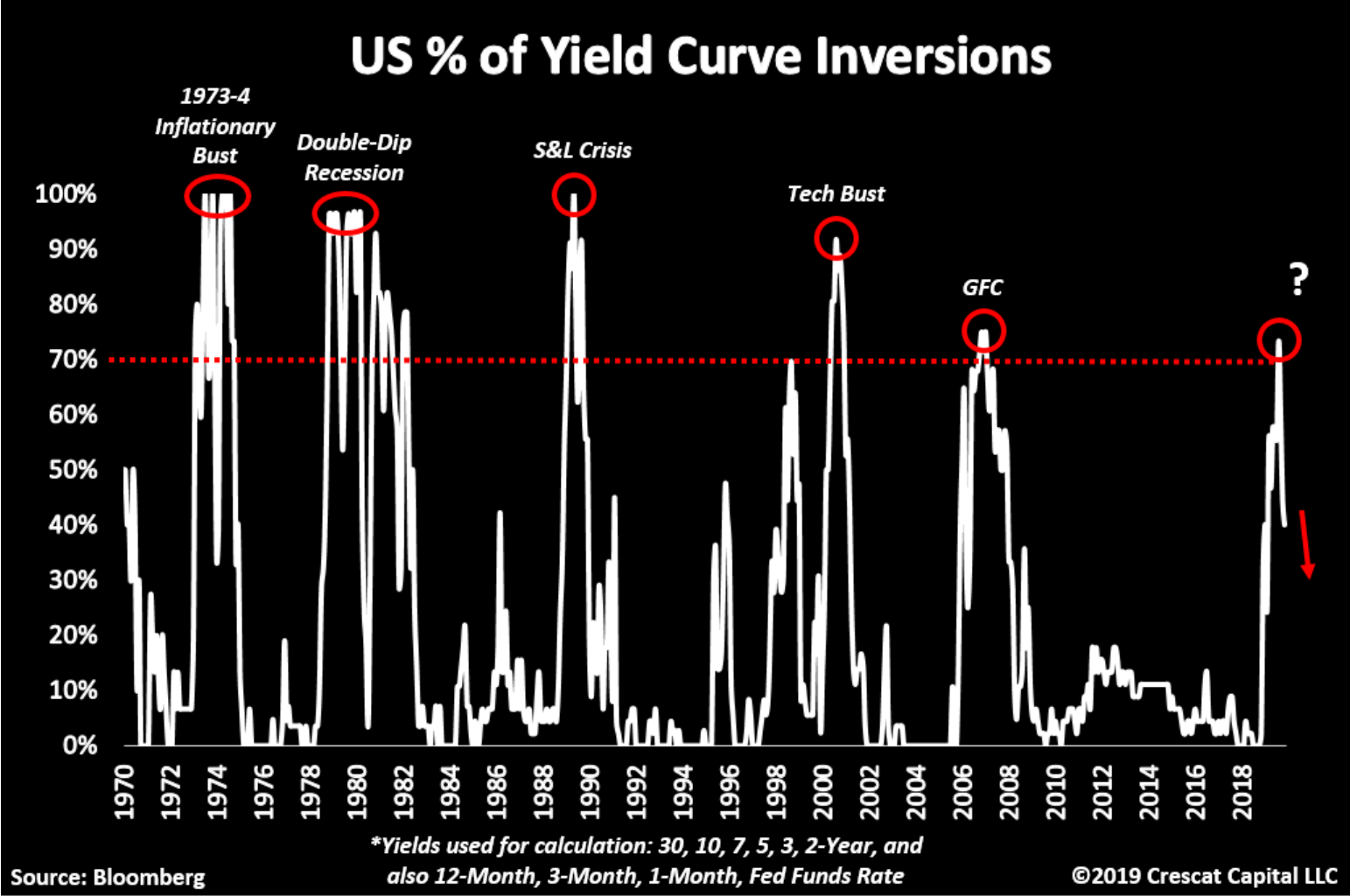
Stocks acting like it's the beginning of an economic expansion or the end.



The number of economies with negative 30-year spreads relative to Fed Funds is unprecedented.

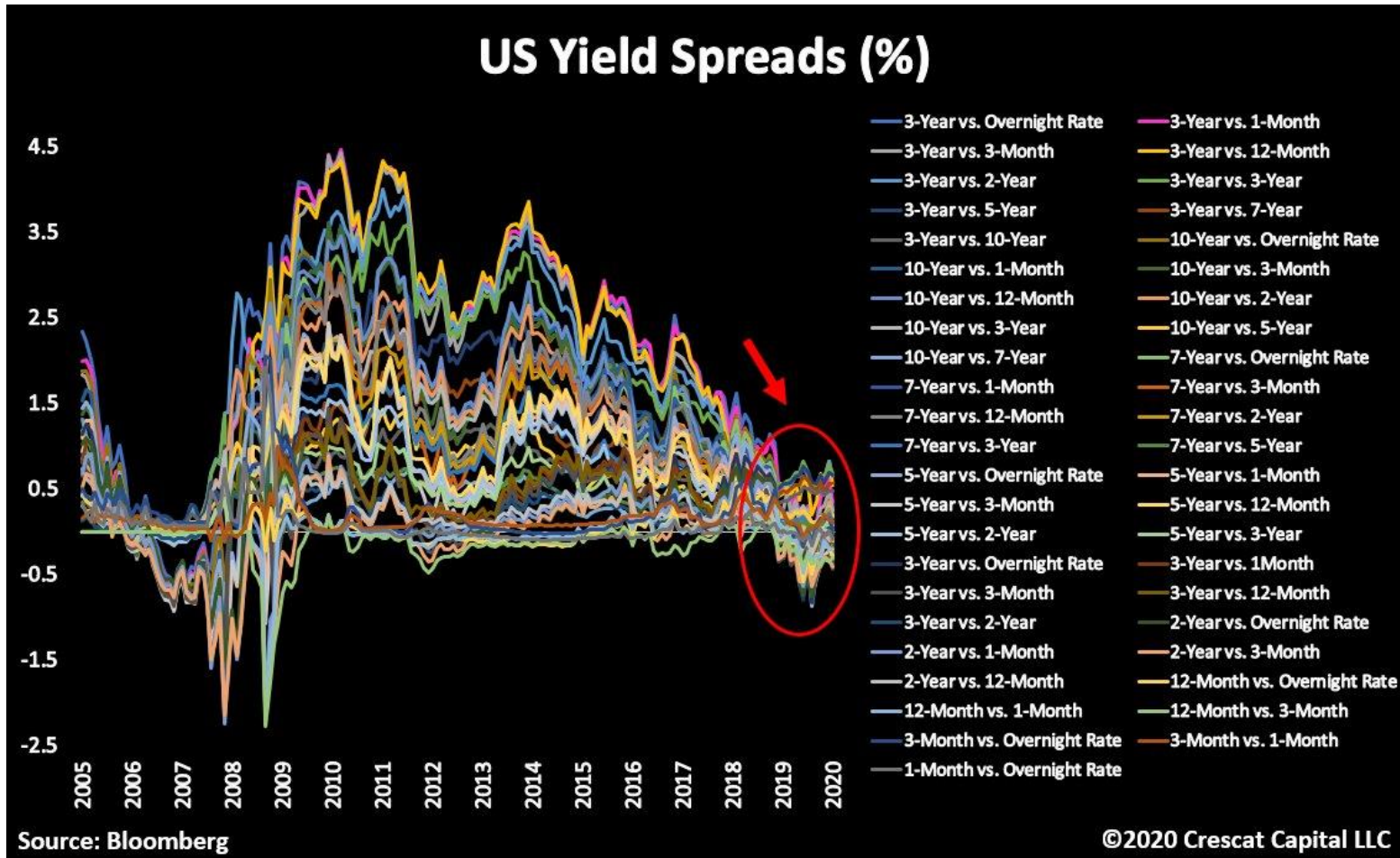


Every prior time >70% of yield curve inverted a recession followed.

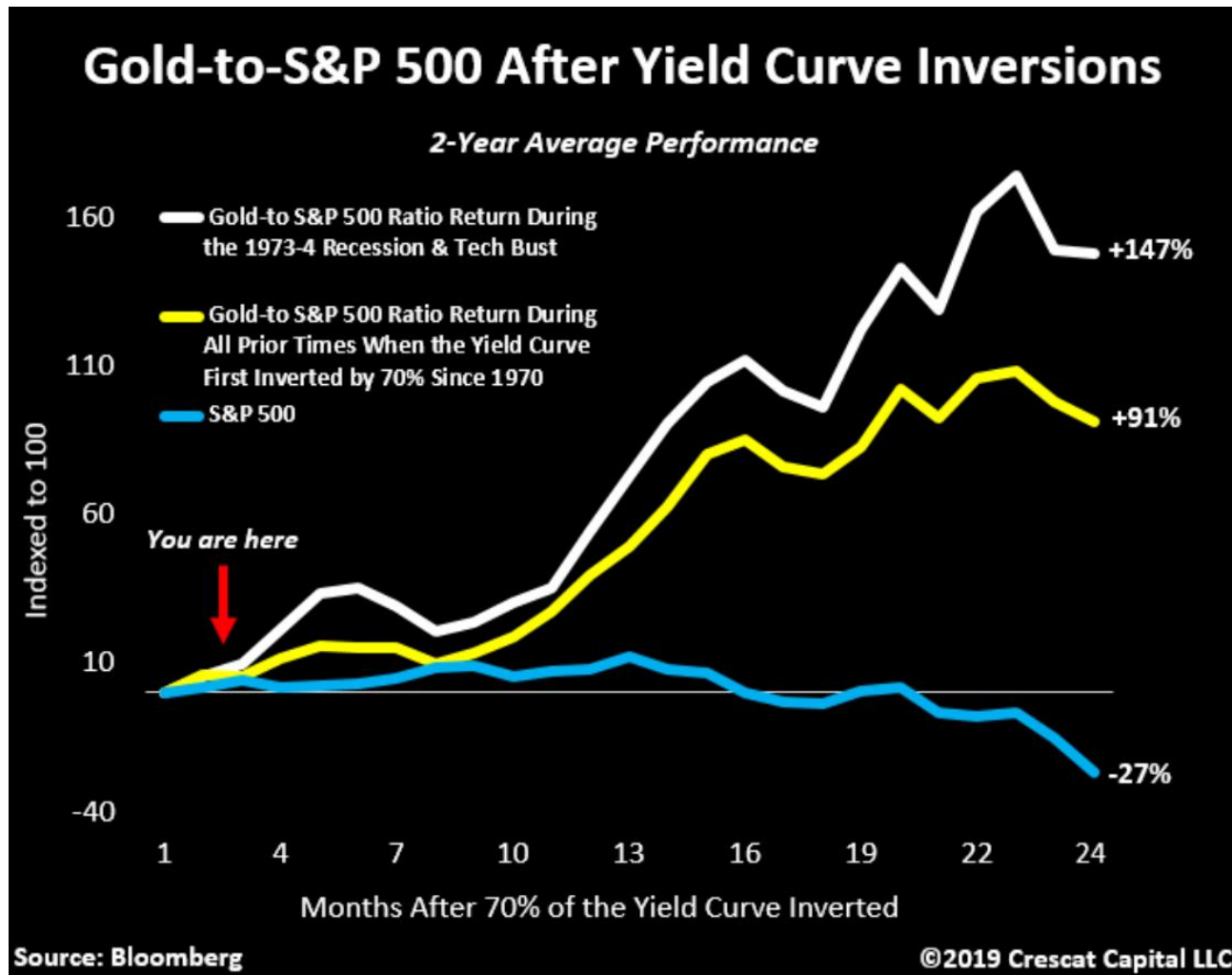




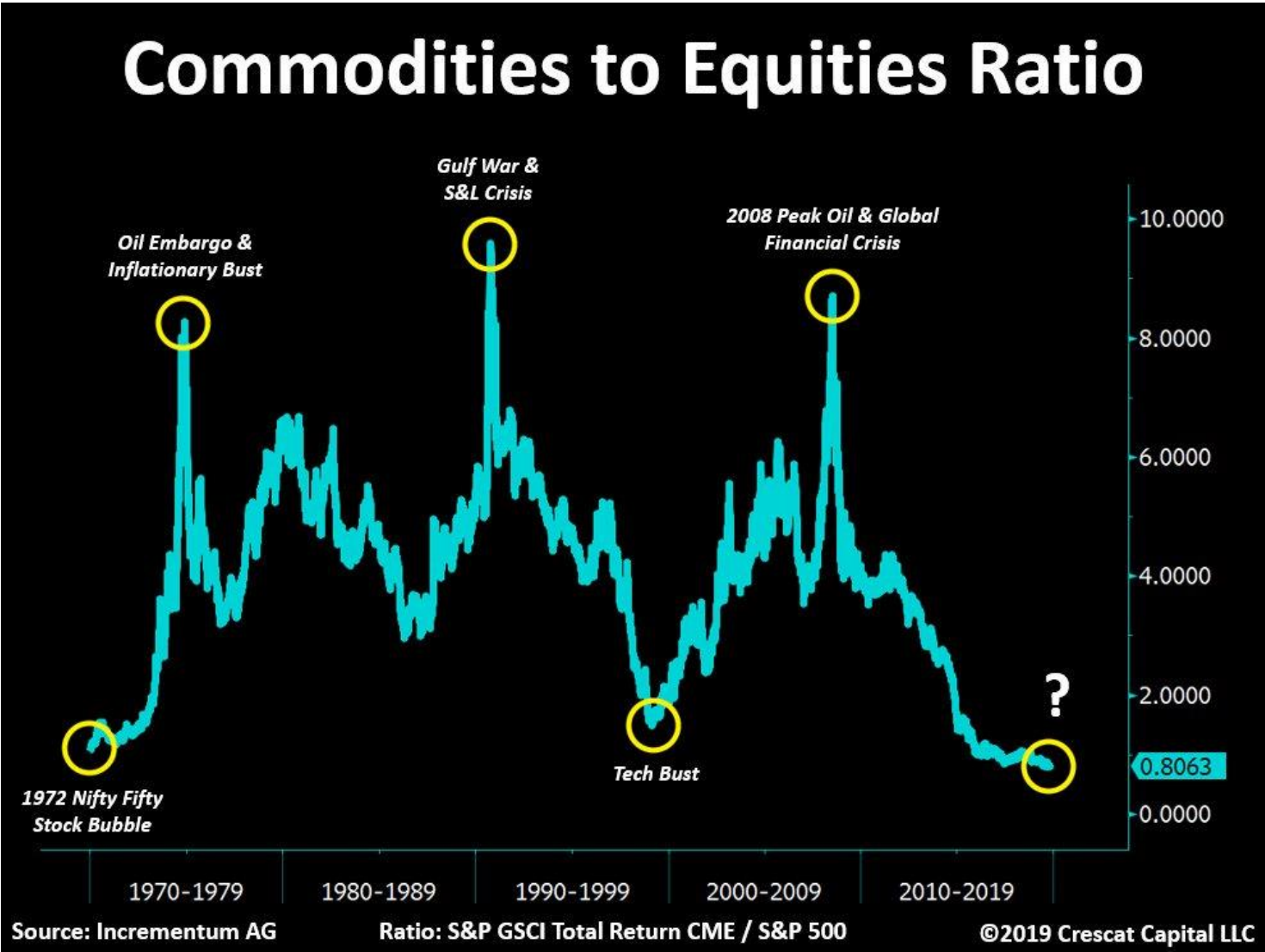
A detailed view of the percentage of yield curve inversions today...



