

Gold - and Marc Faber says "He can't see another (share) bull market in his life time."

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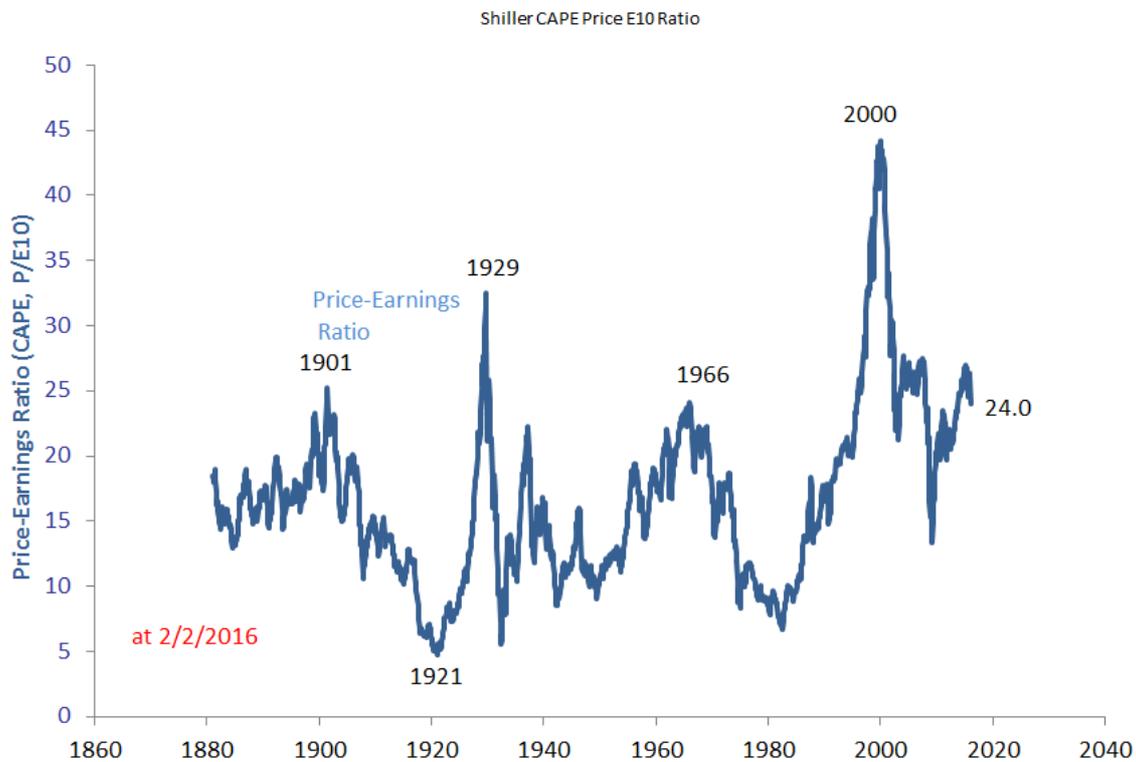
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When Marc Faber says "He can't see another (share) bull market in his life time", it is food for thought.

- <http://www.cnbc.com/2016/01/26/faber-cant-see-another-bull-market-in-my-lifetime.html>

So let me put some flesh around that comment from Marc Faber:

- Yes, Marc's comments are intended (clearly I think) as a headline grabber ... and Marc is good at that.
- But there is more than an element of truth in what Marc is saying here. So let me put his remark it into context.
- So here is my more detailed explanation/interpretation.
 - Largely the major western developed countries (USA & Europe), ended their secular share bull market in 2000.
 - In a normal long cycle, Europe and USA would have then entered a secular share bear market. Secular bear markets (using the last 200 years of US share market data) average around 15 years - some a few years longer - and some a few years shorter.
 - And actually the US share market is complying by the strict definition of a secular share bear market. If you look at the most up to date Shiller P/E chart for the US share market (below), the 2008 P/E peak and the 2015 peak were progressively lower than the 2000 Shiller P/E peak.



- Another feature of the end of a secular bear market, as can be seen from the Shiller P/E chart, is a Shiller P/E of between 5 & 7, though the 1942 bottom was 8.5 and this is a long way below the current very high level of 24.
 - Note: By the way, this is why it is easy for Societe Generale economist Albert

Edwards can use historical precedent to support his forecast of 75% fall in US share prices. <http://www.businessinsider.com.au/albert-edwards-if-im-right-the-us-stock-market-will-fall-75-2016-1?r=UK&IR=T>

- So while in a normal long cycle, you should be expecting the US and European secular bear market to be ending about now, the current Shiller P/E of 24 for the US share market strongly suggests that the US (and European) secular share market bear is far from over.
- Now Marc Faber is 69 at this time. Just say that he feels that he might live to 85, that is still 16 years away..... and so if a secular bear market was now commencing for USA & Europe, the maths are fairly simple for Marc to argue that he might now see another secular bull market for US shares and European shares in his life time. But the US & European secular bear market commenced in 2000 - some 16 year ago

But we clearly are not in a normal long cycle.

- Commencing with the 1998 Asian Financial Crisis and then the 2000 dot com crash, US & European central banks have been interfering in markets with progressively (exponentially?) larger monetary measures.... which is why the US share market is at such an extreme valuation right now.
- So can history give us a guide as to when the USA and European secular bear markets will end?
 - Not this time I don't think. Because this time time is just so unusual and so unique in the long-term history. A quick glance at Shiller's P/E chart tells you that.
 - The US and European secular bear market could end with an abrupt thud, like it did in 1932. So maybe if we are just thinking about behaviour of normal long cycles, it might end in a few years time in an event like the 1932 crunch. Or maybe continued interference by US and European banks may succeed in keeping US and European share valuations at extreme levels for many years to come. I don't think we have anything that can give us any guide.
 - That said, if we see US Shiller P/Es bottoming around 5 or 7, then you will know that we are around the levels of the beginning of a new US and European secular bull market.
- The path for Japan, Asia and the broader emerging world however, is likely to be very different that what is ahead for USA and Europe because they are in very different parts of the long cycles.

We have one other source to look at, in trying to gain a sense of what is ahead for USA and Europe. If we look at Russell Napier's 2003 paper studying the late 1800 emergence of USA and the post 1950 emergence of Japan, then you can clearly see the potential for the the current biggest emergence event is history (China, India and the Next 11), continuing to cause strong (potentially irresistible) deflationary pressures on US and Europe for the next few decades So just maybe Marc Faber may be right? Maybe he won't see another secular bull market in US & European shares in his life time..... I do not know.

Now to two other current related issues:

These are interestingly connected with the above:-

- The Mauldin Bank Deposit Crisis.
 - <http://www.mauldineconomics.com/this-week-in-geopolitics/the-lurking-crisis-of-bank-deposits>
 - This banking problem is very much a function of Western central banks keeping interest rates so low for so long, to accentuate the already historically large Western

debt bubble..... and this might eventually lead to a major episode of collapsing banks in the Western developed world.

- And the gold prices as the Western developed world (USA share market in particular) more clearly is seen as being in a cyclical bear market and if people start losing faith in keeping their savings in banks, gold is historically one of the places people turn to. The A\$ price of gold seems to be gradually ticking up gradually regaining its lustre for Aussie investors. <https://au.finance.yahoo.com/q/bc?s=GOLD.AX&t=my&l=on&z=1&q=1&c=>