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SII
Strategic Investment Insights

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Economic & Technical Analysis for the Active Trader

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Market Research & Analytics

Advanced Technical Analysis

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Global Macro Research | Macro-Technical Analysis

Technical Analysis
HPTZ
Market Road Maps | HPTZ Methodology

SII
Global Macro Research | Market Road Maps

April 21st, 2021

THE MATASII MACRO MAP

NOTE

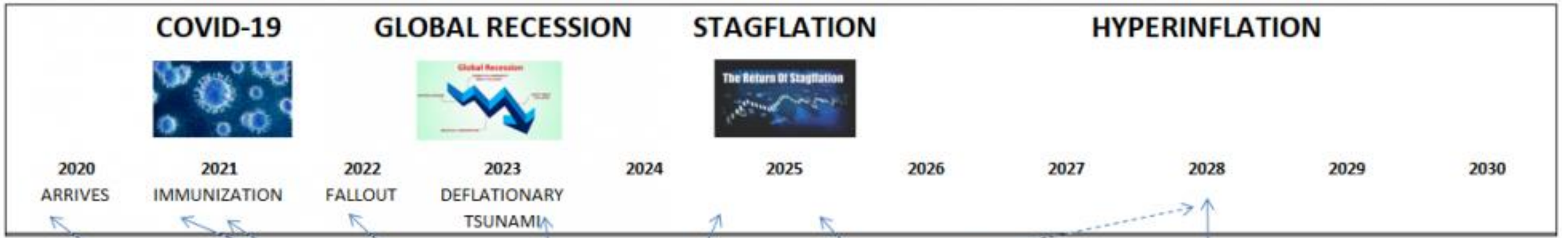
Slides Are for discussion and educational purposes ONLY!

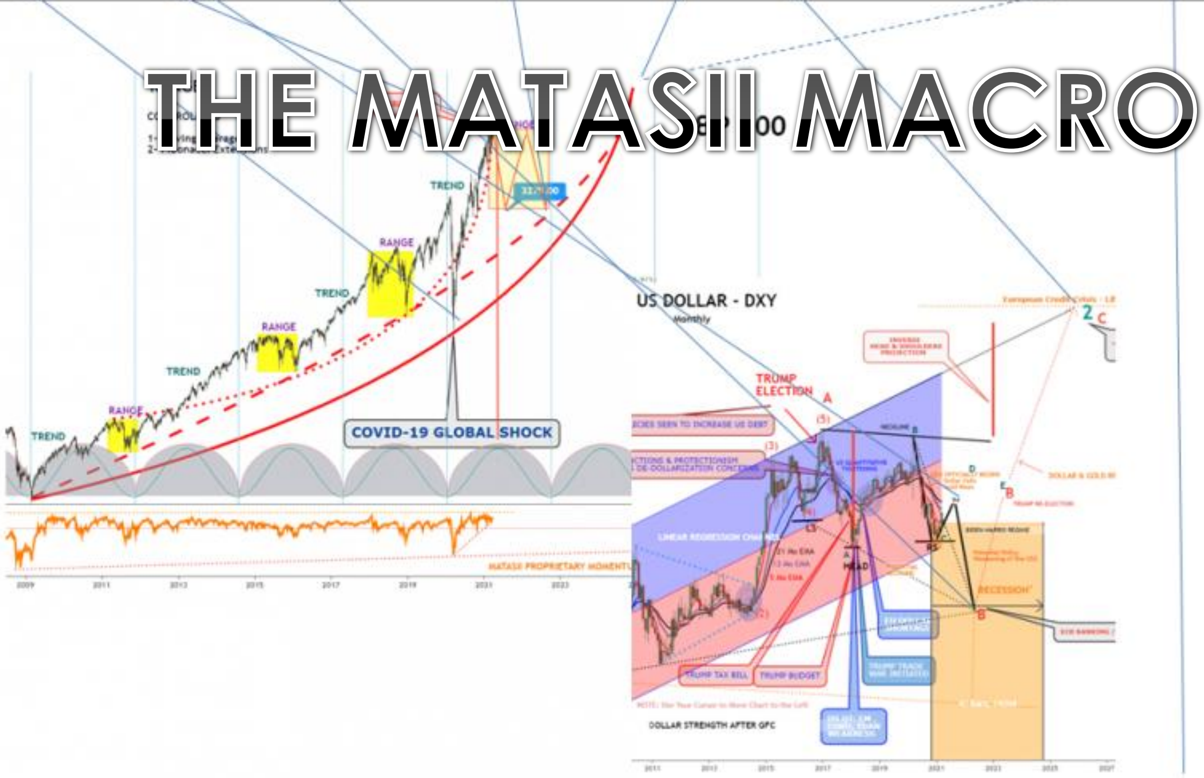
Do not Trade from Any of these Charts.

The participants are not giving investment advise nor should be construed as such

Always consult a professional investment advisor before making any investment decisions.

THE MATASII MACRO MAP





TWO PARALLEL & REINFORCING TRACKS

US DOMESTIC ECONOMY

We're going to initially slip into recession because of inflation.

1. Shortages within the Global Supply Chain will initially force prices up for impacted products.
2. Rising costs (Inflation) are going to put a lot of pressure on businesses to reduce those costs by laying off workers (Deflation).
3. Rising prices (Inflation) are going to put a lot of pressure on consumers to cut back on their total spending (Deflation).
4. A Weakening US$ will make US Imported Goods (Almost Everything) Consumption more expansive (Inflation).

We're going to have inflation and recession simultaneously — stagflation."

GLOBAL ECONOMY

Global Demand will slow rapidly (Deflation) because:

1. US Demand has always been the driving force of Global Demand which will begin slowing rapidly (Deflation).
2. Global Demographics of the slowing rate of population growth will significantly reduce demand (Deflationary).
3. Programs in the 2010's such as QE brought demand forward. There is an unfilled hole (Deflationary).

