



Special Updates from the Strategic Investment Conference: Day 1

By Worth Wray | May 15, 2014

Good morning from sunny San Diego, California!

As the sun rises on the second day of the Strategic Investment Conference, I am absolutely blown away. John and Altegris put on an amazing show, and this is simply unlike any investment conference I have ever attended.

Let me explain...

In my experience, these industry events are usually more about networking than content. I go to investment conferences in hopes of expanding my thinking and challenging my preconceived ideas about the world... but all too often I find myself sitting in half-empty auditoriums listening to rock-star economists who are resting comfortably on their laurels rather than bringing their A-games.

At your average conference, over the course of several days and several dozen presentations, I usually expect to hear only a handful of truly original ideas... but not here. Here, I can hardly keep up.

Instead of skipping sessions to explore the resort or lounge by the pool, here everyone stays in the room. It's so refreshing to see 650 people guarding their seats, hanging on every word, and drinking from a fire hose of transformational ideas.

Day 1 started off with the king of modern-day economists, David Rosenberg, who goes on ruffling a lot of feathers. Rather than obsessing over whether the state of the global economy is good or bad, Dave challenged us to see beyond the deflationary headwinds and focus on how things are changing at the margin. Markets move as things get better or worse; and at the margin, Dave argues, inflation pressures are building. I know this sounds odd to a lot of us who are still worried about deflation; but Dave notes that out of 140MM workers in the large, closed US economy, roughly 40MM higher-skilled workers have the bargaining power to push wages higher and turn the inflationary dial... even as low- and medium-skilled workers see their wages decline.

Next up, we had an epic debate between Bloomberg Senior Economist Rich Yamarone and Jefferies Chief Market Strategist, David Zervos. Rich is worried that after six years of fragile

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growth, the US economy is prone to recession and skating on very thin ice. He argues that the middle class is getting hollowed out, because no positive wage pressure can be exerted by the vast majority of Americans. More people are being forced to take multiple jobs to make ends meet, in part because the Affordable Care Act is changing the way businesses employ nonessential workers.

With his thumb on the pulse of the real economy through his *Orange Book* research, Yamarone gives us his top five real-world indicators, which tell a story very different from the official macro data. Meanwhile, in high spirits and with a powerful faith in central banks, Zervos exhorts us to be lovers, not haters. Deflation cannot take hold, he asserts, as long as the Federal Reserve is pouring money into the system. Today, sitting in low-volatility cash is more dangerous than being in higher-volatility stocks, he argues. David laid out two choices and encouraged the crowd to pick a path.

Then we moved on to a comprehensive look at the global economy as the always brilliant Grant Williams and Jonathan Tepper took the stage to share their ideas about China, Japan, Europe, and other markets. Jonathan argued that low volatility and tight European credit spreads are not necessarily signs of lasting recovery but rather the sort of irrational calm that always comes before a crisis. Expanding on Jonathan's point, Grant warned that if and when this bubble of complacency pops, the impact will shake the world. And then he explained how sudden shifts in confidence in China and Japan could tip off the next global panic. Patrick Cox, who writes *Mauldin Economics' Transformational Technology Alert*, ran(!) us through a jaw-dropping, hugely inspiring PowerPoint show and commentary, one of the highlights of which was his prediction that the US energy boom will enable the widespread adoption of robotics here, which will reverse 40+ years of manufacturing outsourcing.

We heard from several other excellent speakers during the day, including Gary Shilling, and Vice Admiral Robert Harward... a great American who once commanded the Navy SEALs and who gave us all hope that with the support of the greatest warriors in human history, America's best days lie ahead.

There's lots more I could share with you about yesterday's developments, but it's time to hit the send button. John Mauldin is about to take the stage with one of the most powerful presentations I have ever seen, and I don't want to miss a second. We have been working on this speech for more than six weeks, and I am inspired by his ability to find hope in the midst of debt-related worries and to look into and through the macro chaos to give us a profoundly positive vision of the future.

Thankfully, I have not had to take copious notes, because there's no way the pace of this event would allow me to keep up with all the information coming at me. To fill in the blanks, I'll be able to refer to the recordings of all the authorized presentations from the event when

my MP3/CD Audio Set arrives in a few weeks. If you couldn't make it to SIC but want to tune in to the action, you can order the audio set [here](#).

Thanks again for your support, and I hope you can join us next year!

Worth Wray, Chief Strategist, Mauldin Companies

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