Buying gold and selling stocks is one of the most compelling macro investment ideas after inversions reach excessive levels.

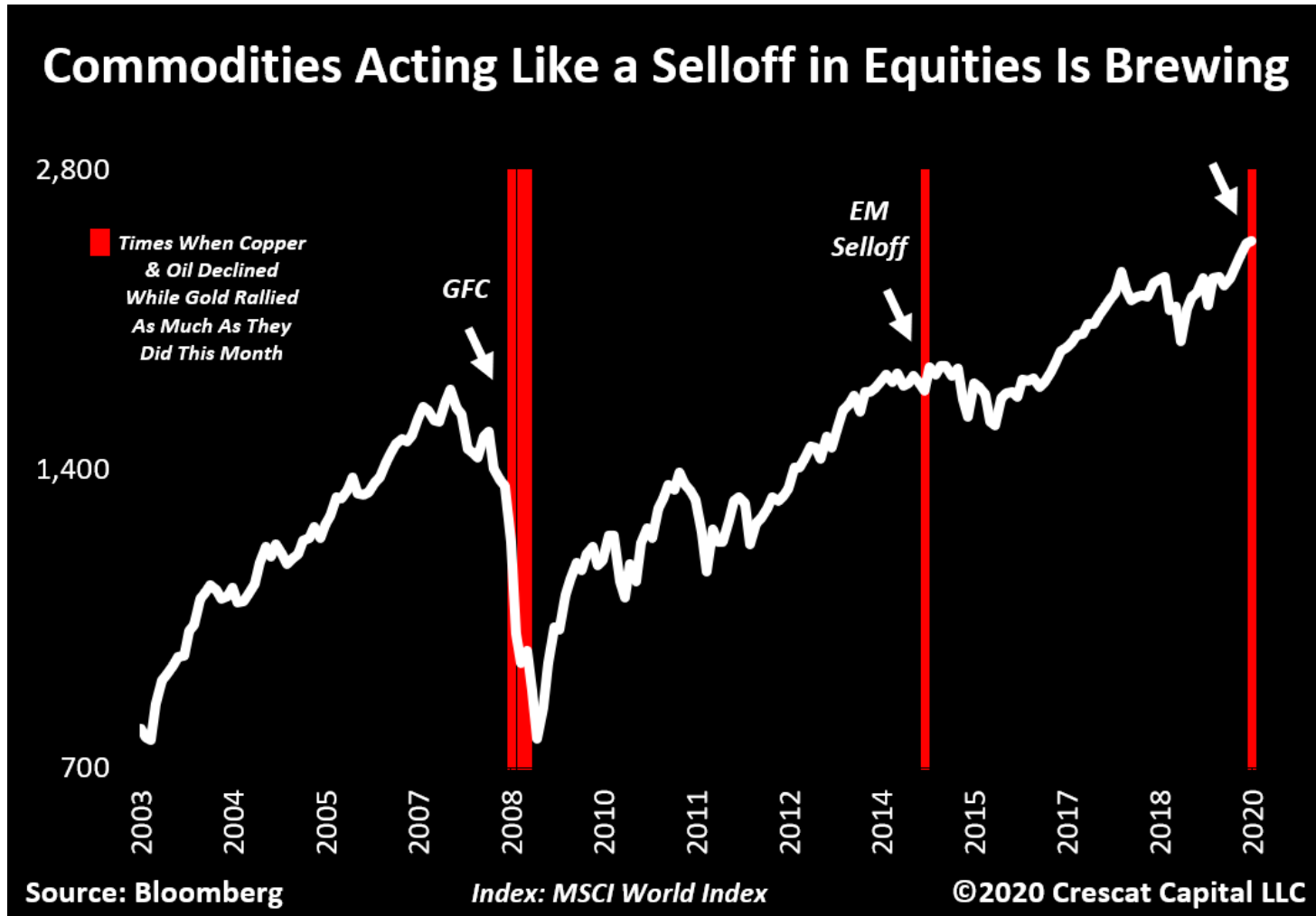


Commodities-to-S&P 500 ratio just reached a fresh 50-year low!



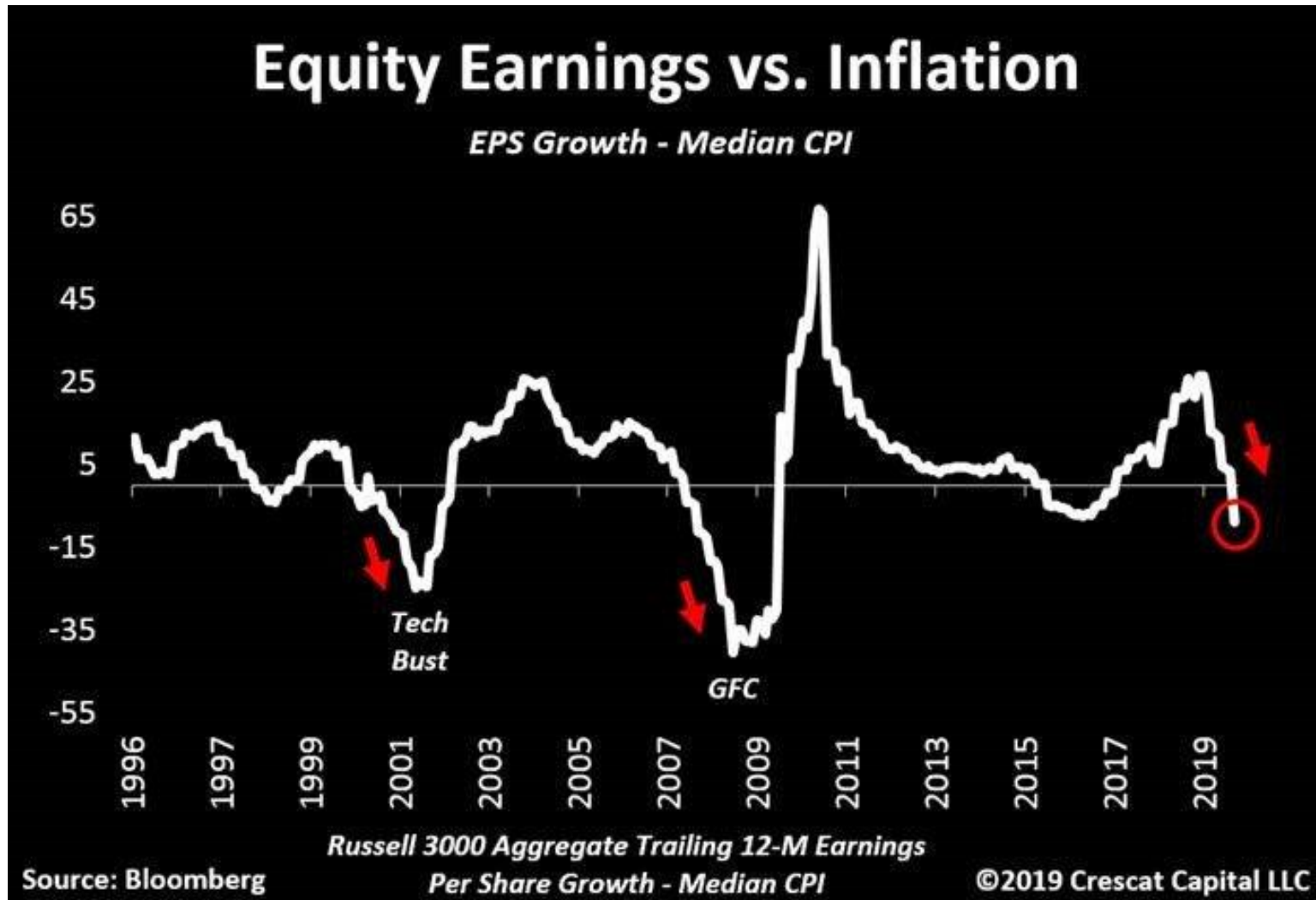
Oil & copper plunging while gold rallies?

This only happened a few other times in history: During the Great Recession & just prior to the EM meltdown. Commodities are clearly acting like a selloff in stocks is approaching.

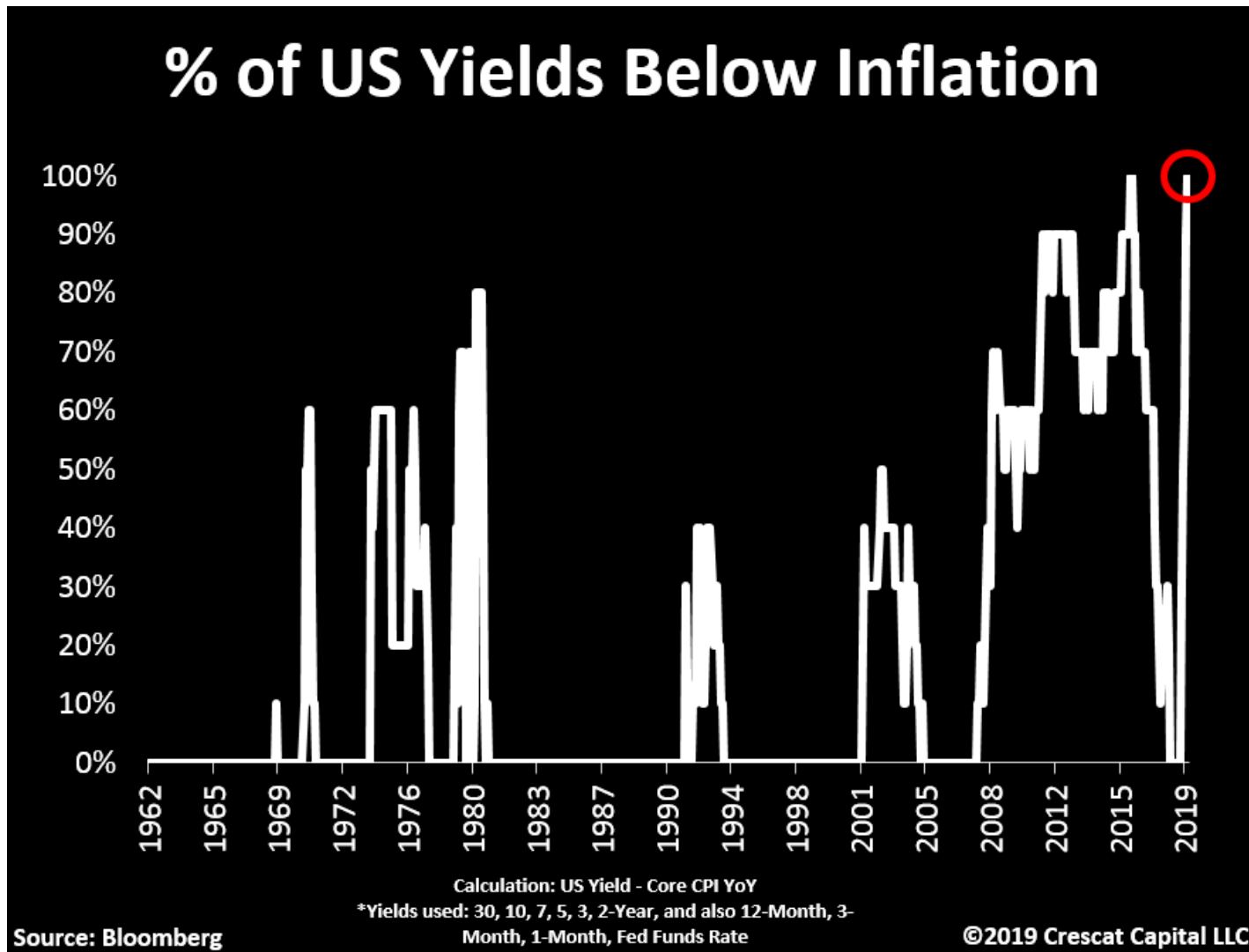


Earnings aren't just contracting...

They are also at their worst spread against inflation since the Great Recession.