AGENDA

THE MATASII MACRO MAP

THE FED'S PCE INFLATION INDEX

LIQUIDITY

- Money Velocity
- Credit & Debt

THE ILLUSION OF GROWTH

DISINFLATION COMETH

CONCLUSION

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LIQUIDITY MEANS NOTHING UNTIL IT BECOMES DEBT THROUGH CREDIT GROWTH

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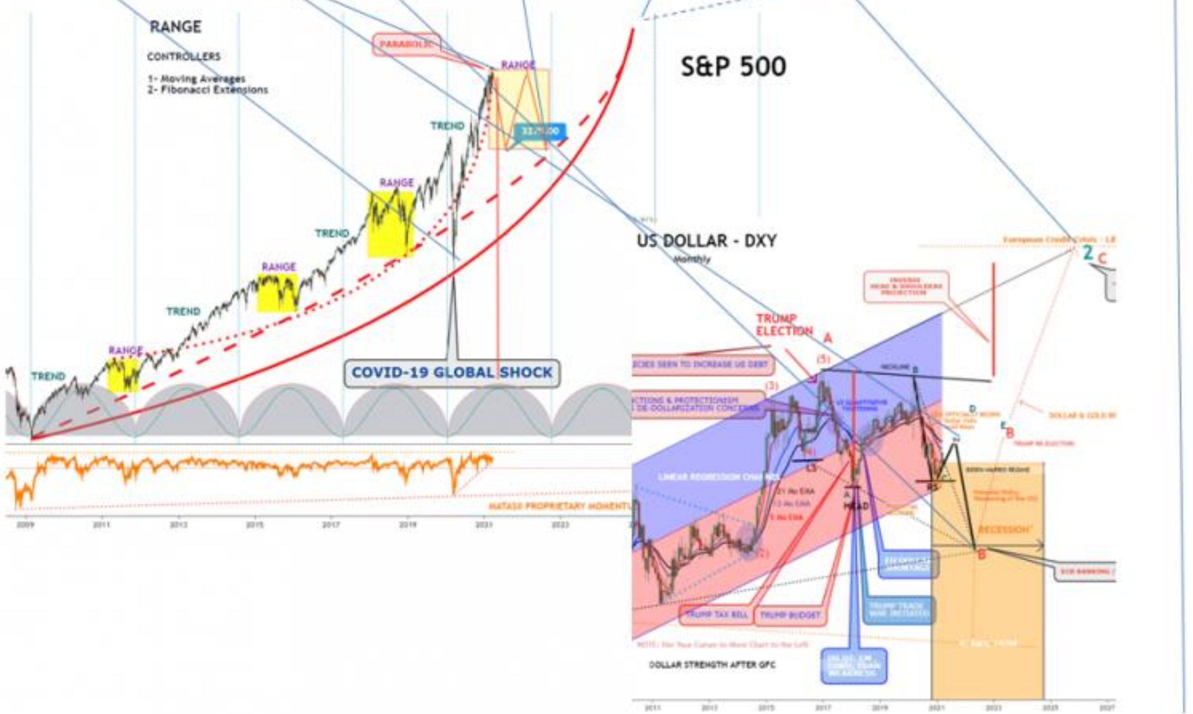
COVID-19 | GLOBAL RECESSION | STAGFLATION | HYPERINFLATION

2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
ARRIVES	IMMUNIZATION	FALLOUT	DEFLATIONARY TSUNAMI							



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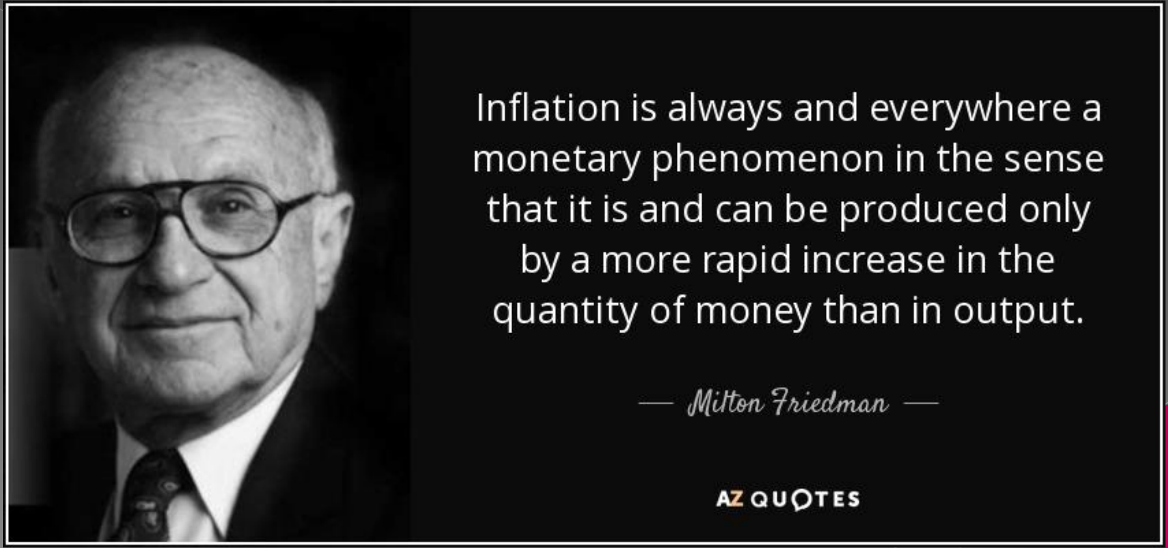


CORE PERSONAL CONSUMPTION EXPENDITURE (PCE)

The core Personal Consumption Expenditures index is published by the Bureau of Economic Analysis.

- Approximately 20% of PCE index in Housing cost
- Approximately 20% of PCE index is Healthcare cost
- Approximately 10% of PCE index in Financial Services and Insurance costs

Three major categories of PCE inflation index count for approximately 50% of the index

HOUSING EXPENDITURE

• Derived from the rents and owner equivalent rents - not from home prices.
• The rents are a function of demand for shelter and supply of housing (or vacancy rates).
• The demand for shelter is mainly a function of demographics - as population growth more housing is needed.
• The supply of housing is mainly a function of resources, such as land for development, construction workers, and the materials.

HEALTHCARE EXPENDITURE

• The healthcare expenditures are also a function of demand for healthcare services, which is partially a function of demographics, and available supply of healthcare providers.

• The actual cost of healthcare is also a function of healthcare legislation.

1. The Fed cannot affect demographics.

DEMOGRAPHICS & HIGH INFLATION DURING THE 1970's

• The key factor behind the high inflation during the 1970s period was due to the baby-boomer generation entering the labor force and leaving their parents homes.
• The generation born between 1946 and 1965 was much larger than the previous generation.
• The Silent generation counted around 21M people, while the Boomer generation counted around 70M people.
• The first wave of baby-boomers entered the labor force in mid-1960s - the beginning of the inflationary period, and the last wave entered the labor force in early 1980s - the ending of the inflationary period.
• During the period from mid-1960s to early 1980s, the demand for housing, and all other goods/service was high due to demographics, which led to high inflation.

1. The Fed cannot affect demographics.

COVID-19 & TRANSITORY INFLATION

• Currently, we have a situation where money supply expanded greatly in response to the Covid-19 pandemics, in addition to zero percent interest rates.
• Many assume that this extreme monetary policy stimulus will result in inflation, possibly 1970s-style.
• The Fed on the other hand assumes that any near-term inflationary pressures will be transitory, with no effect on longer-term inflation expectations.
• The Fed is likely correct. Any near-term inflationary pressures will likely be only transitory, since monetary policy alone cannot affect demographics.
• Yes, there are short-term increases in rents due to Covid-19 related dislocations, in addition to higher healthcare costs. However, longer term as the pandemic ends the inflationary pressures will abate.

1. The Fed cannot affect demographics.
2. Monetary Inflation Is Something Else!

THE FED’S CORE PCE EXCLUDES FOOD & ENERGY

• The core inflation excludes the price of food and energy.
• The price of food and energy is directly related to the financial markets via the futures markets.
• Investors and traders can buy crude oil futures, agricultural futures, and meat futures, and push the prices much higher, which translates into higher food and energy prices.
• The demand for financial assets, such as futures, is a function of money supply.
• Additionally, real estate prices are also directly related to money supply and interest rates.
• You can have a significant home price inflation, but not necessarily inflation in rents.
• Generally, asset prices are directly a function of monetary inflation.

