

A nighttime photograph of a city skyline featuring several prominent skyscrapers. The buildings are illuminated with blue and white lights, and the sky is a deep blue. In the foreground, there are blurred light trails from traffic, suggesting a long-exposure shot. The overall atmosphere is modern and urban.

SAVANT REPORT

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A BIG WELCOME TO OUR NEW AGRICULTURE CONTRIBUTOR



MEET BILL GARY

We would like you to join us in welcoming our brand new Savant Report contributor this month, the renowned and highly accomplished agriculture market Savant, Bill Gary! Here is a little background on Bill:

Bill majored in Financial Management at Southern Illinois University and has attended advanced seminars on linear programming and econometrics as they relate to commodity pricing. He began his commodity career as a corn buyer in 1959 for a large milling firm in central Illinois. In four years as a corn buyer and two years as Director of Hedging Operations, he gained invaluable experience in both the cash and futures markets.

In 1965, Bill joined the internationally respected research firm Longstreet, Abbott & Company as a feed grain analyst. As a market researcher, he studied the LACO method of market analysis, designed hedging programs for some of America's top milling firms and authored feed grain columns for two major farm publications.

Bill moved to Dallas in 1967 and became partner in a regional brokerage firm. In 1969, he developed Commodity Information Systems (CIS) as an advisory service for the agricultural and brokerage industries. Over the years, CIS has gained an international reputation for long term commodity price forecasting.

In 1978, Bill became Regional Commodity Manager and Vice President of E.F. Hutton & Company. He was elected to E.F. Hutton's Director's Advisory Council in 1980, 1981 and 1982. Bill devoted his time to developing new research methods and expanding services of CIS from the mid-Eighties until the early Nineties. In 1991, he joined Prudential Securities Inc. as a Senior Vice President and was elected to the Chairman's Council in 1995, 1996 and 1997. Since that time, he has dedicated his energy to expanding CIS market research.

Bill has been featured in The Gartman Letter, Barrons, The Wall Street Journal, Forbes, Pro-Farmer, The Farm Journal, Business Week, US News and World Report and other publications. He has also been featured in books such as Crisis Investing by Doug Casey, Schwager on Futures by Jack Schwager and Master Brokers by John Walsh.

Bill, we are truly humbled to have you as a part of our contributor team, and we welcome you with tremendous enthusiasm and gratitude for your contribution. We look forward to your invaluable insight and analysis, and on behalf of myself and our readers, we thank you for your gracious contribution to the Savant Report.

Jordan Wirsy

10 RULES THAT BUBBLES FOLLOW

BY JORDAN WIRSZ

Bubbles are among the greatest enemies to personal wealth. However bubbles also present the greatest opportunities to profit. Learning to spot them, use them, and exit them, are fundamental to the financial health of every investor with active participation in their investments. Some of our more experienced readers may already understand the concept of bubbles, but then again there are never enough opportunities to remind ourselves to keep a keen eye out for danger or opportunity. Those who are new to cycles based investment concepts will likely find this article of great benefit to understanding the most simplistic, yet profound view of investment cycles.

There are 10 rules that bubbles always follow, and those 10 rules are absolutely fundamental to the recognition of a bubble. But before we tackle the 10 rules of bubbles, we must first understand the difference between a bubble and a cycle.

Every Bubble is a cycle, but not every cycle is a bubble.

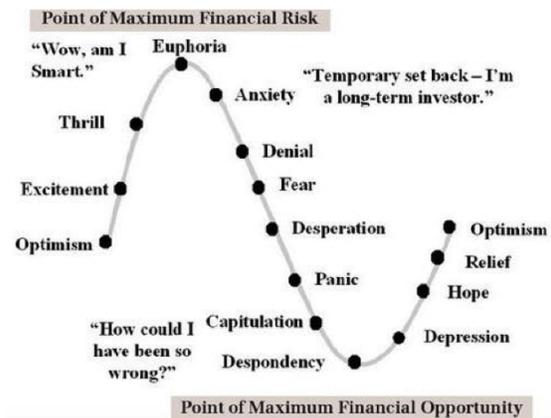
Every asset class has a cycle. Its value goes up, and it goes down. A cycle can be a “minor” cycle which is not very extreme, or it can be “major” cycle, which tends to be more extreme in price movement. Not to make this more complicated than it needs to be, but you must understand that “minor cycles” tend to happen more often than major cycles, and major cycles tend to function as bubbles.

Minor market cycles tend to be the typical “ebb and flow” of an asset class, such as real estate. Real estate typically appreciates in value, but is sometimes plagued by short periods of deflationary price movement, i.e. the minor market cycles and ebb and flow.

Major market cycles have nothing to do with the “ebb and flow,” and have more to do with psychology. These major cycles tend to lean towards, if not blatantly cross the line of being bubbles, thus we will categorize major market cycles as being of the same nature as so called “bubbles.” Major cycles (bubbles) tend to be driven by fanaticism, or the belief that “what goes up will never go



down”. People pile on this bull market train with little concern of risk, but more concern of missing out on the action. The below diagram of how a bubble functions with psychology illustrates this concept perfectly. Take some time to study this:



Every asset class has its cycles, and every asset class will experience both minor and major cycles. The recognition of major market cycles (aka bubbles) presents unique opportunities to profit.