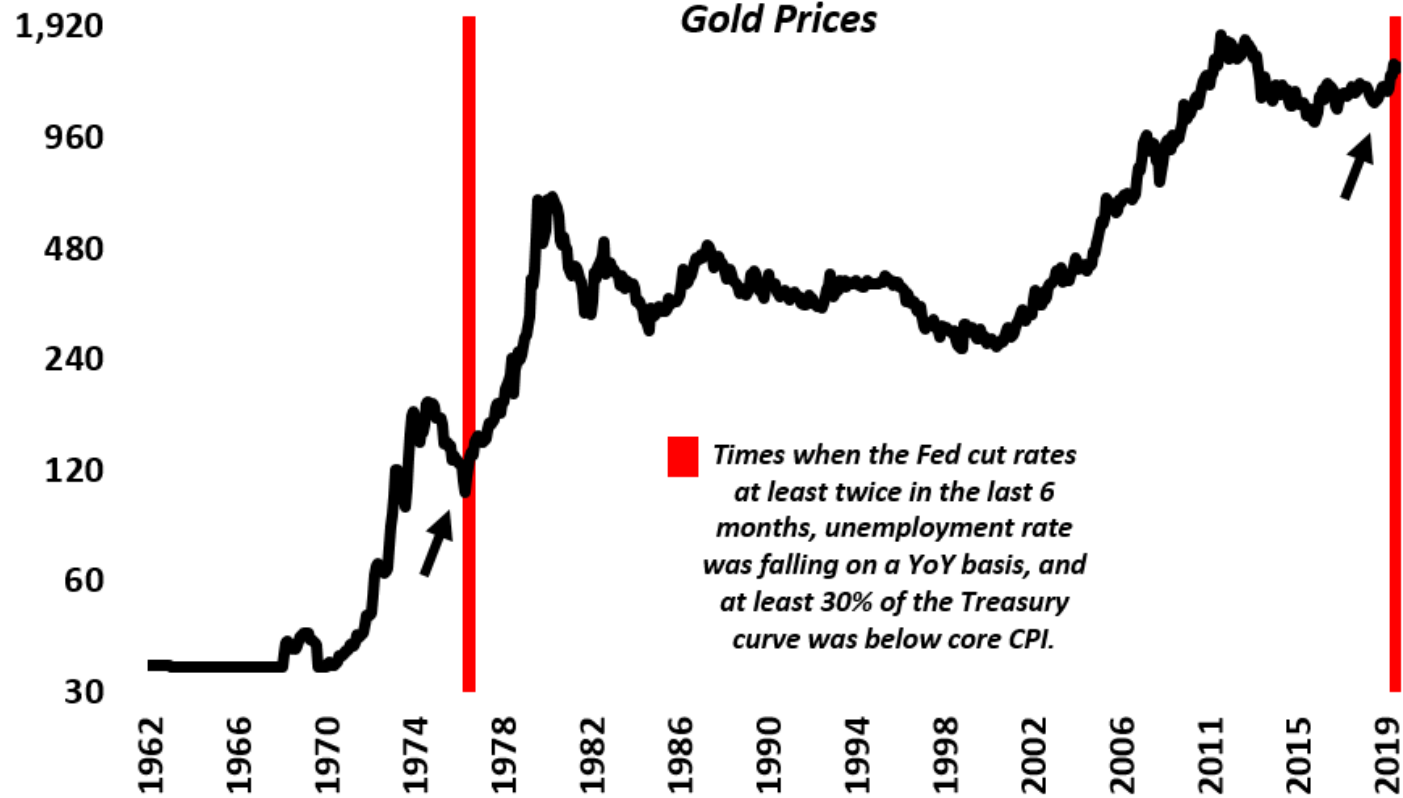


Stunning to see inflation above the entire Treasury curve.  
2016 was the only other time in history.



All stars aligned. Fed easing. Negative real yields everywhere. Unemployment rate falling.

## Fed Easing With Unemployment Rate Falling & Negative Real Yields?

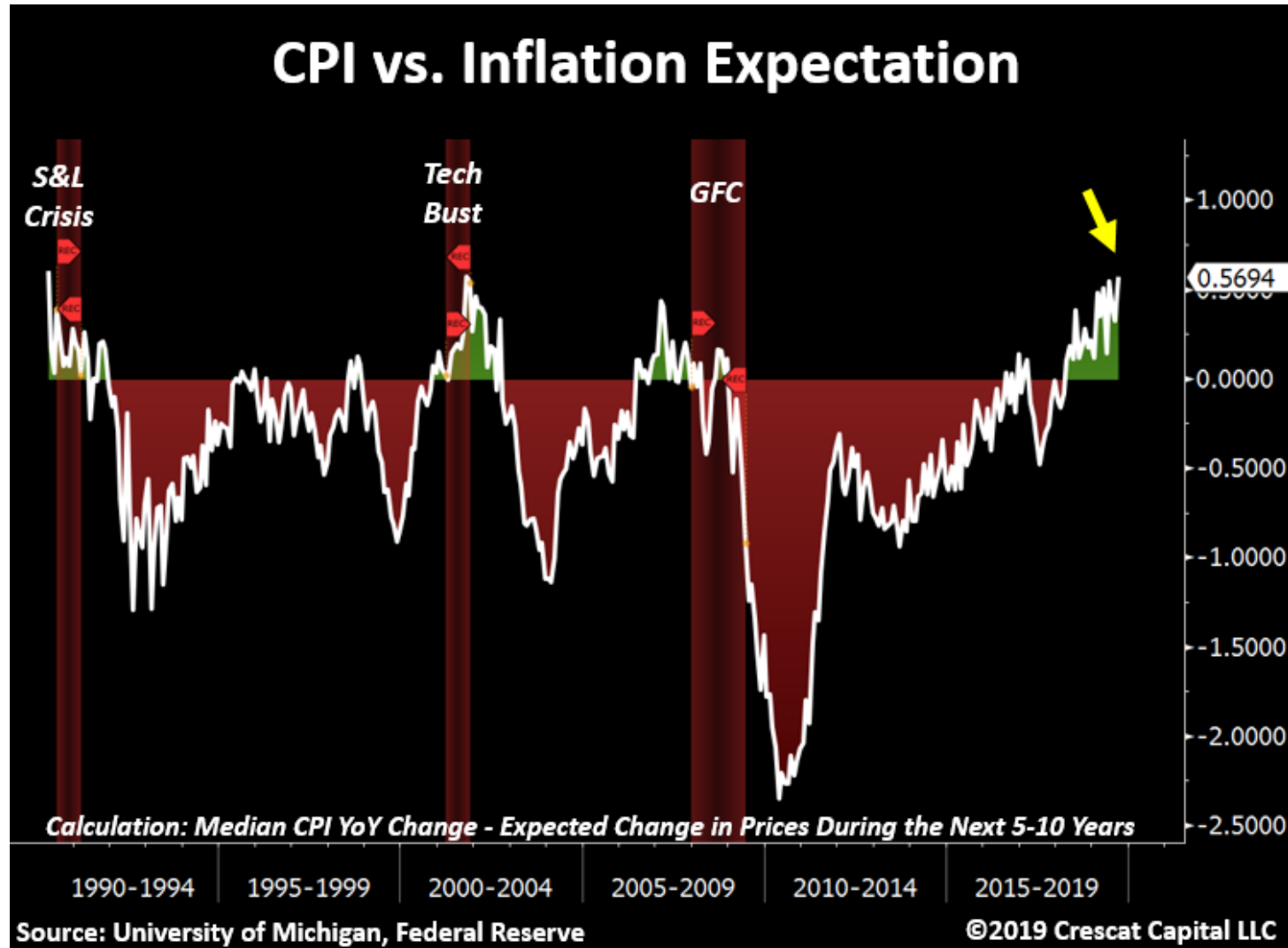


Source: Bloomberg

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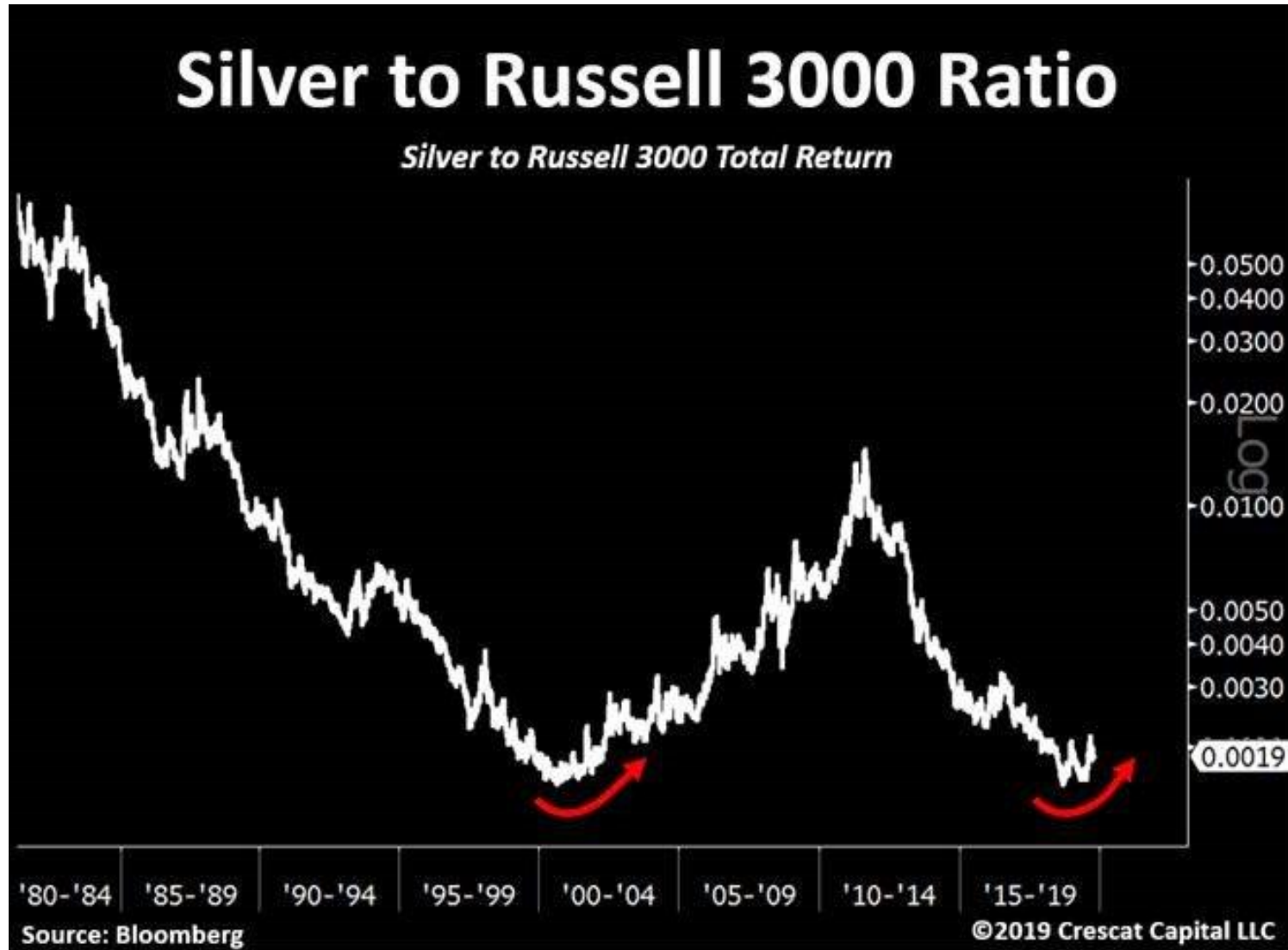


Outlook for rising prices is at a fresh 40-year low while core & median CPI are at decade highs.