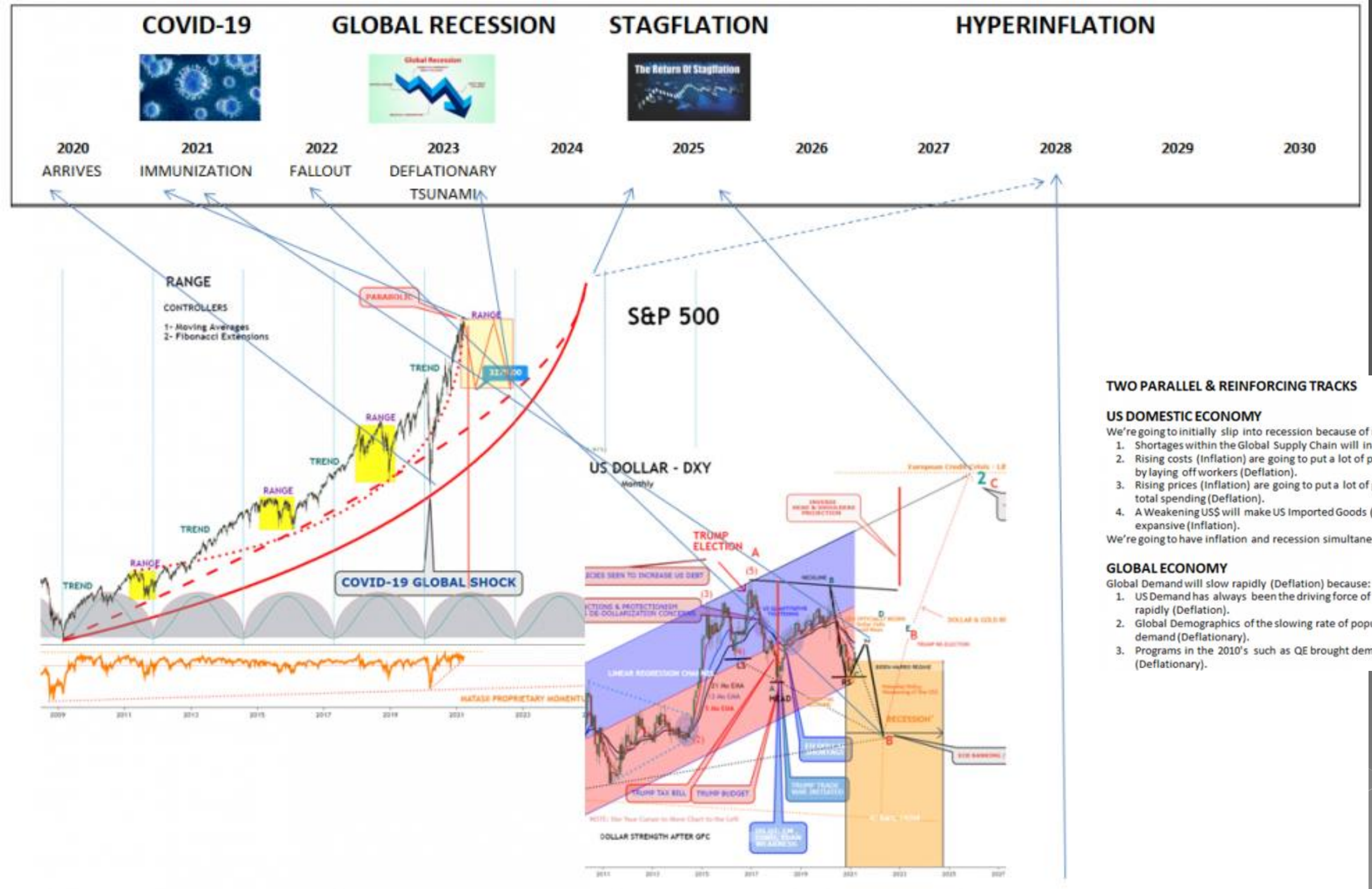
Ben Bernanke, former Fed Chair, clearly defined monetary inflation in his 2001 speech:

The conclusion that deflation is always reversible under a fiat money system follows from basic economic reasoning. A little parable may prove useful: Today an ounce of gold sells for $300, more or less. Now suppose that a modern alchemist solves his subject's oldest problem by finding a way to produce unlimited amounts of new gold at essentially no cost. Moreover, his invention is widely publicized and scientifically verified, and he announces his intention to begin massive production of gold within days. What would happen to the price of gold? Presumably, the potentially unlimited supply of cheap gold would cause the market price of gold to plummet. Indeed, if the market for gold is to any degree efficient, the price of gold would collapse immediately after the announcement of the invention, before the alchemist had produced and marketed a single ounce of yellow metal. What has this got to do with monetary policy? Like gold, U.S. dollars have value only to the extent that they are strictly limited in supply. But the U.S. government has a technology, called a printing press (or, today, its electronic equivalent), that allows it to produce as many U.S. dollars as it wishes at essentially no cost. By increasing the number of U.S. dollars in circulation, or even by credibly threatening to do so, the U.S. government can also reduce the value of a dollar in terms of goods and services, which is equivalent to raising the prices in dollars of those goods and services.

We conclude that, under a paper-money system, a determined government can always generate higher spending and hence positive inflation.

- Don't confuse core PCE inflation with monetary inflation.
- Current monetary policy is designed to boost monetary inflation.
- Longer-term trends are still deflationary.

Real Assets, such as gold will protect from the Fed-generated monetary inflation as the US Dollar Depreciates against all real assets.



