Our view on global investment markets:

July 2016 – "Chaos or Harmony"

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Don't Look Back in Anger

ENGLAND (Knebworth Park, 1996) – Owning the front of the stage, Liam Gallagher closed his eyes and liked what he saw. Thousands of screaming, pushing and kicking fans positioning themselves for the what would be THE concert of the year.

For Liam, it was total chaos and he loved it.

Twenty feet away, Noel Gallagher also closed his eyes but what he saw wasn't chaotic at all. Instead of small pockets of rebellious concert goers, Noel saw a sea of 250,000 people strong. They ebbed and flowed and sang together – all eyes and hearts were focused on the stage gifting *Oasis* the energy to make THE concert of the year.

For Noel, it was total harmony and he loved it.

The concert turned into an instant classic in the music world. Both Liam and Noel, strummed together one of the best evenings of 90s rock ever to be recorded.

As for the evening being chaotic or harmonious – it really depended upon your perspective.

Today, the Gallagher brothers no longer speak to each other, let alone play music together.

Perhaps Liam was right after all – the entire Oasis experience was complete chaos. Or maybe, Noel was correct – when all of the chaos was combined, the ending was both harmonious and predictable.

As music imitates life, today many people are trying to make sense of the chaos swamping the world.

Yet, if one looked at the world from a slightly different perspective, perhaps you too will see a world of harmony and one with a certain outcome.

Dynamic thinking has left the room

We tell the story how 1.5 years ago we were approached to buy a European bank fund for our clients. We were told the investment managers only invested in banks and were therefore experts in identifying the best bank stocks to own.

The persuasion continued – European banks were incredibly cheap from a Price/Book, Dividend Yield, and ROE perspective. Better still, not only were these banks rock solid, but Europe had completely recovered from its debt crisis.

We responded as follows: "this fund is a disaster in the making. European banks are filled to the brim with bad debt, their regulatory capital will go up in smoke and Europe wasn't even close to recovering from their crisis. To be clear– there are no good reasons to hold European banks."

Fast forward to today and the fund is now down almost 50%.

slip inside the eye of your mind

We share this story partly because it shows our approach to viewing markets but mostly to demonstrate that the investment management industry creates products to sell to the unsuspecting public. There is no dynamic thinking whatsoever......*caveat emptor*.

In fact, we are often shocked with the industry's very clear lack of dynamic thinking. We hear economists from extremely well known global financial services firms talk nonchalantly about negative interest rates believing it will actually help with the recovery.

Worse still, We see countless new products and funds created that are completely focused on long term government debt.

Even worse (yes, it's possible), others continue to proclaim that Canadian banks are the safest stock in the world.

Just so you know – dynamic thinking clearly shows that long-term government bonds and bank stocks will become one of the worst investments in your lifetime.

The reason we share this with you is to demonstrate that the lack of forward thinking is creating incredible opportunities. Those that can see it will benefit significantly. Everyone else will be stuck with losses and songs about the good old days.

For those that are firmly attached to their advisor and an investment rear-view mirror, we kindly suggest you buckle up, strap on your helmet and substitute your fuzzy dice for a horseshoe – cause you'll need it.

For everyone else, we proclaim you to be a dynamic thinker and we invite you to follow us and very soon you too will see that yes, the world certainly is full of a lot of chaos. Yet, if you adjust your sight and focus just a touch, you'll become clairvoyant and see how all of the chaos is actually creating a harmonious picture.

Everything in the world is connected – political, social, economic, fiscal, monetary and financial markets are all intricately linked. Yet, what's extremely interesting today is that for the first time in our lifetime, they are all converging toward extreme levels simultaneously.

