IceCap
Asset Management Ltd.

Our view on global investment markets:

March 2017 – "The Pendulum"

Keith Dicker, CFA
President & Chief Investment Officer
keithdicker@IceCapAssetManagement.com
www.IceCapAssetManagement.com
Twitter: @IceCapGlobal
Tel: 902-492-8495

Wake-up before you go-go

PISA, ITALY (1602)

The espresso was especially special this morning and it was needed. Having pulled yet another all-nighter, Galileo Galilei was fighting both mental and physical exhaustion.

Having already invented the telescope, the compass and the thermometer, as well as putting an end to the ridiculous belief that the universe revolved around Earth, the Italian mastermind was putting the final touches on his latest discovery – *the pendulum*.

The power, the smoothness, and the predictability of its movements made the pendulum one of the most fascinating and useful discoveries of all time.

Unappreciated by many, today pendulums have become a fixture in our lives. Music, playgrounds, bridges and buildings are all dependent upon the pendulum.

And a world without Oasis, kiddie-swings, the Golden Gate Bridge and seismic isolation bearings just wouldn't be a fun world at all.

Indeed, pendulums are that important, and understanding how the investment world is singing, and swinging will allow you to appreciate that today's world is just not as crazy and unpredictable as some may think.

Don't be distracted

Depending upon your view – it's either been a very long or a very short 3 months since the American Election.

However, from a financial perspective, it is ABSOLUTELY imperative to set aside your personal political views. Astute investors MUST remain as objective as is humanly possible.

Now, considering the seismic shifts that are occurring around the world, one can be forgiven for acting like humans. After all, it's not every day, that everyone has suddenly developed very strong opinions of our suddenly very political world.

Yet, this is exactly when and where one needs to step back from the ledge, off the soap box and away from the very left leaning CNN News and away from the very right leaning FOX News.

Here at IceCap, we've been forewarning for a while now that while the world will appear to become very complicated, if you take a neutral perspective you'll see with clarity for kilometers on end.

The world has shifted. And the pendulum has changed direction. If, and only if you are able to see this, you have an incredible opportunity to grow your capital, avoid needless losses, and perhaps best of all – become calm and rational during these chaotic times.

Unless of course, there are a few distractions along the way.

While the world is focussed on this.....

It is missing this....

Donald Trump's Blunder Down Under

Citizens of an unusually close ally now regard the president as a volatile, vainglorious, untrustworthy bully after he needlessly disrespected their leader in a phone call.

CONOR FRIEDERSDORF | FEB 2, 2017 | POLITICS

Donald Trump's wall: a fitting monument for an unfit leader

John Paul Brammer

H.A. HELLYER

Trump's 'vetting' just made the world less free – and less safe

H.A. HELLYER
Special to The Globe and Mail
Published Saturday, Jan. 28, 2017 4:28PM EST
Last updated Sunday, Jan. 29, 2017 4:44PM EST

White House misspells Theresa May's name ahead of meeting

By Lauren Said-Moorhouse, CNN
Updated 10:32 AM ET, Fri January 27, 2017

President Trump reportedly forced Chris Christie to eat meatloaf

ANNA IOVINE, AOL.COM
Feb 17th 2017 10:13AM

Marine Le Pen sees support surge ahead of French elections, with frontrunner Emmanuel Macron's lead evaporating

- French far-right leader Marine Le Pen has gained ground on main election rivals
- But polls show her losing run-off to both Emmanuel Macron and Francois Fillon
- The head of anti-immigration National Front, 48, wants to take France out of the

and this.....

EU SHOCKWAVES: Brussels braces as Italy 'No' vote set to trigger crisis for eurozone

ITALIAN Prime Minister Matteo Renzi has promised to resign today after conceding defeat as the majority of Italians voted 'No' in the country's momentous referendum.

By REBECCA PERRING & CHARLIE BAYLISS
PUBLISHED: 00:00, Mon, Dec 5, 2016 | UPDATED: 10:21, Mon, Dec 5, 2016

and this.....

Germany's center left takes poll lead for first time in decade

SPD surge follows pick of former European Parliament president Schulz as its candidate.

By BJARKE SMITH-MEYER | 2/19/17, 3:39 PM CET | Updated 2/20/17, 12:07 AM CET

Diversions

We show you these distractions not to belittle or to demean the political environment in America, but rather to show that the political swing in America is also happening in Europe.

During the 1980s, the political world was very much right leaning. Ronald Reagan and his star wars dominated America, Margaret Thatcher and her iron fist ruled Britain, while Brian Mulroney and his privatizations swept Canada.

At the time, the swing to the right had the appearance and feel that it would last forever. Until it didn't.

Eventually, Europe, America and Asia all experienced a political renaissance lead by left leaning parties.

Of course, the bedrock of Left leaning political beliefs is providing an incredibly strong social safety net.

And of course, the challenge of being able to provide an incredibly strong social safety net is having enough money to pay for the net.

And since governments always spend more money than they collect in taxes - the solution was to borrow. And this was something that all governments became VERY good at.

So good in fact, that today's debt loads, and fiscal deficits have achieved levels never before experienced in our lifetimes.

> Voices
>
> ***Global debt is spiralling out of control***
>
> Reducing debt through debt forgiveness, defaults or inflation is not without consequences. Savings designed to finance future needs, such as retirement, are lost. This in turn results in additional claims on the state to cover the shortfall or reduce future expenditure, which crimps economic activity
>
> Satyajit Das | 3 days ago | 67 comments

Mind you, this incredible feat could have only been achieved with the combination of:

1) a <u>global</u> acceptance of left leaning governments;
2) a <u>global</u> effort by central banks to artificially reduce interest rates to 0% and even negative % in some countries;
3) a <u>global</u> coordinated strategy to print money in an attempt to stimulate growth and keep the party going.

The key to understanding exactly where the global financial system is headed is being able to see that the debt party has ended, and how the combination of:

1) the sharp political swing to the <u>right</u>

AND

2) the sharp interest rate swing <u>upwards</u>

will create incredible movements of capital scurrying for safety.

And the best way to appreciate the ways of today's political and financial world is to appreciate one of the most important inventions of mankind - *the pendulum*.