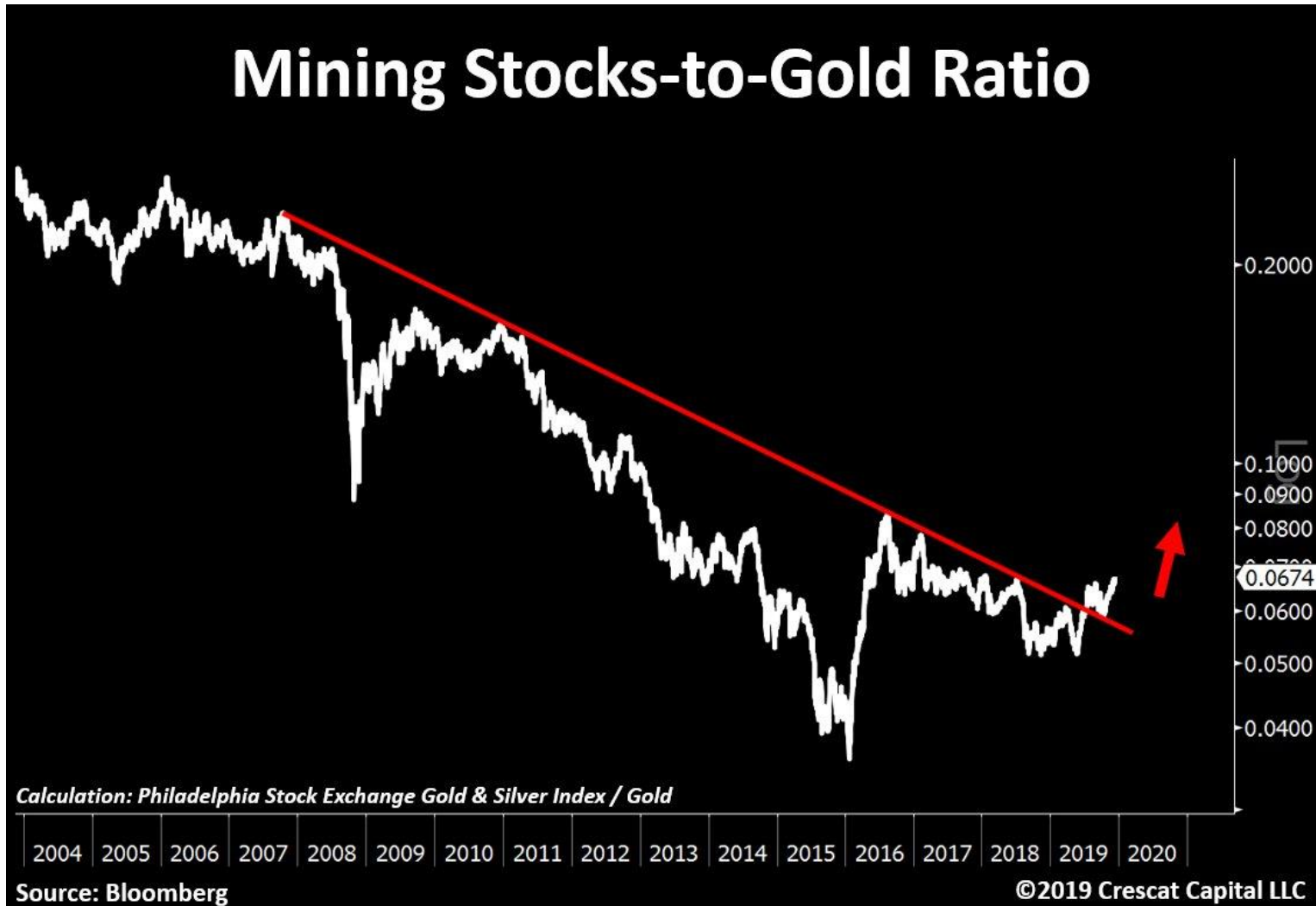




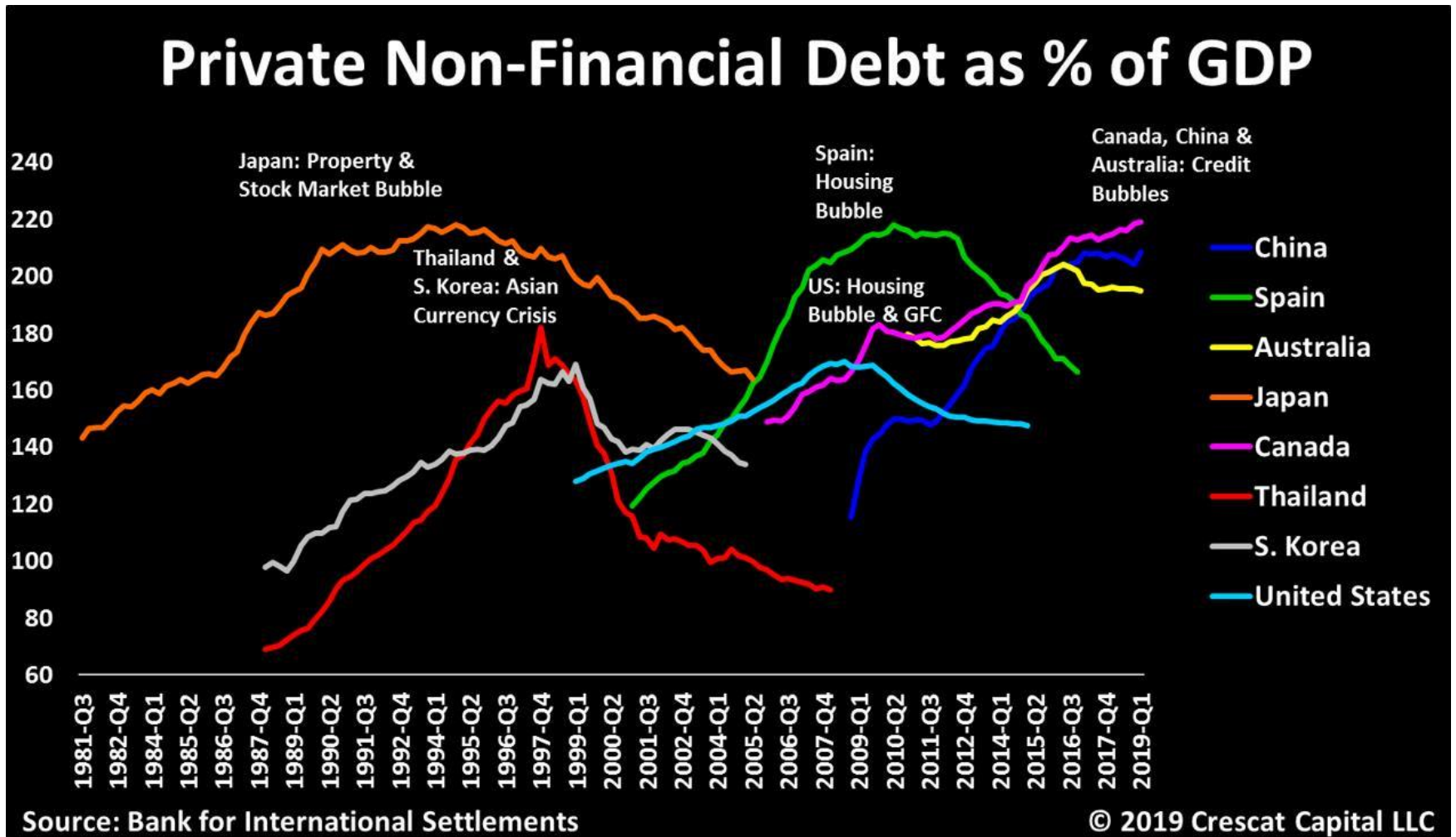
The silver-to-stocks ratio outlays the extent of opportunity ahead.  
At a perfect double bottom.



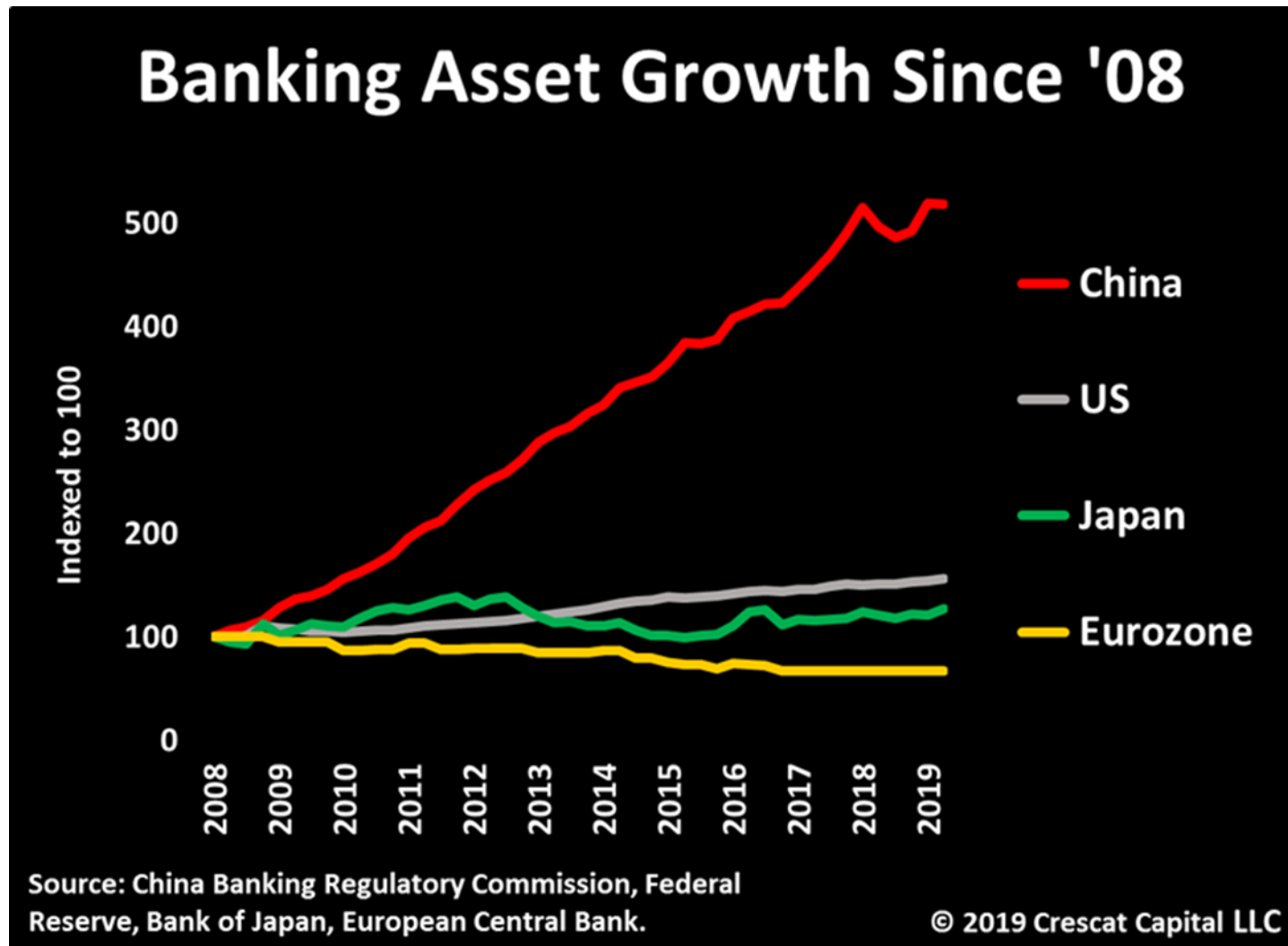
This 12-year breakout in mining stocks relative to gold now as solid as a rock.



Credit bubbles build up when private sector debt growth rapidly outpaces GDP growth during an economic expansion.

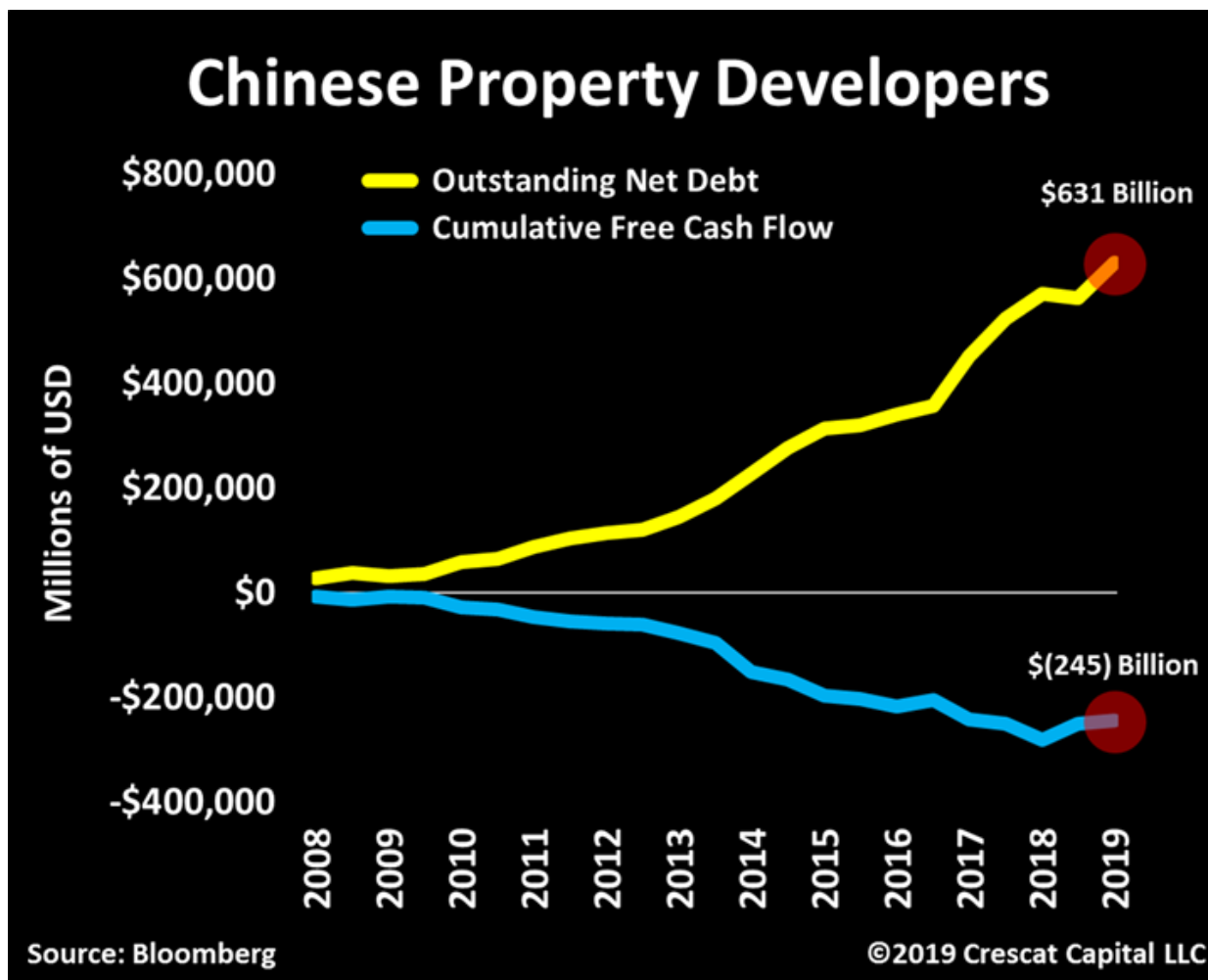


China is likely the largest credit bubble in history.

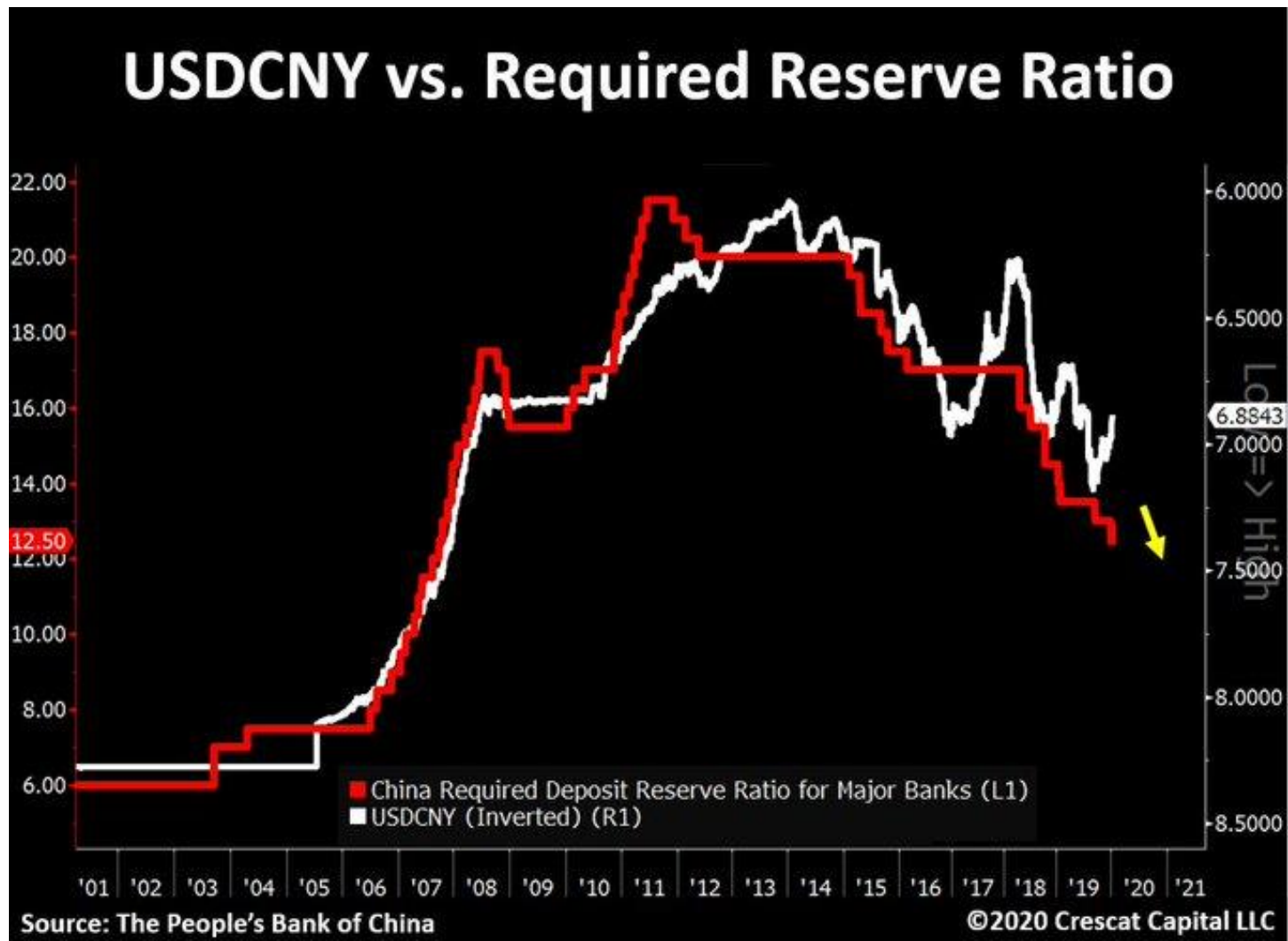


Large sums of investments into non-productive assets.