When to buy: When do you buy an asset? Simple. Buy at the point of maximum pessimism amongst investors and consumers. When there is no light at the end of the tunnel, and when you can clearly see that it is now undervalued by a large margin compared to a “normal” market, that is the right time to buy. Try not to “catch the falling knife,” but instead look for signs of stabilization along the bottom. Do you have to buy at the very bottom to make a wise investment? Heck no! As long as you buy during the upswing in the cycle and recognize the time to get out, you’ll do just fine. Sometimes buying at the very bottom of a major cycle requires more courage and risk than some investors have the desire to endure. And that is perfectly okay, as long as you take the opportunity before everyone else does, which is likely close to the top of the next cycle.

When to sell: When do you sell? That is equally very simple. Sell at the time of euphoria, when people are clamoring to get in. This is the time of maximum optimism, and when every Tom, Dick, and Harry is bullish on the market. When bidding wars ensue, it is surely time to step aside. When your taxi cab driver or barista at your local coffee shop is giving you advice to buy into XYZ investment, then you know it's time, or nearing the time to exit.

There are 10 rules that bubbles/major cycles tend to follow. Keep this list of the 10 rules, and if you ever find yourself questioning whether or not you're at the top of a major cycle, refer back to the list and think through it carefully.

The 10 rules of bubbles are:

1. All growth in price is exponential, not slow and steady.
2. All growth in price is not incremental over longer period of time, but rather in a very short period of time.
3. Bubbles always burst; there are no exceptions.
4. The bigger the bubble, the bigger the burst.
5. When bubbles burst, they tend to send the asset price back to the point where the bubble started, sometimes even a bit lower.
6. Bubbles tend to get more extreme over time, due to the availability of capital, credit, and mainstream investor participation.
7. Bubbles become so attractive that they eventually suck in even the skeptics.
8. No one wants the easy gains to end, so everyone goes into denial, especially towards the latter part of the bubble, or early stages of the "pop."
9. Major bubbles have historically occurred about once in a human lifetime per asset class, but that is quickly changing given the dynamics that rule #6 above adds to the equation.
10. Bubbles may seem destructive at first, but they ultimately serve an essential function of promoting innovation and progress in society.

Having lived through the great real estate collapse of 2008-2009 and beyond, I have a much greater appreciation for the early recognition of bubbles. A simple study of a long term chart of an asset's price should be able to give you a good clue as to the possibility of a bubble. In fact in 2011, I recognized the signs of another bubble, but this time in the silver market. I saw people selling silver coins on street corners, one out of every three commercials on TV were advertising to sell gold and silver,

and coin shops were springing up on every corner in every city. This euphoria and state of maximum optimism should signal the prompt time to exit stage left. Here is a chart of silver from 2003 to 2014, which shows the price of silver skyrocketing, ultimately topping out at nearly \$50/oz. Today, silver is trading approximately 60% less than it's peak price, at a mere \$19.50/oz.

**HOUSING STOCKS:
IS THE BULL MARKET OVER OR JUST TAKING A BREATH?**

BY JAKE BERNSTEIN

Many months ago, when the real estate market was in the throes of recession and depression, my technical and timing work both for the real estate market and real estate investment related stocks was clearly signaling "BUY". My work and my conclusions correlated closely with the conclusions of Jordan Wirsz, the editor and publisher of this great report. In my writings and in my advice to clients I clearly and unequivocally recommended buying housing stocks, futures markets related to real estate (lumber), real estate investment trusts, and select real estate opportunities.

Subsequent to our forecasts, real estate values began to rally across a broad front with many markets making the best gains seen in years. Many of the recommended housing stocks also made large gains and without a doubt our forecasts were vindicated. In recent weeks, however, many of the large winners have pulled back which has understandably caused many of the naysayers and perennial real estate bears to resurface. In recent days we have even heard claims that the real estate market is now in a bubble.

As is all too often the case, many traders and investors missed the first big opportunity to trade or invest in housing and housing related stocks. While some claim that the real estate move is over, my work strongly suggests that this is a pause in the middle of a move that is likely going much higher. A number of stocks that I've been watching are now at or near long-term technical buying support areas where they should be considered again for intermediate term investment possibilities. Of course, there is always risk. We won't always be right. Here are three charts showing some of my favorites

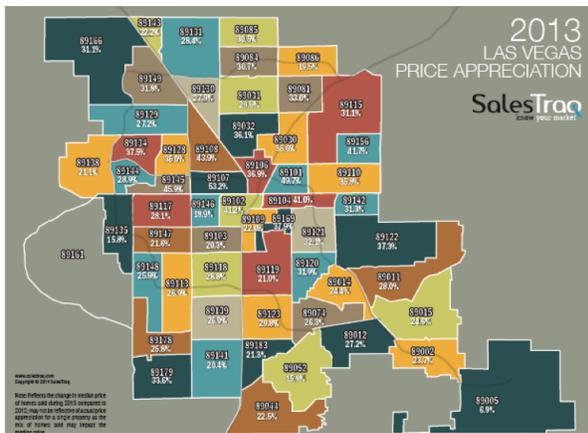
at this time as well as their long-term support (buying areas) levels, including Pulte (PHM), Standard Pacific (SPF) and Nuveen Real Estate Fund (JRS).



HITTING THE #PAUSE BUTTON ON HOUSING AFTER 50% APPRECIATION? WHY RENTAL RATES AREN'T INCREASING WITH PRICES.

BY JORDAN WIRSZ

The past 24 months have been nothing short of spectacular for housing in the U.S. While I try not to toot my own horn very often, I'm quite proud of the call I made in 2011, that housing had bottomed, and I flashed a strong buy signal to all who would listen. Those that took my signal have profited handsomely. Among my favorite markets was Las Vegas, Nevada. Take a look at what happened to values in these Las Vegas zip codes in 2013, boasting 20% to 50% appreciation across the board. But is it time for housing prices to take a breather?