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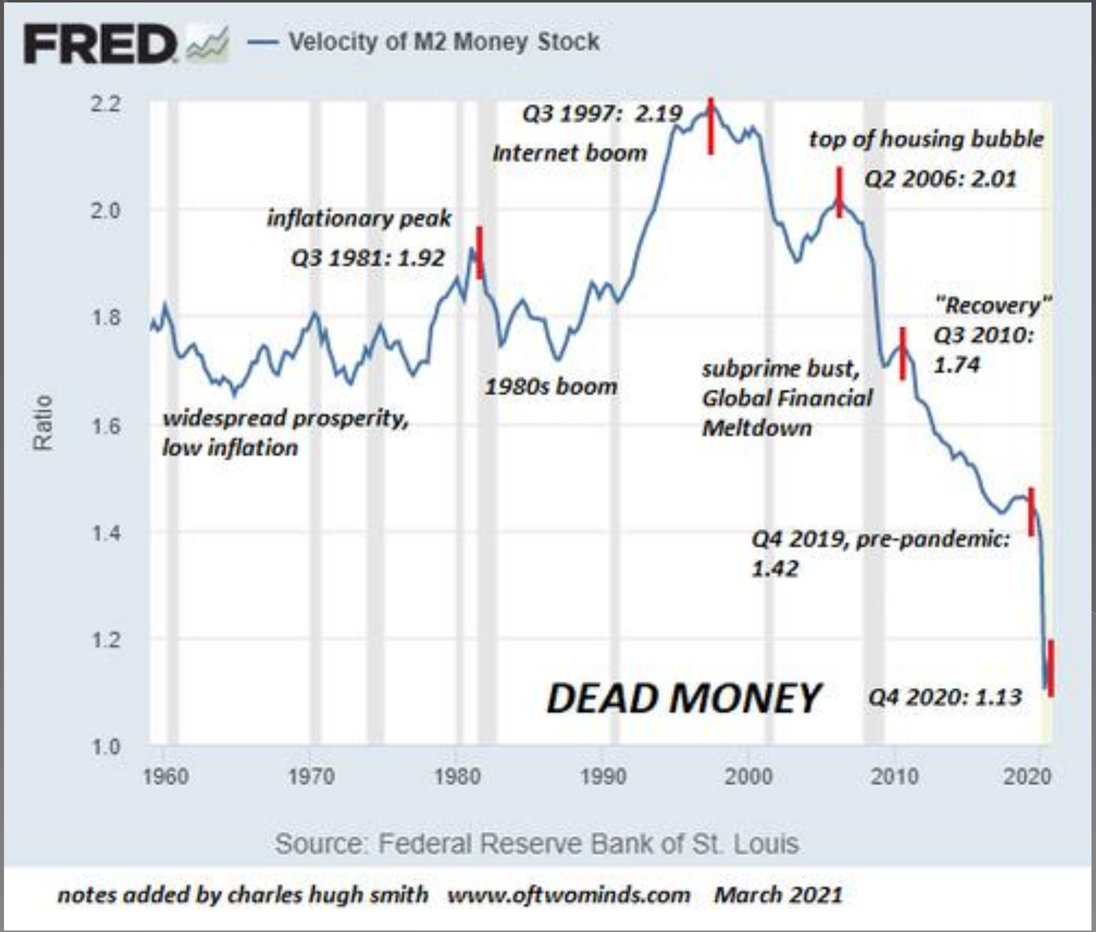
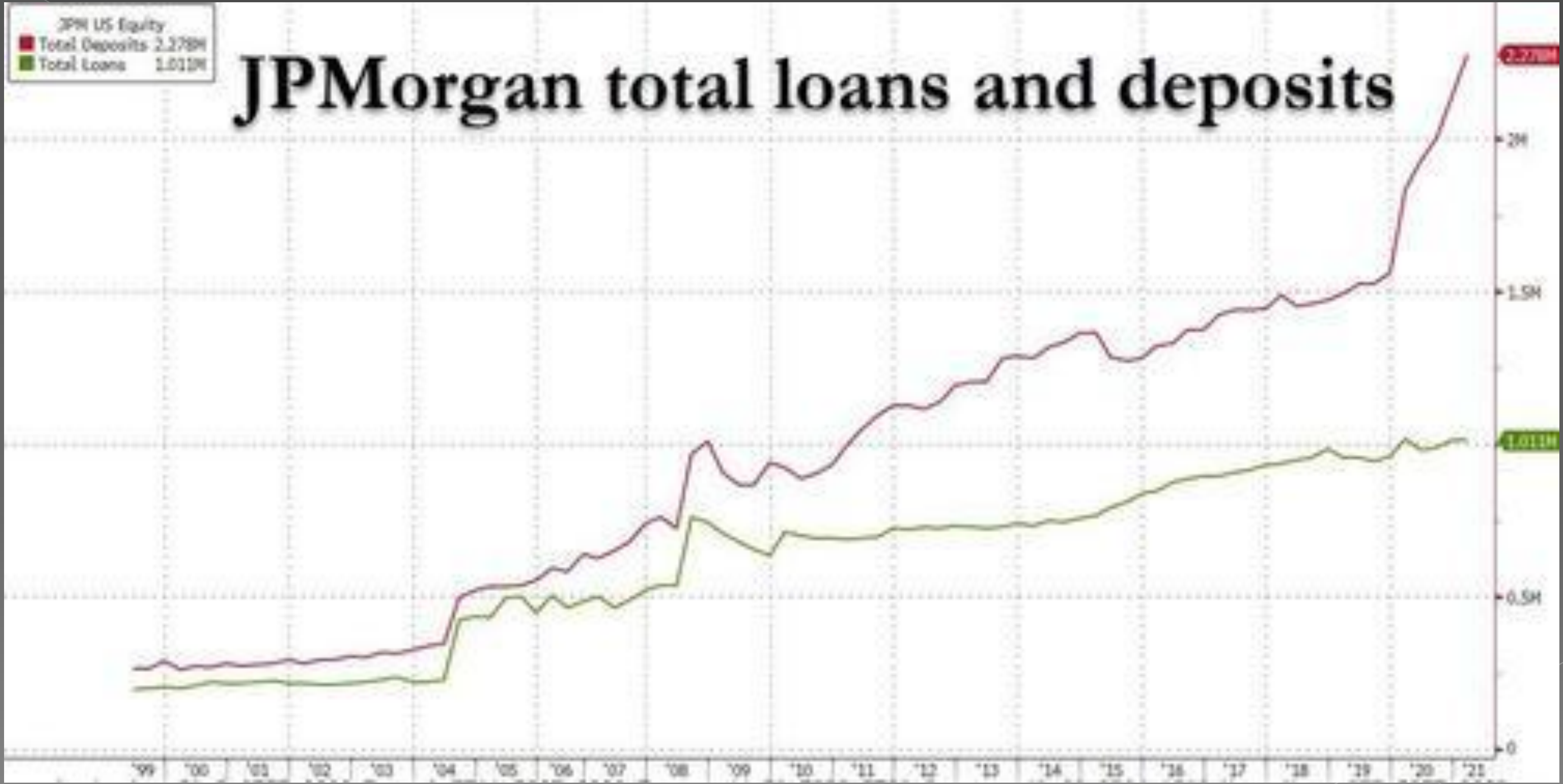
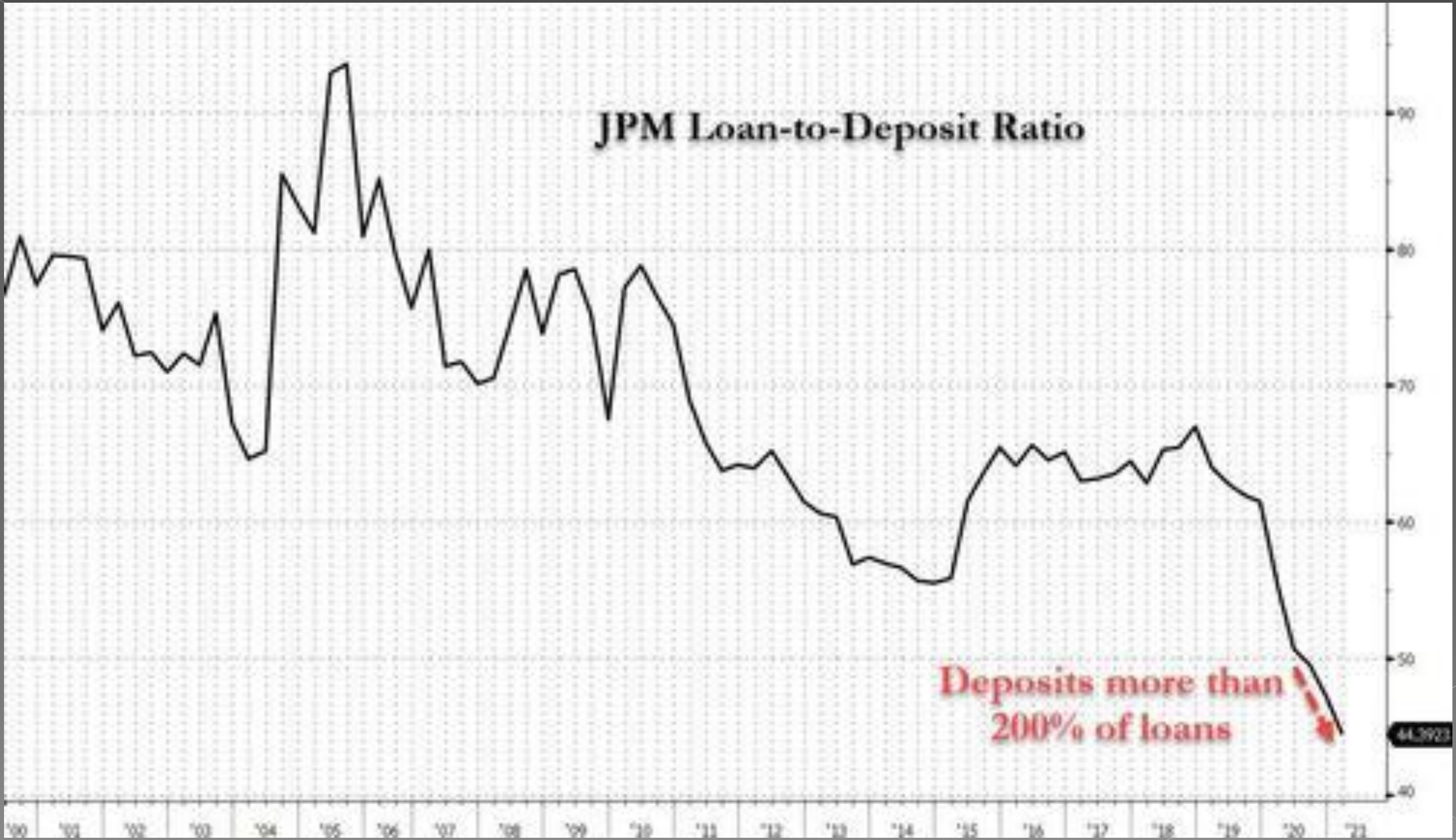


