IceCap
Asset Management Ltd.

Our view on global investment markets:

April 2016 – "Revenge of the Risotto"

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Inconceivable!

ITALY (Rome) – Soft opera soared through the vaulted ceilings. Brunello di Montalcino poured freely in every glass. And then there was the risotto – the exquisitely prepared dish bounded with wild mushroms, wild boar, and wild thyme. A perfect pairing for the wild bankers and even wilder, government officials.

It was only early evening, but the laughter and back slapping was certain to flow into the late morning hours – and deservedly so, after all the Italian overlords had just pulled the wool over not only their 60 million countrymen, but also their dreaded and despised monetary rulers in Frankfurt.

Revenge would be savoured.

GERMANY (Frankfurt) – There was no music, no wine, and worst of all – no risotto. Yes, the European Central Bank (ECB) is based smack dab in the middle of no-fun Germany, but the President of the ECB is 100% Italian. And after 5 years of continuously taping, gluing, and conniving to hold the European financial system together, Mario Draghi was approaching his wits end.

With the Germans, French, Spanish, Portuguese, Greeks, and now the Italians sharpening their knives, Draghi certainly isn't tasting any love.

But what these countries don't understand, is that you never go against an Italian central banker, when death is on the line – or worse still, when he is denied his risotto.

The Trend Continues

Here at IceCap, we have the privilege of speaking with investors from around the world. Our objective perspective is resonating with investors everywhere which has provided us direct contact with people in Asia, the America's and Europe. This is an asset we cherish dearly.

And what we find the most interesting is that everyone we speak and email with, all have the very same concerns. Many of these people are every day, average people – they work hard for their money, and are saving for rainy and sunny days.

In the past 3 weeks alone, conversations with investors in Europe, America, Canada and India have all focused on the same topic – interest rates, and more specifically NEGATIVE interest rates.

Think about this for a minute – in normal times, the world's economies are never in sync. Some are ebbing, while others are flowing, and others are simple standing still.

Yet, <u>today it has become quite apparent that all economies have converged in the same direction – and this is a VERY rare feat</u>.

At IceCap we begin every day the same – we scour data points and news stories to help us <u>change</u> our economic, monetary, and financial markets view. We are not looking for evidence to confirm our view, in fact it is the exact opposite – we want to discover reasons to change our view.

I'm back baby!

We feel strongly, that adapting this approach will serve as our cross-check, and counter point.

Granted, as nothing moves in a linear line, there will undoubtedly be periods when it appears that our view should be changed. Yet, recognising an actual change in trend or fundamentals doesn't happen overnight – in other words, the global economy and financial markets do not turn on a dime, quarter or even a tenner.

In fact, a dramatic change in one data point should be confirmed by the same relative change in other markets – otherwise, we must dismiss it as noise.

And as we continue to search the world for changes in trend, we must objectively report that there have been <u>no changes to trends in economic growth</u>.

Around the world, growth continues to GRIND lower. Countries that were once high fliers, have now become low fliers.

Countries that were once Steady-Eddies, have now become Wobbly Willies.

And Countries that were once Nervous-Nancy's, have become Panicking Patty's.

The overriding view, served by the big banks, mutual fund companies and mutual fund sales people is that the USA is accelerating and it will save the day by pulling everyone else out of its economic funk.

We hear this story loud and clear. And, we too desperately want to believe it – after all, who doesn't want the world to prosper?

Yet, when we look at US economic growth, we struggle to find any evidence of acceleration. GDP growth remains trapped at a 2% ceiling – failure to consistently break through this barrier is occurring time and time again.

But, this doesn't stop the optimism. Professional economists – the very same group that has predicted ZERO of the last 7 US recessions, continue to see a cherry on top of every data pie.

In fact, just 4 months ago, this unvaried group predicted with confidence that the American economy would grow by up to +3% during the first three months in 2016. How could it not? Trade was booming, employment was booming, banker bonuses were booming – yes, the good times and +3% GDP were back baby.

But it wasn't.

When GDP is released, the final surging, accelerating number will be around +0.5%. Hardly the recovery celebrated by Washington, Brussels, Tokyo and Beijing.