This pump of value appreciation simply cannot, and will not continue at this record pace. These massive jumps in value are not limited to Las Vegas alone. Many cities in the U.S. which had been utterly beaten during the housing crash of 2008 and beyond have recovered to large degrees. In fact, some communities, such as beach communities in southern California have already exceeded the peak values of 2006 in the multi-million dollar home categories.

The reasons for this wild appreciation ride are simple:

1. The markets were outrageously undervalued, in many cases only a fraction of replacement cost.
2. Lenders have begun lending again, and the pent up demand for home ownership has started to be filled.
3. Interest rates have remained at or near historic

lows.

4. Investors ranging from mom & pops to billion dollar hedge funds saw the value, and gulped up as much real estate as they could swallow, creating some excessive demand.
5. The "shadow inventory" that everyone was counting on being released by the banks that they were purportedly holding back, never came. Much of that "shadow inventory" got scooped up by hedge funds behind the scenes, and the inventory never made it to the open market.

So where do we go from here?

That is the multi-trillion dollar question for the government, hedge funds, and individual investors.

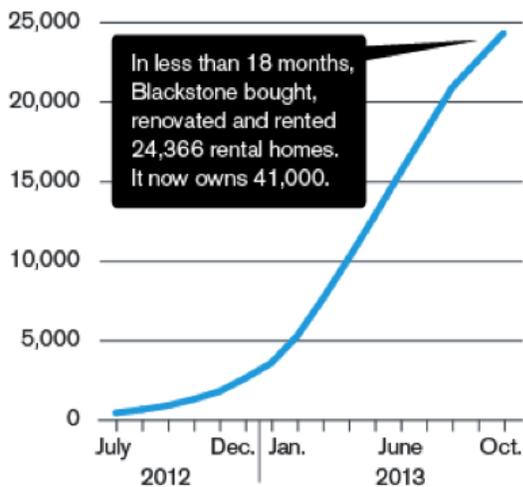
It shouldn't come to anyone's surprise that the housing market could likely take a break from appreciation over the short run. After all, its not healthy for markets to launch straight up and never look back...That is how we formed the last bubble to begin with. The real estate market is no different than the stock markets. We will see "pauses" and even "pull backs" in the greater bull market from time to time, and a pause or pullback could very well come in the short term. However, fundamental indicator are still extraordinarily bullish. This Zillow chart shows the expected 2014 annual appreciation rates, which are quite impressive.



Large institutional buyers of residential real estate have spent tens of billions of dollars over the last few years, buying up a good portion of the for sale inventory. The tremendous mispricing opportunities which were present in the housing sector were simply too great to ignore. Keep in mind, values had declined as much as 70% during the crash! The big guns like Blackstone, Silver Bay, Colony Capital, and even Berkshire Hathaway, have jumped in with both feet to buy as many homes as possible. However, now that prices have appreciated by 10's of percent, these buyers have pulled off the road into a rest area, and are now picking and choosing the deals as they come by, instead of driving the number of acquisitions each month. Even still, residential real estate can be bought below, at, or slightly above replacement value depending on the market and submarket. The "big boys" know that this is the case, and they are in no hurry to sell for that reason. In fact these so-called "big boys" are employing the "buy and hold" strategy, which is now flooding the market with low to mid market rentals.

Blackstone Bulks Up on Rentals

Cumulative number of homes leased by Blackstone's Invitation Homes



It's the old story of supply and demand. If you have more supply than demand, prices will be low. If you have more demand than supply, then prices will become higher. In this case, the massive amount of homes which have been bought and placed for rent by investors in most major markets is increasing the available inventory of rentals so dramatically, that rental prices have remained

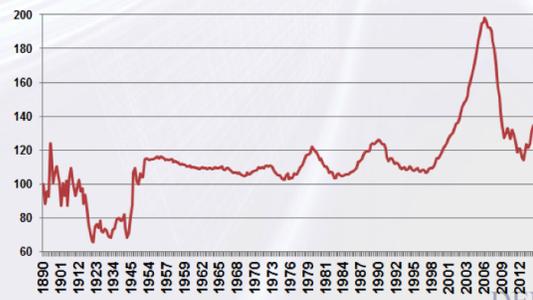
extraordinarily low.

In most cases, when real estate values rise, so do rental rates. This correlation keeps the investor owners "fed" at the appropriate rate of return for the value of the asset over the long term. But with a plethora of rental inventory on the market, rental rates have simply not increased at the same pace that prices have as of recent.

But before you judge, consider this: In 2012, you could buy an investment property in Las Vegas and rent it out for a net 10-12% return, not because rental rates were so high, **but because home values were so low!** 10-12% returns are NOT par for the course in residential real estate investing! Historically, 5-6% cash on cash returns were considered quite good in residential real estate. Behind the scenes, inflation and price appreciation worked in your favor to the tune of another 4-5% annually, making real estate a nearly double digit investment, so long as you picked the right assets in the right markets. Contrast those historical numbers to where we are today, wherein home values and depressed market rents are yielding between 6-7%. Going forward, you still have plenty of opportunities to make great returns by owning residential real estate. Specifically speaking:

1. As the rental sector of the market becomes stabilized with fewer homes for rent, the rental rates will increase, which will make it more profitable for investors to own rental homes.
2. With higher rental rates, home values may creep higher while still providing above average yields to investors buying homes in the future. Investors who bought homes earlier will enjoy higher returns while also enjoying the value appreciation on their balance sheet.
3. As residential real estate investing becomes "main stream" once again, investors will clamor to get involved, and they will likely accept lower returns, which means high sales prices for investors taking advantage of that premium.