Like clockwork

The Pendulum

Unknown and unappreciated by many – the world moves in waves and cycles. Some of these cycles are very long in nature, while others are quite short.

Most will readily agree without a doubt, that cycles exist in fashions, sports, music and films.

Yet, when it comes to financial markets and our economies, most people mistakenly believe we live in a linear world.

Instead, one must recognise the shifts that are occurring across fiscal, monetary, political, social and economic factors.

To see and understand these shifts, simply remove all blinds, stop reading big bank investment commentary and watch how the pendulum across each of these factors has started to swing the other way.

The pendulum is an awesome invention. In its simplest form, it is a weight suspended from a pivot that allows it to swing freely back and forth.

Pull it to the extreme left and watch it swing as far as its energy will allow it to the extreme right.

Then at that extreme moment in time – the pendulum changes direction and swings back to the left.

Its movements are both predictable and repetitive; both of which offer investors a different perspective and rationale for the seemingly odd and chaotic happenings in the world today.

The Political Pendulum

While many people, companies and industries recovered from the 2008-09 credit crisis, many others didn't.

Set aside the reasons for the 2008-09 collapse, and instead focus on the government solutions to the collapse.

First, understand that in the financial world, losses occur ALL THE TIME.

In general, if you make a bad investment – you must take the loss.

Those who did not make the investment never share your losses. That's the way markets and investing work.

Yet in 2008-09, global governments developed a coordinated solution to the crisis whereby instead of specific investors bearing the loss for bad investments, governments instead decided to spread these losses across the entire world.

Of course, if our governments described it this way the majority of people wouldn't fancy it very much – especially those who took no investment risk.

Fancy this…

Instead – a more creative, intellectual-sounding phrase was needed.

Next thing you know, government and policy officials began talking passionately about the world "socialising the bad debt problem".

Of course, few (including many who were muttering the phrase) really knew what this meant.

In reality however, "**socialising the bad debt problem**" really meant **other people** lost an awful lot of money and **you** are going to pitch in to pay for it.

To achieve this, banks were bailed out with tax payers money AND interest rates were set to 0%, AND then NEGATIVE %. In theory, this would help stimulate new investment which would create new jobs, new bonuses, and new spending.

Of course, what is COMPLETELY MISSED by the mass media and by now, long forgotten by the financial pundits and talking heads is that by lowering interest rates to 0% and NEGATIVE %, it absolutely destroyed the opportunity for savers to collect risk-free interest on their savings and deposits.

This is important for 2 reasons:

#1: It wiped out income/interest that would have normally been spent in the economy. Which in effect, tied a gigantic anchor around the economy making it even more difficult to recover.

To truly (and objectively) appreciate how weak the present recovery has developed, just know that since 1950 the US economy has grown on average +4.3% (after inflation) during recoveries.

Yet, the current recovery, despite TRILLIONS in bailouts, has managed to squeak out a mere +2.1% (after inflation) rate of growth average.

Put another way – despite the largest and globally coordinated stimulus plan known to mankind, the current recovery is only 50% as strong as the average of all other economic recoveries ever recorded.

Now, for some economists this is the evidence used to proclaim that the recovery is working – but they claim it would work even better if and only if, governments printed even more money, bailed out even more industries. And the economic-fantasy to top them all – lower interest rates even further into negative territory.

The IceCap perspective firmly believes this group of economists are off their rocker.

While we'll never know what would have happened, but many other economists and investment managers believe the reason the recovery has been so weak is BECAUSE of all the interference from governments and their decision to make EVERYONE pay for the losses from the 2008-09 catastrophe.

Which of course, bring us to point #2:

Lunch time

#2: There has never been a free lunch in the world. There are always strings attached, and the strings attached to the solutions applied to the 2008-09 credit crisis are finally come home to roost.

The very large percentage of the world who did NOT participate in the manufactured recovery have quietly seen their anger, confusion and irritation simmer to a boil.

And it is this collective frustration that served as the starting point to cause the Political Pendulum to stop and dramatically change direction towards the far right.

Chart 1 (next page) shows the swings that have developed and are developing.

Perhaps to truly appreciate how dramatic and how quickly political changes are occurring, consider that as little as 8 months ago, the G7 meeting would have been attended by:

- Britain - David Cameron
- United States – Barrack Obama (Hillary Clinton)
- France – Francois Holland
- Italy – Matteo Renzi

Of course, today all of the above have seen themselves or their political party, booted to the curb and none of them will be representing their country as head of state anytime soon.

Considering the political changes that are sweeping the world, each of the above countries will be sending leaders with very different agendas. All of which have been significantly influenced by the 2008 crisis.

Naturally, politics are personal, emotional and subjective. Yet, there is a way to at least minimize these very human and normal traits and that is by asking the correct question.

For BREXIT – the wrong question was “How did the LEAVE vote win?” Instead, the correct question was “How did the STAY vote lose?”