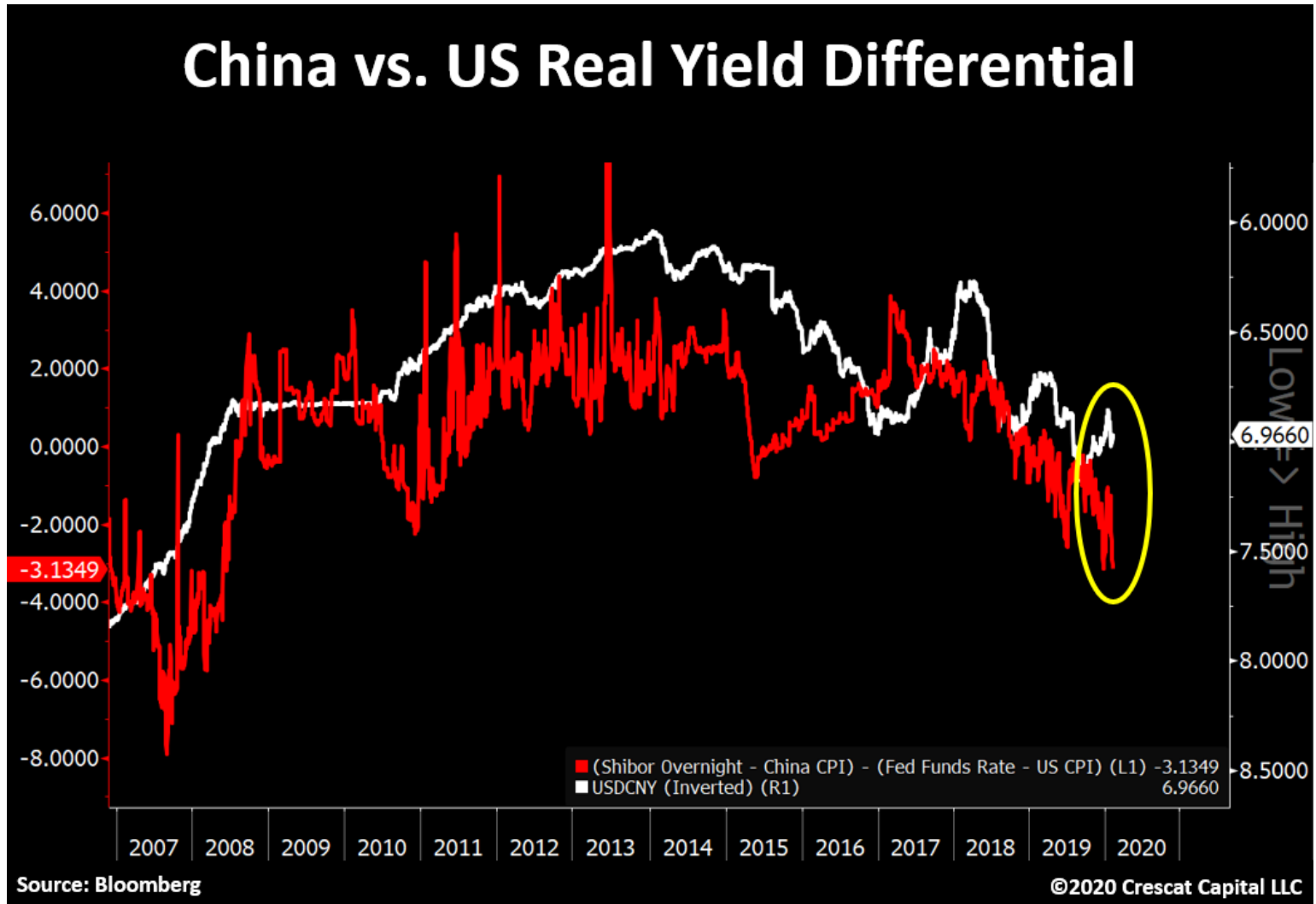
Property developers accumulated \$245 billion in FCF losses since 2008.



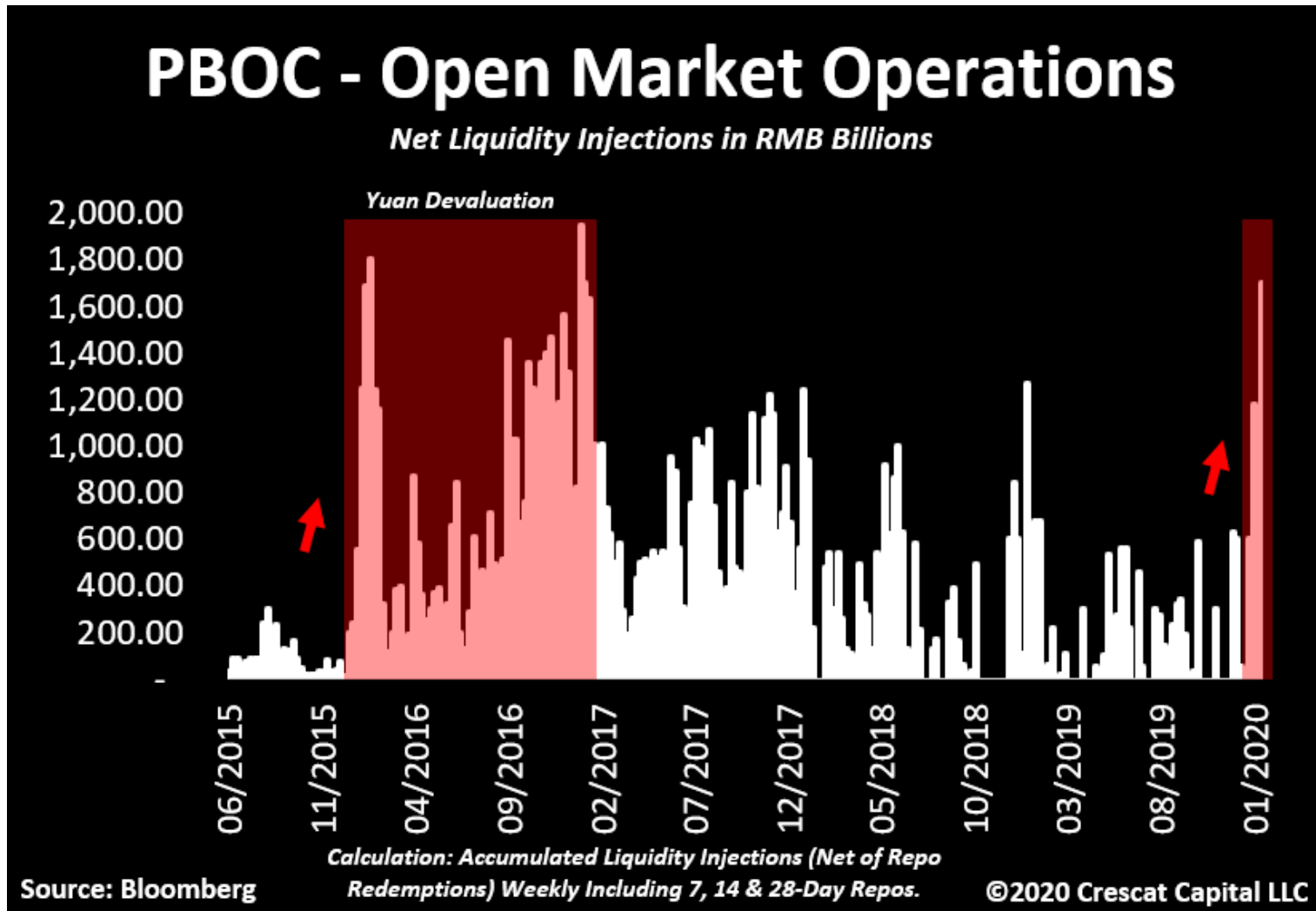
\$CNY diverging again from a 20-year link with China's required reserve ratio. Excessively loose policies always lead to value destruction of fiat currencies.



US vs. China real yield differential is now at its lowest level since the Great Recession.

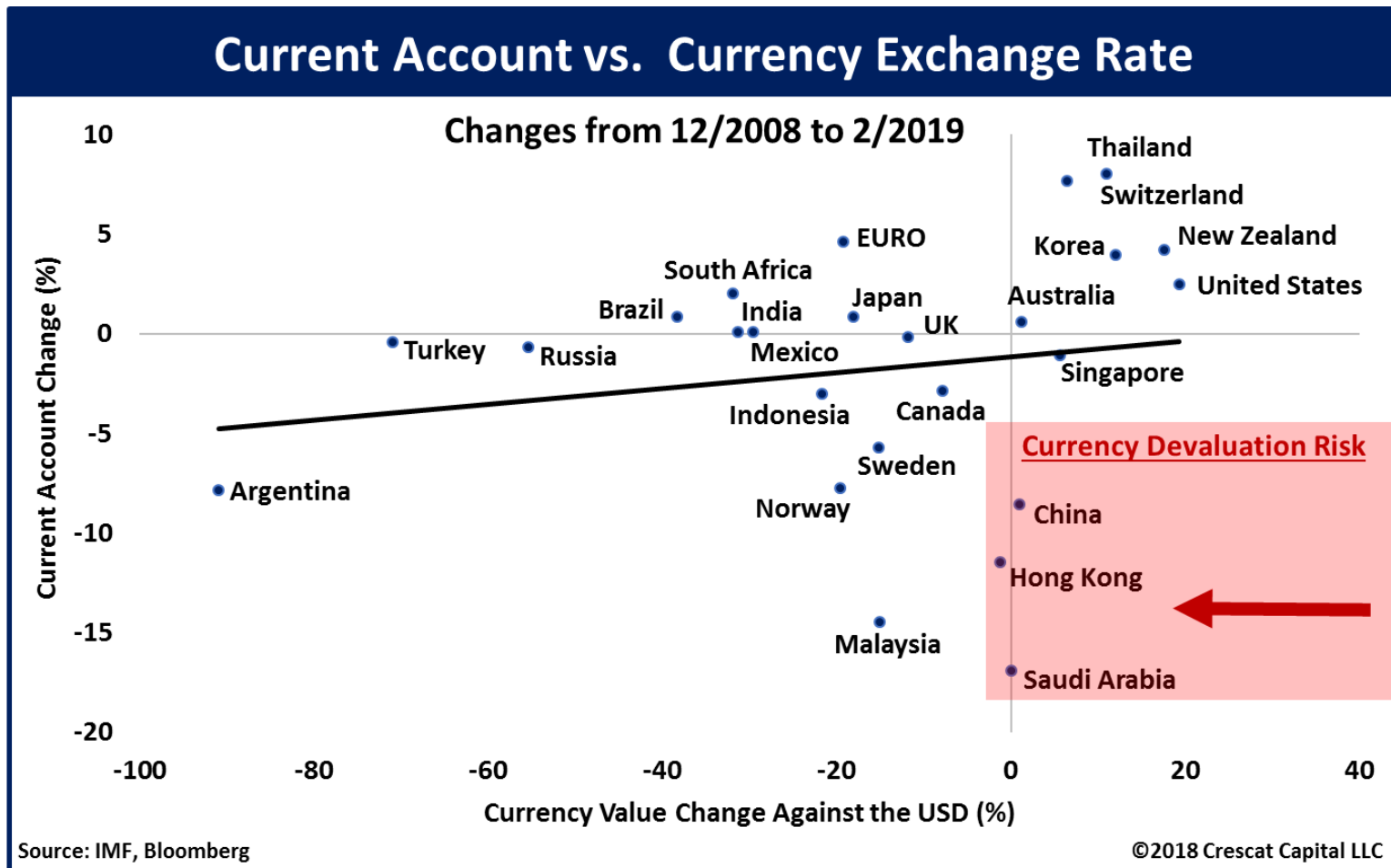


The PBOC added \$380B of net OMO injections in just 1 month!