Faster, higher, stronger

America isn't alone – and that's the point being missed by the rose-coloured glasses wearing big banks and big media.

Instead of America pulling the rest of the world out of its economic decline, we must report to you that as we suspected – the opposite is occurring.

The United States is being dragged lower, and the trend is strengthening.

Singapore is a tiny city state, yet it is an elephant in the world of international trade. Practically every piece of Asian plastics, metals and fabrics touch this trade power house in one way or the other. If trade was booming anywhere it would show here.

But it isn't. The latest trade data for Singapore shows the following:

Friday, 15 April 2016

Singapore eases monetary policy as growth grinds to a halt

Source: The Star

To confirm this data point, we jump over to an even bigger link to the global trade puzzle – **South Korea**.

If Singapore is an elephant in Asian trade, South Korea is the blue whale. Its trade exports are roughly 30% larger than Singapore and consists of many high end electronic components – a sure sign of the "life is getting better" theme.

Yet again, we see no signs of recovery. In fact, with export trade declining for 15 consecutive months and youth unemployment reaching all-time highs, the exact opposite is occurring which naturally isn't good news for the political establishment:

South Korea Ruling Party Routed as Weak Economy Saps Support

Source: Bloomberg

Next, we jump, run and swim over to Brazil – home of the XXXI Olympic Games.

Brazil is also an economic and cultural powerhouse. Not too long ago, it was seen as THE place to be. It appeared that everything good in the world, affected Brazil in a magnificent way.

Today, Brazil is quite the opposite story.

For starters, growth has plummeted from a recession, to a DEPRESSION.

And things are getting worse. Foreign investment is also fleeing the country which has caused the currency to fall 50% over the last 2 years.

And as a sausage has many links, this currency decline has caused inflation to soar to over 10%.

Someone has to pay

Which means interest rates are soaring as well. While the rest of the world is struggling to survive with 0% and NEGATIVE% interest rates – Brazil is the opposite. Current rates start at +14.25%.

Naturally, the bad news doesn't stop there. The only thing that could make matters even worse in Brazil was if the people have lost ALL confidence in the government.

> Politicians face investigation in Brazil's biggest ever corruption scandal
>
> Source: The Guardian

And to complete the world-wind tour, have a closer look at Europe, specifically **France**. While Germany remains the economic powerhouse of Europe, France is without question the cultural and political pivot point.

Economically, France remains a mess. It's economy is locked into a no-growth trend, with a government that will not abandon its commitment to a strong social state. Meaning it is unlikely the country's deficits will decline anytime soon.

And as the deficits continue, the debts become larger. And as the economy trends lower, increasingly more people become dependent upon the social welfare state for support.

And as more people become dependent upon social assistance, someone has to pay – and that someone will be the wealthy.

We are not saying this with any hidden agenda. Instead, investors everywhere should understand that as the heat is turned up on the wealthy, the wealthy will simply leave and seek a new home elsewhere.

Case in point are the high-end property markets in London, New York, San Francisco and Vancouver. THE significant driving force behind these price surges is not coming from the local lads. Instead, foreign investors have chosen to leave their current home and are moving their wealth elsewhere.

As the world's economies continue to grind tighter and the political and monetary responses become even more outrageous, the wealthy will move their money – and the #1 hotspot will be America.

France is in a tight spot – economic stresses are causing the wealthy to leave, the migrant crisis is causing social stresses, while the political environment has become downright toxic for the old, tired, established parties.

Everyone should be prepared for significant changes in France – the trend towards something very different started a few years ago, and it will only grow stronger.

All isn't bad. There is some good news for France – its neighbour will reclaim the harsh spotlight, and allow France to drift into the shadows, for a while anyway.

This neighbour of course, is no other than **Italy**.

Math is hard

Italy

The Italian banking system is in SHAMBLES. It is estimated that Italian banks hold over EUR 360 BILLION in bad loans.

To put this in perspective, this is equivalent to about 20% of the total Italian economy. It would be the same as the United States banking system having over $3.4 TRILLION in bad loans.

It is a big number.

And when banks have big numbers of bad loans – bonuses, dividends, and stock prices are all kissed good bye.