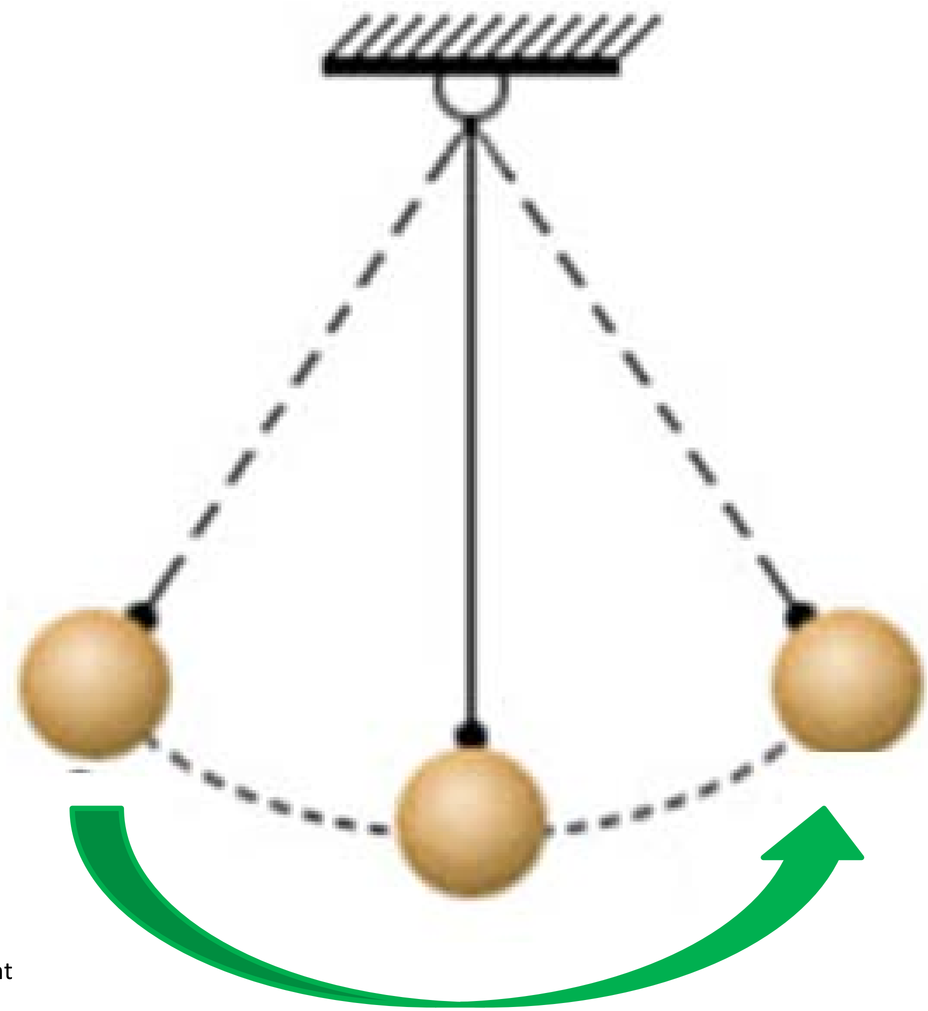
For America – the wrong question was “How did Trump win?” Instead, the correct question was “How on earth did Clinton lose?”

Considering Italians also flipped a very big bird to the political establishment it should by now be very clear to everyone that the Political Pendulum is clearly swinging away from the left, away from the political establishment, and towards a new paradigm that is ready to make dramatic changes.

The pendulum has started to swing to the right and it is clearly creating much drama throughout the world.

And when it comes to drama, no one seems to be better at it than the French.

Chart 1: the Political Pendulum



Political Left

Clinton - USA
Cameron - Britain
Renzi - Italy
Hollande - France

Political Right

Trump - USA
Brexit - Britain
Grillo - Italy
Le Pen - France

Source: IceCap Asset Management

We're gonna need a bigger net

Merde Creek

We've written before how from an economic and fiscal perspective France was up this infamous creek without a paddle, oar, life vest or even a whistle for that matter.

And that was before political and social chaos pushed the beautiful country into crisis.

The reason France is in fiscal crisis is due to its strong belief in providing a super strong social safety net for its people and workers.

Naturally, few in the world would argue that people should not have universal access to healthcare, education and welfare assistance when needed.

In France however, this belief is so deeply rooted that it has handcuffed the private sector to the point where meters thick red-tape, sky-high taxes and inflexible labour laws make it not only a challenge for current businesses to really grow and prosper, but act as an enormous deterrent to international businesses choosing France over other countries with regards to capital investments.

The fact that only 30% of the French population itself believe in the superiority of a free market system (source: Satyajit Das), demonstrates that any changes will require several generations to take hold. And considering the fuse on long-term interest rates has already been lit, there is zero chance of the country changing its attitude towards capitalism vs socialism in time to avert crisis.

In other words, France's fiscal balances are guaranteed to deteriorate further which naturally causes even less incentives for the private sector to make capital investments.

This in turn, naturally results in less employment. Which then ultimately results in less funds available to provide the generous social benefits promised by the government

To demonstrate exactly how this is playing out, consider **Chart 2** (next page) which shows how dependent the French economy has become on government spending.

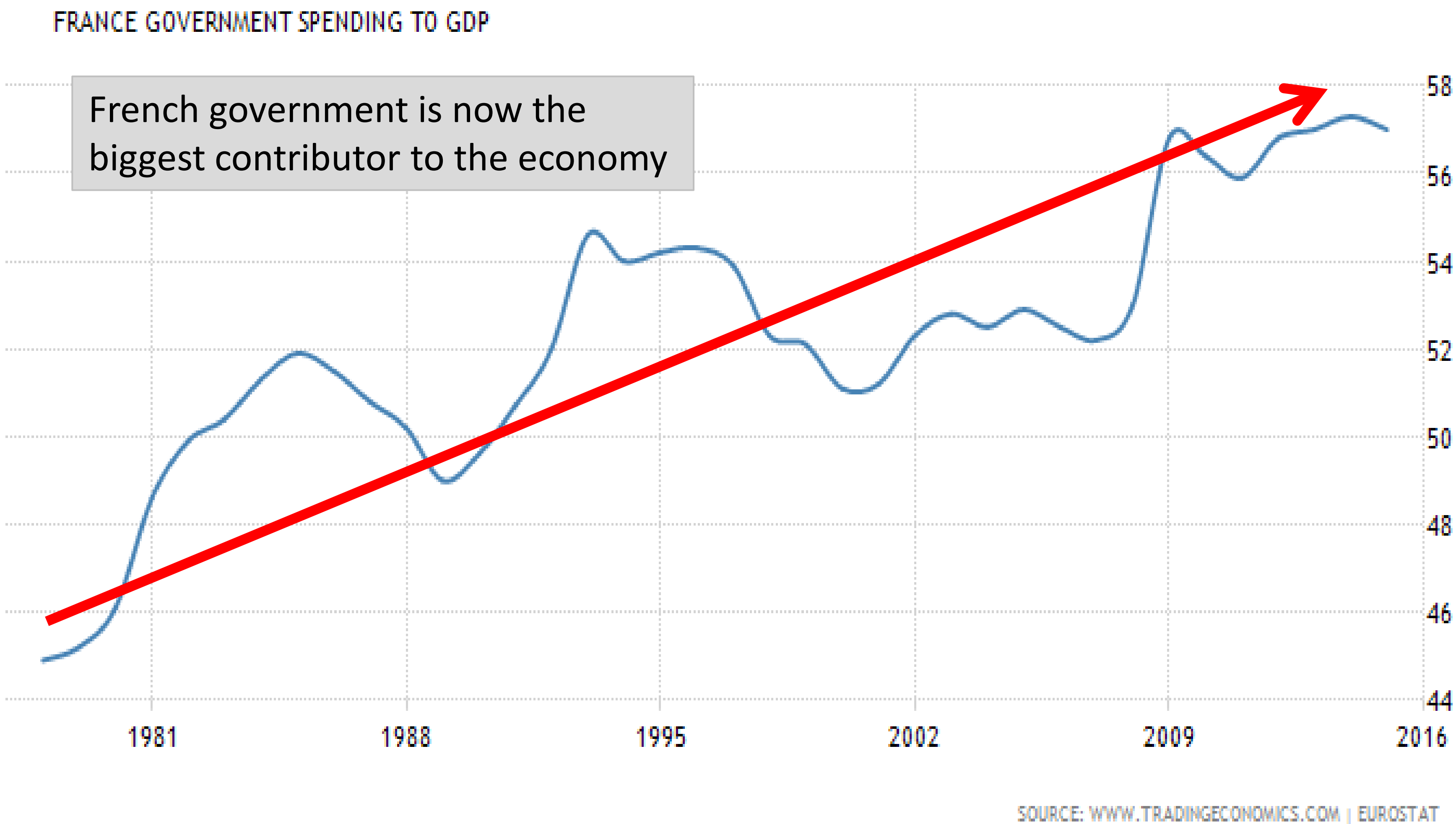
As you can see, French government spending relative to the private sector has consistently increased to the point where today – the French government is THE dominant consumer of the French economy.