Richard Duncan

Surging Money Supply Growth Won't Cause Inflation

Velocity = Nominal GDP/ ------------- Money Stock


JPMorgan total loans and deposits
JPM US Equity
Total Deposits 2.278M
Total Loans 1.011M
2.278M
2M
1.5M
1.011M
0.5M
0
'99
'00
'01
'02
'03
'04
'05
'06
'07
'08
'09
'10
'11
'12
'13
'14
'15
'16
'17
'18
'19
'20
'21


JPM Loan-to-Deposit Ratio
Deposits more than
200% of loans
90
80
70
60
50
40
'00
'01
'02
'03
'04
'05
'06
'07
'08
'09
'10
'11
'12
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'15
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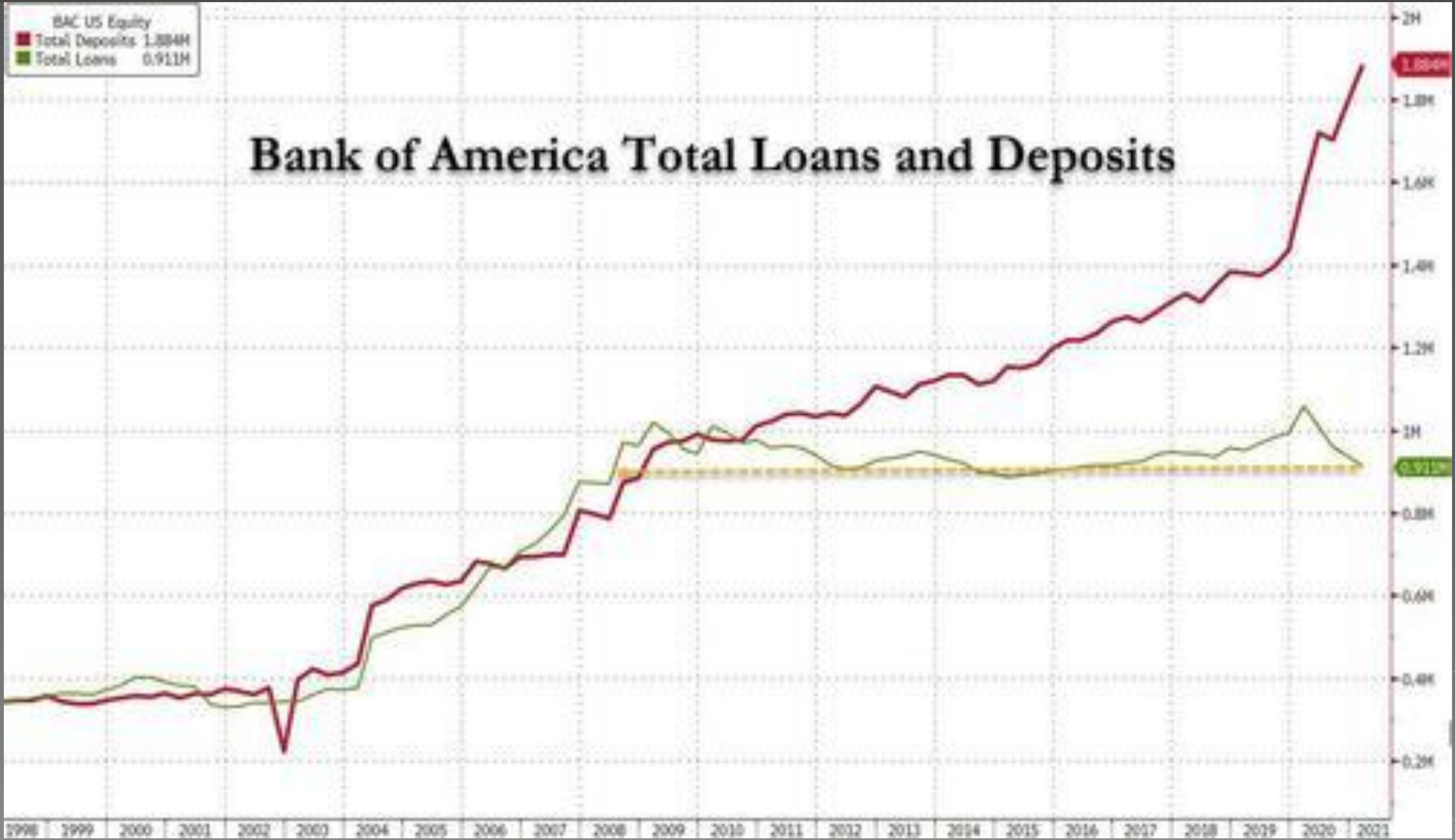
'17
'18
'19
'20
'21