For every bank stock lover in the world, note that Italian bank stocks have declined 50%. And as all banks swim in the same interest rate sea, you should be prepared to experience similar discomforts.

This is normal. Whenever any private sector company has losses, shareholders and creditors lose money. It's simple mathematics and the way normal economies work.

Except, the financial world is anything but normal. When it blew up in 2008, banks convinced governments that if they went under, every single breathing thing on the planet would suffer.

And since governments include themselves amongst the living, entire banking systems were given unlimited direct and indirect bailouts.

Yet, 2008 was long ago. Today the public is no longer afraid of the banks. In fact, today in many countries banks are loathed, detested, and held in contempt – and that's on a good day.

Recognizing this important shift in the public's attitude, many governments have adopted an approach that instead of showering banks with bailouts, future banks in need would instead be served a bail-in. The difference is significant.

In a bailout, tax payers' money is given to the banks.

In a bail-in, tax payers' money is NOT given to the banks.

This shift was necessary for two reasons:

1) The voting public would no longer support bailouts to banks
2) Governments were effectively running out of money themselves

After the initial 2008 bank bailouts, a sense of financial calm wafted across Europe. And then, once the air cleared it became obvious that not only were Europe's banks in trouble, but the banking troubles were actually forcing entire countries including Ireland, Portugal, Greece, Spain, and Italy to ask for bailouts.

Fake money was printed, and it was declared that banks would no longer receive bailouts. The next time someone ran into trouble, the bail-in approach would be used.

Wait, what?

It had become very clear that the European financial system had become so fragile that banks and governments had no choice but to hand over the reins to Mario Draghi and the European Central Bank (ECB).

After all, central banks had magical powers that enabled them print money out of thin air, as well as do strange and wonderful things with interest rates.

Draghi accepted this responsibility and quickly got to work experimenting with more aggressive money printing and the use of negative interest rates.

And after 3 years of reducing the speed of the Euro debt crisis to a slow burn, Draghi and the ECB were starting to feel pretty good about themselves.

Enter Italy.

The Italian bank bailout is a complicated scheme, which we're sure even they do not understand what they did. And to make matters worse, Italy has gone lone wolf much to the irritation of the Draghi and the ECB.

In simpler terms – Italy is smack dab in the middle of a chronic debt crisis, and it's entire banking system is on the verge of collapse.

To fix it, the government orders the central bank to create money out of thin air and transfer it to the 2 largest banks.

These two banks then transfer about half of the thin air money into a newly created bad bank and keep the rest. Other Italian banks are also instructed to transfer money into this newly created bad bank.

The newly created bad bank has been instructed to invest the money just received, back into the very bad banks it just received money from.

In the end, the newly created bad bank will have EUR 5 billion to support over EUR 360 Billion in bad loans. For those who are a little unsure of exactly what this means, see our **Chart 1 on the next page**.

This is the point at which you say "huh?", "come again", or "what the heck?"

This isn't made up – this is the approach taken by Europe's leaders to once again save their banking system. We've lost count of the number of times they have tried to ring-fence their banking problems. This attempt by the Italians will fail, and there is no doubt about that.

But what makes this latest try even more befuddling, is how once again a government has fallen victim to the save-the-bank story.

The ECB, the IMF and the EU went through great pains to explain to everyone that the next time a European bank ran into trouble, a bail-in

Chart 1: The Problem

The Bank Problem:

EUR 360 Billion in Bad Loans

Italian banks have the most bad loans in Europe

The Solution:

EUR 5 Billion

Banks contribute EUR 5 billion to a Bailout Fund called Atlas

EUR 5 Billion

- Will buy new equity issuance from troubled banks
- Will buy bad loans from troubled banks

The Math Problem:

EUR 5 Billion < EUR 360 Billion

The British are coming/leaving

would occur. In other words, losses would be born to the shareholders, and creditors – and NOT tax payers.

This line in the sand approach was meant as yet another step towards financial healing for the beleaguered Euro-zone.

Instead, the world got to see how business and politics is done in Italy – one without interference from outside sources.

We suggest the Italians enjoy their evening of celebration, as it is only a matter of time before they realize 5 billion is less than 360 billion.

Brexit

We think Britain is great.