This isn't good.

The private sector is being crowded out, which effectively hollows out the economy, stifles innovation and competition.

Ironically, at this exact same moment in time when the government MUST borrow and spend more to simply maintain the status quo social security net, along comes Germany dictating to the French government that they must lower retirement benefits, spend less, and borrow less.

Chart 2: French Gov't Spending as % of GDP



Understand history

After all, if you want to maintain membership in the exclusive Euro-zone club, you MUST follow the rules that are largely set by Germany.

As you may guess, no one enjoys being told what to do. And the mere thought of Germany telling the French how to run their country is enough to make anyone with a history book roll their eyes.

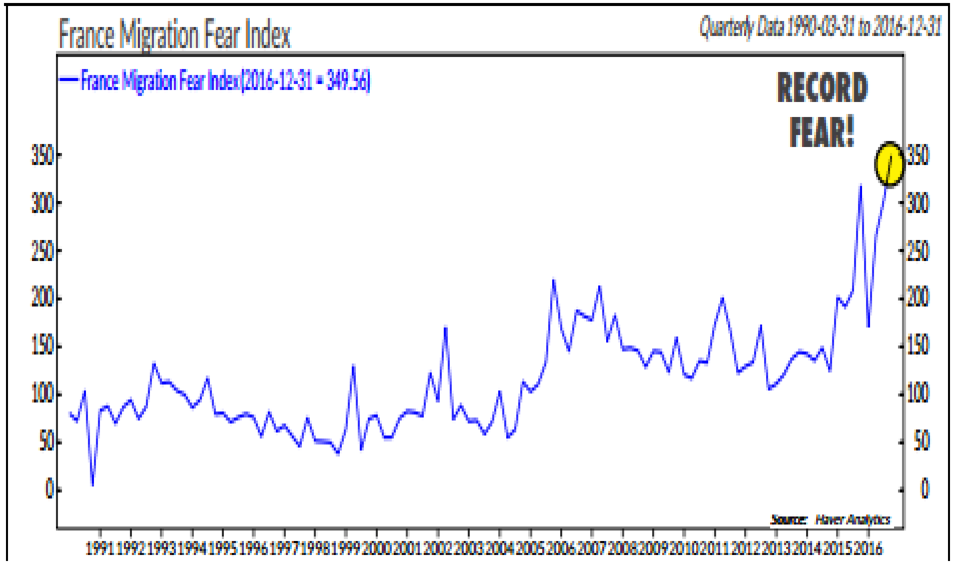
Now, in addition to deteriorating financial/fiscal conditions, and the embarrassment of following Eurozone orders as dictated by Germany, France is also experiencing an increase in terrorist attacks across the country.

Over the last 2 years, terrorist attacks included slitting the throat of an 86 yr old priest during mass; ramming a 19-tonne cargo truck into crowds celebrating Bastille day killing 86 people and injuring 434 other men, women and children; and the killing of 130 people and injuring of 368 others using automatic weapons and grenades during 3 separate attacks on the same day in Paris 2015.

We apologize if you consider the above details to be inappropriate – however, to understand the anti-immigration view in France, one must understand the perspective of the locals and what they experienced.

In effect, the above terrorist attacks (and others) have ignited a wave of anti-immigration support across the country.

Of course, a deteriorating financial environment, combined with a deteriorating acceptance towards the Eurozone, further combined with a rise in terrorism has created the perfect opportunity for the rise of the National Front political party.



The party has a long and less than ideal history, yet today's party lead by Marine Le Pen is gathering support faster than a snowball ripping down Mont Blanc.

In a nut shell, the party's central platform is as follows:
- anti immigration
- anti Euro
- anti political establishment

Concerning the political establishment, it was only a short 5 years ago French voters had enough with Nicholas Sarkozy and his right leaning

A lot of people do not care for the European Union

party and voted them to the curb in favour of Francois Hollande and his left leaning government.

Five years later, President Hollande’s approval rating is so low that he decided to not even try to win a second term as President.