Bank of America Total Loans and Deposits
BAC US Equity
Total Deposits 1.884M
Total Loans 0.911M
2M
1.8M
1.6M
1.4M
1.2M
1M
0.8M
0.6M
0.4M
0.2M
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
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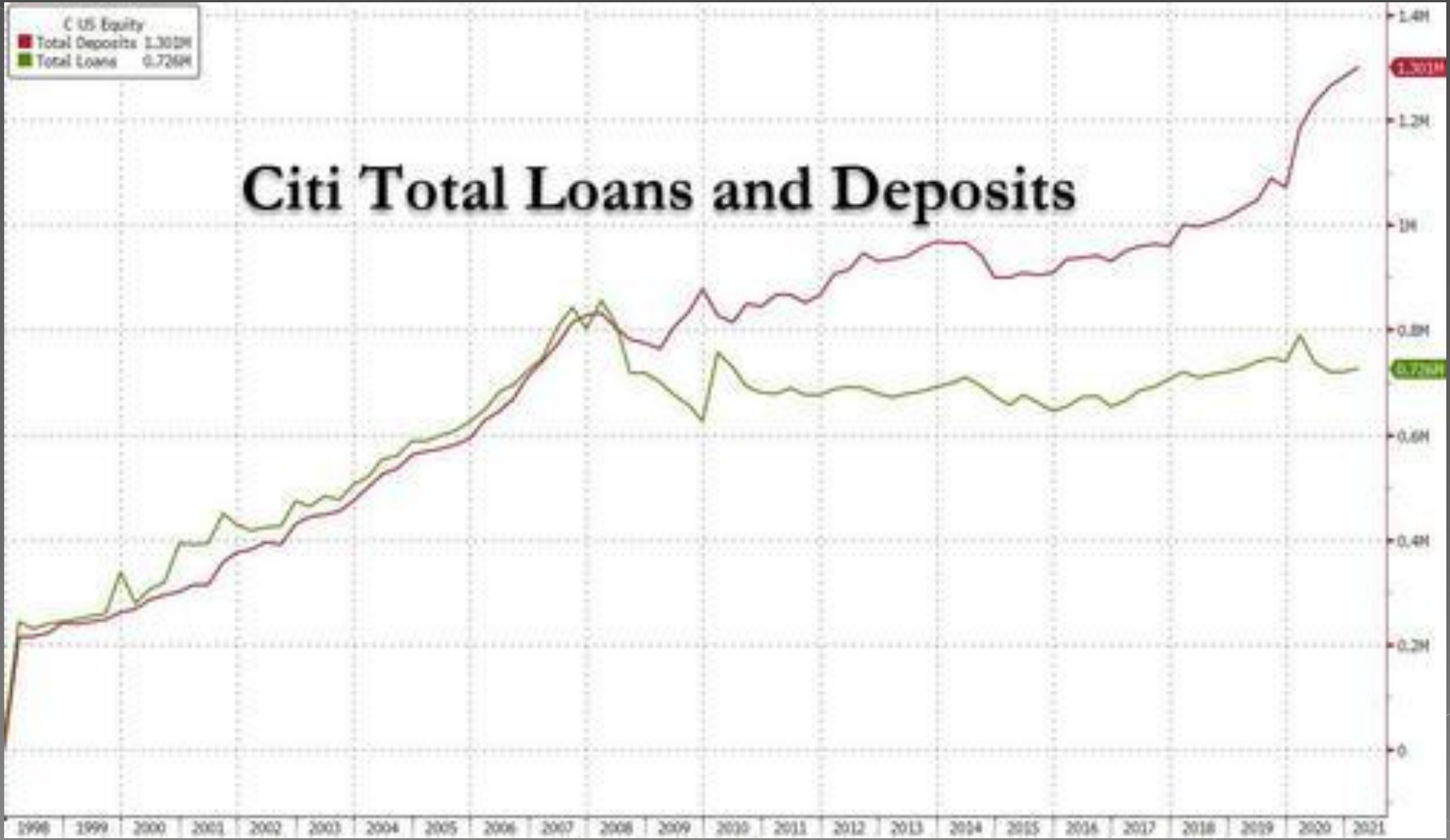
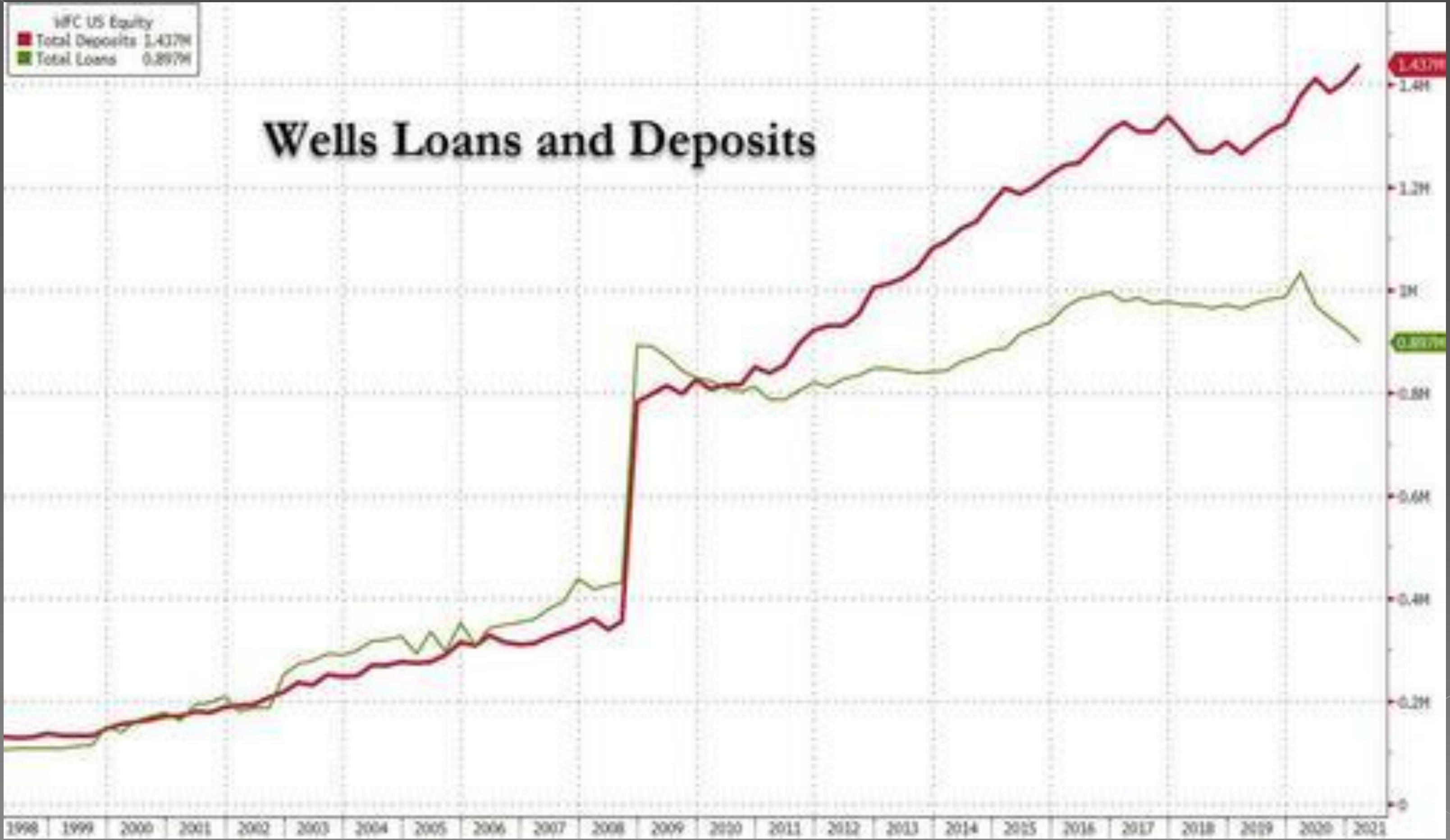
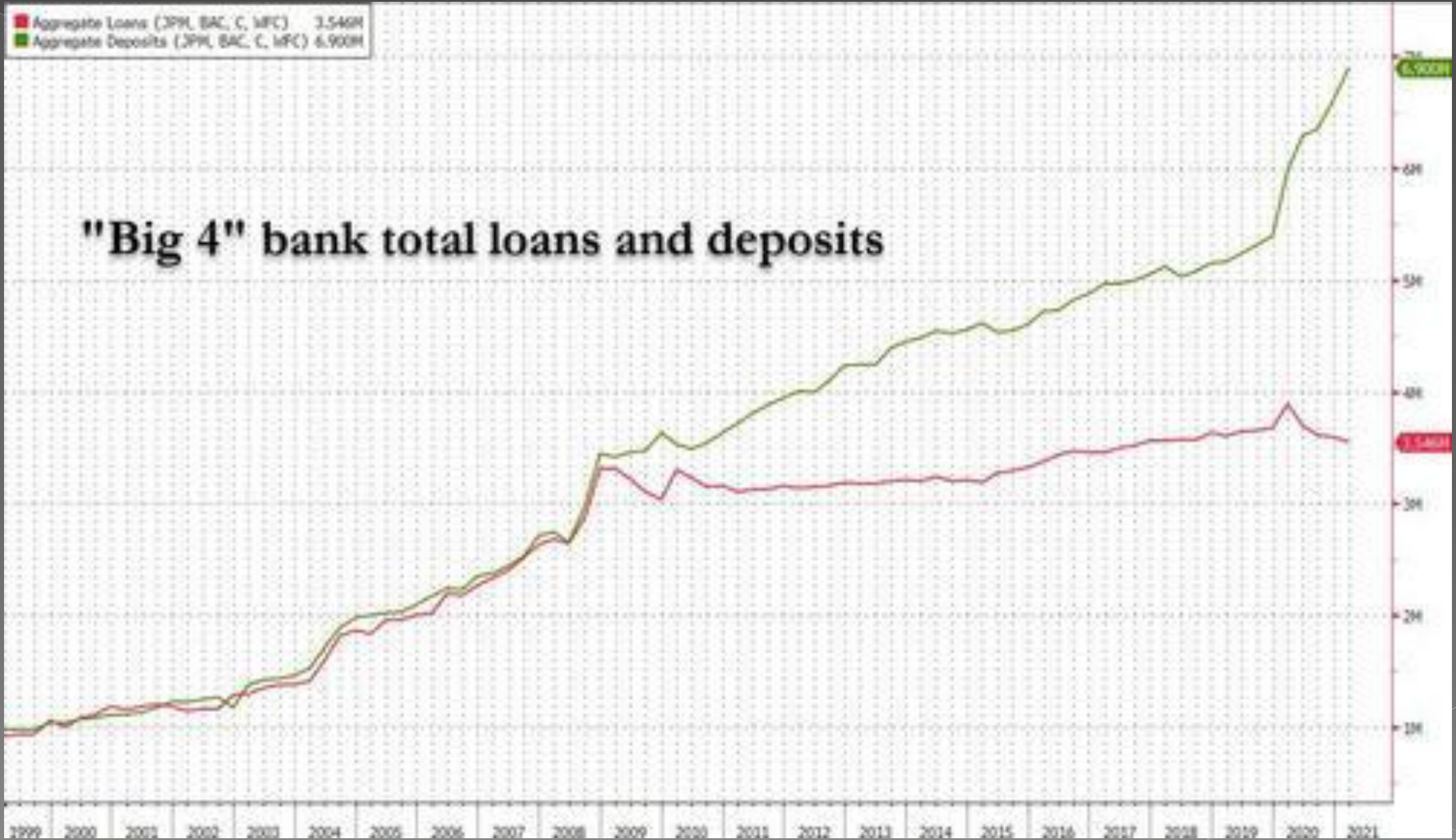
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021