Long Term Real U.S. Home Prices, Robert Shiller, 1890-2013



Pause or not, pull back or not, I believe residential real estate is heading higher long term. A lot higher. Don't try to "trade" the real estate market, trying to time the ebb and flow of market inventories and demand. Instead, take a long term approach and sit on your hands patiently waiting for the next cycle top. The more patient you are and the less you stress about the small capitulations in the market, the more likely you are to be correctly positioned for the big moves ahead.



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AUSTRALIA'S HOUSING BUBBLE

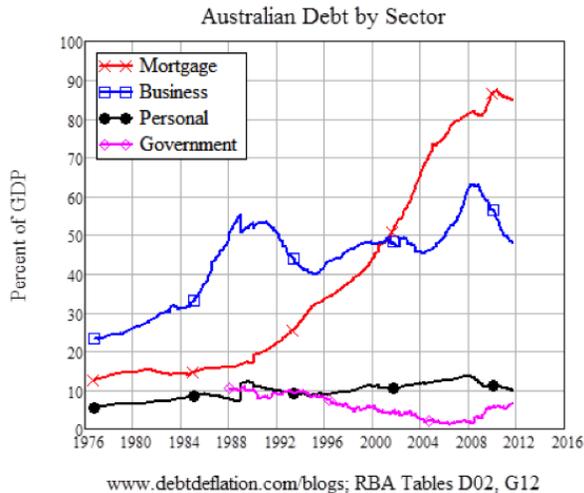
BY JORDAN WIRSZ

Fellow investment author and long-time outspoken economist Harry Dent is no stranger to criticism. Recently, Harry has been blasted by the Australian media (much like I was) for his predictions of a serious decline in Australia's housing market by as much as 50%. "I see a decline in the 30-50% range across Australia, although it may vary from city to city," Harry says. We often talk about cycles and bubbles in the Savant Report, and Harry is no stranger to the idea that Australia housing is a bubble. Harry continued, "The rule with bubbles is that they always go back to where the bubble started. So the US housing bubble started to grow in 2000 and now house prices have fallen back to that point – a 55% fall." So what is next for Australia?

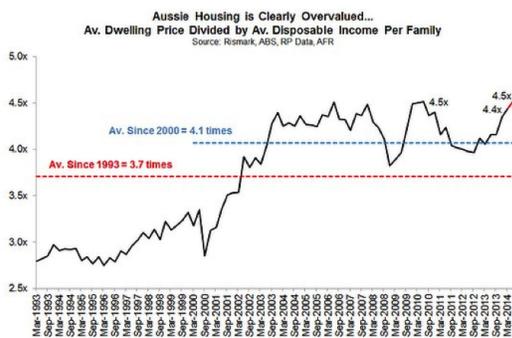
In 2012, I predicted that Australia was likely right on the edge of a collapse that could equal the declines we saw

in the U.S. real estate market. Here we are in 2014, and the property market in Australia has maintained its tight rope act to keep its real estate market on the rails, for now. But stay tuned, because the fireworks haven't even begun yet.

Since the early 2000's, Australian real estate has been in a perpetual bull market, with the price of real estate rising faster than the incomes necessary to support it. Affordability is at an all-time low, with Australia ranking as the 4th most expensive country to live in, in the world. Is it the economic opportunity that makes this country worthy of that title? I don't think so. In fact, Australia's population is a mere 23 million people, compared to the U.S. at 314 million, and GDP output measured by population certainly doesn't give Australia any advantage over the U.S.



This chart shows that mortgage debt in Australia has skyrocketed in recent years to more than 85% of Australia's GDP, making this chart nearly parabolic, reminiscent of the debt which U.S. households took on prior to our own real estate meltdown. In the U.S., we saw record household and bank deleveraging when the bubble burst, and that deleveraging was both the cause and the effect of the snowball in devaluations. Once it got started, it was almost impossible to stop it.



The amount of disposable income (income remaining after deduction of taxes and other mandatory charges, available to be spent or saved as one wishes) in relation to housing prices in Australia has been above the "overvalued" line more often than not since 2003. The net result is that people are spending more on housing, and less on everything else, creating a unique conundrum for anyone with a bullish outlook on the economy.

Australia's economy is in large part natural resource based. Mineral exports contribute around 35% of Australia's exports. Australia is the world's largest exporter of coal (35% of international trade), iron ore, lead, diamonds, rutile, zinc and zirconium, second largest of

gold and uranium, and third largest of aluminum. Considering the global slowdown in natural resource based economies, clean energy policies which hinder the use of coal, and precious metal prices at multi-year lows, there is likely to be some negative impact on Australia's economic state.

"The trend is your friend, until the end."

There are several myths surrounding the idea that most ill-informed Australian bulls subscribe to, that Australia is somehow "different" than the U.S., and no common line can be drawn between the U.S. bubble and the Australian bubble.

Myth #1: "Australian banks get personal guarantees, and Australian homeowners cannot walk away from their mortgages like people did in the U.S." Well, I hate to burst the bubble of this idea (no pun intended), but nearly all banks in the U.S. obtained personal guarantees for loan deficiencies prior to our meltdown. However, due to the volume and breadth of the issues, the banks yielded, settled, and were often subsidized by the government to release personal guarantees and absorb the losses so that the U.S. economy could recover without consumers having massive six-figure debts held over their head, on real estate they didn't even own anymore. So, this myth is BUSTED.