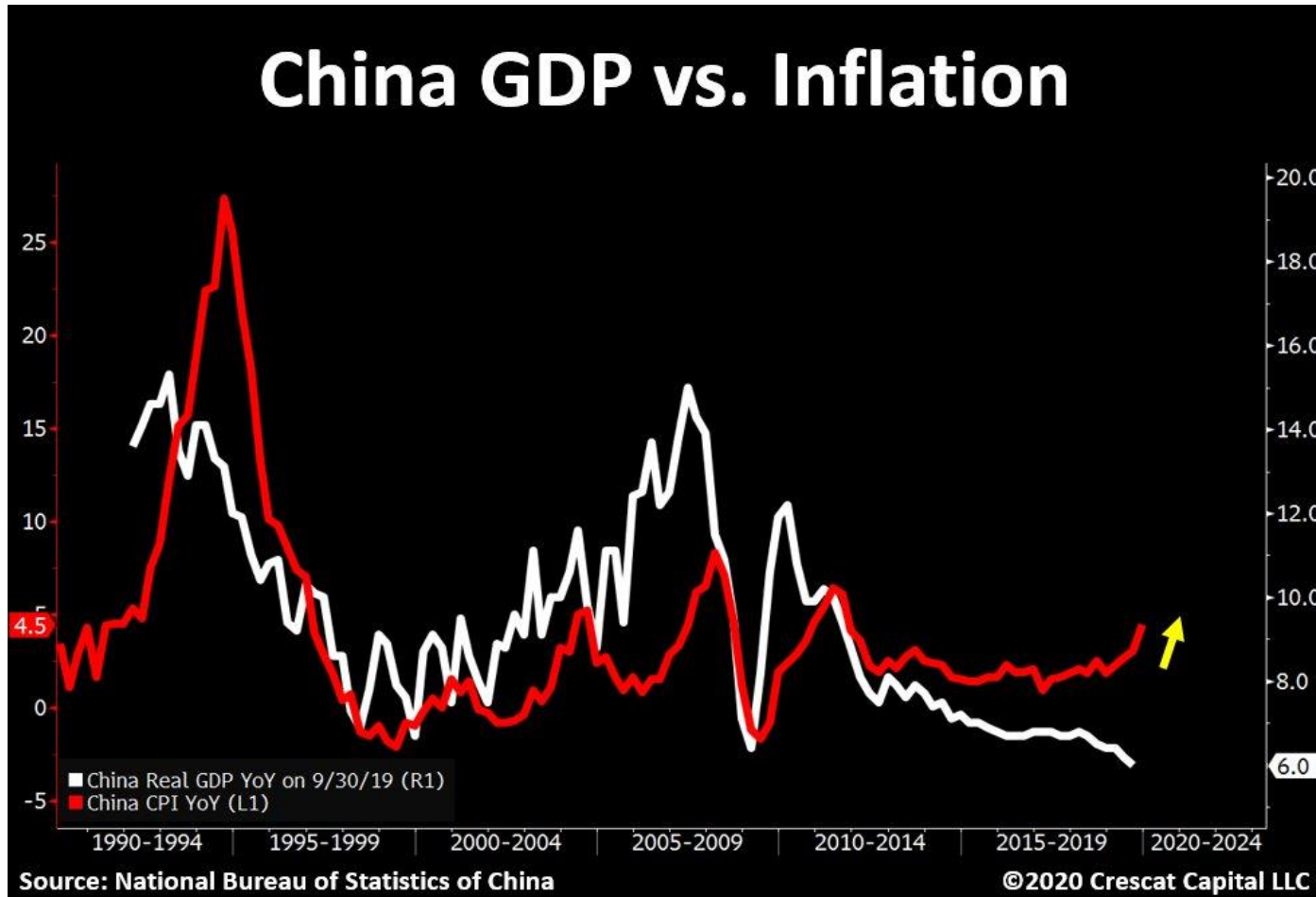




Currency pegs can be stubborn, but they ultimately fail.  
Chinese Renminbi devaluation is likely to be the next development to unfold.



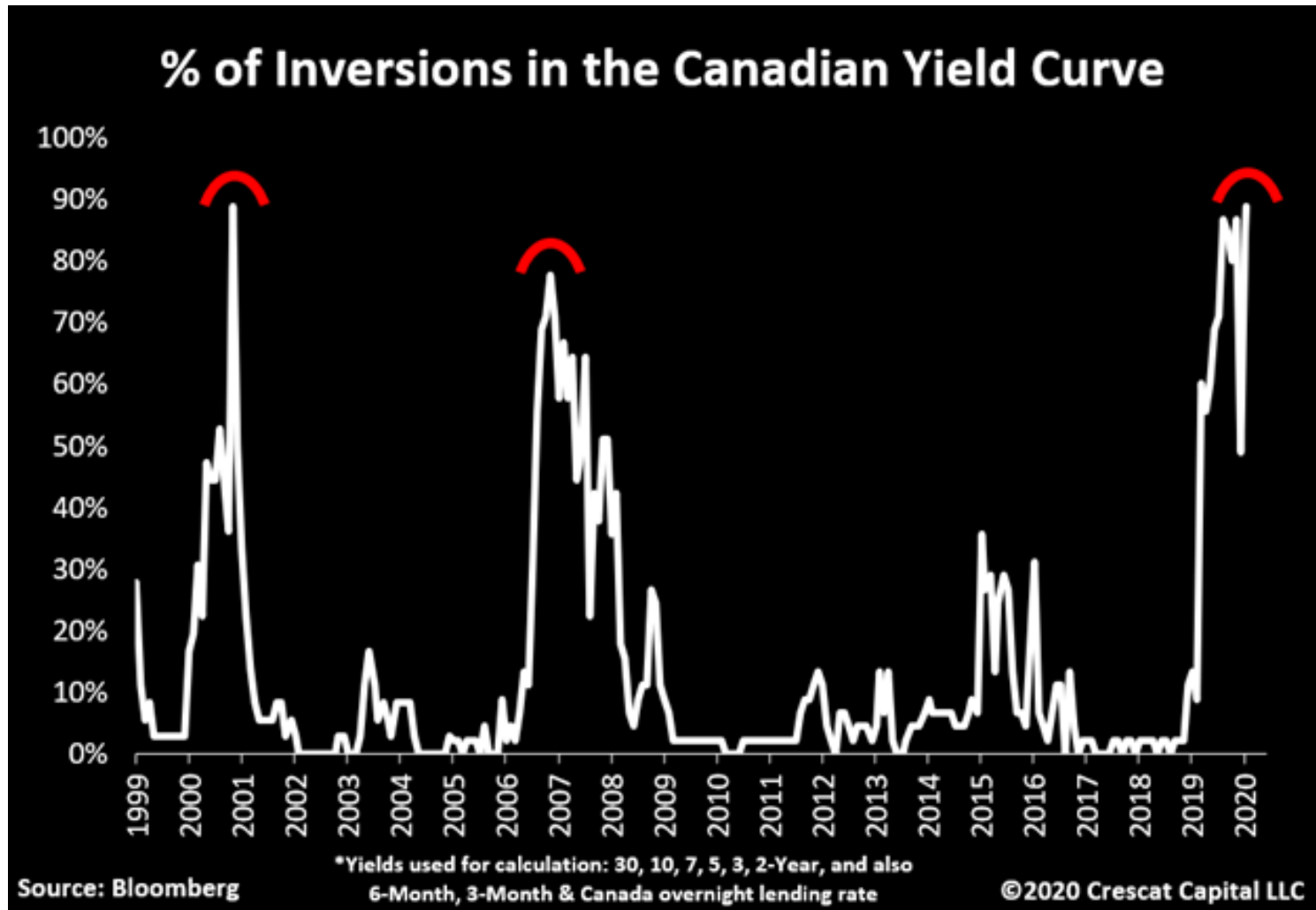
A toxic combination: (1) Unprecedented debt levels, (2) Economic slowdown, (3) Inflationary pressure picking up



Note that copper isn't rallying as it did in 2017.  
It's collapsing.



% of yield curve inversions have already exceeded critical levels globally:

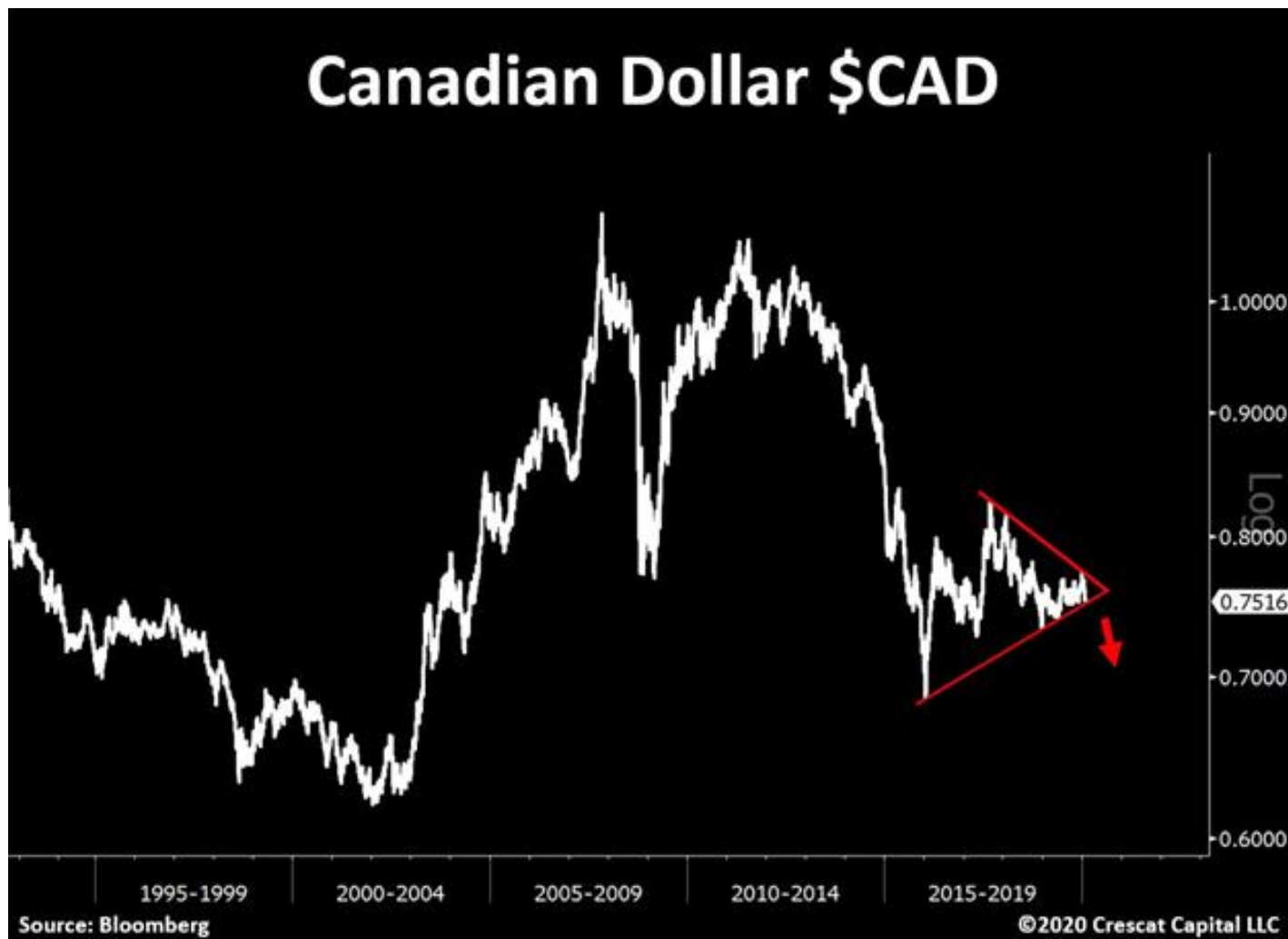


Related FX markets are sending warning signals.  
\$BRL is now at its worst level in history.

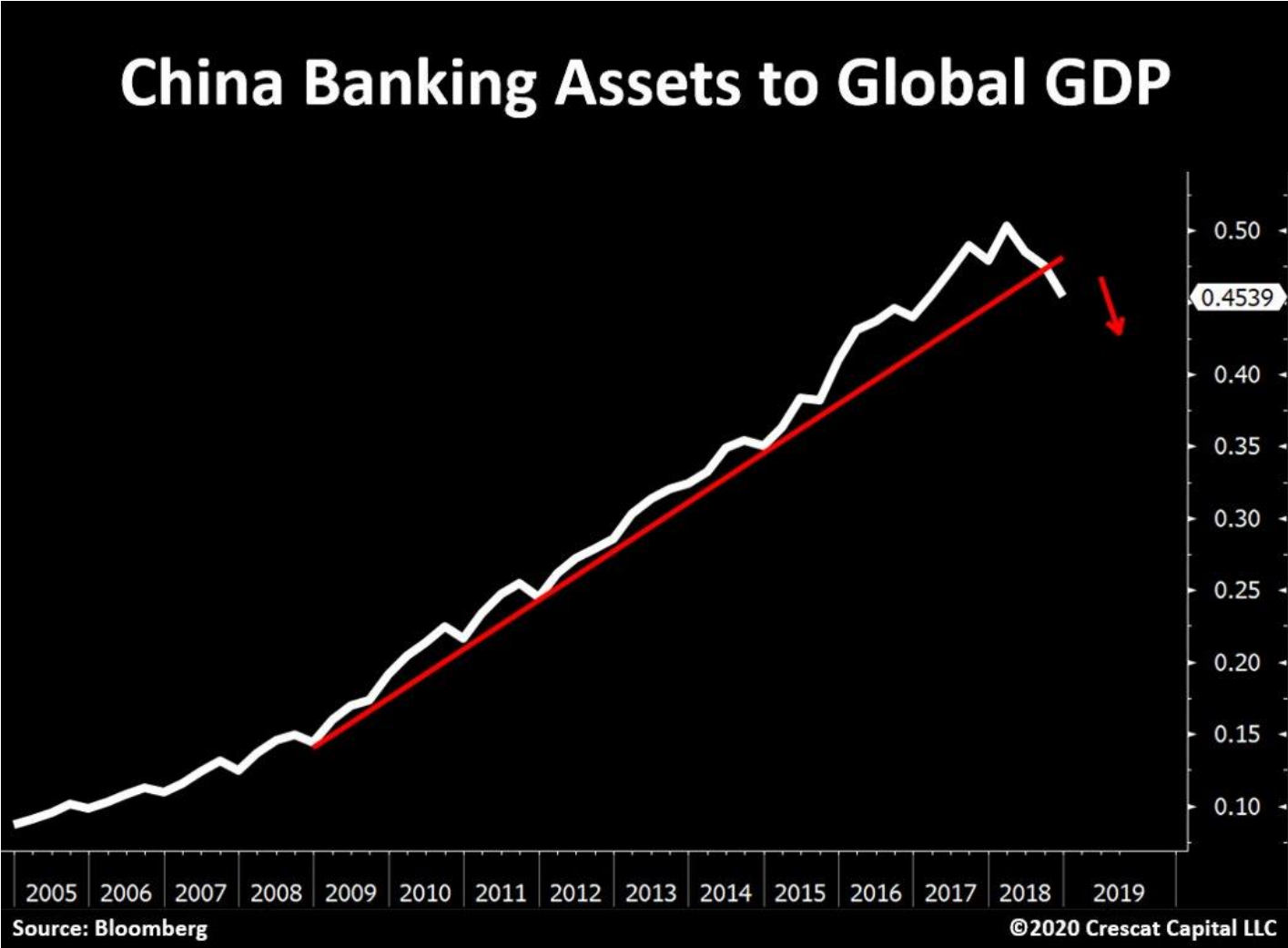


\$CAD is on a massive bearish flag.

Another commodity driven economy with strong ties to China.



China's bank assets grew from 9% to an insane 50% of global GDP from 2005 to 2018: USD 3.6 to 41T. Breakdown indicates China's Minsky Moment could finally be at hand.