It is home to the greatest rock bands to ever strum a guitar. It's also home to the greatest number of sandwich shops on the planet. And of course, it's home to some of the greatest expressions of all time.

Sadly, when it comes to expressions – "Brexit" just might possibly be the least imaginative term in British history.

Nevertheless, Brexit is approaching and the possible outcome has the entire European political establishment, desperately trying to figure their way out of the latest mess.

For those not aware, Britain is having a referendum on June 23, 2016 to decide whether it will stay in the European Union (EU). And, this Brexit vote is a VERY big deal.

From the British perspective, EU membership provides easy access to the economies of the other 27 countries. Significant red tape and taxes are reduced making life and travel between all members much more manageable.

In exchange for membership, Britain must allow all other EU members equal access to everything British – including its borders. And considering Europe's economic, financial, political and social crisis' – this is a very big deal.

From the EU's perspective, Britain is the 2nd largest economy and is one of the most important members. Yet, judging by recent treatment one would be hard pressed to find any love directed towards Britain.

For starters, Britain's recommendation for the EU Presidency was given a very big "NON" and "NEIN".

And then, Britain's recommendations for changes to their EU Treaty were given such minor platitudes that even Britain's Conservative Government had a hard time spinning something positive to showcase its great victory in Brussels.

Ironically, the mere thought of Britain leaving the EU has both the German and French governments losing considerable sleep every

Get over your fears

single night. You'd think they throw some kind of bone to Britain, but no – it has become crystal clear, it is the German/French way or the highway.

Depending upon your perspective, the real danger and fear of Britain leaving the EU is that the entire project of European integration crumbles apart.

Britain leaving is VERY different than Greece leaving. A GREXIT would be the same as getting that first olive in the jar to move just a little bit.

On the other hand, a BREXIT would be the same as having half of the jar sliding out at once.

And with Britain leaving, the Italians wouldn't be far behind. And then, Euro-skeptic movements in France, the Netherlands, Spain and even Germany would gain enormous momentum.

In Germany alone, the Euro-skeptic AfD party is just 4 years old, yet it recently became the 3rd largest party and scored over 15% in regional elections. This is an EYE-POPPER.

Prior to 2016, the main contributor to the anti-Euro movements has been a weakening economy and impotent solutions from governments and the European Central Bank.

However, the escalating migrant crisis is now merging with the economic crisis and it is creating a fairly flammable situation.

Regardless of <u>your</u> feelings towards the migrant crisis, investors need to know how <u>Europeans</u> feel toward the crisis.

Many countries and groups outside of Europe are very sympathetic to the inhumane experiences of the millions of migrants. The rallying support to help the migrants in need is incredible and it should be applauded.

However, within Europe the experience is very different. Yes, there are many wonderful and amazing, people and groups who are organising to offer help as well.

But there are also people who are having very different experiences.

And in many cities and provinces, these groups are not a minority.

Conflicts between migrants and locals are happening in Germany, France, Sweden and elsewhere. Meanwhile, the attacks in Paris and Brussels also serve as further support for the anti-migrant movement.

As investment managers, we are not offering this as a view on what is right and wrong in the world. Rather, we offer it as an important factor to consider when objectively viewing the Euro zone.

European economic, financial, political and social factors are all converging and current trends suggest very big changes are on the horizon.

Stop picking on economists

Which brings us back to the British and BREXIT.

Considering the current state of the EU, the proper question shouldn't be why Britain would want to leave, instead it should be why on earth would they want to stay?

Put another way, there shouldn't be a fear of leaving the EU – instead, there should be a gigantic fear of staying in the EU.

But since fear mongering is the ONLY political game in town, it shouldn't be surprising that the British government is campaigning heavily for Britain to STAY in the EU. After all, as much as the political establishment detests each other – they all have a self-interest to keep the status quo.

And when it comes to political fear-mongering, the usual weapon of choice is the economist.

In the world today, it sure is a good thing we have economists. Otherwise we would be making simply horrible decisions all of the time.

Forget the elderly with years of wisdom and experience, forget the teachers in the classrooms who are touching the minds of students by the hour, and forget the good stuff between our very own ears that gives us common sense.