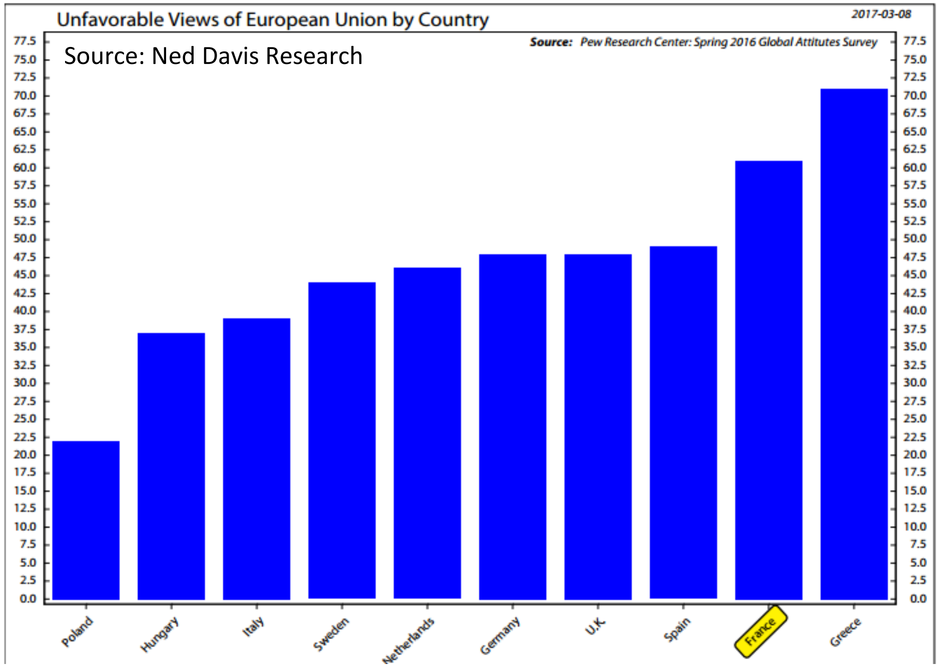
And when you consider the leading left candidate, Francois Fillon is now being investigated for paying his spouse EUR 831,400 from tax payer’s money for a fake job – there is little wonder Marine Le Pen is expected to win over 40% of the popular vote.

Naturally since 50% + 1 is needed to win the election, present polls suggest the far right, anti-establishment party will not win the election.

Yet, these are the same polls that gave BREXIT no hope of winning (and they did), and the same polls that gave Trump no hope of winning (and he did).

Regardless if Le Pen wins or not, at least 40% of voters will be against the political establishment and against the European Union/Eurozone.

From this perspective, the same can be said about the Netherlands, Italy, and not too mention Greece and Cyprus. In fact, the chart to the right shows the anti-EU movement is alive and well across the continent.



As you can see, the Political Pendulum has started to change direction, yet the swing away from the political establishment by itself is not enough to cause significant disruption in financial markets.

However. When considered with a certain financial pendulum, the combination will be enough to create incredible opportunities.

And by this, we are of course referring to the Interest Rate Pendulum.

Get Shorty

Interest Rate Pendulum

Through various media outlets and our ***IceCap Global Outlook***, we have been adamant that all investors need to understand how interest rates affect financial markets.

For starters, investors desperately need to understand that the returns generated over the last 30 years by Bond and Fixed Income Funds will not occur again for a very long time.

Next, investors really need to understand the difference between short-term and long-term interest rates.

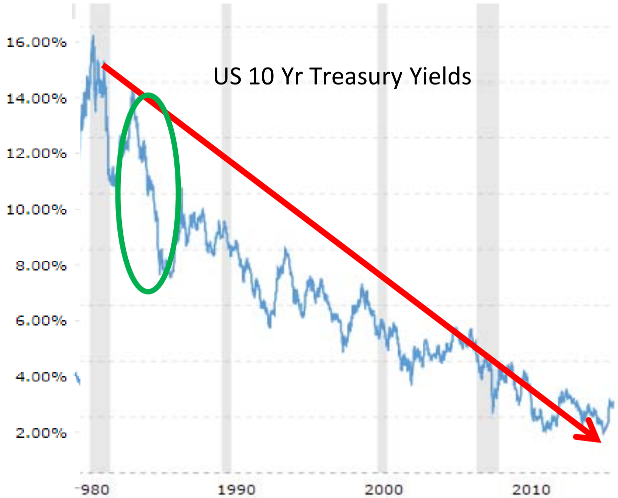
Short-term interest rates are set by a country's central bank, This includes the US Federal Reserve, Bank of Japan, Bank of England, Bank of Canada, and perhaps the most dangerous central bank in the world – the European Central Bank.

Many investors can be forgiven for not appreciating the difference between the two, as the talking heads, big media and big bank investment commentaries usually ever only talk about short-term interest rates.

Yes, short rates are important but by the time the crisis in the bond market is over, everyone and their dog will be familiar with long term interest rates.

Long-term interest rates are set by the market. They will fluctuate, but in general – when long-term rates decline, all bond investments increase in value.

The Interest Rate Pendulum begins by first recognizing that long-term rates peaked in 1980 at 16%. And then for the next 36 years, long-term rates declined to nearly 1%.



Source: macrotrends.net

To demonstrate the power of declining long-terms rates, note that in 1982, long-term rates decline from 14% to 10% generating a +33% return for bond investors (10 yr US Treasury).

Similar exceptional returns were also generated every single time

Math is hard

long-term interest rates declined. Pick any historical period and you'll see the same result.

The way the math works is as follows:

For every 1% decline in long-term interest rates, bond funds (all else being equal) will increase in value at a rate of 1% multiplied by the average maturity of the bonds held.

In the 1982 example, the average maturity of 9 years multiplied 4% = 36% (compared to the actual return of 33%).

Unfortunately, the other side of the coin is also true. For every 1% increase in long-term interest rates, bond funds will decline in value at a rate of 1% multiplied by the average maturity of the bonds held.

To demonstrate this unfortunate experience, journey back no further than 2013 when long-term interest rates increased from 2% to 3% generating the very unpleasant return of -9%.

And even more recently, we point out that during a 5 day stretch in November 2016, long-term interest rates increased from 1.7% to 2.4% generating over $1.2 TRILLION in losses in bond funds around the world.

Now that you know that when long-term interest rates move lower, bond funds make a lot of money.

And, now you also know that then opposite is also true.

Which should make you ask the question – are long-term interest rates going to move higher or lower.

The quick answer is HIGHER, and that is simply using basic directional acumen.

Chart 3 (next page), shows the Interest rate Pendulum since 1980. As you can see, in 1980 long-term rates peaked at 16% and then for the next 36 years, long-term rates declined all the way to 1%.