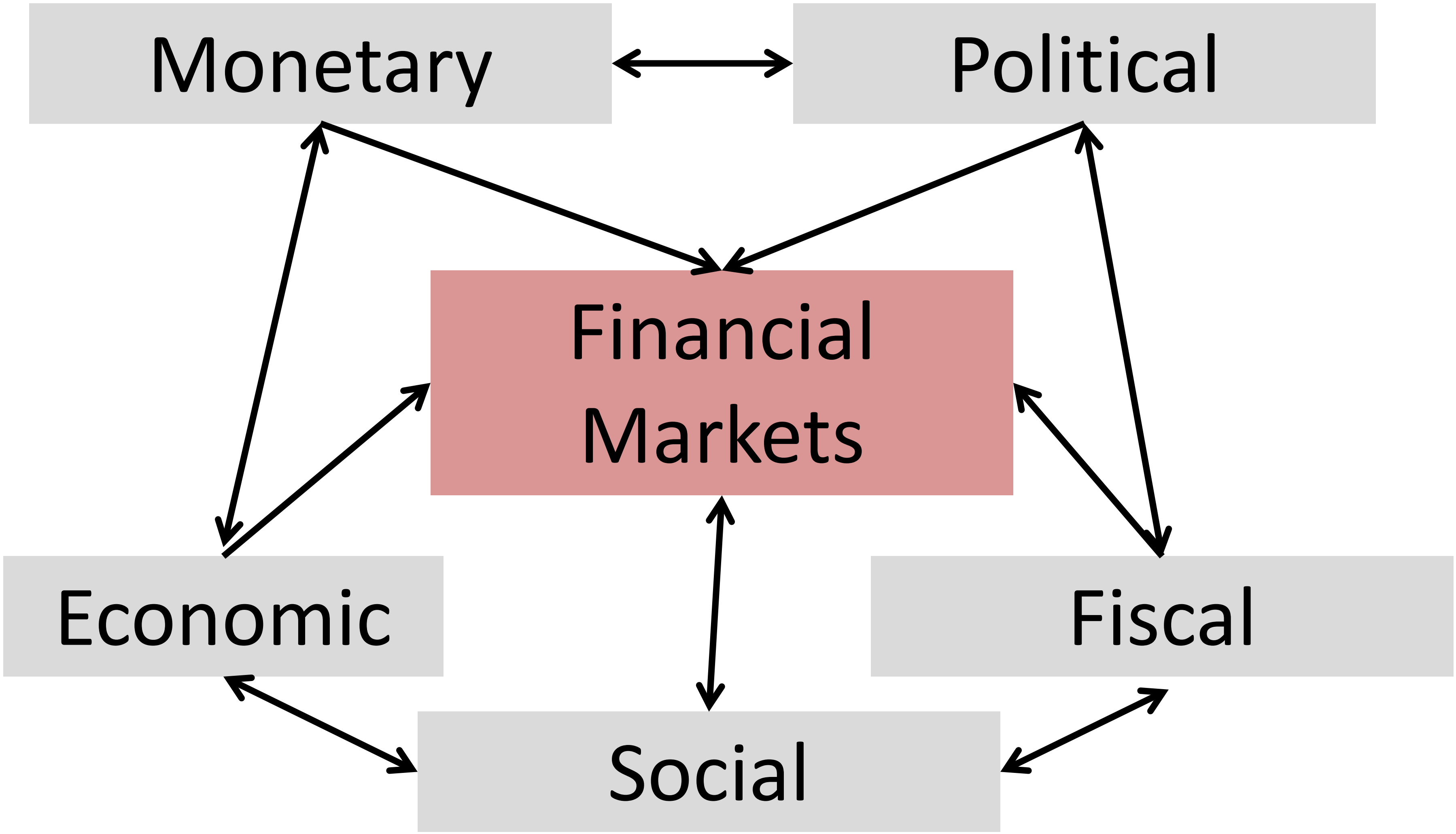
And once you see it, be prepared for a champagne supernova smile to wrap around your face and all your troubles to be half the world away.

Chaos or Harmony

To really grasp the enormity of the chaos around the world today, spend a few minutes on our **Chart 1 (next page)**.

As we're an investment management firm, we ultimately focus on the net effect of the chaos on financial markets. We must remain objective and remove any political or social bias and simply accept

Chart 1: Chaos



Champagne Supernova

the current environment as is – anything less would be a failure on our part as fiduciary investment manager. After all, that's the ultimate bottom line for all of our clients.

Investment managers must never fly with blinds wrapped around their heads – understanding how and why financial markets move will not only help protect your clients' savings from losses, and provide opportunities for gains, but more importantly we can empower clients with the knowledge of how markets *really* work.

Nowhere in this publication will you find us referring to certain companies as being cheap, or just stay invested for the long term – that mouth speak only applies during markets with very specific dynamics. And unfortunately, those dynamics are from the 80s and 90s. Yes, those days were awesome but unless you are a hippie, it doesn't pay to live in the past.

As we dive into the chaos you'll begin to see and understand why you cannot rely upon your past experience and worse still the past wisdom of the big bank investment machines.

But first, most know that IceCap is fully expecting a crisis in the government bond market and it will have ripple effects around and within the world. As we inch ever closer to the crisis tipping point, we continue to see more and more evidence to support our view.

The other critical point to understand – and this precisely why the world has been jammed into this peculiar position - the majority cannot see and distinguish between the problems and the symptoms.

Sadly, this rather easy, simple concept has been completely lost in the industry. Time and time again, we hear a complete misdiagnosis of the world's problems. Instead of identifying the problems, most only see the symptoms – and, they are unable to decipher the difference.

Our **Chart 2** (next page), clearly shows the difference between the problem and the symptom.

It's rather to easy to see that the **problems** in the world today isn't low growth, high debt and a rise of anti-establishment political parties.

Instead, these are the **symptoms** of perceived corruption with the established political system and the horrible stimulus plans of deficits, zero/negative interest rates and money printing.

Ironically, today the main problem is that governments and central banks will not admit that they are the problem. Solve this and everything else will fix itself.

Yet as we hear more governments drone on about the need for the wealthy to pay their fair share in taxes and for companies to create jobs, as well as central bankers congratulate themselves for creating the wackiest interest rate environment this side of Mars, the odds of them admitting they are the problem are lower than England winning the next World Cup.

Chart 2: Problem vs Symptom

Problems	Symptoms
1. Perceived Corruption within political establishment	1. Rise in anti-establishment political parties
2. Incorrect fiscal and monetary policies	2. Sluggish economic growth and no/low quality jobs created

faster than a cannon ball

Understanding the difference between the problem and the symptom will now allow you to refocus and see why we have chaos that is clearly coming together to provide clarity and harmony.

Now, clearly the investment industry is chock full of very smart people. Everyone has very impressive credentials, and seemingly all have become a vice-president to some degree – yes, the degrees of success are unparalleled.

Yet, in spite of all the financial wizardry the industry still suffers from the inability to distinguish the difference between perception and reality.

Perception is that the world's central bankers are super heroes who can influence the economy, jobs, inflation and markets at their whim.

Reality shows that Janet Yellen, Mark Carney, Haruhiko Kuroda, and yes, even the Italian maestro Mario Draghi are just plain, ordinary people with apparently no super powers at all. In fact, every time this fantastic four spun their money magic – it made things worse.

So, the next time your investment advisor and big bank proclaim that central banks are about to stimulate the economy and fix everything, know that this couldn't be any further from the truth.