Instead – the fate of the world has been left in the hands of our very dear economists. Now, economists do perform many very good services for our world, yet in the dire moment of political need – the pull-an-economist-out-of-the-bag trick always occurs.

It is usually a dire warning of what happens when someone doesn't get their own way, and since very few people feel confident enough to challenge a person in power, let alone a person in power armed with an economist, then what is claimed is usually taken as fact.

And with the enormity of BREXIT, the British government is no exception. With the LEAVE vote rapidly gaining momentum, the Conservative government had no choice but to unleash the economists on the unsuspecting public – and unleash them they did.

The result was the "**HM Treasury analysis: the long-term economic impact of EU membership and the alternatives**".

The 201 page document is an "independent" assessment of the costs and benefits of EU membership, prepared by the very same Conservative government who is campaigning relentlessly to STAY in the EU. How this is independent is beyond us.

As one would expect, the objective analysis proved beyond a shadow of a doubt that if Britain were to leave the EU, it would be a disaster so large that even 007, Beckham and Oasis combined wouldn't be able to save it.

Zero Gravity

The subjective arguments include:

- "Does Britain want to continue to be a country that faces out to the world?
- Do we want to be promoting our case at the top table of the world's institutions?
- Is our national security best served by retreating from the world?"

The British Conservative Government is therefore implying that should it leave the EU, then Britain will become:

- a closed country,
- that presents it view to lower table institutions,
- and that it will retreat from the rest of the world.

It is at this point that someone, should remind the British Government that leaving the EU does not make Britain a closed country. Britain is one of the most open facing countries on the planet. And London is the world's premiere financial center – it is NOT a closed country.

As for Britain sitting at the kids table during important world matters, we can only assume the Conservative Government has never heard of the G7, G8, G20, the IMF, and the World Bank – all of which Britain will remain as important members.

And to top things off, Britain isn't retreating from the world. They make it sound as if Britain will retire and cease to exist. Britain's national security will not deteriorate. It will remain intricately linked to all of its other super power friends. To think the Americans, Germans and French will suddenly cut-off Britain from global security issues is rather short-sighted.

Those are the subjective arguments. For those who enjoy numbers, there were plenty of those as well.

From an economic perspective, the report is even more suspect with the most notable headline to hit the media being the GBP 36 Billion in lost tax revenues, or a cost of GBP 4,300 per household if Britain left the EU. All over a 15 year period.

But, there's just one problem – no where in the document could we find actual growth estimates used to calculate this data. The document is extensive in describing various modeling techniques, with our favourite being the gravity model defined as:

$$\begin{aligned}\ln(T_{ijt}) = {} & \alpha_{ij} + \gamma_t + \alpha_1 \ln(Y_{it} * Y_{jt}) + \alpha_2 \ln(POP_{it} * POP_{jt}) + \\ & \alpha_3 \ln(DIST_{ij}) + \alpha_4 COMLANG_{ij} + \alpha_5 COLONY_{ij} + \alpha_6 BORDER_{ij} + \varepsilon_{ijt} \\ = {} & \alpha_{ij} + \gamma_t + \alpha X_{ijt} + \varepsilon_{ijt}\end{aligned}$$

And for those who love quantitative models, just know that 3 of the variables in the gravity models are defined as dummy variables, or put another way – plug-ins.

There are countless other models as well and we suspect they are all included to stop any critique dead in its tracks – after all, how could anyone argue against the Gravity Model? Certainly not a dummy.

Pushing on, we do encourage you to read the document all while

Google "barmy"

considering the absurdity behind trying to quantify the 15 year effect of leaving the EU.

As we are fairly comfortable working with numbers, we can tell you with certainty that it is certain that none of these estimates will be even close to being true in 15 years.

Instead, once you step back and let the hot air clear, you'll see one very clear error – the study assumes the European Union remains strong and grows on a linear line into eternity.

Yet, considering the likelihood of the EU, let alone the Euro-zone, even existing in its current structure in 15 years is low indeed.

The correct question to ask is why on earth would Britain want to remain on board of a sinking ship? Especially one anchored to gravity models. Britain should be doing cartwheels at the chance to leave such a dysfunctional entity.