Can long-terms go lower? Yes, absolutely – but not that much lower.

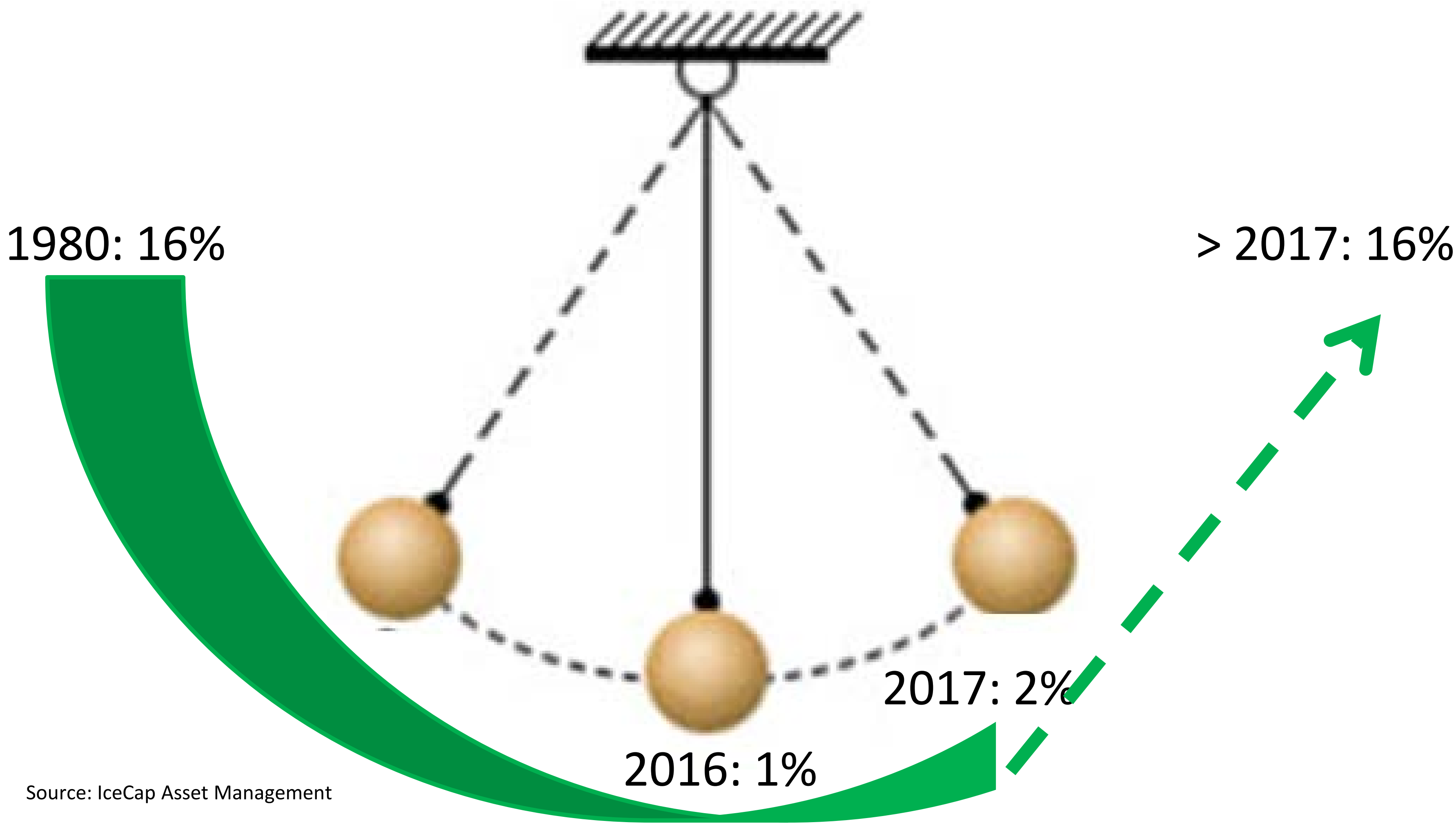
However, all else being equal long-term rates have bottomed, the trend has changed and the pendulum has begun swinging in a different direction than what has been experienced over the last 35 years.

But even more important, investors should know that when long-term rates rise – it never happens in a slow, trend developing manner.

Instead, increases in long-term rates occurs in sudden, quick, and jagged movements. They are both shocking and stunning, and they usually catch the market completely off guard.

IceCap fully expects long-terms to spike higher, much higher. And while it will be a sudden, manic act to many, it shouldn't be.

Chart 3: Interest Rate Pendulum 1980-today



Source: IceCap Asset Management

The best show on the telly

Europe – the Final Countdown

While the entire planet lives, eats and drinks from the same interest rate world – the place to kick start the final stages of the global debt crisis is Europe.

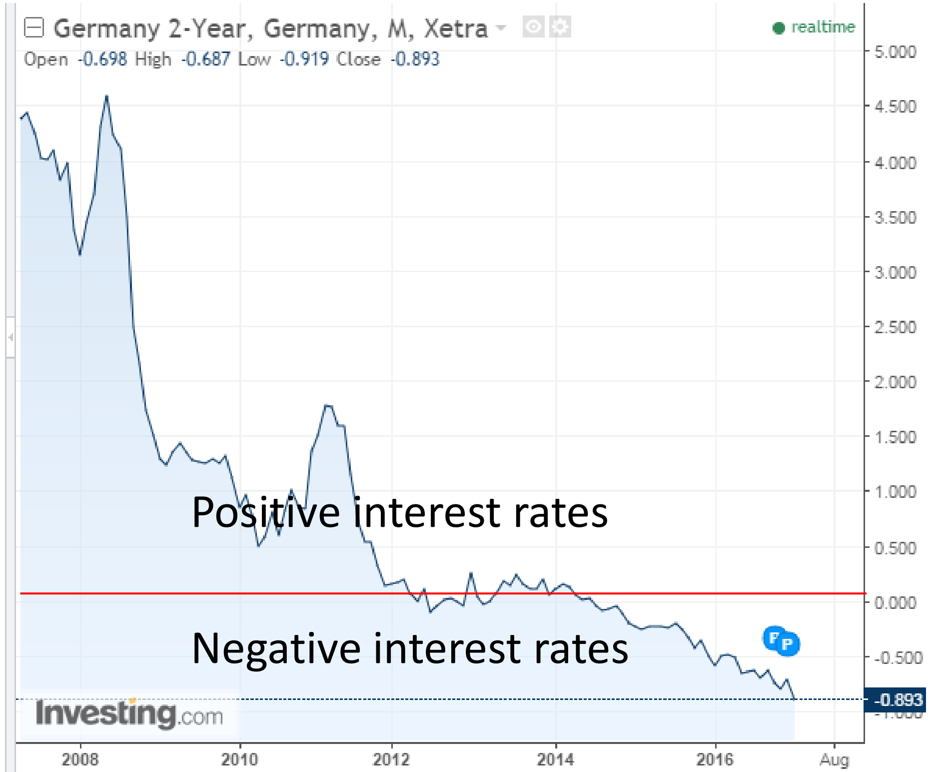
Of course in Europe today, more than 200 million are expected to watch the live finals of Eurovision – a singing competition nonetheless.