Next up, **perception** is that professional economists are able to see into the future and predict with uncanny accuracy exactly how, when and where economies will move.

Yet **reality** shows that professional economists have predicted 0 of the last 7 recessions in the United States. Yes, collectively they have never, ever correctly forecast a bad time for anyone (source: Ned Davis Research).

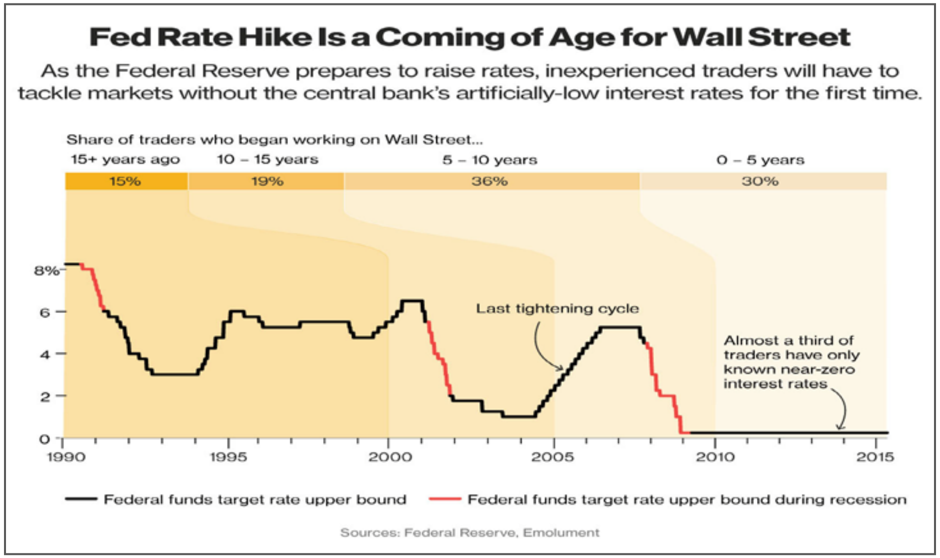
So, the next time your investment advisor and big bank proclaim that their economists are forecasting a recovery and no recession, know that this couldn't be any further from the truth.

And finally, **perception** shows traders on Wall Street, Bay Street and the City as being immortal, brainiacs who can create profits by merely rubbing two keyboards together.

Yet, **reality** shows that 85% of traders on Wall Street have only been working in the industry since 2000 or earlier. In other words, the majority of traders have never seen a rising interest rate environment. And in fact, nearly 66% of traders have spent their entire career in a 0% and negative interest rate environment.

So, the next time your investment advisor and big bank proclaim their

What's the Story Morning Glory?



mutual fund managers and traders have years of experience in all markets, know that this couldn't be any further from the truth.

Now that we know the difference between the **problems** and its **symptoms**, as well as understand the investment industry's blindness between **perception** and **reality**, let's sort through the world's chaos.

In the end, you too will see how the chaos is driving markets and capital towards a harmonious state.

Politics

Yes, we are quite aware that you should never discuss politics – especially at the dinner table.

Yet, the world's political arena has started to make very dramatic changes. In effect, the old guard is on notice and something very different will be the replacement.

As with all investment perspectives – one must remove your own bias. It is irrelevant whether you prefer liberals over conservatives, democrats over republicans, or the left over the right.

And it is even more important not to apply your political views upon another country when forming an expectation of what will happen in their next election.

Seemingly everywhere today, countries have been thrown into complete chaos due to the rise of "extreme" political parties. Yes, it's happening, this cannot be denied.

However, instead of asking how on earth could someone support one of these extreme parties, one should instead ask why on earth are they not supporting the old political establishment.

Everyone is now familiar with Brexit. Many non-British people we speak with are completely shocked by the decision to leave the European Union.

you need a little time to wake-up

Yet, using a non-biased perspective it is incredibly easy to see why 52% voted to leave.

For starters, the majority who voted to stay live in the London-area and Scotland. The London area has benefited tremendously from being a part of the EU.

High end salaries, bonuses, dividends and real estate have all increased significantly. The British Government, big banks, think tanks and main stream media are also in London. In effect, there's little wonder that the support to Remain was so strong and vocal.

Yet, as soon as you moved beyond London you meet an entirely different group of people. Low income earners, little if any bonuses, no stock dividends and worse still, the constant threat of losing their jobs to foreigners. And to top it off, this group had no big businesses, no big media and no big government supporting them.

In the end, the vote to Leave wasn't a vote about trade deals, or more expensive holiday's in Spain and Portugal, instead it was really a vote against the political establishment and a vote against Brussels stealing Britain's sovereignty.

Brexit was the first of four major elections that will tip the political establishment cart right over.

Next up is the American election in November where according to everyone outside of the US, no one will vote for Donald Trump.

Again, using an objective and unbiased perspective we actually expect Trump and the Republicans to win. As your jaw rests on the floor, understand our expectation for a Trump victory has nothing to do whatsoever with him building walls, tearing up trade deals and issuing identification cards to specific groups.

Again, one has to ask not why would anyone vote for Trump, but instead ask why on earth would anyone vote for Hillary Clinton?

Yes, lifelong Democrats will always vote for their party, just as lifelong Republicans will always vote for their party.

Yet, today there is a fast growing segment of the American population that has become completely disenchanted with the old, political establishment.

And unfortunately for the Democrats, Hillary Clinton represents this increasingly despised group.

The primary reason for the growing dislike of Clinton is due to the alleged and perceived corruption behind her political machine. If you're unfamiliar with the alleged corruption and scandals accompanying the Clintons, simply take a few minutes to research for yourself.

