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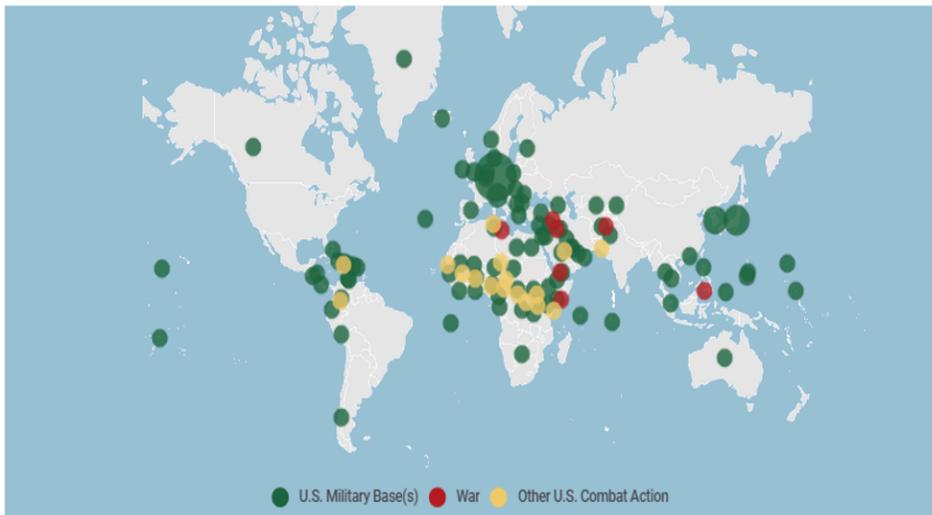
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The Next Seven Weeks

Dear friends,

In this age of Covid-induced emergencies, much has been said about many topics. We've been served up vastly contradictory narratives by politicians, the medical/pharmaceutical establishment, economists and financial minds, and of course the 'news sources'. Let me begin this update by saying that, for now, four things matter most.



U.S. power politics.

The U.S. presidential election and the pandemic make it politically convenient to create enemies. Distracting from the current state of dysfunction is an imperative. That means tensions with China, Russia, Iran, Venezuela and others will further escalate. Look for a ramp-up in internal confrontations, too. Given the current chaos,

vilifying hostile social segments and political structures will boost Trump's re-election chances. Imperialistic behaviour will also characterize the U.S. in the longer term. The odds are high that an increasingly isolated America will resort to more tariffs and sanctions, engage in ever greater military overreach, and lose support from traditional allies.

Trump or Biden? The key unknown about the upcoming presidential election is whether it will be contested. If things get ugly, heightened social turmoil and market chaos will follow. Yet, in the longer term, the election outcome will matter little. Consider how weakened the American construct is by deeply entrenched structural inadequacies. Socio-economic and political results may marginally be influenced by policy modifications, but an actual change in direction is virtually impossible to pull off. Even more importantly, both the Democrat and Republican establishments are deeply committed to protecting the status quo. In other words, the structure that has enabled the culture of forever-wars, a deeply militarized domestic security and police complex, the abandonment of infrastructural upkeep, and a wealth disparity worthy of the third world, is here to stay.

Monetary Policy. The world's central banks have completely abandoned prudence and are now enslaved by political necessity. Money can no longer be viewed as a reliable store of value. Any change in current policy will have immediate negative economic and socio-political consequences; a perpetuation of current policy will set the stage for even more dramatic consequences later on.

U.S. DEBT LEVELS AS % OF GDP	1990	2008	2020
Federal Reserve balance sheet	0	8	38
Public debt not owned by the Fed	52	56	100
Total Public Debt	52	64	138

Covid-19. On the pandemic front, the rate of progress or regress will be crucial. A setback due to a second wave would translate into more economic pain and, arguably, renewed popular pushback in response to harsher regulations, lockdowns, etc. On the other hand, the advent of a vaccine may mitigate some of the current pressures.

Investment Commentary

Now, let's take brief and somewhat simplistic look at different asset classes, taking into account the context I just outlined.

-Bonds remain the least attractive investment. Yields are at highly unattractive levels, while the ability of far too many issuers to repay their debt is questionable.

-The stock market as a whole is richly valued and bears no comparison to the challenged economic backdrop that will be with us for several years. Yet, there is still value in some areas.

-As a temporary parking spot, cash is a good place.

-Gold looks good for the foreseeable future.

Reflecting these sentiments, our portfolio composition remains defensive. We hold no bonds. Our equity holdings of roughly 50% are confined to companies that are mostly invulnerable to international trade exposure, generate impressive cash flow, and pay attractive, sustainable dividends. 17% is allocated to gold and 33% remains in cash.

What is certain is that we have entered a new era, in which rapid and profound change will be a constant. To accept the new realities is painful, because we've all been raised with the belief that sound long-term planning allows us to control our destiny. It is also liberating, because it relieves us of the burden of micro-managing. Put differently, in the current new context dogmatic thinking is perilous; pragmatism will win the day.

Be healthy and flexible!



Peter Cavelti