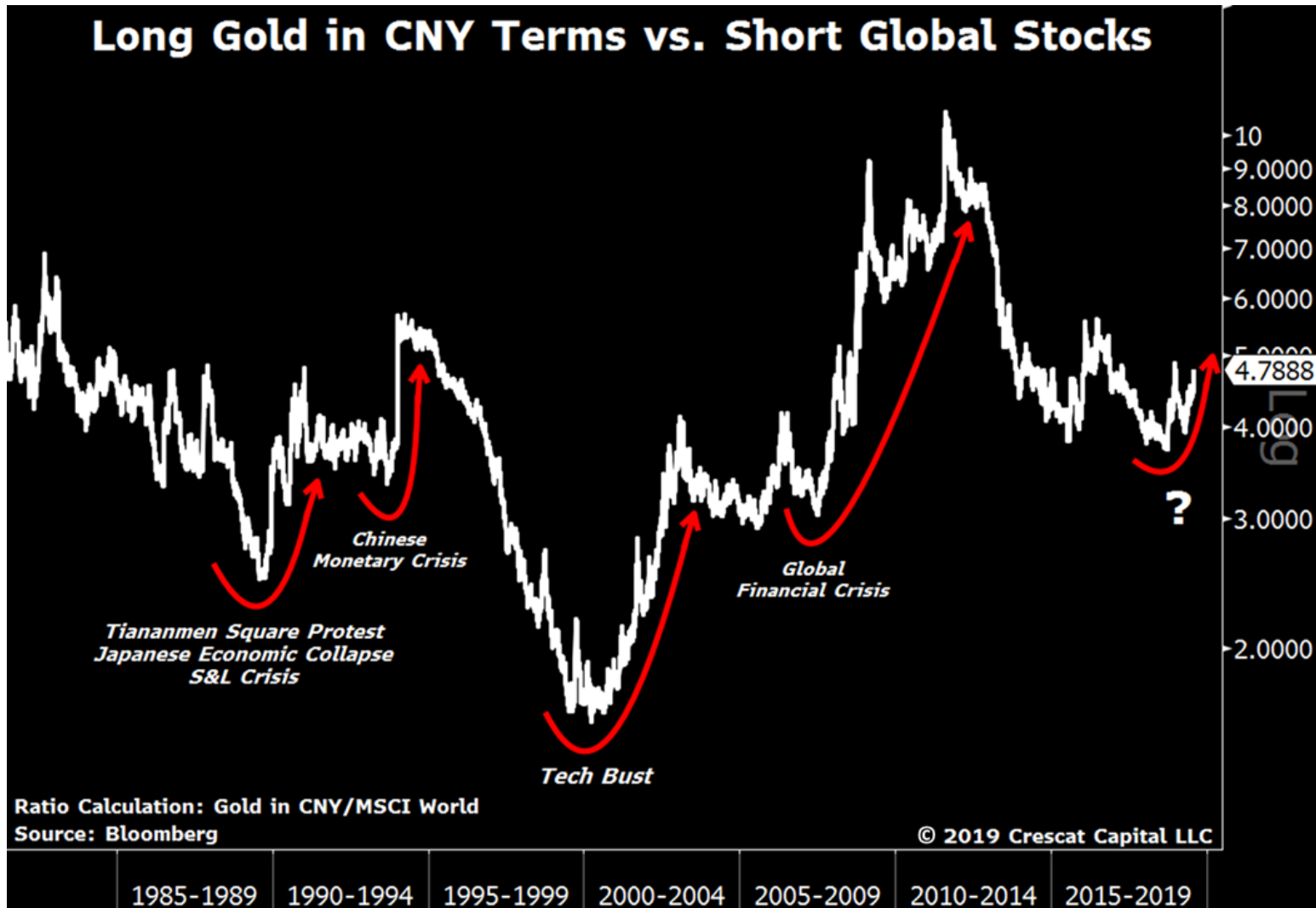


Gold in CNY terms may be the macro trade of the year.



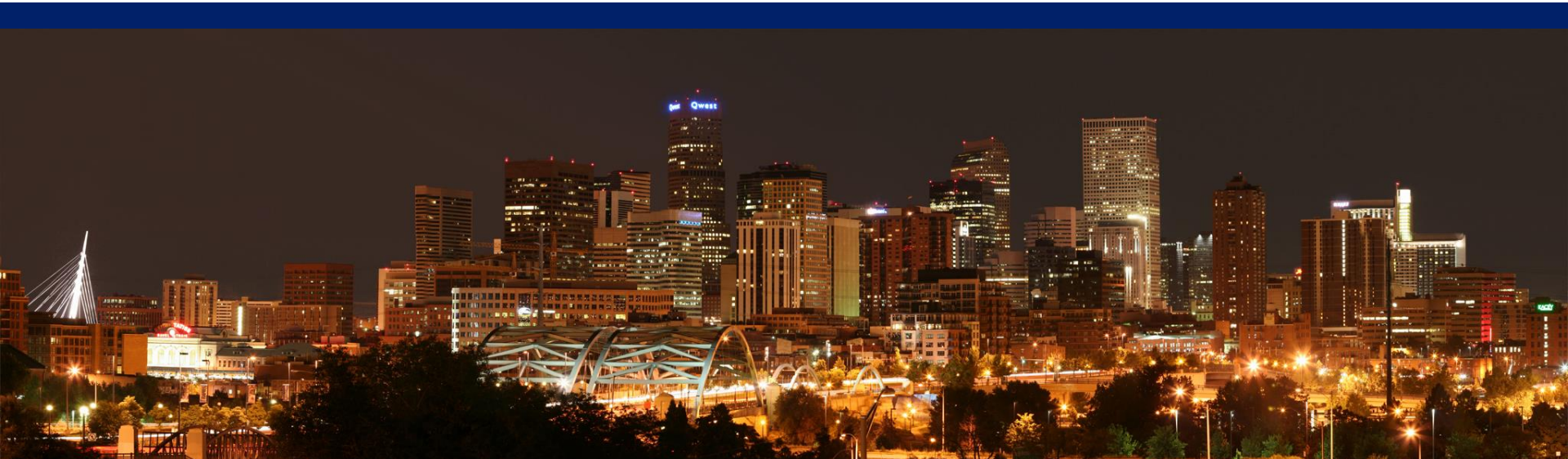


# Macro trade of the century:



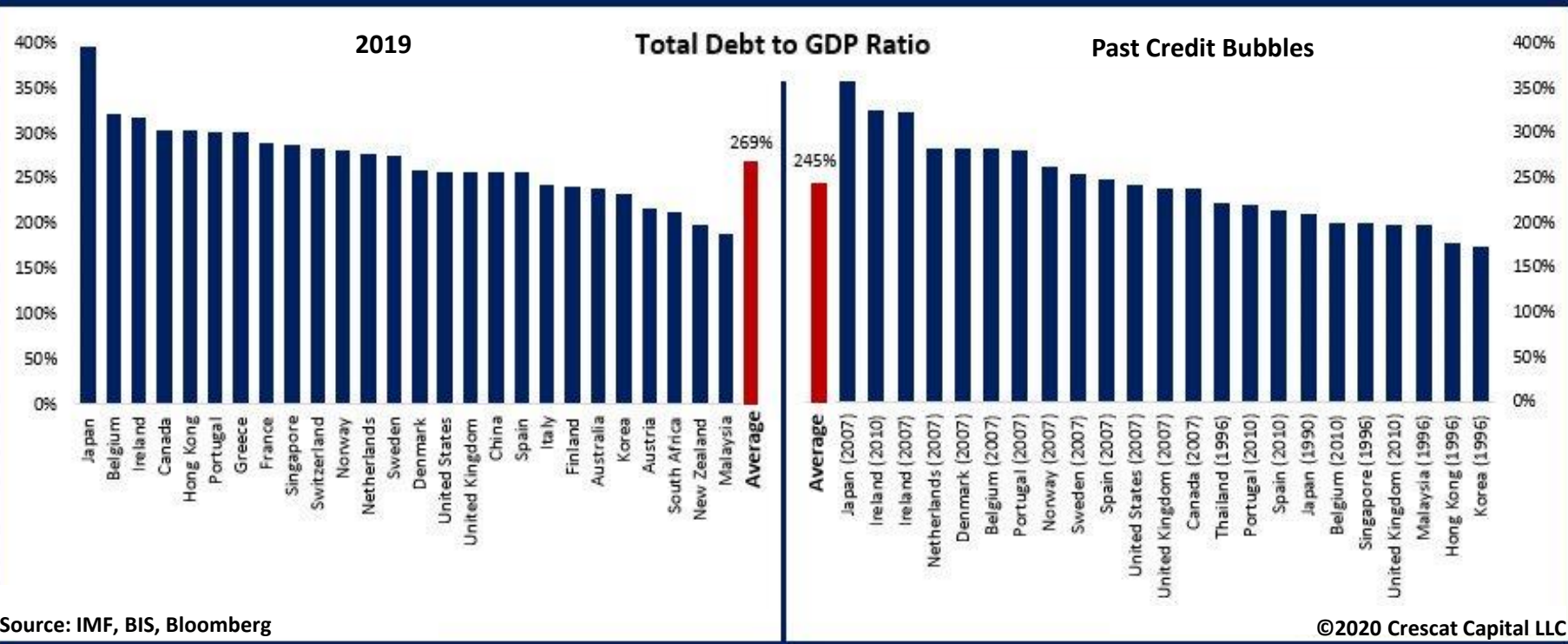
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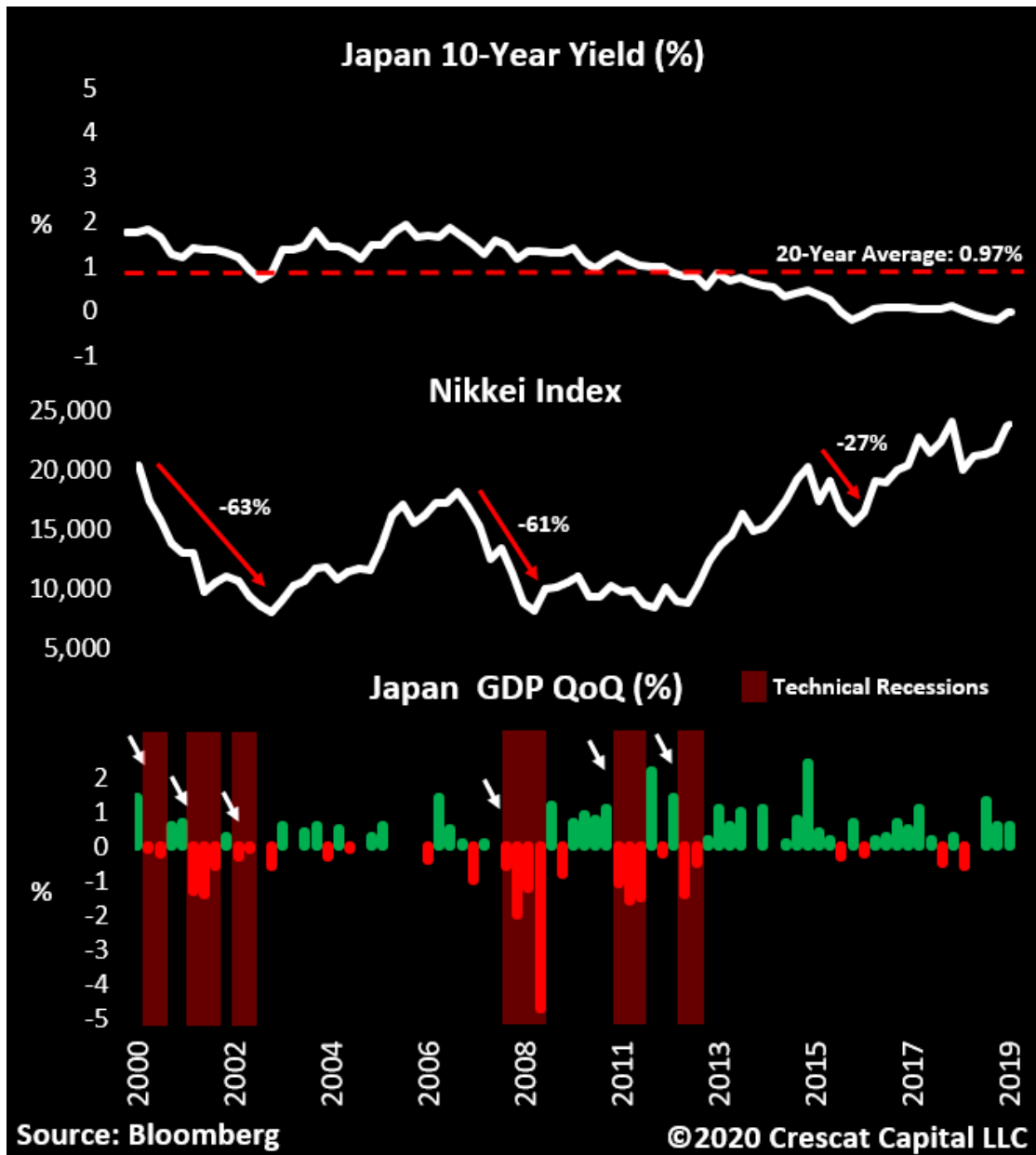
# Appendix