Now, to really understand why we expect an election shock in America, one has to look beyond the mainstream media. It's well known CNN supports the Democrats while Fox News supports the Republicans.

Roll With It

To truly comprehend the changing tide within America, look no further than the recent testimony of FBI Director James Comey to the US Congress.

Admittedly, we watched most of the event and can subjectively say it was one of the most entertaining afternoons of the year.

If you are not familiar with the story, just know that Hillary Clinton has been investigated for exposing classified material via her personal email system.

The FBI Director concluded that Clinton was innocent because although she was "extremely careless," she wasn't "sophisticated with respect to classified information" and therefore didn't really know what she was doing was wrong.

Yes, apparently the former First Lady, former Secretary of State, and current Senator wasn't smart enough or experienced enough to know that not only should she not use her personal email for official government business, but also she wasn't sophisticated enough to decipher between classified and non classified material.

We share this not because we have a negative view towards Clinton – for the record, there are infinitely more reasons to have a negative view towards Trump. But rather, what happened next is the key to understanding why Clinton will not win the November election.

While CNN and Fox proclaimed victories for the Democrats and Republicans respectfully, the real measure of the loser from the testimony could be found on Twitter.

Twitter is the home to millions of millennials. It is where they get their news and express their opinion.

In general, Twitter is not the home to the more experienced, older generations who rarely change their political view.

When FBI Director Comey was testifying, Twitter almost broke. Thousands upon thousands were following and commenting on the 2 things:

1. The absurdity of Washington
2. The alleged corruption within Washington

The most commonly used words on Twitter included – rigged, corrupt, the fix is in, incompetence, above the law, lying, cheating.

Again, whether you agree or disagree is irrelevant – there is a large section of the American public who feel the political establishment is a machine that only cares about itself, and this will be reflected during the next election.

Now, America isn't alone with its perceived whacky politicians – France ranks right up there as well.

Just as Americans are dealing with a rising resentment towards the political establishment, so too are the French.

don’t ever stand aside

In fact, the political establishment has become so toxic that the party leading the polls is the anti-immigrant, anti-Euro National Front party.

Its leader, Marie Le Pen believes France will be better off outside of the Euro and has promised a referendum if she is elected.

Considering she is polling significantly higher than both current President Hollande, and former President Sarkozy – perhaps the world should prepare for an eventual Frexit.

And just to demonstrate precisely how out of touch current French President Hollande is with reality – it has just been discovered that in an age of austerity, the President spends 9,985 Euros a month for a private barber. Is it any wonder his approval rating has sunk to 10%?

And if the upcoming French election isn’t enough to stir the anti-establishment pot, know that Germany also has their Federal election a few months later. And what was once thought to be the surest of sure bets is now off the table.

Chancellor Angela Merkel’s approval rating is plummeting. Her unilateral decision to open the borders to immigrants, while popular outside of Europe, has been downright toxic within Europe, and especially within Germany.

The disdain for Merkel has increased so much, that there is the possibility that she may step down as leader prior to the election.

Of course, the decline of Merkel means an incline in the popularity of someone else. And that someone else is the AfD party.

Incredibly, the Alternative for Deutschland party was formed just 4 years ago based upon the idea that the Euro was not a good idea for Germany.

Today it is polling between 15-20% of the national vote. Think about that – a brand new party has gone from 0% to 15% in just 4 years.

Once again, the reason for the sharp increase in popularity is due to people becoming disenchanted with the political establishment.

As you can see – Britain, America, France and Germany are all experiencing a sharp rise in anti-establishment political parties. On their own it is chaotic, yet when considered from a broader perspective, one thing is very clear – millions of people are clearly not happy with the old system supporting career politicians.

And, when we combine these chaotic events with others, you’ll see how financial markets will react – and it will be very different than what you may expect.

Social

While not often discussed within investment perspectives, social dynamics have suddenly become front and center in our daily discussions.

Half the World Away

And while each situation may appear chaotic on its own, when viewed in conjunction with other social tensions, it becomes easy to see how it is all connected.

The social reaction to the political establishment, and sluggish economy is deepening within certain countries as well as across different countries.

Americans are currently experiencing a disturbing trend of violence between the black population and the police. It is occurring across the country and tensions are escalating.

In addition, Americans are also experiencing an enormous rise in income inequality. The rich are perceived to be benefiting significantly from everything happening in Washington, while the poor are left fighting over low paying jobs and declining standards of living.

Students meanwhile, have been encouraged to borrow to obtain university degrees only to discover that upon graduating, most cannot obtain jobs in their fields of study and many are finding themselves moving back home to live with their parents – all while holding thousands of dollars in student loans.

Europe is also experiencing social tensions. Similar to America, a significant number of youths are unable to find employment.

Greece is at the top of the list with over 50% of youths unable to find jobs. Italy and Spain have about 40% of their youths sitting on idle hands, while France has almost 25% of their youths jobless.

This is a big concern – the longer this generation remains out of the work force, the lower the probability of them experiencing future economic success. Not only is this not productive for your economy, but it also breeds unhappiness which eventually becomes expressed through a different channel or outlet.

We expect it to be expressed towards the current political establishments.

While the unemployed youth issue is a direct result of incorrect government fiscal and monetary policies, the other more current and concerning issue is a result of a well intentioned humanitarian policy.

The migrant crisis in Europe has really started to create sharp divides between the locals and the migrants. We've written before that viewing the European migrant crisis from a Canadian or American perspective is incorrect – it will not provide you with an accurate picture of how many Europeans feel about the crisis.