For comparison:
- 111 million watched the Super Bowl
- 40 million people watched the Trump Inauguration
- 2 hundred people watched the latest European Central Bank press conference (confession – I was one of them)

Not that there's anything wrong with music, football, and presidential inaugurations – it is fact that the vast majority of the world have no idea of the financial risk festering in Europe.

The main stream media, all of the world's big banks and especially the political establishment, will all tell you that the Eurozone and the European Union are both rock solid. And anyone who tells you otherwise simply does not understand how the people of Europe think and feel.

Here at IceCap we are neither the main stream media, a big bank, nor a part of the political establishment .



Yet, we are pretty good at understanding financial markets and they are telling us the Eurozone is in big Trouble.

For starters, the chart above shows the amount of interest Germany has to pay for borrowing money for 2 years.

Note how the rate has declined dramatically since the 2008-09 crisis

Hotel California

to the point where now since 2015, Germany has been paying NEGATIVE interest when borrowing money.

In other words, investors are PAYING Germany interest, instead of RECEIVING interest.

The reason for this is due to European investors' fear that if the Eurozone breaks, then if you are holding German investments, then at least you'll receive back Deutsche Marks – which will be valued infinitely higher than any other currency that splinters off from the break-up of the Eurozone.

Looking further, simply see **Chart 4** (next page) which shows long-term interest rates in Italy.

Here you will see that long-term rates in Italy have also declined from 7.1% at the height of the 2012 crisis to 1.5% today.

However – the reason for the decline in Italian long rates is not due to investors having increased confidence in the Italian Government being able to perform financial, economic, political and social miracles.

No not at all.

Instead, the sole reason Italian rates have declined is due to money printing and implicit guarantees from the European Central Bank and their President – Mario Draghi.

And to fully understand the sensitivity and nervousness, behind the very frail system holding the Eurozone together, just consider the following recent comments from Brussels, the ECB and Draghi:

'You CAN'T leave!' EU threatens France and Italy with MAMMOTH bill if they quit the euro

Draghi Says Euro Is Irreversible as Le Pen Urges French Exit

by **Alessandro Speciale**
February 6, 2017, 2:03 PM AST *Updated on* February 7, 2017, 5:05 AM AST

Clearly, without support from money printing and negative interest rates, the Eurozone just doesn't work.

We expect the straw to break the back will come from a sharp political swing, the breaking of a single bank, or perhaps most shocking of all – actually from Germany itself.

In the end, the Eurozone just has too many holes and not enough fingers and toes.

Chart 4: Italian Government 10 Yr Bond Yield

Patience is a …

Patience

To truly understand today's world, one simply must step back, and enjoy a nice glass of pinot noir, read a book and listen to some music.

In other words – slow down, and be patient. Yes, we do live in a fast world, but it isn't moving fast enough to leave you behind.

Yet, when it comes to financial markets patience goes out the window, door and too frequently up the chimney in smoke.

What we mean by this is that all too often investors use their cognitive dissonance to always remember the good times and to always forget the bad times.

Case in point – in 2015 most Canadian stock investors lost their shirt. A good year saw -5% to -10% returns from Canadian stocks, yet most investors lost between -10% to -20% due to their big heavy bets on energy stocks paying out 7% dividends into perpetuity.

Make no mistake, 2015 was an absolute horrible year to be a stock investor, and those that lost money will tell you it was due to pure rotten, bad luck.

2016 however, was a different story. Stock markets recovered and many Canadian stock investors earned +20% returns.

Of course being humans, many chalked up the 2016 returns to savvy investing. Stock picking was back and the 2016 market showed the world for once and for all that Canadian stock investors really are the absolute best the world has ever seen.

Naturally, the combined 2 year return netted +3% to +5% returns, but in a world with little patience only the recent, very positive experience really counts.

Which bring us to today.

IceCap is on record in both this Global Outlook publication as well as in various media publications that we expect stocks to perform very well.