Or from yet another perspective, perhaps the better question to ask isn't whether Britain should leave the European Union, but why isn't Norway and Switzerland asking to join the European Union?

If being a member of the EU is such a terrific privilege, then surely the Norwegians and Swiss must be daft.

Regardless of whether Britain votes to leave the EU or not, the Euro zone continues its trend towards a dramatic restructuring.

Should Britain vote to leave, the entire situation simply accelerates making it rather barmy for everyone linked to the Euro zone.

And that's an expression to be remembered.

Market Update

Since the last **IceCap Global Market Outlook**, stock markets have increased between +5% to +10% which on the face of it sounds very good. Most investors would gladly take that year after year after year.

Yet, when you expand your time period just a bit you'll notice the following 1-year returns from various stock markets:

- USA +1%
- Canada -6%
- UK -6%
- Germany -12%
- Japan -13%

When considered on this face, the return experience hasn't been that great, but in reality there's been nothing sinister at all. Stock markets will always be volatile – end of story.

However, we also happen to be living in a period when traditional stock market analysis just doesn't work. Most people today remember the super strong markets in the 80s,90s, 00s, and now the 10s.

Run away

Yes, each decade has been violently interrupted by wealth destroying crashes in 87, 98, 00, 08 – again, normal stuff.

Viewing the market across the last 40 years will give you a sense that this is normal.

This is wrong.

We continue to be amazed by the limited thinking of many professional investors. We continue see investment strategies supported by 5-7 years of back dated research as solid proof.

If your investment advisor is showing you this - run away.

We are also seeing strategies predicated upon research spanning 25-30 years.

Again, if your investment advisor is showing you this – run away.

Today's investment world has become COMPLETELY dominated by the following:

1) 0% interest rates
2) NEGATIVE % interest rates
3) Money printing
4) Numerous countries in severe debt crises
5) Low to no growth economies

Yes, none of this sounds good, and it isn't. But it is what it is.

More importantly, the current environment has never ever, been experienced by today's investors.

Therefore – using data and research from the last 5, 20, or 40 years still doesn't get you in the game. This approach will leave you outside the stadium blindly guessing at the outcome.

Frequently today, you'll see, read and hear how stocks are expensive and that earnings cannot support current stock prices.

Based upon traditional stock market valuation metrics this is certainly true. However – kindly note that traditional stock market valuation metrics all rely upon interest rates as a key component.

And when this key component is close to 0%, at 0%, or worse still at NEGATIVE %, the models will give you stretched results.

At IceCap, we agree that based upon traditional valuation metrics stock markets appear quite scary and downside risk certainly exists.

However, investors really need to understand and appreciate that money moving in, out and around different financial markets today is driven completely by investment fear. And when capital moves are driven by fear, fundamentals do not matter.

There's no need to dispute this perspective. The central banks and governments may try as they might, but they cannot change the environment.

The absurdity is in full view

The single, biggest risk in markets today continues to be the government debt market. Despite attempts by the Italians, the ECB and the US Federal Reserve, the bubble in the government bond market continues to grow – and it is this bubble that will be the ultimate event that will force money to run away from the bond market and ultimately, into the arms of the stock market.

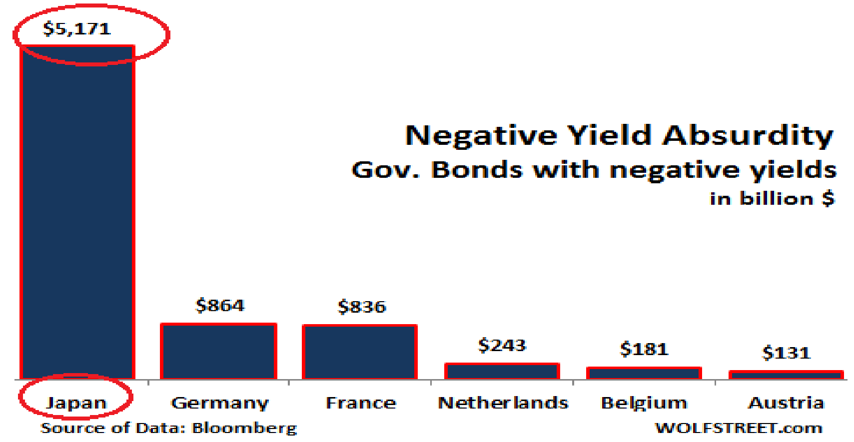
At that time, stock market valuations will be going through the roof. Forward PE ratios will be triple digits – but it will not matter. Money will flow.