The cultural differences have really started to show with the most serious certainly being the increasing acts of violence by young migrant males towards local women across both Germany and Sweden.

Sadly, the Paris Attacks combined with the recent attacks in Nice will only further inflame the dislike between the locals and the Muslim population.

scratching around in the same old hole

The latest tragic terrorist attack in Nice will only provide more support for Marie Le Pen and the National Front Party. Her anti-immigrant and anti-Euro platform will attract even more voters.

Should the National Front win the election, you can kiss the Euro good-bye.

As you can see, the social chaos, especially in Europe will have a significant effect on the European Union and the Eurozone.

Economics

Depending upon where you live, where you work and who you hang out with you are experiencing a different economy than many others.

For many in San Francisco, London, and New York – life is very good. Housing prices have blasted through all-time highs. Bonuses are plentiful. And, local grass-fed beef and Nova Scotia lobster paired with Marcassin Vineyard Pinot Noir is simply called lunch.

Others outside of these super successful pockets are doing okay. Jobs are okay, housing is okay and there's always a reason to enjoy an end of week margherita pizza paired with the usual Chianti.

And then we have another, entirely different group of people who are nowhere close to enjoying the finest of fine meals, and the stability of a well-paid job.

Instead, this group is struggling right now.

This group forms the majority of populations in Asia, the Americas, Europe and the Middle East.

We bring this to your attention because, again it's important to view the world not from your own personal position – no matter how comfortable or uncomfortable it may be.

Financially, many of our readers are quite comfortable. Yet, we suggest you understand that many in the world are uncomfortable, and this is what has governments, central banks and companies concerned.

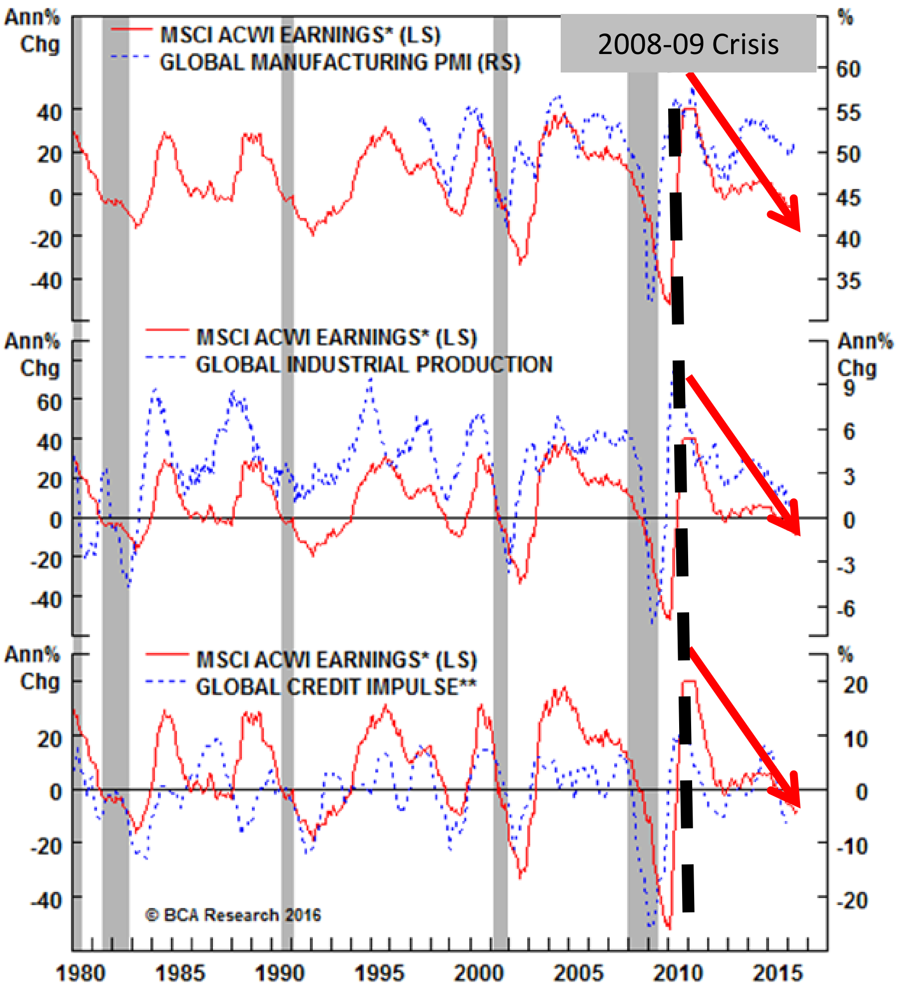
We talk and write frequently how the investment industry has an incredible knack for confusing the hats off investors. Countless big bank and mutual fund companies proclaim growth is booming and only their team of crack-analysts can identify incredible opportunities to make your money grow.

Instead, just know two things:

1. Global growth is declining. **Chart 3** (next page) shows falling trends in global manufacturing, global industrial production and global earnings.
2. If this wasn't the case – our central banks and governments would not be aggressively pursuing extreme stimulative policies, nor would the entire European banking system be on life support.

From this perspective, the global economy has certainly turned chaotic – yet considering the chaos everywhere else, this shouldn't be a surprise at all.

Some Might Say



NOTE: SHADED AREAS DENOTE NBER-DESIGNATED U.S. RECESSIONS
* ALL COUNTRY WORLD, IN LOCAL CURRENCY. SOURCE: MSCI INC.
(SEE COPYRIGHT DECLARATION), TRUNCATED AT 40
** SHOWN AS A 12-MONTH CHANGE OF ANNUAL % CHANGE. SOURCE: BIS

Fiscal Spending and Monetary Stimulus

We have been lead to believe that our economies can be controlled and influenced in 3 ways:

1. Governments can spend more money to create jobs
2. Governments can lower taxes to create jobs
3. Central banks can lower interest rates to create jobs

And, when packaged together it should really provide an incredible boost to our economies.