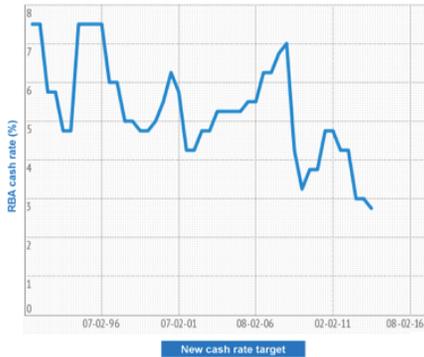
Myth #2: Australians aren't leveraged as high as the U.S. consumers were. More than 35% of home loans in Australia are more than 85% loan-to-value, and 95% mortgages are common. Interest only loans are given to borrowers routinely, as if it were a normal practice for long term home ownership. Second mortgages are also very common. Sound familiar? So, this myth is also BUSTED.

If you want to look at the size of the Australia housing price bubble compared to the U.S., this chart should be a good visual indicator for you:



So what is fueling this craze? Well, the Reserve Bank of Australia (RBA) has lowered the interest rate 2.25% in the last two years. That is certainly luring buyers. But why would they feed this bubble? The answer is really very simple. The four major banks in Australia own 85% of all mortgages there (\$1.2 Trillion AUD). If a housing price collapse were to happen, you'd have a catastrophic event of historical proportions, forcing the major banks to write down assets so severely, that it would be difficult for a country with the economic base of Australia to manage. Plain and simple, there are dozens of reasons why they must keep "the lie" alive. These actions are fundamentally no different to what the U.S. Fed has done to keep our own economy alive, although the technical mechanism is slightly different, the result is the same. With real interest rates near zero and economic stimulus too broad to measure its effectiveness, the U.S. is keeping the economic flame lit with a torch until the wood starts to burn on its own.

RBA Cash Rate History



Source: <http://www.rba.gov.au/statistics/cash-rate/cash-rate-2009-2013.html>



The question remains "if, and when, will the Australian housing bubble burst?" That question is impossible to answer perfectly. Timing of this event has eluded me, as it has many others. In my opinion, it is not a matter of "if" – it is "when." Meanwhile, the Australian government has a lot of buttons to push, levers to pull, and knobs to turn which will help keep the bubble from bursting for period of time. I will leave you with the words of my fellow analyst Harry Dent, "I don't see an upside in Australian real estate but there is a lot of downside. If you are going to own a house and live in it forever then perhaps it's OK to buy a house, but speculative property – don't do it."

QUOTES of the MONTH



"The stock market is filled with individuals who know the price of everything, but the value of nothing."
- Phillip Fisher



"The individual investor should act consistently as an investor and not as a speculator."
- Ben Graham



"Know what you own, and know why you own it."
- Peter Lynch



COMPLEX IS NOT SEXY THE PSYCHOLOGY OF SUCCESSFUL INVESTING.

BY JORDAN WIRSZ

“Only invest in products and companies that you can explain to a six-year old.” ~ Unknown

The wisdom of the quote above is perhaps one of the greatest lessons every investor and investment professional should learn. Today’s world is a complex world, full of treacherous roads to navigate in investment products and opportunities. More often than not, we find ourselves with the core belief that a good investment has to be a complex investment. We con ourselves into thinking that the “edge” is not in the wisdom of when and what to buy and sell, but rather in some formula built by a “brainiac” mathematician who has come up with a secret and infinitely complex system to “beat the market,” be it stocks, commodities, real estate, or any other investment class.

Post-mortgage crisis of 2008-2009, the general public began to get a taste for how complex the Wall Street investment products can be. In fact, even the creators of the mortgage backed securities products themselves had a difficult time articulating exactly how they worked. Billions upon billions of dollars have been invested in products that Harvard and MIT math graduates would have a difficult time understanding.

It is the fundamental desire that humans have to explain why and how things work, that makes complexity look sexy. 160 IQ and above excluded, most people want to believe that someone who is smarter, better, and more knowledgeable has “figured it out” and all that is needed to succeed is simply jumping on the train and going

for the ride. Whether it is complex tranche’s of mortgages backed securities, currency spreads, commodity futures options, tech private equity investments, a new business startup... We all want to believe that someone has truly figured it out in hopes that we can follow the leader and profit from it. But at the end of the day, if you don’t truly understand how it works and why it works, then you shouldn’t be investing in it.

Even if you do not consciously realize it at first, if you think about it, you will likely admit that there is some part of you that thinks:

***Complex = Sexy = Opportunity = \$\$\$
Simple = Boring = Average = ¢ ¢ ¢***

Whoever said simple investments don’t make huge returns should follow their own philosophy, with their own money, and see how far they get. Simple is beautiful, and complex (can be) trouble. Even Warren Buffett values simplicity. Two of Mr. Buffett’s investment principals quite appropriately apply here:

- » Beware when investing turns into speculating. If an investment is too complex for you to understand, you’re speculating, not investing.
- » Every company will eventually be run by an idiot. Try to invest in products that even an idiot can manage. Because sooner or later, one will.

The psychology of successful investors relies heavily on



investing in what they understand. Complexity is not in of itself a sign of a bad investment, so long as you understand the complexity to a great degree and have a good working understanding of why, what, and how the investment will be profitable for you.

