

March 4, 2021

For this month's commentary I would like to share a conversation I had with a client this past week. Apparently, they listened to a podcast given by Peter Schiff providing a very scary outlook and promoting his books: "Crash Proof", "The Real Crash, 2014", "How an Economy Grows and Crashes, 2010", and "How to Profit from the coming economic Crash". I think I see a theme here so let's take any advice with a grain of salt, but here are the highlights of his advice:

- Get out of the US market
- The US dollar, economy and stock market is going to crash
- Bitcoin is going to \$0
- Buy Gold, it's going to \$5,000 per ounce

I've known of Schiff for years, but I looked him up and was surprised to learn he owns a company called "*Schiffgold*", the largest US gold dealer specializing in selling gold to investors. What a coincidence that the solution to the crisis he is predicting is to own gold.

As you know, I have been pretty bullish all through the pandemic. I haven't been calling for any kind of crash, but I have been getting concerned by the recent market activity, and though I am always cautious, I am currently more cautious than ever. To his credit, Schiff actually got it right in 2007 in calling the 2008 Financial crisis. He could end up being correct again, even prophetic if the market does end up crashing as he is currently predicting. But let's keep in mind he also called for a crash in 2010, and in 2014 by the way, and the S&P 500 is up 160% since. If someone calls for a crash every year eventually, they will be right because after all even a broken clock is right twice a day. If Schiff gets it right this time and predicts the "crash", he will be a genius! Fear is a much stronger emotion than greed and apparently fear sells very well because he claims to be worth \$70 million.

Schiff isn't the only one calling for the sky to fall. I went to my bookshelf where I have a couple of books with similar themes. From the back cover of "**Crisis Investing**" by Doug Casey he states:

- US headed for great depression
- Gold should be \$3,300 an oz
- Buy gold stocks
- Real estate will nosedive
- DJIA will crash

That book was printed in 1980, by the way. Let's go back in time to see how the market (S&P 500) did since this book came out:

- 1980: 32.3%
- 1981: (5.0%) - there is your crash
- 1982: 21.4%
- 1983: 22.4%
- 1984: 6.1%
- 1985: 31.6%
- 1986: 18.6%
- 1987: 5.1% - the market actually did crash but still finished positive for the year
- 1988: 16.6%
- 1989: 31.7%
- 1990: (3.1%) - glad I read his book 10 years ago to protect me from that!

And then in 1990, the next round of Chicken Little's came out. "**Surviving the great depression of 1990**" by Dr. Ravi Batra was a Runaway NY Times best seller written by a Dr. none the less! "*Hope for the best but prepare for the worst*" cautions Dr Batra in this life saving sequel to his prophetic bestseller "**The Great Depression of 1990**". I will save you the trouble of reading all 360 pages but here are the Coles notes:

- Bail out of the market NOW!
- Avoid Real estate NOW!

What did this wisdom protect readers from:

- 1991: 30.5%
- 1992: 7.6%
- 1993: 10.1%
- 1994: 1.3%
- 1995: 37.6%
- 1996: 23.0%
- 1997: 33.4%
- 1998: 28.6%
- 1999: 21.0%
- 2000: (9.1%) - they missed a 9-year bull market that returned 193%; the crash finally comes but for none of the reasons laid out in the book
- 2001: (11.9)
- 2002: (22.1)

I prefer to follow the lead of people that aren't shills, without an agenda, and who have skin in the game. He might be 90 years old, but the just released 2020 Berkshire Hathaway annual letter written by Warren Buffett makes sense and makes cents!

If you want to read the entire letter please find it here ([2020 Berkshire Hathaway Annual Letter](#)). Here are two highlights I thought would be of interest:

...In its brief 232 years of existence, however, there has been no incubator for unleashing human potential like America. Despite some severe interruptions, our country's economic progress has been breathtaking. Beyond that, we retain our constitutional aspiration of becoming "a more perfect union." Progress on that front has been slow, uneven and often discouraging. We have, however, moved forward and will continue to do so. Our unwavering conclusion: Never bet against America.

Also, almost verbatim to what I have been saying:

...bonds are not the place to be these days. Can you believe that the income recently available from a 10-year U.S. Treasury bond - the yield was 0.93% at yearend - had fallen 94% from the 15.8% yield available in September 1981? In certain large and important countries, such as Germany and Japan, investors earn a negative return on trillions of dollars of sovereign debt. Fixed-income investors worldwide - whether pension funds, insurance companies or retirees - face a bleak future.

I don't know if Peter Schiff is really worth \$70 million, and he refuses to publish his results, but I do know that Warren Buffett is the real deal and worth a lot. Putting Buffett's performance into perspective, \$100 invested in the S&P 500 in 1965 is worth \$20,892, pretty good. That same \$100 invested in Berkshire Hathaway in 1965 is worth \$2,264,480. Most mutual funds struggle to keep pace with the S&P500 and his performance is better by a factor of 100 x, that is incredible.

No one knows for sure what the future will bring, not me, not Warren Buffett and not even Peter Schiff. I can promise you that we are working hard to stay on top of any and all developments that could impact the investments you have entrusted to us.

If you have any questions, concerns or wish to discuss further please reach out. We are here to help.

Sincerely,



Darren J Luck, CIM®
First Vice President, Portfolio Manager
The Luck Financial Group

We understand that you've worked hard, saved and sacrificed. Which is why we have been committed to helping generations of families and business owners meet their goals since 1991.

Source of Historical S&P Data: <https://fm.cnbc.com/applications/cnbc.com/resources/editorialfiles/2021/02/27/2020ltr.pdf>

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Darren Luck is an Investment Advisor with CIBC Wood Gundy in Windsor, Ontario. The views of Darren Luck do not necessarily reflect those of CIBC World Markets Inc.

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