And, when packaged, wrapped, bundled and cobbled together it should provide a superhero-size explosion to our economies.

Sadly, we've been mislead.

And even more sadly, it's the continuation of these superhero-sized rescues that has completed the chaotic loop – the one that is on track to cause an enormous shift in global capital that hasn't been seen in quite a while.

The 2008-09 crisis was caused by the private sector. Regardless of the reason or the assigned blame, far too many people and companies borrowed way too much money and when the bubble eventually popped (they always do), millions of people and companies lost an awful lot of money.

The one important thing to know from those dark days is that governments were told (by the banks) that in order to save the world

we will find a brighter day

they had to save the banks.

But what few people realise is that when they saved the banks, two things happened:

1. Tax payers and the most conservative investors from all over the world saved the banks – in other words, many who didn't take the risk had to bailout those who took excessive risks.
2. The bailout and stimulus programs simply shifted the enormous debt crisis away from the private sector and straight onto the laps of the public sector.

In other words, the bubble has shifted away from the PRIVATE sector to the GOVERNMENT sector.

And when the government sector has a crisis, it is reflected in the GOVERNMENT BOND MARKET.

To put this government bond market crisis into perspective, we offer our **Chart 4** (next page) which shows a relative comparison to recent crises from the private sector.

Some ask, how do we know the government bond market is in a bubble?

There are several metrics, and they are all signalling the top is about to end.

For starters, investors should know that pricing in the bond market is not similar to the stock market. As you know, the stock market has a price for each and every stock or market index – and the HIGHER the better.

The bond market works differently. Instead of a price, bonds are quoted in yield – or the amount of interest you would receive if you bought the bond today and held it until it matured.

In other words – the LOWER the yield of a bond, the HIGHER the price. So, when you hear that bond yields have declined – this means the bond has gone up in value.

The opposite is true – when yields increase, the bond has decreased in value.

In effect – low is good, high is bad.

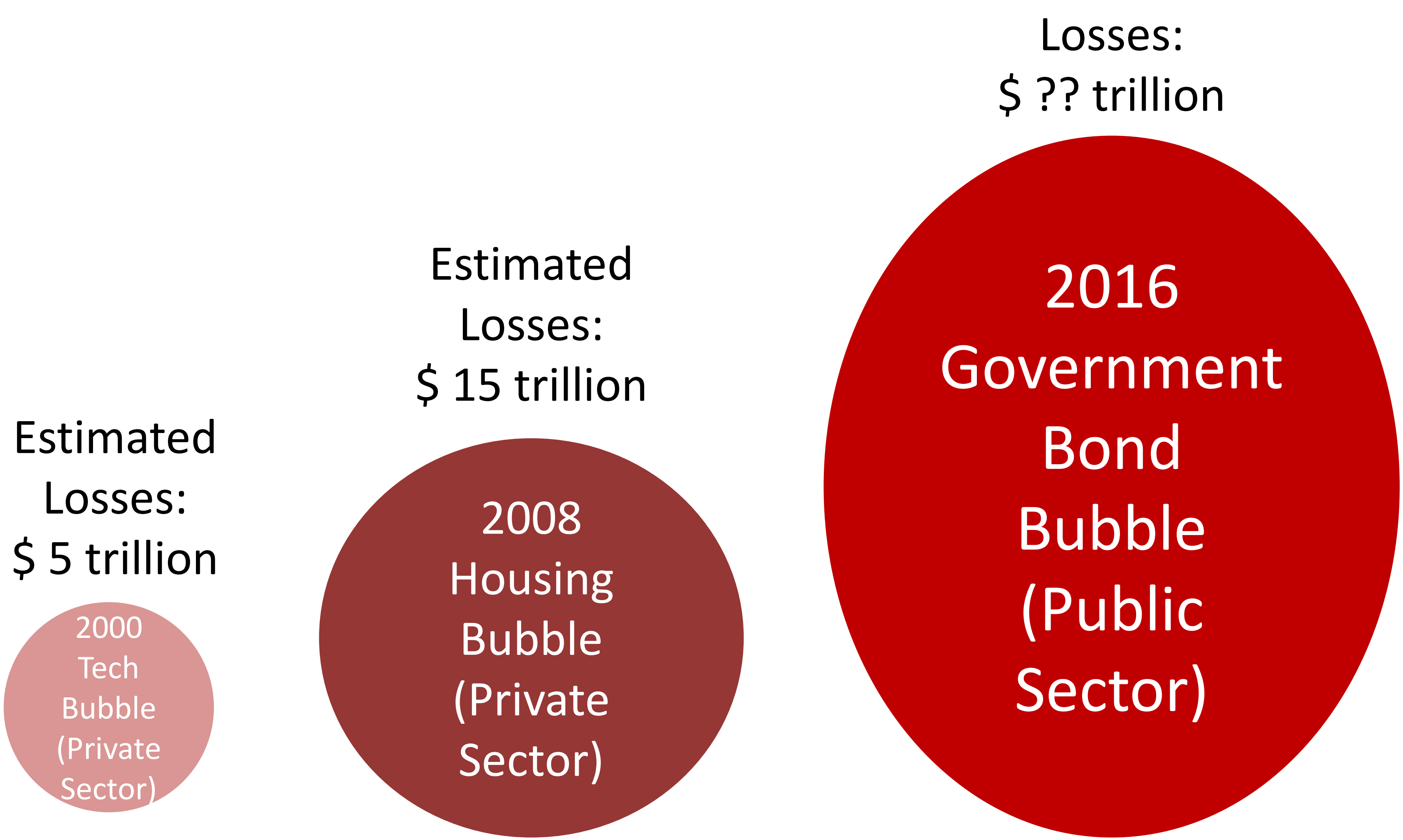
Knowing this, our **Chart 5 (page 14)** shows you that today government bond yields are at the lowest level since 1982.