The role confidence plays in successful investing-

Confidence is key in life, and key in investing. Often enough, investments do not go down the nicely paved road that we hoped they would, and thus, we must be prepared to deal with a detour that could be as treacherous as the Baja 1000 race course. If the investment's level of complexity is beyond your understanding and competency to navigate the course, then your level of confidence will be low enough to make you question whether staying the course is the right thing to do. Conversely, if you hit a rough course in an investment that you fully understand, you will not only have the ability to navigate the issues being faced, but you will have the confidence to stay the course. When you're invested in things that are beyond your understanding, complex or not, the lack of confidence is sure to alter your decision making process for the worse.

Popularity is not a sign of simplicity-

Please don't confuse mainstream popular investments with simplicity. In fact, many popular investments are more complex than people realize. Take silver and gold investing for example. Most people believe that because it is now popular, and lots of people are doing it (mainstream), that its simple investment. Actually, quite the contrary. The layers of complexity that make gold and silver move in price are infinite. You have actual industrial demand for the metals, massive speculation, central

banks buying/selling it, the Federal Reserve economic policies that affect inflation (which the precious metals are supposed to hedge against), etc. Silver and gold a simple investment? Not by a long shot! Just because you can go to a local coin shop and buy silver bullion doesn't mean it's a simple investment. All that means is that its simple to buy and own. But the actual mechanics of it being a profitable investment are far more complex.

Did you drink a Coke today? Or how about a Pepsi? Or maybe a bottle of water? If you answered yes to any of those, you just contributed to Coke or Pepsi making a profit. Is that easy enough to understand? I realize that that is a very simplistic approach to Coke or Pepsi's profitability, but nonetheless you understand that the more product they sell, the more money they will make, and the more their stock will likely be worth. Is it that simple exactly? No. But it is a lot less complex than other investments which have a huge amount of uncorrelated influencers, such as gold and silver.

The wisdom of these principals are simple (no pun intended):

- » Don't believe that complex investments have more potential to make great returns.
- » If you don't fully understand it, don't invest in it.
- » What is popular is not always simple.

Stay wealthy my friends.

GOLD & SILVER — THE PHYSICAL OWNERSHIP PITFALLS

BY JORDAN WIRSZ

Gold has long been in a love/hate relationship with investors. Just like any asset, there are the fanatical bulls and the fanatical bears, and the in-between rational traders who try to reason their way to find the edge. Then you have the Savants, who understand that neither approach to fanaticism will ultimately be profitable. No market goes up forever, and no market goes down forever, and rarely does anyone correctly pin the top or the bottom.

Gold and silver, like everything in life, is a cycle. There will be periods of time in which its price will rise, and periods which it will decline, and many of the fundamental factors involving the speculation price of gold are complete wildcards, such as the Fed QE policies. The popularity of gold is also a cycle, no different than most celebrity careers. The financial crisis of 2008-2009 pushed many banks to the brink of collapse, and many others were pushed over the edge. The FDIC having to take over dozens of banks provided very little comfort to depositors throughout the country, making the allure of the shiny metal more favorable than paper money sitting in a bank. Hence, the rally in precious metals that ensued after the global economic crisis became reality. Since that crisis, we've seen countless gold and silver companies spring up all over the country, from local coin and bullion shops, to massive marketing machines with national TV, newspaper, radio, and internet ads, all touting the benefits of physical gold and silver ownership.

But there is an ever increasing population of mainstream investors who are getting lured into the popular myth of safety and potential for high returns with ownership of physical gold and silver. Furthermore, investors are being talked into keeping metals in their portfolio for "diversification", and they are forgetting the Zurich minor Axiom #2, that "diversification" is nothing but a myth. (I highly recommend reading the profound book "Zurich Axioms").

The three primary arguments for physical gold ownership are:

1. A hedge for inflation;

2. A hard asset investment; and
3. A form of currency to use when civil unrest occurs during the WW III global thermal nuclear war.

My problems with all of these arguments is that while gold is touted as a hedge on inflation, the day to day perception of inflation can be highly manipulated by world governments, gold pays no dividend, and yes while it's a hard asset, its largely illiquid unless you want to pay big commissions going in and out of it. As for WW III happening anytime soon...well, I'll just leave that to your own judgment.

I had an interesting epiphany the other day while working on marketing projects for my real estate investment firm. We have been in talks with a major household celebrity news name to endorse our upcoming commercial real estate fund. During those talks, it was disclosed to us that a major gold "broker" (for lack of a better term) is spending between \$6 and \$7 million each year with that celebrity for endorsements and advertising. That figure blew me out of the water, wondering how a simple gold brokerage could afford that kind of advertising budget in one place alone. That staggering number prompted me to dig deeper into how these gold companies make their money, and by digging deeper, I became incredibly disturbed by the trend I found in these retail (sometimes touted as wholesale) gold companies.

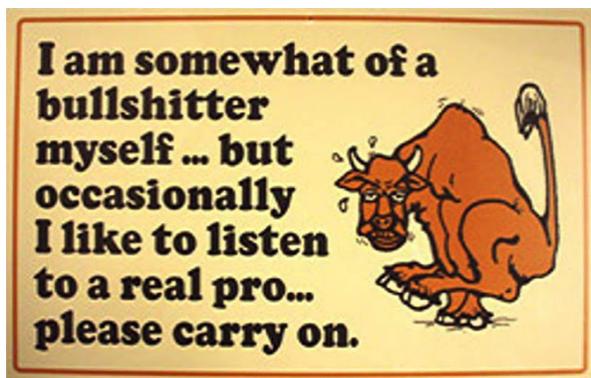
Disturbing trend #1: Massive premiums over spot prices to buy!