In fact fundamental analysis will become so out of whack, we can envision the WSJ and the FT proclaiming that fundamental analysis is dead .

Of course, they both will be wrong. Fundamental analysis will undoubtedly rule the roost again some day, but that day is actually a few years away.

Be patient.

To further grasp the enormity of the bubble in the government bond market, consider the chart in the next column:



Due to the financial and political messes in Europe and America, Japan gets little airtime in the western world.

This is a shame.

On many levels, Japan has been in a recession for over 25 years. The government(s) continue to spend more than it collects in taxes, which means they have to borrow money to make up the difference.

In addition, Japan also has to borrow to pay back maturing debt.

The only saving grace for Japan has been their internal savings being big enough to buy the government's new bonds. But this advantage has now been exhausted and now all newly issued Japanese Government Bonds are bought by the Japanese government themselves (BOJ) by printing money.

Rally of a lifetime

Think about that for a moment and once it settles in, you'll realise how much trouble the Japanese and the rest of the world is in. When Japan blows, it will undoubtedly hit the rest of the world's bond markets – if you think otherwise, you will be wrong.

Money printing by central banks has become so extreme, that now over $6 TRILLION in government bonds pays a NEGATIVE interest. This means, an investor is paying interest instead of receiving interest.

And to further hammer home the point of absurdity in the government bond market, over $17 TRILLION in government bonds pay less than +1% interest.

There are 2 key points to understand:

1) Savers around the world have been completely devastated
2) When interest rates do rise (and they will), government after government will be devastated due to their inability to both borrow and simply pay the interest owing.

This brings us back to stock markets. Yes, it never seems like a good time to buy stocks – especially with the convincing valuation metrics telling you that stocks are grossly over valued.

However, investors should be prepared for the rally of a lifetime. Once the bond market breaks, money will gush into the stock market zooming it higher.

As for timing, we're almost there. Be patient.

IceCap Travelling

The CFA Institute will be holding its annual conference in Montreal, Canada from May 8-11.

Keith Dicker, CFA and **Ariz David, CFA** will both be attending.

If anyone will be in the city at the same time, we'd love to meet you.

Feel free to reach out to Keith or Ariz.

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Be patient

Our Strategy

Stocks

We haven't added to our equity portfolios. We remain patient and are awaiting for signals from the bond market as to why and when we should become aggressive.

Our portfolios have been significantly restructured to minimize exposure to the financials and banking sectors. These sectors will be negatively affected by stress in the bond market and it should be avoided where possible.

Currencies

US Dollar remains strong versus most currencies except for the Canadian Dollar and other oil sensitive currencies. The rebound in oil has almost finished running its course. Then expect those currencies to resume their negative slide versus USD.

The upcoming BREXIT vote will result in GBP and EUR to really move around. Should the LEAVE vote win, GBP will initially decline versus everything, this would be a terrific opportunity to go long GBP/EUR.

Commodities

Oil is knocking on the upper limits of a wide trading range. Short covering has been mostly completed, meaning there is little energy left to power it higher. The Gold rally has fizzled, we really want to establish positions yet the timing still isn't quite right. Be patient.

As always, we'd be pleased to speak with anyone about our investment views. We also encourage our readers to share our global market outlook with those who they think may find it of interest.

Keith Dicker, CFA founded IceCap Asset Management Limited in 2010 and is the President and Chief Investment Officer. He has over 20 years of investment experience, covering multi asset class strategies including equities, fixed income, commodities & currencies.

Keith earned the Chartered Financial Analyst (CFA) designation in 1998 and is a member of the Chartered Financial Analysts Institute. He has been recognized by the CFA Institute, Reuters, Bloomberg and the Globe & Mail for his views on global macro investment strategies. He is a frequent speaker on the challenges and opportunities facing investors today, and is available to present to groups of any size.

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