From a different perspective, at no other point during the career of ANYONE in today's investment industry, has the government bond market ever been priced this high.

Let that sink in for a moment.

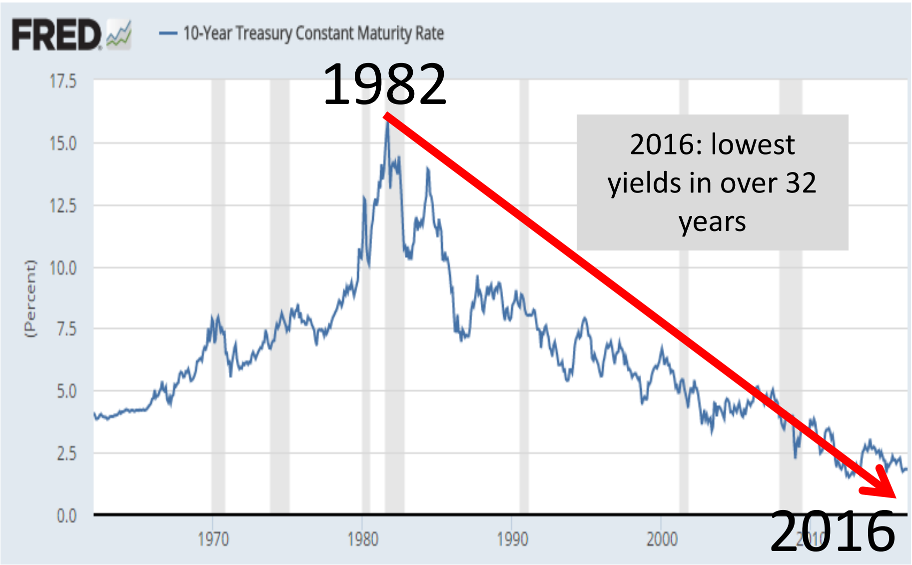
Now, we ask you to see our **Chart 6 (page 14)** which shows you that today, government yields are at their lowest level since 1423.

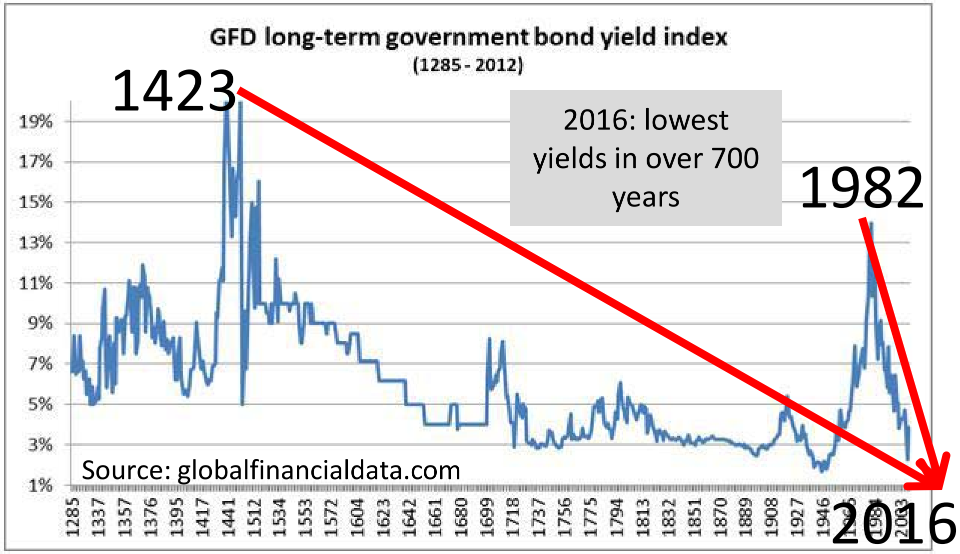
Chart 4: crisis comparison



Source: IceCap Asset Management Limited

Chart 5 & 6: lowest bond yields EVER





To be clear – not only is the world experiencing the lowest government bond yields ever experienced by anyone working and living today, but the world is also experiencing the lowest yields in over 700 years.

This combination tells us two things:

1. It's pretty likely that long-term interest rates have reached their lowest point.
2. It's only a mater of time before long-term interest rates begin to move higher.

In the bond world, this never before level of long-term interest rates is chaotic. If this were the stock market, picture the tech-bubble being 10 times higher. Now you can see how chaotic this has become.

And what makes this even more chaotic is the number zero.

Up until recently, every breathing soul on the planet, knew that if you borrowed money from someone, you would have to pay interest.

From another perspective, if you lend money to someone, you will receive interest on the loan.

This is the way money works – the Incas, the Romans, the Ancient

Wonderwall

Greeks and even the Mesopotamian civilizations all operated their finances this way.

This is the way capitalism works.

Unless of course, you happen to live in the year 2016 where today's central bankers have concluded that interest rates can in fact be a NEGATIVE number.

Yes, instead of receiving interest when you lend money – you have to pay interest.

And instead of paying interest when you borrow money, you receive interest when you borrow money.