If you do your homework and call your local gold & silver coin shop, you'll find that although silver is around \$19.50/oz. right now, silver bullion or basic coins are selling for \$3 to \$5 over spot price. Now, you may be thinking, "its no big deal, its only a few bucks." But realize that \$3 is about 15% over spot, and \$5 is about 25% over spot. Now, think about this...Would you buy a stock at 15-25% more than its trading for today? Of course not! The only arguments for such a premium is the "quality" of the minted coin, limited distribution, or value of a coin issued by a government for valid currency. At the end of the day, its just weighted silver! Oh, and by the way, if you order your gold or silver from a distributor that is not local, be prepared to pay some significant shipping costs as well, and factor that into your returns! What little you might save from buying online will soon be eaten up in shipping costs.

Disturbing trend #2: Massive discounts to spot prices to sell it back!

Now, change places from buyer to seller. Call a coin shop and ask them how much they'll pay you for your silver bullion or coins. Chances are, it is 10-20% UNDER spot by the time they take their fees.

Wait a minute....Let me get this straight...You charge 15-25% over spot to buy it from you, you charge 10-20% under spot to sell it back to you....Sounds like a great business to me! But it also sounds like a terrible investment, given that in transaction costs alone, you're talking about anywhere from 25% to 50% "round turn." Now, I realize there are all kinds of gimmicks that are advertised that make it sound like a better deal than what I'm portraying here, but by the time you're done with a buying and selling transaction, you'll see that there is a good degree of validity to the idea that buying and selling costs are almost too significant to make it a reasonable "investment." Sounds more like a used car dealership sales pitch than an investment.



Disturbing trend #3: Plethora of cheesy, low quality infomercial pitches and website ads!

It doesn't take too long flipping through the channels on TV to find a "buy gold and silver" infomercial, staged to look like its "official government opportunities" to invest in gold and silver. The gold companies have gone to great lengths to produce and place these infomercial pitches to the most unsophisticated sectors of the public. One infomercial in particular that I recently saw, had a completely staged press conference with cameras, photographers, and "plants" in the audience who were obviously asking pre-arranged questions. Shameful at minimum, but I'm more concerned about the implications of these highly theatrical advertisements on the speculation of gold and silver. In many bull market bubbles, the general public have been the last people standing in the game of "musical chairs." Could this be another bubble? Whether it is, or it isn't, it does send up

quite a few red flags. I've never seen any good investment ideas pitched on infomercials...And I'm not sure that's the best place for sophisticated investors to get tips from. So it seems that through deductive reasoning, we can deduce that these companies have to promote their physical metal ownership to the less informed investors who may not be sophisticated enough to see the extent of the sales pitch being thrown at them.

Disturbing trend #4: Lack of regulatory oversight!

As a real estate investment manager myself, I find it odd that I have such strict guidelines which must be followed in order to educate investors about our investments in income generating, zero leverage real estate, yet these gold and silver companies can advertise, solicit, and take in hundreds of millions of dollars from unsophisticated investors on the premise that "experts think gold could top \$5,000/oz." Who regulates these gold and silver companies? No one. Perhaps the closest thing to regulation is the FTC (Federal Trade Commission) that is intended to protect consumers, but has no specific guidelines for gold and silver companies other than the blanket "false advertising" regulation.

And, I've saved the best for last...

Disturbing trend #5: Lack of Audit, and physical metals "storage services!"

This one is the scariest and ugliest of them all. There is an astounding number of gold and silver companies that offer to "store" your gold and silver, some offer this at no cost, and others charge a fee. I realize that in every investment there is a risk of fraud, and there must be a certain level of trust with whom you invest. However, asking to trust a company with cheesy infomercials, a deca-million dollar advertising budget, and no regulating body conducting audits of the physical metals that are purported to be stored in their possession, raised more red flags than I can count! I will go on record to predict that there will be some massive, astounding, and incredibly blatant frauds/Ponzi schemes revealed over the coming years with these so called "storage" companies. It doesn't take a rocket scientist to see the incredible potential for misconduct in this industry. Thus, I would absolutely encourage all physical metal holders to take possession of their investments and find a safe place to keep it....Safer than the trust of a company with no regulation, no audits, and a marketing budget bigger than the Pacific Ocean.

When considering all of the above issues relating to owning physical metals, I believe that if/when the demand for gold and silver slows and the pool of the general public unsophisticated buyers dry up, we could see some extreme volatility and news headlines that will turn many “average Joe” investors upside-down.

Will the price of gold go up or will it go down? That is not

the issue being raised in this article. I am not suggesting that gold with either rise in price, or fall in price. I am also not addressing gold miner stocks, ETFs, or any other form of investing in gold, other than physical ownership, and the disturbing trends which give me pause to the thought that physical ownership of these metals is anything but a landmine field to navigate through.

EXTRAORDINARY SOYBEAN PARADOX . . .

BY BILL GARY

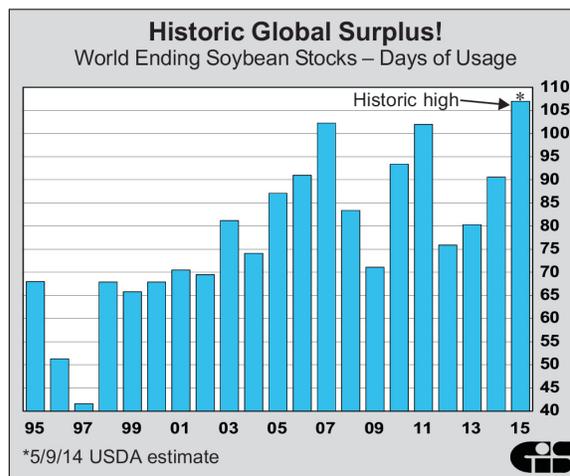
Old crop soybean futures began advancing last February as the trade started to realize the US could run out of supply by summer. Export sales had already exceeded the USDA forecast for the entire season and the US crush rate was running ahead of schedule.