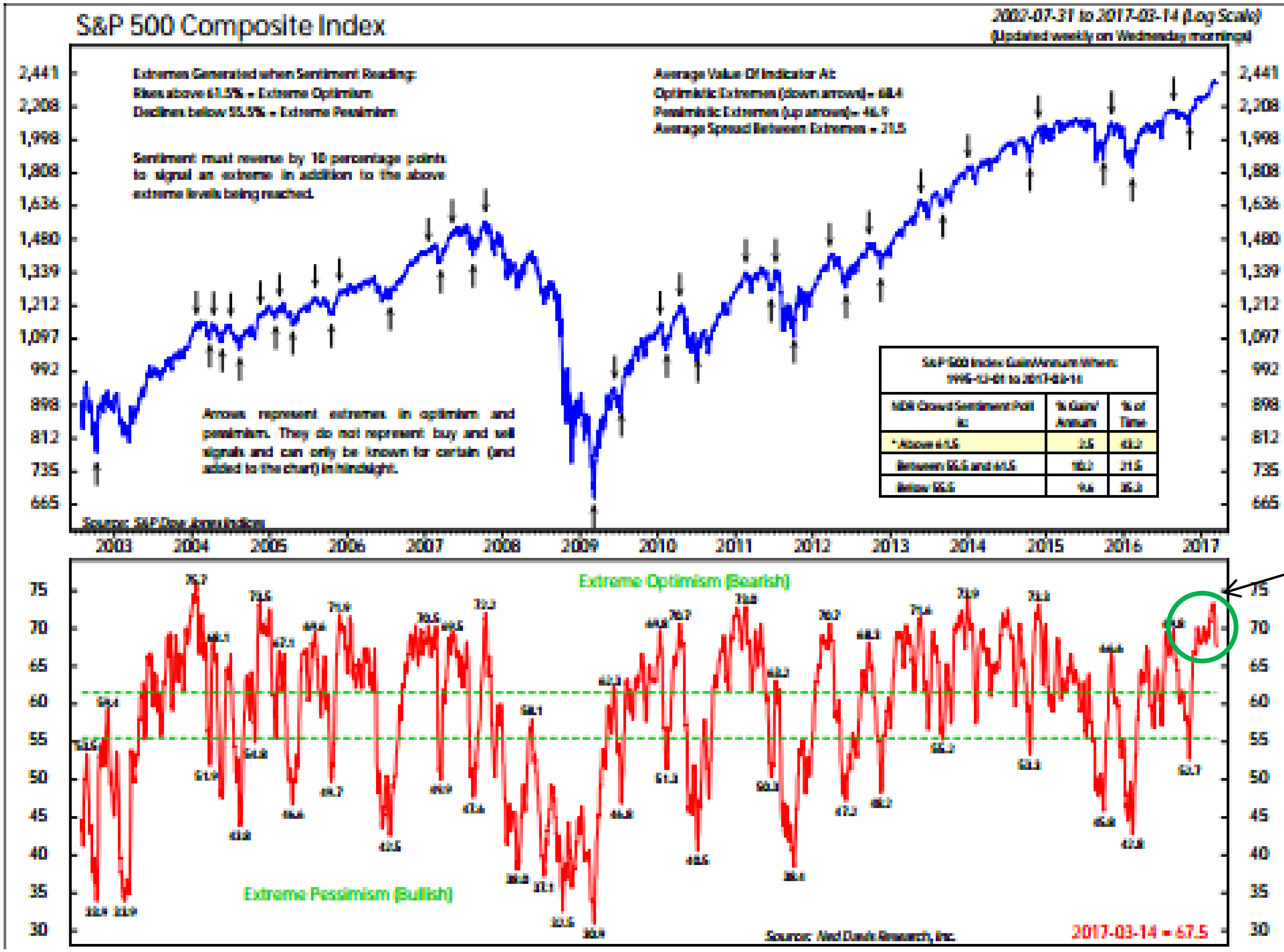
And to reiterate, our expectation for strong performance is not at all related to fast growing economies creating fast growing earnings which creates fast growing stock prices. Instead, stocks will do very well simply due to the chaos being created in Europe and the bond market.

Nevertheless, there is the right time to buy stocks and then there is wrong time to buy stocks.

And, today just happens to be the wrong Time. And the reason for this is due to extreme high market sentiment.

The bottom panel in **Chart 5** next page, shows that sentiment for today's stock market is excessively optimistic. And statistically speaking, whenever stock market sentiment has been this high, stocks usually do not produce a very good return.

Chart 5: Stock Market Sentiment



Excessive optimism

Euphoria

To confirm, IceCap will be adding aggressively to our equity/stock strategies – but the timing just isn't right.

We're patient, we respect probabilities and the probability of generating high positive returns from equities when stock market sentiment is at these levels is quite low.

Market sentiment will wear off – it always does. Markets could come off 5% to 10%, or even trade sideways – that will reduce sentiment as well.

At the end of the day, you can't force markets to move inline with your strategy. Instead, one must remain patient, and learn to move with markets.

There is a difference.

Our Strategy

IceCap Asset Management continues to focus on absolute returns. As we approach the last days of winter, we anticipate significant market volatility heading into the US debt ceiling debate, and then the French/German elections.

Political and Interest Rate Pendulums have started to swing away from a place where the majority of the world had grown very accustomed to experiencing.

These swings will intensify away from most peoples' comfort zone, reigniting the government debt crisis in Europe, which will in turn produce incredible opportunities to lose money in bond strategies and currencies, while also make money in stocks and USD.

Bonds

No changes to our long-term outlook for bonds. All of our portfolios hold minimum allocations to bonds, with no high yield, no emerging market debt, and no long duration.

Current conditions make bonds the riskiest long-term investment.

Stocks

We have neither added nor sold any equity holdings since our last Global Outlook.

Despite many negative news headlines about equity markets, our research indicates there is no major risk on the horizon.

Stock market sentiment has reached extreme levels, and we'll once again patiently await for an opportunity to add further to these strategies.

Currencies

Our long-term outlook remains the same – as the global crisis accelerates, we fully expect USD to surge.

Debt ceiling approaches…

Near-term, the US will have to once again change their legislation regarding their borrowing limits. This debt ceiling debate arises seemingly every year and after several days/weeks of political grandstanding – the limit is inevitably raised, yet again.

This year will be different. American politics has plummeted to the lowest of lows and the debt ceiling debate will be nasty.

All else being equal, the result will very likely see short-term USD weakness. As this develops, do not become distracted – Europe remains THE riskiest currency in town, and USD strength versus all currencies will resume once the US debt ceiling problem has been kicked into the future once again.

Commodities

We continue to hold no allocations to any commodities. Once again, oil prices are under pressure creating significant stress for investors as well as all those working in the oil patch.

Gold continues to tug at many heart sleeves yet it remains channel bound. 2017 could be the year gold confirms its bottoming process. At that point we'll aggressively build positions.

Those that know us will agree for better or worse, that IceCap is a very patient investment manager. We rarely invest in any market hoping for it to move in our favour. Instead, we wait for confirmation that the trend and cycle has confirmed its direction prior to allocating client capital.

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, BNN 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.

Our Team:

Keith Dicker: keithdicker@IceCapAssetManagement.com

John Corney: johncorney@IceCapAssetManagement.com

Haakon Pedersen: haakonpedersen@IceCapAssetManagement.com

Andrew Feader: andrewfeader@IceCapAssetManagement.com