# Global Debt Imbalance Now Worse Than the Average of All Major Bubbles in the Last 30 Years

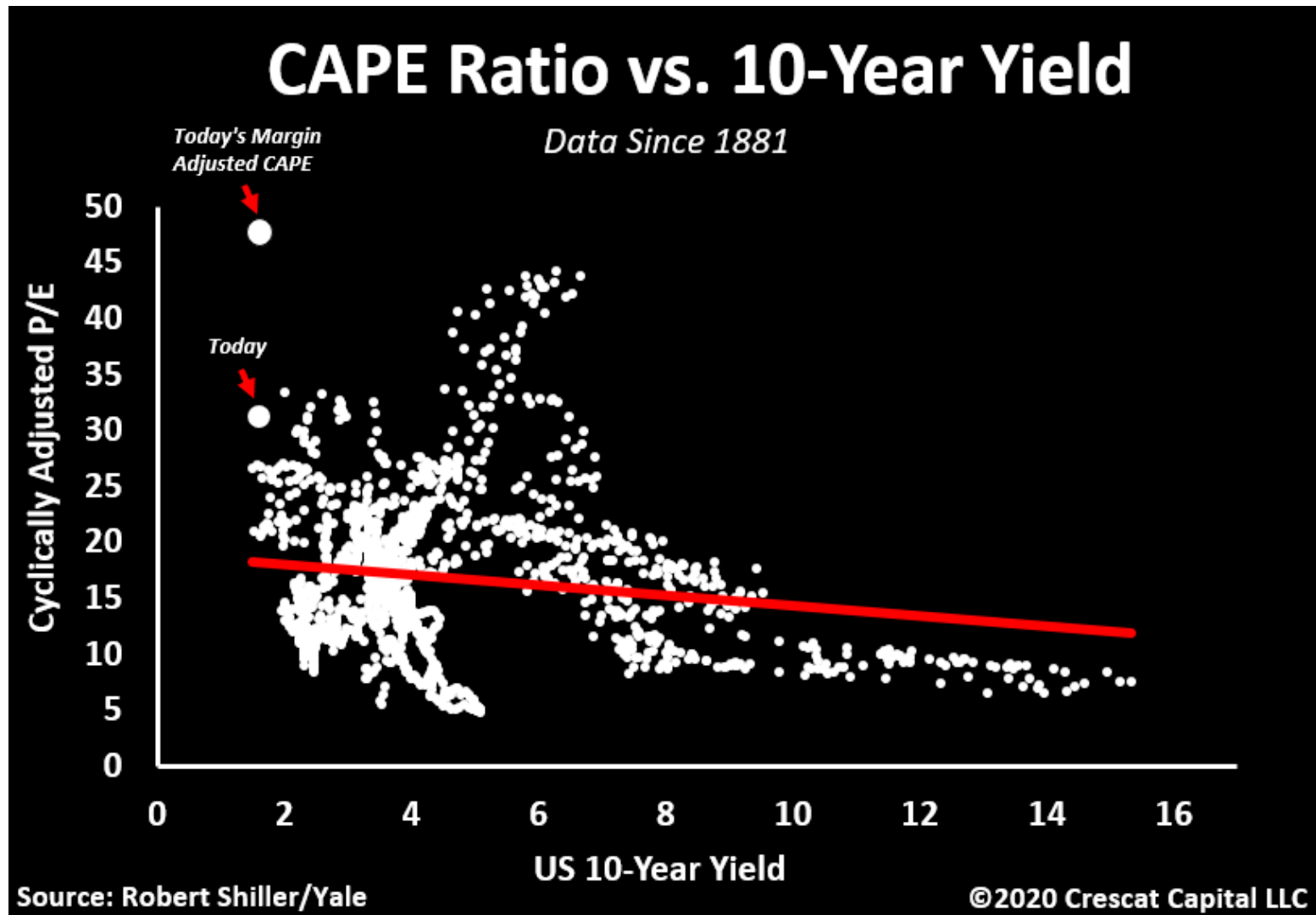


Source: IMF, BIS, Bloomberg

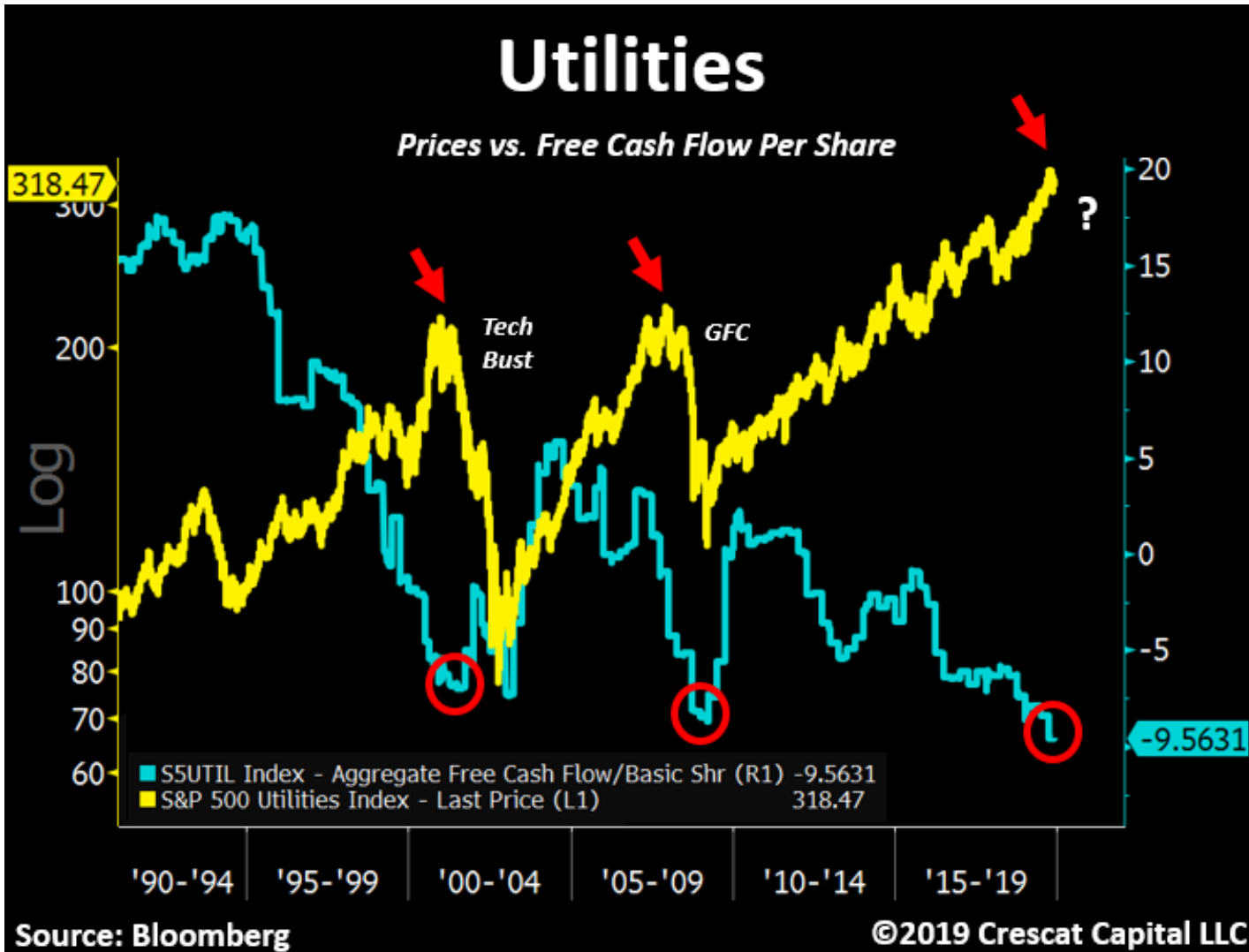
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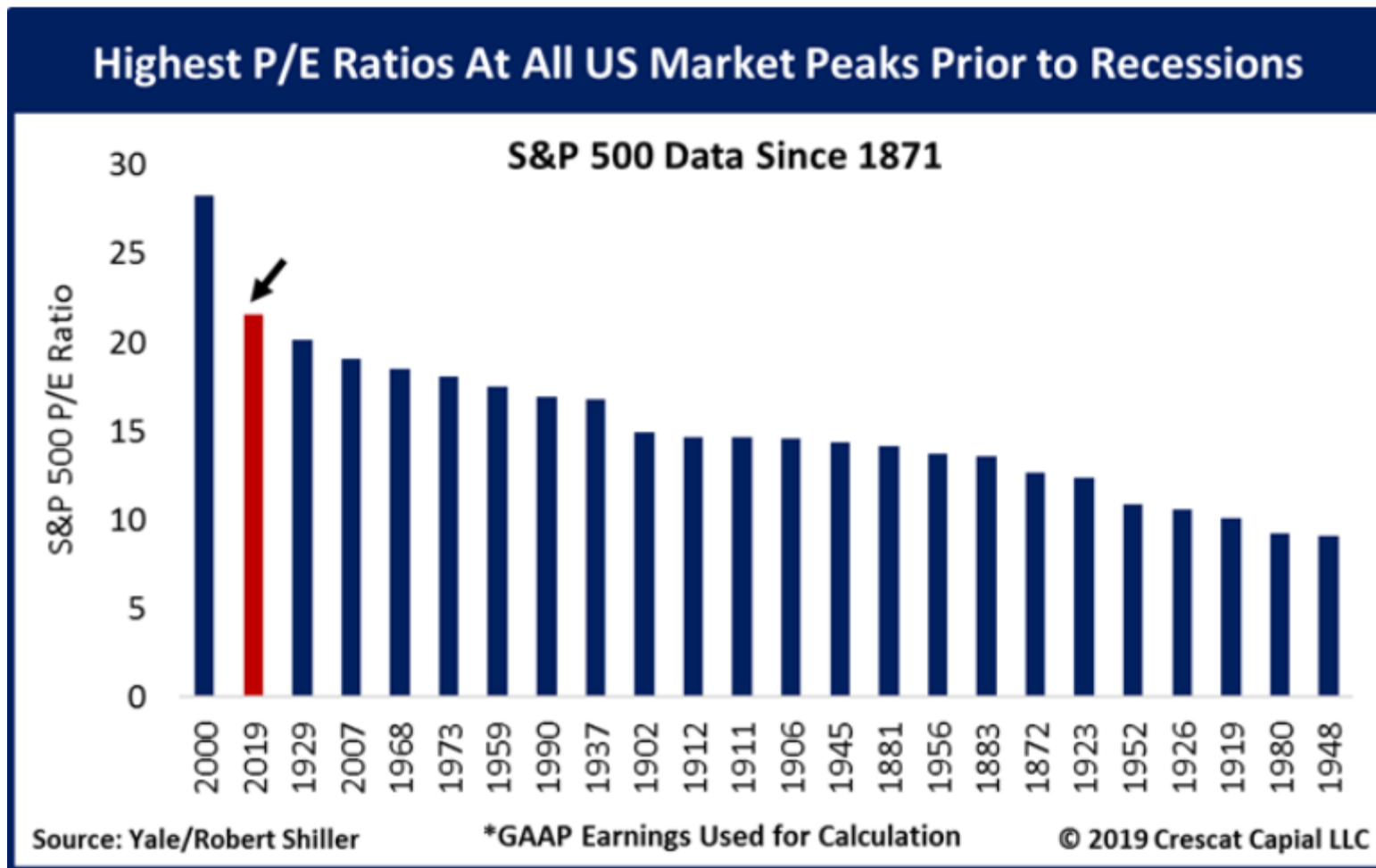
Stocks have never been this expensive for how low interest rates are.



Utilities are the epitome of a defensive trap.

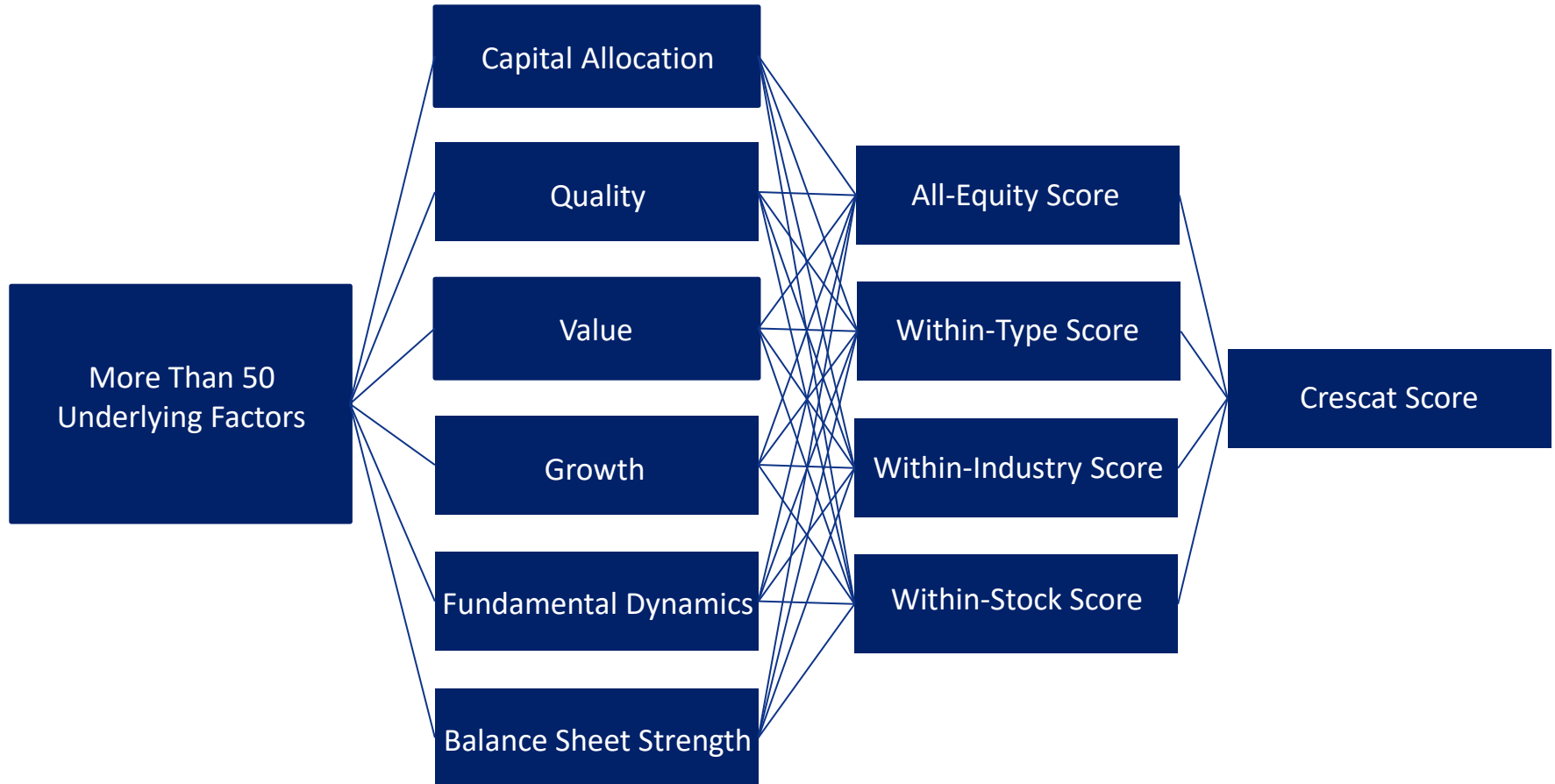


S&P 500 has now the second highest P/E ratio at a market peak prior to a recession going back to 1871!





# Fundamental Equity Model



# Performance in Down Markets