China had bought more US soybeans than needed and was expected to begin shifting US contracts to Brazil as they were in the early stages of harvesting a mammoth new crop. However, US exporters had already purchased freight for the shipments and were unable to allow China to cancel outstanding contracts without sizeable losses. In addition, domestic and export demand for soybean meal remained stronger than expected and the US crush rate continued strong. As a result, while US soybean supplies began the season 261 million bushels above last year, supplies had dwindled to 6 million below by March 1.

Although South American soybean supplies were record large and 7% above last year on March 1, US supplies were 1% below. The only solution to this problem would be for US prices to trade high enough above world prices to import record quantities through the summer. Therefore, the first extraordinary paradox of this year's soybean market is the US potentially running out of supply while the rest of the world holds record supplies.

With US prices advancing 23% from January this year, the USDA responded in their first official forecast for the 2014- 15 season by projecting another potential surge in world production and the greatest global surplus in history...

In the first official forecast of the 2014-15 season, the



USDA estimated the largest global soybean surplus in history. The previous record was 102 days of usage in 2007. For 2015, the USDA is forecasting 107 days of usage. However, this forecast could change materially between now and next year as summer weather will be the major determinant of US production and South America will not begin planting next year's crop until November. But, if the USDA supply/demand forecast does not change materially by late summer, new crop soybean futures hold potential to decline \$2.00 or more per bushel between now and next fall.

Therefore, the second extraordinary paradox is high prices created by a temporary US shortage encouraging an even greater world surplus for the coming season.

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a LITTLE about SAVANT



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Jordan Wirsz, CEO
Savant Investment Partners

Jordan Wirsz serves as the CEO of Savant, and brings with him more than 13 years of real estate investment experience in a wide variety of real estate assets representing approximately \$750 million. Mr. Wirsz is responsible for overseeing Savant's real estate investments including locating and negotiating real estate transactions, property management, portfolio strategies, partnerships, affiliated fund management, investor relations, and administration. Prior to Savant, Mr. Wirsz served as CEO of a private capital finance company which managed more than \$100 million of capital including a private investment fund. As a real estate investment manager, Mr. Wirsz underwrote and funded several hundred million dollars of investments in a wide variety of real estate transactions across the United States, including both commercial and residential land entitlement and development projects, industrial properties, office projects, hotel construction, retail shopping centers, and build-to-suit transactions. Mr. Wirsz has been and continues to be a very active real estate investor and developer. Mr. Wirsz is a nationally recognized real estate expert who has been recognized by members of the U.S. Senate, U.S. Congress, Nevada state government, and has been featured on numerous national television networks including CNBC, NBC, and Fox News. Mr. Wirsz was awarded the prestigious "Young Entrepreneur of the Year" award by the Small Business Administration in 2007.



Jake Bernstein

Jake Bernstein is an internationally recognized futures analyst, trader and author. He has written more than 41 books, numerous research studies and newsletters on futures trading, stock trading, trader psychology & economic forecasting.

Mr. Bernstein is publisher of Jake Bernstein's Weekly Futures Trading Letter which has been in continuous weekly publication since 1972. He has been a guest on numerous business radio and television shows including Wall Street Week, CNBC, JagFN.TV and WebTV.com Mr. Bernstein is a consultant to investors, traders, financial institutions, short-term traders, brokerage firms and commercial firms. Jake has pioneered numerous technical, cyclical and seasonal methodologies in the futures markets.



John Matise, Venture Partner
Savant Investment Partners

Mr. Matise serves as a Venture Partner of Savant Investment Group, bringing his unique real estate background and extensive investment experience to our firm. Mr. Matise focuses on real estate, private equity and venture capital investments where he has developed a specialty in turning around and restructuring ailing companies. His dynamic record with investment capital firms including Stone Canyon Venture Partners (Davis Family), Wedbush Capital Partners, Encore Capital (D. R. Horton & Company), Goldman Sachs and Russell Capital is complemented by service with industry consulting firms Accenture, Deloitte and SSA (Six Sigma). His clients have included Charles Schwab, Kaiser Permanente, Intel, Bank of America, TRW, the State of California and many private equity and venture capital funds. Mr. Matise's operational experience spans many disciplines including CEO, COO, VP Sales, VP Business Development and other senior executive positions at entrepreneurial companies ranging in size from startups under \$5MM in revenues to over multinationals over \$100MM in revenues.



Bill Gary, CEO
CIS (Commodity Information Systems)

Bill began his commodity career as a corn buyer in 1959 for a large milling firm in central Illinois. In 1978, Bill became Regional Commodity Manager and Vice President of E.F. Hutton & Company. He was elected to E.F. Hutton's Director's Advisory Council in 1980, 1981 and 1982.

In 1991, he joined Prudential Securities Inc. as a Senior Vice President and was elected to the Chairman's Council in 1995, 1996 and 1997. Since that time, he has dedicated his energy to expanding CIS market research.

Bill has been featured in The Gartman Letter, Barrons, The Wall Street Journal, Forbes, Pro-Farmer, The Farm Journal, Business Week, US News and World Report and other publications. He has also been featured in books such as Crisis Investing by Doug Casey, Schwager on Futures by Jack Schwager and Master Brokers by John Walsh.