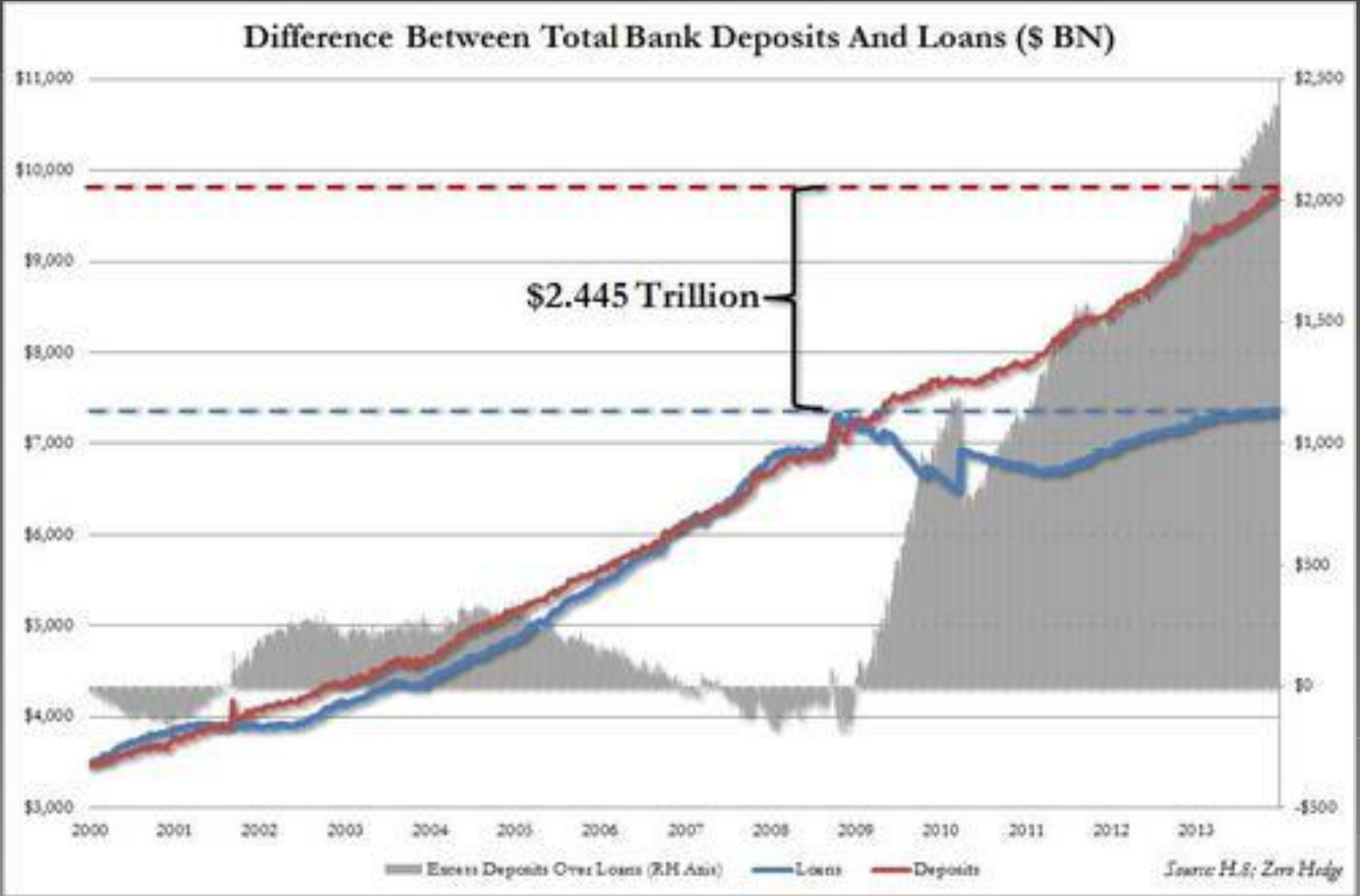

Citi Total Loans and Deposits
C US Equity
Total Deposits 1.301M
Total Loans 0.726M
1.4M
1.301M
1.2M
1M
0.8M
0.726M
0.6M
0.4M
0.2M
0
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021