If this seems chaotic, that's because it is chaotic. And to further cement negative paying bonds as being the most chaotic thing happening in today's financial world, understand that governments and central banks deliberately created this fantasy-level for interest rates – all with the belief that it will stimulate the economy.

To really understand how serious of a problem this is, just know that a mere 1% rise in long-term interest rates, will create losses of approximately $2 Trillion for bond investors.

The fun really starts when long-term yields increase by 3%, and then 6% and then 10%. This is the point when certain government bonds simply stop trading altogether, and losses pile up at 50%-75%.

For those of you shaking your heads in disagreement, we kindly suggest you research your history of long-term interest rates.

When long-term rates decline, it is usually in a gradual trending manner – such as what we are experiencing today.

However, when long-term rates go higher – it is an explosive move. Long-term rates ratchet up VERY quickly making the sudden loss instant, while exponentially increasing the funding cost of the borrower.

Most investors today have no idea what is happening in the bond market today and have exposed themselves to incredible amounts of risk.

And more importantly, because a global crisis in the government bond market has never occurred in our lifetime – advisors, financial planners and big banks continue the tradition of telling their clients that bonds are safer than stocks.

As a result, the most conservative investors in the word remain heavily invested in the bond market and are therefore smack dab in the middle of the riskiest investment they'll ever see.

Chaotic indeed.

today is gonna be the day

Putting it all together

Yes, the world is experiencing a whole lot of chaos. To simplify the chaos, we ask you to view each chaotic moment as falling under the PRIVATE sector or the PUBLIC sector:

Private Sector	Public Sector
[intentionally left blank]	debt, deficits, money printing, zero interest rates, negative interest rates, tax increases, pension deficits, Brexit, Trump, Le Pen, Five Star Movement, AfD, income inequality, black lives matter, migrants, corruption, terrorism

Yes, despite earning a clean slate, the Private Sector has a few problems – it always does. Yet, we want to demonstrate that all the chaos in the world today is attached to the Public Sector.

Next, we show you a different way to view both sectors:

Private Sector	Public Sector
Stock Market	Government Bond Market

In simplified terms, the stock market is a reflection of the Private Sector, while the government bond market is a reflection of the Public Sector.

The final point is the one that will help you preserve your wealth and depending upon your investment skills, provide you with the opportunity to significantly grow your wealth.

Throughout the history of mankind, whenever there is trouble in the world investors ALWAYS run away from the trouble and into a safer market. As the government bond bubble breaks, we expect general markets to be behave as follows:

Safety	Danger
Stock Market (ex-Financials) US Dollars Gold	Government Bond Market High Yield Bonds Emerging Market Bonds Bank/Insurance Stocks

Eventually of course, the US will have to address its troubles – but investors must understand, the US will be the last country forced to do this. In the meanwhile, it will be the destination of choice for foreign investors everywhere.

Standing on the Shoulders of Giants

The Reactions

As we speak with people from around the world, there are two reactions to our view. The first and most common is a thank you for simplifying and understanding the chaos that is engulfing the world.

The other reaction is from deniers. This reaction begins with an acknowledgment that yes, things are a bit tough at the moment but things will work themselves out. This group actually represents the majority of investors and advisors and the defense is usually as follows:

1. Government bonds have never had a crisis in our lifetime – so, it will never happen.
2. Our bank's chief economist says everything is okay.
3. "They" won't let this happen.

We can tell you with certainty that comment #1 is very short sighted – investment markets have a much longer history than you think.

Comment #2 is false belief – recall, economists have never predicted a recession in the United States.

Comment #3 – "they" is referring to governments who are on the verge of being replaced with anti-establishment parties, and central banks who have created the extreme financial environment we are currently experiencing.

In other words – "they" created the problem.

IceCap is hiring

IceCap Asset Management Limited is seeking licensed Canadian Advisors, Portfolio Managers and Financial Planners to join our team and help grow our Canadian client base.

IceCap has been recognised as an innovative global thinker and we want like-minded individuals to share in our success.

Please submit resumes and a letter detailing how you would further increase our success.

Send all inquiries directly to:

KeithDicker@IceCapAssetManagement.com

Our Strategy

Stocks

Our view hasn't changed – as the bond crisis escalates, equity markets (excluding banks and insurance companies) will rise significantly. The challenge however, is that we cannot force the market to do what we want. Stock markets continue to swing wildly, with many showing losses over the last 1 year period.

We remain patient, and will aggressively increase our equity positions when the timing is correct. Until then, equity markets continue to reflect the chaos swarming the world.

The Masterplan

Bonds

The bond market is the key to everything. As increasingly more investors buy negative yielding bonds, the bubble grows bigger and bigger. Our bond holdings are short maturity, with absolutely no exposure to high yield bonds, emerging market bonds or other high income payout strategies.

We continue to see Europe as the trigger point for the bond crisis to ignite. The Eurozone and the European Union are a complete financial disaster at this point – we strongly urge caution with these debt, bank, insurance and currency markets.

Currencies

Longer-term, the US Dollar will surprise the majority as we expect it to surge against all currencies. In the near-term, markets will struggle with the increasing risks within the European banking system and the US Presidential Election, meaning USD may be a bit weak leading up the election – provided Europe holds things together of course.

Commodities

Gold is getting a lot of attention. Brexit and the market sell-off provided a quick boost, and now the rally is starting to fade. Our view still hasn't changed – we continue to wait patiently for our opportunity to be aggressive. The latest move, while good to see still hasn't broken gold through the next level of resistance. It will happen soon – but not quite yet.

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:

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