WFC US Equity
Total Deposits 1.437M
Total Loans 0.897M
Wells Loans and Deposits
1.437M
1.4M
1.2M
1M
0.897M
0.8M
0.6M
0.4M
0.2M
0
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021


Aggregate Loans (JPM, BAC, C, WFC) 3.546M
Aggregate Deposits (JPM, BAC, C, WFC) 6.900M
"Big 4" bank total loans and deposits
6.900M
6M
5M
4M
3M
2M
1M
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021


US Commercial Deposits over Loans (R1) 6343.8281
Fed Balance Sheet (L1) 7.689M
Fed Balance Sheet vs Excess Deposits over Loans
8M
7M
6M
5M
4M
3M
2M
1M
6000
5000
4000
3000
2000
1000
0
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021



Difference Between Total Bank Deposits And Loans ($ BN)
$2.445 Trillion
$11,000
$10,000
$9,000
$8,000
$7,000
$6,000
$5,000
$4,000
$3,000
$2,500
$2,000
$1,500
$1,000
$500
$0
-$500
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
Excess Deposits Over Loans (RH Axis)
Loans
Deposits
Source: H.8; Zero Hedge

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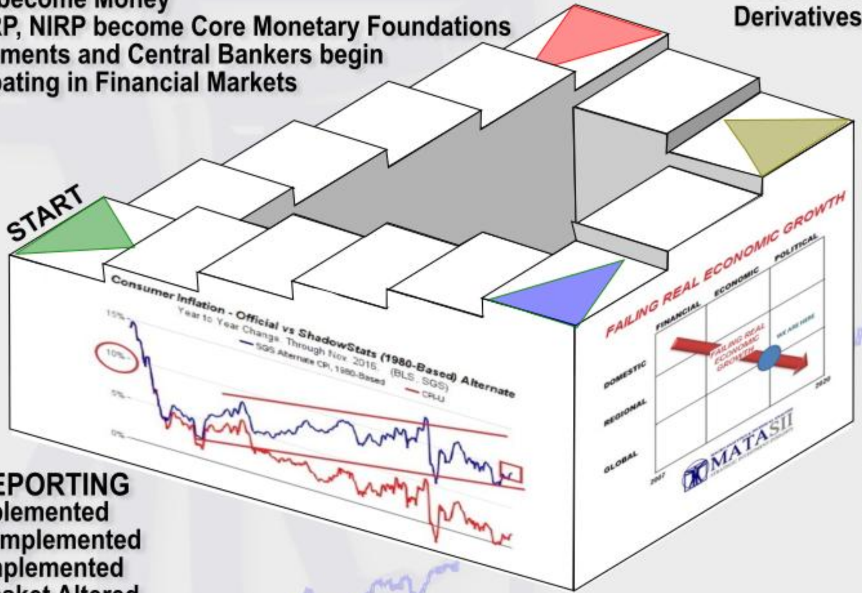
ILLUSION OF GROWTH

CAPITALISM BECOMES CREDITISM
1. Novation enters Lexicon
2. Rehypothecation enters Lexicon
3. Repos become Money
4. QE, ZIRP, NIRP become Core Monetary Foundations
5. Governments and Central Bankers begin participating in Financial Markets

SECURITIZATION EXPLOSION
Derivatives & SWAPS Exceed $1.5 Quadrillion

SOVEREIGN DEBT BECOMES UNPAYABLE & INEXTINGUISHABLE

START
1971 Removal of Gold Standard
(FIAT Currency Era Begins)



CHANGES IN REGULATIONS & FIDUCIARIES
1. Money Markets Require Zero Reserves
2. Overturn of Glass-Steagall
3. Overturn of Market-to-Market
4. Debt becomes an Asset Class

CHANGES IN INFLATION REPORTING
1. Hedonics Implemented
2. Substitution Implemented
3. Imputation Implemented
4. Consumer Basket Altered
5. Rent Equivalent Implemented

BALANCE OF PAYMENTS
Credit vs. Asset Transfer Setlement

MACRO ANALYTICS & TECHNICAL ANALYSIS
MATASII
STRATEGIC INVESTMENT INSIGHTS

SOCIALISM

GOVERNMENT
IS THE ECONOMY

RATIONED
CONSUMPTION

DEFICIT TRADE

$$GDP = C + G + I + X(E\text{-}I)$$

ALLOCATION

CENTRALLY
PLANNED

MONETIZATION

- Consumers Get What The Government Determines, Awards or Rations
- Standards of Living Is Universal Except for Government Officials

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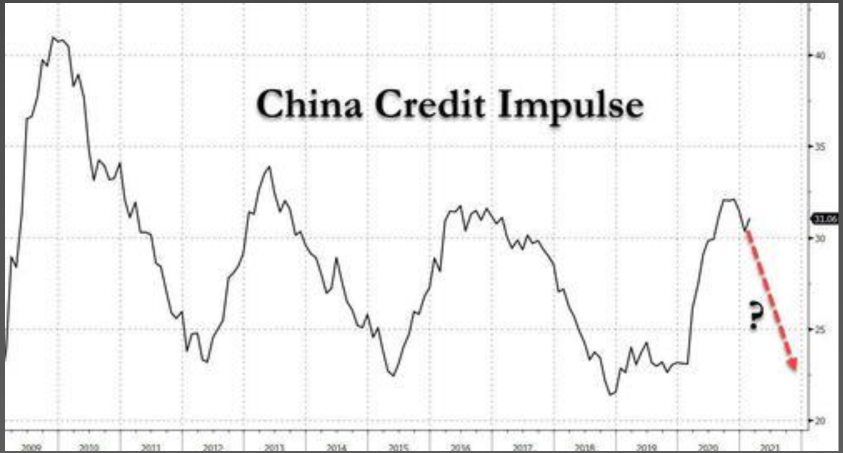

DISINFLATION COMETH

- Tax Increases Are Disinflationary
- A "Popped Equity Bubble" is Disinflationary
- Weak Economic Growth (via Debt Overhang & Demographics) is Disinflationary
- Covid related business failures is Disinflationary,
- Accelerated Technology Advancement (i: Machines for People, ii: Communications Without Travel, iii: Work Without Offices) is Disinflationary,
- Supply Chain Restoration (after the shortage surge) will be Disinflationary,
- Rising Productivity will hold down labor costs and be Disinflationary,
- Low Inflation follows Recessions by ~ 15 months (End of Q3 2021) which is Disinflationary.

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CONCLUSIONS

Current Expectations:

- **Rates Will Consolidate In Q2**
- **Markets will Complete a Right Shoulder of Topping Process**
- **Precious Metals Will Rally in Q2 but Fall Further in Q3**
- **Markets Will Begin An Overdue Sell-Off in late Q3**
- **The Fed Will We Be Forced to Implement YCC in late Q3 going into Q4**
- **US$ Will Begin to Fall In Q4 with YCC**
- **Precious Metals and Commodities will Rise Sharply in Q4**

ADMINISTRATIONS CHANGE – BUT THE PRINTING NEVER DOES

DON'T WORRY, THEY WILL PRINT THE MONEY!

EVERYONE IS NOW IN PLACE & READY!!

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- Synthesis & Analysis
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- Real Time Charting
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